



CHiLD POVERTY ACTION GROUP

Submission Child Poverty Action Group on increasing the minimum wage in 2015

Personal details

This submission is from:

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Background

Child Poverty Action Group (CPAG) is an independent charity working to eliminate child poverty in New Zealand through research, education and advocacy. Our guiding principle is that every child has the right to security, food, shelter, education and healthcare.

CPAG works to produce evidence about the causes and effects of poverty on children and their families. It looks carefully at how Government policies affect children. CPAG publishes reports, makes submissions and conducts small-scale research projects to achieve its goals.

Recommendations

- 1 Increase the adult minimum wage by 10% in 2015**
- 2 Increase the starting out minimum wage by 10% in 2015**

CPAG argues that the government should continue to raise [the](#) minimum wage at a significantly faster rate than the last 2 years. Low paid workers need an increase in the minimum wage for a number of reasons.

First, an increase is needed to reflect the increase in worker productivity in recent years. Research from the Productivity Commission demonstrated that between 1987

and 2014, average annual growth in labour productivity was 2.2 percent. This increase in productivity has not been reflected in growth in wages.

Second, an increase is needed to address the decline in labour's share of national income. Recent research shows that this has declined by 8.5 percentage points from 1978 to 2010.

Third, the minimum wage acts as a wage floor in many occupations and for some workers it is the only pay increase they will receive.

Fourth, an increase will benefit disadvantaged groups such as Māori, Pacific peoples, and those without formal qualifications, who are more likely to be on the minimum wage.

Fifth, an increase will benefit many students who work part-time to assist with the cost of education. Research indicates that around 60 per cent of minimum wage workers aged between 16 to 24 years are studying. For many years now increases in tertiary fees have been above the rate of inflation resulting in an increase in student debt levels. An increase in the minimum wage will go some small way to address this issue.

Raising the minimum wage, however, will not in itself have a meaningful impact on the level of hardship for families with children. Because of the complex interactions between wages and the Working for Families package abatement rates and thresholds, raising the minimum wage alone will not improve significantly the outcomes for this group. For their outcomes to be improved thresholds need to be properly indexed.

CPAG argues that we need a realistic increase in the minimum wage to begin to share the fruits of economic growth more fairly, and properly indexed weekly Working for Families support to help sustain the living standards of those on low wages with children. These are not alternatives, they must work hand in hand.

Thank you for the opportunity to make a submission.

Yours sincerely

Dr Gerard Cotterell