



SAME WORK. SAME PAY.

An Economist explains:

- There are no logical or moral grounds to support treating workers differently simply because they are young. The underlying principle is straight forward; it is discriminatory to pay people unequal minimum wage amounts for work of equal value. The work performed by a worker should be the main criteria in determining the wage paid rather than - their age (or any other irrelevant characteristic).
- Some justify paying youth less on the basis that they are at a disadvantage in the labour market - that lower minimum wages will encourage employers to hire them. However youth are not the only disadvantaged group in the labour market, what about women, Maori, or indeed older workers. Would we countenance a lower minimum wage for these groups to make them more attractive to employers?
- Aside from the moral argument, will the introduction of the “Starting Out Wage” lead employers to employ more young people? The answer is no one knows. The Ministry of Business, Innovation and Employment (MBIE) says as much – quote - “the precise nature and extent of the policy’s expected benefits are uncertain.”

- MBIE, however, have estimated what those outcomes might be for 16 and 17 year olds. If half of 16-17 year olds received the “Starting Out Wage” then 3200 jobs for this age group would be created over two years BUT that would be at the expense of 1900 jobs lost in the 18-19 year old age group.
- A net gain of 650 jobs a year for those aged under twenty, even if true, has to be put in perspective. Around 105,000 people in this age group are employed; 650 is not a sizable increase on 105,000. This suggests that the employment creation effect of this policy may well lie somewhere between hardly noticeable and nothing at all.
- Even if jobs do ‘appear’ what kinds of jobs will they be? Often employers taking advantage of this type of policy are small, unproductive enterprises with little capacity to enhance the skills of employees. Young people starting full-time employment in such jobs may well remain in low wage employment indefinitely; the jobs won’t be stepping stones but traps.
- Not only is the outcome of the introduction of the “Starting Out Wage” uncertain or negligible, no alternatives were considered. “The starting out wage proposal is a pre-election policy commitment. The Ministry’s analysis has therefore not considered other options for achieving the objectives of the proposed starting out wage package.”
- There are other options. Rather than promoting the growth of low wage low skill employment in unproductive enterprises, we could seize this moment to ensure that people leave school either to decent employment that provides a reasonable standard of living and the opportunity for further development, or to further education or training.
- A competitive high wage, high skill economy is not going to be built on the backs of a low wage unskilled workforce. We need to invest in the future, and the future fortunes of the New Zealand economy rest on maximising the potential of young workers.