MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
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WORKPLACE RELATIONS AND SAFETY POLICY

Minimum Wage Review 2023

December 2023

New Zealand Government

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MBIE is required to review the minimum wage rates each year

This report supports the 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. You will fulfil this obligation by considering the advice contained in this report.

Since 2012, the Government's objective for the minimum wage review has been '*to keep increasing the minimum wage over time to protect the real income of low-paid workers while minimising job losses*' (CAB Min (12) 41-5B refers). This objective focuses on the balance between the benefit for employees paid the minimum wage and the potential for job losses, which could occur if a minimum wage increase led to a reduction in the overall demand for labour. This has guided the review's analysis and recommendation for the size of the minimum wage increase. In 2012, Cabinet also agreed that a 'comprehensive' review would be completed every four years, with 'streamlined' reviews occurring in the intervening years. This year's review is a streamlined review (a comprehensive review was completed in 2022).

This review considers nine minimum wage rate options for 2024

The options modelled in this report were chosen based on their alignment to various actual and forecasted wage and price indexes. They range from retaining the current minimum wage ($22.70) through to aligning with the living wage[1] for 2023/24 ($26.00):

- Option 1: $22.70 per hour (status quo)
- Option 2: $23.00 per hour (1.5 percent / $0.30 increase)
- Option 3: $23.40 per hour (3 percent / $0.70 increase)
- Option 4: $23.60 per hour (4 percent / $0.90 increase)
- Option 5: $23.80 per hour (5 percent / $1.10 increase)
- Option 6: $24.00 per hour (6 percent / $1.30 increase)
- Option 7: $24.30 per hour (7 percent / $1.60 increase)
- Option 8: $25.00 per hour (10 percent / $2.30 increase)
- Option 9: $26.00 per hour (14.5 percent / $3.30 increase, 2023/24 Living Wage).

Our assessment of these options' potential impacts considers a range of contextual factors

This model analyses the impacts of the nine options on wages, employment, minimum wage employees (and low-earning households), industries, and the public sector. These factors are considered since they either directly fall under the 2012 Cabinet objective or relate to key flow on implications from increasing the minimum wage (eg costs to Government).

[1] The Living Wage is calculated by the Living Wage Movement Aotearoa NZ on the basis that it can provide a family of two adults and two children a reasonable standard of living when the parents work 60 hours a week in total, with one parent working full time and one part time.

The actual impacts of any minimum wage increase will depend on how firms and workers respond to it. While the MBIE minimum wage model provides one predictive tool (based on past observations of employment impacts), a range of other indicators and factors not directly accounted for in the model are useful to inform a more rounded, qualitative assessment of the potential response.

For example, in looking at the labour market context, while unemployment is currently low, there are signs of "softening" in the labour market (eg a reduction in online advertised job vacancies, gradually rising unemployment, and high net migration). This, plus other contextual factors (explored in Part 2 of this report), suggests a need for caution in setting the minimum wage rates for 2024, since any employment restraint from increases in the minimum wage may have more significant effects for employees if general employment growth is lower.

MBIE considers that an increase to the minimum wage of around 4 percent would best balance the elements of the Cabinet objective

To protect the real income of low paid households, the minimum wage should increase by at least the rate of inflation. The objective does not specify the time period over which this is measured, but the review looks at inflation and general wage growth over the previous year, and the relativity of the minimum wage compared to the median wage and average wage over time.

In the past two years, the minimum wage has increased by about the rate of inflation. Prior to that, there was a period of significant increases in the real value of the minimum wage. Options for a minimum wage increase below the rate of current inflation could be consistent with the Cabinet objective if measured over the longer term. However, such an outcome would make it difficult for minimum wage workers to keep up with the current cost of living, particularly since these workers will be less likely to have savings from previous years to support them.

In assessing the potential employment impacts of a minimum wage increase, MBIE's model looks not just at "job losses" but at the broader concept of restraint on employment (this includes the concept of people who might not be employed at the minimum wage option, assuming that current economic conditions prevail).[2] The model estimates that a restraint on employment growth is likely to occur when the percentage change in the minimum wage is the approximately the same as the percentage change in the forecasted average wage growth for 2024. This occurs at minimum wage levels of $24.00 or above (ie a 6 percent increase, or higher). The model does not predict any restraint on employment from an increase in the minimum wage of 5 percent or below in 2024.

[2] 'Potential restraint' or 'restraint on employment' means the number of people who might not be employed next year if the minimum wage increases by a given amount, compared to the number of people forecast to be employed if no change is made to the minimum wage, assuming that all other economic conditions hold.

Given these parameters, our view is that a 4 percent increase in the minimum wage for 2024 would best balance the factors in the Cabinet objective. It approximately aligns with forecast CPI inflation for the year to March 2024 and there are no employment restraints predicted at this rate. While a 5 percent increase has similar outcomes across the two dimensions of the Cabinet objective, our judgement is that it presents a higher risk of employment restraint in a softening labour market, so a 4 percent increase is the more cautious option.

The benefits and costs of an increase would fall predominantly on some demographic groups and sectors

Minimum wage rate increases benefit workers by providing higher wage floors and boosting the incomes of lowest paid employees. However, they are largely ineffective as a redistributive income support policy, due to the abatement of income supports that many low-to-middle income households receive.

Roughly consistent with previous years, the review finds that workers aged 16 to 64 earning the minimum wage tend to consist of younger workers (ie those aged 16 to 24, which make up 59 percent), part-time workers (63 percent), and women (64 percent). While the proportion of Māori workers earning the minimum wage is about the same as the proportion of Māori workers in the working population (15 percent), Pacific workers represent 8 percent of minimum wage workers compared to 6 percent of total workers in paid employment.

In terms of sectors, the retail and hospitality/accommodation sectors continue to have the greatest number of minimum wage earners (aged between 16 to 64) in 2023, with 16,600 (8.3 percent) and 15,200 (13.1 percent) of minimum wage earners respectively.

The impact on costs for the core Public Service would be negligible because there is an expectation that agencies already pay their employees above the minimum wage. The direct costs for the broader public sector of a 4 percent increase in the minimum wage would be approximately $31 million annually.

MBIE recommends maintaining the current relativity between the adult minimum wage and other minimum wage rates

This report recommends increasing the starting-out and training wages from the current hourly rate of $18.16 to $18.88, maintaining the current relativity of 80 percent of the adult minimum wage. A differential between the adult minimum wage and the training and starting-out rates may support the transition of youth into employment and could help advance the policy objective of incentivising employers to take on and support trainees.

Consultation with BusinessNZ and the New Zealand Council of Trade Unions

MBIE sought input into the review from BusinessNZ and the New Zealand Council of Trade Unions (NZCTU) as representatives of employer and worker interests respectively.

BusinessNZ's view was that while no rise in the minimum wage would "effectively represent an austerity measure" for workers, an increase close to the Living Wage would represent an

excessive shock to businesses. It indicated that it could support options that reflected recent movements to the Consumer Price Index (CPI) and Labour Cost Index (LCI).

The NZCTU supported increasing the minimum wage to the Living Wage (currently $26.00 per hour); removing the starting-out and training minimum wage rates; and establishing a tripartite body to make recommendations to the Minister for Workplace Relations and Safety on the minimum wage.

Part 1 – MBIE's approach to the Minimum Wage Review 2023

Background to the review

1. The Minimum Wage Act 1983 (the Act) authorises the Government to set minimum wage rates, which provide a wage floor as a minimum standard paid to all employees. It is a breach of the Act to pay an employee less than the applicable minimum wage.

2. Section 5(1) of the Act requires the responsible Minister to review the minimum wage rates by 31 December each year. Any change to the minimum wage rates is made through an Order in Council by the Governor-General, as recommended by Cabinet, under sections 4, 4A and 4B of the Act.

3. Since 2012, successive governments' core objective for the minimum wage review has remained '*to keep increasing the minimum wage over time to protect the real incomes of low-paid workers while minimising job losses'* (CAB Min (12) 41-5B refers).

4. International conventions also recommend regular reviews of the minimum wage. The International Labour Organization (ILO) suggests that countries' minimum wage rates should be reviewed regularly to preserve workers' purchasing power.[3] New Zealand has ratified the ILO's Minimum Wage-Fixing Machinery Convention (1928), which includes a requirement to ensure an adequate minimum wage rate.[4] Reviewing the minimum wage annually therefore assists in adhering to this requirement.

Streamlined process for this year's review

5. Minimum wage reviews in the last decade have followed either a 'streamlined' or 'comprehensive' process. In 2012, Cabinet agreed that a 'comprehensive' review would be completed every four years, with 'streamlined' reviews occurring during the intervening years [CAB Min (12) 41-5B refers]. The primary differences between the two types of review are that a 'comprehensive' review would seek input from a larger set of stakeholders and could consider additional factors (at the Minister's discretion).

6. A comprehensive review was undertaken in 2021, as the continuing COVID-19 pandemic and the changing economic situation warranted a more in-depth review process. The 2022 review was originally scheduled as a streamlined review, but its scope was expanded to include additional factors (and stakeholder consultation) in light of the inflationary pressures that emerged over 2021 and 2022.

7. This year's review has taken a streamlined approach to considering potential rates for 2024. Streamlined reviews consider a range of potential changes to the minimum wage in the context of current and future economic indicators (such as wage growth, inflation,

[3] International Labour Organisation, Global Wage Report 2008/2009.
[4] Article 4, Convention Concerning the Creation of Minimum Wage-Fixing Machinery, C26 (1928) (opened for signature 16 June 1928, entered into force 14 June 1930).

employment), and assesses the potential fiscal impacts for government (refer to **Annex One – Summary of impacts of the minimum wage options**). We have also considered the distributional impacts by worker wage-level, skill, sector and region, and the interaction of minimum wage increases with other government interventions and supports (eg Working for Families Tax Credits).

8. A streamlined review requires consultation with the Government's social partners, the New Zealand Council of Trade Unions (NZCTU) and BusinessNZ, as representatives of employee and business interests in the review. As part of a streamlined review, MBIE does not consult with wider industry representatives and worker interests.

The structure of this report

9. This report presents the information necessary to allow the Government to make an informed decision about setting minimum wage rates for 2024. Technical information is primarily reserved for annexes (eight in total). The most essential information is divided into four parts (with this opening part being **part 1**):

- **Part 2** discusses the economic and labour market context for this year's review. This includes indicators that are not directly incorporated into MBIE's minimum wage model. Their relevance is to inform a qualitative assessment of how employers could respond to a minimum wage increase in the current economic context and the context moving into 2024 based on the available economic forecasts.

- **Part 3** assesses the key impacts of the range of minimum wage options considered in this report. This includes the potential restraint on employment, the numbers of employees affected and the economy-wide wage increases for minimum wage employees. It also looks at how the costs and benefits of any increase are likely to be distributed amongst various groups and households.

- **Part 4** sets out MBIE's analysis of the potential options and recommendation for setting the minimum wage rates for 2024. This part also describes the views of BusinessNZ and the NZCTU on the minimum wage options.

Part 2 – The economic and labour market context

10. In developing this advice, MBIE has considered the global and domestic economic context to inform our understanding of the possible impacts of the minimum wage options and our recommended choice.

11. 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. Firms may respond by absorbing the rise in labour costs (ie accepting lower profits) or by increasing the price of goods produced or services provided, or by reducing output. They can also reduce labour costs in other ways, either by reducing hours for some employees, by reducing the size of their work force, or by reducing other costs, such as learning and development.

12. How these impacts play out in the labour market in response to a minimum wage increase will depend on the prevailing economic context. With high inflation, tight monetary policy restricting economic growth and a softening labour market, there are many factors to balance in deciding the magnitude of the increase to the minimum wage. High increases in the minimum wage in the face of a softening labour market could crystallise the potential restraint on employment, but inflation could impact on workers' purchasing power.

The New Zealand economy faces a number of challenges as we recover from border closures and 'overheating'

13. The previous three reviews took place in a highly volatile global economic environment, marked by the impacts of the COVID-19 pandemic, rising inflationary pressures and international conflict (notably the war in Ukraine).

14. New Zealand's economy recovered rapidly from the pandemic, with Gross Domestic Product (GDP) increasing by just over 10 percent from the second quarter of 2020 to the first quarter of 2023, aided by fiscal support, strong investment and private consumption. However, this came at the cost of significant overheating against capacity constraints, exacerbated by restrictions on access to offshore migrant workers due to the border closure and disruptions in global supply chains.[5] These conditions led to high inflation, record high labour market participation and record low unemployment and low underutilisation more generally.

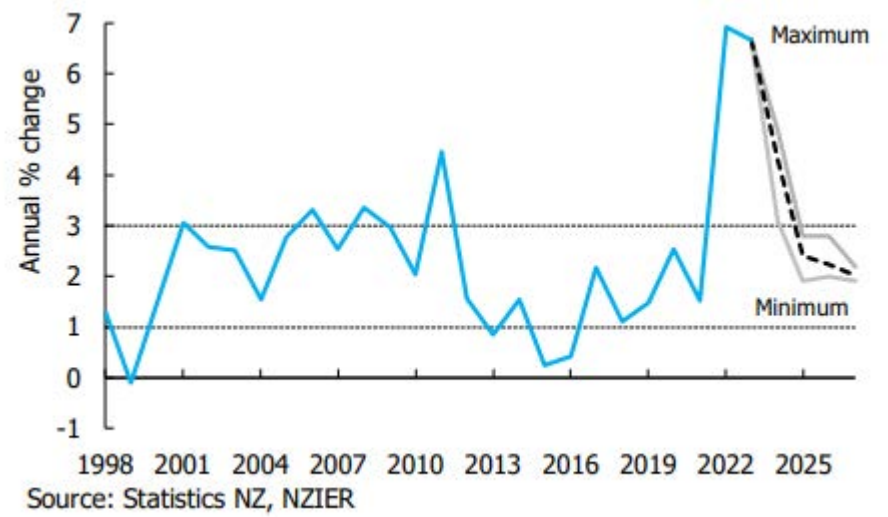
15. To combat inflation, the Reserve Bank of New Zealand (RBNZ) has significantly tightened monetary policy by increasing the Official Cash Rate (OCR), causing retail interest rates to rise. This is expected to have ongoing effects in relation to overall demand for goods and services, wage and price inflation, and firms' demand for labour – summarised in more detail below.

[5] IMF. *New Zealand – Staff Report for the 2023 Article IV Consultation*. 14 July 2023. https://www.imf.org/en/Publications/CR/Issues/2023/08/24/New-Zealand-2023-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-538455

GDP remains subdued while inflation is falling, but inflation remains high

16. CPI inflation has fallen from its recent peak of 7.3 percent in the year to June 2022 to 5.6 percent for the year to September 2023. Inflation is expected to fall back to within the RBNZ's 1 to 3 percent target range by the end of 2024.[6] [7] As shown in the figure below, inflation is expected to continue to ease slowly in response to interest rate rises and reductions in supply chain pressures.[8]

Figure 1: Actual and consensus forecast of CPI inflation



17. Following significant monetary policy tightening from the RBNZ, New Zealand's GDP contracted by 0.5 percent in the December 2022 quarter, followed by zero percent in the March 2023 quarter. These GDP figures were also affected by global economic headwinds (eg reduced demand for New Zealand exports from China) and the North Island weather events. GDP then rebounded 0.9 percent in the June 2023 quarter, above market expectations.[9]

18. Annual average GDP growth is forecast to slow to 0.4 percent in the year to March 2024 before recovering to 1.1 percent in 2025 (see Figure 2 below).

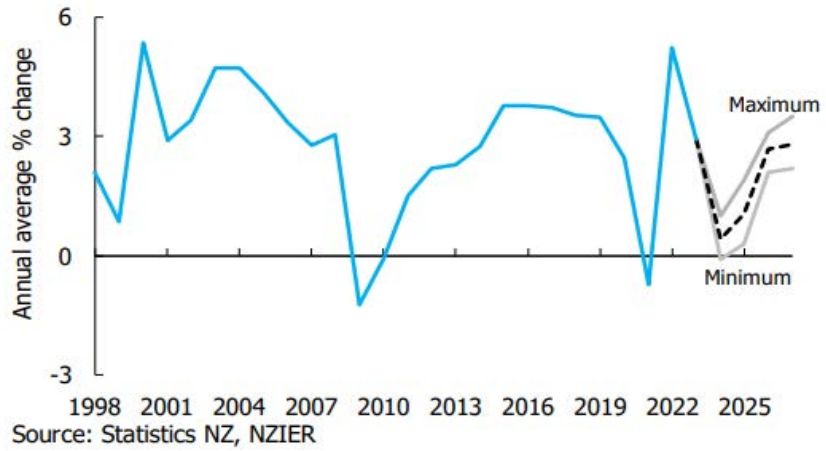
[6] Treasury. *Pre-election Economic and Fiscal Update 2023*. September 2023. https://www.treasury.govt.nz/sites/default/files/2023-09/prefu23.pdf

[7] Reserve Bank of New Zealand, Te Pūtea Matua. *08/2023 Monetary Policy Statement.* August 2023. https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/monetary-policy-statements/2023/august/mpsaug23.pdf

[8] NZIER consensus forecast, 18 September 2023. https://www.nzier.org.nz/hubfs/Public%20Publications/Consensus%20Forecasts/Consensus%20Forecasts%20Sep%202022.pdf

[9] StatsNZ: https://www.stats.govt.nz/news/gdp-increases-0-9-percent-in-the-june-2023-quarter/

Figure 2 Actual and consensus forecast for real GDP growth[10]



Unemployment remains low but the labour market is softening

19. The unemployment rate dipped below 4 percent in September 2021 and has remained below that level since then. In several periods it reached 3.2 percent, the lowest level seen for at least the last 30 years. The rate of unemployment has been increasing slowly since September 2022. In September 2023, the rate increased to 3.9 percent, a 0.7 percentage point increase from the 3.2 percent recorded in September 2022. This increase in unemployment is not unexpected given higher interest rates because of the RBNZ running tighter monetary policy, alongside other global headwinds and the increase in net migration.

20. All measures of employment and job growth were positive in the June 2023 Household Labour Fource Survey (HLFS) but the September 2023 HLFS data showed a more mixed picture, possibly foreshadowing the expected 'softening' of the labour market. Over the year to September 2023, the working-age population (15+) grew by 31,000 (or 2.6 percent), largely driven by strong growth in migrant arrivals. Between the June 2023 to September 2023 quarters, the number of people employed fell by 6,000 people (-0.2 percent), the employment rate fell -0.7 percent to 69.1%, and the labour force participation rate fell by -0.5 percent to 72.0 percent.[11]

21. Unemployment is forecast to grow and job growth is forecast to slow, as signs of a 'softening' labour market become more apparent. For example, in 2023 PREFU, Treasury forecast unemployment to peak at 5.4 percent in early 2025, and employment growth to reduce to 0.8 percent for the year to June 2024. Such forecasts are influenced by a range of indicators, including:

    21.1. **Record high net migration.** Since the border fully opened in mid-2022, net migration to New Zealand has increased significantly. Annual net migration for September 2023 was 118,800 people, which is the highest net migration on record for an annual

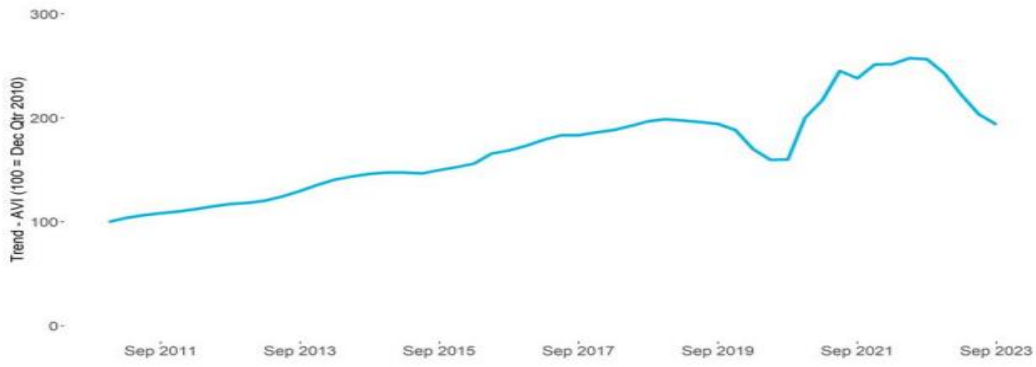
[10] NZIER consensus forecast, 18 September 2023. https://www.nzier.org.nz/hubfs/Public%20Publications/Consensus%20Forecasts/Consensus%20Forecasts%20Sep%202023_FINAL.pdf

[11] StatsNZ: https://www.stats.govt.nz/information-releases/labour-market-statistics-september-2023-quarter/

period.[12] This has helped to increase the supply of labour and address some of the skill and worker shortages that have persisted following the COVID-19 pandemic. However, this additional competition in the labour market is expected to reduce worker bargaining power and moderate wage growth (forecast wage growth is a significant factor in the minimum wage model).

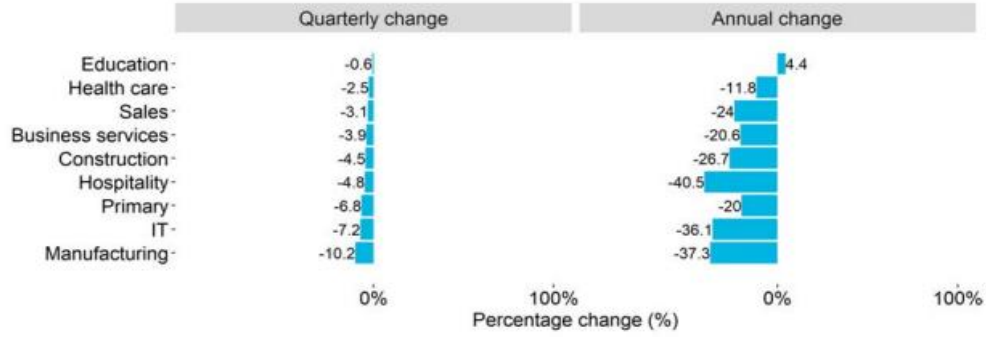
21.2. **There has been a decline in online job advertising**, even though firms continue to hire more people. Job advertising was down in the September 2023 quarter (down 4.9 per cent compared to the previous quarter).[13] As shown in the figure below, this follows four consecutive quarterly decreases since September 2022. Over the year to September 2023, online vacancies advertised fell by 24.5 per cent.

Figure 3: All Vacancies Index (online job advertisements)



22. A key driver of the decline in online job advertisements was the decline in advertisements for roles classified as 'low-skilled' and 'semi-skilled,' which are more likely to be jobs that pay at or close to the minimum wage.[14] This is shown in Figure 4 below.

Figure 4: Quarterly and annual (point to point quarterly) changes in All Vacancies Index (online job advertisements) by industry



[12] Statistics New Zealand (2023) International Migration: September 2023 information release (https://www.stats.govt.nz/information-releases/international-migration-september-2023)
[13] MBIE. *Jobs Online: September Quarter 2023*. October 2023. https://www.mbie.govt.nz/assets/jobs-online-quarterly-data-release.pdf
[14] MBIE. *Jobs Online: September Quarter 2023*. October 2023. https://www.mbie.govt.nz/assets/jobs-online-quarterly-data-release.pdf

Wage growth remains strong but is expected to slow into 2024 and 2025

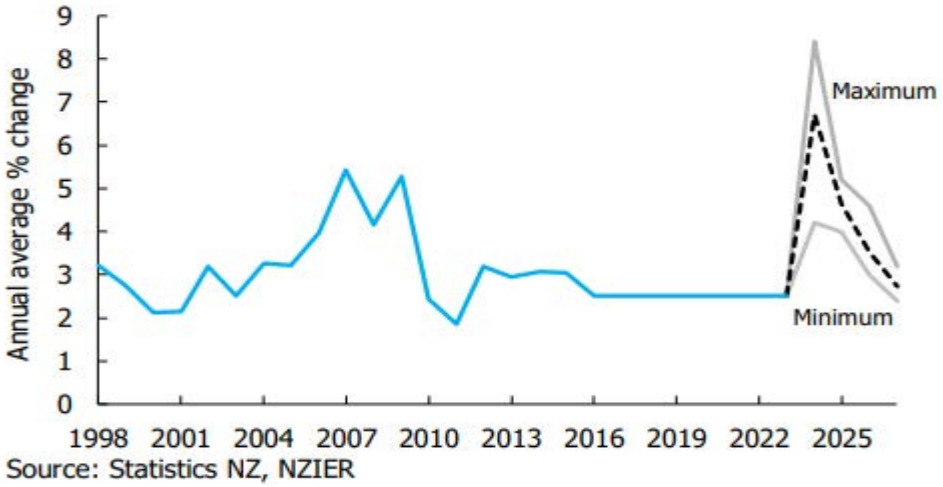
23. There are several measures of wage growth in New Zealand, which come from different surveys[15] and measure different aspects of earnings. All these measures are showing robust growth:

- In the year to June 2023, *median* hourly earnings for wage earners rose by 6.6 percent to $31.61[16] while the *average* ordinary time hourly earnings increased by 6.9 percent to $39.53 per hour for the year to June 2023.[17]

- The adjusted Labour Cost Index (LCI) for all salary and wage rates (including overtime) increased 4.3 percent in the year to the September 2023 quarter, unchanged from the year to June 2023 quarter.[18] The LCI reflects wage costs for the same quality and quantity of labour and is known as the *Same-job wage measure*. This is the measure of wage growth which is the most reflective of costs to employers and represents the rates employers pay to have the same job completed to the same standard.

24. While wage growth is strong according to current measures, forecasts expect wage growth to slow. Growth in private sector wages (which make up 79 percent of all paid jobs) is expected to fall. Figure 5 below shows the range of estimates for forecast private sector wage inflation.

Figure 5: Actual and forecasted private sector wage inflation[19]



[15] StatNZ: Household Labour Force Survey, Quarterly Employment Survey and Labour Cost Index.
[16] StatsNZ: https://www.stats.govt.nz/news/income-growth-for-wage-and-salary-earners-remains-strong/
[17] For the year to September 2023 average ordinary time earnings increased by 6.7 percent to $40.40 per hour (see https://www.stats.govt.nz/information-releases/labour-market-statistics-september-2023-quarter/). However, this report primarily uses the year to June 2023 average ordinary time earnings figure ($39.53), because for the median wage, we only have the year to June 2023 figure ($31.61).
[18] StatsNZ: https://www.stats.govt.nz/news/annual-wage-cost-inflation-at-4-3-percent/
[19] NZIER consensus forecast, 18 September 2023. https://www.nzier.org.nz/hubfs/Public%20Publications/Consensus%20Forecasts/Consensus%20Forecasts%20Sep%202022.pdf

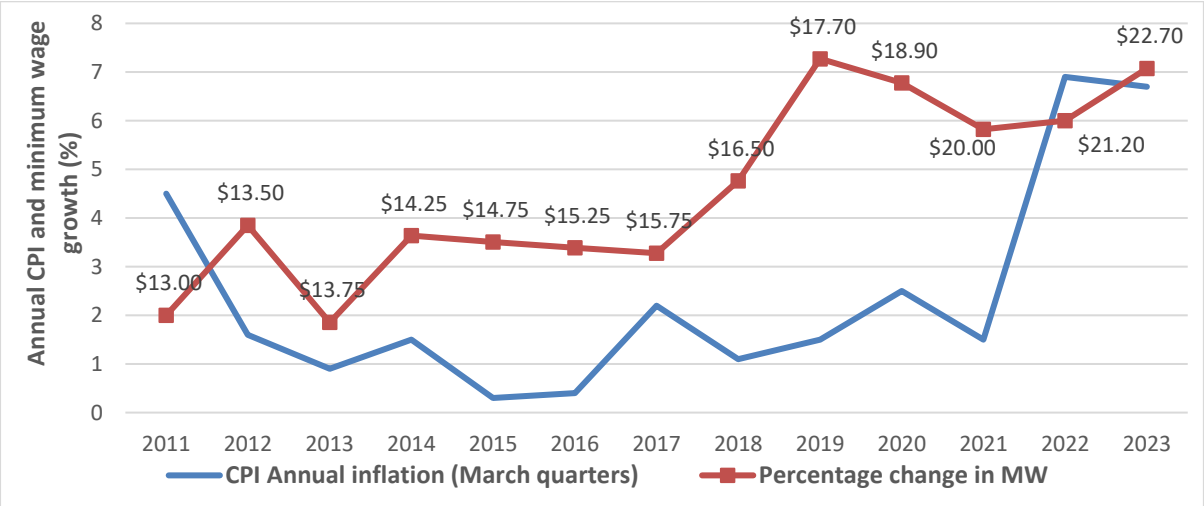
The recent history of minimum wage increases is also important context for this year's review

Recent profile of minimum wage increases

25. Against the back-drop of recent high inflation rates, the minimum wage increases in the past two years have been high in nominal terms but low (or negative) in real terms (ie when adjusted for inflation). In 2022, the minimum wage increased from $20.00 to $21.20 (6.0 per cent) on 1 April 2022 which aligned with the CPI increase of 5.9 per cent in the year to December 2021 (so an increase of 0.1 percent in real terms at the time). In 2023, the increase in the minimum wage from $21.20 to $22.70 (7.1 percent) on 1 April 2023 aligned with the CPI increase of 7.2 per cent in the year to December 2022 (so a fall of 0.1 per cent in real terms at the time).

26. However, in the ten years prior to 2022, there were larger real increases in the minimum wage, with significant increases occurring between 2017 and 2022. Figure 6 below shows the growth in the nominal level of the minimum wage compared to the rate of annaul inflation using the year to March quarters. The difference between the two is the change in the real minimum wage.

Figure 6: Annual Growth in CPI and Minimum Wage[20]



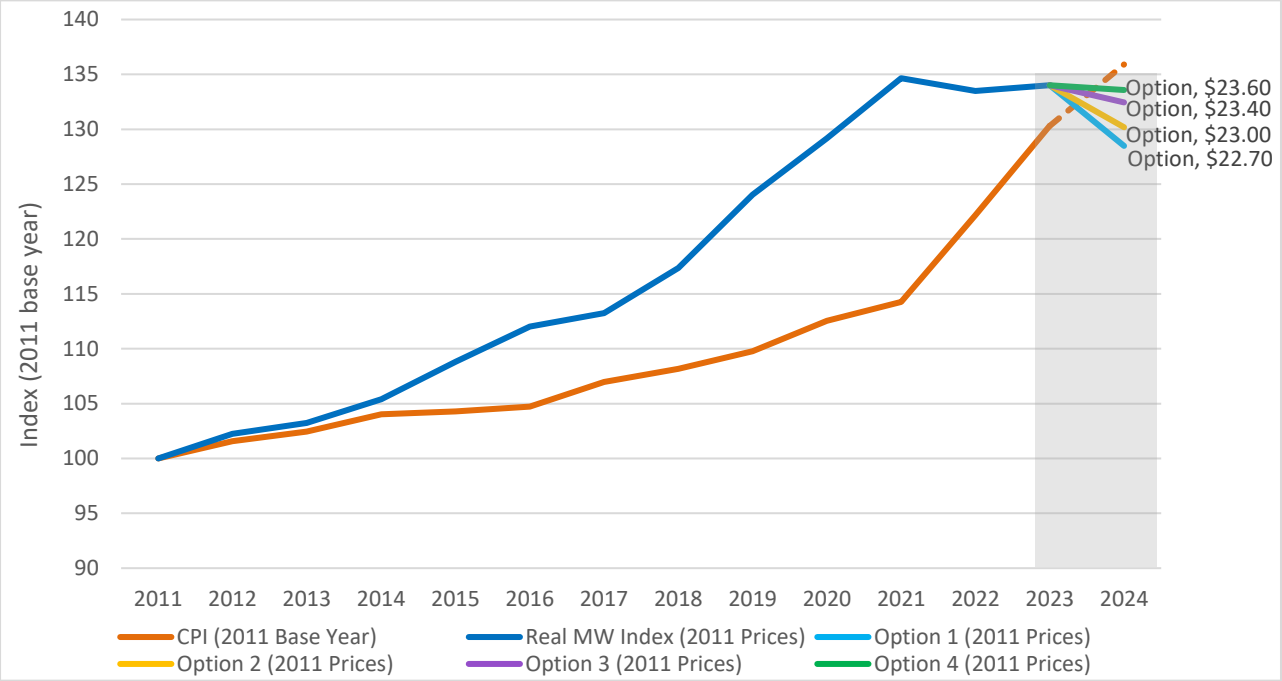
27. Overall, between June 2016 and June 2023, the minimum wage increased at nearly twice the rate of inflation, with a 48.8 percent total increase in the minimum wage and a 25.1 percent total increase in CPI inflation. For more information on historic minimum wage increases refer to **Annex Two – current and historical minimum wages.**

28. The below figure shows the cumulative increase in the real value of the minimum wage and cumulative growth of CPI inflation since 2011 (including the year to March 2024 CPI forecast). The gap between the real minimum wage line and the CPI line represents the

[20] While the previous two minimum wage decisions took into account the December quarter CPI, the March quarter is a more appropriate for measuring the real value of the minimum wage on an annual basis, but this data is not available until after the minimum wage increase on 1 April.

degree to which minimum wage earners have been better off in real-terms since 2011 (excluding taxes and transfers). For the minimum wage options, a rate of at least $23.60 would likely be required to approximately maintain the current real-value of the minimum wage.

Figure 7: Real Minimum Wage Index and CPI Index (2011 Base year)



The minimum wage has moved closer to the median wage since 2017

The minimum wage has moved closer to the median wage since 2017, leading to a more compressed distribution of wages in the lower half of the earnings distribution. The result is that New Zealand's minimum wage to median wage ratio (the 'Kaitz Index') is now 72 percent (using the June 2023 HLFS), which is relatively high compared to most other OECD countries (refer to **Annex Four: NZ's minimum wage in a global context** for more information). By comparison, the United Kingdom (UK) set a target rate of 66 percent of the median wage for its minimum wage.[21] A European Union (EU) directive, adopted in 2022, sets a threshold for an "adequate" minimum wage at 60 percent of the gross median wage and 50 percent of the gross average wage.[22]

29. The Kaitz index is a common measure of the value of the minimum wage relative to the overall wage distribution. The median wage is used as a more neutral measure of wage trends, as the average wage is affected by extreme salaries or wages at either end of the wage distribution, with changes in the average salaries or wages primarily reflecting

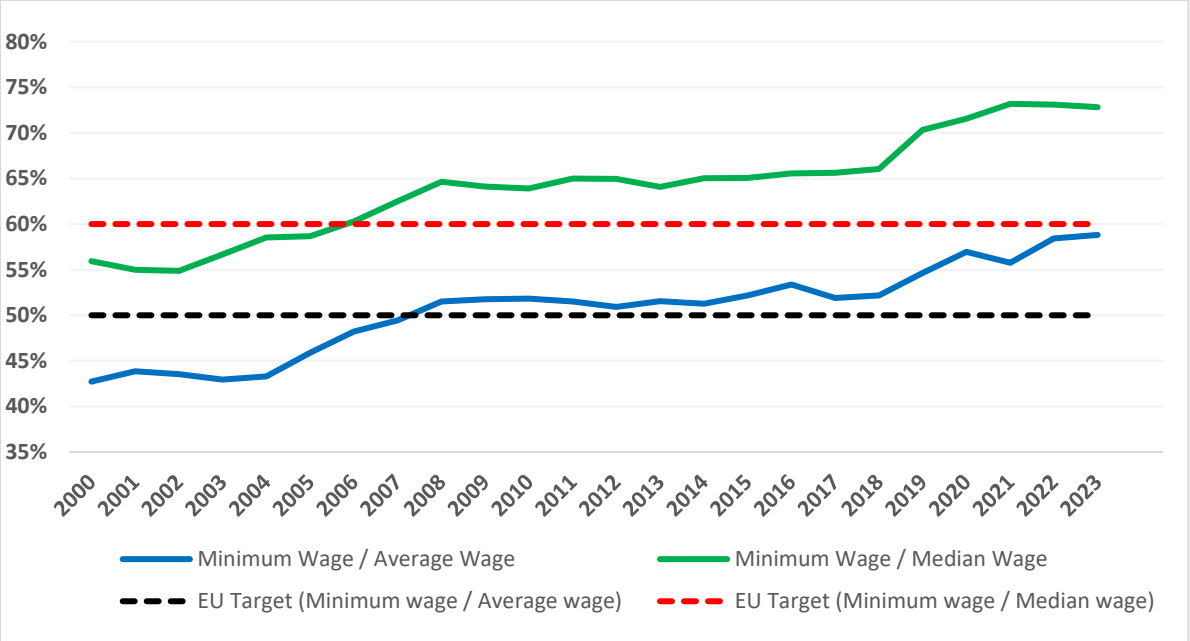
[21] Low Pay Commission. https://www.gov.uk/government/consultations/low-pay-commission-consultation-2022

[22] European Parliament. *Parliament adopts new rules on adequate minimum wages for all workers in the EU.* 14 September 2022. https://www.europarl.europa.eu/news/en/press-room/20220909IPR40138/parliament-adopts-new-rules-on-adequate-minimum-wages-for-all-workers-in-the-eu

movements in incomes of high-earners[23]. The average wage is still an important measure and is a key input into the MBIE minimum wage analytical model (at 57 percent of the average wage, our minimum wage is also high by that measure).

30. Wages do appear to have become more compressed near the minimum wage around the time when the minimum wage increased significantly in real terms (2018 to 2021). Figure 7 below shows the annual minimum wage rate as a percentage of both the average and median wage over the past two decades. It shows that the minimum wage rate grew faster than both the median wage and average wage over those years. For the minimum to median wage, the ratio hovered around 50-55% between 2011 and 2016. From 2018/19, a distinct upward trend can be seen, which has tapered off slightly in response to the high wage growth over the past couple of years.

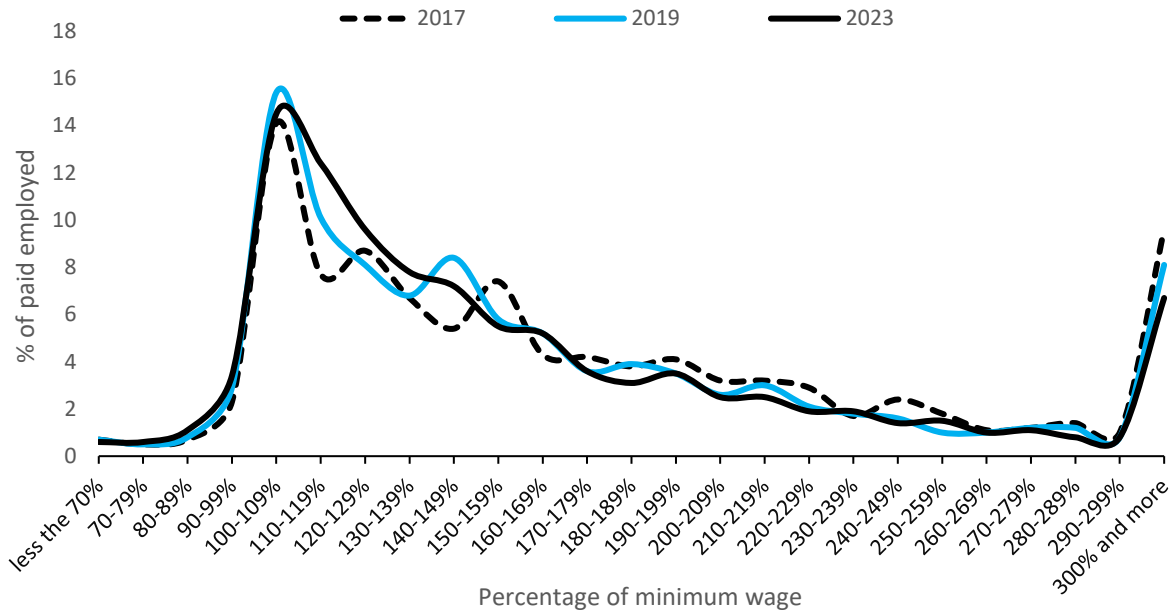
Figure 8: Minimum wage as percentage of the average hourly wage and the median wage (HLFS)



31. Another way of assessing wage compression over different periods is looking at the overall distribution of wages as a percentage of the applicable minimum wage. Figure 9 below, using the June 2023 HLFS income data, shows a higher proportion of people aged between 16 to 64 earning between 110 percent to 140 percent of minimum wage compared to earlier years (29.8 percent compared to 25.0 percent in 2019 and 23.1 percent in 2017).

[23] International Labour Organisation, *Minimum Wage Policy Guide*, Chapter 5.5.

Figure 9: distribution of wages as a percentage of the minimum wage (June 2023, 2019, 2017)



32. We note, however, that minimum wage increases alone may not be responsible for wage compression at the lower end of the labour market. There are other factors which impact on wage compression in conjunction with the minimum wage, such as strong employment growth in sectors which pay relatively low wages.

Wage compression can have problematic effects – but there are no strong indicators of these occurring in New Zealand

33. There are two potential impacts of wage compression:

- Over the short term, it could exacerbate wage pressures from increases in the minimum wage if there are a large number of employees being paid a small amount above the minimum wage and the employer feels they have to raise other employees' wages to maintain relativity and incentives for workers to advance. This could, in theory, risk increasing pressure on aggregate demand and CPI inflation, provided there isn't a corresponding supply or productivity response.

- Over the long term, it could impact incentives for skills development if the return to skills and additional responsibility are low as a result of wage compression. This can create pay scales within business that are considered inequitable and can lead to higher skilled employees becoming disillusioned with wage levels, or lower skilled workers being unwilling to take on extra responsibilities, which can in turn result in reduced productivity and increased turnover.

34. Minimum wage increases have not been cited by economic forecasters as significant factors driving consumer price inflation. Very high real increases in the minimum wage can, in theory, have an inflationary effect, if employers respond to increased wage costs by increasing the price of goods produced or services provided, or if workers on the new

minimum wage spend more. However, while there has been some commentary on the pressure on relativities from recent minimum wage increases, the consensus view is that increased wage costs (including minimum wage increases) are not currently the primary driver of CPI inflation.

35. There are no clear indicators of the long-term skill accumulation disincentives either, especially since there has been a significant increase in the attainment of educational qualifications over the last few decades. However, a recent study into New Zealand education and earnings indicated that the hourly earnings advantage for adults with degrees compared to workers with school qualifications is largely the same as it was two decades ago.[24] In addition, the same study noted that New Zealand appeared to have a narrower spread of incomes relative to the OECD average. There are, then, some indicators of pressure on the wage premiums attributed to higher qualifications, but numerous factors outside the minimum wage impact on this (eg supply of workers with particular qualifications and limited demand for workers with advanced qualifications in regional labour markets).

[24] Ministry of Education. *Education and earnings – A New Zealand update.* June 2020. https://www.educationcounts.govt.nz/publications/80898/education-and-earnings

Part 3 – Assessing the impacts of different minimum rate options

36. International literature on the minimum wage is divided on what the overall effects of minimum wage rate increases are. Increasing the rate helps lift the incomes of the lowest paid workers and can contribute to improved living standards for households. However, this benefit can be partially offset by abatements in government supports, which can occur if the recipients of these supports receive higher wages. The expected income gains from minimum wage increases must also be balanced against potential negative impacts on employers, such as increased labour costs and potentially reduced output. Decisions made by employers in response to those higher labour costs could also have negative outcomes for workers, such as reduced hours or higher unemployment.

37. This section of the report provides a snapshot of the likely impacts of various potential minimum wage increases. To illustrate the range of effects of the options, we have estimated the number of employees currently paid at or below each potential new minimum wage level. We then modelled the potential impacts of the increase with regards to restraint on employment, the economy-wide wage increase, and the impact on the wage component of nominal GDP.

38. The MBIE model does not estimate the impact that the minimum wage increase will have on CPI inflation. For more technical information on the model, and the calculated impact which could impact CPI inflation[25], please refer to **Annex Three – MBIE's minimum wage analytical model**.

39. This section also provides information on the distributional impacts of the minimum wage options (taking into account interactions with other government transfers) and the fiscal impacts of a minimum wage increase for the public sector.

Rate options considered in the review

40. Each year MBIE undertakes an analysis of the effects of a range of options for the increase in the minimum wage. The options modelled in this report have been chosen based on their alignment to various wage and price indexes. They range from retaining the current minimum wage ($22.70) to the living wage for 2023/24 of $26.00. The modelled options are:

- Option 1: $22.70 per hour (status quo)
- Option 2: $23.00 per hour (1.5 percent / $0.30 increase)
- Option 3: $23.40 per hour (3 percent / $0.70 increase)
- Option 4: $23.60 per hour (4 percent / $0.90 increase)
- Option 5: $23.80 per hour (5 percent / $1.10 increase)
- Option 6: $24.00 per hour (6 percent / $1.30 increase)
- Option 7: $24.30 per hour (7 percent / $1.60 increase)

[25] This is the '*Inflationary impacts on GDP*', which is the static percentage increase in nominal GDP using the income method, based on increased wages to minimum wage earners. Refer to **Annex Three – MBIE's minimum wage analytical model** for more information.

- Option 8: $25.00 per hour (10 percent / $2.30 increase)
- Option 9: $26.00 per hour (14.5 percent / $3.30 increase, 2023/24 Living Wage).

41. We have not considered options greater than $26.00 per hour because this would increase the minimum wage to a level beyond Living Wage Aotearoa's living wage rate. The living wage rate is a useful upper limit to model as it allows us to estimate what the costs and employment risks would be in response to a very large increase. We have also not considered options less than the status quo.

42. For simplicity, the following section presents the modelled impacts of six out of the nine options (leaving out options 3, 7, and 8). **Annex One - Summary of the impacts of the key minimum wage options** shows all the key modelled impacts from each of nine minimum wage options, ranging from the status quo to the living wage of $26.00.

Impact of the minimum wage options on total wages

43. Table 1 below shows three measures:

- the number of workers that would be directly impacted by each option (based on their current wages being at or below the proposed new minimum wage rate);
- the estimated economy wide impacts on wage expenditure for minimum wage earners (excluding any flow-on wage increases, when employers increase the wages of other employees to maintain wage relativities); and
- the estimated impact on the wage component of nominal GDP (ie expressing the economy-wide wage increase as a percentage of the total wages paid in New Zealand).

Table 1: Economy-wide impacts of minimum wage options

Option	Minimum Wage	Number of workers aged 16 to 64 earning between current and new option of minimum wage (rounded to nearest 100)	Economy-wide increase in wages ($m, annual)	Expected increase in the wage component of nominal GDP (%)
1	$ 22.70	60,200	0	0
2	$ 23.00	79,400	27	0.007%
4	$ 23.60	164,400	145	0.040%
5	$ 23.80	188,700	196	0.053%
6	$ 24.00	211,300	253	0.069%
9	$ 26.00	440,100	1341	0.364%

44. As expected, higher increases to the minimum wage result in more workers being captured by the new minimum rate and a higher increase in the total wage bill. Options below $24.00 are estimated to have a low impact on the wage component of nominal GDP (as defined above), while options above $24.00, because they would cover more workers, are estimated

to lead to a slightly higher increase in the wage component of nominal GDP. Of note, the increase in wages from the minimum wage options shown in the fourth column of the below table does not account for abatements in government support, which may impact some individuals (discussed later in this section).

Will the minimum wage options *cause* inflation?

45. There are a multitude of factors which impact on price inflation, both from the demand side and supply side. Because only a very small proportion of workers directly earn the minimum wage, and minimum wage increases typically only account for a very small proportion of overall general wage growth, minimum wage increases are viewed as having a negligible impact on overall CPI inflation.

46. In past minimum wage reviews, MBIE has described any impact on the nominal wage component of GDP as an "inflationary impact." We have avoided using this terminology in this year's review, as it may cause confusion in the current context (where price inflation is a prominent issue in New Zealand and internationally). Further explanation is provided in **Annex 3: MBIE's minimum wage analytical model**.

Impact of the minimum wage options on employment

47. This section of MBIE's analysis is based primarily on modelling using MBIE's Minimum Wage Model (see **Annex Three – MBIE's minimum wage analytical model**).

48. Employers may respond to minimum wage increases by reducing their highest input cost, which is often labour. Negative employment effects resulting from this include job losses, lower job growth, unfilled vacancies and reduced hours of work. The extent of these effects, which we call employment restraints, 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. When there is a labour supply response to increases in the minimum wage, these are concentrated at lower wages and are generally positive (seeking to increase hours worked).

49. The mean figures modelled for the 16 to 64-year-old age group under the different minimum wage options represent the most likely employment restraint impacts.[26] As shown in Table 2 below, the modelling suggests that minimum wage increases at 6 percent (ie $24.00) or higher, would start to cause employment restraints. At higher levels of increase to the minimum wage, which exceed forecasted average wage growth, the restraint on employment impacts start to become moderate to substantial.

[26] The 'low' and 'high' figures for each minimum wage rate option represent the upper and lower values of the 95 percent confidence interval for estimating the restraint on employment impacts (eg for a minimum wage of $26.00 per hour, the model estimates, with 95 percent confidence, that the restraint on employment impact will be somewhere between -29,000 and -69,000 people in employment).

Table 2: Summary of employment impacts[27]

Option	Minimum Wage	Potential constraint on employment growth		
		Kaitz ratio based- '16-64 year olds' (Low)	Kaitz ratio based- '16-64 year olds' (Mean)	Kaitz ratio based- '16-64 year olds' (High)
1	$ 22.70	N/A	N/A	N/A
2	$ 23.00	N/A	N/A	N/A
4	$ 23.60	N/A	N/A	N/A
5	$ 23.80	N/A	N/A	N/A
6	$ 24.00	<1000	<1000	<1000
9	$ 26.00	- 29,000	- 49,000	- 69,000

Impacts on minimum wage workers

50. Minimum wage rate increases are broadly understood to benefit workers by providing a wage floor and boosting the incomes of lowest paid employees. It can also improve employee motivation which can have a productivity benefit. It also assists the bargaining power of employees, as relativities to the minimum wage for roles are often considered when setting pay rates. Workers might also experience negative impacts (depending on employers' response to an increase in the minimum wage rate), such as reduced hours or job losses.

51. Other factors considered when assessing the overall impact of the minimum wage for workers are the impacts on different population groups, and the net impact on households (once abatements to other transfers are taken into account). In summary, based on the June 2023 HLFS incomes data, minimum wage earners are more likely to be female, aged 16-24, work part-time, and tend to be spread across household decile levels.

Key demographic groups of minimum wage earners

52. Of all workers aged between 16 and 64, an estimated 60,200 (2.8 percent of all wage earners) were paid at the minimum wage in June 2023. This is similar to last year, where an estimated 59,500 workers aged 16 to 64 (2.9 percent) were paid the minimum wage in June 2022.

53. Two key groups that disproportionately feature in the make-up of minimum workers are those who work part-time (63 percent) and workers aged 16 to 24 years (59 percent of all minimum wage earners aged 16 to 64). For the 16-24 year group, there are 35,500 workers

[27] Note: These numbers are the potential restraint on employment, assuming that the current economic conditions hold.

on the minimum wage, which represents 10.1% of the 350,600 workers in the labour market who fall into that age group.

54. Table 3 below shows the incidence of the minimum wage for employees aged 16 to 64 across key demographic groups of interest. Of note, the table shows that nearly 72% of 16 to 24-year-olds who are earning the minimum wage are working part-time, and that the 20,500 women aged 16-24 who are earning the minimum wage represent about 58 percent of all people aged 16 to 24 earning the minimum wage. The table also shows that the proportion of Māori aged 16-64 on minimum wage aligns with the overall proportion of the working population aged 16 to 64 who are Māori (around 15 percent).

Table 3: Incidence of MW workers aged 16 to 64 across focus demographic groups in 2023

Demographic		**At the minimum wage**					**Total paid employees**	**Percentage of total paid employees at minimum wage**
		16-24 years		**25-64 years**		**16-64 years**		
		Number	% of 16-64 years	Number	% of 16-64 years			
European /Pakeha	Number	21,200	68.2%	9,900	31.8%	31,100	1,242,500	2.5%
	Proportion of MW*	59.7%		40.1%		51.7%		
Female	Number	20,500	52.7%	18,400	47.3%	38,900	1,051,900	3.7%
	Proportion of MW*	57.7%		74.5%		64.6%		
Māori	Number	6,400	69.6%	2,800	30.4%	9,200	325,800	2.8%
	Proportion of MW*	18.0%		11.3%		15.3%		
Pacific Peoples	Number	2,500	54.3%	2,100	45.7%	4,600	131,700	3.5%
	Proportion of MW*	7.0%		8.5%		7.6%		
Part Time	Number	25,500	66.9%	12,600	33.1%	38,100	337,300	11.3%
	Proportion of MW*	71.8%		51.0%		63.3%		
Studying	Number	11,700	76.0%	3,700	24.0%	15,400	282,000	5.5%
	Proportion of MW*	33.0%		15.0%		25.6%		
Total	Number	**35,500**		**24,700**		**60,200**	**2,150,900**	**2.8%**

*Proportion of MW means the specified demographic as a proportion of all minimum wage workers in the specified column.

55. The following table estimates the number of workers aged 16 to 64 who are likely to be affected by the minimum wage options considered in this review. The percentage columns

refer to the percentage of workers earning at or below the relevant wage level among the total population of wage and salary earners of the particular age group.

Table 4: Estimated affected adult workers (aged 16 to 64 years)*

Option	Minimum Wage	16-17		18-19		20-24		25-64	
		%	Number	%	Number	%	Number	%	Number
1	**$22.70**	20.3%	12,300	15.1%	10,000	5.7%	13,200	1.4%	24,700
2	**$23.00**	28.1%	15,400	17.5%	11,600	7.6%	17,400	1.9%	35,000
4	**$23.60**	43.6%	23,900	34.9%	23,100	17.0%	39,100	4.3%	78,200
5	**$23.80**	48.1%	25,500	39.8%	26,300	18.6%	42,700	5.2%	93,200
6	**$24.00**	49.5%	27,100	42.1%	27,800	20.4%	46,900	6.1%	109,400
9	**$26.00**	65.5%	35,900	64.0%	42,300	42.6%	97,700	14.7%	264,000

*Note that the figures include both the people on the minimum wage and the people captured by lifting the rate. For option 1, the 12,300 16-17 year olds on the minimum wage includes those earning the starting out and training rates.

The net benefit of any minimum wage increase, for particular workers, will depend on the characteristics of their household

56. Not all minimum wage earners will benefit by the full dollar amount of the minimum wage increases. The level of benefit that minimum wage earners will get (up to the full value of the minimum wage increase, minus income tax and other mandatory deductions) depends on their individual household circumstances.

57. As mentioned in MBIE's 2021 and 2022 reviews, Maré and Hyslop's research of the minimum wage in New Zealand concludes that because minimum wage workers are broadly spread across household income distribution levels, minimum wage increases are largely ineffective as a redistributive income support policy[28]. Many people on low hourly rates of pay are in households where overall incomes are not particularly low. Income transfer policies designed to target low household incomes are more effective at reaching people with low household incomes. To the extent that minimum wages are intended as an income support policy, Maré and Hyslop recommends they should be designed and evaluated in the context of other income support policies.

58. To understand the distributional impacts of different options for the 2024 minimum wage, we need to look at household types of people on the minimum wage in 2023. The HLFS income data from June 2023 identifies the following household-types having at least one minimum wage worker.

[28] Maré, D., and Hyslop, D. *Minimum Wages in New Zealand: Policy and Practice in the 21st Century*. No. 14302. IZA Discussion Papers. Institute for the Study of Labour (IZA). March 2021.

Table 5: Minimum wage earners by household type (June 2023)

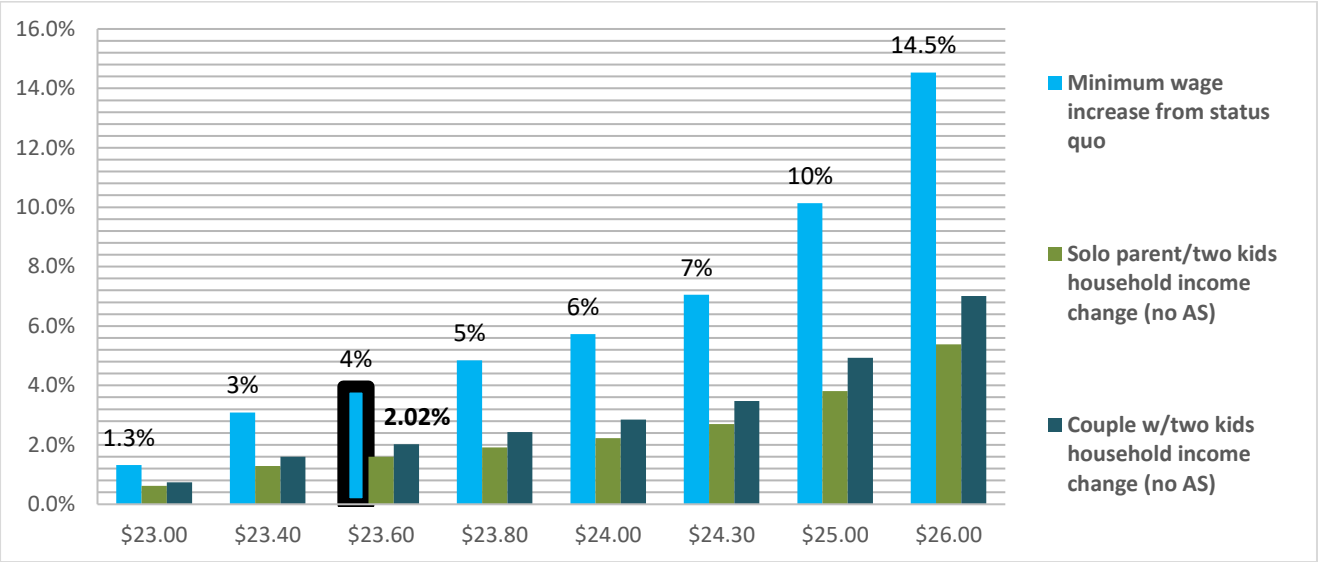
Demographic (June 2023 HLFS data)	**% of total minimum wage earners**	**% of people on minimum wage out of total paid employees**
Couple with dependent child(ren)	40% (23,900)	3.2%
Couple without dependent child(ren)	23% (14,000)	1.9%
Single with dependent child(ren)	8% (4,600)	4.7%
Single without dependent child(ren)	7% (4,500)	5.1%
Others	22% (13,100)	2.9%
Total	60,200	2.8%

59. In many households, total income will increase with a higher minimum wage, which will make it easier for minimum wage earners and their families to meet living costs. However, wages are often only part of the income of low-income workers, particularly those who are part of an overall low-income household. There are a range of government interventions and initiatives aimed at incentivising employment and increasing incomes. The most notable forms of in-work assistance/transfers for low to middle income individuals and households are the In-Work Tax Credit, the Family Tax Credit and the Accommodation Supplement (AS).[29] Low-income workers with children who are not on a main social security benefit (eg JobSeekers benefit) are entitled to receive the In-work Tax Credit and/or AS, alongside the Family Tax Credit. These entitlements will abate (to varying extents, depending on the household circumstances) for those who receive a minimum wage increase.

60. Figure 10 below demonstrates the percentage increase in take-home pay for two family types in response to increases in the minimum wage. It shows the estimated increases in household income for a solo parent with two children and a couple with two children for all nine minimum wage options, after receiving the In-Work Tax Credit and the Family Tax Credit, but not receiving AS. The figure below shows that in response to a four percent increase in the minimum wage, a couple with two children will receive a 2 percent increase in take-home pay (excluding tax and ACC).

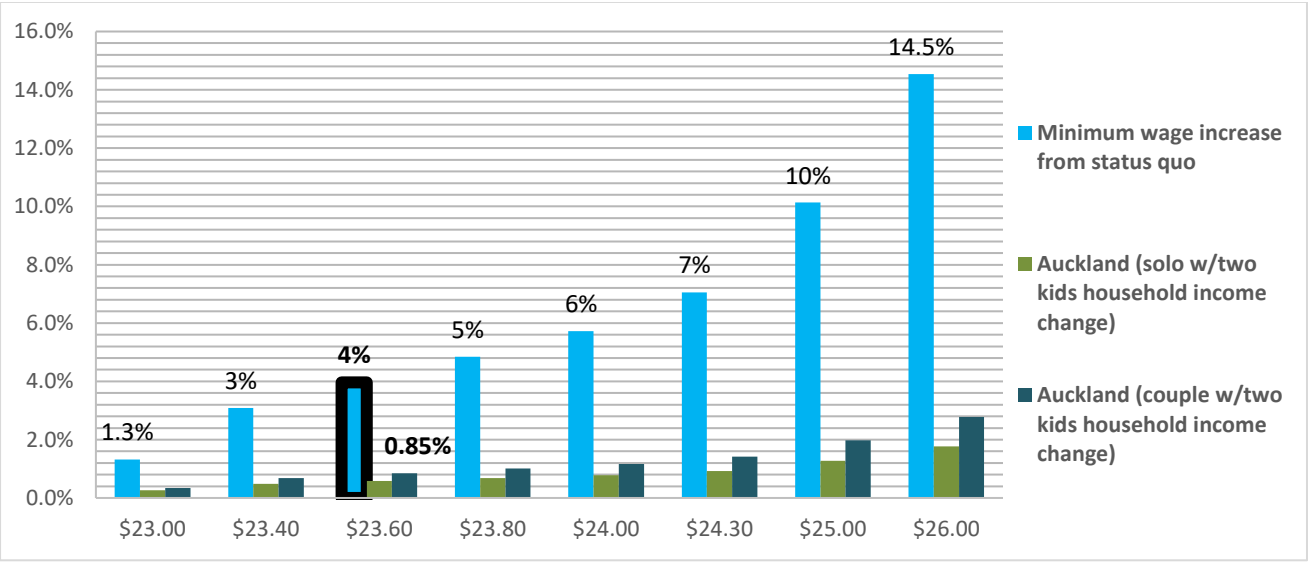
[29] The In-Work Tax Credit and the Family Tax Credit consist of two out of the four types of tax credits which make up the suite of Working for Families Tax Credits. The Family Tax Credit is the main payment to support families with the costs of children and the In-Work Tax Credit is designed to make sure families are better off working than if they were not working. AS is a payment for renters in the private rental market and can be received by beneficiaries and non-beneficiaries alike. Information on Working For Families Tax Credits can be found from https://www.msd.govt.nz/about-msd-and-our-work/work-programmes/welfare-overhaul/working-for-families-consultation-guidance-material.html#:~:text=Family%20Tax%20Credit%20is%20the,other%20child%20in%20a%20family.

Figure 10: Increases in minimum wage compared to increases in household incomes (excluding AS)



61. When the AS entitlement is included in the calculation, the abatement of the minimum wage increase becomes even more pronounced, and varies depending on where a household lives. Figure 11 below shows the estimated percentage increase in household income for the same two family types as the above graph, but illustrates the scenario of those families living in Auckland, receiving AS, and paying the median Auckland market rent of $630 per week (approximate). Figure 11 below shows that in response to a four percent increase in the minimum wage, a couple with two children receives only a 0.85 percent increase in take-home pay (excluding tax).

Figure 11: Increases in minimum wage compared to increases in household incomes (including AS entitlement for Auckland)



62. Given that the minimum wage has limited impact as a redistributive policy, and around half of households with a minimum wage earner do not have a dependent child(ren) and, in some households with dependent children, it may be that the child is the minimum wage earner, it is also limited in terms of being an effective tool for alleviating child poverty. For

more information on child poverty and the minimum wage, please refer to **Annex Six – Interaction between minimum wage, child poverty and main benefits**.

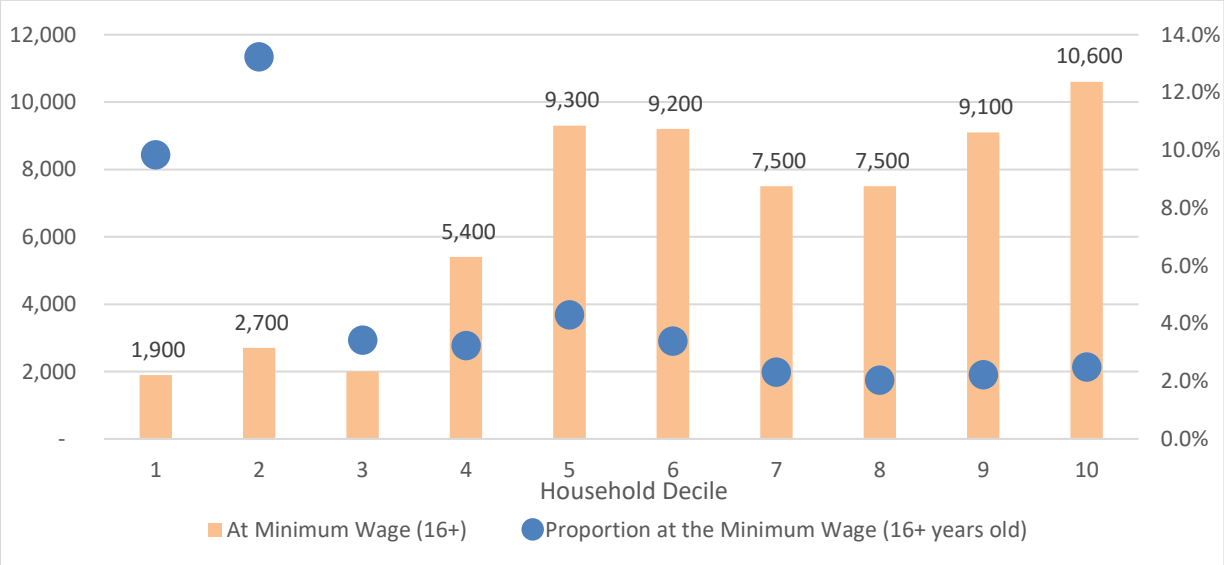
63. More examples of how minimum wage increases interact with Working For Families Tax Credits and AS can be found in **Annex Eight – Scenarios on interface of minimum wage options with other government interventions**. This shows in detail how certain family types in receipt of these income supports only receive a small to medium proportion of the dollar value of the minimum wage increase, with the proportion of additional take-home pay received reducing in response to larger minimum wage increases.

Distributional impacts for minimum wage earners by household

64. The majority of individual minimum wage earners live in medium to high income households and would therefore receive few (or no) government transfer payments. Many of these individuals are likely to be secondary earners and are less likely to face income-related abatements in income support compared to lower income families.

65. Figure 12 below shows the numbers of individuals by household decile earning the minimum wage (left side axis) and the proportion of individuals within each household decile earning the minimum wage (right side axis). It shows that the incidence of minimum wage earners extends a long way up the household income distribution levels. This is likely to reflect the prevalence of secondary earners within couples, or family dependents in high income households, earning the minimum wage.

Figure 12: Individuals (16+) on minimum wage by household decile



Costs to Government

66. Minimum wage increases have a minor fiscal impact for the public sector. This is due to the direct costs of higher wages for some employees in some parts of the public service, but also an increase in compensation or entitlements from Government programmes that are influenced directly or indirectly by the minimum wage changes (eg ACC weekly compensation). In terms of direct wages to core Government agencies, there is a zero or

neglible impact from minimum wage increases, since almost all core Government agencies pay more than the minimum wage to all staff members and most contractors.

67. The total estimated additional cost to the Government for the minimum wage options ranges from zero to $158 million per year (excluding any potiential offset due to reductions in transfer payments). The cost is estimated to be approximately $11 million at $23.00; $31 million at $23.60; and $50 million at $24.00. For more information on the total cost to Government and how it will impact on specific agencies, please refer to **Annex Seven – Fiscal impacts on Government.**

Part 4 – Analysis and recommended option

68. The core objective of the minimum wage review is to *'keep increasing the minimum wage over time to protect the real income of low-paid workers while minimising job losses'* (CAB Min (12) 41-5B refers). In assessing the recommended rate, we have considered both parts of this objective, as well as considering all the key economic metrics discussed above.

69. In the past two years, the focus of the Government was protecting real incomes of low-paid workers over the period of the previous year. The objective agreed by Cabinet does not define the time-period over which the real income of low-paid workers is assessed, so the review considered CPI inflation and general wage growth over the previous year to assess how the real value of the minimum wage could be maintained. From the perspective of a longer-term view, the review analysed the growth in the real value of the minimum wage over time (see figures 6 and 7) and the relativity of the minimum wage compared to the median wage and average wage (see figure 8).

70. CPI figures have played a significant role in setting the minimum wage over the past two years and are also prominent in our analysis below. Given how central inflation is to our analysis, it is worthwhile highlighting recent forecasts from Treasury and RBNZ, which show CPI inflation is expected to decrease back to the RBNZ's 1 to 3 percent target range within the second half of 2024.

Table 6: Forecasted CPI inflation from Treasury and RBNZ

Quarter (year-to-year)	Treasury CPI forecast (PREFU Sept 2023)[30]	RBNZ CPI forecast (Monetary Policy Statement November 2023)[31]
Sept-23	5.6% (actual was 5.6%)	5.6%
Dec-23	4.8%	5.0%
Mar-24	4.3%	4.3%
Jun-24	3.8%	3.7%
Sep-24	3.1%	2.9%
Dec-24	2.9%	2.5%

71. We note that, while CPI is the most widely used metric to assess price increases, there are other measures available. For more information on other price indexes and how they compare to increases in the minimum wage, please refer to **Annex Five: How the minimum wage has changed relative to other cost of living metrics**.

[30] Treasury. *Pre-election Economic and Fiscal Update 2023*. September 2023. https://www.treasury.govt.nz/sites/default/files/2023-09/prefu23.pdf

[31] Reserve Bank of New Zealand, Te Pūtea Matua. 11/2023 Monetary Policy Statement. November 2023. https://www.rbnz.govt.nz/hub/publications/monetary-policy-statement/2023/monetary-policy-statement-november-2023

Comparing the different minimum wage rate options

Options 1 to 3 minimise employment restraints but only protect real incomes if measured over a time period longer than a year

72. Based on current CPI forecasts, options that would increase the minimum wage by less than 4 percent are not expected to protect the real income of minimum wage workers if measured over the past year. But they are expected to have a low impact on employers and consumers.

73. **Option 1 ($22.70**, **the current adult minimum wage rate and status quo)** is not expected to have any impact on employment and there would be no impact on national weekly wage earnings or inflation. There would be no fiscal cost to government. However, it would mean that up to 60,200 workers may not get a pay rise, while the cost of living will continue to increase.

74. **Option 2 ($23.00, a 1.5% increase**) is modelled to increase the wages for 79,400 employees, without having any impacts on employment. This option would produce negligible fiscal cost to government. It was included in the option set as it rounds up the current rate to the nearest dollar figure and demonstrates the potential impacts of a very small increase to the minimum wage.

75. **Option 3 ($23.40, 3 percent increase)** aligns with the RBNZ's target band, which inflation is forecast to return to in the second half of 2024. Option 3 is expected to increase the earnings of about 122,500 workers, resulting in an economy-wide wage increase of $102 million.

76. Overall, Options 1-3 could be seen to meet the objective of protecting real incomes if this is measured over a longer time-period. The primary advantage of Options 1-3 is that they would have the least likelihood of restraining employment growth. However, minimum wage workers face the same rising costs as other workers and are less likely to have savings from previous periods to be able to help meet costs in the current period. These three options are not MBIE's preferred options.

Option 4 appears to suitably balance the factors in the Cabinet objective and other considerations

77. **Option 4 ($23.60, 4 percent increase)** is expected to achieve both parts of the criteria agreed by Cabinet in 2012. It is estimated to produce no restraints on employment in 2024, therefore meeting the objective relating to job losses. It also roughly protects the real current value of the minimum wage as it approximately matches Treasury's and RBNZ's forecast CPI inflation rate for the March 2024 quarter (4.3 percent).[32]

78. Option 4 is assessed to impact the earnings of about 164,400 workers, resulting in an economy-wide wage bill increase of $145 million. This is less than half of the economy-wide

[32]The Treasury's Half Year Economic and Fiscal Update, released on 20 December 2023, revised the CPI inflation forecast for the year to March 2024 to 4.6 percent.
https://www.treasury.govt.nz/publications/efu/half-year-economic-and-fiscal-update-2023

wage increase that was modelled for the last minimum wage increase to $22.70, which was $352 million, meaning that the additional wage pressures on employers for this rate is significantly less than the last increase.

79. Option 4 represents the low-end of what could be realistically expected for CPI inflation by March/April 2024.

80. **Option 5 ($23.80, 5 percent increase)** also aligns with the top of the forecast range for CPI inflation in early 2024. This option would likely preserve or produce a small increase to the real value of the minimum wage (ie exceed inflation) and, in the model, does not produce any restraint on employment. This rate is expected to impact the earnings of about 188,700 workers, resulting in an economy-wide wage increase of $196 million.

81. Both Options 4 and 5 arguably meet the 2012 Cabinet objective. While a 5 percent increase has similar outcomes across the two dimensions of the Cabinet objective, our judgement is that it presents a higher risk of employment restraints in the context of a softening labour market and challenging economic outlook. If the economic outlook worsens, or wage growth is less than forecasted, the estimated restraint on employment impact for each option could be understated (ie a 5 percent increase causes minor employment restraints, not zero). Therefore, option 4 is the more cautions option to account for this.

Options 6 to 9 exceed forecast inflation and are modelled to result in varying degrees of employment restraint

82. MBIE's modelling shows that potential restraints on employment growth only start to emerge for rates of **$24.00 per hour or higher** (6 percent increase or higher). This is because this rate of increase is the closest to forecasted average wage growth in 2024, and employment restraints start to show in the model when minimum wage growth reaches or exceeds forecast average wage growth. Treasury's September 2023 PREFU forecasts average wage growth to be 6.2 percent for the year to June 2024.

83. **Option 6 ($24.00, 6 percent increase)** is estimated to produce very minimal employment restraints (less than 1,000 people)[33] and impact the earnings of about 211,300 workers, resulting in an economy-wide wage increase of $253 million. This rate is likely to increase the real value of the minimum wage, given it is higher than both the current and forecasted rate of CPI inflation.

84. Of note, option 6 has the same estimated restraint on employment impact (<1,000) as the recommended rate from the 2022 minimum wage review, which was $22.50 (the Government adopted $22.70). This is largely because the average wage growth forecasted for the year to June 2023 from the 2022 Budget and Fiscal Update (BEFU) is very similar to what the 2023 PREFU is forecasting for average wage growth for the year to June 2024.[34]

[33] Per statistics protocols, numbers lower than 1,000 are suppressed.

[34] The 2022 Treasury BEFU forecasted average wage growth for the year to June 2023 to be 6.0 percent. The 2023 PREFU is forecasting average wage growth to be 6.2 percent in the year to June 2024.

85. For **Option 7 ($24.30, 7 percent increase) and above**, the MBIE model starts to show moderate to high levels of employment restraint impacts.

86. For **Option 9 ($26.00, 14.5 percent increase)**, the restraint on employment is estimated to be around 49,000 people. The economy wide wage increase from this option is expected to be approximately $1.34 billion, which is over nine times higher than the estimated impact from MBIE's preferred option.

87. MBIE considers that any rate of 7 percent or higher will add substantial direct cost to employers, while not effectively targeting those households most in need. These rates would likely further increase the real value of the minimum wage.

On balance, MBIE recommends a 4 percent increase (option 4) in the adult minimum wage for 2024 (to $23.60)...

88. Based on the foregoing analysis, while there are a range of minimum wage options that could be seen to balance the factors in the Cabinet objective for the minimum wage, MBIE considers a 4 percent increase is appropriate. In our view, the economic context suggests that adopting 4% would be prudent – for two overarching reasons:

    88.1. While unemployment remains low, it is increasing, so it is likely that the labour market throughout 2024 will be more sensitive to minimum wage increases compared to 2021 and 2022, given that these two years coincided with significant labour market tightness and rising wages.

    88.2. While inflation is falling, it is still outside RBNZ's target range so the rising cost of living will remain an issue, particularly for low-income households who spend proportionately more of their income.

…and retaining the minimum training wage and starting out wage at 80% of the adult minimum wage ($18.88)

89. A differential between the adult minimum wage and the training and starting-out rates may support the transition of youth into employment, and could help advance the policy objective of incentivising employers to take on, and support, trainees. The relevant minimum training and starting out wage if the adult minimum wage is $23.60 is $18.88.

90. In its submission, NZCTU recommends to abolish the starting-out rate and the training rate. MBIE considers that a differential between the adult minimum wage and these rates may support the transition of youth into employment. This supports the policy objective of incentivising employers to take a chance on a young person, enabling them to earn money, gain skills, and get work experience they need.

A 4 percent increase in the minimum wage is not expected to increase wage compression…

91. We do not consider that a 4 percent increase to $23.60 or lower will lead to further wage compression, though other economic factors could still have an impact on wage compression (eg potential growth in employees in low paying sectors). The 2023 HLFS

income data showed that the ratio of the minimum wage to the median wage reduced slightly compared to 2022, despite the $1.50 minimum wage increase (refer Figure 8). This was largely because of high general average wage growth.

92. In addition, the recommended rate is significantly less than Treasury's latest forecast for the increase in average ordinary hourly wages for the year to June 2024 (6.2 percent). Furthermore, it is also less than the recent increase in the Labour Cost Index (LCI) of 4.3 percent, and close to what the RBNZ is forecasting for annual private sector LCI wage inflation (ie the 'same-job' wage measure) for March 2024 (3.6 percent).[35]

… nor do we expect an increase of this magnitude to affect inflation

93. We do not consider that the recommended rate will materially impact on inflationary pressures. Minimum wage increases have not been cited by economic forecasters as significant factors driving CPI inflation, and the recommended increase is proportionate to the forecasted CPI rate for the March 2023 quarter.

94. Only a small proportion of New Zealand workers earn the minimum wage and minimum wage increases only account for a very small proportion of overall general wage growth. Relative to the 2023 minimum wage increase to $22.70, an increase to $23.60 in 2024 is expected to affect fewer workers and result in a lower economy-wide wage burden on employers.

Feedback from social partners

95. BusinessNZ and the NZCTU, as representatives of worker and employer interests respectively, were invited to provide submissions on the 2023 minimum wage review.

Feedback from BusinessNZ

96. BusinessNZ's submission this year was consistent with submissions from previous years – that in setting the minimum wage, the Government should signal future expectations around how the rate will be set and take a long-term view to the trajectory of minimum wage increases, rather than respond to short term CPI fluctuations. They noted that this should provide capacity for businesses to plan in response to anticipated minimum wage rises.

97. BusinessNZ acknowledged that no raise in the minimum wage would "effectively represent an austerity measure" for workers that would see the real value of workers' incomes decline. However, elevating the rate to meet the Living Wage (the highest rate option assessed by MBIE in this review) would be an excessive shock to businesses that would not reflect the actual needs of minimum wage workers. This is because the Living Wage is predicated on the needs of a family of four, and the majority of minimum wage workers are not supporting families.

[35] Reserve Bank of New Zealand, Te Pūtea Matua. *11/2023 Monetary Policy Statement.* November 2023. https://www.rbnz.govt.nz/hub/publications/monetary-policy-statement/2023/monetary-policy-statement-november-2023

98. For adjusting the minimum wage rate, BusinessNZ reiterated a preference for using the average ratio of the CPI divided by LCI increases. They argue this would combine the effects of wage costs to employers and consumer costs to workers. BusinessNZ observed that CPI has fluctuated considerably over the last 30 years, however none of the spikes have ever lasted for a long period of time. They suggest that a longer-term view of trends over time is more rational than simply changing the minimum wage to react to point-in-time peaks and troughs.

99. BusinessNZ noted that they were prepared to support options that approximate the movement of the average of the CPI and LCI, since these are core indicators of the need to move wages. MBIE notes that their supplied modelling, using this method, produced a minimum wage rate for April 2024 of $23.69, which is close to MBIE's recommended option of $23.60.

Feedback from the New Zealand Council of Trade Unions

100. The NZCTU and its affiliates together support a common policy position for the minimum wage. The NZCTU proposed that:

- The minimum wage for 2024 should be $26.00 – the level of the current Living Wage.
- A new tripartite body be responsible for establishing the minimum wage recommendation to the Minister of Workplace Relations and Safety in future.
- That youth and training rates should be abolished, with all workers being paid at least the minimum wage.

101. The NZCTU noted that changes in the minimum wage have had little impact on unemployment levels and that unemployment has remained around a record low level, and therefore should not be considered an issue for this minimum wage decision. They also discussed inflation, referring to academic evidence which suggests that the minimum wage has little impact on the level of general inflation in the economy, and concern about inflationary impacts should not be a barrier to the delivery of a meaningful minimum wage.

Announcing the increase and next steps

102. Changes to the minimum wage are normally announced prior to Christmas, and are given effect in the following year through an Order in Council under sections 4, 4A, 4B of the Minimum Wage Act 1983. Since 2007, changes to the minimum wage have come into effect on 1 April. There is no obligation to change the minimum wage rates or a requirement that any rate changes come into effect on a particular date. There is only a statutory requirement for the Minister to review and provide advice annually on the minimum wage.

103. The past two minimum wage announcements have been made in January or February of the year the increase comes into force, leaving businesses only two to three months to prepare for the change. This was raised as an issue in several employer submissions. MBIE's recommendation is to make the decision on the minimum wage in December and announce the decision prior to Christmas if possible, to give employers time to make any necessary changes.

Annex One: Summary of impacts of the minimum wage options[36] [37]

Minimum wage rate impact measures	Option 1 0% $22.70	Option 2 1.5% $23.00	Option 3 3% $23.40	Option 4 4% $23.60	Option 5 5% $23.80	Option 6 6% $24.00	Option 7 7% $24.30	Option 8 10% $25.00	Option 9 14.5% $26.00
Adult minimum wage (hourly rate)	$22.70	$23.00	$23.40	$23.60	$23.80	$24.00	$24.30	$25.00	$26.00
Adult minimum wage (gross weekly income – 40-hour week)[38]	$908.00	$920.00	$936.00	$944.00	$952.00	$960.00	$972.00	$1,000.00	$1,040.00
Adult minimum wage (gross annual income – 40-hour week)	$47,216	$47,840	$48,672	$49,088	$49,504	$49,920	$50,544	$52,000	$54,080
Relativity to median wage[39]	72%	73%	74%	75%	75%	76%	77%	79%	82%
Relativity to average wage[40]	57%	58%	59%	60%	60%	61%	61%	63%	66%
Relativity of gross weekly income at minimum wage rate to Job Seeker support[41]	235%	238%	242%	244%	246%	248%	251%	259%	269%
Number of people directly impacted (rounded up to nearest 100)	NA	79,400	145,200	164,400	188,700	211,300	264,600	316,100	440,100
Estimated restraint on employment (modelled average)[42]	N/C	N/C	N/C	N/C	N/C	<1000	- 7,500	- 24,500	- 49,000
Estimated economy-wide increase in wages ($m, annual)	N/C	27	102	145	196	253	369	682	1,341
Estimated impact on nominal GDP (percentage points)[43]	N/C	0.007%	0.028%	0.040%	0.053%	0.069%	0.100%	0.185%	0.364%

[36] To ensure comparability between options, the modelling of all options is for the calendar year from 1 April 2023.
[37] The MBIE recommended option is highlighted in green.
[38] This is calculated on a 40-hour week basis.
[39] The median hourly earnings are $31.61 per hour (Labour Market Statistics (Income), June 2023).
[40] The average ordinary time hourly earnings are $39.53 per hour or $1,581.20 gross per week (Labour Market Statistics, QES, June 2023).
[41] For a single adult, aged 25 or over, receiving $386.54 (gross) per week, as from 1 April 2023. Source: https://www.workandincome.govt.nz/products/benefit-rates/benefit-rates-april-2023.html
[42] The employment effects for '16-64 year olds' are represented. These are estimates from the MBIE-MW employment restraint model updated in 2023
[43] The impact on the GDP-Income measure of the estimated economy-wide increase in wages, weighted by the of share of compensation of employees in the National Accounts.

Minimum wage rate impact measures	Option 1 0% $22.70	Option 2 1.5% $23.00	Option 3 3% $23.40	Option 4 4% $23.60	Option 5 5% $23.80	Option 6 6% $24.00	Option 7 7% $24.30	Option 8 10% $25.00	Option 9 14.5% $26.00
Estimated additional annual costs to Government ($m, annual)[44]	$0.00m	$11.25m	$20.48m	$30.96m	$39.85m	$49.66m	$64.61m	$100.98m	$158.18m
Full time employee receiving no tax credits or other income support - net weekly income and increase from $22.70	$754.05 -	$763.77 ($9.72) 1.3%	$775.11 ($21.06) 2.8%	$780.59 ($26.53) 3.5%	$786.07 ($32.01) 4.2%	$791.54 ($37.49) 5.0%	$799.76 ($45.71) 6.1%	$818.93 ($64.88) 8.6%	$846.32 ($92.27) 12.2%
Scenario: Auckland based **couple**, both earning minimum wage, working a combined **60 hours** per week with two dependent children, receiving Working for Families and Accommodation Supplement - net weekly income and increase from $22.70	$1,536.74 -	$1,541.96 ($5.21) 0.3%	$1,547.30 ($10.55) 0.7%	$1,549.77 ($13.03) 0.8%	$1,552.25 ($15.50) 1.0%	$1,554.73 ($17.98) 1.2%	$1,558.44 ($21.70) 1.4%	$1,567.11 ($30.36) 2.0%	$1,579.49 ($42.75) 2.8%
Scenario: Auckland based **sole parent**, earning minimum wage, working **40 hours** per week with two dependent children, receiving Working for Families and Accommodation Supplement - net weekly income and number and percent increase from $22.70	$1,338.62 -	$1,342.10 ($3.48) 0.3%	$1,345.12 ($6.50) 0.5%	$1,346.44 ($7.81) 0.5%	$1,347.76 ($9.13) 0.7%	$1,349.07 ($10.45) 0.8%	$1,351.05 ($12.43) 0.9%	$1,355.66 ($17.04) 1.3%	$1,362.25 ($23.63) 1.8%

[44] This is a high-level estimate, largely based on the additional costs to the Ministry of Social Development, Te Whatu Ora, and Accident Compensation Corporation and New Zealand Defence Force. It does not include potential transfer savings received by the government in additional tax and abated benefits. Figures given do not include ACC OCL rates – the Outstanding cash Liability, an actuarial estimate of the funds required now to meet the future cost of all existing ACC claims.

Annex Two – Current and historical minimum wages

The current minimum wage rates and their coverage

104. The current minimum wage rates prescribed in the Minimum Wage Order 2022 are:

- the adult minimum wage rate - $22.70 per hour
- the starting-out minimum wage rate - $18.16 per hour
- the training minimum wage rate - $18.16 per hour.

105. The adult minimum wage rate applies to all employees aged 16 years and over, unless they are eligible to recive the starting-out wage or training wage.

106. The starting-out wage was introduced in May 2013. It is designed to incentivise employers to take a chance on a young person, enabling them to earn money, gain skills, and get work experience they need.

107. The Act provides that the starting-out wage rate must be set at no less than 80 percent of the adult minimum wage rate and is currently set at this level. The Act provides that the Order can prescribe one or more classes of worker to whom this rate applies. The Order sets out the following categories of employees to whom the starting-out wage applies:

- aged 16 or 17 years who have not completed six months continuous employment with their current employer; and are not involved in supervising or training other workers; or
- aged 18 or 19 years who have been continuously paid one or more specified social security benefits for not less than six months, and have not completed six 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 are required by their employment agreement to undertake at least 40 credits a year of an industry training programme to become qualified for the occupation in which they are employed; and are not involved in supervising or training other workers.

108. The training minimum wage rate applies to a trainee who is aged 20 years or over, is not involved in supervising or training other workers, and is required by their employment agreement to undertake at least 60 credits each year of an industry training programme to become qualified for the occupation in which they are employed. It is also set at an 80% relativity to the adult minimum wage.

Changes to the minimum wage in the last 10 years

109. Since 2000, the minimum wage rate has increased every year following the annual review. Changes in the hourly rates since 2011 are shown in table 7 below. The minimum wage has risen steeply since 2017.

Table 7: Historic minimum wage rates and increases

Effective Date	Adult Minimum Wage	Starting out and Training wages	Percent Change (Adult Minimum Wage)	Real terms increase in Minimum Wage[45]
1 April 2011	$13.00	$10.40	2.0%	-2.5%
1 April 2012	$13.50	$10.80	3.8%	2.2%
1 April 2013	$13.75	$11.00	1.9%	1.0%
1 April 2014	$14.25	$11.40	3.6%	2.1%
1 April 2015	$14.75	$11.80	3.5%	3.2%
1 April 2016	$15.25	$12.20	3.4%	3.0%
1 April 2017	$15.75	$12.60	3.2%	1.0%
1 April 2018	$16.50	$13.20	4.8%	3.7%
1 April 2019	$17.70	$14.16	7.3%	5.8%
1 April 2020	$18.90	$15.12	6.8%	4.3%
1 April 2021	$20.00	$16.00	5.8%	4.3%
1 April 2022	$21.20	$16.96	6.0%	-0.9%
1 April 2023	$22.70	$18.16	7.0%	0.3%

[45] The real terms increases were derived from subtracting the year-to-March CPI figures from the percentage increase in the minimum wage from the following year. The largest real terms increase in the minimum wage was in 2019 when CPI was low and the percentage increase in the minimum wage was high. The April 2022 minimum wage increase of 6 percent aligned with the December 2021 CPI figure but was lower than the year to March 2022 CPI of 6.9 percent.

Annex Three: MBIE's minimum wage analytical model

110. The minimum wage model is a crucial analytical tool that helps to assess any potential restraining impacts of minimum wage rate rises on employment. Alongside the restraint on employment output, MBIE calculates the incidence of the minimum wage across the demographic groups of interest, the additional wage costs for employing minimum wage earners, and the inflationary impact on nominal GDP under different potential minimum wage options for next year.

111. The minimum wage model also has an employment restraint sub-model. The sub-model is built from a regression technique and estimates the likely changes in employment in response to changes in the ratio between the minimum wage and the average wage, and does this for a number of cohorts. These cohorts cover sub-groups of the New Zealand working-age population most vulnerable to changes in the minimum wage. These include youth, women, Māori and the Pacific workers. The model captures the total employment restraints across the overall working age population (16-64 year old), summarising the impacts across these cohorts.

112. The minimum wage model used by MBIE in this report is refreshed with updated employment data and uses the regression method introduced in the 2022 review model. The primary data source is the Household Labour Force Survey (HLFS) which covers employment records on a quarterly basis, from the December 2006 quarter to June 2023 quarter. It is essential to include recent employment data in order to provide robust estimates reflecting the current economic conditions.

113. The method used is the fixed-effect panel linear model, which is different from the time series method used in the pre-2022 updates to the employment restraint component of the minimum wage model. A time series model is often applied when using highly aggregated data. In the case of time series analyses, how the overall employment for a specific cohort changes is assessed with respect to the minimum wage. The panel linear model extends the time series method and replaces it by exploring regional employment data over time.

Note on what restraint on employment means

114. MBIE's model uses an econometric technique which aims to assess potential restraints on employment for a particular minimum wage rate. When a new minimum rate is proposed, the model predicts the number of job losses based on the current labour market conditions and future wage forecasts from Treasury. The model is not set up for forecasting purposes. Rather, the model is set to assess the extent of the impact of different minimum wage rates on employment.

115. It is expected that, when a new minimum wage is implemented, employment in some regions for the youth worker cohort may change more moderately or acutely

compared to other regions due to local industry structures, population, and other region-specific factors. This regional information is more granular and better identifies the impact of minimum wage changes across regional or local elements of the New Zealand labour market. It potentially supports a more accurate assessment of the impacts of rate options on youth workers. The use of the moving average of the ratio between the minimum wage and the average wage also results in stable and statistically significant employment restraint estimates across different model specifications.

116. The panel linear model focuses on estimating the relationship between local employment and the minimum wage. Other variables included in the model control for long- and short-term factors, seasonality in the quarterly data used and the time trend on employment. The long-run factors are population and labour participation rate. These factors suggest that the larger the local working age population, or greater the labour participation rate, the more people are employed. Short-term factors in the model are changes in population, labour participation rate, and quarterly Gross Domestic Production (GDP) from the last quarter. These factors attempt to mitigate temporary or one-off effects on employment. For instance, a negative shock in GDP may reduce labour supply/demand for a short period of time.

117. The Global Financial Crisis (GFC) between 2007 and 2009 and COVID-19 pandemic in 2020 were instances of significant labour market disruption that introduced larger than usual noise in employment data. These periods are properly controlled for in the model, minimising potential bias in the regression results.

What are the inflationary impacts calculated by the MBIE model?

118. The inflationary impacts calculated from the minimum wage rate options do not relate directly to CPI inflation. The inflationary impacts do not reflect the commonly used definition of inflation, but the prospective expansion of nominal GDP calculated using the income method to calculating GDP[46] as a result of the minimum wage increase. This represents a static measure of the 'expansion' in the economy-wide wage bill from the various minimum wage increases examined in this review.

119. References to '*inflationary impacts on GDP*' or '*inflationary impacts*' throughout this review relate solely to their impact on the growth of the economy-wide wage bill as a direct result of the increase in wages to minimum wage earners, which is weighted by the compensation share to employees in the income method the GDP calculation. Lay readers are likely to interpret the mention of 'inflation' and 'inflationary impacts' as

[46] The income approach to calculating GDP sums the compensation of employees, taxes on production and imports less subsidies on production, gross operating surplus and mixed income. More information on this method can be found from https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Income_approach

being references to the CPI which is not the case. MBIE's model does not determine the impact that the minimum wage increases could have on CPI inflation.

120. The Minimum Wage review uses an economy-wide mode that calculates the additional economy-wide income increases from the minimum wage, using the nine different minimum wage options explored in this review. It is likely that an increase in the minimum wage alone will not raise overall Aggregate Demand given that the dollar value of the increase is such a small component of the overall income share to employees and given that many other factors influence Aggregate Demand. However, it is theoretically possible that a minimum wage increase that is significantly higher than general (or average) wage growth could have a non-negligible impact on Aggregate Demand, which could impact on overall inflation if Aggregate Demand is not counterbalanced by a supply response (eg a rise in productivity).

Limitations on the analysis in the model

121. MBIE's minimum wage model uses economic and employment data on earnings to estimate the employment effects of different increases to the minimum wage, as well as the incidence of the different minimum wage options.

122. 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. Employers may respond by absorbing the rises by accepting lower profits or by increasing the price of goods produced or services provided. Employers may also respond by reducing their highest input costs, which are usually labour. Negative labour or dis-employment effects resulting from this include job losses, lower job growth, unfilled vacancies and reduced hours of work.

123. The extent of these effects will depend on the size of the minimum wage rate increase, the economic and labour market context, and how firms respond. Only the first of these factors, however, can be fully understood in advance. For this reason, the estimates below should be treated as indicative, and based on a 'point in time' set of assumptions that may not necessarily come to pass.

Annex Four – New Zealand's minimum wage in a global context

Minimum wages across the OECD

124. It is important to consider how New Zealand's wage-setting policies compare internationally. As shown in Table 8 below containing the top 10 minimum wage rates, New Zealand currently has a relatively high minimum wage compared to other key OECD countries.

125. Only Luxembourg and Australia have higher hourly minimum wages and minimum annual nominal incomes. Variations in rankings between the annual and hourly datasets in Table 8 below are caused by the different lengths of standard working week amongst the countries.

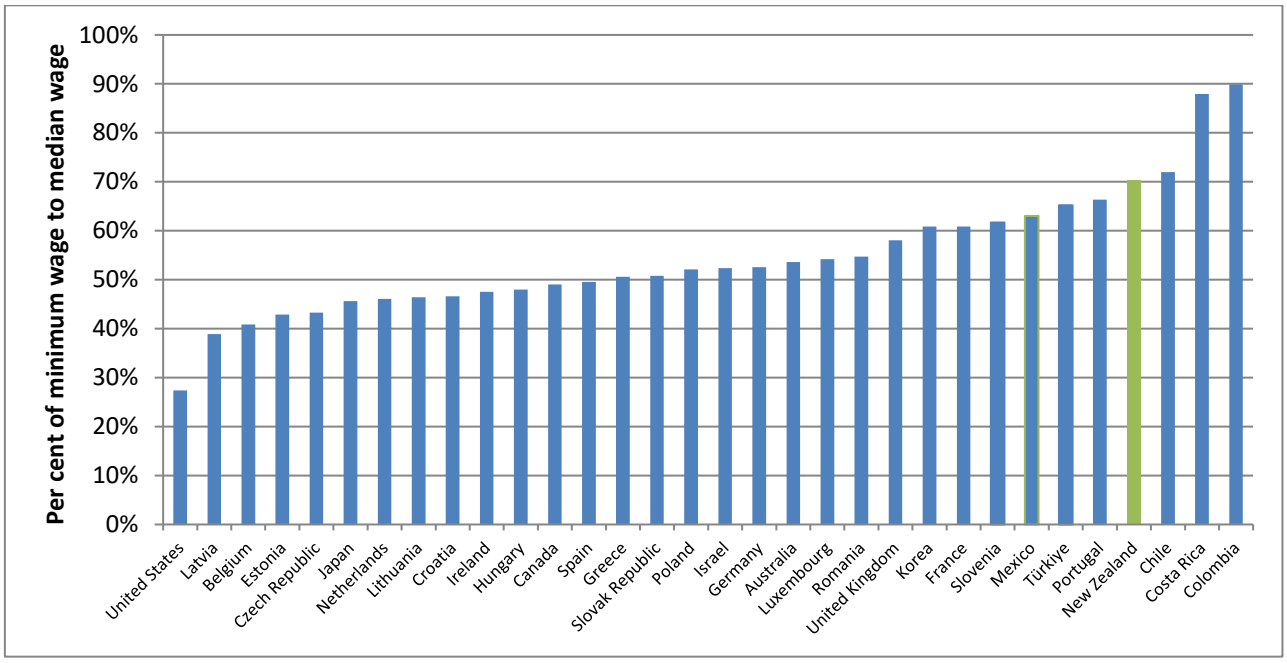
Table 8: Ranking of the annualised minimum wage earnings across OECD countries with the highest minimum wages (as at 14 September 2023)

Rank	Country	Annual rate of income on minimum wage ($NZD)[47]	Hourly rate ($NZD)
1	Luxembourg	$ 51,866.97	$ 24.94
2	Australia	$ 50,019.05	$ 25.31
3	New Zealand	$ 47,216.00	$ 22.70
4	Germany	$ 43,012.24	$ 20.68
5	United Kingdom	$ 42,918.02	$ 20.63
6	Canada	$ 41,760.52	$ 20.08
7	Netherlands	$ 41,254.52	$ 19.83
8	Belgium	$ 40,427.16	$ 20.46
9	Ireland	$ 39,490.61	$ 19.47
10	France	$ 36,130.28	$ 19.85

[47] The hourly rate is taken from official government sources. The hourly rate is then converted into $NZD using Inland Revenue's Overseas currency rates 2022 - rolling 12-month average in IRD currency rates.

126. In Europe and the UK, there is a trend to set minimum wages against a target relative to the median wage. The Council of Europe's European Social Charter codifies a living wage and, according to the case-law of its supervisory body, the level of 60 per cent of the net average wage is taken as the basis for appropriate remuneration[48] – so several EU member states such as Germany and Spain have set this as a target[49]. The UK's Low Pay Commission set a target for the National Living Wage (minimum wage equivalent) to reach 60 percent of median earnings by 2020. Having reached this target, a new target has been set for the UK rate to reach 66 percent of median earnings by 2024.

Figure 13: Kaitz index: minimum wages relative to median wages in OECD countries, OECD data 2022[50]



[48] Zimmer, R. (2019). Living wages in international and European law. *Transfer: European Review of Labour and Research*, *25*(3), 285–299. https://doi.org/10.1177/1024258919873831

[49] Eurofound (2022), Minimum wages in 2022: Annual review, Minimum wages in the EU series, Publications Office of the European Union, Luxembourg. https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef22040en.pdf

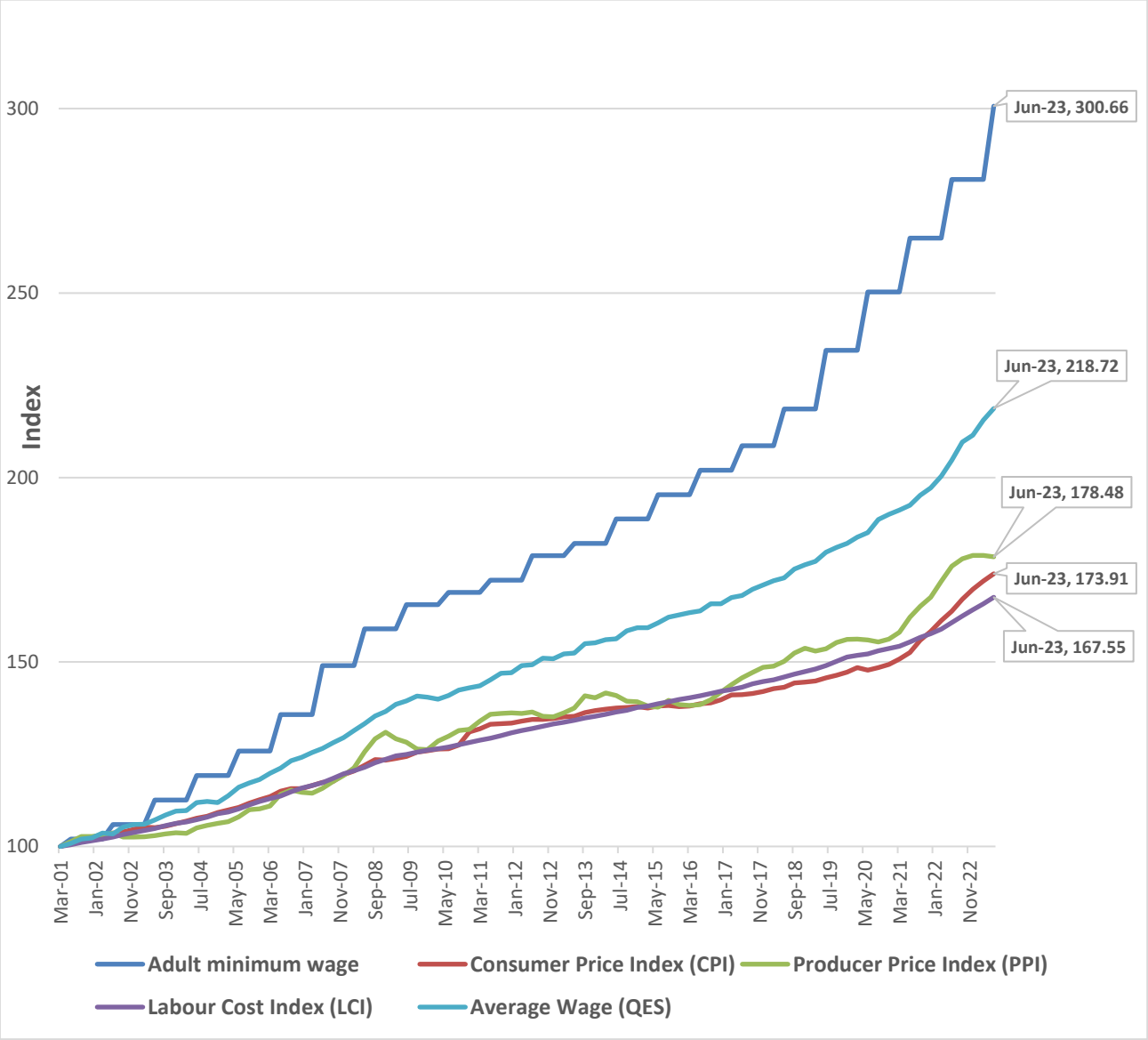
[50] Organisation for Economic Co-operation and Development OECD (2022). Minimum relative to median wages of full-time workers - https://stats.oecd.org/Index.aspx?DataSetCode=MIN2AVE

Annex Five – How the minimum wage has changed relative to other cost of living metrics

Minimum wage growth compared to other key wage and price metrics

127. Over the past 20 years, the minimum wage has increased at a faster rate than all key measures of wage and price growth, including average wages, LCI, and CPI inflation. This is illustrated in the below figure.

Figure 14: Percent increase in the minimum wage rate compared to inflation and other wage, cost and price measures, indexed to March 2001

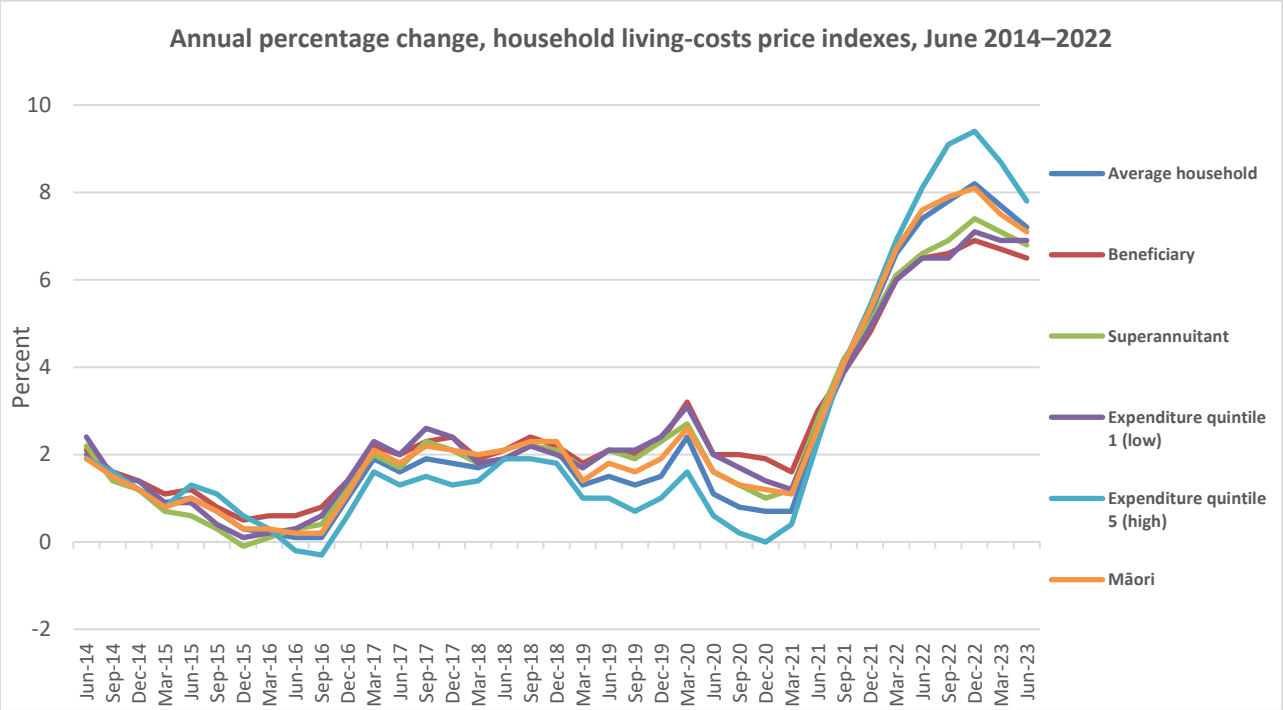


Measures of cost-of-living changes for different types of households

128. The CPI[51] and Household Living-Cost Price Indexes[52] (HLPI), published by Statistics NZ, provide trend data on changes in the cost of living over time. Analysis of this data indicates, as shown in Figure 14 below, that low-income and beneficiary households have experienced higher than average price inflation over the past decade.

129. The CPI measures how inflation affects New Zealand as a whole. The HLPI measures how inflation affects 13 different household groups, plus an all-households group. At the time of writing this report, the latest CPI data was from the September 2023 quarter and the latest HLPI data was from the June 2023 quarter. For housing, the CPI captures the cost of building a new home, while the HLPIs capture mortgage interest payments.

Figure 15: Annual percentage change, HLPIs June 2014-2022

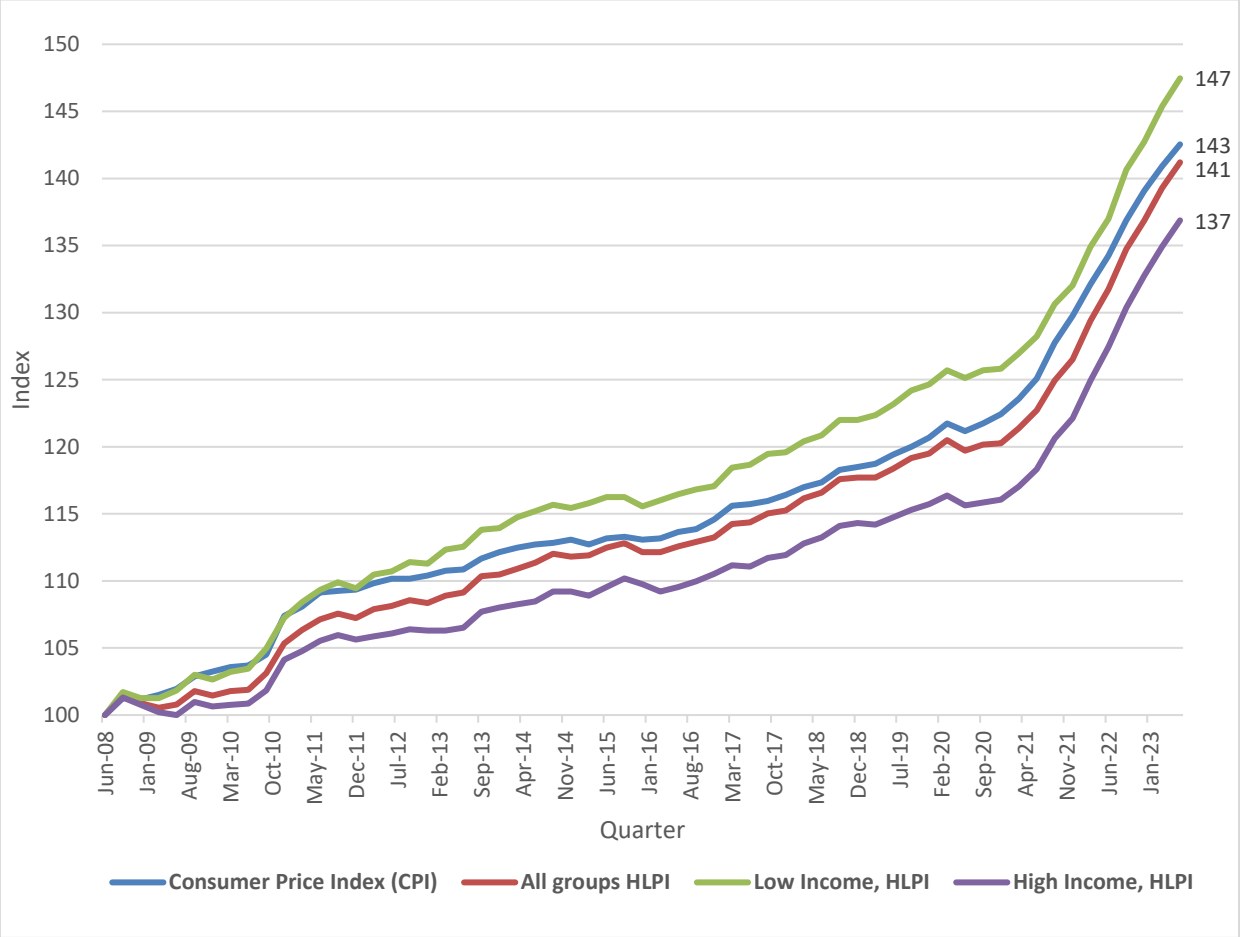


130. Between 2008 and 2023, the cumulative inflation experienced by low-income households (by quintile) was 47 percent. This exceeds to 41 percent for all households generally, 43 percent in the CPI and 37 percent for high income households, as shown in Figure 15 below. Since June 2020, the upward trend in price indices across all income groups has accelerated as the inflationary pressures have pushed the prices of consumer goods and services higher. This is a result of the economic recovery that

[51] 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.
[52] The Household Living-Costs Price Indexes are produced by Statistics NZ and track the experience of inflation for different groups (e.g. for beneficiaries, superannuitants and Māori, and by income and expenditure quintiles).

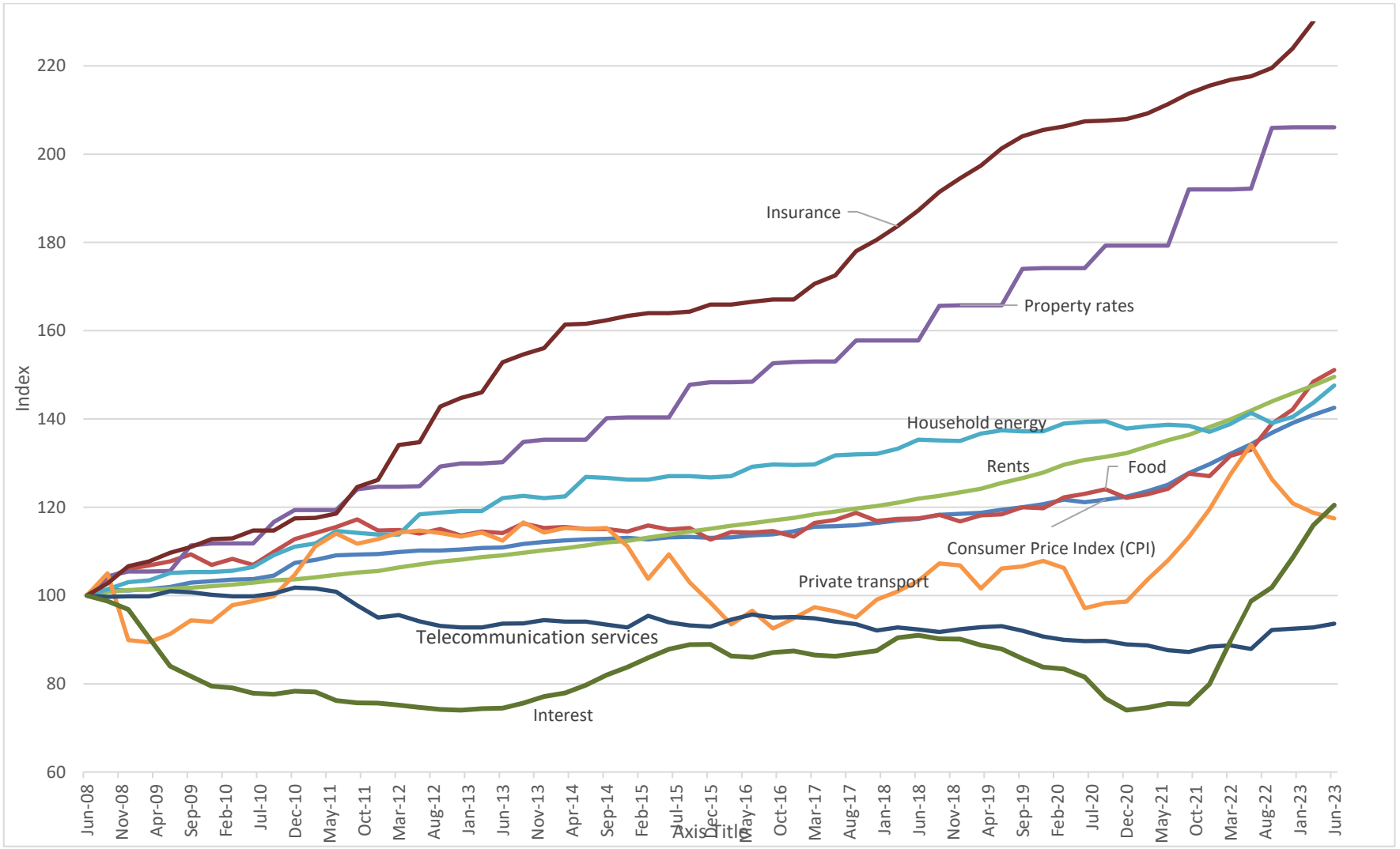
eventuated after the COVID-19 lockdowns in 2020 and 2021, including border closures and international supply chain constraints that have limited the movement of labour and goods.

Figure 16: Comparison of change in price indices (relative to June 2008)



131. Since 2008, the biggest drivers of increases in the cost of living for low income households have been insurance, local authority property rates, rents and, more recently, food, as shown in Figure 16 overleaf. In recent years, the cost of private transport, mainly reflecting petrol prices, has contributed to the rising cost of living, as have increases over the last year in food prices, energy, rents and interest.

Figure 17: Price change in selected costs in comparison to general CPI (indexed to June 2008)



Annex Six: Interaction between minimum wage, child poverty and main benefits

132. The Child Poverty Reduction Act 2018 establishes a framework for measuring child poverty. It requires targets to be set to reduce child poverty and for regular reporting on progress towards the targets. There are currently nine measures which must be reported on annually, including three primary and six secondary measures.[53] The primary measures in place are:

- **BHC50:** before housing cost income – the number of children in households with less than 50 percent of the median equivalised disposable household income before housing costs are deducted

- **AHC50:** after housing cost income – the number of children in households with less than 50 percent of the median equivalised disposable household income after housing costs are deducted.

- **Material hardship:** a lack of six or more out of the 17 items in the material deprivation index (DEP17), which include things like having two pairs of shoes in good condition and not putting off doctor visits.[54]

133. For the year ended June 2022 (the most recent figures), StatsNZ reported that eight out of the overall nine measures had been met, and all three primary measures were met.[55]

134. Using the primary measures specified in the Child Poverty Reduction Act, Statistics NZ estimated that in the year ended June 2022: 10.3 percent (118,900) children lived in a household experiencing material hardship; 15.4 percent of children (176,800) lived in households that met the AHC50 criteria; and 12.0 percent of children (137,800) lived in households that met the BHC50 criteria[56]. Estimates are that around 40 percent of children in poverty live in households where there is at least one adult in full-time employment or self-employment.[57]

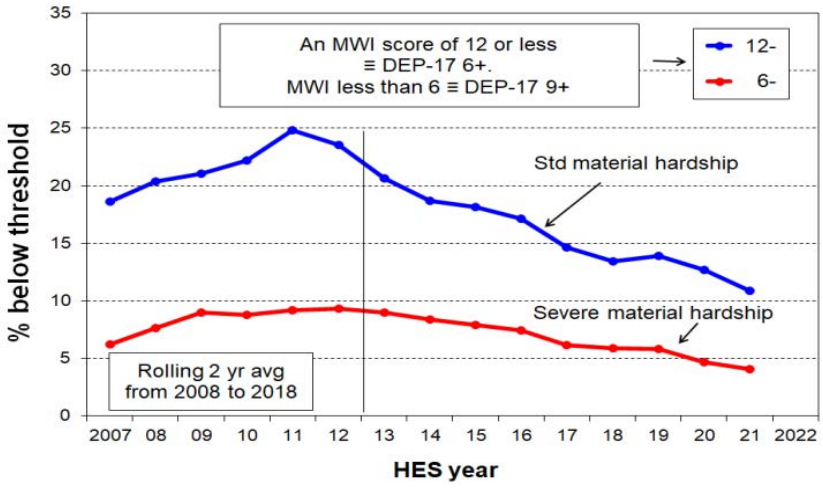
135. For international comparison of New Zealand's child poverty measures, the 2020 EU-13 material hardship rate for New Zealand two parent households with one or two children is 7 percent, close to the EU median for this household type (6 percent).[58] For two parent households with three or more children the New Zealand rate (17 percent)

[53] *Child Poverty Reduction Factsheets | Child and Youth Wellbeing (childyouthwellbeing.govt.nz)*
[54] Factsheet -Child poverty rates, targets and measures.pdf (childyouthwellbeing.govt.nz)
[55] The only measure which slightly increased from 2020/21 to 2021/22 was AHC60 measure, which increased from 27.5 percent to 28.5 percent. This is one of the supplementary measures.
[56] Child poverty statistics show no annual change in the year ended June 2022 | Stats NZ
[57] 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
[58] Perry, B. Child Poverty in New Zealand. October 2022. https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/research/child-poverty-in-nz/2022-child-poverty-report.pdf

is above the median EU rate for this group (11 percent). For New Zealand sole parent households, the EU-13 material hardship rate is 29 percent, down from 34 percent in 2017, but still well above the European median for this household type (19 percent). New Zealand also has a relatively high proportion of sole parent households compared with European countries.

136. Material hardship rates for children increased during the 2008 Global Financial Crisis and associated downturn, and improved from 2013 to 2021 (Figure 17 overleaf). Perry, from his 2022 report on child poverty in New Zealand, attributes this downward trend to "*a combination of rising employment rates, rising wages, increases to income support for families with children, increased support for housing and child-care costs, and other measures that reduce demand on the family budget (eg free doctors' visits and the food-in-schools programme)*".

Figure 18: Material hardship trends for children (0-17 years), 2007 to 2021



Source: Perry, B. Child Poverty in New Zealand. October 2022

137. Perry's 2022 report on child poverty[59] observes that hardship rates of children in households reliant on government supported income are four to five times higher than rates for children in households where the main source of income is paid work. Although working households have lower hardship rates, there are many more such households than beneficiary households, so the actual numbers of children in hardship are similar across both beneficiary and working households. Perry emphasises that many households supported by paid work are reliant on government support such as Working for Families on top of their market income.

138. International evidence suggests that under certain conditions, minimum wage increases can be effective in reducing poverty.[60] Overall, however, a key message from

[59] Perry, B. Child Poverty in New Zealand. October 2022. https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/research/child-poverty-in-nz/2022-child-poverty-report.pdf

[60] Matsaganis, Medgyesi and Karakitsios. (2015). *EU Research note on interaction between minimum wages, income support, and poverty*. European Commission.

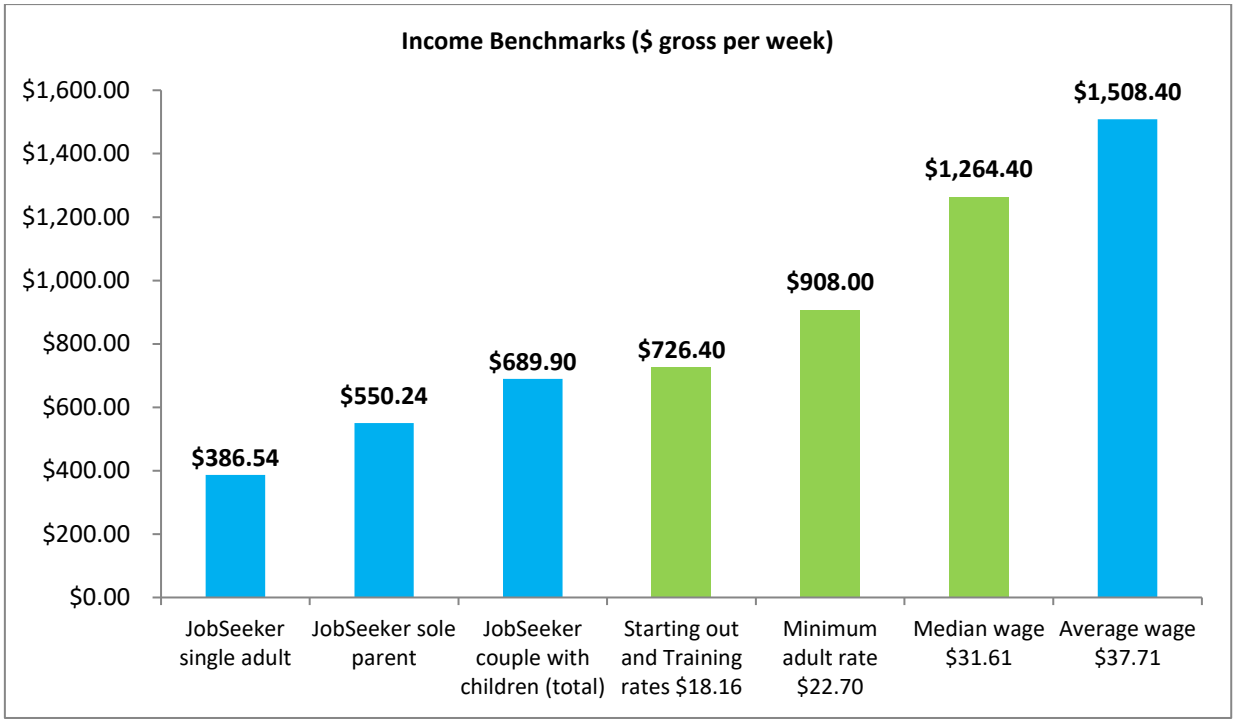
the literature is that minimum wage increases on their own are a 'blunt instrument' for reducing child poverty. This is because minimum-wage and other low paid workers can be found in households across the income distribution, and a relatively small proportion of minimum wage earners are parents in households with dependent children. The DPMC Child Poverty Unit has noted that material hardship and income poverty are only moderately related, meaning that there are many people in material hardship who are not income poor and vice versa.

139. The Child Poverty Unit and Ministry of Social Development undertook analysis[61] for the 2018 minimum wage review, to consider the impacts of proposed minimum wage changes on selected child poverty measures. That analysis indicated that minimum wage increases were more likely to have an impact on income poverty rates for households *without* children, with limited impacts on measured income poverty for households *with* children.

140. Over the past few years, the government has implemented several targeted initiatives to increase the net incomes of many low-income working households. The combination of these changes means that the overall income gap between main benefits and the minimum wage means that the incentives for full-time paid work has broadly remained consistent over the years. This gap is illustrated in the figure below which shows how full-time earnings on the minimum wage compares to JobSeekers supports and other key income measures (before tax).

[61] The analysis looked at whether proposed minimum wage increases put the incomes of scenario households (for different household sizes, locations and numbers of hours worked) over various standard poverty lines. Poverty lines are generally set as a proportion of median incomes (e.g. 40 percent, 50 percent or 60 percent), either before or after housing costs ('BHC' or 'AHC'). The modelling assumed lower quartile rents and full-take up of income-support entitlements such as Working for Families and Accommodation Supplement. Further information can be found in the Minimum Wage Review 2018 (MBIE, 2018).

Figure 19: Weekly gross income from minimum wages and other income benchmarks (September 2023)



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Annex Seven – Fiscal impacts on Government

141. Increases to the minimum wage are expected to have direct and indirect fiscal impacts for some government agencies. This section summarises these estimated impacts. Most government agencies pay staff at least the Living Wage rate, and will not be substantially affected by minimum wage rate increases below this amount.

142. The Ministry of Social Development, Accident Compensation Corporation, New Zealand Defence Force, New Zealand Police and Health New Zealand Te Whatu Ora 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. In addition, MBIE canvassed over 20 Public Service and Non-Public Service Departments to learn whether the proposed minimum wage options would be expected to have a direct material impact, or an impact on departments under their oversight.

143. Most agencies reported no material impact to direct costs from anticipated increases, since their remuneration rates are currently above the current Living Wage. Likewise, a number of agencies projected no fiscal pressure from payments to service contractors, particularly as the Government is now requiring new public service contracts to pay the living wage (now $26.00) to cleaners, caterers and security services personnel. Others reported that their ability to fund those contracts could be impacted as a result of minimum wage increases.

144. **Te Whatu Ora - Health New Zealand** identified that there would be some cost implications for increased staff remuneration for Districts (previously District Health Boards), and the **New Zealand Defence Force** and **New Zealand Police** indicated additional staffing costs.

145. In summary, Table 9 below shows the estimated additional annual costs to government (in millions), directly related to a minimum wage increase: [62]

Table 9: Indicative increased costs to government

Option	Additional annualised cost ($)
$22.70	-
$23.00	11.25m
$23.40	20.48m
$23.60	30.96m
$23.80	39.85m
$24.00	49.66m

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

$24.30	64.61m
$25.00	100.98m
$26.00	158.18m

146. Te Whatu Ora - Health New Zealand identified that there would be direct workforce cost implications from a minimum wage increase for Districts (previously District Health Boards).

Table 10: Indicative increased costs for Te Whatu Ora Districts

Option	Additional annualised cost ($)
$22.70	-
$23.00	1,540
$23.40	5,724
$23.60	10,965
$23.80	40,638
$24.00	144,081
$24.30	304,606
$25.00	696,860
$26.00	1,989,719

147. The **New Zealand Defence Force (NZDF)** advised that raising the minimum wage would have some direct cost impacts affecting NZ Cadet Force cadets, some casual employees, and members of the Regular and Territorial Forces in the ranks of Private (Equivalent) and Lance Corporal (Equivalent). All civilian employees are at or above the $26.00 living wage rate. Any decision to absorb the cost internally or seek additional funding would be dependent on the rate approved by Cabinet.

Table 11: Indicative increased costs for NZDF

Option	Additional annualised cost ($)
$22.70	-
$23.00	6.34m
$23.40	11.60m
$23.60	17.47m
$23.80	20.72m
$24.00	25.83m
$24.30	30.93m

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$25.00	45.99m
$26.00	68.08m

148. The **Accident Compensation Corporation (ACC)** advised that minimum wage increases up to $26.00 would not impact direct staffing costs. However, increases are expected to directly impact funding for third-party employers and weekly compensation. Increases to the minimum wage also have an impact on the Labour Cost Index (LCI). ACC reports that most services get an annual LCI uplift, so if the LCI is higher due to minimum wage increases it will flow into most other claims costs indirectly. While this is not a direct link, ACC registers an expectation of increased costs related to minimum wage rate increases.

Table 12: Indicative increased costs for the Accident Compensation Corporation

Option	Indirect cost from minimum wage impact on LCI ($)	Direct cost: funding for third-party employers ($)	Direct cost: weekly compensation costs ($)	Total cash costs ($)
$22.70	-	-	-	-
$23.00	3m	1m	-	4m
$23.40	6m	1m	-	7m
$23.60	8m	2m	1m	11m
$23.80	10m	3m	3m	16m
$24.00	12m	3m	5m	20m
$24.30	15m	5m	9m	29m
$25.00	21m	9m	18m	48m
$26.00	30m	16m	32m	78m

149. 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 OCL is an actuarial estimate of the funds required now to meet the future cost of all existing ACC claims.

150. Changes in the OCL have an impact on the long-term solvency of the ACC scheme (the measure of ACC's assets to liabilities). Any additional funding required will be sought through the levy setting process and government appropriations per ACC funding policy. For the proposed rate of $23.60, the estimated OCL impact is $22 million. The estimated impacts associated with each option are outlined in Table 13 overleaf.

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Table 13: Anticipated cost impacts to ACC's OCL

Option	OCL impact – funded support services and indirect LCI ($) [63]	OCL impact – weekly compensation costs ($)
$22.70	-	-
$23.00	-	-
$23.40	-	-
$23.60	13m	9m
$23.80	26m	28m
$24.00	51m	47m
$24.30	110m	77m
$25.00	229m	152m
$26.00	438m	265m

151. The following table shows the estimated levy rate impacts each option will have on the levied accounts. Note these are midpoints of the estimates and a range of impacts exists.

Table 14: Anticipated additional levy rate funding required for ACC

Option	Motor Vehicle Account	Earners' Account	Work Account
$22.70	$0.00	$0.00	$0.00
$23.00	$0.00	$0.00	$0.00
$23.40	$0.00	$0.00	$0.00
$23.60	$0.21	$0.00	$0.00
$23.80	$0.47	$0.01	$0.00
$24.00	$0.86	$0.01	$0.00
$24.30	$1.67	$0.01	$0.00
$25.00	$3.43	$0.02	$0.01
$26.00	$6.41	$0.04	$0.02

152. Levy rates for the 2023/24, and 2024/25 levy years were approved by the Government back in 2021. This means that the levies for these years cannot be adjusted. The next opportunity to set rates will be in 2024 for the 2025/26, 2026/27 and 2027/28 levy years.

[63] LCI indirect cost plus non pay equity related care cost increases are expected to have indirect costs as a result of the impacts of the minimum wage options on the Labour Cost Index (LCI)

153. The Non-Earners' Account appropriation for 2024/25 is currently being updated for submission to the October Baseline Update and does not allow for any additional funding outlined in the following table.

154. Additional funding requirements would need to be included in the forecast costs for the 2025/26 year and out years. The additional funding required for each option is shown in the following table:

Table 15: Anticipated additional funding required for ACC

Option	Additional NEA Funding Required ($)
$22.70	-
$23.00	-
$23.40	-
$23.60	2m
$23.80	4m
$24.00	7m
$24.30	13m
$25.00	26m
$26.00	46m

155. The **Ministry of Social Development (MSD)** advised that the change to the minimum wage would not have a direct effect on their wage costs. MSD adopted the Fair Pay approach in setting starting salaries from 2 April 2018 and extended it to cover cleaners from 1 October 2023, meaning the minimum starting salary is the Living Wage. However, there are other anticipated cost impacts shown in the table below:

Table 16: Anticipated costs for MSD

Option	Funded support programmes	Home Help (figures for 2024/25 FY)	Wage supplement (figures for 2024/25 FY)	Estimated savings (flow on effects from wage supplement rates) (figures for 2024/25 FY)	Total anticipated costs for MSD
$22.70	-	-	-	-	-
$23.00	$720, 000	$32,000	$223,000	($109,000)	$866,000
$23.40	$1,440, 000	$72,000	$521,000	($247,000)	$1,786,000
$23.60	$1,920, 000	$92,000	$670,000	($314,000)	$2,368,000
$23.80	$2,400, 000	$112,000	$819,000	($383,000)	$2,948,000
$24.00	$2,880, 000	$132,000	$968,000	($463,000)	$3,517,000
$24.30	$3,360, 000	$162,000	$1,192,000	($543,000)	$4,171,000
$25.00	$4,800, 000	$233,000	$1,714,000	($768,000)	$5,979,000
$26.00	$6,960, 000	$334,000	$2,460,000	($1,064,000)	$8,690,000

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156. For funded support, a proportion of expenditure will be minimum wage roles or roles that are affected by relativity to minimum wage. This is assumed at 15 percent of overhead (admin support type roles and those affected by relativity) with around 6 per cent of contract value impacted by any increase.

157. 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. Home Help is a component of the Special Circumstance Assistance BoRE (Benefit or Related Expense) appropriation in vote Social Development. It is demand driven and any additional spending expected to result from the setting of the minimum wage will be sought, as a forecast change, in the Budget 2024 process. The largest option (option 9, $26.00) would add about 10.1% to Home Help spending itself but far less (about 2.0%) to the Special Circumstance Assistance appropriation.

158. MSD is also bringing in a wage supplement to replace Minimum Wage Exemption (MWE) permits which, once established, will be impacted by changes to the minimum wage. Differences in the wage supplement rates will have flow on effects to the Supported Living Payment, Accommodation Supplement and Disability Allowance, thus generating savings. The higher MSD's contribution to the wage supplement, then the greater abatement and possible reductions or ceasing of supplementary payments will be.

159. The wage supplement to replace MWE permits, currently under development, is not expected to be implemented until later in 2024 and costing proposals are not yet approved by Cabinet nor built into current forecasts. Any changes to minimum wages will have an impact on the wage supplement and will be incorporated into future Cabinet approved costing amounts (for Top Up and impacts on benefits) and, for benefits, be treated as forecast changes in future budget updates. The wage supplement amount itself is expected to be a Non-Departmental Other Expense (not demand driven) and will be subject to future budget bids.

160. Funding for a 90-cent increase in the minimum wage to $23.60 at April 2024 is already factored in from Budget 2023 (and unchanged at PREFU 23). Any additional funding, as specified in the table above under each option, will be sought at Budget 2024.

161. Increases in the minimum wage will have an indirect impact on New Zealand Superannuation and main benefit rates as these are now indexed to the net average wage (since 1 April 2020). New Zealand Superannuation and Veteran's Pension are pegged to the dollar movement in the net average wage (unless CPI percent movement gives a higher rate) and main benefits are also pegged to the percentage movement in the net average wage. The average wage (and CPI) may both be influenced by changes to the minimum wage. Further, in the case of main benefits,

beneficiaries with other income may find their income increased by changes to the minimum wage and so result in a reduction in benefit rate (higher abatement) or benefit cancellation. All of these influences are quite indirect and unable to be estimated. Any fiscal impact will be treated as a forecast change through Budget 2024.

162. As for previous years, while it is not possible to quantify the exact impacts, the following outcomes are expected:

- 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 for employers 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 an expense, ie 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.

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

The following six scenarios are provided in this annex:

- A couple with two children working a combined 60 hours per week and
    - **Scenario 1:** living in Avondale, Auckland paying median rent of $630
    - **Scenario 2**: living in Ashburton, Canterbury paying median rent of $410
- A sole parent with two children working 40 hours per week and:
    - **Scenario 3**: living in Avondale, Auckland paying median rent of $630
    - **Scenario 4**: living in Ashburton, Canterbury paying median rent of $410

Median rent figures were published on the Tenancy Services website on 31 July 2023 from tenancy bond data from 1 February 2023 – 31 July 2023.[64]

Scenario 1

Scenario 1a: A couple with two children working a combined 60 hours per week at $22.70, living in Avondale, Auckland paying median market rent of $630						
Minimum wage				$22.70		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$908.00	$47,216.00	$7,282.80	$722.40	$39,210.80
Parent B	20	$454.00	$23,608.00	$3,151.40	$361.20	$20,095.40
Combined net earnings without other income support				$59,306.19		
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$7,593.48		
Total Working for Families assistance after abatement				$9,099.52		
Maximum accommodation supplement				$15,860.00		
Abatement on accommodation supplement				$4,355.00		
Total accommodation supplement after abatement				$11,505.00		
Effective annual earnings for the household				$79,910.71		
Percentage increase in minimum wage				0.00%		
Percentage increase in annual earnings				0.00%		
Scenario 1b: A couple with two children working a combined 60 hours per week at $23.00, living in Avondale, Auckland paying median market rent of $630						
Minimum wage				$23.00		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$920.00	$47,840.00	$7,392.00	$731.95	$39,716.05
Parent B	20	$460.00	$23,920.00	$3,206.00	$365.98	$20,348.02
Combined net earnings without other income support				$60,064.07		
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		

[64] https://www.tenancy.govt.nz/rent-bond-and-bills/market-rent/

Total abatement on family support due to income				\$7,846.20		
Total Working for Families assistance after abatement				\$8,846.80		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$4,589.00		
Total accommodation supplement after abatement				\$11,271.00		
Effective annual earnings for the household				\$80,181.87		
Percentage increase in minimum wage				1.32%		
Percentage increase in annual earnings				0.34%		
Scenario 1c: A couple with two children working a combined 60 hours per week at \$23.40, living in Avondale, Auckland paying median market rent of \$630						
Minimum wage				\$23.40		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	\$936.00	\$48,672.00	\$7,621.60	\$744.68	\$40,305.72
Parent B	20	\$468.00	\$24,336.00	\$3,278.80	\$372.34	\$20,684.86
Combined net earnings without other income support				\$60,990.58		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$12,923.00		
Total abatement on family support due to income				\$8,183.16		
Total Working for Families assistance after abatement				\$8,509.84		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$4,901.00		
Total accommodation supplement after abatement				\$10,959.00		
Effective annual earnings for the household				\$80,459.42		
Percentage increase in minimum wage				3.08%		
Percentage increase in annual earnings				0.69%		
Scenario 1d: A couple with two children working a combined 60 hours per week at \$23.60, living in Avondale, Auckland paying median market rent of \$630						
Minimum wage				\$23.60		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	\$944.00	\$49,088.00	\$7,746.40	\$751.05	\$40,590.55
Parent B	20	\$472.00	\$24,544.00	\$3,315.20	\$375.52	\$20,853.28
Combined net earnings without other income support				\$61,443.83		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$12,923.00		
Total abatement on family support due to income				\$8,351.64		
Total Working for Families assistance after abatement				\$8,341.36		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$5,057.00		
Total accommodation supplement after abatement				\$10,803.00		
Effective annual earnings for the household				\$80,588.19		
Percentage increase in minimum wage				3.96%		
Percentage increase in annual earnings				0.85%		

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Scenario 1e: A couple with two children working a combined 60 hours per week at $23.80, living in Avondale, Auckland paying median market rent of $630						
Minimum wage				$23.80		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$952.00	$49,504.00	$7,871.20	$757.41	$40,875.39
Parent B	20	$476.00	$24,752.00	$3,351.60	$378.71	$21,021.69
Combined net earnings without other income support				$61,897.08		
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$8,520.12		
Total Working for Families assistance after abatement				$8,172.88		
Maximum accommodation supplement				$15,860.00		
Abatement on accommodation supplement				$5,213.00		
Total accommodation supplement after abatement				$10,647.00		
Effective annual earnings for the household				$80,716.96		
Percentage increase in minimum wage				4.85%		
Percentage increase in annual earnings				1.01%		
Scenario 1f: A couple with two children working a combined 60 hours per week at $24.00, living in Avondale, Auckland paying median market rent of $630						
Minimum wage				$24.00		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$960.00	$49,920.00	$7,996.00	$763.78	$41,160.22
Parent B	20	$480.00	$24,960.00	$3,388.00	$381.89	$21,190.11
Combined net earnings without other income support				$62,350.34		
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$8,688.60		
Total Working for Families assistance after abatement				$8,004.40		
Maximum accommodation supplement				$15,860.00		
Abatement on accommodation supplement				$5,369.00		
Total accommodation supplement after abatement				$10,491.00		
Effective annual earnings for the household				$80,845.74		
Percentage increase in minimum wage				5.73%		
Percentage increase in annual earnings				1.17%		
Scenario 1g: A couple with two children working a combined 60 hours per week at $24.30, living in Avondale, Auckland paying median market rent of $630						
Minimum wage				$24.30		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$972.00	$50,544.00	$8,183.20	$773.32	$41,587.48
Parent B	20	$486.00	$25,272.00	$3,442.60	$386.66	$21,442.74
Combined net earnings without other income support				$63,030.22		

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Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$8,941.32		
Total Working for Families assistance after abatement				$7,751.68		
Maximum accommodation supplement				$15,860.00		
Abatement on accommodation supplement				$5,603.00		
Total accommodation supplement after abatement				$10,257.00		
Effective annual earnings for the household				$81,038.90		
Percentage increase in minimum wage				7.05%		
Percentage increase in annual earnings				1.41%		
Scenario 1h: A couple with two children working a combined 60 hours per week at $25.00, living in Avondale, Auckland paying median market rent of $630						
Minimum wage				$25.00		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$1,000.00	$52,000.00	$8,620.00	$795.60	$42,584.40
Parent B	20	$500.00	$26,000.00	$3,570.00	$397.80	$22,032.20
Combined net earnings without other income support				$64,616.60		
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$9,531.00		
Total Working for Families assistance after abatement				$7,162.00		
Maximum accommodation supplement				$15,860.00		
Abatement on accommodation supplement				$6,149.00		
Total accommodation supplement after abatement				$9,711.00		
Effective annual earnings for the household				$81,489.60		
Percentage increase in minimum wage				10.13%		
Percentage increase in annual earnings				1.98%		
Scenario 1i: A couple with two children working a combined 60 hours per week at $26.00, living in Avondale, Auckland paying median market rent of $630						
Minimum wage				$26.00		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$1,040.00	$54,080.00	$9,244.00	$827.42	$44,008.58
Parent B	20	$520.00	$27,040.00	$3,752.00	$413.71	$22,874.29
Combined net earnings without other income support				$66,882.86		
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$10,373.40		
Total Working for Families assistance after abatement				$6,319.60		
Maximum accommodation supplement				$15,860.00		
Abatement on accommodation supplement				$6,929.00		
Total accommodation supplement after abatement				$8,931.00		
Effective annual earnings for the household				$82,133.46		
Percentage increase in minimum wage				14.54%		
Percentage increase in annual earnings				2.78%		

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Scenario 2

Scenario 2a: A couple with two children working a combined 60 hours per week at $22.70, living in Ashburton, Canterbury paying median market rent of $410						
Minimum wage				$22.70		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$908.00	$47,216.00	$7,282.80	$722.40	$39,210.80
Parent B	20	$454.00	$23,608.00	$3,151.40	$361.20	$20,095.40
Combined net earnings without other income support				$59,306.19		
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$7,593.48		
Total Working for Families assistance after abatement				$9,099.52		
Maximum accommodation supplement				$8,153.60		
Abatement on accommodation supplement				$4,355.00		
Total accommodation supplement after abatement				$3,798.60		
Effective annual earnings for the household				$72,204.31		
Percentage increase in minimum wage				0.00%		
Percentage increase in annual earnings				0.00%		
Scenario 2b: A couple with two children working a combined 60 hours per week at $23.00, living in Ashburton, Canterbury paying median market rent of $410						
Minimum wage				$23.00		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$920.00	$47,840.00	$7,392.00	$731.95	$39,716.05
Parent B	20	$460.00	$23,920.00	$3,206.00	$365.98	$20,348.02
Combined net earnings without other income support				$60,064.07		
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$7,846.20		
Total Working for Families assistance after abatement				$8,846.80		
Maximum accommodation supplement				$8,153.60		
Abatement on accommodation supplement				$4,589.00		
Total accommodation supplement after abatement				$3,564.60		
Effective annual earnings for the household				$72,475.47		
Percentage increase in minimum wage				1.32%		
Percentage increase in annual earnings				0.38%		
Scenario 2c: A couple with two children working a combined 60 hours per week at $23.40, living in Ashburton, Canterbury paying median market rent of $410						
Minimum wage				$23.40		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$936.00	$48,672.00	$7,621.60	$744.68	$40,305.72
Parent B	20	$468.00	$24,336.00	$3,278.80	$372.34	$20,684.86

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Combined net earnings without other income support				\$60,990.58		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$12,923.00		
Total abatement on family support due to income				\$8,183.16		
Total Working for Families assistance after abatement				\$8,509.84		
Maximum accommodation supplement				\$8,153.60		
Abatement on accommodation supplement				\$4,901.00		
Total accommodation supplement after abatement				\$3,252.60		
Effective annual earnings for the household				\$72,753.02		
Percentage increase in minimum wage				3.08%		
Percentage increase in annual earnings				0.76%		
Scenario 2d: A couple with two children working a combined 60 hours per week at \$23.60, living in Ashburton, Canterbury paying median market rent of \$410						
Minimum wage				\$23.60		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	\$944.00	\$49,088.00	\$7,746.40	\$751.05	\$40,590.55
Parent B	20	\$472.00	\$24,544.00	\$3,315.20	\$375.52	\$20,853.28
Combined net earnings without other income support				\$61,443.83		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$12,923.00		
Total abatement on family support due to income				\$8,351.64		
Total Working for Families assistance after abatement				\$8,341.36		
Maximum accommodation supplement				\$8,153.60		
Abatement on accommodation supplement				\$5,057.00		
Total accommodation supplement after abatement				\$3,096.60		
Effective annual earnings for the household				\$72,881.79		
Percentage increase in minimum wage				3.96%		
Percentage increase in annual earnings				0.94%		
Scenario 2e: A couple with two children working a combined 60 hours per week at \$23.80, living in Ashburton, Canterbury paying median market rent of \$410						
Minimum wage				\$23.80		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	\$952.00	\$49,504.00	\$7,871.20	\$757.41	\$40,875.39
Parent B	20	\$476.00	\$24,752.00	\$3,351.60	\$378.71	\$21,021.69
Combined net earnings without other income support				\$61,897.08		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$12,923.00		
Total abatement on family support due to income				\$8,520.12		
Total Working for Families assistance after abatement				\$8,172.88		
Maximum accommodation supplement				\$8,153.60		
Abatement on accommodation supplement				\$5,213.00		
Total accommodation supplement after abatement				\$2,940.60		
Effective annual earnings for the household				\$73,010.56		

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Percentage increase in minimum wage				4.85%		
Percentage increase in annual earnings				1.12%		
Scenario 2f: A couple with two children working a combined 60 hours per week at $24.00, living in Ashburton, Canterbury paying median market rent of $410						
Minimum wage				$24.00		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$960.00	$49,920.00	$7,996.00	$763.78	$41,160.22
Parent B	20	$480.00	$24,960.00	$3,388.00	$381.89	$21,190.11
Combined net earnings without other income support				$62,350.34		
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$8,688.60		
Total Working for Families assistance after abatement				$8,004.40		
Maximum accommodation supplement				$8,153.60		
Abatement on accommodation supplement				$5,369.00		
Total accommodation supplement after abatement				$2,784.60		
Effective annual earnings for the household				$73,139.34		
Percentage increase in minimum wage				5.73%		
Percentage increase in annual earnings				1.29%		
Scenario 2g: A couple with two children working a combined 60 hours per week at $24.30, living in Ashburton, Canterbury paying median market rent of $410						
Minimum wage				$24.30		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$972.00	$50,544.00	$8,183.20	$773.32	$41,587.48
Parent B	20	$486.00	$25,272.00	$3,442.60	$386.66	$21,442.74
Combined net earnings without other income support				$63,030.22		
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$8,941.32		
Total Working for Families assistance after abatement				$7,751.68		
Maximum accommodation supplement				$8,153.60		
Abatement on accommodation supplement				$5,603.00		
Total accommodation supplement after abatement				$2,550.60		
Effective annual earnings for the household				$73,332.50		
Percentage increase in minimum wage				7.05%		
Percentage increase in annual earnings				1.56%		
Scenario 2h: A couple with two children working a combined 60 hours per week at $25.00, living in Ashburton, Canterbury paying median market rent of $410						
Minimum wage				$25.00		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$1,000.00	$52,000.00	$8,620.00	$795.60	$42,584.40
Parent B	20	$500.00	$26,000.00	$3,570.00	$397.80	$22,032.20

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Combined net earnings without other income support				\$64,616.60		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$12,923.00		
Total abatement on family support due to income				\$9,531.00		
Total Working for Families assistance after abatement				\$7,162.00		
Maximum accommodation supplement				\$8,153.60		
Abatement on accommodation supplement				\$6,149.00		
Total accommodation supplement after abatement				\$2,004.60		
Effective annual earnings for the household				\$73,783.20		
Percentage increase in minimum wage				10.13%		
Percentage increase in annual earnings				2.19%		
Scenario 2i: A couple with two children working a combined 60 hours per week at \$26.00, living in Ashburton, Canterbury paying median market rent of \$410						
Minimum wage				\$26.00		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	\$1,040.00	\$54,080.00	\$9,244.00	\$827.42	\$44,008.58
Parent B	20	\$520.00	\$27,040.00	\$3,752.00	\$413.71	\$22,874.29
Combined net earnings without other income support				\$66,882.86		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$12,923.00		
Total abatement on family support due to income				\$10,373.40		
Total Working for Families assistance after abatement				\$6,319.60		
Maximum accommodation supplement				\$8,153.60		
Abatement on accommodation supplement				\$6,929.00		
Total accommodation supplement after abatement				\$1,224.60		
Effective annual earnings for the household				\$74,427.06		
Percentage increase in minimum wage				14.54%		
Percentage increase in annual earnings				3.08%		

Scenario 3

Scenario 4a: A solo parent with two children working 40 hours per week at \$22.70, living in Avondale, Auckland paying median market rent of \$630						
Minimum wage				\$22.70		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	\$908.00	\$47,216.00	\$7,282.80	\$722.40	\$39,210.80
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$12,923.00		
Total abatement on family support due to income				\$1,219.32		
Total Working for Families assistance after abatement				\$15,473.68		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$936.00		
Total accommodation supplement after abatement				\$14,924.00		
Effective annual earnings for the household				\$69,608.48		

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Percentage increase in minimum wage				0.00%		
Percentage increase in annual earnings				0.00%		
Scenario 4b: A solo parent with two children working 40 hours per week at $23.00, living in Avondale, Auckland paying median market rent of $630						
Minimum wage				$23.00		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$920.00	$47,840.00	$7,392.00	$731.95	$39,716.05
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$1,387.80		
Total Working for Families assistance after abatement				$15,305.20		
Maximum accommodation supplement				$15,860.00		
Abatement on accommodation supplement				$1,092.00		
Total accommodation supplement after abatement				$14,768.00		
Effective annual earnings for the household				$69,789.25		
Percentage increase in minimum wage				1.32%		
Percentage increase in annual earnings				0.26%		
Scenario 4c: A solo parent with two children working 40 hours per week at $23.40, living in Avondale, Auckland paying median market rent of $630						
Minimum wage				$23.40		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$936.00	$48,672.00	$7,621.60	$744.68	$40,305.72
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$1,612.44		
Total Working for Families assistance after abatement				$15,080.56		
Maximum accommodation supplement				$15,860.00		
Abatement on accommodation supplement				$1,300.00		
Total accommodation supplement after abatement				$14,560.00		
Effective annual earnings for the household				$69,946.28		
Percentage increase in minimum wage				3.08%		
Percentage increase in annual earnings				0.49%		
Scenario 4d: A solo parent with two children working 40 hours per week at $23.60, living in Avondale, Auckland paying median market rent of $630						
Minimum wage				$23.60		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$944.00	$49,088.00	$7,746.40	$751.05	$40,590.55
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$1,724.76		
Total Working for Families assistance after abatement				$14,968.24		
Maximum accommodation supplement				$15,860.00		
Abatement on accommodation supplement				$1,404.00		

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Total accommodation supplement after abatement				$14,456.00		
Effective annual earnings for the household				$70,014.79		
Percentage increase in minimum wage				3.96%		
Percentage increase in annual earnings				0.58%		
Scenario 4e: A solo parent with two children working 40 hours per week at $23.80, living in Avondale, Auckland paying median market rent of $630						
Minimum wage				$23.80		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$952.00	$49,504.00	$7,871.20	$757.41	$40,875.39
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$1,837.08		
Total Working for Families assistance after abatement				$14,855.92		
Maximum accommodation supplement				$15,860.00		
Abatement on accommodation supplement				$1,508.00		
Total accommodation supplement after abatement				$14,352.00		
Effective annual earnings for the household				$70,083.31		
Percentage increase in minimum wage				4.85%		
Percentage increase in annual earnings				0.68%		
Scenario 4f: A solo parent with two children working 40 hours per week at $24.00, living in Avondale, Auckland paying median market rent of $630						
Minimum wage				$24.00		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$960.00	$49,920.00	$7,996.00	$763.78	$41,160.22
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$1,949.40		
Total Working for Families assistance after abatement				$14,743.60		
Maximum accommodation supplement				$15,860.00		
Abatement on accommodation supplement				$1,612.00		
Total accommodation supplement after abatement				$14,248.00		
Effective annual earnings for the household				$70,151.82		
Percentage increase in minimum wage				5.73%		
Percentage increase in annual earnings				0.78%		
Scenario 4g: A solo parent with two children working 40 hours per week at $24.30, living in Avondale, Auckland paying median market rent of $630						
Minimum wage				$24.30		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$972.00	$50,544.00	$8,183.20	$773.32	$41,587.48
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$2,117.88		
Total Working for Families assistance after abatement				$14,575.12		

Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$1,768.00		
Total accommodation supplement after abatement				\$14,092.00		
Effective annual earnings for the household				\$70,254.60		
Percentage increase in minimum wage				7.05%		
Percentage increase in annual earnings				0.93%		
Scenario 4h: A solo parent with two children working 40 hours per week at \$25.00, living in Avondale, Auckland paying median market rent of \$630						
Minimum wage				\$25.00		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	\$1,000.00	\$52,000.00	\$8,620.00	\$795.60	\$42,584.40
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$12,923.00		
Total abatement on family support due to income				\$2,511.00		
Total Working for Families assistance after abatement				\$14,182.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$2,132.00		
Total accommodation supplement after abatement				\$13,728.00		
Effective annual earnings for the household				\$70,494.40		
Percentage increase in minimum wage				10.13%		
Percentage increase in annual earnings				1.27%		
Scenario 4i: A solo parent with two children working 40 hours per week at \$26.00, living in Avondale, Auckland paying median market rent of \$630						
Minimum wage				\$26.00		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	\$1,040.00	\$54,080.00	\$9,244.00	\$827.42	\$44,008.58
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$12,923.00		
Total abatement on family support due to income				\$3,072.60		
Total Working for Families assistance after abatement				\$13,620.40		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$2,652.00		
Total accommodation supplement after abatement				\$13,208.00		
Effective annual earnings for the household				\$70,836.98		
Percentage increase in minimum wage				14.54%		
Percentage increase in annual earnings				1.76%		

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Scenario 4

Scenario 5a: A solo parent with two children working 40 hours per week at $22.70, living in Ashburton, Canterbury paying median market rent of $410						
Minimum wage				$22.70		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$908.00	$47,216.00	$7,282.80	$722.40	$39,210.80
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$1,219.32		
Total Working for Families assistance after abatement				$15,473.68		
Maximum accommodation supplement				$9,391.20		
Abatement on accommodation supplement				$936.00		
Total accommodation supplement after abatement				$8,455.20		
Effective annual earnings for the household				$63,139.68		
Percentage increase in minimum wage				0.00%		
Percentage increase in annual earnings				0.00%		
Scenario 5b: A solo parent with two children working 40 hours per week at $23.00, living in Ashburton, Canterbury paying median market rent of $410						
Minimum wage				$23.00		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$920.00	$47,840.00	$7,392.00	$731.95	$39,716.05
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$1,387.80		
Total Working for Families assistance after abatement				$15,305.20		
Maximum accommodation supplement				$9,391.20		
Abatement on accommodation supplement				$1,092.00		
Total accommodation supplement after abatement				$8,299.20		
Effective annual earnings for the household				$63,320.45		
Percentage increase in minimum wage				1.32%		
Percentage increase in annual earnings				0.29%		
Scenario 5c: A solo parent with two children working 40 hours per week at $23.40, living in Ashburton, Canterbury paying median market rent of $410						
Minimum wage				$23.40		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$936.00	$48,672.00	$7,621.60	$744.68	$40,305.72
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$1,612.44		
Total Working for Families assistance after abatement				$15,080.56		
Maximum accommodation supplement				$9,391.20		
Abatement on accommodation supplement				$1,300.00		

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Total accommodation supplement after abatement				$8,091.20		
Effective annual earnings for the household				$63,477.48		
Percentage increase in minimum wage				3.08%		
Percentage increase in annual earnings				0.54%		
Scenario 5d: A solo parent with two children working 40 hours per week at $23.60, living in Ashburton, Canterbury paying median market rent of $410						
Minimum wage				$23.60		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$944.00	$49,088.00	$7,746.40	$751.05	$40,590.55
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$1,724.76		
Total Working for Families assistance after abatement				$14,968.24		
Maximum accommodation supplement				$9,391.20		
Abatement on accommodation supplement				$1,404.00		
Total accommodation supplement after abatement				$7,987.20		
Effective annual earnings for the household				$63,545.99		
Percentage increase in minimum wage				3.96%		
Percentage increase in annual earnings				0.64%		
Scenario 5e: A solo parent with two children working 40 hours per week at $23.80, living in Ashburton, Canterbury paying median market rent of $410						
Minimum wage				$23.80		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$952.00	$49,504.00	$7,871.20	$757.41	$40,875.39
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$1,837.08		
Total Working for Families assistance after abatement				$14,855.92		
Maximum accommodation supplement				$9,391.20		
Abatement on accommodation supplement				$1,508.00		
Total accommodation supplement after abatement				$7,883.20		
Effective annual earnings for the household				$63,614.51		
Percentage increase in minimum wage				4.85%		
Percentage increase in annual earnings				0.75%		
Scenario 5f: A solo parent with two children working 40 hours per week at $24.00, living in Ashburton, Canterbury paying median market rent of $410						
Minimum wage				$24.00		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$960.00	$49,920.00	$7,996.00	$763.78	$41,160.22
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$1,949.40		
Total Working for Families assistance after abatement				$14,743.60		

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Maximum accommodation supplement				$9,391.20		
Abatement on accommodation supplement				$1,612.00		
Total accommodation supplement after abatement				$7,779.20		
Effective annual earnings for the household				$63,683.02		
Percentage increase in minimum wage				5.73%		
Percentage increase in annual earnings				0.86%		
Scenario 5g: A solo parent with two children working 40 hours per week at $24.30, living in Ashburton, Canterbury paying median market rent of $410						
Minimum wage				$24.30		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$972.00	$50,544.00	$8,183.20	$773.32	$41,587.48
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$2,117.88		
Total Working for Families assistance after abatement				$14,575.12		
Maximum accommodation supplement				$9,391.20		
Abatement on accommodation supplement				$1,768.00		
Total accommodation supplement after abatement				$7,623.20		
Effective annual earnings for the household				$63,785.80		
Percentage increase in minimum wage				7.05%		
Percentage increase in annual earnings				1.02%		
Scenario 5h: A solo parent with two children working 40 hours per week at $25.00, living in Ashburton, Canterbury paying median market rent of $410						
Minimum wage				$25.00		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$1,000.00	$52,000.00	$8,620.00	$795.60	$42,584.40
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		
Total abatement on family support due to income				$2,511.00		
Total Working for Families assistance after abatement				$14,182.00		
Maximum accommodation supplement				$9,391.20		
Abatement on accommodation supplement				$2,132.00		
Total accommodation supplement after abatement				$7,259.20		
Effective annual earnings for the household				$64,025.60		
Percentage increase in minimum wage				10.13%		
Percentage increase in annual earnings				1.40%		
Scenario 5i: A solo parent with two children working 40 hours per week at $26.00, living in Ashburton, Canterbury paying median market rent of $410						
Minimum wage				$26.00		
	Weekly work hours	**Weekly earnings**	**Annual Earnings**	**Tax**	**ACC Earners Levy**	**Net earnings**
Parent A	40	$1,040.00	$54,080.00	$9,244.00	$827.42	$44,008.58
Maximum In Work Tax Credit				$3,770.00		
Maximum Family Tax Credit				$12,923.00		

Total abatement on family support due to income	$3,072.60
Total Working for Families assistance after abatement	$13,620.40
Maximum accommodation supplement	$9,391.20
Abatement on accommodation supplement	$2,652.00
Total accommodation supplement after abatement	$6,739.20
Effective annual earnings for the household	$64,368.18
Percentage increase in minimum wage	14.54%
Percentage increase in annual earnings	1.95%

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