



20 January 2023

Re: Maximum Wage

fyi-request-21331-f195dd41@requests.fyi.org.nz

Dear Chris,

Thank you for your email of 4 December 2022 to the Ministry of Business, Innovation and Employment (MBIE) regarding wealth distribution in New Zealand.

Statistics New Zealand has recently published data on household net worth. You can find further information at the following link: [Distribution of wealth across New Zealand households remains unchanged between 2015 and 2021 | Stats NZ.](#)

You say that “if you work 40 hours a week, you should get paid enough money so that you do not require any government subsidy at all”.

Workers negotiate how much they are paid with the business that hires them. In practice, some workers have lower bargaining power and are less able to influence their pay rate. In New Zealand unions represent groups of workers, and through collective bargaining may be more effective at negotiating pay rates for workers. In addition, the Government sets a minimum wage that adult employees must be paid.

Currently the adult minimum wage is \$21.20 per hour. This amount is reviewed annually by the Government. There are many factors that must be considered in setting and adjusting this rate. On one hand, if the rate is set too high it may result in fewer jobs and negative effects on small businesses, some of which struggle to cover costs. On the other hand, if the rate is set too low it might not protect the real income of low-paid workers. It is important that the minimum wage is raised over time so that workers’ pay keeps pace with increases in living costs. The annual minimum wage reviews are published at the following link: <https://www.mbie.govt.nz/business-and-employment/employment-and-skills/employment-legislation-reviews/minimum-wage-reviews/>.

Whether the minimum wage is sufficient to meet living costs depends on individual circumstances. The Government makes payments to some people who are in employment to help with costs related to their personal situations. For example, Working for Families is paid to families with dependent children aged 18 years or under to help with the day-to-day cost of raising a family. The payment depends on the number of children the recipient has and how much they earn. The Disability Allowance helps with the extra costs a person might experience as a result of having a disability. The amount paid depends on specific costs such as ongoing visits to the doctor, medicines and extra travel. More information is available at the following link: <https://www.ird.govt.nz/-/media/project/ir/home/documents/forms-and-guides/ir200---ir299/ir201/ir201-2022.pdf?modified=20220405210043&modified=20220405210043%22>.

Finally, another mechanism that can help improve pay and employment conditions for vulnerable employees is the Fair Pay Agreements Act, which was passed last year. The Act enables employers and employees to bargain collectively for industry or occupation-wide minimum employment terms. Information on the development of the Fair Pay Agreements system, including policy advice provided to the Government by MBIE, is published at the following link: <https://www.mbie.govt.nz/business-and-employment/employment-and-skills/fair-pay-agreements/>.

Thank you again for your email and I hope you find this information helpful.

Yours sincerely,

Anna Spencer

Acting Manager, Employment Standards Policy

Workplace Relations and Safety Policy

Ministry of Business, Innovation and Employment