

What to do about the minimum wage

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This is the third and last in our series of election-related issues.

A popular platform promoted during the election build-up was the notion of a \$15 per hour minimum wage. It's all very well to say that we should just increase the current \$13 minimum, but what do we then do with everybody above that rate? What about those on \$15, or \$16? Do we just leave them there and eliminate the margin that their extra skill levels have earned them? Or do we increase them by 15 per cent as well? And if we do that, what happens to the employers who simply can't afford a 15 per cent wage cost increase?

How does that affect our economy when in global markets we are competing with nations that pay skilled workers less than half that rate? It's a vicious circle: if we want to buy cheap imported goods from The Warehouse, we have to accept that this supports low-wage economies at the expense of our own employers, who then become even less able to afford to pay current wage rates, let alone higher

ones. We can't have it both ways.

The answer is actually fairly simple. The challenge is not to increase the minimum rate of pay, but rather it is to create ways in which unskilled people who are stuck on low wages can move themselves on to higher rates. And smart employers will create ways to facilitate this, because by up-skilling their workforce everybody benefits. More skill in the workforce improves productivity, the higher incomes create more buying power in the economy, and more earners with higher incomes mean less welfare payouts and more people to share the tax burden of the nation.

A local business client of ours is a great example of what can be achieved. The Switzer Trust is one of the largest employers of low-rate workers in the Far North. Because of low rates of funding and a very high level of labour dependency, the rest home industry is one that is structurally stuck on low wage rates. But the Switzer Trust has developed a culture of innovation and relentless improvement in the way things are done: just the sort of culture that small provincial businesses

need to embrace to succeed.

At Switzer, much attention is focused on supporting lower-paid employees. There are easily accessible self-improvement education programmes, which enable low-paid employees to develop their skills to make themselves more valuable, and a range of wage rate scales which ensure that self-improvement is rewarded.

If literacy is an issue, a government-funded communication skills programme is made available to employees. This year alone 30 employees have been able to take advantage of this programme. And as a consequence of these efforts, many of the sub-\$15 per hour rate employees are achieving progressively higher wage rate increases.

It's that kind of innovation that achieves improvements for the low income earners in New Zealand. And in so doing, employers in labour-intensive industry also improve their own business capability. In that way, smart employers and eager workers can be good for all of us. This is a win win situation, and it makes sense for the Government to support employers to provide training opportunities.

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