

Minimum wage for contractors?

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A very peculiar Bill will be debated by Parliament in the near future.

The Minimum Wage (Contractor Remuneration) Amendment Bill is a Member's Bill promoted by Labour's David Parker that had its second reading in Parliament this week.

Its aim is to apply the minimum wage to contractors.

MPs supporting the Bill - Labour, Greens, NZ First, Maori Party and UnitedFuture – say contractors are vulnerable, poorly paid and need minimum wage protection. Having minimum wage protection would mean better incomes for contractors in construction, cleaning, courier services, fast food delivery, newspaper delivery, they say.

National and ACT MPs oppose the Bill, calling it illogical, unworkable and potentially harmful to those it seeks to protect.

Their debate this week was somewhat surreal, as the two sides seemed to address differing topics.

Those supporting the Bill spoke passionately about the effects of low incomes generally, while those opposing the Bill tried to convey what might happen if the Bill should pass.

Working out likely consequences of this legislation is a conundrum – as a minimum wage for contractors is a difficult, perhaps contradictory thought.

A contract for service is something that is agreed to for an output or an outcome. The payment involved – the fee for service – is purely for the output or outcome, and does not specify a rate of payment.

By contrast, an employment agreement does specify a rate of payment – hourly or weekly etc.

The Bill seeks to create a strange hybrid of the two.

It is not clear how tendering would work, how the rate of payment could be objectively agreed, or how gaming of contracts could be prevented.

It is not clear how contractors would be taxed, or how the provisions could be monitored or enforced.

The confusion and uncertainty would be disturbing to industries where contractors are common, in building and construction for example. The effects on Auckland's and Christchurch's building programme could be devastating.

Adding a time-based rate of payment into contracts in industries such as forestry could create time pressures and the risk of workplace accidents.

Other industries could find that contracts with time-based rates of payment render them unable to deliver their outputs altogether.

None of these issues have been addressed by the promoters of this Bill.

The defence of this Bill in the coming Parliamentary debate will be fascinating.

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