

1. **Introduction**

This submission is made on behalf of Business New Zealand, incorporating regional employers' and manufacturers' organisations. The regional organisations consist of the Employers' and Manufacturers' Association (Northern), the Employers' and Manufacturers' Association (Central), Canterbury Manufacturers' Association, Canterbury Employers Chambers of Commerce, and the Otago-Southland Employers' Association. Business New Zealand represents business and employer interests in all matters affecting the business and employment sectors.

2. **Recommendation**

That the Bill not proceed

3. **Discussion**

In its September 2000 submission to the Minimum Wage Review the New Zealand Employers' Federation (since merged with the New Zealand Manufacturers' Federation to form Business New Zealand) recommended that individuals undertaking at least 60 national Qualifications Framework training credits a year should be exempt from the application of the minimum wage.

The Federation was particularly concerned about the adverse employment effects associated with any increase in the youth minimum wage and asked that the Government consider abolishing the youth minimum rate, presenting evidence as to why it should consider doing so.

Similar arguments can be made in respect to the application of the minimum wage to those on training agreements. Indeed, the Bill's explanatory note recognises (under the heading "Longer term implications of compliance costs for business") that if employers consider compliance costs arising from the application of the minimum wage to training agreements are too high "there may be a decline in the amount of training provided by employers".

The explanatory note is, to some extent, self-contradictory in that elsewhere it envisages "only a minimal increase in ongoing compliance costs", although it does acknowledge that that it is "not possible to provide a quantitative estimate of how much these compliance costs will be". If ongoing compliance costs will be only minimal one would not expect the writers of the explanatory note – as they do - to anticipate a decline in training. The real state of affairs is that the extent of the adverse effects of imposing a minimum training wage are simply neither known nor knowable.

Given the importance of encouraging the provision of training for young people, therefore, and the uncertainties as to the effect of the minimum wage application on training opportunities, Business New Zealand does not find itself able to support the Bill.

4. Recommendation

That the Bill not proceed.

5. Comment

The following comments are made without prejudice to Business New Zealand's recommendation that the Bill should not proceed.

5.1 Clause 3 Prescription of minimum wages

Subsection (1)(a) provides for minimum rates of wages to be prescribed for one or more defined classes of workers by reference to their age and to whom paragraph (b) does not apply.

Paragraph (b), allows minimum rates to be prescribed for one or more defined classes of workers who are employed under training contracts

The consequence of these two provisions would appear to be that minimum rates for those on training contracts can be defined without reference to age. This would seem to contradict the generally accepted view that the purpose of this Bill is to bring training contracts within the ambit of the youth minimum wage, allowing instead for a specific training rate to be set which could well be higher than the youth minimum. This would be entirely unacceptable. This clause should clarify that any training rate to be set will be the youth minimum wage, regardless of the trainee's age.

5.2 Clause 4. Workers to whom the Act does not apply

It is noted that clause 4 continues to exempt apprentices under apprenticeship contracts (within the meaning of section 2 of the Industry Training Act 1992) from the application of the minimum wage. However, as an "apprenticeship contract" has, since 1993, meant a contract of apprenticeship registered under the Apprenticeship Act 1983 that was in force immediately before 1 July 1992, this exemption is comparatively meaningless.