



## Minimum Wage (Starting-out Wage) Amendment Bill Transport and Industrial Relations Select Committee

### The Salvation Army (New Zealand, Fiji and Tonga Territory) Submission

#### 1. BACKGROUND

- 1.1 The Salvation Army is an international Christian and social services organisation that has worked in New Zealand for over one hundred and thirty years. The Army provides a wide-range of practical social, community and faith-based services, particularly for those who are suffering, facing injustice or those who have been forgotten or marginalised by mainstream society.
- 1.2 The Salvation Army is strongly connected to the regions and communities around New Zealand. We have over 90 community ministry centres and churches (corps) across the nation, serving local families and communities. We are passionately committed to our local communities as we aim to fulfil our mission of caring for people, transforming lives and reforming society through God in Christ by the Holy Spirit's power.<sup>1</sup> Therefore, we believe we can speak effectively to this Bill because of our strong commitment and track record with local communities, and also because of our strong relationships with territorial authorities wherever our community ministry centres and corps are located.
- 1.3 This submission has been prepared by the Social Policy and Parliamentary Unit of The Salvation Army New Zealand, Fiji and Tonga Territory. The Unit works towards the eradication of poverty by encouraging policies and practices that strengthen the social framework of New Zealand. The Unit provides robust social research and policy analysis, engaging with national opinion makers in politics, government, business, media and education.
- 1.4 This submission has been approved by Commissioner Donald Bell, Territorial Commander of The Salvation Army New Zealand, Fiji and Tonga Territory.

#### 2. THE SALVATION ARMY PERSPECTIVE

- 2.1 We are opposed to the passing of this Bill.

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<sup>1</sup> <http://www.salvationarmy.org.nz/our-community/mission/>

- 2.2 The Government proposes that this Bill will support more young people into employment and provide more incentives for employers to take on younger employees.

We sincerely believe that this Bill will not in fact fulfil these stated purposes. Instead, this Bill borders on the discrimination of younger people and could marginalise young people even more from mainstream New Zealand society. If this Bill is passed, then younger people aged 16-19 who are doing the same work as older workers would be subject to this new minimum wage. It is likely that those aged 16-19 would become more attractive to hire for employers because of the lower minimum wage. This could be to the detriment of older workers, particularly those aged 20-24 years old, who are themselves facing growing unemployment.

- 2.3 The Salvation Army acknowledges that this Bill is based on a pre-election promise by the Government. However, the Regulatory Impact Statement (RIS) prepared by the former Department of Labour clearly states that consultation for the RIS and the Bill had been limited and key business groups had not been consulted.<sup>2</sup> While the RIS supports the imposition of this Bill, it also clearly states that *the precise nature and extent of the policy's expected benefits are uncertain*.<sup>3</sup>

For these reasons, we submit that further consultation and investigation is needed to ensure that any significant amendments to pay levels in New Zealand are founded on rigorous debate, consultation and investigation. This whole process seems somewhat rushed and key employers, business and social service organisations should be part of this consultation process.

- 2.4 The September 2012 quarter of the Household Labour Force Survey states that over 65,200 young people aged 15 to 24 years old are unemployed. Additionally, the unemployment rate for both 15-19 and 20-24 years old has been increasing in the 12 months since September 2011.

The Government is promoting this Bill as potentially creating 2,000 new jobs for younger workers over the next two years. While we applaud the Government's attempts to create employment, we do not believe the logic and rationale of this Bill makes good sense.

We advocate for maintenance of the youth minimum wage as it stands now. We also encourage more resourcing of innovative job creation initiatives happening around the country. For example, The Salvation Army Employment Plus programme with SCIRT and InfraTrain ITO, which sees see younger people throughout Christchurch get industry qualifications and employment in the Christchurch rebuild. We also acknowledge the strong work of the C-Me Mentoring Trust around connecting young people directly to industries facing specific skills shortages.

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<sup>2</sup> Regulatory Impact Statement: Starting Out Wage, 2012, p 2.

<sup>3</sup> Ibid p 1.

We believe initiatives like this will help generate more employment opportunities. Again, we do not believe the provisions and policies within this Bill will truly create and generate new employment and training opportunities for young people.

- 2.5 Finally in this section, we would like to make a general comment around the minimum wage level in New Zealand. We believe that the minimum wage should rise progressively over the next three to five years. Many minimum wage jobs are in the service and care sectors which predominantly benefit high and middle income consumers and the Government.

We recognise that if minimum wages are to rise then the Government will have to budget for this and be up-front and that the extra costs will be met through higher taxation of the better off. High and middle income consumers could more easily pay a little more to reduce the inequality between middle and high income groups and those on low incomes and the likely impacts are not at all as dramatic as some New Zealanders might think.

### **3. RESPONSES TO SPECIFIC AMENDMENTS TO LEGISLATION**

- 3.1 Most of our objections to this Bill have been stated in the previous section. We are opposed to all aspects of this Bill.
- 3.2 If this Bill passes onto the next phase of the legislative process, then we submit that:
- Further consultation and investigation is needed with more key organisations about the ramifications of this Bill.
  - More time is needed to ensure that a comprehensive consultative process can happen.
  - Further investigation is needed on how to adequately safeguard older workers, particularly 20-24 year olds, from being unfairly overlooked for any prospective job opportunities.
  - Further investigation is necessary around ensuring employers do not take undue advantage of these provisions (as well other recent policy changes like the 90-day trial period) to unfairly disadvantage younger workers. For example, assurance is needed that if this Bill is passed, employers do not seek a new younger worker after the initial 6-month starting-out wage period concludes for another employee.
  - More evidence is needed from local job creation initiatives that are working must be shared, promoted and resourced more by the Government and other key corporate and social service organisations.

#### 4. CONCLUSION

We thank the Transport and Industrial Relations Committee for the opportunity to speak to this Bill. We have clearly illustrated our opposition to the passing of this Bill. We acknowledge that creating more jobs in this economic climate is very difficult.

Therefore, we advocate for policies and projects that will genuinely create new jobs and grow new or existing industries. We are not in favour of a set of policies as found in this Bill that prima facie seem to punish younger people by re-establishing a youth minimum wage rather than actively and creatively create new job opportunities.

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