



New Zealand Council of Christian Social Services

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Tēnā koe Chris

RE: NZCCSS Submission on 2021 minimum wage review

Thank you for your letter dated 12 October 2021 inviting the New Zealand Council of Christian Social Services (NZCCSS) to make a submission on the 2021 minimum wage review. Attached is a completed template containing feedback from representatives of NZCCSS' member organisations.

About NZCCSS

[NZCCSS](#) was formed over 50 years ago to represent the interests of our members - the Anglican Care Network, Baptist Churches of New Zealand, Catholic Social Services, Presbyterian Support and the Methodist and Salvation Army Churches. Through this membership, NZCCSS represents over 250 organisations providing a range of social support services.

Our members work for a just and compassionate society in Aotearoa New Zealand, in which low income workers earn a liveable income that meets their basic material needs, enabling meaningful participation in their communities and wider society. Our members deliver a range of services that support low income households struggling to afford the basic necessities of life. This mahi is underpinned by our commitment to enacting te Tiriti o Waitangi.

As discussed in our submission on the 2020 minimum wage review, our members themselves primarily employ professionally trained staff who receive above the minimum wage rate. For those staff working in areas where a minimum wage applies, many of our organisations have taken the steps to lift wages above the minimum wage or are in the process of doing so.

Summary of key points:

- NZCCSS continues to support the indexing of the minimum wage review to inflation or another evidence-based calculation that takes in to account the actual cost of living in Aotearoa New Zealand.
- Lifting the minimum wage is one facet of the changes need to reduce our shocking levels of child poverty.

- Any increases to wage rates should not reduce government transfers received by low income households (i.e accommodation supplement).
- Members are experiencing significant cost increases across services in relation to new COVID-19 requirements, particularly those in Auckland and the Waikato. Without recognition by Government of these cost pressures in government contracts, reduced revenues and increased expenditure, services will struggle to afford increases to their minimum wage rates.

Backdrop to the 2021 Minimum Wage Review

The backdrop to this year's review of the minimum wage includes:

- the resurgence of a more virulent strain of COVID-19
- national and regional lockdowns
- continued job uncertainty in many employment sectors
- job losses and reduced income for many providing contractual work, a progressively unattainable cost of living
- community support services experiencing unprecedented demand from low and increasingly, lower-middle income households for food, housing and other supports.

It is very clear that in Aotearoa New Zealand, our low-wage economy continues to both entrench poverty and sustain complicated government solutions to support those receiving the minimum wage.

This false economy, where the government continues to fund living costs rather than business and industry, creates the context for a range of further social issues.

The impact of the pandemic is most felt by those communities most likely to receive lower incomes. Women, service and retail industry workers and sole-contractors have borne the economic brunt of lockdowns, and subsequent increasing living costs.

[Statistics NZ](#) reported an annual increase of 4.9% in the September 2021 quarter when compared to 2020, the highest since 2008. The cost of housing, food and electricity has increased to the extent that already struggling families are now desperately in need of additional income. Our members are very clear that they are increasingly seeing a wave of new families seeking support – and that these are families finding themselves falling into poverty. It seems very clear that our members that the poverty line is moving, and those who were previously managing are no longer able to.

A recent report, [Ka Mākona](#), by Kore Hiakai Zero Hunger Collective analysed different housing scenarios to understand what is an adequate income to afford food, housing, power and transport. It found that across three household scenarios 'little to nothing' was left to afford other life essentials such as insurance, debt payment, childcare, sports or cultural activities or unexpected expenses. An increase in benefits and wage levels would make the biggest difference to improving the standard of living across our poorest households.

The Government is aware of increasing [financial pressures on low income households](#) as indicated by its recent announcement to temporarily lift the income limit to low paid workers to access help for food and

other emergency costs. However, the increase is only available over four months and on its own is not enough to address the rising cost of living.

Link the minimum wage to inflation

NZCCSS continues to advocate for the indexing of the Minimum Wage Review to inflation or some type of evidence-based calculation that takes in to account the actual cost of living in the same ways as the [Living Wage is calculated](#). The Minimum Wage Review should occur at the same time as the publication of the quarterly Consumer Price Index.

Child poverty

This Government has made clear their commitment to reducing child poverty. Children at most risk of persistent poverty and exclusion live in low-income households (low waged and or on dependent on a benefit). One in 7 children (157,800) live in households with less than 50 percent of the median equivalised disposable household income before deducting housing costs. Lifting the income of our poorest households is a critical step to achieve this.

The interface between the minimum wage and government transfers

We know that increases in wage rates can impact on government transfers received by low income households. A policy is needed to ensure any increase to the minimum wage should not impact on government transfers intended to support low income families such as the accommodation supplement and working for families. NZCCSS supports a higher abatement rate across income support benefits so that any increase to the minimum wage is not reduced when considered against the abatement rate of specific government transfers.

Thank you for the opportunity to add our voices to this kaupapa. If we can be of any assistance, please do not hesitate to contact us.

Ngā mihi nui,

Nikki Hurst
Kaiwhakaheare – Executive Officer
New Zealand Council of Christian Social Services

Table Minimum wage review questionnaire 2021

What effects have you observed as a result of changes to the minimum wage? (You may wish to comment on the April 2021 increase, and/or increases over the past 5 years).

- *The gap between the minimum wage and actual level of income needed to keep up with increases to the cost of living continues to grow dramatically. Those dependent on the minimum wage have no option other than to continue to live in poverty. In Aotearoa New Zealand this translates to food insecurity, poor nutrition, inadequate and transient housing, poor educational attainment and health outcomes.*
- *For those reliant on the minimum wage, the \$20 increase in April 2021 provided some financial relief but rampant housing costs and food inflation undermined any benefits experienced.*
- *The escalation of the inflation rate to 4.9% in the Sept quarter is the highest since 1987. There is an urgent need to increase the minimum wage and benefit rates to counter rapidly rising inflation. Inflationary pressures are most felt by our vulnerable communities, within whom Māori and Pacifica remain over represented. Increasing the minimum wage and the benefit rates are the best options for these vulnerable communities.*

What positive effects are likely to result from increases in the minimum wage rates, for both employers and workers?

Is the current COVID-19 environment likely to change these effects?

- *An increase recognises the mahi of these workers – a large chunk of whom have proved themselves essential to the running of the country*
- *With incomes from minimum wages currently not meeting basic living costs, an increase goes some way towards managing this growing gap*
- *Those on the lowest incomes are disproportionately female, Māori and / or Pacifica with many positive contributions to make to society. We need to recognise the mana and value of all in Aotearoa*
- *Those on the lowest income have no choice but to spend every dollar they earn. This spending tends to occur in their communities, supporting local businesses and contributing to the local economy*
- *Employees feel appreciated by their employers, increase their work output and are less likely to move to better paid jobs.*
- *Some employers require the government to mandate increases – some funders of services (including government agencies) also require mandated rates to increase funding*

What negative effects might be caused by an increase in the minimum wage rates, for both employers and workers?

Is the current COVID-19 environment likely to change these effects?

- *Members are experiencing significant cost increases across services in relation to new COVID-19 requirements, particularly those in Auckland and the Waikato. Without recognition by Government of these cost pressures in government contracts, reduced revenues and increased expenditure, services will struggle to afford increases to the minimum wage rate*
- *A need for alignment across government work – in particular reflecting raises to wage rates with raises to abatement thresholds for Working for Families, Accommodation supplements, ECE and OSCAR supplements, etc...*

Similar to the previous Government in 2018, the Government is now considering setting indicative rates until 2024 to provide businesses and workers with more certainty about the potential trajectory of future increases.

What are your views on this approach?

If you agree, what would you consider an appropriate index (eg inflation, wage growth, or price indices) to use to inform these rates?

- *We support setting indicative minimum wage rates for the next three years to provide certainty to businesses and services and allow them to plan the financial impact in advanced.*
- *However, members also reiterated the importance of the Government adjusting price contracts for services to take into account indicated wage changes.*

Are there other changes the Government could make alongside an increase to the minimum wage that would be helpful in the current environment?

- *Lift benefit rates – understand the reality of entrenched poverty and the micro-economies that have developed due to decades of underfunding*
- *Consideration of a Universal Basic Income – or at the minimum a public conversation in relation to this approach*
- *Increase NGO funding of services to reflect cost pressures, reduce anxiety and acknowledge the 4% of GDP generated by the for-good sector*
- *Fix the broken governmental procurement models that aren't reflective of mana, need, or mahi of the social services sector*
- *Plan for government initiatives when negotiating government contracts, e.g.*
 - 1. Increases to minimum wage rates*
 - 2. Increases to registration fees via Crown Entities (such as the Social Work Registration Board)*
 - 3. Increases to wage levies such as the coming Income Protection scheme*
- *Where collective agreements are implemented, fund the entire sector, e.g. DHB nurses compared with non-DHB nurses, OT social workers compared with non-OT social workers... The government is actively contributing to inequality and shortages in crucial sectors.*