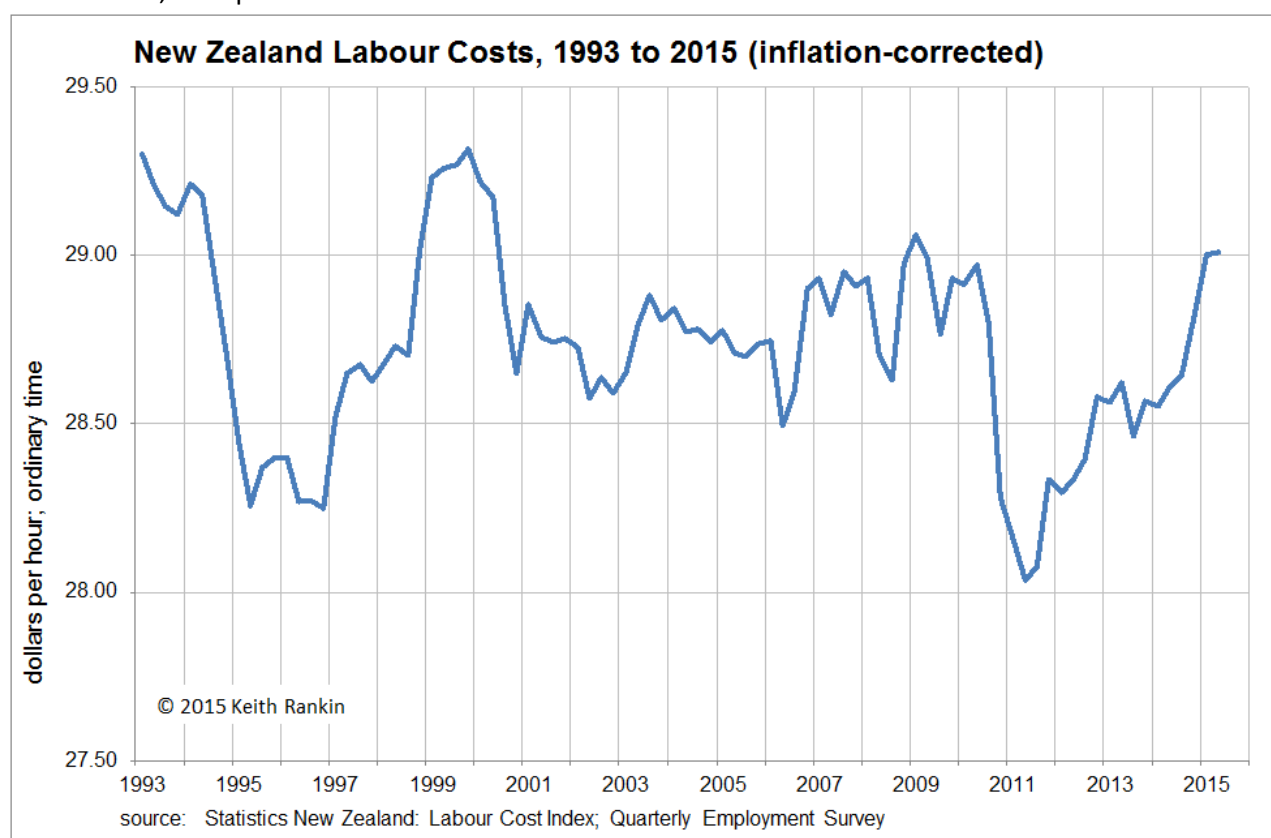


# Chart for this Week: Inflation-Corrected Hourly Wages

Keith Rankin, 16 September 2015



## [New Zealand Wage Stasis since 1990s](#)

This week's chart shows that New Zealand ordinary-time hourly wage rates, as measured by the Labour Cost Index (LCI), have been static since this index was created in the early 1990s. While the LCI is presented by Statistics New Zealand in index number form (like the Consumers Price Index; CPI) I have substituted the latest hourly wage (as published in the Quarterly Employment Survey), and have deflated the LCI numbers by the CPI in order to present 'real wages'.

The chart tells us that hourly wages are no higher in 2015 than they were in 1993. In that time Real GDP per person of working age – the average slice of New Zealand's 'economic cake' – has increased by 38 percent. Yet, since 1993, the only way that wage and salary earners could increase their income was to work longer hours. Even more disturbing, in the time that we had a Labour-led (workers') government – 2000 to 2008 – wage rates fell. It was only in the late 1990s and post-2011, under MMP National-led governments, that the chart shows any sign of increasing wages.

[Last week](#) I noted that, if this process of wages only just keeping up with inflation had applied for the whole period from 1926, women's average weekly wages today would be \$190 per week. If we apply that to both genders, we would be looking at an average wage today of about \$300 for a forty hour week, or \$7.50 per hour. Fortunately, and thanks mainly to significant real wage increases in the 1940s and 1970s, our average hourly wage today is \$29 rather than \$7.50. It should be much higher, given the productivity changes that have occurred.

Further, we note that the biggest increase in income inequality in New Zealand took place between 1985 and 1995. Jane Kelsey in *The Fire Economy* (p.87) shows it more specifically as 1988 to 1993. While nobody denies that inequality of financial *wealth* continued unabated after 1993, my chart for this week confirms that wage rates have been static for two decades despite average incomes (GDP per person) rising over 35 percent.

How can we square these apparently contradictory statistics? In part by noting that relatively more income generated in New Zealand is appropriated by non-residents with interests in New Zealand. In part the discrepancy is due to New Zealanders of working age (over 15) working significantly longer hours on average; much of this will be longer hours worked by mothers, tertiary students and persons over 65. And in part, the discrepancy is due to property income accruing to the richest five percent in forms that are not easily captured in our income statistics.

Finally, I will note that the \$29 hourly rate is almost certainly an overstatement of the true average hourly rate in New Zealand in 2015. This figure comes from the Quarterly Employment Survey, which is heavily biased towards regular tenured fulltime employment, and does not at all reflect the reality of remuneration for hours committed to casual labour contracts.

Inequality is an increasing problem in New Zealand. Otherwise, average hourly real wages in New Zealand in 2015 would have risen from \$29 to about \$40 in the years since 1993.

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