



**Minimum Wage (Abolition of Age Discrimination)  
Amendment Bill – Submission to Parliament's  
Transport and Industrial Relations Select  
Committee**

**21 April 2006**

## **Introduction**

1. This submission is from the Tourism Industry Association of New Zealand (TIA), located at level 5, Travel and Tourism House, 69-71 Boulcott Street, Wellington.
2. Attached as Appendix 1 are details about our organisation and who we represent. We have consulted key members in the tourism industry to seek their views on this proposal.
3. If you wish to contact us regarding this submission, in the first instance, please telephone Simon Wallace, Policy Manager on 04 494 1842 or e-mail him at [simon.wallace@tianza.org.nz](mailto:simon.wallace@tianza.org.nz)

## **Comment**

4. TIA opposes the Minimum Wage (Abolition of Age Discrimination) Amendment Bill. We believe youth rates as they exist currently, have acted as an incentive for many employers to hire young people and give them a “foot in the door”. This is particularly relevant to the tourism industry which frequently provides the first job for school leavers.
5. The tourism industry is highly employment intensive with more than 8000 small and medium sized businesses, many of whom employ youth workers. Youth rates have made younger people, often school leavers with no formal qualifications, more attractive employees, prompting many employers to recruit a young person, provide on-the job training and up skill and prepare them for future career advancement. Abolition of youth rates will deter some businesses from hiring young people, denying them the opportunity of a sustainable and rewarding career in the tourism industry.
6. We note that 15-19 year olds are highly represented in employment statistics (currently 12%), compared to the average across the working population of 3.6%. TIA believes that increasing the cost of what is usually unskilled and untested labour would see fewer younger people employed. Whilst an employer may be able to carry an increase in labour costs during prosperous economic times, employers cannot carry that extra cost for an infinite period or in economic slowdown.
7. TIA notes that many businesses in the tourism industry pay above the minimum wage. It acknowledges that all employees, irrespective of age, should be paid according to skills and productivity. There is widespread acceptance, however, that a 15, 16 or 17 year old does not have the skills or experience of an older worker, nor the same level of productivity. In addition, TIA notes that youth wages are to a large extent a “starter” wage and a fair proportion of workers move off this rate within a year of commencing employment.

8. In the tourism sector, more than 13% of those people employed in the accommodation, food and beverage industries are aged 15-19 years<sup>1</sup>. A large majority of these employees are school leavers with few qualifications. Given the low margin of these businesses, which operate in a competitive environment, youth rates are an incentive for employers to take on unskilled teenagers, train them on the job and arm them with the work skills necessary to move on to higher positions at a later stage.
9. The industry is also concerned that removal of youth rates will have a flow on effect in terms of wage relativity. Older and skilled workers will legitimately demand wage increases to maintain wage relativity with their youth counterparts.
10. TIA believes this Bill may harm training prospects as the legislative proposals do not apply to young people training towards an NZQA approved qualification who would still receive youth rates. It may therefore encourage young people to work in low-skill jobs attracting higher wages and without the provision of training. A key theme that emerged from the *Tourism Workforce and Skills Projections Report* conducted by BERL in October 2004 identified the importance of supervised and accredited training programmes for the tourism industry in order to better present itself as offering long-term career prospects. Therefore, this Bill is a perverse incentive for young people in that youth rates will continue to be paid to young people on government accredited training programmes, but not others.

## **Conclusion**

11. Our organisation concludes that abolishing age discrimination and youth rates will have a detrimental affect on the ability of young people, particularly unskilled school leavers, to gain employment in tourism. New Zealand can ill afford creating a disincentive for the employment of young people when they are already highly represented in employment statistics and the economy is slowing. Training prospects will be harmed, while wage relativity demands from older and skilled workers may result in cost escalation and job losses.
12. This Bill does not serve the interests of many young potential members of the visitor industry in New Zealand who for generations have been paid a youth rate as a “starter wage” and eventually moved on to better paid positions and career advancement. Removing the youth minimum wage could exclude the current generation of young people from employment in meaningful vocations and long lasting occupations in the tourism industry.

## **Recommendation**

13. TIA opposes the Minimum Wage (Abolition of Age Discrimination) Amendment Bill.

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<sup>1</sup> “Tourism Workforce and Skill Projections Report, BERL, October 2004, p.31.

## Appendix 1

### Background Information on the Tourism Industry Association of New Zealand (TIA)

1. The Tourism Industry Association New Zealand (TIA) advocates for the interests of the tourism industry in New Zealand. The businesses we represent generate more than 85% of New Zealand's tourism-related revenue.
2. Tourism is a \$17.2 billion industry (\$7.4b from international and \$9.8 from domestic tourism) with international tourist expenditure accounting for 18.5% of New Zealand's total export earnings.<sup>2</sup> The industry, directly and indirectly, employs 1 in 10 New Zealanders in a diverse range of businesses – the majority of which are small and medium sized enterprises. Not only is tourism important because of its size, representing 9.4% of New Zealand's GDP, it is:
  - Highly employment intensive;
  - Regionally disparate; and
  - Very diverse - ranging from large stock exchange listed companies to small cottage industries.
3. These businesses cover a range of tourism-related activities – hospitality, transport, adventure and activities, attractions and retail and related tourism services. In many cases, regional tourism businesses have developed around regional assets divested by other industries and have revitalised those assets and the communities that depend on them.
4. The tourism industry in New Zealand consists of more than 8,000 small and medium sized businesses. Of these businesses, most employ less than five people.
5. New Zealand welcomes more than two million overseas visitors to its shores every year. The domestic tourism industry is also important in helping to sustain a vibrant tourism industry. TIA estimates that over 75 million visitor nights are spent by New Zealanders every year.

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<sup>2</sup> “Key Tourism Statistics – March 2006”, Ministry of Tourism website