

Continuing the Minimum Wage Exemption scheme – and stopping the development of a wage supplement

Initiative Sponsors: Ministry of Social Development

Description:

This savings initiative returns \$56.345 million in operating funding and \$10.001 million in capital funding for Vote Social Development, while reducing Vote Revenue by \$7.424 million.

The Government has decided to continue the existing minimum wage exemption scheme. The development of a wage supplement has ceased, as it would not have effectively supported the employment prospects of disabled New Zealanders more broadly.

Since wage supplement payments never started, nothing will change for disabled people.

Section 8 of the Minimum Wage Act 1983 allows a labour inspector to grant exemptions to the minimum wage through a permit. This law will remain in effect, and the wage supplement will no longer replace the exemption scheme, which currently includes around 900 participants.

Financial Impact:

The impacts each year are set out in the tables below:

Vote Social Development Opex:

(\$m)	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears	Total
Total	(2.405)	(11.340)	(13.397)	(14.967)	(14.236)	(56.345)

Vote Social Development Capex:

(\$m)	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears	Total
Total	(8.334)	(1.667)	-	-	-	(10.001)

Vote Revenue:

(\$m)	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears	Total
Total reduction in revenue	-	1.632	1.804	1.994	1.994	7.424

Why is the Government continuing with the existing minimum wage exemption scheme and stopping the development of a wage supplement?

- The Government believes the existing minimum wage exemption scheme effectively provides work opportunities to disabled people who might otherwise miss out on the benefits of paid employment, including social connection, purpose, and skill development.
- The Government will continue to support initiatives that enhance the employment prospects of disabled people more broadly.
- The wage supplement risked undermining the viability of organisations and enterprises dedicated to hiring and supporting disabled people under the minimum wage exemption.

In 2024/25 the Government will continue funding:

- **\$24.3m for Employment Services:** Helping around 5,000 disabled people gain paid employment and provide them with ongoing support.
- **\$4.8m for Support Funds:** Assisting around 1,000 disabled people undertaking the same training or employment as a person without a disability.
- **\$2.0m for Employment Service in Schools:** Helping around 600 students with disabilities and health conditions explore career and job opportunities.
- **\$3.0m for Mainstream:** Providing around 82 disabled individuals a wage-subsidy to gain experience in paid work.
- **\$4.8m for various organisations and enterprises:** Dedicated to hiring around 900 disabled individuals to enhance their employment prospects-many of these individuals have a minimum wage exemption.

How does the existing Minimum Wage Exemption scheme work?

- Section 8 of the Minimum Wage Act 1983 allows a labour inspector to issue Minimum Wage Exemption permits to individual employees if they are

'significantly and demonstrably limited by a disability' in carrying out their work.

- Under the law, an exemption permit will only be granted if it is reasonable in the circumstances. A labour inspector will check that the employee (and often their families) has genuinely agreed to the wage rate.
- An exemption is not available where the labour inspector considers that the employee should be paid the minimum wage.
- Before an exemption is granted, the employee must be given the opportunity to have an independent representative or advocate with them when discussing the wage rate. The employer must also have done everything reasonably expected to help the employee do the job to the best of their ability.
- Most individuals with a permit are employed by organisations and enterprises whose primary purpose is to enhance the employment prospects of disabled New Zealanders.
- Currently, around 900 disabled New Zealanders have minimum wage exemption permits. The majority receive the Supported Living Payment and are not ordinarily obligated to take steps to become work-ready or seek full-time employment.