

13 November 2018

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Labour, Science and Enterprise
Ministry of Business, Innovation and Employment
PO Box 1473
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By email – Aaron.Hissey@mbie.govt.nz

Tēnā koe Aaron,

Re: Consultation on the Proposed Increase to the Minimum Wage

Thank you for the opportunity to comment on the proposed increase to the Minimum Wage. TIA is the peak body for the tourism industry in New Zealand. With over 1,600 members, TIA represents a range of tourism-related activities including hospitality, accommodation, adventure & other activities, attractions, retail, airports & airlines, transport, as well as related tourism services.

As part of our stakeholder consultation in preparation for this letter TIA has engaged with a targeted group of employers in the accommodation, transport, and adventure activity sectors. This letter represents the views of Tourism Industry Aotearoa and members who provided feedback and may not necessarily represent the views of other individual members.

TIA and People & Skills

As the peak body representing tourism operators a key part of our mandate is to ensure that the voice of tourism operators is heard and understood by government agencies. The industry is a significant employer, with over 230,000 people directly employed in tourism, and People and Skills continues to be a priority area for TIA. In 2014 following the release of the Tourism 2025 growth framework we developed People & Skills 2025 to identify the priority areas for ensuring the industry has the right workforce in the right place at the right time to support achievement of the Tourism 2025 goals.

Our Feedback

1. TIA is an advocate for tourism operators to pay all staff a fair wage

In 2017 TIA launched the Tourism Sustainability Commitment (TSC). The vision of the TSC is that New Zealand leads the world in sustainable tourism and to achieve this our aim is to see every New Zealand tourism business committed to sustainability by 2025. TIA has set a goal of having 1000 tourism operators signed up to the TSC by March 2019, and over 630 operators have signed-up to date.

The TSC has themes of Economic, Visitor, Host Community, and Environment. Operators signing up to the TSC are required to work towards a set of 14 business commitments across these four themes. Commitment 7, within the focus on Host Community, is that businesses pay a fair wage to all staff.

Sustainable businesses have to find ways to protect and enhance their social licence to operate within their communities. We want New Zealanders to strongly support and reap the benefit from tourism operating in their community and to be happy with the level of tourism activity and support growth. Tourism businesses aim to be desirable and responsible employers, and leaders in engaging and supporting vibrant communities. Our Host Community Commitments suggest ways that tourism businesses can contribute to the communities in which they operate: quality jobs, connecting with the community, and supporting local and regional suppliers. Therefore

guided by the TSC, TIA is supportive of a well-managed and communicated increase in minimum wage to \$20 by 2021 as a means of all staff receiving a fair wage.

2. It is important that the method of implementation minimises disruption to tourism-sector businesses.

In our request for feedback from operators we focused on the preferred model for wage increments, and also employer views of the impacts, both positive and negative of the increase.

Application of incremental increases

There was no clear directive on the preference for how the increase might be staged over the available time period. There was a preference for an equal increase over each of the three years, and the second preference was for a smaller increase in 2019 with larger increases in 2020 and 2021. There was no support for a larger increase in 2019 with smaller increases in 2020 and 2021.

Our view if a particular preference is required would be an equal increase over the three years, well-signalled to businesses so they can plan for the increase. Many tourism operators are required to provide pricing for the international market up to two years in advance or longer so that itineraries can be developed and marketed. Therefore a long lead-in to price increases is important to operators so they can build it into their opex calculations, particularly for wage-related costs which often form a considerable part of operating budgets.

Impacts of minimum wage increase

Members provided a range of views on how their business would respond, which are provided below. The responses predicted some negative outcomes.

- One respondent thought there would be “increased costs passed on to customers with price increases, a decrease in relative increases for middle management and management positions, and a potential decrease in number of staff hired.”
- Another respondent said: “We would look at resourcing costs against profit margins and check that certain aspects of our product and services were still viable, taking considerations for reducing the offering or increasing the prices.”
- Another operator noted “This money has to come from somewhere – if the government isn’t going to pay it, the only place it can come from is the businesses. Businesses cannot just produce money out of thin air, it has to come directly from the bottom line. This at a time where companies are being hit with rapidly increasing costs of operating including record high fuel costs (we operate aircraft, this is a huge cost for us); fuel taxes on top of the increases in fuel costs; DOC concession fees being cranked up at an extremely alarming level”.
- A further operator noted “When they did similar in the US the impact was a price increase in products and services, or a rationalisation of those products and services resulting in fewer jobs. When you combine the proposed increase with a tougher stance on immigration you are going to see smaller operators driven out of business. Leaders of industry will likely acquire at minimal cost and the other all-guest experience will feel very different.”
- An operator also noted the increase “will hopefully make it more affordable for staff to live in expensive locations such as Queenstown (and) make it easier for companies to retain staff longer term.”

Conclusion

Overall, TIA is supportive in principle of the proposal to increase the minimum wage from \$16.50 to \$20.00 per hour. It aligns with one of the objectives of the Tourism Sustainability Commitment, which is for all tourism businesses to pay a fair wage to all staff. We do however have concerns about implementation as noted above, and the increases must be signalled well in advance to support business planning.

Also a note that consultation timeframes are very tight. While your email acknowledged this we would prefer a longer period to respond more fully in future.

Please do not hesitate to contact us if you have any queries about our feedback or would like to engage in more detail.

Ngā mihi

A handwritten signature in black ink, appearing to read 'S. m. Hanrahan', with a stylized flourish at the end.

Steve Hanrahan
Advocacy Manager
Tourism Industry Aotearoa