



Purpose

Each quarter the Public Service Commission (the Commission) reports on the latest Labour Cost Index (LCI) results, with a special focus on the public sector. The LCI measures changes in salary and wage rates in the labour market for the same quality and quantity of labour. The Commission uses the LCI to monitor, oversee, and report on wage movements in the public sector.

This material has been prepared by the Commission for use by public sector employment relations professionals, from data provided by Statistics New Zealand (Stats NZ), and ensures transparency of public sector wage growth for the public.

You can find additional information and data relating to this quarter's index on the Public Service Commission's Employment Relations website: [Here](#), and the Stats NZ website here: [Labour market statistics: December 2024 quarter](#).

Summary

- 1 This report summarises movements in the LCI for the December 2024 quarter ("this quarter") for public sector employment relations professionals, and other key stakeholders. Quarterly wage movements reflect increases applied between mid-August 2024 and mid-November 2024, while annual wage movements reflect increases applied between mid-November 2023 and mid-November 2024.
- 2 Across **all sectors combined**, wages grew 0.6 percent this quarter (unchanged from the September 2024 quarter ("last quarter")) and 3.3 percent in the year to December 2024 (down from 3.8 percent in the year to September 2024).
- 3 In the **public sector**, wage growth this quarter was 0.5 percent (down from 0.9 percent last quarter) and 4.5 percent for the year to December 2024 (down from 5.6 percent from the year to September 2024).
- 4 In the **private sector**, quarterly wage growth was 0.6 percent (unchanged from last quarter) and 3.0 percent for the year to December 2024 (down from 3.3 percent in the year to September 2024).
- 5 In the **Public Service**, wage growth for this quarter was 0.3 percent (down from 0.7 percent last quarter) and 3.6 percent for the year to December 2024 (down from 4.4 percent from the year to September 2024).
- 6 These results are in the context of annual inflation, as measured by the Consumer Price Index, of 2.2 percent for the year to December 2024 (unchanged from the year to September 2024) and down from a peak of 7.3 percent in June 2022. Quarterly inflation was 0.5 percent in December 2024 (down from 0.6 percent last quarter).
- 7 Public sector wages have increased 25.1 percent since 2018, compared to private sector wage growth of 21.1 percent and inflation of 27.3 percent over the same period. Public Service cumulative wage growth is 21.4 percent since 2018.



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- 8 Stats NZ publishes official labour market statistics quarterly, providing a picture of the New Zealand labour market. These statistics include measures of unemployment and employment, demand for labour, and changes in wages and salaries. Changes in wages and salaries are measured using the Labour Cost Index (LCI).
- 9 The Commission has a role in monitoring and overseeing wage movements across the public sector. Analysis of sector and sector-subgroup wage movements using the LCI supports this role, providing regular data on the impact of remuneration decisions being made across the system, for example through collective bargaining. This is not analysis that Stats NZ produces.
- 10 Wage growth is reported by sector:
 - 10.1 Unless otherwise stated wage growth refers to increases of labour costs across the economy, sometimes referred to as wage growth across “all sectors combined.” This is comprised of staff employed in both the “public sector,” and the “private sector.”
 - 10.2 The “public sector” is comprised of “central government” and “local government.”
 - 10.3 “Central government” is comprised of the “Public Service” (departments and departmental agencies), the “health sector” (staff employed by Health New Zealand), “education sector” (staff employed by public primary and secondary schools), and “other central government” sector.
 - 10.4 “Other central government” includes other public sector employers not in the Public Service, health, or education. It includes most Crown agents and Crown entities, as well as New Zealand Police, and New Zealand Defence Force, but excludes state-owned enterprises.

Public and private sector movement in salary and wage rates

Public and private sectors

- 11 In late 2022, Cabinet agreed that work should proceed with unions on a “Public Sector Pay Adjustment” (the Pay Adjustment). While this work programme has now concluded, the effects of it will be felt in the index for some time¹. Throughout 2023, and the first half of 2024, a significant number of public sector employees have received increases in line with the Pay Adjustment. Quarterly wage growth has not been directly affected by the Pay Adjustment this quarter, but annual wage growth will continue to be affected by it until mid-2025.
- 12 We note that a result of the Pay Adjustment is a grouping of public sector collective agreement expiries in late 2024, and early 2025. Because bargaining is ongoing, or upcoming, wage increases that would be delivered through settlement of these collective agreements have not had an impact on the index. Modest wage growth in the December 2024 quarter for much of the public sector is a consequence of this grouping of collective agreement expiry dates.

¹ The Pay Adjustment delivered two increases across two years, either occurring from 1 December 2022 (year one) and 1 December 2023 (year two), or 3 April 2023 (year one) and 3 April 2024 (year two).



- 13 A new Government Workforce Policy Statement on Employment Relations in the Public Sector has been influencing remuneration decisions across the public sector since mid-2024. The impact of the Policy Statement has been limited this quarter due to fewer remuneration decisions being actioned across the sector in the second half of the year, although the number of remuneration decisions being made may have been influenced by this guidance. The impact of the expectations will become clearer in 2025.

Quarterly change

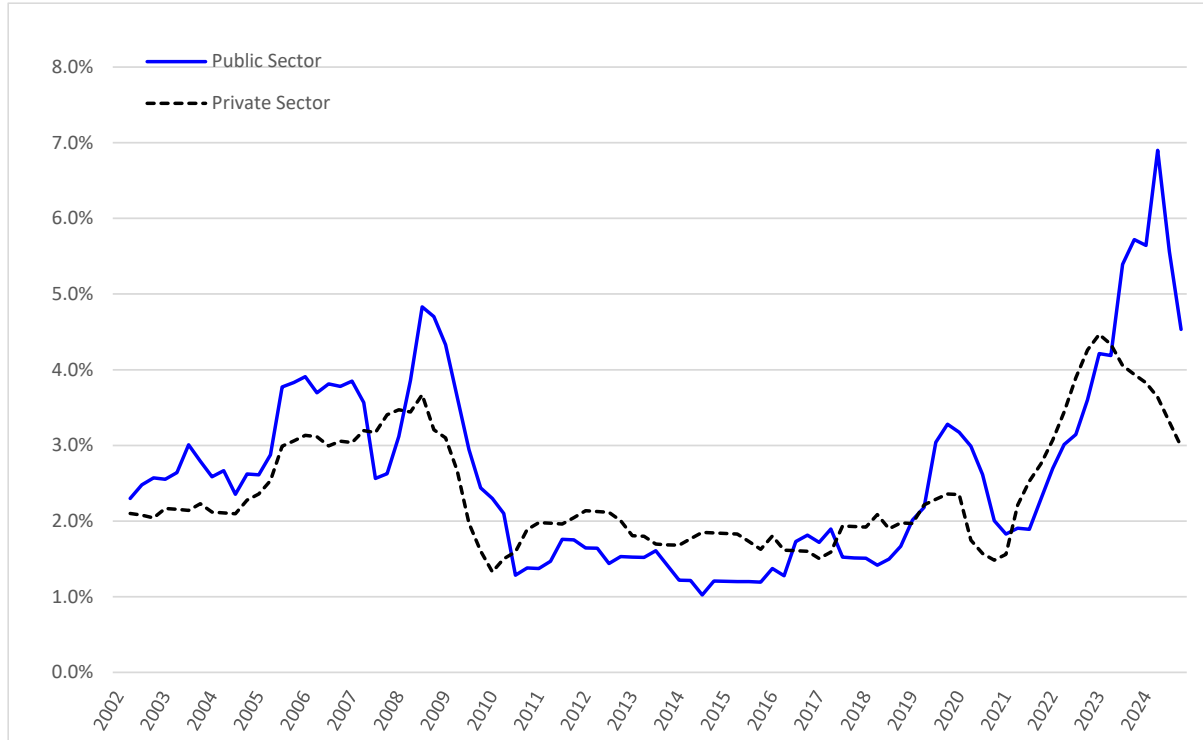
- 14 Wage growth was 0.6 percent this quarter (unchanged from September 2024). In the public sector wages grew 0.5 percent this quarter (down from 0.9 percent last quarter), while in the private sector, wages grew 0.6 percent this quarter (unchanged from September 2024). December 2024 is the first quarter since June 2023 where public sector quarterly wage growth has lagged private sector wage growth.
- 15 Wage growth typically exhibits seasonality effects, with higher increases for the public sector typical in September and December compared to March and June. There is less seasonality in the private sector. This seasonality has been disrupted in recent quarters, due to the timing of wage increases delivered through pay equity corrections, and the Pay Adjustment. Quarterly wage growth for December 2024 is average for a December quarter.
- 16 Since September 2009, wage growth averages 0.6 percent in a December quarter (0.6 percent this quarter), public sector wage growth averages 0.6 percent in December (0.5 percent this quarter), and private sector wage growth averages 0.6 percent in December (0.6 percent this quarter).

Annual Change

- 17 In the year to December 2024, wages grew 3.3 percent (down from 3.8 percent in the year to September 2024). Over the same period wages grew 4.5 percent for the public sector (down from 5.6 percent for the year to September 2024) and 3.0 percent for the private sector (down from 3.3 percent for the year to September 2024).
- 18 Figure 1 below compares annual wage movements for the public and private sectors since the March 2002 quarter.
- 19 We note that:
- 19.1 The effect of the Global Financial Crisis on wage growth was first seen in the December 2008 quarter.
 - 19.2 COVID-19 restrictions, followed by the effects of tight labour market conditions, including low unemployment and border restrictions first eased, and then pressured, wage growth between 2020 and 2022.
 - 19.3 The impact of pay corrections since 2022, and the Pay Adjustment in 2023 and 2024 is seen in significant public sector wage growth over that time.



Figure 1: public and private sector annual movement in salary and wage rates (percentage change from same quarter of previous year), 2002-2024



20 Figure 1 illustrates that public sector wage growth is generally slower to react to market conditions than the private sector, being slower to adjust down in reaction to negative market movements or up in reaction to tight labour market conditions. One reason for this is the relative prominence of collective bargaining in the public sector, with settlements that typically include scheduled pay increases over the life of a multi-year agreement.

20.1 We note that private sector wage growth peaked at 4.5 percent in the year to March 2023, which was surveyed in mid-February 2023. By contrast, most of the public sector collective agreements which settled or varied to give effect to the Pay Adjustment did so after mid-February 2023. Since then, private sector annual wage growth has trended down from 4.5 percent to 3.0 percent this quarter, while public sector annual wage growth has trended up from 4.2 percent and peaked at 6.9 in June 2024. We anticipate a reduction in annual wage growth in the first half of 2025 as increases delivered through the Pay Adjustment work their way through annual wage growth calculations.

Public sector and public sector sub-groups

21 There have been few increases delivered through collective bargaining in driving wage growth this quarter. We estimate that fewer than 3000 public servants received wage growth this quarter due to new settlements; this does not include staff who may have received wage increases due to contractually required progression. Progression is adjusted out of the LCI, but is reflected in the unadjusted LCI index (refer *unadjusted wage growth* below).

21.1 Central government wages grew 0.4 percent this quarter (down from 0.9 percent from last quarter), and 4.6 percent in the year to December 2024 (down from 5.7 percent in



the year to September 2024). This includes increases in the health sector, education sector, Public Service, and the other central government group (excluding state-owned enterprises), but not Local Government.

- 21.2 In the Public Service, wages grew 0.3 percent this quarter (down from 0.7 percent in September 2024). In the year to December 2024, Public Service wage increases were 3.6 percent (down from 4.4 percent in the year to September 2024, and sector-high 5.4 percent annual wage growth in the year to June 2024).
- 21.3 Education sector wages grew 0.1 percent this quarter (down from 0.4 percent last quarter), and 3.9 percent in the year to December 2024 (down from 4.4 percent in the year to September 2024).
- 21.4 Health sector wages grew 0.5 percent this quarter (down from 0.6 percent last quarter). In the year to December 2024, annual wage growth was 7.1 percent (down from 9.7 percent last quarter). The decline in annual wage growth this quarter is largely attributable to significant wage growth in the sector this time last year no longer affecting the annual growth rate calculation. Annual growth remains significantly above average, due to unusually high quarterly wage growth in the first half of 2024. Wage growth in the health sector in recent years has been affected by pay equity outcomes, collective agreement settlements, and the Pay Adjustment.
- 21.5 Other central government group wages grew 0.5 percent this quarter (down from 3.0 percent last quarter), and 4.1 percent in the year to December 2024 (down from 4.2 percent in the year to September 2024). This group includes the New Zealand Police, New Zealand Defence Force, Accident Compensation Corporation, and other Crown agents not elsewhere included. High quarterly wage growth for this sub-sector in the September 2024 quarter is attributable to wage increases to NZ Police constabulary staff.

Local government

- 22 Local government wages grew by 1.8 percent this quarter (up from 1.1 percent last quarter). Annual wage growth in the year to December 2024 was 3.7 percent (down from 4.9 percent in the year to September 2024). While 1.8 percent is relatively high for quarterly growth in any sector, annual wage growth has fallen because even higher wage growth, 3.0 percent in the December 2023 quarter, no longer affects the annual growth calculation.

A note on pay equity

- 23 Wage growth delivered as a result of pay equity outcomes show in the LCI. This wage growth affects pay and workforce costs, but should be considered as a pay correction (due to sex-based undervaluation) rather than a negotiated pay increase.
- 24 Normally, employers may look to the LCI to compare how wages are growing elsewhere in the economy and this may influence their own remuneration decisions. However, where pay corrections have influenced the index, particularly the health and education sectors, caution should be exercised. Delivering a negotiated pay increase to “catch up” with a pay correction in another sector risks undermining pay corrections that have influenced that sectors wage growth. This could result in new sex-based undervaluation emerging, and in turn could have cost for the employer, and government.



Cumulative wage growth and inflation

- 25 Inflation, as measured by the Consumer Price Index, was 0.5 percent in the December 2024 quarter (down from 0.6 percent last quarter). Annual inflation was 2.2 percent in the year to December 2024, unchanged from 2.2 percent in the year to September 2024. Annual inflation continues to lag annual wage growth across all monitored sectors and sector sub-groups.
- 26 Data above reflects short term changes in wage growth, changes over the last quarter, year, or two years. Medium- and long-term wage growth is better measured through cumulative change. In considering the below data, it is important to note that wage growth is not the same as wage rates. Different sectors will face different labour market conditions and pressures, each of which may influence wage growth in that sector differently. For example, changes to the minimum wage affect private sector wage growth more than Public Service wage growth.

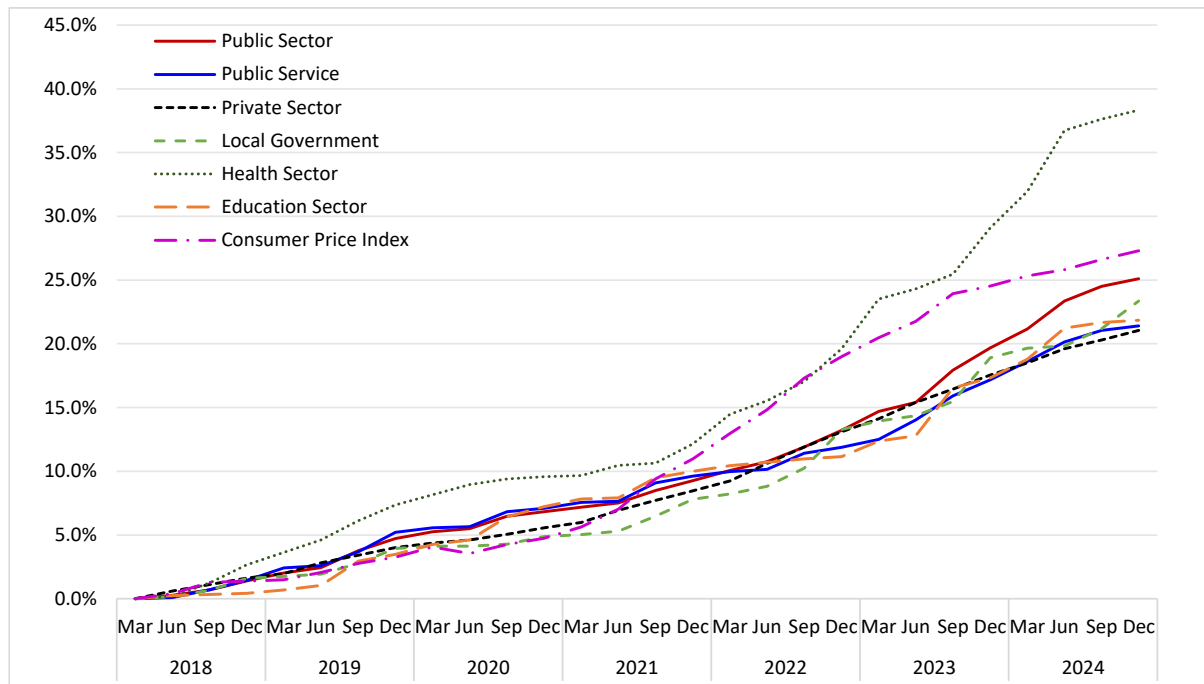
Medium-term cumulative wage growth

- 27 Cumulatively, wages have grown 21.8 percent since March 2018, growing 25.1 percent across the public sector, and 21.1 percent across the private sector in that time. For comparison, cumulative inflation was 27.3 percent since 2018.
- 28 Cumulative wage growth is similar across the sector sub-groups, other than the health sector, ranging from 21.1 percent in other central government, to 21.8 percent in the education sector. The outlier is the health sector, with cumulative wage growth of 38.3 percent since 2018.
- 29 Noting that public sector wage growth has been impacted by significant pay equity outcomes in the health sector, gaps in cumulative wage growth since March 2018 include:
- 29.1 Public Service wage growth is 3.7 percentage points **below** public sector wage growth (3.5 percentage points below when measured last quarter).
 - 29.2 Health sector wage growth is 13.2 percentage points **above** public sector wage growth (13.1 percentage points above when measured last quarter).
 - 29.3 Education sector wage growth is 3.3 percentage points **below** public sector wage growth (2.8 percentage points below when measured last quarter).
 - 29.4 Private sector wage growth is 4.0 percentage points **below** public sector wage growth (4.2 percentage points below when measured last quarter).
 - 29.5 Inflation, as measured by the Consumer Price Index, is 2.2 percentage points **above** public sector wage growth (2.1 percentage points above when measured last quarter).



30 Figure 2 below shows the trend in wage movements of selected sectors and sector sub-groups since 2018, on a cumulative basis.

Figure 2: Labour Cost Index – wage movements by sector and inflation (cumulative percentage change since March 2018)



Long-term cumulative wage growth

- 31 Where the medium-term wage growth trend is one of relatively consistent wage growth across much of the public sector and the private sector, the longer-term wage growth trend (since June 2001) shows more variability.
- 32 Cumulatively, wages have grown 76.0 percent since 2001, growing 83.3 percent across the public sector, and 74.5 percent across the private sector in that time. For comparison, cumulative inflation was 80.1 percent since 2001.
- 33 Cumulative wage growth for the health and education sectors trended together for much of the last two decades. The recent deviation shows the significant impact of pay equity settlements on wage growth in the health sector, and the differences in the timing of collective bargaining around 2018 and 2019. Labour market impacts are seen from 2021, as are the impacts of the Pay Adjustment in the last two years.
- 34 Public Service cumulative wage growth is relatively low compared to other sectors. This may be due to higher average wages in the Public Service, or the prevalence of progression and other increases which are adjusted out of the LCI.

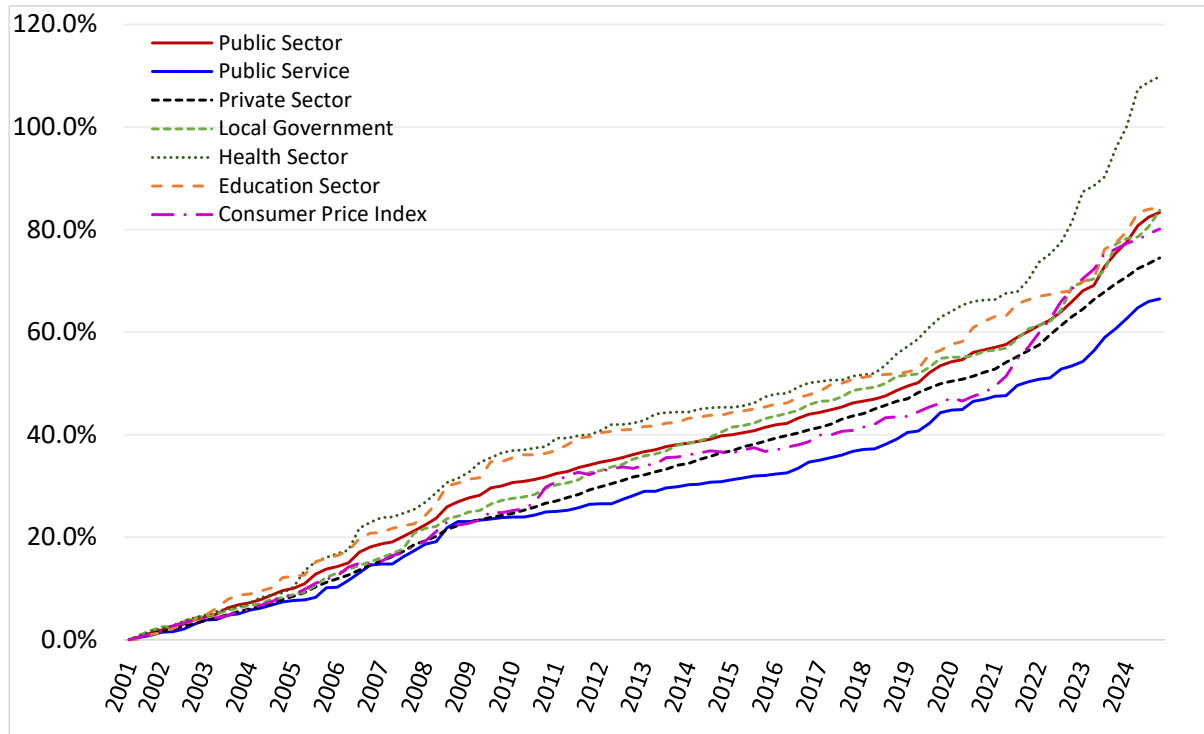
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35 Figure 3 below shows the long-term trend (since 2001) in cumulative wage movements of selected sectors and sector sub-groups.

Figure 3: Labour Cost Index – wage movements by sector and inflation (cumulative percentage change since June 2001)



Unadjusted wage growth

36 The LCI's headline series are adjusted to remove the effect of any changes to the quality or quantity of labour. A secondary index, the unadjusted LCI, is also available which allows labour cost increases resulting from changes to the quality of labour.

37 The unadjusted LCI tends to increase at a higher rate than wage cost inflation, since it also includes factors like employees' individual performance or service. For example, if an employee received a pay rate increase due to a rise in the cost of living, this would be reflected in both the LCI's headline measure of wage cost inflation (adjusted LCI) and the unadjusted LCI. However, if an employee received a pay rate increase for quality reasons, such as receiving progression or a promotion, this would only be reflected in the unadjusted LCI and not the headline series.

38 While inflation and unadjusted wage growth are not directly comparable measures, it is useful to compare the two as unadjusted wage growth presents a more complete picture of how wages for individuals are changing. Unadjusted wage growth across the public sector and private sector, and most of the public sector sub-groups we monitor is higher than inflation this quarter.

38.1 Unadjusted wage growth for the December 2024 quarter was 0.9 percent (0.7 percent in the public sector, and 0.9 percent in the private sector) compared to quarterly inflation of 0.6 percent. Public Service unadjusted wage growth was 0.3 percent for the quarter. We note that quarterly unadjusted wage growth can be quite variable, as it can

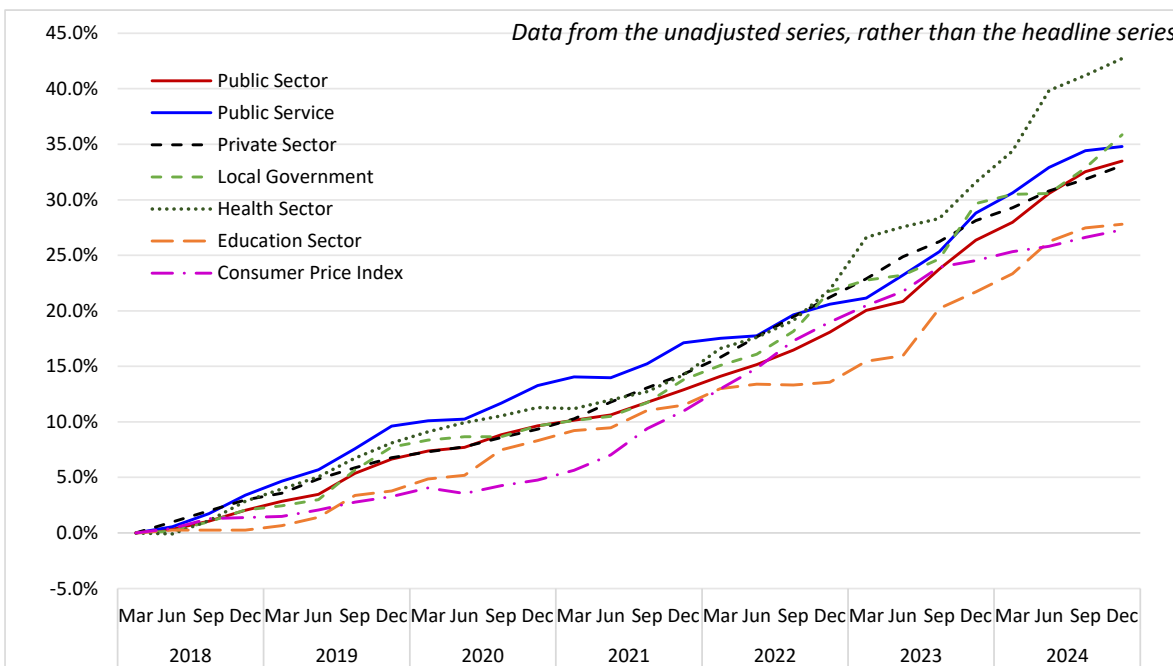
change significantly due to quality of work changes, including staffing changes including both the number of staff in an agency, and changes to the individuals performing the work.

38.2 Unadjusted wage growth for the year to December 2024 was 4.2 percent across all sectors (5.6 percent in the public sector, and 3.9 percent in the private sector) compared to annual inflation of 2.2 percent. In the Public Service annual unadjusted wage growth was 4.7 percent.

39 Figure 4 shows cumulative unadjusted wage growth for the public sector, private sector, and select public sector sub-groups against inflation since 2018. As this is measured over the same period results can be compared with cumulative wage growth shown in Figure 2.

39.1 Relativities between adjusted and unadjusted wage growth across the sectors are different. For example, since 2018, cumulative adjusted wage growth in the Public Service is 14.8 percent **lower** than cumulative adjusted wage growth in the public sector overall, but cumulative unadjusted wage growth for the Public Service is 3.9 percent **higher** than cumulative unadjusted wage growth in the public sector overall.

Figure 4: Labour Cost Index – wage movements by sector and inflation (cumulative unadjusted percentage change since March 2018)



40 Gaps between adjusted (fig. 2) and unadjusted (fig. 4) wage growth point at how wage growth is delivered in different sectors. A sector with a high gap between cumulative adjusted and unadjusted wage growth, such as the Public Service, delivers a larger amount of wage growth for “adjusted out” reasons, including progression and promotion, compared to sectors with a smaller gap, such as the health sector.

40.1 Cumulative unadjusted wage growth is higher than adjusted wage growth across each sector we monitor, including leading by 8.4 percentage points in the public sector, 12.0 percentage points in the private sector, and 13.4 percentage points in the Public

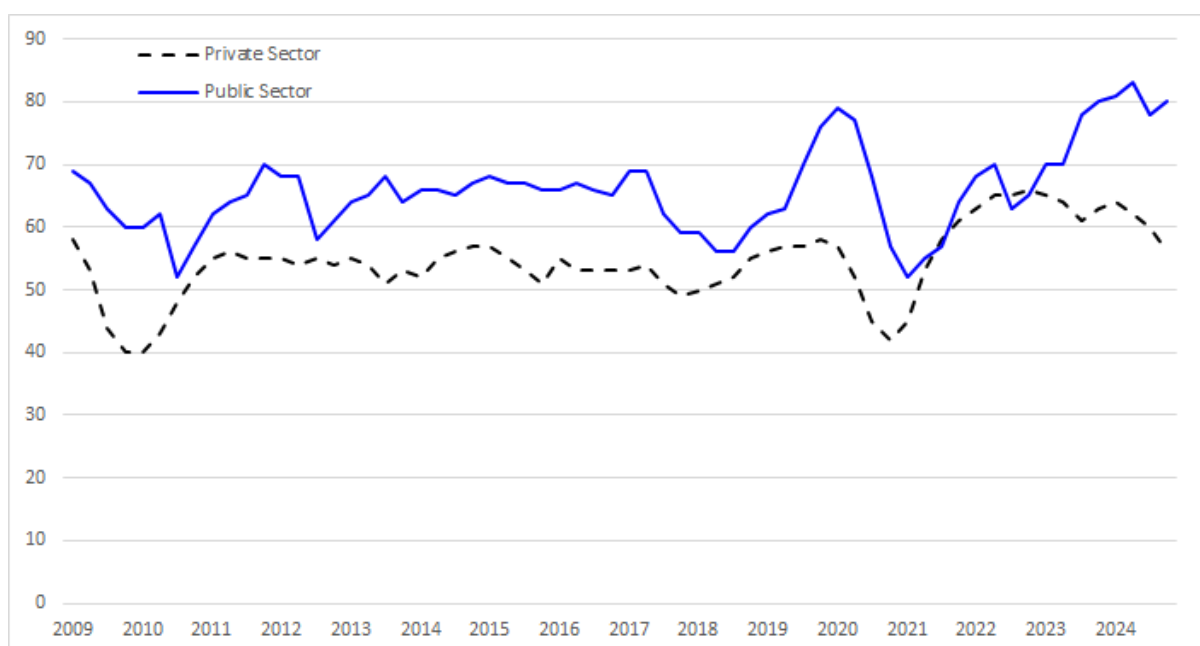


Service. Where unadjusted wage growth exceeds adjusted wage growth, a larger gap in cumulative wage growth indicates that sector or sub-sector has a higher instance of wage growth delivered through “adjusted out” measures, such as progression or promotions.

Proportion of employees receiving wage increases

- 41 The proportion of wages changing in any one quarter exhibits seasonality, much like average rates of wage growth. Generally, in the public sector more wages change in the September and December quarters than in March or June. In the private sector more wages change in the June quarter than any other due to the influence of minimum wage changes, which usually change annually in April. As with rates of wage growth, this seasonality has, in recent quarters, been disrupted.
- 42 Figure 5 below shows the proportion of wages changing annually for the public and private sectors.

Figure 5: proportion of wage rates changing for the public sector and private sector (annually), since March 2009



- 43 The proportion of wages changing annually remains above the long-term trend in both public and private sectors. The proportion of wages changing in the quarter is average, or slightly below average, for a September quarter across both sectors.
- 43.1 Sixteen percent of all wage rates increased in the December 2024 quarter (unchanged from last quarter), and 60 percent of wage rates increased in the year to December 2024 (down from 63 percent for the year to September 2024).
- 43.2 In the public sector, 21 percent of wage rates increased this quarter (down from 23 percent last quarter) and 80 percent of public sector wage rates increased in the year to December 2024 (up from 78 percent in the year to September 2024). This is a near record high, with only the years to March 2024 and June 2024 having a higher



proportion of wage rates changing in the public sector (81 percent and 83 percent respectively).

- 43.3 In the private sector, 15 percent of wage rates increased this quarter (unchanged from last quarter), and 56 percent of wage rates increased in the year to December 2024 (down from 60 percent in the year to September 2024).

Looking ahead to the March 2025 quarter

- 44 LCI data for the March 2025 quarter will be released on 7 May 2025, following a survey period of mid-February 2025.
- 45 There have been relatively few bargained outcomes reached in recent months. Unusually high wage growth in the March 2024 quarter in the public sector and Public Service was attributable to bargained outcomes in 2023 and 2024. These factors will not repeat in the March 2025 quarter. You can find our full report on March 2024 quarterly wage growth on the Commission's Employment Relations [website](#).
- 46 Table 1 shows quarterly wage growth for the March 2024 quarter, and recent quarterly averages for all sectors combined, the public sector, and the Public Service. Public sector wage growth is typically moderate in a March quarter, with few new wage increases delivered over the end-of-year period in November-February.

Table 1: Wage growth trends in a March quarter, select sectors

Quarterly wage growth trends for a March quarter			
	March 2024	Mar Average 2021 - 2024	Mar Average 2009 - 2024
All Sectors Combined	0.9%	0.8%	0.5%
Private Sector	0.8%	0.7%	0.4%
Public Sector	1.2%	0.9%	0.5%
Public Service	1.2%	0.6%	0.4%

- 47 There is no evidence at this time to suggest that March 2025 wage growth will exceed long-term wage growth for a March quarter.

Please direct any enquiries to EmploymentRelations@publicservice.govt.nz

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