

Pay equity - what will it mean for small business?

The Government's big pay rise for care and support workers has some worried, with an expectation of pay equity claims all round New Zealand and unmanageable wage increases for small businesses.

The fear probably stems from the size of the care workers' settlement - \$2 billion is a huge amount to comprehend.

But this is a pay settlement covering an entire industry, with a history of underpayment and with a single government funder - very different from the circumstances of small businesses operating in the private sector.

Once we have a Pay Equity Act, later this year, we will have rules for how pay equity claims can happen.

Background - A new Pay Equity Act became necessary because of a recent Appeal Court ruling that the Equal Pay Act covers not just equal pay (men and women doing the same jobs being paid the same) but also pay equity (men and women being paid the same for different jobs of equal value). So a new Pay Equity Act is needed to rule on which jobs are equal to which.

The new Act will let anyone raise a pay equity claim with their employer and begin bargaining for an increase in pay, based on a comparison with another person's job.

This comparison is needed to work out which jobs are of equal value.

The closest comparisons will have a better chance of finding "equal value", and the closest comparisons are likely to be found within the same industry.

For example an office manager in a panel beating firm would find a closer comparison with an office manager in a tyre services firm than with an office manager in a medical or legal practice.

This should give some reassurance to a small workplace that they are not likely to be caught up in sector-wide wage claims as in the aged carers' case.

Pay equity claims in the private sector are likely to be taken by an individual within an individual company, not by all workers within an industry-wide claim.

It's in the public sector that industry-wide claims would be more likely to happen – nurses, mental health workers, teachers' aides etc.

The new Pay Equity Act will have a bigger impact on the government than on private sector employers, so the recent settlement with aged care workers should not be viewed with undue alarm by small businesses.

However the new Pay Equity Act could affect businesses in two ways.

First, it could affect the normal process of wage bargaining, making it more complicated because of the requirement to bargain over job comparisons – more regulation and compliance for businesses.

Second, pay increases in the public sector gained through pay equity bargaining could flow through to the private sector leading to wage inflation in related sectors.

These outcomes are a direct result of the Appeal Court's judgment and the ensuing new Pay Equity Act.

As a result of this court decision and ensuing legislation we will have a changed industrial relations environment.

Businesses concerned about these outcomes may wish to seek help and advice from business associations serving businesses in all regions: EMA, Business Central, Canterbury Employers' Chamber of Commerce and Employers Otago Southland.

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