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Kia ora Rebecca

2022 Minimum Wage Review

Tourism Industry Aotearoa (TIA) welcomes the opportunity to comment on the 2022 Minimum Wage Review.

TIA is an advocate for tourism operators to pay all staff a fair wage as part of the wider industry objective for tourism businesses to be employer of choice in competing for the people and skills they need.

On balance, we support a moderate increase in the Minimum Wage of around 4%. We feel this reflects the interests of both employees and employers, and the nature of the wider pressures on wage rates in a tight labour market. To move beyond this level risks wider wage price pressures that move beyond the ability of businesses to pay in what is an extremely challenging time to be operating a tourism business.

TIA is the peak body for the tourism industry in New Zealand. With approximately 1200 members TIA represents a range of tourism-related activities including accommodation, adventure & other activities, attractions, retail, airports & airlines, transport, hospitality as well as related tourism services.

TIA has consistently contributed to the considerations of the level of the Minimum Wage. In 2018, TIA supported the proposal to increase the Minimum Wage from \$16.50 to \$20.00 per hour over three years.

In 2021, when the Minimum Wage level was again looked at, TIA advised that the \$20.00 per hour level was appropriate for entry-level jobs within many tourism businesses, especially given the pressures and uncertainty faced by operators over the COVID-19 period. Despite this, the current Minimum Wage level of \$21.20 came into effect on 1 April 2022 and now the level is being looked at again for 2022/23.

There are several important factors at play in the current tourism employment environment that are relevant to consideration of the Minimum Wage level:

- Firstly, the impacts of COVID-19 on the tourism industry have been severe. For instance, the number of people attributed to being directly employed in tourism was 146,295 people in the year ended March 2021, a decrease of 33.1 percent (72,285 people) from the previous year¹. Now, tourism businesses are in the rebuild mode and are facing many challenges in rebuilding their workforces with the people and skills they need, including that many of the people that left the industry are simply not around to return.

¹ <https://www.stats.govt.nz/information-releases/tourism-satellite-account-year-ended-march-2021#employment>

- Secondly, in near full-employment environment nationally, tourism businesses are having to compete for workers with other industries and sectors who are also facing their own workforce and skills shortages.
- Thirdly, access to overseas workers is constrained at present and may not reach the levels experienced pre-COVID, meaning that tourism businesses are needing to concentrate more on the local market. Also, we note that policies such as the Accredited Employer Work Visa set a minimum level of \$25 per hour for people engaged via this pathway which does influence overall pay rates.

As a result, many tourism businesses operating in a very competitive employment market. Wages are rising as businesses act to recruit and retain the people they need, and employees are in a stronger position when job seeking. It is in this context that we are considering the next movement to the Minimum Wage.

The platform TIA uses for lifting the quality of tourism jobs is the Tourism Sustainability Commitment that was launched in 2017 with the vision that *'New Zealand leads the world in sustainable tourism'*. The TSC has been supported by 1650 tourism operators and is now a part of TIA membership. The TSC's *Commitment 7: Employer of Choice* sets out the actions for businesses to advance to ensure that can attract, support and develop the workforce they need to flourish and succeed.

The TSC encourages employers 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 at \$23.65 per hour. For instance, TIA's TSC Annual Return Survey 2022 (n=434) shows that 61.7% of respondents pay at least the Living Wage. Similarly, 70% of respondents of TIA's June 2022 Workforce Survey (n=360) pay at least the Living Wage. Most respondents identified the competitiveness of wages as one of the biggest challenges when recruiting, reflecting the current tight labour market.

Considering the tight and challenging nature of the tourism labour market as outlined above, and recognising the current inflation rate, TIA supports a moderate increase of around 4% to the Minimum Wage for 2022/23. We consider this moderate movement to be very important given that it will influence pay rates across the pay levels, with a higher rate risking wider wage price pressures that move beyond the ability of businesses to pay.

In addition, TIA requests that changes to the Minimum Wage should be well-signalled to businesses so they can plan for the increase and build it into their operating budgets, particularly as wage-related costs often form a considerable part of operating budgets.

Please do not hesitate to contact us if you have any queries about our feedback and we would like to continue to be involved in this process.

Ngā mihi

A handwritten signature in blue ink, appearing to read 'Rebecca Ingram', with a small blue dot to the right of the signature.

Rebecca Ingram
Chief Executive