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Kia ora Rebecca

2021 Minimum Wage Review

Tourism Industry Aotearoa (TIA) welcomes the opportunity to comment on the 2021 Minimum Wage Review. On balance, our view is the next increase in the minimum wage should be delayed until 2023.

TIA is the peak body for the tourism industry in New Zealand. With nearly 1300 members, TIA represents a range of tourism-related activities including hospitality, accommodation, adventure & other activities, attractions, retail, airports & airlines, transport, as well as related tourism services.

In 2018 [TIA supported the government's proposal to increase the Minimum Wage](#) from \$16.50 to \$20.00 over three years. The Minimum Wage increased to \$17.70 and \$18.90 in 2019 and 2020 respectively, and then \$20.00 in April 2021. This increase of 21.2% over three years was significant. However, TIA believes it did not have a serious adverse impact on the tourism industry as a whole. There have been greater factors at play in the employment environment, with worker shortages putting significant upward pressure on wages.

The impacts of COVID-19 on the tourism industry have been severe and tumultuous. Employers were forced to let go many of their staff in early 2020 as a result of closed borders and increased Alert Levels. Then, the return to Alert Level One and a subsequent mini-boom in domestic tourism saw a shortage of tourism and hospitality workers, with the severity of this shortage surprising to many. We are seeing many tourism businesses now operating in a much more competitive market for staff. Wages are being driven up in order to recruit and retain people, and employees are finding themselves in a stronger bargaining position when job seeking.

This inflationary pressure is being further driven by government immigration policy. The Median Wage, currently set at \$27.00/hour, is used as a threshold to facilitate improved visa conditions for employing migrant workers, including the term of the visa. This is creating further pressure on wages in order to retain staff. The Government is also proposing within the new Accredited Employer Work Visa to be introduced next year a condition that employers will either meet a minimum pay requirement of 10 percent above the minimum wage, or are covered by a collective agreement. Employers will need to consider the impacts these policies on wages for all staff. Maintaining fairness in wages for all staff whether resident or non-resident is important to operators to maintain retention and a positive workplace culture.

The Government's proposals in 2018 to lift the minimum wage to \$20.00/hour were made at a significantly different time for New Zealand's economy. Business conditions in 2018 were buoyant and forecasts optimistic. International visitor arrivals were 3.9m in 2019. Currently they are virtually zero. The world has changed in the face of COVID-19. Businesses have had to absorb increased wage costs in order to retain staff, yet have been unable to recover these costs through product price increases due to reduced demand for

services. Borders remain almost entirely closed to international visitors and domestic travel has been restricted throughout most of 2021.

One of the guiding strategies for our previous support for increasing the minimum wage was the [Tourism Sustainability Commitment](#) (TSC), and this continues to inform our positioning. Launched in 2017, the vision of the TSC is that New Zealand leads the world in sustainable tourism. To achieve this our aim is to see every New Zealand tourism business committed to sustainability by 2025. By 2019 over 1400 tourism operators had signed up, and this year the TSC has been made mandatory for membership of TIA.

The TSC has a set of Commitments that employers make to their sustainability journey. Commitment 7 is to be an Employer of Choice and focuses on attracting, supporting and developing the workforce we need to flourish and succeed. Employers are encouraged to undertake a range of actions to be an Employer of Choice such as having good induction and training programmes and being an inclusive employer, promoting diversity in the workforce. It's also about appropriately rewarding their staff, ensuring they are paying their staff appropriately for their level of skill, experience or responsibility. Employers are encouraged to make a plan towards paying at least the living wage to all staff and we are seeing a growing number of employers adopting this as a minimum for their business, currently set at \$22.75/hour and likely to increase in 2022.

The Minimum Wage continues to be an important piece of policy to establish minimum employment conditions for employees. Arguably the increase to \$20.00 has caused significant inflationary effects on wages as employers have had to work with this higher commencement point when considering wage increases to attract and retain staff. The increase in Minimum Wage over 2017-2021 has also narrowed the gap that previously existed between this and the Living Wage.

We contend the current setting of \$20.00/hour is a fair wage for some entry level jobs within a business and should be retained for 2022/23. Tourism operators face considerable uncertainty over the next 12 months. As demonstrated above, there are already considerable forces at play driving up wages. Hopefully a higher degree of certainty will return in 2022 and tourism operators will be able to absorb an increase in the Minimum Wage for 2023/24.

Ngā mihi



Chris Roberts
Chief Executive
Tourism Industry Aotearoa