

FACT SHEET:

Will the minimum wage increase impact your business

20 March 2023

BY NOW, YOU HAVE PROBABLY HEARD THAT MINIMUM WAGE WILL BE INCREASING AGAIN ON 1 APRIL 2023.

As a business owner, it will be your responsibility to ensure your organisation is meeting the legal requirements for paying your employees.

More than just a few dollars here and there, the cost of the wage increase could significantly impact your business. So, now is the time to review and ensure you are ready.

Today, we are going to explore what the minimum wage increase could mean for your business and what your obligations are. Let's get to it.

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Minimum Wage Changes

Minimum wage is going up again. As of 1 April 2023, the adult minimum wage will sit at a rate of [\\$22.70 per hour](#). That's an increase of \$1.50 per hour from the current hourly rate of \$21.20.

The training and starting-out minimum wages will also increase to [\\$18.16 per hour](#), which is 80% of the adult minimum wage. This is an increase from the current hourly rate of \$16.96.



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The 7% increase is designed to match inflation. So, a full-time worker will now bring home [\\$756 a week](#), up from \$715. This latest increase follows a string of hefty minimum wage rises that have been implemented on 1st April in 2021 and 2022.

Since 2020, the minimum wage has increased by [approximately 20%](#) which is bound to have repercussions for businesses of all sizes.

What your business has to do

As a responsible business owner, there are a few things that you need to do to prepare for the impending minimum wage increase.

First and foremost, the mandatory wage increase means that you cannot pay anyone in your business below the set rates. So, if you currently have team members being paid less than \$22.70 per hour, you are going to need to rectify that now.

You'll need to amend the pay rates in your payroll system for pay runs that incorporate work completed on 1 April 2023 and beyond.

The increase doesn't only apply to those that are currently on minimum wage. It applies to any team member that is being paid less than \$22.70 per hour. You will need to consider how you want to handle employees that had worked themselves above minimum wage, but had not yet reached \$22.70. You may choose to pay them more to reflect their loyalty and experience.

The impact on your business

Will the minimum wage increase impact your business? While it will be nice to think that the answer to that question is no, that's unlikely. There will be some impact, it will just depend how much.

Businesses that currently operate with a large number of minimum wage employees will obviously feel the repercussions of the increase more. But, that doesn't mean other businesses won't be impacted also. Regardless of the size or staff base of your business, this is a really good time to review your profitability.

Any increase in business costs can impact your bottom line, so now is the time to calculate just how much the minimum wage increase will cost your business. Enter those figures into your budget to ensure that it doesn't impact your margin negatively. If it does, it could be time to undertake a complete price review and move your prices upwards accordingly.

You'll also want to consider how the increased wage costs will impact your rostering. Paying overtime rates or time and a half could further increase the costs to your business.

Save money and stress with a Bookkeeper

It's easy to feel overwhelmed when major change is on the horizon. And as a busy business owner, you probably don't have time to overhaul your payroll records.

Engaging a bookkeeper to help with this process will help to make everything easier. With expertise in payroll and budget reporting, a bookkeeper can provide valuable insight for your business. They will be able to work with you to ensure all of your employees are on the correct wage or salary in your payroll system.

But, their help doesn't stop there. Their external view of your business will be invaluable for determining ongoing profitability. Plus, they can help you run any required reports to set your budget and undertake forecasting.

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Not got a bookkeeper you can call on? No problem! We have the largest directories of expert, certified bookkeepers in New Zealand. [Browse our directory](#) to find the perfect fit for your business.

Wage increase Requirements

To wrap things up, these are the steps your business should take to prepare for the wage increase:

1. Know your employer obligations when it comes to the minimum wage increase
2. Advise employees in writing of the wage increase they are about to receive
3. Update your payroll system and check that all employment contracts are current, update any that are out of date
4. Consider internal wage relativity and external benchmarking for staff members above minimum wage for maintenance of relative pay distance
5. Add the increased wage costs to your business budget
6. Consider reviewing your pricing if the expected wage cost increase is going to impact your profitability
7. Think about bringing in a bookkeeper for financial expertise

Ready for the minimum wage increase?

The mandatory minimum wage increase will be implemented on 1 April 2023 whether you are ready for it or not! So, the best course of action is to get prepared now.

One of our certified bookkeepers can help make the job immensely easier for you. So, save yourself the stress and have a [look at our bookkeeper directory now](#). The ideal bookkeeper is just waiting to help you.

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