



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

**LABOUR AND
IMMIGRATION
POLICY**



Minimum Wage Review 2019

December 2019

Table of Contents

Chapter one – Approach to the 2019 review	8
Obligation under legislation and international conventions	8
Comprehensive process for the 2019 Review.....	8
Additional factors.....	9
Updated model	9
Chapter two – The economic context for the 2019 review	11
Economic outlook.....	11
Labour market and employment outlook	12
Chapter three – Current and historical minimum wage	15
The current and prescribed minimum wage rates and their coverage	15
The current minimum wage and other income benchmarks	16
Changes to the minimum wage over the past 10 years.....	16
Chapter four – The minimum wage in a global context.....	18
Minimum wage across the OECD	18
Summary of international literature on the minimum wage.....	19
Chapter five – Impacts on New Zealand	23
Impact on wages and inflation	23
Impacts on employment	24
Impacts on poverty	26
Government’s commitment to raise the minimum wage	28
Chapter six – Impacts on workers	29
Cost of living.....	29
Impacts on minimum wage workers.....	30
Feedback from Living Wage Aotearoa and J R McKenzie Trust	38
Feedback from Living Wage Aotearoa New Zealand	39
Feedback from J R McKenzie Trust	39
Feedback from New Zealand Council of Trade Unions (NZCTU).....	40
MBIE comment on worker submissions.....	41
Chapter Seven – Impacts on employers.....	43
Impact on sectors.....	43
Impact on regions.....	44
Feedback from BusinessNZ	46
MBIE comment on employer submissions.....	46
Chapter Eight – Impacts on government	48
Chapter Nine – Setting the rate	55
Recommendations from MBIE	61

Annex One – Scenarios on interface of minimum wage options with other government interventions 63

Executive Summary

This report fulfils a statutory obligation under the *Minimum Wage Act 1983* (the Act) for the Minister for Workplace Relations and Safety to review the minimum wage rates by 31 December each year.

Minimum wage increases are consistent with the Government's vision for the economy and this year's review again unfolds within the context of the Coalition Agreement commitment between the New Zealand Labour Party and New Zealand First Party to 'progressively increase the Minimum Wage to \$20 per hour by 2020, with the final increase to take effect in April 2021'. As presented in this and previous minimum wage annual reports, the minimum wage can help lift the incomes of individuals and families and contribute to improved living standards. However, expected gains from minimum wage increases must be balanced against any potential negative impacts on employers and workers.

This year's review takes place in a cooling economic climate that is tempered by a strong labour market. Despite a slowing annual GDP growth rate of 2.4 per cent, low business confidence and international trade tensions, Stats NZ's labour market statistics for the September 2019 quarter reveal mostly positive figures. The unemployment rate rose slightly from 3.9 per cent to 4.2 per cent, but remains at very low levels. The employment rate has remained steady at 67.5 per cent (2,641,000 individuals). Wage rates also increased 2.4 per cent in the year to September 2019.

Other key labour market statistics for the September 2019 quarter include an underutilisation rate decrease from 11.0 per cent to 10.4 per cent and average ordinary time hourly earnings rising to \$32.65 from \$32.37 in the previous quarter. Statistics, from 2019, indicate that Māori unemployment fell to 8.0 per cent in September 2019, a decrease of 1,800 people compared to September 2018, while Māori who were not in the labour force increased by 8,400 in September 2019 compared to last year's figures.¹ Monetary and fiscal stimulus support is forecast to maintain growth from late 2019 and maintain employment rates to near their maximum sustainable level.

In general, minimum wage increases can be expected to have the following impacts:

- Increased earnings for workers paid the minimum wage
- Increased labour costs for employers
- Inflation pressure
- Employment impacts
- Changed fiscal costs for government.

The size of these impacts depends on the size of the minimum wage increase, the economic and labour market context in which it occurs, and how employers respond to changes. Minimum wage increases are most likely to affect certain demographic groups such as young people, Māori, Pacific peoples, and low-skilled workers, who are more likely to be on low wages.

¹ Stats NZ. (2019). *Infoshare*

This year's review followed a comprehensive process, as required by Cabinet on a four year cyclical basis. Consultation partners included BusinessNZ and the New Zealand Council of Trade Unions (NZCTU), government agencies, Living Wage Aotearoa (regarding outcomes for individuals earning between the living wage and the minimum wage) and J R McKenzie Trust (to examine minimum wage impacts on child poverty and children generally).

Worker representatives reported that minimum wage increases could benefit workers in multiple ways. A higher minimum wage can enable workers to better meet living costs, raise their participation in the labour market, and encourage employers to invest in productivity enhancing initiatives. Employer representatives highlight the risk of reduced employment opportunities for youth, job losses, and no evidence of direct gains to productivity.

The minimum wage rate options developed for this review are as follows:

- Option 1: \$17.70 (status quo)
- Option 2: \$18.20
- Option 3: \$18.70
- Option 4: \$18.90 (published indicative rate)
- Option 5: \$19.40
- Option 6: \$19.90
- Option 7: \$20.55
- Option 8: \$21.15 (the current living wage).

Specific impacts of the minimum wage options are summarised in Table 1.

The Ministry of Business, Innovation and Employment (MBIE) recommends Option 4, increasing the adult minimum wage to \$18.90, and increasing the starting-out and training wages to 80 per cent of the adult minimum wage to \$15.12 (the Act requires that they must be no less than 80 per cent of the adult minimum wage). The recommendation to raise the minimum wage to \$18.90 took into consideration the following factors:

- \$18.90 is the published indicative rate for 2020, which was agreed by Cabinet in December 2018.
- \$18.90 is the mid-point from \$17.70 to increasing the minimum wage to \$20 by 1 April 2021 and provides a balanced approach toward meeting the Government's commitment.
- Up to 242,400 workers (those currently earning up to \$18.90) will receive an increase up to the new minimum wage. New entrants to employment can expect to start at a higher wage rate and many of those earning above the new minimum wage can also expect an increase over time as relative wage rates between different roles are addressed. This represents an increase in hourly wages and overall income for many workers.
- No increase or a small increase would erode the real incomes of the lowest paid workers compared to wage growth and inflation.
- \$18.90 restrains employment less than higher increases to \$19.40, \$19.90, \$20.55 and \$21.15 (options 5 to 8). MBIE estimates that a minimum wage of \$18.90 would mean that approximately 6,500 fewer individuals (our low estimate is 4,000 and

our high estimate is 7,500) would be in employment than there would have been if the minimum wage had not increased. This compares to forecast employment growth of 43,600 in 2020. This year's potential employment effects are lower than last year's estimates.²

- Although the unemployment rate rose slightly to 4.2 per cent, the labour market remains competitive. The employment rate of 67.5 per cent remains at peak sustainable levels and the underutilisation rate fell to 10.4, edging close to the historically low June 2008 rate of 9.9 per cent. The labour market has remained tight despite the \$0.75 and \$1.20 increases to the minimum wage in 1 April 2018 and 1 April 2019, respectively. The Government's indicative rates of \$18.90 for 1 April 2020 and \$20.00 for 1 April 2021 have been widely publicized, which allows businesses to integrate the anticipated rates well in advance.

² 2018's review estimated -5,000 for 'groups most affected', -8,000 for 'all workers between 16 and 64 year olds' and -7,300 for all workers between 16 and 64 years old modelling the direct effect of the minimum wage on employment (label as "minimum wage bite").

Table 1: Summary of impacts of the minimum wage options

Minimum wage rate impact measures	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7	Option 8
Adult minimum wage (hourly rate)	\$17.70	\$18.20	\$18.70	\$18.90	\$19.40	\$19.90	\$20.55	\$21.15
Adult minimum wage (gross weekly income) ³	\$708	\$728	\$748	\$756	\$776	\$796	\$822	\$846
Percentage increase	-	2.82%	5.65%	6.78%	9.60%	12.43%	16.10%	19.49%
Relativity to median wage ⁴	69.4%	71.4%	73.3%	74.1%	76.1%	78.0%	80.6%	82.9%
Relativity to Job Seeker support ⁵	289%	297%	306%	309%	317%	325%	336%	346%
Number of people directly impacted (rounded up to nearest 100)	85,400	176,200	222,000	242,400	311,400	347,400	449,900	518,500
Estimated restraint on employment ⁶	N/A ⁷	N/A	-4,500	-6,500	-11,500	-17,000	-23,500	-30,000
Estimated economy-wide increase in wages (\$m, annual)	-	88	235	306	532	800	1,251	1,731
Estimated inflationary impact/GDP (percentage points)	-	-	0.10%	0.10%	0.20%	0.30%	0.40%	0.60%
Additional annual costs to the government (\$m) ⁸	-	\$20.6	\$47.60	\$61.6	\$89	\$126	\$171	\$220

³ This is calculated on a 40 hour week basis.

⁴ The median hourly earnings are \$25.50 per hour (Labour Market Statistics (Income), June 2019).

⁵ For a single adult, aged 25 or over, receiving \$244.67 (gross) per week.

⁶ The employment effects for '16-64 year olds' are represented. Figures rounded to the 500s.

⁷ MBIE's model does not produce negative employment effects when the rate of change in the minimum wage is smaller than the rate of change in the average wage. For example, an increase in the current minimum wage rate of \$17.70 to \$18.20 represents a 2.8 per cent increase, which is less than the forecast 3.2 per cent increase in the average wage in 2020.

⁸ This is a high level estimate based on the additional costs to the Ministries of Health, Social Development and Education, Oranga Tamariki, Accident Compensation Corporation and New Zealand Defence Force. It does not include potential transfer savings.

Chapter one – Approach to the 2019 review

Obligation under legislation and international conventions

1. The *Minimum Wage Act 1983* (the Act) sets minimum hourly wage rates which provide a floor for wages paid to employees. Minimum wage rates are set through an Order in Council made under section 4 of the Act. The Act requires the responsible Minister to review the minimum wage rates by 31 December each year. The responsible Minister is the Minister for Workplace Relations and Safety.
2. The International Labour Organisation (ILO) also recommends regular reviews of the minimum wage rate to preserve its purchasing power and provide certainty and predictability for employers.⁹ New Zealand is a signatory to the ILO's Minimum Wage-Fixing Machinery Convention (1928), which includes a requirement to ensure an adequate minimum wage rate.¹⁰
3. The responsible Minister makes a decision on the minimum wage rates based on MBIE's advice and notifies Cabinet of any changes. Where there is a change, this is given effect by Order in Council. A change to the minimum wage rates traditionally comes into effect on 1 April and we recommend this date in 2019.

Comprehensive process for the 2019 Review

4. This year's review occurs within the context of the Coalition Agreement commitment between the New Zealand Labour Party and New Zealand First Party to 'progressively increase the Minimum Wage to \$20 per hour by 2020, with the final increase to take effect in April 2021'. Cabinet issued a directive requiring a cyclical process for the annual review, with a comprehensive review every four years and a streamlined review in the intervening years. The difference between a streamlined and a comprehensive review lies in the need to consider 'other relevant factors', determined by the responsible Minister, beyond the core factors of inflation, wage growth and restraint on employment. Comprehensive reviews also consult beyond the social partners and government agencies that normally provide fiscal impacts.
5. 2019 calls for a comprehensive review. Additional factors were considered in relation to minimum wage options and consultation was extended beyond core government agencies, as well as BusinessNZ and NZCTU, to include Living Wage Aotearoa and J R McKenzie Trust. Living Wage Aotearoa provided information about outcomes for individuals earning lower than the living wage but higher than the adult minimum wage, while J R McKenzie Trust helped shed light on minimum wage impacts on child poverty and children generally. A number of government agencies provided feedback on potential fiscal impacts. Their views and submissions have been analysed and reflected in the report.

⁹ International Labour Organisation. (2016). *Minimum wage policy guide*.

¹⁰ Article 4, Convention Concerning the Creation of Minimum Wage-Fixing Machinery, CO26 (1928) (opened for signature 16 June 1928, entered into force 14 June 1930).

6. The review process provides insight into the potential impacts of minimum wage increases in light of the commitment to increase the rate to \$20 by 2021 and of last year's larger-than-recent minimum wage increase.

Additional factors

7. As directed by Cabinet, MBIE focused its analysis on the following core factors when assessing options for the minimum wage rates:
 - inflation
 - wage growth
 - restraint on employment growth
 - fiscal impacts.
8. This year's review also provides information on the following factors:
 - living costs and financial needs of workers and their families
 - the actual incomes of workers and households after tax and social transfers
 - relativity of the minimum wage to welfare benefits and the average and median wages
 - distributional impacts of any minimum wage change
 - the impact of any minimum wage change on poverty
 - the Government's goals for the economy
 - the impacts on different types of employers, including small, medium and large businesses, export and import-reliant businesses, and other employers such as charities.

Updated model

9. In 2018, the model MBIE uses to predict the impact of minimum wages was updated, with an emphasis on improving the estimates about employment effects. More specifically, the elasticities used in the model to estimate the impact of minimum wage changes on employment were updated. These updated elasticities were calculated using a simpler set of explanatory terms, more recent employment data, and addressing some technical issues with our previous calculations. . We explored many different analytical approaches t including:
 - **Groups most affected:** The model only produces predicted employment impacts for the groups most affected by minimum wage changes (16-17 year olds, 18-19 year olds, females, Māori, Pacific peoples)
 - **16-64 year olds (relative impact):** All workers aged between 16 and 64 years old are included and the impact of the change to the minimum wage relative to the average wage is used to assess the employment impacts
 - **16-64 year olds (direct impact):** All workers aged between 16 and 64 years old are included and the model captures the direct employment effect of the proposed minimum wage increase as well as the increase to the average wage separately rather than relative to each other.

10. The lowest and highest results of these three iterations are used to provide a range for the estimated impacts of each minimum wage option. In order to provide an actual figure within this range, the 16-64 year olds 'relative impact' figure is used, as MBIE judges it to be the best estimate of the impacts.

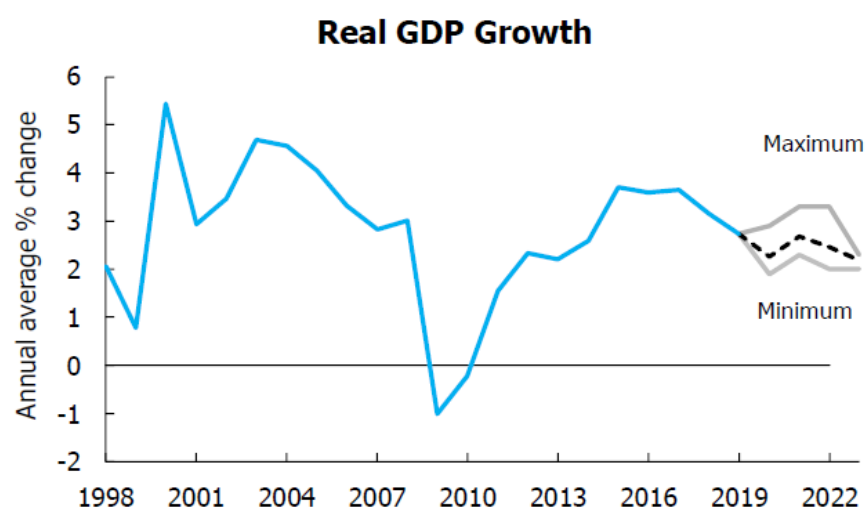
Chapter two – The economic context for the 2019 review

11. This year’s review takes place in a cooling economic climate marked by slowing growth. Global economic conditions have weakened since 2018. Trade disputes, declining trade and overall heightened uncertainty have contributed to lower economic growth. Numerous central banks are easing monetary policy to support their economies.
12. Despite slower growth and rising unemployment, the labour market has proven resilient. Stats NZ’s *Labour Market Statistics: September 2019 Quarter* reports the unemployment rate rising from 3.9 per cent in June 2019, to 4.2 per cent in September 2019, remaining at near historic lows. The employment rate remained unchanged from the June 2019 quarter, at 67.5 per cent (2,641,000 individuals); with the economy adding 6,000 newly employed persons in the quarter.¹¹ The underutilisation rate fell to 10.4 per cent, down 0.6 percentage points. The Labour Cost Index (LCI) salary and wage rates increased 2.4 per cent annually in the year to September 2019.¹²

Economic outlook

13. In New Zealand economic growth has slowed to 2.4 per cent for the June 2019 quarter, with inflation below the Reserve Bank of New Zealand’s (Reserve Bank) 2 per cent target mid-point.¹³ The Consensus Forecasts published by The New Zealand Institute of Economic Research (NZIER) predicts GDP growth to slow to around 2 per cent over 2020 but rising up to 2.7 per cent in 2021.¹⁴ Low interest rates and increased government spending are projected to support the economy over the coming year. Figure 1 shows the history and forecast in real GDP growth from 1998 to 2022.

Figure 1: History and forecast of real GDP growth by NZIER (September 2019)



Source: Statistics NZ, NZIER

¹¹ Stats NZ. (2019). *Labour Market Statistics September 2019*.

¹² Ibid.

¹³ StatsNZ. (2019). *Gross Domestic Product*.

¹⁴ New Zealand Institute of Economic Research. (2019). *Consensus Forecasts September 2019*.

14. The International Monetary Fund (IMF) in their October *World Economic Outlook* update has projected the New Zealand economy to expand by 2.5 per cent in the calendar year 2019, rising to 2.7 per cent in 2020. The IMF has forecast the global economy to expand by three percent in 2019, which reflects its lowest rate since the 2008 global financial crisis. Factors include rising trade barriers, increased uncertainty, specific issues within emerging market economies, and specific factors in advanced economies, including low productivity and ageing demographics. Global economic growth is expected to rise to 3.4 per cent in 2020.¹⁵

Labour market and employment outlook

15. The labour market has tightened. Data from Stats NZ's Labour Market Statistics September 2019 quarter indicated that over the past year:
- the unemployment rate rose from 4.0 per cent in September 2018 to 4.2 per cent in September 2019
 - the underutilisation rate fell from 11.4 per cent in the September 2018 quarter to 10.4 per cent in September 2019. The fall in underutilisation was driven by a drop in the number of underemployed people, i.e. part-time workers looking for more work hours
 - the employment rate fell from 68.0 per cent in September 2018 to 67.5 per cent in September 2019, remaining near its maximum sustainable level
 - labour force participation fell from 70.8 per cent in September 2018 to 70.4 per cent in September 2019.
16. The labour market has remained tight since the 1 April 2019 increase to the minimum wage of \$1.20, and the published indicative rate increases of \$18.90 in 2020 and \$20 in 2021 have been widely publicised.
17. MBIE forecasts employment to grow by 1.7 per cent (or 43,600) in 2020.¹⁶ Figure 2 shows both the history and NZIER's consensus forecast in employment growth from 1998 to 2022.

¹⁵ New Zealand Parliament. (2019). *Monthly Economic Review – November 2019*.

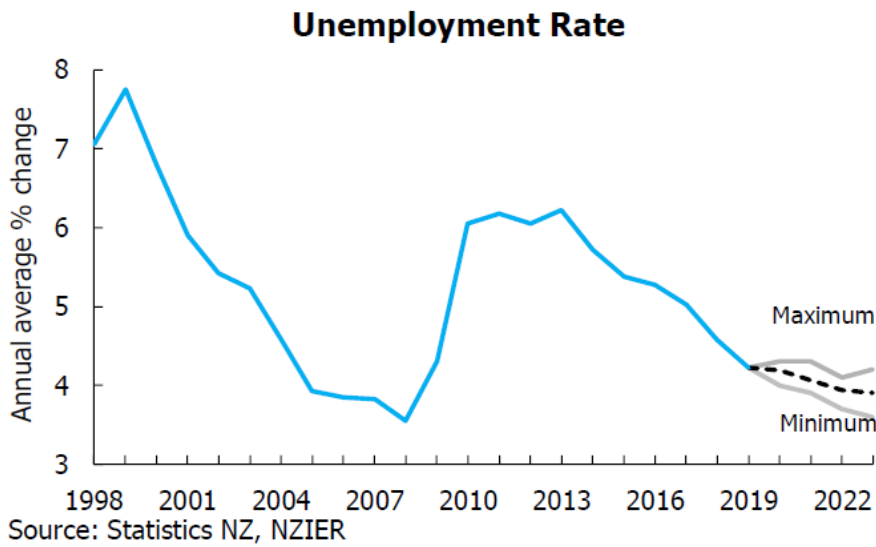
¹⁶ MBIE. (2018). *Short-term Employment Forecasts: 2017-2020*.

Figure 2: History and forecast of employment growth by NZIER (September 2019)



18. Although the unemployment rate rose to 4.2 per cent in September 2019, NZIER forecasts that the unemployment rate will be 4.0 per cent by 2022.¹⁷ Figure 3 shows the history and forecast in the unemployment rate from 1998 to 2022.

Figure 3: History and forecasts of unemployment rate by NZIER (September 2019)



Youth employment

19. The rate of people aged 15-24 years not in employment, education or training (NEET) rose to 10.6 per cent in September 2019 (from 10.3 per cent in June 2019) to a total of 69,000 people.¹⁸ Over the quarter, the number of people who were NEET rose by 2,000. Specifically, an additional 4,000 people aged 20 to 24 year olds became NEET while 2,000 15 to 19 year olds exited from NEET status.

¹⁷ New Zealand Institute of Economic Research. (2019). *Consensus Forecasts September 2019*.

¹⁸ Stats NZ. (2019). *Labour Market Statistics September 2019*.

20. From the start of the data series in 2004, female NEET rates have been consistently higher than male NEET rates.¹⁹ In September 2019 the NEET rate for men was 9.6 per cent, while it was 11.7 per cent for women.

Employment for ethnic groups

21. From September 2018 to September 2019, unemployment rates have risen and fallen for New Zealand's four main ethnic groups:

- European – rose from 3.0 to 3.1 per cent
- Māori – declined from 8.5 to 8.0 per cent
- Pacific peoples – rose from 6.3 to 7.5 per cent
- Asian – rose from 3.8 to 4.2 per cent.²⁰

¹⁹ Ibid.

²⁰ StatsNZ. (2019). *Infoshare HLF180AA*

Chapter three – Current and historical minimum wage

The current and prescribed minimum wage rates and their coverage

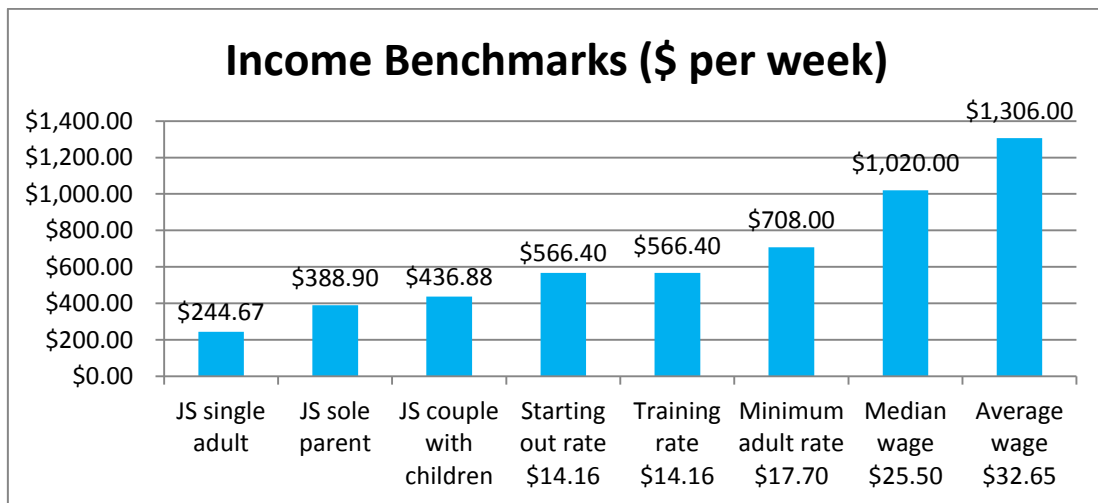
22. The current minimum wage rates prescribed in the Minimum Wage Order 2019 are set out below:
 - the adult minimum wage rate is \$17.70 per hour
 - the starting-out minimum wage rate is \$14.16 per hour
 - the training minimum wage rate is \$14.16 per hour.
23. The adult minimum wage rate applies to all employees aged 16 years and over, unless they are eligible for the starting-out wage or training wage.
24. The starting-out wage was introduced in May 2013. Its purpose is to support more young people entering the workforce and gaining the education and training they need for work. The Act provides that the starting-out wage rate must be set at no less than 80 per cent of the adult minimum wage rate. It is currently set at 80 per cent of the adult minimum wage. The rate applies to an eligible starting-out worker who is either:
 - aged 16 or 17 years who has not completed 6 months continuous employment with his or her current employer, and is not involved in supervising or training other workers;
 - aged 18 or 19 years who has been continuously paid one or more specified social security benefits for not less than 6 months, and has not completed 6 months continuous employment with any employer, and is not involved in supervising or training other workers; or
 - aged 16, 17, 18, or 19 years who is required by his or her contract of service to undertake at least 40 credits a year of an industry training programme for the purpose of becoming qualified for the occupation to which the contract of service relates, and is not involved in supervising or training other workers.
25. The training minimum wage rate applies to a trainee who is:
 - aged 20 years or over;
 - required by his or her contract of service undertake at least 60 credits each year of an industry training programme for the purpose of becoming qualified for the occupation to which the contract of service relates; and
 - is not involved in supervising or training other workers.
26. Minimum wages are paid to approximately 85,400 workers aged 16 to 64, making up approximately 4.2 per cent of all workers in paid employment. The total percentage of minimum wage earners increased from last year's 3.5 per cent, which is to be expected as the minimum wage moves closer to the median wage. Women make up the largest demographic of minimum wage earners, reaching 63 per cent of total workers earning the minimum wage, with part-time workers (60 per cent) and young people (55 per cent) making up the next largest groups. Māori (16 per cent), Pacific peoples (6 per cent), individuals without formal qualifications, disabled workers, and refugees or migrants are also more likely to be paid the minimum wage than other groups of

workers. These workers are more likely to work in retail and hospitality industries. For more detailed information on the demographic and job characteristics of workers paid the minimum wage, refer to chapter six of this report.

The current minimum wage and other income benchmarks

- 27. The current adult minimum wage rate of \$17.70 per hour is approximately 54.2 per cent of the average wage (\$32.65 per hour in the September 2019 Labour Market Statistics) and 69.4 per cent of the median wage (\$25.50 per hour in the June 2019 Labour Market Statistics - income).
- 28. Compared with other income benchmarks, the minimum wage is significantly higher than the rate for sole parents on Jobseeker Support (\$388.90). Figure 4 compares the minimum wage rates with other income benchmarks, all calculated as weekly income for a 40 hour week before tax.

Figure 4: Weekly gross income from minimum wages and other income benchmarks



Changes to the minimum wage over the past 10 years

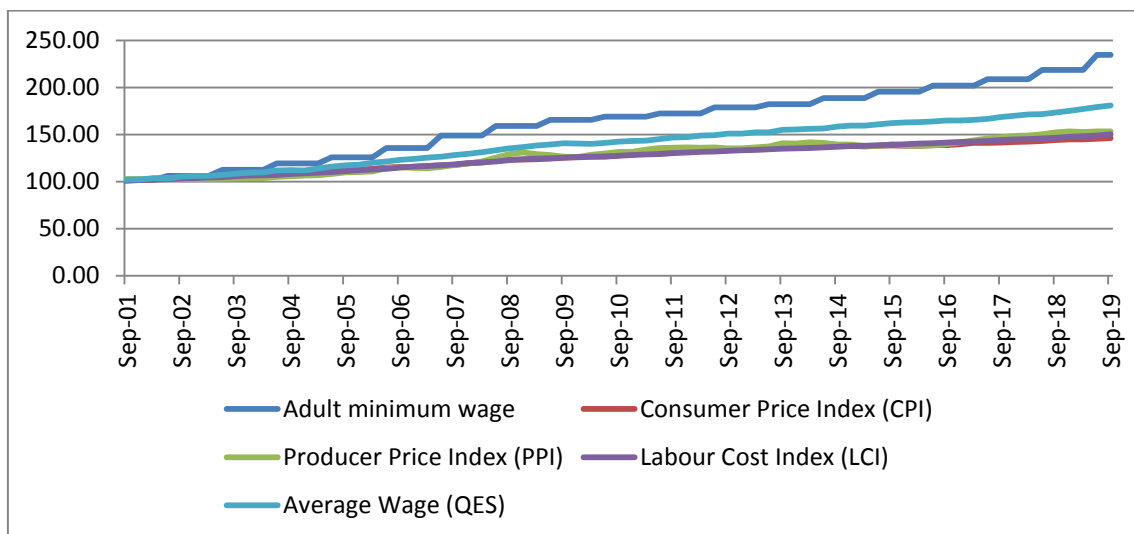
- 29. Over the last decade, the minimum wage rate has increased every year after the completion of the annual review. Table 2 shows the changes in the hourly minimum wage rates since 2009.

Table 2: Recent changes to the minimum wage rates

Time Period	Adult Minimum Wage	Other Minimum Wage ²¹	Per Cent Change (Adult Minimum Wage)
April 2009	\$12.50	\$10.00	4.2%
April 2010	\$12.75	\$10.20	2.0%
April 2011	\$13.00	\$10.40	2.0%
April 2012	\$13.50	\$10.80	3.8%
April 2013	\$13.75	\$11.00	1.9%
April 2014	\$14.25	\$11.40	3.6%
April 2015	\$14.75	\$11.80	3.5%
April 2016	\$15.25	\$12.20	3.4%
April 2017	\$15.75	\$12.60	3.2%
April 2018	\$16.50	\$13.20	4.8%
April 2019	\$17.70	\$14.16	7.3%

30. Figure 5 shows increases in the past minimum wage rates compared with various measurements of inflation over the past 19 years. It shows that the minimum wage rate have increased at a faster rate than general wages and inflation.

Figure 5: Increase in the minimum wage rate compared with various measures of inflation, indexed to September 2001



²¹ This includes the starting-out wage and training wage.

Chapter four – The minimum wage in a global context

Minimum wage across the OECD

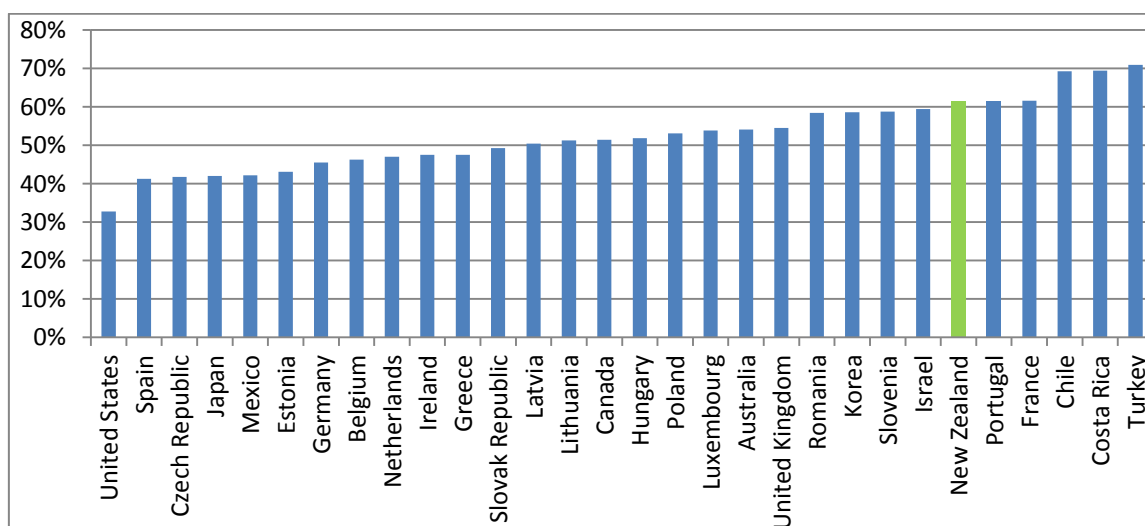
31. New Zealand has a relatively high minimum wage compared to other OECD countries. Only Luxembourg and Australia have higher minimum wages when expressed in \$NZD. Variations in rankings between the annual and hourly datasets in Table 3 below are caused by the different standard working weeks across countries.

Table 3: Ranking of the minimum wage rate across OECD countries, 2019

As Annual Nominal Income ²²			As Hourly Rate ²³		
Rank	Country	\$NZD	Rank	Country	\$(NZD)
1	Luxembourg	\$42,539	1	Luxembourg	\$ 20.87
2	Australia	\$41,229	2	Australia	\$ 20.45
3	New Zealand	\$36,816	3	New Zealand	\$ 17.70
4	United Kingdom	\$33,714	4	France	\$ 17.01
5	Ireland	\$33,295	5	Ireland	\$ 16.62
6	Netherlands	\$32,910	6	Belgium	\$ 16.42
7	Belgium	\$32,444	7	United Kingdom	\$ 16.01
8	Germany	\$32,426	8	Netherlands	\$ 15.82
9	France	\$30,966	9	Germany	\$ 15.59

32. New Zealand has one of the highest ratios of the minimum wage to the median wage amongst OECD countries, as is shown in figure 6.

Figure 6: Comparison of the minimum wage relative to the median wage across OECD countries, 2019²⁴



²² Annual income is assessed by calculating the hourly rate with the standard working week, multiplied by 52 (weeks). The standard working week is 40 hours for most countries except for France (35), Australia (38), Belgium (38), Ireland (39), Israel (42).

²³ The hourly rate is taken from official government sources. The hourly rate is then converted into \$NZD using Inland Revenue's March 2019 *Overseas currency rates 2019 - rolling 12-month average*.

²⁴ Organisation for Economic Co-operation and Development. (2019). *Minimum relative to average wages of full-time workers*.

Summary of international literature on the minimum wage

Division in literature

33. Since the 1990s, academic debate on the employment effects of minimum wage increases has produced two ideological camps: the first suggests that an increase in the minimum wage will result in lower employment of minimum wage workers; while the second argues that minimum wage increases have negligible or even marginally positive employment effects. In a well-publicized example, two studies published in 2017 on the effects of staggered minimum wage increases in Seattle arrived at opposite conclusions.²⁵ The varying outcomes may be traced to study design methods, theoretical bias, or a focus on different econometrics. While useful, academic literature only offers partial insight into the effects of minimum wage increases. A sampling of notable literature is discussed below.

On overall labour market

34. In a study of evidence across 19 OECD countries, no overall effect on total employment was found.²⁶ However, a large majority of the literature argues that while the overall employment effects on the economy may be small or negligible, it is stronger for subsets of the population (as discussed below).
35. A November 2019 study commissioned by the UK Government surveys the international evidence on the impacts of minimum wages. The study finds that minimum wage increases result in limited disemployment effects, while significantly increasing the earnings of low paid workers. Across the United States, the report's evidence suggests that restraint on employment is small when the minimum wage does not exceed 59 per cent of the median wage, although small employment effects were found even in counties with a minimum wage as high as 81 per cent of the median wage. In the UK, a 2016 Low Pay Commission report concluded that the introduction of a national minimum wage resulted in small disemployment effects, while also finding that the minimum wage led to a small reduction in hours. The evidence of small impacts on low wage employment is consistent with recent findings on the effects of minimum wage increases in Germany and Hungary.²⁷
36. A well-publicized 2019 study from the National Bureau of Economic Research offers a positive view on the effects of minimum wage increases.²⁸ It uses a new method that infers the employment effects of a minimum wage increase by comparing the number of excess jobs paying at or slightly above the new minimum wage to the missing jobs paying below it. The effects were estimated against hourly wage data using 138 state-

²⁵ Jardim, E., C.Long, M., Plotnich, R., van Inwegen, E., Vigdor, J., & Wething, H. (2017). *Minimum Wage Increases, Wages, and Low-wage employment: Evidence from Seattle*. University of Washington and Reich, M., Allegretto, S., & Godoey, A. (2017). *Seattle's Minimum Wage Experience 2015-16*. University of California, Berkeley.

²⁶ Sturn, Simon. (2018). Do Minimum Wages Lead to Job Losses? Evidence from OECD Countries on Low-skilled and Youth Employment. *ILR Review*, 71(3), 647-675.

²⁷ Dube, Arindrajit. (2019). *Impacts of minimum wages: review of the international evidence*. University of Massachusetts Amherst, National Bureau of Economic Research and IZA Institute of Labor Economics.

²⁸ Cengiz, Doruk; Dube, Arindrajit; Lindner, Attila, Zipperer, Ben (2019). The Effect of Minimum Wages on Low-Wage Jobs: Evidence from the United States Using a Bunching Estimator. *National Bureau of Economic Research*, working paper 25434.

level minimum wage changes between 1979 and 2016. The study found that the disemployment effects of minimum wage increases were minimal over a five year period, despite some evidence of reduced employment in tradable sectors. The study also suggests that conventional studies produce misleading inferences due to spurious changes in employment higher up the wage distribution ladder.

37. Another study from the United States conducted a meta-analysis of 15 years of research published on the effects of minimum wage increases. The paper reviewed 37 studies and 739 estimates and found that the average estimated employment effect was very small.²⁹
38. A focused study on New York City's \$15 minimum wage increase for restaurant employees, at the end of 2018, demonstrated no negative employment effects. In fact, a strong economy fuelled job and wage growth in the sector despite the minimum wage increase. New York restaurants responded by slightly increasing prices to absorb the cost. Other states including California, Oregon, and Washington also experienced strong employment gains in the food and beverage sector, despite increases to their minimum wage rate.³⁰
39. Despite the positive picture painted by these new studies, other studies suggest a hidden impact on turnover, indicating that minimum wages can impact people not leaving their jobs.³¹ Workers may remain unmatched to a proper skill set, resulting in suboptimal levels of productivity which has adverse effects on the economy if employment is not directly reduced.³²
40. Some studies found that hours of work fall. In a UK study, the lost income from reduced hours worked exceed the gain associated with minimum wage increases, leaving workers with a net loss.³³
41. The Bank of Canada, in a 2018 review of the impact of minimum wages in Canada, found that employment effects are statistically significant, especially for younger workers. The study's structural model simulation estimated that a negative labour supply shock that raises wages by 0.7 per cent would result in a decline in demand for labour, leading to a decline in total hours worked of 0.3 per cent, which equates to a loss of about 60,000 jobs by 2019 (assuming working hours remain unchanged).³⁴

²⁹ Wolfson, Paul J. and Belman, Dale. (2016). 15 Years of Research on U.S. Employment and the Minimum Wage. *Tuck School of Business, Working Paper No. 2705499*.

³⁰ Moe, Lina; Parrott, James; Lathrop, Yannet (2019). *New York City's \$15 Minimum Wage and Restaurant Employment and Earnings*. Center for New York City Affairs at The New School and the National Employment Law Project.

³¹ Geloso, Vincent. (2016). The Turnover-Reducing Effects of the Minimum Wage May Harm the Economy. *Economic Affairs*, 36(3), 318-325.

³² Labour market theory indicates that the economy is more productive when a worker's skills are appropriately 'matched' to their ideal job.

³³ Papps, Kerry L; & Gregg, Paul. (2014). *Beyond the wage: Changes in employment and compensation patterns in response to the national minimum wage*. University of Bath.

³⁴ Brouillette, Dany; Cheung, Calista; Gao, Daniel; & Gervais, Oliver. (2017). *The Impacts of Minimum Wage Increases on the Canadian Economy*. Bank of Canada.

42. In New Zealand, between 1984 and 2004, the number of workers aged over 25 earning the minimum wage decreased significantly from 87 to 54 per cent; while the number of teenagers earning below the minimum wage increased dramatically. The percentage of workers working full-time around the minimum wage fell considerably. Subsequent papers by the same author again finds significant negative employment effects on higher minimum wages, particularly for youth and ethnic minorities.³⁵

On large minimum wage increases

43. In January 2018, the province of Ontario raised its minimum wage from \$11.60 to \$14 per hour. That month, Ontario experienced a decline of over 59,000 part-time jobs.³⁶ While there is no empirical evidence to establish a direct link between the rate hike and the job losses, commentators pointed to the rise in wages as causing the job losses. Premier Doug Ford halted the previous Liberal government's plan to raise the minimum wage to \$15 per hour on January 1st 2019.
44. In South Korea, the minimum wage increased by large rates, rising by 16.4 per cent in 2018 and 10.9 per cent in 2019, with a pledge by President Moon Jae-in to raise the minimum wage to 10,000 Won by 2020. Unemployment rose in January 2019 and businesses reported cutting employee hours of work, although these could be attributed to other factors including a slowing economy and regional trade headwinds.³⁷ In response, the Korean Government announced a rate hike of just 2.9 per cent for 2020, with President Moon Jae-in apologizing for failing to keep his campaign pledge to raise the wage floor to 10,000 Won by 2020. The President cited "economic conditions, employment situations and market receptiveness" for the decision to scale back the promised wage hike.³⁸ Still, in October 2019 Statistics Korea reported an unemployment rate decrease from 3.6 per cent to 3.1 per cent, year-on-year.³⁹
45. In Alberta, Canada, the minimum wage rose by \$1.20 every year for four years from 2014. As of 2017, 25,000 workers had lost their jobs.⁴⁰ In Estonia, the minimum wage increased 10 per cent each year in 2013-16. There were no or only indiscernible effects on employment in the period.⁴¹ In Hungary, the minimum wage increased by 60 per

³⁵ Pacheco, Gail. (2011). *Estimating Employment Impacts with Binding Minimum Wage Constraints*. The Economic Record, vol. 87, No. 279, December 2011, 587-602

³⁶ Statistics Canada. (2018). *Labour force characteristics by province – seasonally adjusted*. Retrieved from <https://www150.statcan.gc.ca/n1/daily-quotidien/180209/t003a-eng.htm>

³⁷ Kim, Cynthia; Yang, Heekyong. Reuters. (2018). *Moonwalking: South Korea's wage, hours policies backfire for jobless, low income worker*. Reuters. Retrieved from <https://www.reuters.com/article/us-southkorea-economy-jobs-insight/moonwalking-south-koreas-wage-hours-policies-backfire-for-jobless-low-income-workers-idUSKBN1K70DD>

³⁸ Yonhap. (2019). *Moon apologizes for failure to keep campaign pledge on minimum wage*. Korean Herald. Retrieved from <http://www.koreaherald.com/view.php?ud=20190714000190>

³⁹ Statistics Korea. (2019). *Economically Active Population Survey in September 2019*. Retrieved from <http://kostat.go.kr/portal/eng/pressReleases/5/2/index.board?bmode=read&aSeq=378064>

⁴⁰ Marchand, Joseph. (2017). *Thinking about Minimum Wage Increases in Alberta: Theoretically, Empirically, and Regionally*. C.D. Howe Institute.

⁴¹ Ferraro, Simona; Hanilane, Birgit; & Staehr, Karsten. (2018). Minimum wages and employment retention: A Microeconomic study for Estonia. *Baltic Journal of Economics*, 18(1), 51-67.

cent in 2001, resulting in 10 per cent of workers losing their jobs while the rest experienced a 50 per cent income increase. New jobs continued to appear equal to the number of lost jobs.

On youth

46. The majority of minimum wage studies focus on youth because evidence shows they are most impacted by the minimum wage.⁴² The literature almost unanimously agrees that for teenagers, a higher minimum wage is associated with: higher earnings,⁴³ reduced hires,⁴⁴ reduced hours,⁴⁵ and reduced turnover. For those in their 20s, the impact is less consistent and less pronounced.⁴⁶

On women

47. In New Zealand, 63 per cent of all minimum wage earners are women. While studies agree that raising the minimum wage would help reduce the gender pay gap, disemployment effects on women have not been robustly studied. However, when the UK introduced a national minimum wage, employment retention for part-time women reduced by 3 per cent.⁴⁷

On ethnic minorities

48. The impact on ethnic minorities has not been generally studied to date. One author found only one robust study which reported that the minimum wage stimulated employment among single African American and Hispanic mothers in the United States, but reduced employment among childless African American and Hispanic people.⁴⁸

⁴² Pacheco, Gail. (2007). The Changing Role of Minimum Wage in New Zealand. *New Zealand Journal of Employment Relations*, 32(3), 2-17.

⁴³ Liu, Shanshan; Hyclak, Thomas J.; & Regmi, Krishna. (2016). Impact of the Minimum Wage on Youth Labour Markets. *LABOUR: Review of Labour Economics & Industrial Relations*, 30(1), 18-37.

⁴⁴ Ibid.

⁴⁵ Pacheco at [24].

⁴⁶ Liu et al. at [25].

⁴⁷ Dickens, Richard; Riley, Rebecca; & Wilkinson, David. (2015). A Re-examination of the Impact of the UK National Minimum Wage on Employment. *Economica*, 82, 841-864.

⁴⁸ Belman, Dale; Wolfson, Paul; & Nawakitphaitoon, Kritkorn. (2015). Who Is Affected by the Minimum Wage? *Industrial Relations*, 54(4), 582-615.

Chapter five – Impacts on New Zealand

49. The following chapters explain how minimum wages can help lift the incomes of individuals and families and contribute to improved living standards. However, some employers and employees can experience negative impacts, depending on the level of the increase and how firms respond to it.

Eight options have been developed to model the impacts of minimum wage increases

50. A range of options were developed to analyse and model the impacts of increasing the minimum wage. The options selected for consideration in this report are:
- Option 1: \$17.70 (status quo)
 - Option 2: \$18.20
 - Option 3: \$18.70
 - Option 4: \$18.90 (published indicative rate)
 - Option 5: \$19.40
 - Option 6: \$19.90
 - Option 7: \$20.55
 - Option 8: \$21.15 (proposed by Living Wage Aotearoa as a 'living wage').⁴⁹
51. These options were developed for assessment and modelling purposes. There is no requirement that the adult minimum wage rate for 2020 should be set at any of these rates.
52. This section outlines the anticipated impacts of the eight minimum wage options on wages and inflation as well as on employment and poverty.

Impact on wages and inflation

53. When the minimum wage increases, labour costs for businesses increase either directly as they employ minimum wage workers, or indirectly because of flow-on effects to the wages of workers paid close to the minimum wage. Businesses may respond by increasing the price of goods produced or services provided. Whether this leads to general inflation depends on the broader drivers of inflation, such as an increase in aggregate demand, changes in consumer preferences, or costs of inputs. It is difficult to predict how businesses will respond to an increase in the minimum wage as they are likely to respond differently.
54. Table 4 shows the number of workers that would be captured in the wage band of each option, the estimated impacts on the economy-wide wage expenditure and the inflationary impacts. As expected, increases to the minimum wage result in more workers captured by the new rate. Economy-wide wage increases also rise with each rate increase. The first two options (\$17.70 and \$18.20) are estimated to have close to zero impact on inflation, options 3 to 7 (\$18.70 to \$20.55) are estimated to lead to a

⁴⁹ This figure is proposed by the Living Wage Aotearoa New Zealand movement. The wage rate based on a market wage that would provide the income necessary to meet a set of specified needs for a family of two adults and two children where one adult works 40 hours per week and the other 20 hours per week.

low increase in inflation and option 8 (\$21.15) is estimated to lead to a moderate increase in inflation.

55. It is helpful to note that the number of workers forecast to earn at the \$17.70 and \$20.55 rate in last year's 2018 Minimum Wage Review was higher than the number of workers listed in the table below. This is because each review of the minimum wage uses the most up to date data available, reflected in each year's June Labour Market Statistics (Income) survey, which includes the impact of ongoing wage movement, not just the effect of raising the statutory minimum wage. The adjustment of the forecasted number of workers against actual labour market statistics was also employed in last year's review.

Table 4: Economy-wide impacts of minimum wage options (figures rounded)

Option	Current number of workers earning between current and new option of minimum wage	Economy-wide increase in wages (\$m, annual)	Expected increase in inflation
\$17.70	85,400	0	0.00%
\$18.20	176,200	88	0.00%
\$18.70	222,000	235	0.10%
\$18.90	242,400	306	0.10%
\$19.40	311,400	532	0.20%
\$19.90	347,400	800	0.30%
\$20.55	449,900	1,251	0.40%
\$21.15	518,500	1,731	0.60%

Impacts on employment

56. Minimum wage increases may have negative employment effects, including lower job growth and reduced hours of work. The extent of these effects will depend on the size of the minimum wage rate increase, the economic and labour market context in which the rate increase occurs and how firms respond.
57. MBIE's modelling indicates that significant restraints on employment growth are only likely to occur when changes to the minimum wage rate are significant compared to increases in the average wage. This is consistent with domestic and international literature.
58. MBIE's model uses economic and employment data to predict the employment impacts of different increases to the minimum wage. The model provides estimates for three groups:

- **Groups most affected:** The model produces predicted employment impacts for aggregate groups most affected by minimum wage changes (16-17 year olds, 18-19 year olds, females, Māori, Pacific peoples)
- **16-64 year olds (relative impact):** All workers aged between 16 and 64 years old are included and the impact of the change to the minimum wage relative to the average wage is used to assess the employment impacts
- **16-64 year olds (direct impact):** All workers aged between 16 and 64 years old are included and the model captures the direct employment effect of the proposed minimum wage increase as well as the increase to the average wage separately rather than relative to each other.

59. Of the three groups below, MBIE uses the figures modelled for the 16 to 64 year olds 'relative impact' since MBIE judges it to be the best estimate of the impacts. As shown in Table 5, the modelling suggests that increases above \$18.90 would significantly restrain employment growth.
60. Even where the overall employment impacts of a minimum wage change are predicted to be negligible, there may still be impacts on particular groups of workers. These impacts are discussed in Chapter Six.

Table 5: Summary of employment impacts⁵⁰

Option	Potential restraint on employment growth		
	Groups most affected	16-64 year olds (relative impact)	16-64 year olds (direct impact)
\$17.70	N/A ⁵¹	N/A	N/A
\$18.20	N/A	N/A	N/A
\$18.70	-2,500	-4,500	-5,000
\$18.90	-4,000	-6,500⁵²	-7,500
\$19.40	-7,000	-11,500	-13,000
\$19.90	-10,000	-17,000	-19,000
\$20.55	-14,500	-23,500	-26,500
\$21.15	-18,000	-30,000	-33,500

⁵⁰ The results in table 5 are based on the Treasury's official wage growth forecasts contained in the Treasury's Budget Economic and Fiscal Update 2019. Restraint on employment estimates found in the Minimum Wage Review 2018 were based on NZIER's wage growth forecasts, found in their Quarterly Predictions.

⁵¹ MBIE's model does not produce negative employment effects when the rate of change in the minimum wage is smaller than the rate of change in the average wage. For example, an increase in the current minimum wage rate of \$17.70 to \$18.20 represents a 2.8 per cent increase, which is less than the forecast 3.2 per cent increase in the average wage in 2020.

⁵² For comparative purposes, restraint on employment estimates for the \$18.90 indicative rate based on NZIER's September 2019 quarterly predictions would be as follows: Groups most affected -3,000; 16-64 year olds (relative impact) -4,500; 16-64 year olds (direct impact) -5,000.

61. These predicted employment impacts are expected to occur in a period of limited but steady employment growth. MBIE forecasts employment to grow by 1.7 per cent (or 43,600) in 2020.⁵³ The longer-term employment forecast is for employment to grow by 1.4 per cent annually, adding about 39,400 workers on average per year to the workforce in the 10 years to 2028.⁵⁴

Impacts on poverty

62. Reducing poverty, particularly child poverty, is a key government objective. Using the primary measures specified in the Government's Child Poverty Reduction Act 2018, baseline estimates for 2017/18 are that between 13 per cent and 23 per cent of New Zealand children live in poverty or material hardship. It is further estimated that around 40 per cent of poor children live in households where there is at least one adult in full time employment or self-employed.⁵⁵
63. There is broad agreement in the international literature that minimum wages are an important protection for workers and help reduce wage erosion effects. The evidence also indicates that under certain conditions (eg growing demand for labour, and no or small disemployment effects) minimum wage increases can be effective in reducing poverty.⁵⁶ Studies and modelling of the disemployment effects of minimum wage rises suggest that these are generally small at an aggregate level, but can be more significant for vulnerable workers.⁵⁷
64. Overall, a key message from the international evidence is that, on their own, minimum wage increases are a 'blunt instrument' for reducing poverty. This is because minimum-wage and other low paid workers can be found in households across the income distribution. In addition, the effects of minimum wages on poverty are highly context specific, with important interaction effects with economic conditions, employment settings, and the tax and transfer system.
65. In New Zealand, 2017 data indicates that about a quarter of people earning at or below the minimum wage are in a parenting role and living in a household with dependent children (35,800 people, or 4 per cent of all main wage and salary earners).⁵⁸ A range of other factors will influence whether the overall incomes of these households are in poverty, including whether there are other earners, hours worked, household size, and entitlement and take-up of government income support (eg

⁵³ MBIE. (2018). *Short-term employment forecasts 2017-2020 – February 2018*.

⁵⁴ MBIE. (2019). *Medium to long-term employment outlook: Looking ahead to 2028*.

⁵⁵ Department of the Prime Minister and Cabinet. (2018). *Child poverty Reduction Proactive Release March 2018*. Retrieved at <https://dpmc.govt.nz/sites/default/files/2018-03/doc-06-cbc-paper-legislating-to-drive-action-to-reduce-child-poverty.pdf>

⁵⁶ Matsaganis, Medgyesi and Karakitsios. (2015). *EU Research Note on interaction between minimum wages, income support, and poverty*. European Commission.

⁵⁷ Dolton et al (2012). The International Experience of Minimum Wages in an Economic Downturn. *Economic Policy*, 27(69); and two meta-analyses cited on pg 8 of Matsaganis et al cited above.

⁵⁸ This is the most recent data available at this time, and does not reflect the impact of the 2018 and 2019 minimum wage increases on the number of minimum wage earners who are parents in households with dependent children.

through tax credits and supplementary assistance). Non-income factors will further influence the extent to which households with children experience material hardship.

66. In order to understand the impact of raising the minimum wage on the income measures in New Zealand, the Child Poverty Unit and Ministry of Social Development analysed the incomes of scenario households earning the minimum wage, taking into account their entitlements.⁵⁹ They then compared those incomes to standard poverty lines to assess whether the proposed minimum wage increase will put households over those lines.⁶⁰ This analysis suggests:

- Single-person households (without children) receiving their entitlements and working 40 hours a week generally have incomes above the before-housing-cost (BHC50, BHC60) and after-housing-cost (AHC40, 50 and 60) poverty lines, depending on actual accommodation costs. Single person households working part-time are likely to have incomes below after-housing-cost poverty lines.
- A sole parent with children working either 20 or 40 hours working on the minimum wage and receiving their in-work entitlements should be above both the before-housing-cost and after-housing-cost poverty lines. This is largely because of the design of the Minimum Family Tax Credit (MFTC), which guarantees low income families with a dependent child or children an after tax minimum income, by ‘topping up’ a household’s earned income to a set level.
- The design of the MFTC also means that increases to the minimum wage will have little impact on the incomes of low income working sole parent families who receive the MFTC, as it has 100% effective marginal tax rate, and any increases in incomes will be cancelled out by an equivalent withdrawal of Government assistance.
- A couple who have children and who are working 40 hours on the minimum wage is also generally likely to be above before-housing-costs poverty lines. Where the incomes of a couple with children sits in comparison to the after-housing-cost poverty lines is less clear because it is even more sensitive to the number of hours worked of both parents and the level of accommodation costs. A couple who have children and who are working full-time on the minimum wage is also likely to have a combined income above the rate of the Minimum Family Tax Credit, meaning that increases to the minimum wage should result in gains for such families.

⁵⁹ These are hypothetical households of different sizes, with different numbers of hours worked, and in different locations (for the purposes of estimating accommodation costs and subsidies). Lower quartile rents and full take-up of entitlements are assumed, noting that available evidence suggest take-up issues for some tax credits and types of assistance, including the Accommodation Supplement and Minimum Family Tax Credit.

⁶⁰ Poverty lines are generally set as a proportion of median incomes (e.g. 40%, 50% or 60%), either before or after housing costs (‘BHC’ or ‘AHC’). New Zealand’s Child Poverty Reduction Act adopts a multi-measure multi-level approach, with four primary and six supplementary measures that consider different depths of child poverty before and after housing costs, and material hardship.

67. Full take-up of entitlements is assumed in the above analysis, however available evidence suggests that there are take-up issues with in-work support, particularly the Accommodation Supplement. Families in households receiving the minimum wage, with high housing costs but not receiving the Accommodation Supplement, have a higher chance of having incomes below the poverty thresholds compared to households receiving the Accommodation Supplement, particularly on the after-housing-cost poverty lines.
68. The introduction of Best Start Tax Credit also increases incomes for low-income working families with young children, and will increase the likelihood that families receiving the payment will have incomes above poverty lines. The impact of Best Start Tax Credit on incomes will continue to increase as it becomes fully rolled out by 2021.
69. The analysis presented above, along with the proportions of those on minimum wages who are parents living with dependent children, suggests that minimum wage increases (on their own) will have a relatively limited impact on measured income poverty for those with children. However, minimum wage increases will still make a material difference to the lives of the families affected and it is possible that increases could make some contribution to Government's child poverty reduction targets.
70. The analysis suggest that minimum wage increases are more likely to have an impact on poverty rates for households without children. This is because they are more likely to be on the lowest wages and receive less government-provided income support to supplement their income (such as through Working for Families, which results in the partial withdrawal of Government assistance).
71. It is more difficult to assess the impact of the minimum wage on material hardship, particularly as levels of material hardship are influenced by a much broader range of factors, other than income. It is always the case, however, that for households with low incomes any ongoing increase in income can have a positive impact on actual day-to-day living conditions.

Government's commitment to raise the minimum wage

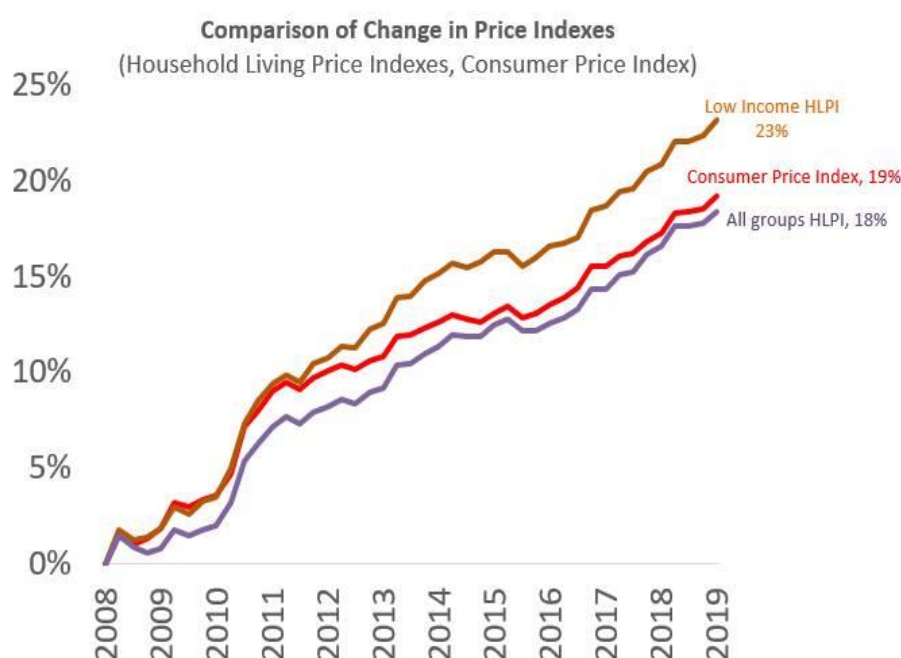
72. The *Minimum Wage Act 1983* requires the Government to reivew the minimum wage each year, and to recommend any changes to the Governor-General. In December 2018 Cabinet agreed to publish indicative rates for the adult minimum wage of \$18.90 for 2020 and \$20 for 2021, in line with the Coalition Agreement. The indicative rates are not binding and are subject to each year's annual review.
73. The published indicative rates were determined in consultation with stakeholders during the 2018 annual review. The majority of stakeholders expressed a preference to reach the \$20 target through even annual increases, as opposed to front-loaded or back-loaded increases. This resulted in the indicative rates of \$17.70 from 2019, \$18.90 from 2020 and \$20 from 2021.

Chapter six – Impacts on workers

Cost of living

74. The Consumer Price Index⁶¹ (CPI) and Household Living-Cost Price Indexes⁶² (HLPI), published by Stats NZ, provide trend data on changes in the cost of living over time. Analysis of this data indicates that low-income and beneficiary households have experienced higher than average inflation over the past decade. Between 2008 and 2018, the cumulative inflation experienced by low-income households was 23 per cent, compared to 19 per cent for households in generally.
75. Figure 7 below shows the price increases experienced by different households.

Figure 7 Comparison of Change in Price Indexes



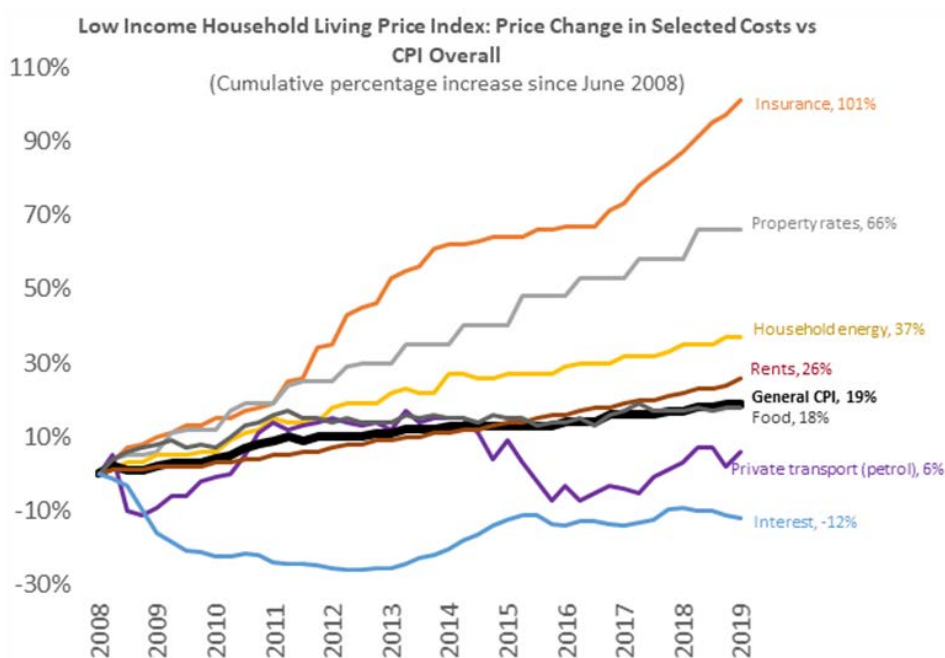
76. Figure 8 below shows the cumulative price changes in key categories of costs for low income households since 2008. The biggest drivers of increases in the cost of living over the past decade are rents, energy, insurance, and rates for local authorities (in that order). These costs saw significant price increases, and make up a sizeable proportion of overall expenditure for households generally.
77. The higher cost of living increases experienced by low income households are primarily due to the fact that items such as rent and electricity account for a greater proportion of the expenditure of these households. As a result, the significant cost increases for these items have had a greater impact on low-income households. These households

⁶¹ The Consumer Price Index measures the change in the price of goods and services for a basket of goods intended to be representative for an 'average' New Zealand household.

⁶² The Household Living-Costs Price Indexes are produced by Stats NZ and track the experience of inflation for different groups (e.g. for beneficiaries, superannuitants and Māori, and by income and expenditure quintiles).

were also less likely to benefit from recent decreases in interest rates, as they are less likely to own their own home and have a mortgage.

Figure 8 Price Change in Selected Costs vs CPI Overall



Impacts on minimum wage workers

The number and demographics of people affected

78. Of the 2,010,900 people employed in New Zealand,⁶³ 4.2 per cent (85,400) are earning the minimum wage in 2019. The following tables estimate the number of workers aged 16 to 64 who are likely to be affected by the minimum wage options.
79. Table 6 shows that a large proportion of workers in the 18 to 19 and 20 to 24 age groups will be affected by even a modest increase in the minimum wage, while an increase to even \$18.20 will impact almost six per cent of adult workers. The greater the increase in the minimum wage, the greater the percentage of workers that are affected.

⁶³ This number only includes wage and salary earners aged 16-64, and excludes workers aged 65 years and older, self-employed, and non-paid employees.

Table 6: Estimated affected adult workers (aged 18 to 64 years)

Option	18-64		18-19		20-24		25-64	
	%	Number	%	Number	%	Number	%	Number
\$17.70	3.7%	72,300	23.4%	14,000	8.2%	20,100	2.3%	38,200
\$18.20	7.9%	156,200	41.7%	25,000	16.5%	40,500	5.4%	90,600
\$18.70	10.1%	199,700	48.4%	29,000	20.8%	50,900	7.2%	119,800
\$18.90	11.1%	219,400	51.9%	31,100	22.8%	55,800	7.9%	132,600
\$19.40	14.5%	287,100	56.6%	33,900	29.9%	73,100	10.8%	180,100
\$19.90	16.3%	322,500	59.4%	35,600	33.5%	82,100	12.3%	204,800
\$20.55	21.5%	423,700	68.6%	41,100	42.3%	103,600	16.7%	279,000
\$21.15	24.9%	492,000	70.6%	42,300	47.6%	116,500	20%	333,100

Note: the per cent column refers to the percentage of workers earning at the relevant wage level among the whole population of wage earners.

80. Table 7 shows that generally, larger numbers of 16 to 17 year olds will be affected by increases in the adult minimum wage than the starting out wage, because few young people are paid the starting-out wage.

Table 7: Estimated affected young workers (aged 16 to 17 years)

Option	Workers aged 16-17 paid at starting-out wage		Option	Workers aged 16-17 paid adult minimum wage	
	%	Number		%	Number
\$14.16	s	s	\$17.70	35.4%	13,000
\$14.56	s	s	\$18.20	54.5%	20,000
\$14.96	s	s	\$18.70	60.8%	22,300
\$15.12	3.5%	1,300	\$18.90	62.4%	22,900
\$15.52	3.5%	1,300	\$19.40	66.2%	24,300
\$15.92	3.8%	1,400	\$19.90	68.1%	25,000
\$16.44	5.7%	2,100	\$20.55	71.1%	26,100
\$16.92	9%	3,300	\$21.15	72.2%	26,500

Note: the per cent column refers to the percentage of workers earning at the relevant wage level among the whole population of wage earners. S represents a number that is suppressed due to a cell value that is lower than 1,000.

81. Workers who are female, Māori, Pacific peoples, without formal qualifications, part-time employees, or working in the retail and hospitality industries are more likely to be paid at the minimum wage rate. These workers are therefore generally more likely to benefit from any increase to the minimum wage rate. However, they may also be the first to experience any negative impacts that could result from a change to the minimum wage (for example, reduced hours or jobs offered or substitution of some groups of workers for others). A significant rise in the level of the minimum wage may have the effect of employment losses and subsequently increased hardship for lower skilled workers.
82. Table 8 shows the proportion of minimum wage earners and total wage earners with certain demographic and job characteristics. The table shows, for example, that 72 per cent of minimum wage earners aged 16 to 24 are part-time workers compared with 17 per cent of all wage earners. Likewise, 33 per cent of minimum wage earners aged 16 to 24 years are studying compared with 12 per cent of all wage earners.

Table 8: Demographics of minimum wage earners

Demographic	% of minimum wage earners			% of total wage earners
	16-24	25-64	16-64	16-64
Aged 16-24 years	100%	0%	55%	17%
Female	55%	73%	63%	50%
European/Pākehā	60%	42%	52%	61%
Māori	17%	15%	16%	13%
Pacific	6%	5%	6%	6%
Part-time	72%	46%	60%	17%
Studying	33%	10%	23%	12%
Total	47,200	38,200	85,400	2,010,900

Young people

83. Minimum wage increases have a greater impact on young people. Those who remain in work will likely see an increase in their wages. However, others might lose their jobs or not gain employment due to the disemployment effects that minimum wage increases can have. Young people who do not successfully transition into employment from education, particularly those with low skills and prolonged periods of inactivity, are at risk of low employability over the long-term. Therefore, there is a risk that increasing the minimum wage significantly could reduce young peoples' well-being over the long-term.

84. Young people tend to earn less than older employees due to their lack of work experience and being in the beginning stages of their career. Table 8 shows that 55 per cent of those earning the minimum wage are between 16 and 24 years old, while the same age group only account for approximately 17 per cent of all workers. However, many young people do not remain in minimum wage jobs long-term as they move on to higher paying jobs as they gain skills and work experience.
85. The former Department of Labour examined the impact of the 2008 youth minimum wage reform, which extended the adult minimum wage rate to the majority of young people aged from 16 years.⁶⁴ The study found that the starting-out wage was largely not used by businesses and that firms generally pay the majority of 16 and 17 year old workers the adult minimum wage. This is still the case today as can be seen in Table 7.
86. The policy change in 2008 coincided with an increase in the adult minimum wage rate of 75 cents and therefore resulted in an overall 8.5 per cent minimum wage increase for 16 and 17 year olds. However, that minimum wage increase reduced the proportion of 16 and 17 year olds in employment by between 3 and 6 per cent (4,500-9,000 jobs). The jobs that were lost by 16 and 17 year olds were generally taken up by people aged 18 to 19 years.

Women

87. Women are more likely than men to be impacted by any changes to the minimum wage rate as they tend to be over represented in low paid employment (for example, part-time and service sector jobs). Table 8 shows that 63 per cent of all minimum wage workers are women, and 73 per cent of minimum wage workers between 25 and 64 years are women. By comparison, just half of the total workforce is female. The number of women earning the minimum wage has increased since last year's review by three per cent for workers between the ages of 16 and 64 and by six per cent for workers between the ages of 25 and 64.

Māori and Pacific peoples

88. Māori are overrepresented among those in low paid jobs and are more likely to be impacted by a minimum wage increase. Māori account for approximately 13 per cent of the total wage earners, and 16 per cent of total minimum wage earners.
89. Māori may be more likely to be adversely affected compared to other ethnic groups by a higher minimum wage. A 2011 study found that Māori who were earning the minimum wage experienced significant falls in their employment and total weekly hours when the minimum wage is increased significantly.⁶⁵ MBIE modelling finds that Māori account for approximately 13 per cent of total wage earners and 16 per cent of total minimum wage earners, which is a one point drop from last year's figures.

⁶⁴ Hyslop, & Stillman. (2011). *Impact of the 2008 Youth Minimum Wage Reform*.

⁶⁵ Pacheco, G. (2011). Estimating Employment Impacts with Binding Minimum Wage Constraints. *The Economic Record*, 87(279), 587-602.

90. Pacific peoples account for around 6 per cent of total wage earners and 6 per cent of total minimum wage earners. However, under some options to increase the minimum wage being considered, they may become overrepresented in relation to the percentage of total minimum wage earners.⁶⁶

Part-time workers

91. Table 8 shows that 72 per cent of workers earning the minimum wage aged 16 to 24 years work part-time, while 46 per cent of the workers earning the minimum wage over 25 years of age work part-time. Therefore, any increase to the minimum wage will directly benefit a large proportion of low paid, part-time workers. They might also experience negative impacts from the response to a minimum wage increase of employers, such as reducing hours and recruiting fewer people.
92. A survey by the former Department of Labour in 2012 found that some employers change their hiring practices in reaction to the changes to the minimum wage in line with the impacts above.⁶⁷ MBIE's 2018 consultation with workers also found that hiring practices change in line with the impacts above.

Students

93. Table 8 shows that 33 per cent of minimum wage workers aged 16 to 24 are in education compared to 12 per cent of the total wage workers. The high proportion of young people in part-time minimum wage jobs while studying suggests that they are likely to move into higher paying, full-time jobs in the future.
94. Higher minimum wages could encourage young people to leave education and join the workforce. But on the other hand, higher wages are likely to be a barrier for young people gaining employment (compared to older workers) and could therefore encourage them to remain in education. The impact depends on the level of the minimum wage, the costs of education, the job opportunities available and young people's perceptions of their employment prospects.
95. A Hyslop and Stillman study (2011) found that the removal of the youth minimum wage in 2008 lowered the employment rate of 16 and 17 year olds by 3 to 6 percentage points within a two-year period after the law changed. Most of the affected were students. The study also found evidence that employment substitution increased for 18 and 19 year olds, i.e. jobs held by 16 and 17 year olds shifted to 18 and 19 year olds, also largely among the student population. In addition, the average hours worked by students between the ages of 16 and 19 fell relative to the hours worked by 20 and 21 year olds.⁶⁸
96. Modelling from last year's minimum wage review, when the adult minimum wage was \$16.50 per hour, indicated that 36 per cent of minimum wage earners between the ages of 16 and 24 were students. This year's data suggests the same metric has

⁶⁶ For example, MBIE's modelling estimates that for an increase to \$18.90, 8 per cent of minimum wage earners aged 16-64 would be Pacific peoples.

⁶⁷ Department of Labour. (2012). *Employers' attitudes and practice around the change to the minimum wage*.

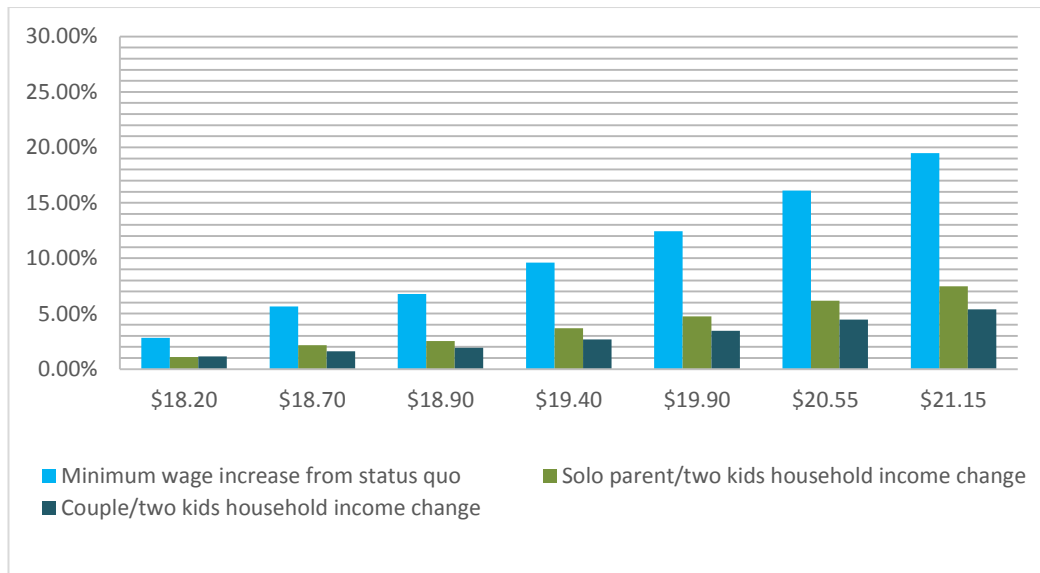
⁶⁸ Hyslop and Stillman, (2011).

dropped to 33 per cent, although there is no evidence to suggest the drop stems from the minimum wage increase to \$17.70 per hour. For example, a stronger labour market may reflect a decrease in the amount of people enrolling in study programs.

Families and interface with other government interventions

- 97. Wages are often only part of the income of low income workers. There are a range of government interventions and initiatives aimed at protecting employment and increasing incomes. These interventions encompass labour market policies, the social assistance system, the taxation system, and education and training policies.
- 98. While increases to the minimum wage rate will generally provide increased incomes for those paid the minimum wage, the net income for a family is affected by taxation and other income support. Within the current policy context, families with dependent children on low to middle incomes will receive tax credits through Working for Families to boost their net family income to help meet the costs of raising a family and receive an accommodation supplement to help meet the costs of housing.
- 99. Figure 7 compares the percentage increase of the various minimum wage options examined in this report to the expected increase in household income (after government transfers) of two different family compositions. It shows that the increase in the minimum wage is not fully realised in increased household income due to abatements of government transfers.

Figure 7: Comparison of percentage increases in minimum wage to increases in household incomes



- 100. Table 9 and Table 10 set out a summary of various scenarios that provide a clear illustration of the combined effect of a wage increase and the abatement of government assistance on household incomes. These scenarios indicate the net gain for a solo parent with two children could be relatively small, and even smaller for a couple with two children. The full set of scenarios can be found in **Annex One**.

Table 9: A couple working a combined 60 hours per week at various minimum wage options with two dependent children living in various regions across New Zealand

Options		Auckland	Ashburton	Whakatane
\$17.70	Combined household net earnings	\$46,752.19	\$46,752.19	\$46,752.19
	Government transfers after abatements	\$21,623.00	\$13,552.60	\$13,966.00
	Total annual household earnings	\$68,375.19	\$60,304.79	\$60,718.19
	Per cent increase in annual earnings	Nil	Nil	Nil
\$18.20 (+2.82%)	Combined household net earnings	\$48,017.50	\$48,672.70	\$48,017.50
	Government transfers after abatements	\$20,843.00	\$12,772.60	\$13,186.00
	Total annual household earnings	\$68,860.50	\$61,445.30	\$61,203.50
	Per cent increase in annual earnings	0.71%	1.89%	0.80%
\$18.70 (+5.65%)	Combined household net earnings	\$49,282.82	\$49,282.82	\$49,282.82
	Government transfers after abatements	\$20,063.00	\$11,992.60	\$12,523.00
	Total annual household earnings	\$69,345.82	\$61,275.42	\$61,805.82
	Per cent increase in annual earnings	1.42%	1.61%	1.79%
\$18.90 (+6.78%)	Combined household net earnings	\$49,788.94	\$49,788.94	\$49,788.94
	Government transfers after abatements	\$19,751.00	\$11,680.60	\$12,211.00
	Total annual household earnings	\$69,539.94	\$61,469.54	\$61,999.94
	Per cent increase in annual earnings	1.70%	1.93%	2.11%
\$19.40 (+9.60%)	Combined household net earnings	\$51,054.26	\$51,054.26	\$51,054.26
	Government transfers after abatements	\$18,971.00	\$10,900.60	\$11,431.00
	Total annual household earnings	\$70,025.26	\$61,954.86	\$62,485.26
	Per cent increase in annual earnings	2.41%	2.74%	2.91%

\$19.90 (+12.43%)	Combined household net earnings	\$52,319.58	\$52,319.58	\$52,319.58
	Government transfers after abatements	\$18,191.00	\$10,120.60	\$10,651.00
	Total annual household earnings	\$70,510.58	\$62,440.18	\$62,970.58
	Per cent increase in annual earnings	3.12%	3.54%	3.71%
\$20.55 (+16.10%)	Combined household net earnings	\$53,964.49	\$53,964.49	\$53,964.49
	Government transfers after abatements	\$17,177.00	\$9,106.60	\$9,637.00
	Total annual household earnings	\$71,141.49	\$63,071.09	\$63,601.49
	Per cent increase in annual earnings	4.05%	4.59 %	4.75%
\$21.15 (+19.49%)	Combined household net earnings	\$55,482.87	\$55,482.87	\$55,482.87
	Government transfers after abatements	\$16,241.00	\$8,571.00	\$8,701.00
	Total annual household earnings	\$71,723.87	\$64,053.87	\$64,183.87
	Per cent increase in annual earnings	4.90%	6.22 %	5.71%

Table 10: A solo parent working 40 hours per week at various minimum wage options with two dependent children living in various regions across New Zealand

Options		Auckland	Ashburton	Whakatane
\$17.70	Combined household net earnings	\$31,685.00	\$30,841.46	\$30,841.46
	Government transfers after abatements	\$28,407.00	\$20,809.80	\$20,867.00
	Total annual household earnings	\$59,248.46	\$51,651.26	\$51,708.46
	Per cent increase in annual earnings	Nil	Nil	Nil
\$18.20 (+2.82%)	Combined household net earnings	\$31,685.00	\$31,685.00	\$31,685.00
	Government transfers after abatements	\$28,147.00	\$20,549.80	\$20,607.00
	Total annual household earnings	\$59,832.00	\$52,234.80	\$52,292.00
	Per cent increase in annual earnings	0.98%	1.13%	1.13%
\$18.70 (+5.65%)	Combined household net earnings	\$32,528.55	\$32,528.55	\$32,528.55
	Government transfers after abatements	\$27,887.00	\$20,289.80	\$20,347.00
	Total annual household	\$60,415.55	\$52,818.35	\$52,875.55

	earnings			
	Per cent increase in annual earnings	1.97%	2.26%	2.26%
\$18.90 (+6.78%)	Combined household net earnings	\$32,865.96	\$32,865.96	\$32,865.96
	Government transfers after abatements	\$27,783.00	\$20,185.80	\$16,967.00
	Total annual household earnings	\$60,648.96	\$53,051.76	\$53,004.96
	Per cent increase in annual earnings	2.36%	2.71%	2.51%
\$19.40 (+9.60%)	Combined household net earnings	\$33,709.51	\$33,709.51	\$33,709.51
	Government transfers after abatements	\$27,523.00	\$19,925.80	\$19,983.00
	Total annual household earnings	\$61,232.51	\$53,635.31	\$53,692.51
	Per cent increase in annual earnings	3.35%	3.84%	3.84%
\$19.90 (+12.43%)	Combined household net earnings	\$34,553.05	\$34,553.05	\$34,553.05
	Government transfers after abatements	\$27,263.00	\$19,665.80	\$19,723.00
	Total annual household earnings	\$61,816.05	\$54,272.80	\$54,276.05
	Per cent increase in annual earnings	4.33%	4.97%	4.97%
\$20.55 (+16.10%)	Combined household net earnings	\$35,649.66	\$35,649.66	\$35,649.66
	Government transfers after abatements	\$26,914.00	\$19,316.80	\$19,374.00
	Total annual household earnings	\$62,563.66	\$54,966.46	\$55,023.66
	Per cent increase in annual earnings	5.60%	6.42%	6.41%
\$21.15 (+19.49%)	Combined household net earnings	\$36,661.91	\$36,661.91	\$36,661.91
	Government transfers after abatements	\$26,290.00	\$18,692.80	\$18,750.00
	Total annual household earnings	\$62,951.91	\$57,553,354.71	\$55,411.91
	Per cent increase in annual earnings	6.25%	7.17%	7.16%

Feedback from Living Wage Aotearoa and J R McKenzie Trust

101. As part of this year's comprehensive review, MBIE engaged in additional consultation with organisations that could provide insight into specific informational needs identified by the Government. The consultation was limited in scope in light of the published indicative rates for 2019 and 2020. Specifically, Living Wage Aotearoa was consulted on the impact of wage rates lower than the living wage but higher than the

minimum wage. J R McKenzie Trust was invited to provide feedback on the impact of minimum wage changes on poverty and, in particular, child poverty.

Feedback from Living Wage Aotearoa New Zealand

102. The living wage is a current benchmark for many businesses and government bodies in New Zealand, in particular, those seeking formal accreditation and access to the associated trademark. It is different from the minimum wage because it is not determined by government but by the independent group, the Family Centre Social Policy Research Unit, and based on the assessed needs of the individual. In addition, while the minimum wage is mandatory and applies to the country as a whole, employers adopt the Living Wage on a voluntary basis.
103. The living wage is defined by Living Wage Movement Aotearoa NZ 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.”
104. Living Wage Aotearoa New Zealand emphasised the positive benefits the organization has noted from employers who have adopted the living wage, including how some employees are able to choose to reduce their work hours to spend more time with family.
105. The calculation of the living wage takes into account a range of data sets, including household energy costs, health and transport and is announced annually on April 1, with an implementation date for Living Wage Employers of September 1. Every five years the rate is fully reviewed to consider the changing cost structure for households.

Feedback from J R McKenzie Trust

106. J R McKenzie Trust (the Trust) notes that minimum wage policy settings, in isolation, are unable to address child poverty or poverty in general. The minimum wage must work in conjunction with other policy settings (housing, childcare subsidies, Working for Families) to achieve meaningful outcomes. That said, the Trust sees increases to the minimum wage as an important factor in the fight against poverty and supports the Government’s objective to increase the minimum wage. Minimum wages should continue to rise even if their impacts are difficult to measure. The Trust points to dramatic decreases in poverty rates in Alberta in recent years, with increases to the minimum wage identified as a contributing factor.
107. The Trust is not aware of evidence to indicate that raising the minimum wage to the indicative levels of \$18.90 in 2020 and \$20 in 2021 would result in significant job losses. The Trust also states that pay parity adjustments for workers earning slightly above the minimum wage should be welcomed as a positive flow-on effect.
108. The Trust also encourages the Government to continue to focus its attention and research on the interplay between child poverty and minimum wages, which will help improve the outcomes around child and family poverty. A long-term focus on the

contribution of the minimum wage to poverty rates should remain integral to the annual minimum wage review.

109. The Trust also notes that in 1946 the minimum wage was 83 per cent of the average wage, which is close to the \$20.55 option considered in last year's minimum wage review. The implication is that the minimum wage should be set higher than the published indicative rates.

Feedback from New Zealand Council of Trade Unions (NZCTU)

110. The NZCTU was invited by the Minister for Workplace Relations and Safety to provide a submission on the 2019 minimum wage review. This year's response closely mirrors NZCTU's 2018 submission. The NZCTU considers that:

- The minimum wage must be increased significantly as New Zealand workers have low wages compared to other developed countries.
- Strong increases in productivity are needed to sustain higher wages.
- There is a need to ensure productivity is passed on to workers in their wages (and that this has not been the case in recent years) through collective bargaining.

111. The NZCTU notes that an increase in the minimum wage addresses the needs of low income workers, narrows the wage gap with Australia, encourages employers to invest in productivity, reduces inequality and poverty, and increases labour participation rates.

112. The NZCTU prefers an immediate rise in the minimum wage to 66 per cent of the average ordinary time wage, which they estimate to reach \$33.02 by the end of March 2020. 66 per cent of \$33.02 amounts to a preferred minimum wage of \$21.80 from 1 April 2020.

113. Alternatively, they suggest the minimum wage could progress to the 66 per cent target over a three year period, using an estimated average ordinary time wage of \$35.35 in March 2022. 66 per cent of \$35.35 amounts to a minimum wage of \$23.33 from 1 April 2022. They propose dividing each annual wage increase into three equal percentage increases of 9.6 per cent. Accordingly, the NZCTU suggests minimum wage rates of \$19.41 from 1 April 2020, \$21.28 from 1 April 2021, and \$23.33 from 1 April 2022.

114. Without prejudice to its preferred rise to the minimum wage, the NZCTU also submitted that the Government's target of \$20.00 by 2021 should be accelerated to recognize both the urgency of improving wages and incomes to low households and to recognize that in 2019 average wage growth has been faster than Treasury's budget forecasts.⁶⁹ At a minimum, they submit the minimum wage should increase by \$1.30 to \$19.00 in April 2020 and that the \$20.00 target for 2021 be raised in light of rising wages and costs.

⁶⁹ NZCTU relies on Fiscal Strategy Model Economic Forecasts from Budget 2019 measured against Quarterly Employment Survey results in 2019.

115. The NZCTU considers that low wages are a barrier to economic development and productivity, as well as being a social issue. It notes that the public subsidises poor remuneration and productivity through wage subsidies such as Working for Families. In addition, the gap between growth in real wages and labour productivity has been widening since 2009. The NZCTU notes that because of weak collective bargaining in New Zealand, the minimum wage is the only means the Government has to address this misallocation of resources. It also considers international salary differentials as limiting New Zealand's ability to attract or retain skilled workers. The NZCTU advocates increased collective bargaining to ensure low and middle income earners benefit from rising wages and strongly supports the implementation of Fair Pay Agreements in furtherance of this goal.
116. The NZCTU considers that a higher minimum wage increases equity and can improve productivity. The NZCTU strongly supports the Government's target to increase the minimum wage significantly, taking into account the relative strength of New Zealand's economy, low wage growth since the global recession and the history of low wages in New Zealand. The NZCTU also submits that minimum wage increases have very small or no effect on employment or unemployment, highlighting a 2019 U.S. study supporting its position as well as the near historical fall in New Zealand's unemployment rate despite a 7.3 per cent jump in the minimum wage rate in 2019.
117. The NZCTU also made the following points:
- The calculation of the minimum wage as a fortnightly rate should be removed from the Minimum Wage Order.
 - The objective of the minimum wage is flawed and needs to change (it assumes minimum wages are at the correct level and lead to job losses when increased).
 - Low minimum wages have trapped workers and employers in a low-skill low-wage equilibrium.
 - The starting and training minimum wages should be replaced by the adult minimum wage
 - Minimum wage exemption permits should be repealed
 - Enforcement of the minimum wage is inadequate and should be better funded.
 - Increases to the minimum wage help narrow the gender pay gap.

MBIE comment on worker submissions

118. MBIE has considered the submissions from the NZCTU and worker representatives as part of its review of the minimum wage.
119. MBIE has assessed the NZCTU's proposals of \$21.80 (preferred step for 1 April 2020), \$19.41 (suggested alternative step for 1 April 2020) and \$19.00 (suggested approach to the \$20 target). The impacts of these proposals are outlined in Table 11.

Table 11: Assessment of NZCTU's proposals for the minimum wage (rounded)

Option	Workers affected	Inflationary impact (%)	Annual increase in wage (\$m)	Constraint on employment (16-64 year olds)⁷⁰
\$21.80	564,800	0.8%	2,331	-36,500
\$19.41	312,000	0.2%	537	-12,000
\$19.00	245,800	0.1%	344	-7,500

120. While the \$21.80 and \$19.41 options would significantly increase the real incomes of low-paid workers, both are estimated to lead to significant constraint on employment growth and have inflationary impacts of 0.8% and 0.2%, respectively. However, while \$19.00 would also significantly increase the real incomes of low-paid workers, the impacts on employment are much lower.
121. As in last year's submission, NZCTU have raised concerns with the fortnightly minimum wage rate, the objective of the minimum wage and the enforcement of compliance with minimum wage provisions. These points are not within scope of the current review, but will be considered if the minimum wage policy is reviewed more broadly in the future.

⁷⁰ This column is rounded to the closest 500s.

Chapter Seven – Impacts on employers

122. Changes to the level of the minimum wage can affect not just those receiving the minimum wage but also those who are paid close to it. When the minimum wage increases, some employers increase the wages of workers paid above the minimum wage to maintain wage relativity to the minimum wage. The flow-on effect is also considered to be a consequence of employers benchmarking wage increases to the minimum wage, as regular increases to the minimum wage rate can be useful for their initial wage-setting.

Impact on sectors

123. The impact of a minimum wage increase on each sector depends on the number of employees earning the minimum wage and close to it in those sectors. In New Zealand (and in many countries), employers in the hospitality, retail, and manufacturing sectors are more likely to have staff paid at, or close to the minimum wage than employers in the professional/technical services, and health industries as indicated in Table 12 below.
124. Table 12 provides an overview of the number of minimum wage earners in different sectors. The sector with the greatest number of minimum wage earners is the hospitality industry, with 23,300 workers (just over 20 per cent of hospitality workers). Other sectors with a high number of minimum wage earners are retail (20,800), manufacturing (7,700), and administrative services (5,700).

Table 12: Minimum wage workers by sector

Sector	Workers		Working Hours	Their Earnings
	% of total workers	Number	% of total hours	% of total earnings
Agriculture	3.2%	2,500	1.8%	1.2%
Mining	S	S	S	S
Manufacturing	4.1%	7,700	3.4%	2%
Utilities	S	S	S	S
Construction	1.3%	2,000	0.9%	0.5%
Wholesale	2.8%	2,500	2.4%	1.3%

Retail	9.9%	20,800	6.3%	4.5%
Hospitality	20.1%	23,300	12.6%	10.6%
Transport and Storage	2.2%	2,000	1.5%	0.9%
Information and Telecommunications	S	S	S	S
Finance	S	S	S	S
Real Estate	4.2%	1,400	2.2%	1.1%
Professional Services	1%	1,700	0.6%	0.3%
Administrative Services	9.1%	5,700	7%	4.3%
Public Administration	1%	1,400	1%	0.5%
Education	2.2%	4,100	1%	0.6%
Health	2.1%	4,700	1.3%	0.7%
Arts and Recreation	3.9%	1,300	2.3%	1.3%
Other Services	3.5%	2,600	2.5%	1.7%
Total	4.2%	85,400	2.6%	1.5%

Impact on regions

125. The impact of the minimum wage in the regions is determined, in part, by understanding both the number and proportion of minimum wage earners in that region. Table 13 provides an overview of the number of minimum wage earners across New Zealand. As expected, Auckland continues to be the region with the greatest number of minimum wage earners, due to its size.
126. However, the proportion of minimum wage workers compared to all workers in each region provides a different story than the actual number of workers. This year's modelling indicates that the Northland region has a higher proportion of workers earning the current minimum wage than other regions, making up 6.7 per cent of all workers. Other regions with a high number of minimum wage earners include Gisborne/Hawke's Bay (5.8 per cent), Tarankai (5.6 per cent) and Manawatu-Wanganui (5.1 per cent).
127. As the minimum wage options increase, so does the proportion of workers in each region who are captured by the minimum wage.

Table 13: Number of minimum wage workers in each region (and as a percentage of all workers in each region)

Options	Northland	Auckland	Waikato	Bay of Plenty	Gisborne/Hawke's Bay	Taranaki	Manawatu-Wanganui	Wellington	Nelson/Tasman/Marlborough/West Coast	Canterbury	Otago	Southland
\$17.70 (Status quo)	3,900 (6.7%)	23,800 (3.3%)	8,600 (4.7%)	5,100 (4.3%)	4,600 (5.8%)	2,700 (5.6%)	4,900 (5.1%)	9,700 (4%)	3,200 (4.5%)	12,300 (4.8%)	4,800 (4.9%)	1,700 (4%)
\$18.20	7,200 (12.4%)	54,600 (7.6%)	16,300 (8.9%)	10,200 (8.5%)	8,900 (11.1%)	5,300 (11%)	10,200 (10.7%)	17,400 (7.2%)	6,800 (9.7%)	24,800 (9.7%)	9,500 (9.7%)	4,900 (11.5%)
\$18.70	9,500 (16.4%)	67,500 (9.4%)	20,400 (11.1%)	13,200 (11.1%)	11,100 (13.9%)	7,100 (14.7%)	13,000 (13.6%)	21,900 (9%)	8,600 (12.2%)	31,200 (12.2%)	12,700 (13%)	5,700 (13.4%)
\$18.90	10,100 (17.4%)	73,400 (10.2%)	22,800 (12.4%)	14,300 (12%)	12,000 (15%)	7,500 (15.6%)	15,000 (15.7%)	24,000 (9.9%)	9,000 (12.8%)	34,400 (13.5%)	13,300 (13.6%)	6,600 (15.5%)
\$19.40	12,000 (20.7%)	99,700 (13.9%)	28,200 (15.4%)	18,500 (15.5%)	15,200 (19%)	8,800 (18.3%)	19,100 (20%)	28,700 (11.8%)	11,800 (16.8%)	42,500 (16.7%)	18,700 (19.2%)	8,300 (19.5%)
\$19.90	14,100 (24.4%)	110,200 (15.3%)	32,000 (17.4%)	21,400 (17.9%)	16,600 (20.8%)	9,500 (19.7%)	20,300 (21.2%)	31,100 (12.8%)	13,300 (18.9%)	48,300 (18.9%)	21,600 (22.1%)	9,000 (21.2%)
\$20.55	17,500 (30.2%)	146,400 (20.4%)	40,900 (22.3%)	28,800 (24.1%)	21,900 (27.4%)	12,200 (25.3%)	26,400 (27.6%)	39,500 (16.3%)	18,100 (25.7%)	59,900 (23.5%)	27,200 (27.9%)	11,000 (25.9%)
\$21.15	19,400 (33.5%)	167,800 (23.4%)	46,100 (25.1%)	33,700 (28.2%)	25,000 (31.3%)	14,400 (29.9%)	31,200 (32.6%)	46,100 (19%)	20,200 (28.7%)	68,600 (26.9%)	32,600 (33.4%)	13,500 (31.8%)

Feedback from BusinessNZ

128. BusinessNZ was invited by the Minister for Workplace Relations and Safety to provide a submission on the 2019 minimum wage review.
129. As in last year's submission, BusinessNZ reiterated its message that a review be undertaken to look into the role and effect of the minimum wage in light of increases in recent years, as well as world events that have affected the economy and wages. The minimum wage should also be set as a percentage of the median wage, with the percentage determined by the review, and limited by inflation as measured by the Consumer Price Index.
130. BusinessNZ noted that as the minimum wage rises, so too does the number of people paid the minimum wage. The government should focus on enabling increased access to training and employment to achieve higher productivity and increased real earnings over time.
131. BusinessNZ also made the following points:
- Most employees on the starting-out wage are not in a vulnerable position and do not rely on the minimum wage as a long-term source of income
 - Minimum wage increases reduce job opportunities for youth as their productivity is below their comparable wage level
 - Minimum wage increases do not, in and of themselves, boost productivity
 - Minimum wage increases lead to job losses
 - Minimum wage increases can shift manufacturing overseas
 - Further increases may dissuade youth from education and training
 - The sectors most affected (hospitality, retail, manufacturing, produce, and tourism) are also the gateway to long-term employment for young people, as they contain a significant number of entry level jobs.
132. BusinessNZ recommends that consideration also be given to changing the approach to the minimum wage away from an hourly rate, to that of averaging income over hours worked. Business NZ considers that the current approach effectively increases the costs of the job, without changing its value and also increases the cost of "passive work" such as callouts, standby and sleeping.
133. Finally, BusinessNZ recommends that consideration be given to the use of tax cuts, rather than the minimum wage, to increase real wages for low wage workers. BusinessNZ notes that this approach would mitigate the negative effects of the abatement of government transfer payments such as Working for Families as a household's income rises from minimum wage increases.

MBIE comment on employer submissions

134. MBIE has considered the submissions from BusinessNZ as part of its review of the minimum wage.

135. BusinessNZ submitted that as the minimum wage rate increases, so too do the number of people that are paid the minimum wage. MBIE uses a range of evidence in the minimum wage model to estimate the number of people that are paid the minimum wage. There has not been any evidence in recent years that the number of minimum wage earners has significantly increased (Table 14), although the latter does not take into account pay parity adjustments. It is also possible that large increases over a short period of time could increase the proportion of minimum wage workers, at least temporarily, although the jump of \$1.20 from \$16.50 to \$17.70 only resulted in a small 0.7 per cent increase in the overall proportion of minimum wage earners.

Table 14: Number of people paid the minimum wage from past reviews

Review year	Number of people paid the minimum wage	% of total workers
2012	84,800	3.8%
2013	54,600	2.4%
2014	62,700	2.7%
2015	74,900	3.2%
2016	73,300	2.9%
2017	76,400	3.9%
2018	71,500	3.5%
2019	85,400	4.2%

136. BusinessNZ also noted that minimum wage increases reduce job opportunities for youth. MBIE appreciates that minimum wage increases have a greater impact on young people. Young people who do not successfully transition into employment from education, particularly those with low skills and prolonged periods of inactivity, are at risk of low employability over the long-term. According to last year's review, 61 per cent of individuals earning the minimum were between 16 and 24 years old, with the percentile decreasing to 55 per cent according to the latest data. The same group accounts for only 17 per cent of all workers (individuals between 16 and 64 years of age) who are earning the minimum wage.

Chapter Eight – Impacts on government

137. Increases to the minimum wage are expected to have direct and indirect fiscal impacts for some government agencies. This section summarises these estimated impacts.
138. The Ministries of Health, Accident Compensation Corporation, Ministry of Social Development, Ministry of Education and Oranga Tamariki were identified as the agencies most likely to be affected by any change to the minimum wage rate. MBIE requested feedback on anticipated material impacts.
139. In addition, MBIE canvassed over thirty Public Service and Non-Public Service Departments to learn whether the published indicative minimum wage increases (\$18.90 in 2020 and \$20.00 in 2021) were expected to have a direct material impact, or an impact on departments under their oversight. Most of the agencies reported no material impact from anticipated increases to direct costs since their remuneration rates are currently above the minimum wage. However, a number of agencies did raise the possibility of budgetary impacts as a result of the likely need to make pay relativity adjustments. The only agency within this group to report direct material impacts is the New Zealand Defence Force (NZDF), since military recruits are paid at the minimum wage rate.
140. Likewise, a number of agencies projected no fiscal pressures from payments to service contractors, while others reported that their ability to fund those contracts could be impacted as a result of minimum wage increases. A few agencies reported the possibility that organizations under their oversight or that receive funding could experience fiscal pressure as a result of impacts to their direct costs. In particular, the Ministry for Culture and Heritage advised that several of the Crown entities and Non-governmental Organisations (NGOs) it funds would be materially impacted by the anticipated increases to the minimum wage.
141. The Ministry of Health, Accident Compensation Corporation, Ministry of Social Development, Ministry of Education and Oranga Tamariki indicated that minimum wage increases are likely to have an impact. Since NZDF also anticipates material impacts, its feedback on the rate options is included below. For these agencies, total annual costs directly related to a minimum wage increase are estimated to be (in millions):
- Option 1: 0
 - Option 2: \$20.6m
 - Option 3: \$47.6m
 - Option 4: \$61.6m
 - Option 5: \$89m
 - Option 6: \$126m
 - Option 7: \$171m
 - Option 8: \$220m

142. A breakdown of these estimates by agency is provided below.⁷¹ The Ministry of Health advises that it, along with some District Health Boards (DHBs), may not be able to meet all of these potential increases within their baseline funding.

Ministry of Health

143. The Ministry of Health (MoH) has identified three main areas in the health sector where a minimum wage increase is likely to have a substantial fiscal impact:

- **Direct workforce costs for District Health Boards (DHBs).** Direct workforce costs are limited to staff who have contracted hours. Staff that are covered by individual employment agreements are unlikely to be affected by the rate options since only a small number are employed at the proposed minimum wage levels.
- **Increased funding costs for increased wages for third party employers.** A number of private sector organisations provide services that are funded through either DHB or MoH provider contracts. Support workers make up the majority of the workforce within these organisations and are often paid at rates only slightly higher than the minimum wage. Any increase to the minimum wage is likely to result in significant costs to these organisations and indirect funding implications through any resulting increase in the contract rates and requirements under the Care and Support Worker (Pay Equity) Settlement Act 2017.
- **Costs relating to in-between travel and sleepover wages.** The Government is required to pay some workers for travel between clients and sleeping overnight at their workplace while on duty. These settlements apply to some providers of health-related services. Increases to the minimum wage at rates higher than \$18.20 are projected to incur significant costs to the Ministry of Health.

144. The MoH advises that the majority of the minimum wage options would have relatively minor direct fiscal implications for DHBs, up to the rate option of \$20.55. However, it advises that there would be significant increased costs for funding of third party employers, and in-between travel and sleepover wages.

⁷¹ These figures are subject to their own assumptions and caveats based on the individual methodologies used by each agency.

145. The total cost implications for each option are summarised in Table 15.

Table 15: Indicative increased costs for the Ministry of Health under each option

Option	DHB direct wage costs	Funding for third-party employers	In-between travel and sleepover wages	Estimated total increase costs for health sector
\$17.70	\$5,068	-	-	\$5,068
\$18.20	\$9,759	\$8,201,100	-	\$8,210,859
\$18.70	\$16,850	\$16,402,200	\$4,649,493	\$21,068,543
\$18.90	\$29,757	\$19,682,640	\$9,298,980	\$29,011,378
\$19.40	\$112,455	\$28,766,415	\$11,158,492	\$40,037,362
\$19.90	\$419,285	\$38,573,916	\$20,457,483	\$59,450,685
\$20.55	\$1,045,913	\$51,709,893	\$26,503,419	\$79,259,226
\$21.15	\$2,334,495	\$68,113,600	\$32,081,218	\$102,529,314

Accident Compensation Corporation

146. The Accident Compensation Corporation (ACC) advises that minimum wage increases up to \$21.15 would not have any direct workforce impacts. However, increases up to this point are expected to have an impact on funding for third-party employers and weekly compensation reports. The estimated costs associated with each option are outlined below.

Table 16: Indicative increased costs for the Accident Compensation Corporation under each option

Option	Funding for third-party employers	Weekly compensation costs	Total
\$17.70	-	-	-
\$18.20	4,310,998	\$3,782,491	8,093,489
\$18.70	8,621,997	\$7,564,982	16,186,979
\$18.90	10,346,396	\$9,077,978	19,424,374
\$19.40	14,657,394	\$12,860,469	27,517,863
\$19.90	18,968,393	\$16,642,960	35,611,353
\$20.55	24,572,690	\$21,560,198	46,132,888
\$21.15	29,745,888	\$26,099,187	55,845,075

147. In addition to anticipated third-party funding and weekly compensation costs, a minimum wage increase is expected to impact ACC's outstanding claims liability (OCL). The outstanding claims liability (OCL) is an actuarial estimate of the funds required now to meet the future cost of all existing ACC claims. For the indicative rate of \$18.90, ACC estimates an OCL impact of \$50 million. This impact does not impose an

immediate cost on the Crown, but does have an impact on the solvency of the ACC scheme (the measure of ACC's assets to liabilities). Impacts from OCL estimates can be recovered through the levy setting process and through appropriations. The estimated impacts associated with each option are outlined in table 17.

Table 17: Anticipated impacts to ACC's OCL under each option

Option	OCL impact
\$17.70	-
\$18.20	\$9,000,000
\$18.70	\$39,000,000
\$18.90	\$50,000,000
\$19.40	\$103,000,000
\$19.90	\$157,000,000
\$20.55	\$226,000,000
\$21.15	289,000,000

Ministry of Social Development

148. The Ministry of Social Development (MSD) advises that the change to the minimum wage would not have a direct effect on their wage costs as the current minimum hourly rate for all permanent, short term and casual staff is \$21.15 per hour. All marginal costs relate to MSD's Home Help programme, which provides financial assistance to eligible people who require temporary part-time help to complete domestic tasks (normally performed in their homes). MSD increases the home help hourly rate by the same percentage as any increase in the minimum wage. This ensures that the amount paid for home help workers does not fall below the minimum wage.
149. The expected cost increase for MSD from different wage options are outlined in the following table. The negative values reflect the fact that MSD has already budgeted for a minimum wage of \$18.50 from April 2020 based on the Treasury's Budget and Economic Fiscal Update 2019 report.

Table 18: Indicative increased costs for MSD under each option

Option	Home Help Programme
\$17.70	(\$84,000)
\$18.20	(\$31,000)
\$18.70	\$21,000
\$18.90	\$41,000
\$19.40	\$94,000
\$19.90	\$147,000
\$20.55	\$214,000
\$21.15	\$276,000

Ministry of Education

150. In the education sector, a large number support staff (ground staff, caretakers, cleaners, support staff and untrained teachers) are low paid. Support staff are paid from individual schools' operating grants, which means that marginal costs resulting from increases to the minimum wage would largely need to be met by Boards of Trustees from school operational funding. Increases to school operational funding is part of the annual Budget process. The level of increase to minimum wage rates would add a cost pressure for Boards, dependant on the level of future increases to school operational funding.
151. The Ministry of Education reports that the figures below are likely to be affected by collective bargaining negotiations for non-teaching staff and forthcoming pay equity settlement negotiations.

Table 19: Indicative increased costs for the Ministry of Education under each option

Option	Estimated total increased cost for the Ministry of Education
\$17.70	-
\$18.20	\$3,067,947
\$18.70	\$8,239,804
\$18.90	\$10,652,964
\$19.40	\$17,680,448
\$19.90	\$25,767,100
\$20.55	\$38,036,703
\$21.15	\$51,920,452

Oranga Tamariki

152. Oranga Tamariki advises that all of its direct employees are paid at least \$21.15 an hour, meaning that minimum wage options are not expected to have a marginal impact on workforce costs. All marginal costs relate to increased funding and

procurement costs from increased wages for third party employers delivering social services (eg counselling, social welfare, youth and community services).

153. Table 20 shows the predicted marginal costs to Oranga Tamariki as a result of different minimum wage increases.

Table 20: Indicative increased costs for Oranga Tamariki under each option

Option	Estimated total increased cost for Oranga Tamariki
\$17.70	-
\$18.20	\$853,632
\$18.70	\$1,265,472
\$18.90	\$1,500,096
\$19.40	\$2,261,376
\$19.90	\$3,272,256
\$20.55	\$4,959,552
\$21.15	\$6,891,456

New Zealand Defence Force

154. The New Zealand Defence Force (NZDF) advises that raising the minimum wage to the \$18.90 indicative rate would result in a direct material impact, since military recruits and officer cadets are remunerated at minimum wage rates upon enlistment.
155. Anticipated costs resulting from an increase in the minimum wage amount to approximately \$1,000,000 from an increase to \$18.90 in 2020. The NZDF reports that the figures below are likely to be affected by ongoing collective bargaining negotiations.

Table 21: Indicative increased costs for the NZDF under each option

Option	Estimated total increased cost for the NZDF
\$17.70	-
\$18.20	\$400,000
\$18.70	\$800,000
\$18.90	\$1,000,000
\$19.40	\$1,400,000
\$19.90	\$1,800,000
\$20.55	\$2,300,000
\$21.15	\$2,800,000

Potential impacts on the tax and transfers system

156. Although increases to the minimum wage are predicted to increase wage costs for government, they are also expected to impact the tax and transfers system and other social policy programmes. While it is not possible to quantify the exact impacts, MBIE expects the following outcomes:

- a minimum wage increase could lead to decreased spending as a result of lower entitlements being paid out due to higher abatement rates of welfare benefits and other social assistance (eg Working for Families Tax Credits)
- the number of people required to make student loan repayments could increase, as well as the repayment rates attached to the loans
- the amount of KiwiSaver contributions could rise, which could increase costs if more people receive their full member tax credit entitlement
- it is expected that PAYE tax paid by employees will increase, but government revenue is likely to be offset by a decrease in corporate tax paid by employers (as wages are a line item expense, i.e. deductible from employer gross revenue)
- an increase in the minimum wage may lead to more people having more disposable income, which could result in greater consumer spending and the collection of more GST.

Chapter Nine – Setting the rate

157. This section summarises the assessment of the options to increase the minimum wage rate for the Minimum Wage Review 2019. Key information relating to each option is presented, including predicted impacts generated by MBIE’s minimum wage model on inflation, wages growth and restraint on employment.
158. The review also considers the following additional factors identified by the Minister for Workplace Relations and Safety:
- living costs and financial needs of workers and their families
 - the actual incomes of workers, and households after tax and social transfers
 - relativity of the minimum wage to welfare benefits and the average and median wages
 - distributional impacts of any minimum wage change
 - the impact of any minimum wage change on poverty
 - the Government’s goals for the economy
 - the impacts on different types of employers, including small, medium and large businesses, export and import-reliant businesses, and other employers such as charities.
159. These factors provide useful contextual information and additional insights into the impacts of minimum wage increases. Although it has not always been possible to quantify these additional factors in respect to each option, a number of broad conclusions can be drawn:
- The gross earnings of workers, families, and households will increase as the minimum wage increases and this may make it easier for minimum wage earners and their families to meet living costs. However, because tax and social transfers (eg Working for Families, Accommodation Supplement) are designed to assist low paid workers, particularly those with dependent children, the net increase to household incomes can be reduced, often markedly.
 - Those most likely to benefit from minimum wage increases (eg youth, females, Māori and Pacific peoples working in the hospitality, retail, manufacturing and administrative services sectors) are also the most likely to be impacted by reduced hours or lower jobs growth.
 - The minimum wage is currently set at a level where individuals and families working full-time are generally above income poverty line measures. However, minimum wage increases may reduce poverty rates for households that do not work full-time hours or do not receive social transfers. They may also have some impact on rates of material hardship.
 - The impact of minimum wages increases vary across employers. Employers with a large number or proportion of minimum wage earners are most likely to be impacted.

160. This section concludes with MBIE’s recommendation to increase the adult minimum wage to \$18.90 (option 4) and increase the starting-out and training wages so that they remain at 80 per cent of the adult minimum wage (\$15.12).

Option 1: \$17.70 per hour (current minimum wage rate)

Table 22: Employment impacts of option 1

Minimum wage rate impact measures	Impact of option 1
Adult minimum wage (hourly rate)	\$17.70
Adult minimum wage (gross weekly earnings) ⁷²	\$708
Percentage increase	-
Relativity to median wage ⁷³	69%
Relativity to Job Seeker support ⁷⁴	289%
Number of people directly impacted (rounded up to nearest 100)	85,400
Estimated restraint on employment	N/A ⁷⁵
Estimated economy-wide increase in wages (\$m, annual)	0
Estimated inflationary impact/GDP	0
Additional annual wage costs to the government (\$m)	0

161. This option would reduce the relative value of the current minimum wage paid to about 85,400 workers and is therefore not consistent with government policy. It would also mean that, in order to meet the Government’s commitment to increase the minimum wage to \$20 by 2021, a large increase of \$2.30 in 2021 would be required.
162. This option would not constrain employment growth and there would be no impact on national weekly wage earnings or inflation. It would have no marginal fiscal cost to government. Currently an employee receiving the minimum wage receives \$708 gross per 40 hour work week.

Option 2: \$18.20 per hour

Table 23: Employment impacts of option 2

Minimum wage rate impact measures	Impact of option 2
Adult minimum wage (hourly rate)	\$18.20
Adult minimum wage (gross weekly earnings)	\$728
Percentage increase	2.82%
Relativity to median wage	71.4%
Relativity to Job Seeker support	297%
Number of people directly impacted (rounded up to nearest 100)	176,200
Estimated restraint on employment	N/A

⁷² This is calculated on a 40 hour week basis.

⁷³ The median hourly earnings are \$25.50 per hour (Labour Market Statistics (Income), June 2019).

⁷⁴ For a single adult, aged 25 or over, receiving \$244.67 (gross) per week.

⁷⁵ MBIE’s model does not produce negative employment effects when the rate of change in the minimum wage is smaller than the rate of change in the average wage.

Estimated economy-wide increase in wages (\$m, annual)	88
Estimated inflationary impact/GDP	0
Additional annual wage costs to the government (\$m) ⁷⁶	\$20.6

163. This option represents a 2.82 per cent increase to the minimum wage rate. Two examples of the impact on the actual incomes of minimum wage workers are presented below. These examples represent high and low percentage increases in net weekly income, but not necessarily the most prevalent minimum wage earners.
- A full-time employee receiving no tax credits or other income support would receive \$728 gross per 40 hour work week. Their net weekly income would increase by \$16.22 (2.68 per cent), from \$603.11 to \$619.33.
 - An Auckland-based couple, both earning the minimum wage, working a combined 60 hours a week, with two dependent children, and receiving Working for Families and an accommodation supplement, would see their net weekly income increase by \$9.33 (0.71 per cent), from \$1,314.90 to \$1,324.24.
164. This option could directly affect up to 176,200 workers and increase annual economy wide wages by \$88 million. It is estimated it would have no impact on inflation or negative employment effects. It could have an annual fiscal cost of \$20.6 million to government.

Option 3: \$18.70 per hour

Table 24: Employment impacts of option 3

Minimum wage rate impact measures	Impact of option 3
Adult minimum wage (hourly rate)	\$18.70
Adult minimum wage (gross weekly earnings)	\$748
Percentage increase	5.65%
Relativity to median wage	73.3%
Relativity to Job Seeker support	305%
Number of people directly impacted (rounded up to nearest 100)	222,000
Estimated restraint on employment	-4,500
Estimated economy-wide increase in wages (\$m, annual)	235
Estimated inflationary impact/GDP	0.10%
Additional annual wage costs to the government (\$m)	\$47.6

165. This option represents a 5.65 per cent increase to the minimum wage rate. Examples of the impact on the actual incomes of minimum wage workers are:
- A full-time employee receiving no tax credits or other income support would receive \$748 gross per 40 hour work week. Their net weekly income would increase by \$32.44 (5.38 per cent), from \$603.11 to \$635.55.
 - An Auckland-based couple, both earning the minimum wage, working a combined 60 hours a week, with two dependent children, and receiving

⁷⁶ This is a high level estimate based on the additional costs to the Accident Compensation Corporation, Ministries of Health, Social Development and Education, and Oranga Tamariki.

Working for Families and an accommodation supplement, would see their net weekly income increase by \$18.67 (1.42 per cent), from \$1,314.90 to \$1,333.57.

166. This option could directly affect up to 222,000 workers and increase annual economy wide wages by \$235 million. It is estimated that this rate would result in 4,500 fewer individuals in employment than there would have been if the minimum wage had not increased, compared to forecast employment growth of 43,600 in 2020. It could have an annual cost of \$47.6 million to government, and would not affect inflation.

Option 4: \$18.90 per hour (recommended option)

Table 25: Employment impacts of option 4

Minimum wage rate impact measures	Impact of option 4
Adult minimum wage (hourly rate)	\$18.90
Adult minimum wage (gross weekly earnings)	\$756
Percentage increase	6.78%
Relativity to median wage	74.1%
Relativity to Job Seeker support	308%
Number of people directly impacted (rounded up to nearest 100)	242,400
Estimated restraint on employment	-6,500
Estimated economy-wide increase in wages (\$m, annual)	306
Estimated inflationary impact/GDP (percentage points)	0.10%
Additional annual wage costs to the government (\$m)	\$61.6

167. This option represents a 6.78 per cent increase to the minimum wage rate. Examples of the impact on the actual incomes of minimum wage workers are:
- A full-time employee receiving no tax credits or other income support would receive \$756 gross per 40 hour work week. Their net weekly income would increase by \$38.93 (6.45 per cent), from \$603.11 to \$642.04.
 - An Auckland-based couple, both earning the minimum wage, working a combined 60 hours a week, with two dependent children, and receiving Working for Families and an accommodation supplement, would see their net weekly income increase by \$22.42 (1.70 per cent), from \$1,314.90 to \$1,337.3.
168. This option could directly affect up to 242,400 workers and increase annual economy wide wages by \$306 million. It is estimated that this rate would result in 6,500 fewer individuals in employment than there would have been if the minimum wage had not increased, compared to forecast employment growth of 43,600 in 2020. It could have an annual fiscal cost of \$61.6 million to government, and is estimated to increase inflation by 0.1 per cent.

Option 5: \$19.40 per hour

Table 26: Employment impacts of option 5

Minimum wage rate impact measures	Impact of option 5
Adult minimum wage (hourly rate)	\$19.40
Adult minimum wage (gross weekly earnings)	\$776
Percentage increase	9.60%
Relativity to median wage	76.1%
Relativity to Job Seeker support	317%
Number of people directly impacted (rounded up to nearest 100)	311,400
Estimated restraint on employment	-11,500
Estimated economy-wide increase in wages (\$m, annual)	532
Estimated inflationary impact/GDP (percentage points)	0.2%
Additional annual wage costs to the government (\$m)	\$89

169. This option represents a 9.60 per cent increase to the minimum wage rate. Examples of the impact on the actual incomes of minimum wage workers are:
- A full-time employee receiving no tax credits or other income support would receive \$776 gross per 40 hour work week. Their net weekly income would increase by \$55.15 (9.14 per cent), from \$603.11 to \$658.26.
 - An Auckland-based couple, both earning the minimum wage, working a combined 60 hours a week, with two dependent children, and receiving Working for Families and an accommodation supplement, would see their net weekly income increase by \$31.73 (2.41 per cent), from \$1,314.90 to \$1,346.63.
170. This option could directly affect up to 311,400 workers and increase annual economy wide wages by \$532 million. It is estimated that this rate would result in 11,500 fewer individuals in employment than there would have been if the minimum wage had not increased. This is compared to forecast employment growth of 43,600 in 2020. It could have an annual fiscal cost of \$89 million to government, and is estimated to increase inflation by 0.2 per cent.

Option 6: \$19.90 per hour

Table 27: Employment impacts of option 6

Minimum wage rate impact measures	Impact of option 6
Adult minimum wage (hourly rate)	\$19.90
Adult minimum wage (gross weekly earnings)	\$796
Percentage increase	12.43%
Relativity to median wage	78%
Relativity to Job Seeker support	325%
Number of people directly impacted (rounded up to nearest 100)	347,400
Estimated restraint on employment	-17,000
Estimated economy-wide increase in wages (\$m, annual)	800

Estimated inflationary impact/GDP (percentage points)	0.3%
Additional annual wage costs to the government (\$m)	\$126

171. This option represents a 12.43 per cent increase to the minimum wage rate. Examples of the impact on the actual incomes of minimum wage workers are:
- A full-time employee receiving no tax credits or other income support would receive \$796 gross per 40 hour work week. Their net weekly income would increase by \$71.38 (11.83 per cent), from \$603.11 to \$674.49.
 - An Auckland-based couple, both earning the minimum wage, working a combined 60 hours a week, with two dependent children, and receiving Working for Families and an accommodation supplement, would see their net weekly income increase by \$41.07 (3.12 per cent), from \$1,314.90 to \$1,355.97.
172. This option could directly affect up to 347,400 workers and increase annual economy wide wages by \$800 million. It is estimated that this rate would result in 17,000 fewer individuals in employment than there would have been if the minimum wage had not increased. This is compared to forecast employment growth of 43,600 in 2020. It could have an annual fiscal cost of \$126 million to government, and is estimated to increase inflation by 0.3 per cent.

Option 7: \$20.55 per hour

Table 28: Employment impacts of option 7

Minimum wage rate impact measures	Impact of option 7
Adult minimum wage (hourly rate)	\$20.55
Adult minimum wage (gross weekly earnings)	\$822
Percentage increase	16.10%
Relativity to median wage	80.6%
Relativity to Job Seeker support	335%
Number of people directly impacted (rounded up to nearest 100)	449,900
Estimated restraint on employment	-23,500
Estimated economy-wide increase in wages (\$m, annual)	1,251
Estimated inflationary impact/GDP (percentage points)	0.4%
Additional annual wage costs to the government (\$m)	\$171

173. This option represents a 16.10 per cent increase to the minimum wage rate. Examples of the impact on the actual incomes of minimum wage workers are:
- A full-time employee receiving no tax credits or other income support would receive \$822 gross per 40 hour work week. Their net weekly income would increase by \$92.46 (15.33 per cent), from \$603.11 to \$695.57.
 - An Auckland-based couple, both earning the minimum wage, working a combined 60 hours a week, with two dependent children, and receiving Working for Families and an accommodation supplement, would see their net weekly income increase by \$53.20 (4.04 per cent), from \$1,314.90 to \$1,368.10.

174. This option could directly affect up to 449,900 workers and increase annual economy wide wages by \$1,251 million. It is estimated that this rate would result in 23,500 fewer individuals in employment than there would have been if the minimum wage had not increased. This is compared to forecast employment growth of 43,600 in 2020. It could have an annual fiscal cost of \$171 million to government, and is estimated to increase inflation by 0.4 per cent.

Option 8: \$21.15 per hour

Table 29: Employment impacts of option 8

Minimum wage rate impact measures	Impact of option 8
Adult minimum wage (hourly rate)	\$21.15
Adult minimum wage (gross weekly earnings)	\$846
Percentage increase	19.49%
Relativity to median wage	82.9%
Relativity to Job Seeker support	345%
Number of people directly impacted (rounded up to nearest 100)	518,500
Estimated restraint on employment	-30,000
Estimated economy-wide increase in wages (\$m, annual)	1,731
Estimated inflationary impact/GDP (percentage points)	0.6%
Additional annual wage costs to the government (\$m)	\$220

175. This option represents a 19.49 per cent increase to the minimum wage rate. Examples of the impact on the actual incomes of minimum wage workers are:
- A full-time employee receiving no tax credits or other income support would receive \$846 gross per 40 hour work week. Their net weekly income would increase by \$111.93 (18.5 per cent), from \$603.11 to \$715.04.
 - An Auckland-based couple, both earning the minimum wage, working a combined 60 hours a week, with two dependent children, and receiving Working for Families and an accommodation supplement, would see their net weekly income increase by \$64.40 (4.89 per cent), from \$1,314.90 to \$1,379.30.
176. This option could directly affect up to 518,500 workers and increase annual economy wide wages by \$1,731 million. It is estimated that this rate would result in 30,000 fewer individuals in employment than there would have been if the minimum wage had not increased. This is compared to forecast employment growth of 43,600 in 2020. It could have an annual fiscal cost of \$220 million to government, and is estimated to increase inflation by 0.6 per cent.

Recommendations from MBIE

Setting the minimum wage rates

177. Setting the adult minimum wage rate requires balancing the benefits of any changes to the rate, such as the protection of the lowest paid employees, against the costs that any change to the rate might bring, such as restraint on employment growth. It also

requires that the Government's goals for the economy, particularly the commitment to increase the minimum wage to \$20 by 2021, are taken into account.

178. In light of these considerations, MBIE recommends increasing the adult minimum wage rate to \$18.90 (option 4). This option is preferred because:
- \$18.90 is the mid-point from \$17.70 to increasing the minimum wage to \$20 by 1 April 2021 and provides a balanced approach toward meeting the Government's commitment. It is also the indicative rate, so employers will be expecting and preparing for the increase.
 - Up to 242,400 workers (those currently earning up from \$17.70 to \$18.90) will receive an increase up to the new minimum wage. New entrants to employment can expect to start at a higher wage rate and many of those earning above the new minimum wage can also expect an increase over time as relative wage rates between different roles are addressed. This represents an increase in hourly wages and overall income for many workers.
 - No increase or a small increase would erode the real incomes of the lowest paid workers compared to wage growth and inflation.
 - \$18.90 restrains employment less than higher increases to \$19.40, \$19.90, \$20.55 and \$21.15 (options 5 to 8). MBIE estimates that a minimum wage of \$18.90 would mean that approximately 6,500 (our low estimate is 4,000 and our high estimate is 7,500) fewer individuals would be in employment than there would have been if the minimum wage had not increased. This compares to forecast employment growth of 43,600 in 2020. This year's estimated employment effects are lower than last year's figures.⁷⁷
 - Although the unemployment rate rose slightly to 4.2 per cent, the labour market remains competitive. The employment rate of 67.5 per cent remains at peak sustainable levels and the underutilisation rate fell to 10.4, edging close to the historically low June 2008 rate of 9.9 per cent. The labour market has remained tight despite the \$0.75 and \$1.20 increases to the minimum wage in 1 April 2018 and 1 April 2019, respectively. The Government's indicative rates of \$18.90 for 1 April 2020 and \$20.00 for 1 April 2021 have been widely publicized, which allows businesses to integrate the anticipated rates well in advance.
179. An increase to \$18.90 equates to an increase of \$1.20 an hour or 6.78 percent. As inflation is 1.5 per cent for the year to September 2019, the real increase in income of this option is 5.28 percent.
180. MBIE also recommends maintaining the starting-out and training minimum wage rates at 80 per cent of the adult minimum wage (\$15.12). A differential between these rates and the adult minimum wage rates supports the transition of youth into employment.

⁷⁷ 2018's review estimated -5,000 for 'groups most affected', -8,000 for 'all workers between 16 and 64 year olds' and -7,300 for all workers between 16 and 64 years old captured by the minimum wage bite (now labelled as the "direct effect" of the minimum wage increase).

Annex One – Scenarios on interface of minimum wage options with other government interventions

The six scenarios in this annex are:

- A couple with two children working a combined 60 hours per week and
 - **Scenario 1:** living in Avondale, Auckland paying median rent of \$550
 - **Scenario 2:** living in Ashburton, Canterbury paying median rent of \$340
 - **Scenario 3:** living in Whakatane, Bay of Plenty paying median rent of \$390.
- A solo parent with two children working 40 hours per week and:
 - **Scenario 4:** living in Avondale, Auckland paying median rent of \$550
 - **Scenario 5:** living in Ashburton, Canterbury paying median rent of \$340
 - **Scenario 6:** living in Whakatane, Bay of Plenty paying median rent of \$380.

Scenario 1: A couple with two children working a combined 60 hours per week, living in Avondale, Auckland paying median rent of \$550

Scenario 1a:				\$17.70		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$708.00	\$36,816.00	\$5,462.80	\$511.74	\$30,841.46
Parent B	20	\$354.00	\$18,408.00	\$2,241.40	\$255.87	\$15,910.73
Combined net earnings without other income support				\$46,752.19		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$3,131.00		
Total Working for Families assistance after abatement				\$11,262.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$5,499.00		
Total accommodation supplement after abatement				\$10,361.00		
Effective annual earnings for the household				\$68,375.19		
Percentage increase in minimum wage				0.00%		
Percentage increase in annual earnings				0.00%		

Scenario 1b				\$18.20		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$728.00	\$37,856.00	\$5,644.80	\$526.20	\$31,685.00
Parent B	20	\$364.00	\$18,928.00	\$2,332.40	\$263.10	\$16,332.50
Combined net earnings without other income support				\$48,017.50		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$3,521.00		
Total Working for Families assistance after abatement				\$10,872.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$5,889.00		
Total accommodation supplement after abatement				\$9,971.00		
Effective annual earnings for the household				\$68,860.50		
Percentage increase in minimum wage				2.82%		
Percentage increase in annual earnings				0.71%		

Scenario 1c:				\$18.70		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$748.00	\$38,896.00	\$5,826.80	\$540.65	\$32,528.55
Parent B	20	\$374.00	\$19,448.00	\$2,423.40	\$270.33	\$16,754.27
Combined net earnings without other income support				\$49,282.82		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$3,911.00		
Total Working for Families assistance after abatement				\$10,482.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$6,279.00		
Total accommodation supplement after abatement				\$9,581.00		
Effective annual earnings for the household				\$69,345.82		
Percentage increase in minimum wage				5.65%		
Percentage increase in annual earnings				1.42%		

Scenario 1d:				\$18.90		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$756.00	\$39,312.00	\$5,899.60	\$546.44	\$32,865.96
Parent B	20	\$378.00	\$19,656.00	\$2,459.80	\$273.22	\$16,922.98
Combined net earnings without other income support				\$49,788.94		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$4,067.00		
Total Working for Families assistance after abatement				\$10,326.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$6,435.00		
Total accommodation supplement after abatement				\$9,425.00		
Effective annual earnings for the household				\$69,539.94		
Percentage increase in minimum wage				6.78%		
Percentage increase in annual earnings				1.70%		

Scenario 1e:				\$19.40		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$776.00	\$40,352.00	\$6,081.60	\$560.89	\$33,709.51
Parent B	20	\$388.00	\$20,176.00	\$2,550.80	\$280.45	\$17,344.75
Combined net earnings without other income support				\$51,054.26		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$4,457.00		
Total Working for Families assistance after abatement				\$9,936.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$6,825.00		
Total accommodation supplement after abatement				\$9,035.00		
Effective annual earnings for the household				\$70,025.26		
Percentage increase in minimum wage				9.60%		
Percentage increase in annual earnings				2.41%		

Scenario 1f:				\$19.90		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$796.00	\$41,392.00	\$6,263.60	\$575.35	\$34,553.05
Parent B	20	\$398.00	\$20,696.00	\$2,641.80	\$287.67	\$17,766.53
Combined net earnings without other income support				\$52,319.58		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$4,847.00		
Total Working for Families assistance after abatement				\$9,546.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$7,215.00		
Total accommodation supplement after abatement				\$8,645.00		
Effective annual earnings for the household				\$70,510.58		
Percentage increase in minimum wage				12.43%		
Percentage increase in annual earnings				3.12%		

Scenario 1g:				\$20.55		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$822.00	\$42,744.00	\$6,500.20	\$594.14	\$35,649.66
Parent B	20	\$411.00	\$21,372.00	\$2,760.10	\$297.07	\$18,314.83
Combined net earnings without other income support				\$53,964.49		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$5,354.00		
Total Working for Families assistance after abatement				\$9,039.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$7,722.00		
Total accommodation supplement after abatement				\$8,138.00		
Effective annual earnings for the household				\$71,141.49		
Percentage increase in minimum wage				16.10%		
Percentage increase in annual earnings				4.05%		

Scenario 1h:				\$21.15		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$846.00	\$43,992.00	\$6,718.60	\$611.49	\$36,661.91
Parent B	20	\$423.00	\$21,996.00	\$2,869.30	\$305.74	\$18,820.96
Combined net earnings without other income support				\$55,482.87		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$5,822.00		
Total Working for Families assistance after abatement				\$8,571.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$8,190.00		
Total accommodation supplement after abatement				\$7,670.00		
Effective annual earnings for the household				\$71,723.87		
Percentage increase in minimum wage				19.49%		
Percentage increase in annual earnings				4.90%		

**Scenario 2 - A couple with two children working a combined 60 hours per week,
living in Ashburton, Canterbury paying median rent of \$340**

Scenario 2a:				\$17.70		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$708.00	\$36,816.00	\$5,462.80	\$511.74	\$30,841.46
Parent B	20	\$354.00	\$18,408.00	\$2,241.40	\$255.87	\$15,910.73
Combined net earnings without other income support				\$46,752.19		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$3,131.00		
Total Working for Families assistance after abatement				\$11,262.00		
Maximum accommodation supplement				\$7,789.60		
Abatement on accommodation supplement				\$5,499.00		
Total accommodation supplement after abatement				\$2,290.60		
Effective annual earnings for the household				\$60,304.79		
Percentage increase in minimum wage				0.00%		
Percentage increase in annual earnings				0.00%		

Scenario 2b:				\$18.20		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$728.00	\$37,856.00	\$5,208.00	\$526.20	\$32,121.80
Parent B	20	\$364.00	\$18,928.00	\$2,114.00	\$263.10	\$16,550.90
Combined net earnings without other income support				\$48,672.70		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$3,521.00		
Total Working for Families assistance after abatement				\$10,872.00		
Maximum accommodation supplement				\$7,789.60		
Abatement on accommodation supplement				\$5,889.00		
Total accommodation supplement after abatement				\$1,900.60		
Effective annual earnings for the household				\$61,445.30		
Percentage increase in minimum wage				2.82%		
Percentage increase in annual earnings				1.89%		

Scenario 2c:				\$18.70		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$748.00	\$38,896.00	\$5,826.80	\$540.65	\$32,528.55
Parent B	20	\$374.00	\$19,448.00	\$2,423.40	\$270.33	\$16,754.27
Combined net earnings without other income support				\$49,282.82		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$3,911.00		
Total Working for Families assistance after abatement				\$10,482.00		
Maximum accommodation supplement				\$7,789.60		
Abatement on accommodation supplement				\$6,279.00		
Total accommodation supplement after abatement				\$1,510.60		
Effective annual earnings for the household				\$61,275.42		
Percentage increase in minimum wage				5.65%		
Percentage increase in annual earnings				1.61%		

Scenario 2d:				\$18.90		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$756.00	\$39,312.00	\$5,899.60	\$546.44	\$32,865.96
Parent B	20	\$378.00	\$19,656.00	\$2,459.80	\$273.22	\$16,922.98
Combined net earnings without other income support				\$49,788.94		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$4,067.00		
Total Working for Families assistance after abatement				\$10,326.00		
Maximum accommodation supplement				\$7,789.60		
Abatement on accommodation supplement				\$6,435.00		
Total accommodation supplement after abatement				\$1,354.60		
Effective annual earnings for the household				\$61,469.54		
Percentage increase in minimum wage				6.78%		
Percentage increase in annual earnings				1.93%		

Scenario 2e:				\$19.40		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$776.00	\$40,352.00	\$6,081.60	\$560.89	\$33,709.51
Parent B	20	\$388.00	\$20,176.00	\$2,550.80	\$280.45	\$17,344.75
Combined net earnings without other income support				\$51,054.26		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$4,457.00		
Total Working for Families assistance after abatement				\$9,936.00		
Maximum accommodation supplement				\$7,789.60		
Abatement on accommodation supplement				\$6,825.00		
Total accommodation supplement after abatement				\$964.60		
Effective annual earnings for the household				\$61,954.86		
Percentage increase in minimum wage				9.60%		
Percentage increase in annual earnings				2.74%		

Scenario 2f:				\$19.90		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$796.00	\$41,392.00	\$6,263.60	\$575.35	\$34,553.05
Parent B	20	\$398.00	\$20,696.00	\$2,641.80	\$287.67	\$17,766.53
Combined net earnings without other income support				\$52,319.58		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$4,847.00		
Total Working for Families assistance after abatement				\$9,546.00		
Maximum accommodation supplement				\$7,789.60		
Abatement on accommodation supplement				\$7,215.00		
Total accommodation supplement after abatement				\$574.60		
Effective annual earnings for the household				\$62,440.18		
Percentage increase in minimum wage				12.43%		
Percentage increase in annual earnings				3.54%		

Scenario 2g:				\$20.55		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$822.00	\$42,744.00	\$6,500.20	\$594.14	\$35,649.66
Parent B	20	\$411.00	\$21,372.00	\$2,760.10	\$297.07	\$18,314.83
Combined net earnings without other income support				\$53,964.49		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$5,354.00		
Total Working for Families assistance after abatement				\$9,039.00		
Maximum accommodation supplement				\$7,789.60		
Abatement on accommodation supplement				\$7,722.00		
Total accommodation supplement after abatement				\$67.60		
Effective annual earnings for the household				\$63,071.09		
Percentage increase in minimum wage				16.10%		
Percentage increase in annual earnings				4.59%		

Scenario 2h:				\$21.15		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$846.00	\$43,992.00	\$6,718.60	\$611.49	\$36,661.91
Parent B	20	\$423.00	\$21,996.00	\$2,869.30	\$305.74	\$18,820.96
Combined net earnings without other income support				\$55,482.87		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$5,822.00		
Total Working for Families assistance after abatement				\$8,571.00		
Maximum accommodation supplement				\$7,789.60		
Abatement on accommodation supplement				\$8,190.00		
Total accommodation supplement after abatement				-\$400.40		
Effective annual earnings for the household				\$63,653.47		
Percentage increase in minimum wage				19.49%		
Percentage increase in annual earnings				5.55%		

Scenario 3 A couple with two children working a combined 60 hours per week, living in Whakatane, Bay of Plenty paying median rent of \$380

Scenario 3a:				\$17.70		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$708.00	\$36,816.00	\$5,462.80	\$511.74	\$30,841.46
Parent B	20	\$354.00	\$18,408.00	\$2,241.40	\$255.87	\$15,910.73
Combined net earnings without other income support				\$46,752.19		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$3,131.00		
Total Working for Families assistance after abatement				\$11,262.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$5,616.00		
Total accommodation supplement after abatement				\$2,704.00		
Effective annual earnings for the household				\$60,718.19		
Percentage increase in minimum wage				0.00%		
Percentage increase in annual earnings				0.00%		

Scenario 3b:				\$18.20		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$728.00	\$37,856.00	\$5,644.80	\$526.20	\$31,685.00
Parent B	20	\$364.00	\$18,928.00	\$2,332.40	\$263.10	\$16,332.50
Combined net earnings without other income support				\$48,017.50		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$3,521.00		
Total Working for Families assistance after abatement				\$10,872.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$6,006.00		
Total accommodation supplement after abatement				\$2,314.00		
Effective annual earnings for the household				\$61,203.50		
Percentage increase in minimum wage				2.82%		
Percentage increase in annual earnings				0.80%		

Scenario 3c:				\$18.70		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$748.00	\$38,896.00	\$5,826.80	\$540.65	\$32,528.55
Parent B	20	\$374.00	\$19,448.00	\$2,423.40	\$270.33	\$16,754.27
Combined net earnings without other income support				\$49,282.82		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$3,911.00		
Total Working for Families assistance after abatement				\$10,482.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$6,279.00		
Total accommodation supplement after abatement				\$2,041.00		
Effective annual earnings for the household				\$61,805.82		
Percentage increase in minimum wage				5.65%		
Percentage increase in annual earnings				1.79%		

Scenario 3d:				\$18.90		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$756.00	\$39,312.00	\$5,899.60	\$546.44	\$32,865.96
Parent B	20	\$378.00	\$19,656.00	\$2,459.80	\$273.22	\$16,922.98
Combined net earnings without other income support				\$49,788.94		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$4,067.00		
Total Working for Families assistance after abatement				\$10,326.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$6,435.00		
Total accommodation supplement after abatement				\$1,885.00		
Effective annual earnings for the household				\$61,999.94		
Percentage increase in minimum wage				6.78%		
Percentage increase in annual earnings				2.11%		

Scenario 3e:				\$19.40		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$776.00	\$40,352.00	\$6,081.60	\$560.89	\$33,709.51
Parent B	20	\$388.00	\$20,176.00	\$2,550.80	\$280.45	\$17,344.75
Combined net earnings without other income support				\$51,054.26		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$4,457.00		
Total Working for Families assistance after abatement				\$9,936.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$6,825.00		
Total accommodation supplement after abatement				\$1,495.00		
Effective annual earnings for the household				\$62,485.26		
Percentage increase in minimum wage				9.60%		
Percentage increase in annual earnings				2.91%		

Scenario 3f:				\$19.90		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$796.00	\$41,392.00	\$6,263.60	\$575.35	\$34,553.05
Parent B	20	\$398.00	\$20,696.00	\$2,641.80	\$287.67	\$17,766.53
Combined net earnings without other income support				\$52,319.58		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$4,847.00		
Total Working for Families assistance after abatement				\$9,546.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$7,215.00		
Total accommodation supplement after abatement				\$1,105.00		
Effective annual earnings for the household				\$62,970.58		
Percentage increase in minimum wage				12.43%		
Percentage increase in annual earnings				3.71%		

Scenario 3g:				\$20.55		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$822.00	\$42,744.00	\$6,500.20	\$594.14	\$35,649.66
Parent B	20	\$411.00	\$21,372.00	\$2,760.10	\$297.07	\$18,314.83
Combined net earnings without other income support				\$53,964.49		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$5,354.00		
Total Working for Families assistance after abatement				\$9,039.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$7,722.00		
Total accommodation supplement after abatement				\$598.00		
Effective annual earnings for the household				\$63,601.49		
Percentage increase in minimum wage				16.10%		
Percentage increase in annual earnings				4.75%		

Scenario 3h:				\$21.15		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$846.00	\$43,992.00	\$6,718.60	\$611.49	\$36,661.91
Parent B	20	\$423.00	\$21,996.00	\$2,869.30	\$305.74	\$18,820.96
Combined net earnings without other income support				\$55,482.87		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$5,822.00		
Total Working for Families assistance after abatement				\$8,571.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$8,190.00		
Total accommodation supplement after abatement				\$130.00		
Effective annual earnings for the household				\$64,183.87		
Percentage increase in minimum wage				19.49%		
Percentage increase in annual earnings				5.71%		

Scenario 4 A solo parent with two children working 40 hours per week, living in Avondale, Auckland paying median rent of \$550

Scenario 4a:				\$17.70		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$708.00	\$36,816.00	\$5,462.80	\$511.74	\$30,841.46
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$0.00		
Total Working for Families assistance after abatement				\$14,393.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$1,846.00		
Total accommodation supplement after abatement				\$14,014.00		
Effective annual earnings for the household				\$59,248.46		
Percentage increase in minimum wage				0.00%		
Percentage increase in annual earnings				0.00%		

Scenario 4b:				\$18.20		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$728.00	\$37,856.00	\$5,644.80	\$526.20	\$31,685.00
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$0.00		
Total Working for Families assistance after abatement				\$14,393.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$2,106.00		
Total accommodation supplement after abatement				\$13,754.00		
Effective annual earnings for the household				\$59,832.00		
Percentage increase in minimum wage				2.82%		
Percentage increase in annual earnings				0.98%		

Scenario 4c:				\$18.70		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$748.00	\$38,896.00	\$5,826.80	\$540.65	\$32,528.55
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$0.00		
Total Working for Families assistance after abatement				\$14,393.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$2,366.00		
Total accommodation supplement after abatement				\$13,494.00		
Effective annual earnings for the household				\$60,415.55		
Percentage increase in minimum wage				5.65%		
Percentage increase in annual earnings				1.97%		

Scenario 4d:				\$18.90		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$756.00	\$39,312.00	\$5,899.60	\$546.44	\$32,865.96
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$0.00		
Total Working for Families assistance after abatement				\$14,393.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$2,470.00		
Total accommodation supplement after abatement				\$13,390.00		
Effective annual earnings for the household				\$60,648.96		
Percentage increase in minimum wage				6.78%		
Percentage increase in annual earnings				2.36%		

Scenario 4e:				\$19.40		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$776.00	\$40,352.00	\$6,081.60	\$560.89	\$33,709.51
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$0.00		
Total Working for Families assistance after abatement				\$14,393.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$2,730.00		
Total accommodation supplement after abatement				\$13,130.00		
Effective annual earnings for the household				\$61,232.51		
Percentage increase in minimum wage				9.60%		
Percentage increase in annual earnings				3.35%		

Scenario 4f:				\$19.90		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$796.00	\$41,392.00	\$6,263.60	\$575.35	\$34,553.05
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$0.00		
Total Working for Families assistance after abatement				\$14,393.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$2,990.00		
Total accommodation supplement after abatement				\$12,870.00		
Effective annual earnings for the household				\$61,816.05		
Percentage increase in minimum wage				12.43%		
Percentage increase in annual earnings				4.33%		

Scenario 4g:				\$20.55		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$822.00	\$42,744.00	\$6,500.20	\$594.14	\$35,649.66
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$11.00		
Total Working for Families assistance after abatement				\$14,382.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$3,328.00		
Total accommodation supplement after abatement				\$12,532.00		
Effective annual earnings for the household				\$62,563.66		
Percentage increase in minimum wage				16.10%		
Percentage increase in annual earnings				5.60%		

Scenario 4h:				\$21.15		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$846.00	\$43,992.00	\$6,718.60	\$611.49	\$36,661.91
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$323.00		
Total Working for Families assistance after abatement				\$14,070.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$3,640.00		
Total accommodation supplement after abatement				\$12,220.00		
Effective annual earnings for the household				\$62,951.91		
Percentage increase in minimum wage				19.49%		
Percentage increase in annual earnings				6.25%		

**Scenario 5 A solo parent with two children working 40 hours per week, living in
Ashburton, Canterbury paying median rent of \$340**

Scenario 5a:				\$17.70		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$708.00	\$36,816.00	\$5,462.80	\$511.74	\$30,841.46
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$0.00		
Total Working for Families assistance after abatement				\$14,393.00		
Maximum accommodation supplement				\$8,262.80		
Abatement on accommodation supplement				\$1,846.00		
Total accommodation supplement after abatement				\$6,416.80		
Effective annual earnings for the household				\$51,651.26		
Percentage increase in minimum wage				0.00%		
Percentage increase in annual earnings				0.00%		

Scenario 5b:				\$18.20		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$728.00	\$37,856.00	\$5,644.80	\$526.20	\$31,685.00
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$0.00		
Total Working for Families assistance after abatement				\$14,393.00		
Maximum accommodation supplement				\$8,262.80		
Abatement on accommodation supplement				\$2,106.00		
Total accommodation supplement after abatement				\$6,156.80		
Effective annual earnings for the household				\$52,234.80		
Percentage increase in minimum wage				2.82%		
Percentage increase in annual earnings				1.13%		

Scenario 5c:				\$18.70		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$748.00	\$38,896.00	\$5,826.80	\$540.65	\$32,528.55
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$0.00		
Total Working for Families assistance after abatement				\$14,393.00		
Maximum accommodation supplement				\$8,262.80		
Abatement on accommodation supplement				\$2,366.00		
Total accommodation supplement after abatement				\$5,896.80		
Effective annual earnings for the household				\$52,818.35		
Percentage increase in minimum wage				5.65%		
Percentage increase in annual earnings				2.26%		

Scenario 5d:				\$18.90		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$756.00	\$39,312.00	\$5,899.60	\$546.44	\$32,865.96
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$0.00		
Total Working for Families assistance after abatement				\$14,393.00		
Maximum accommodation supplement				\$8,262.80		
Abatement on accommodation supplement				\$2,470.00		
Total accommodation supplement after abatement				\$5,792.80		
Effective annual earnings for the household				\$53,051.76		
Percentage increase in minimum wage				6.78%		
Percentage increase in annual earnings				2.71%		

Scenario 5e:				\$19.40		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$776.00	\$40,352.00	\$6,081.60	\$560.89	\$33,709.51
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$0.00		
Total Working for Families assistance after abatement				\$14,393.00		
Maximum accommodation supplement				\$8,262.80		
Abatement on accommodation supplement				\$2,730.00		
Total accommodation supplement after abatement				\$5,532.80		
Effective annual earnings for the household				\$53,635.31		
Percentage increase in minimum wage				9.60%		
Percentage increase in annual earnings				3.84%		

Scenario 5f:				\$19.90		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$796.00	\$41,392.00	\$6,263.60	\$575.35	\$34,553.05
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$0.00		
Total Working for Families assistance after abatement				\$14,393.00		
Maximum accommodation supplement				\$8,262.80		
Abatement on accommodation supplement				\$2,990.00		
Total accommodation supplement after abatement				\$5,272.80		
Effective annual earnings for the household				\$54,218.85		
Percentage increase in minimum wage				12.43%		
Percentage increase in annual earnings				4.97%		

Scenario 5g:				\$20.55		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$822.00	\$42,744.00	\$6,500.20	\$594.14	\$35,649.66
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$11.00		
Total Working for Families assistance after abatement				\$14,382.00		
Maximum accommodation supplement				\$8,262.80		
Abatement on accommodation supplement				\$3,328.00		
Total accommodation supplement after abatement				\$4,934.80		
Effective annual earnings for the household				\$54,966.46		
Percentage increase in minimum wage				16.10%		
Percentage increase in annual earnings				6.42%		

Scenario 5h:				\$21.15		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$846.00	\$43,992.00	\$6,718.60	\$611.49	\$36,661.91
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$323.00		
Total Working for Families assistance after abatement				\$14,070.00		
Maximum accommodation supplement				\$8,262.80		
Abatement on accommodation supplement				\$3,640.00		
Total accommodation supplement after abatement				\$4,622.80		
Effective annual earnings for the household				\$55,354.71		
Percentage increase in minimum wage				19.49%		
Percentage increase in annual earnings				7.17%		

Scenario 6 A solo parent with two children working 40 hours per week, living in Whakatane, Bay of Plenty paying median rent of \$380

Scenario 6a:				\$17.70		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$708.00	\$36,816.00	\$5,462.80	\$511.74	\$30,841.46
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$0.00		
Total Working for Families assistance after abatement				\$14,393.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$1,846.00		
Total accommodation supplement after abatement				\$6,474.00		
Effective annual earnings for the household				\$51,708.46		
Percentage increase in minimum wage				0.00%		
Percentage increase in annual earnings				0.00%		

Scenario 6b:				\$18.20		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$728.00	\$37,856.00	\$5,644.80	\$526.20	\$31,685.00
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$0.00		
Total Working for Families assistance after abatement				\$14,393.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$2,106.00		
Total accommodation supplement after abatement				\$6,214.00		
Effective annual earnings for the household				\$52,292.00		
Percentage increase in minimum wage				2.82%		
Percentage increase in annual earnings				1.13%		

Scenario 6c:				\$18.70		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$748.00	\$38,896.00	\$5,826.80	\$540.65	\$32,528.55
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$0.00		
Total Working for Families assistance after abatement				\$14,393.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$2,366.00		
Total accommodation supplement after abatement				\$5,954.00		
Effective annual earnings for the household				\$52,875.55		
Percentage increase in minimum wage				5.65%		
Percentage increase in annual earnings				2.26%		

Scenario 6d:				\$18.90		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$756.00	\$39,312.00	\$5,899.60	\$546.44	\$32,865.96
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$0.00		
Total Working for Families assistance after abatement				\$14,393.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$2,574.00		
Total accommodation supplement after abatement				\$5,746.00		
Effective annual earnings for the household				\$53,004.96		
Percentage increase in minimum wage				6.78%		
Percentage increase in annual earnings				2.51%		

Scenario 6e:				\$19.40		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$776.00	\$40,352.00	\$6,081.60	\$560.89	\$33,709.51
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$0.00		
Total Working for Families assistance after abatement				\$14,393.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$2,730.00		
Total accommodation supplement after abatement				\$5,590.00		
Effective annual earnings for the household				\$53,692.51		
Percentage increase in minimum wage				9.60%		
Percentage increase in annual earnings				3.84%		

Scenario 6f:				\$19.90		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$796.00	\$41,392.00	\$6,263.60	\$575.35	\$34,553.05
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$0.00		
Total Working for Families assistance after abatement				\$14,393.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$2,990.00		
Total accommodation supplement after abatement				\$5,330.00		
Effective annual earnings for the household				\$54,276.05		
Percentage increase in minimum wage				12.43%		
Percentage increase in annual earnings				4.97%		

Scenario 6g:				\$20.55		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$822.00	\$42,744.00	\$6,500.20	\$594.14	\$35,649.66
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$11.00		
Total Working for Families assistance after abatement				\$14,382.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$3,328.00		
Total accommodation supplement after abatement				\$4,992.00		
Effective annual earnings for the household				\$55,023.66		
Percentage increase in minimum wage				16.10%		
Percentage increase in annual earnings				6.41%		

Scenario 6h:				\$21.15		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$846.00	\$43,992.00	\$6,718.60	\$611.49	\$36,661.91
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$323.00		
Total Working for Families assistance after abatement				\$14,070.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$3,640.00		
Total accommodation supplement after abatement				\$4,680.00		
Effective annual earnings for the household				\$55,411.91		
Percentage increase in minimum wage				19.49%		
Percentage increase in annual earnings				7.16%		