

SUBMISSION

By



**NATIONAL ASSOCIATION OF RETAIL GROCERS AND
SUPERMARKETS OF NEW ZEALAND
(INCORPORATED)**

To the

**Government Administration Select
Committee**

On the

**Minimum Wage (Starting-out Wage)
Amendment Bill**

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2012 Annual Review of the Minimum Wage

1. Introduction

The National Association of Retail Grocers and Supermarkets of New Zealand Incorporated (NARGON), is pleased to accept the Minister of Labour's invitation to submit to the annual minimum wage review consultation.

NARGON represents the interests of around 40% of the food retailing industry in New Zealand. The organisation's approximately 500 retail members are owner-operators of retail food warehouses, supermarkets and grocery/convenience stores. In the main, retail members of NARGON are aligned with the franchised retail operations of Foodstuffs (Pak 'N Save, New World, Four Square) and Progressive (Supervalu, Fresh Choice). Many of NARGON's retail members are the owners of smaller stores.

NARGON also has a number of associate members who are major suppliers of products and services to its retail members.

2. Recommendations

NARGON recommends that:

That the bill proceed.

- 2.1 NARGON welcomes the current amendment bill. NARGON'S stance aligns with BusinessNZ's; that lack of a youth minimum wage has discouraged employers from taking on inexperienced young people.

NARGON also opposed the effective abolition of the youth minimum wage in 2006, noting that although at the time New Zealand had experienced a period of strong economic growth,

the unemployment rate for the 15-19 year old age group was, at 12%, considerably higher than for the working population in general. By comparison, the 2012 September quarter Household Labour Force Survey gives the current unemployment rate for 15-19 year olds as 25.5%.

This indicates what NARGON predicted in 2006: that the removal of the youth minimum wage has done young people few favours.

- 2.2 NARGON agrees with BusinessNZ's 2006 submission and believes that it is also relevant to the submission today:

BusinessNZ posed the rhetorical question 'do minimum wage laws keep least skilled people out of employment?' to which it responded 'yes, they do'. As its submission stated:

Minimum wage laws place obstacles in the way of unskilled workers, keeping them out of work they might otherwise be capable of doing because to their employer, their skills are of lesser value and paying them the same as higher skilled employees is of no benefit.

3. Specific Comments

The following points should be noted:

- Of those young people who do receive the minimum wage, many are after-school workers, not reliant on the minimum wage as a long-term source of income. Frequently such employees have no intention of staying in the retail grocery industry but nonetheless are gaining valuable skills and work experience.

- Paradoxically, continued increases in the minimum wage rate could send a signal to some younger people that further formal education and training is not warranted.
- Another minimum wage increase is likely to see many of NARGON's members thinking seriously not only about employing unskilled labour but also about the number of staff they can afford to employ.
- Any minimum wage increase has its own flow-on effects in terms of the increased costs of goods and services.
- It is an inescapable fact any wage rate increase is sustainable only if based on a corresponding increase in productivity.