

Labour Cost Index Technical Report – June 2025



Te Kawa Mataaho
Public Service Commission

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 Commission's Employment Relations website [here](#), and the Stats NZ website [here](#).

Summary

- 1 This report summarises movements in the LCI for the June 2025 quarter ("this quarter") for public sector employment relations professionals, and other key stakeholders. Quarterly wage movements reflect increases applied between mid-February 2025 and mid-May 2025, while annual wage movements reflect increases applied between mid-May 2024 and mid-May 2025.
- 2 This technical report provides comprehensive analysis on the latest public sector wage movements, primarily for public sector Human Resources and Employment Relations professionals. A streamlined summary is also available on our [website](#), see *June 2025 Labour Cost Index – Key Points*.
- 3 Across **all sectors combined**, wages grew 0.6 percent this quarter (up from 0.5 percent from the March 2025 quarter ("last quarter")) and 2.4 percent in the year to June 2025 (down from 2.9 percent in the year to March 2025).
- 4 In the **public sector**, wage growth this quarter was 0.4 percent (down from 0.9 percent last quarter) and 2.8 percent for the year to June 2025 (down from 4.2 percent from the year to March 2025).
- 5 In the **private sector**, wage growth this quarter was 0.6 percent (up from 0.4 percent from last quarter) and 2.3 percent for the year to June 2025 (down from 2.6 percent in the year to March 2025).
- 6 In the **Public Service**, wage growth for this quarter was 0.1 percent (up from 0.0 percent last quarter) and 1.2 percent for the year to June 2025 (down from 2.4 percent from the year to March 2025).
- 7 These results are in the context of annual consumer inflation, as measured by the Consumer Price Index, of 2.7 percent for the year to June 2025 (up from 2.5 percent in the year to March 2025). Quarterly inflation was 0.5 percent in June 2025 (down from 0.9 percent last quarter).



Public Service Commission technical report on Labour Cost Index movements: June 2025 quarter

- 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 A 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 largely been felt in the size and timing of increases delivered from current and recently settled collective bargaining, and other annual remuneration decisions made by Public Sector agencies.
- 12 In late 2022, Cabinet agreed that work should proceed with unions on a “Public Sector Pay Adjustment” (the Pay Adjustment). This work programme has now concluded but its long-term effects on the public sector bargaining environment continue to influence the sector. This affects relative wage growth this quarter, and the timing of public sector bargaining.
 - 12.1 As noted at the time, wage growth was very high in the June 2024 quarter. This was attributable to both the size and timing of the Pay Adjustment. June 2024 wage growth no longer affects annual wage growth for the year to June 2025, and we see a significant fall in annual wage growth across the sector as a result.

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- 12.2 Another result of the Pay Adjustment was a grouping of public sector collective agreement expiry dates in late 2024, and early 2025. Modest wage growth in the June 2025 quarter for much of the public sector is a consequence of this grouping as new collective agreements continuing to be bargained during the survey period and not having an opportunity to affect the index.

Quarterly change

- 13 Wage growth was 0.6 percent this quarter (up from 0.5 percent in March 2025). In the public sector, wages grew 0.4 percent this quarter (down from 0.9 percent last quarter), while in the private sector, wages grew 0.6 percent this quarter (up from 0.4 percent last quarter).
- 14 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 years, due to the timing of wage increases delivered through pay equity corrections, and the Pay Adjustment, but appears to have returned. Both public and private sector wage growth for June 2025 is average for a June quarter across the economy since 2009.

Table 1: Current and average quarterly wage growth for a June quarter, since 2009

Average quarterly wage growth since 2009		
	June 2025 quarter	Average for a June quarter
All Sectors Combined	0.6%	0.6%
Private Sector	0.6%	0.6%
Public Sector	0.4%	0.4%
Public Service	0.1%	0.3%

Annual Change

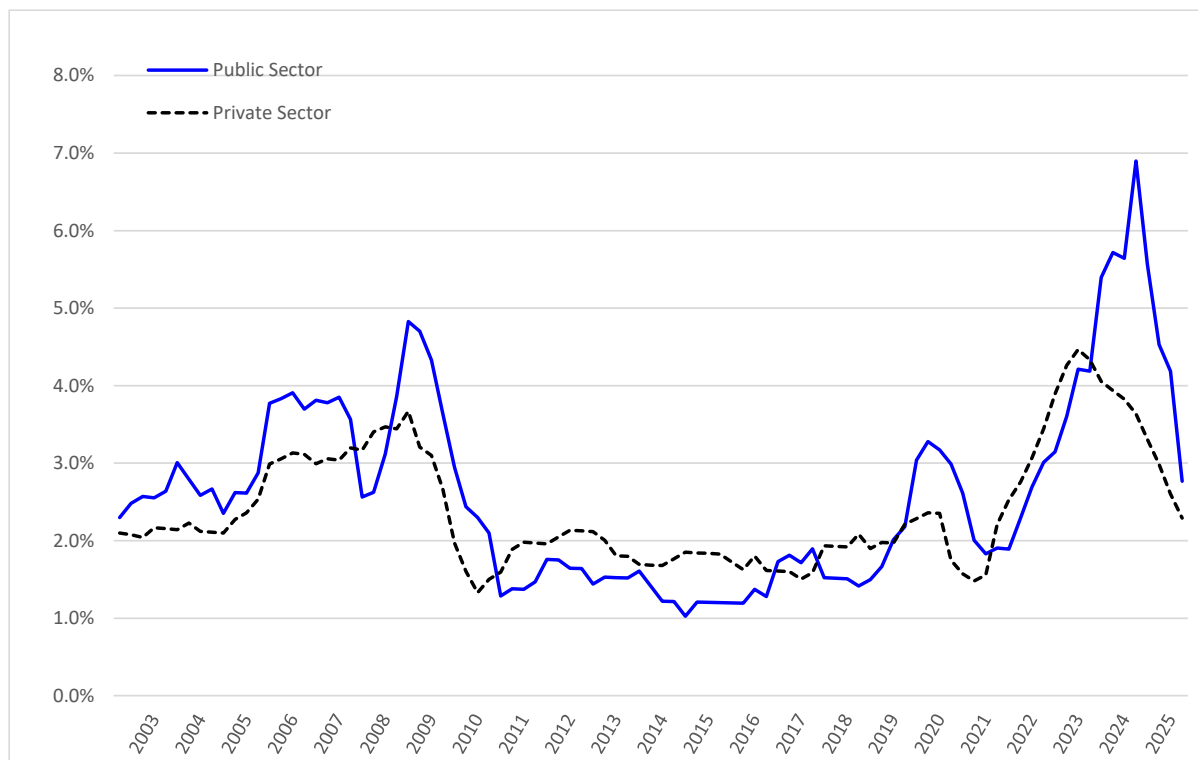
- 15 In the year to June 2025, wages grew 2.4 percent (down from 2.9 percent in the year to March 2025). Over the same period wages grew 2.8 percent for the public sector (down from 4.2 percent for the year to March 2025) and 2.3 percent for the private sector (down from 2.6 percent for the year to March 2025).
- 16 Figure 1 below compares annual wage movements for the public and private sectors since the March 2002 quarter.
- 17 We note that:
- 17.1 The effect of the Global Financial Crisis on wage growth was first seen in the December 2008 quarter.
- 17.2 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.
- 17.3 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.

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Figure 1: public and private sector annual movement in salary and wage rates (percentage change from same quarter of previous year), 2002-2025



18 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. We can see this clearly in recent years:

- 18.1 Tight labour market conditions and increasing inflation throughout 2021 and 2022 pressured wage growth across the economy. Private sector responded quickly, with wage growth increasing throughout 2021 and 2022. Public sector responded more slowly, with wage growth not increasing until late 2021 and into 2022.
- 18.2 Economic conditions, including high consumer inflation, tight labour market conditions, and private sector wage growth, collectively played some part in 2022 decisions to implement a public sector pay adjustment. This was implemented from early 2023. However, just as this was beginning to be implemented, economic conditions changed.
- 18.3 Inflation, which had remained relatively steady at around 7.2 percent for much of 2022, began to fall in 2023, and private sector wage growth which had increased steadily in the previous two years also began to decline. Conversely, public sector employers had only just begun to implement the pay adjustment in March 2023, locking in two years of wage increases, mostly through collective agreements expiring in December 2024 or

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April 2025. Some of these agreements remain in bargaining and so have not yet had outcomes which would affect the Index.

Public sector and public sector sub-groups

- 19 Bargaining for new collective agreements has not driven wage growth this quarter, however, increases in recently settled agreements affected wage growth in the health sector, including for over 10,000 administrative, and medical staff. 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).
 - 19.1 Central government wages grew 0.4 percent this quarter (down from 1.1 percent from last quarter), and 2.8 percent in the year to June 2025 (down from 4.3 percent in the year to March 2025). This includes increases in the health sector, education sector, Public Service, and the other central government group (excluding state-owned enterprises), and excludes Local Government.
 - 19.2 Public Service wages grew 0.1 percent this quarter (up from 0.0 percent in March 2025). In the year to June 2025, Public Service wage increases were 1.2 percent (down from 2.4 percent in the year to March 2025, and sector-high 5.4 percent annual wage growth this time last year. Annual growth at 1.2 percent is the lowest result for the sector since September 2016.
 - 19.3 Education sector wages grew 0.4 percent this quarter (down from 2.4 percent last quarter), and 3.4 percent in the year to June 2025 (down from 5.1 percent in the year to March 2025). Collective bargaining covering high FTE workforces, including teachers and principals, continue to bargain, and so have not affected the index this quarter.
 - 19.4 Health sector wages grew 0.8 percent this quarter (up from 0.4 percent last quarter). In the year to June 2025, annual wage growth was 2.4 percent (down from 5.2 percent last quarter, and 10.0 percent this time last year). Collective bargaining covering high FTE workforces, including many Health NZ-employed nurses and doctors, continue to bargain, and so have not affected the index this quarter.
 - 19.5 Other central government group wages grew 0.1 percent this quarter (down from 0.4 percent last quarter), and 4.1 percent in the year to June 2025 (down from 4.2 percent in the year to March 2025). This group includes the New Zealand Police, New Zealand Defence Force, Accident Compensation Corporation, and other Crown agents not elsewhere included.

Local government

- 20 Local government wages grew by 0.1 percent this quarter (unchanged from last quarter). Annual wage growth in the year to June 2025 was 3.2 percent (unchanged from the year to March 2025). Local government tends to have highly seasonal wage growth relative to other sectors with wage growth typically low during the year, except in December. For example, Local Government quarterly growth averages 0.2 percent for a June quarter, but averages 1.2 percent for a December quarter.

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Cumulative wage growth and inflation

- 21 Consumer inflation, as measured by the Consumer Price Index, was 0.5 percent in the June 2025 quarter (down from 0.9 percent last quarter). Annual consumer inflation was 2.7 percent in the year to June 2025 (up from 2.5 percent in the year to March 2025). Annual inflation leads all sectors wage growth, and wage growth in the private sector, but continues to lag annual wage growth in the public sector.
- 22 Quarterly and annual wage growth data reflects short term changes in wage growth. Medium- and long-term wage growth is better measured through cumulative change.
- 23 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

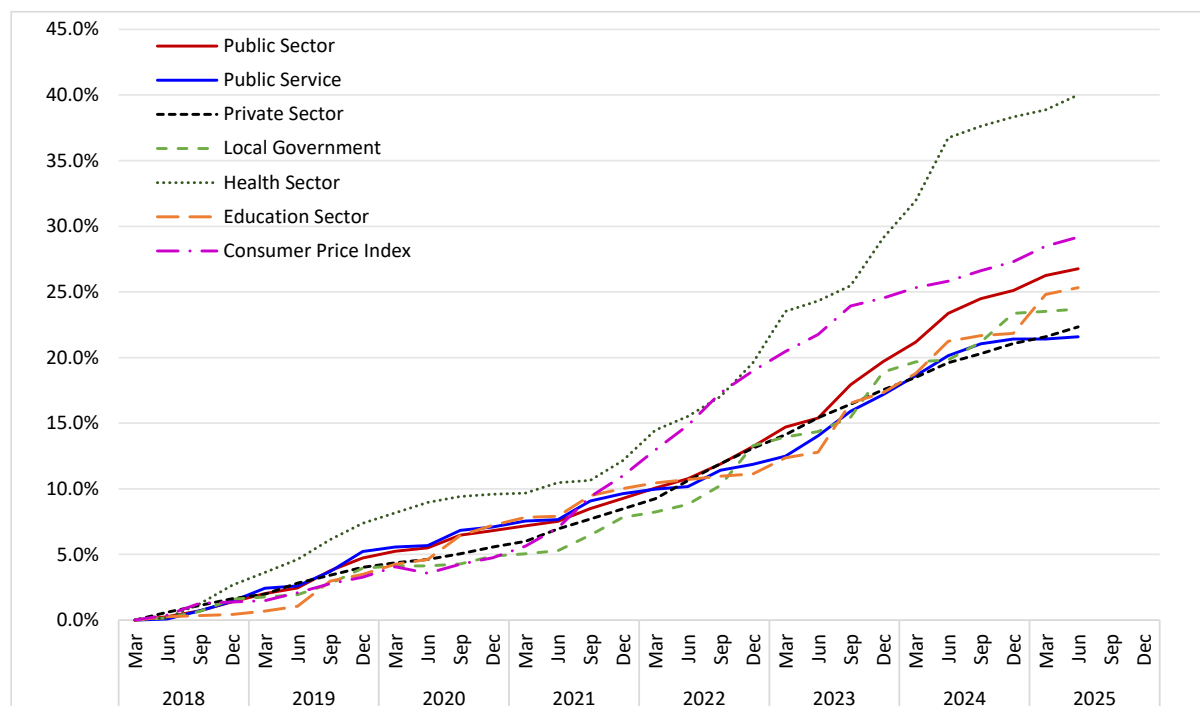
- 24 Cumulatively, wages have grown 23.1 percent since March 2018, growing 26.8 percent across the public sector, and 22.3 percent across the private sector in that time. For comparison, cumulative inflation was 29.2 percent since 2018.
- 25 Within the public sector, cumulative wage growth varies between 21.6 percent for the Public Service and 40.0 percent for the health sector, although the health sector is an outlier in this regard, refer figure 2 below.
- 26 Notable cumulative wage growth gaps since March 2018 include:
 - 26.1 Public Service wage growth is 5.2 percentage points **below** public sector wage growth (4.8 percentage points below when measured last quarter).
 - 26.2 Health sector wage growth is 13.2 percentage points **above** public sector wage growth (12.6 percentage points above when measured last quarter).
 - 26.3 Education sector wage growth is 1.4 percentage points **below** public sector wage growth (1.4 percentage points below when measured last quarter).
 - 26.4 Private sector wage growth is 4.4 percentage points **below** public sector wage growth (4.7 percentage points below when measured last quarter).
 - 26.5 Inflation, as measured by the Consumer Price Index, is 2.4 percentage points **above** public sector wage growth (2.2 percentage points above when measured last quarter).
- 27 Figure 2, below, shows the trend in wage movements of selected sectors and sector sub-groups since 2018, on a cumulative basis.

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



Long-term cumulative wage growth

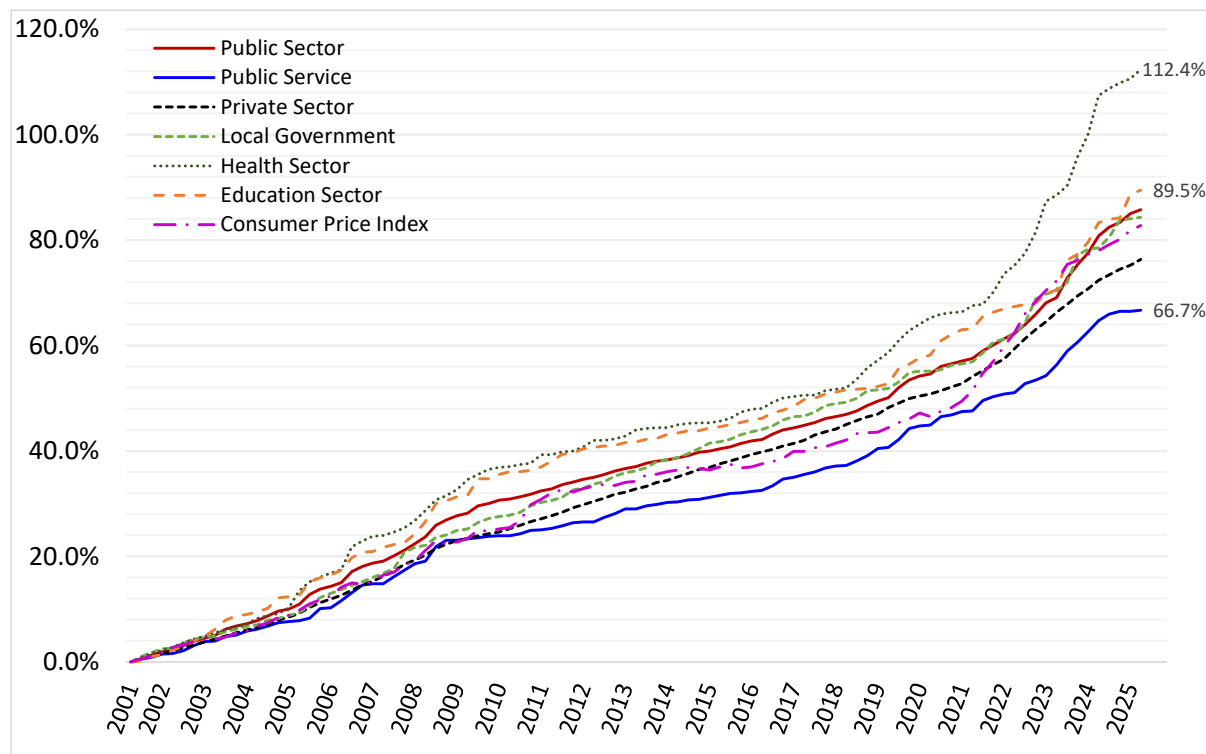
- 28 Where the medium-term wage growth trend is one of relatively consistent wage growth across much of the public sector and the private sector, the longer-term wage growth trend (since June 2001) shows more variability.
- 29 Cumulatively, wages have grown 78.0 percent since 2001, growing 85.8 percent across the public sector, and 76.3 percent across the private sector in that time. For comparison, cumulative inflation is 82.8 percent since 2001.
- 30 Cumulative wage growth has varied greatly over this period within the public sector, since 2001:
 - 30.1 Health sector cumulative wage growth is 112.4 percent.
 - 30.2 Education sector cumulative wage growth is 89.5 percent.
 - 30.3 Public Service cumulative wage growth is 66.7 percent.
- 31 As seen here, Public Service cumulative wage growth is relatively low compared to other sectors. This may be due to higher average wages in the Public Service compared to other sectors, or the prevalence of progression and other increases which are adjusted out of the LCI. Refer to *unadjusted wage growth* below for further context.
- 32 Figure 3 below shows the long-term trend (since 2001) in cumulative wage movements of selected sectors and sector sub-groups.

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



Unadjusted wage growth

- 33 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.
- 34 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.
- 35 While consumer 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. Quarterly unadjusted wage growth across the public sector and most of the public sector sub-groups we monitor is higher than inflation this quarter.
- 35.1 Across all sectors combined, unadjusted wage growth for the June 2025 quarter was 0.9 percent (0.7 percent in the public sector, and 1.0 percent in the private sector) compared to quarterly inflation of 0.5 percent. Public Service unadjusted wage growth was 0.1 percent for the quarter. We note that quarterly unadjusted wage growth can be

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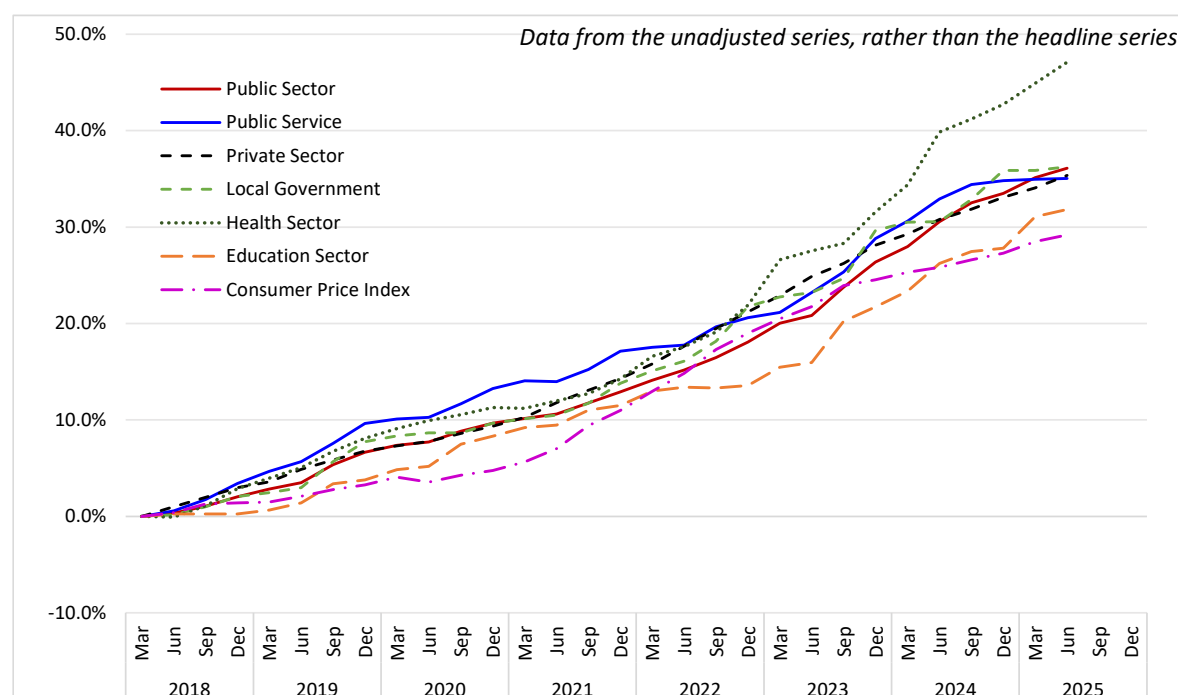


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quite variable, as it can change significantly due to quality of work changes, including staffing changes including both the number of staff employed, and changes to the individuals performing the work.

- 35.2 Across all sectors combined, unadjusted wage growth for the year to June 2025 was 3.6 percent across all sectors (4.2 percent in the public sector, and 3.5 percent in the private sector) compared to annual inflation of 2.7 percent. In the Public Service annual unadjusted wage growth was 1.6 percent.
- 36 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.
- 36.1 Over this period, cumulative inflation leads cumulative adjusted wage growth across all monitored sectors, except the health sector, but lags cumulative unadjusted wage growth across all sectors.
- 36.2 Relativities between adjusted and unadjusted wage growth across the sectors are different. For example, since 2018:
- 36.2.1 Cumulative Adjusted wage growth in the Public Service is 19.4 percent (5.2 percentage points) lower than cumulative adjusted wage growth in the public sector overall.
- 36.2.2 Cumulative unadjusted wage growth for the Public Service is 2.9 percent (1.0 percentage points) lower 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)



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- 37 Gaps between adjusted (figure 2) and unadjusted (figure 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.
- 38 Cumulative unadjusted wage growth since 2018 is higher than adjusted wage growth across each sector we monitor. The larger this gap, the more wage growth in that sector is being delivered through “adjusted out” reasons. Within the public sector, the Public Service has the largest gap, larger still than that seen in the private sector, while education and health sectors have smaller gaps, indicating a larger proportion of wage growth in those sectors is for reasons captured in the primary index.
- 38.1 Public sector: Cumulative unadjusted wage growth is 34.8 percent higher than cumulative adjusted wage growth, since 2018.
- 38.2 Public Service: Cumulative unadjusted wage growth is 62.4 percent higher than cumulative adjusted wage growth, since 2018.
- 38.3 Education sector: Cumulative unadjusted wage growth is 25.7 percent higher than public sector cumulative adjusted wage growth, since 2018.
- 38.4 Health sector: Cumulative unadjusted wage growth is 17.7 percent higher than public sector cumulative adjusted wage growth, since 2018.
- 38.5 Private sector: Cumulative unadjusted wage growth is 58.2 percent higher than public sector cumulative adjusted wage growth, since 2018.

Proportion of employees receiving wage increases

- 39 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 quarter, correlated with the end of tax year in 31 March, and changes to the minimum wage, which typically occur annually in April.
- 40 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 slightly above the June average in the private sector, and slightly below the June average in the public sector.
- 40.1 Eighteen percent of all wage rates increased in the June 2025 quarter (up from 13 percent last quarter), and 57 percent of wage rates increased in the year to June 2025 (down from 59 percent for the year to March 2025).
- 40.2 In the public sector, 14 percent of wage rates increased this quarter (down from 20 percent last quarter) and 70 percent of public sector wage rates increased in the year to June 2025 (down from 75 percent in the year to March 2025).
- 40.3 In the private sector, 19 percent of wage rates increased this quarter (up from 11 percent last quarter), and 54 percent of wage rates increased in the year to June 2025 (down from 54 percent in the year to March 2025).

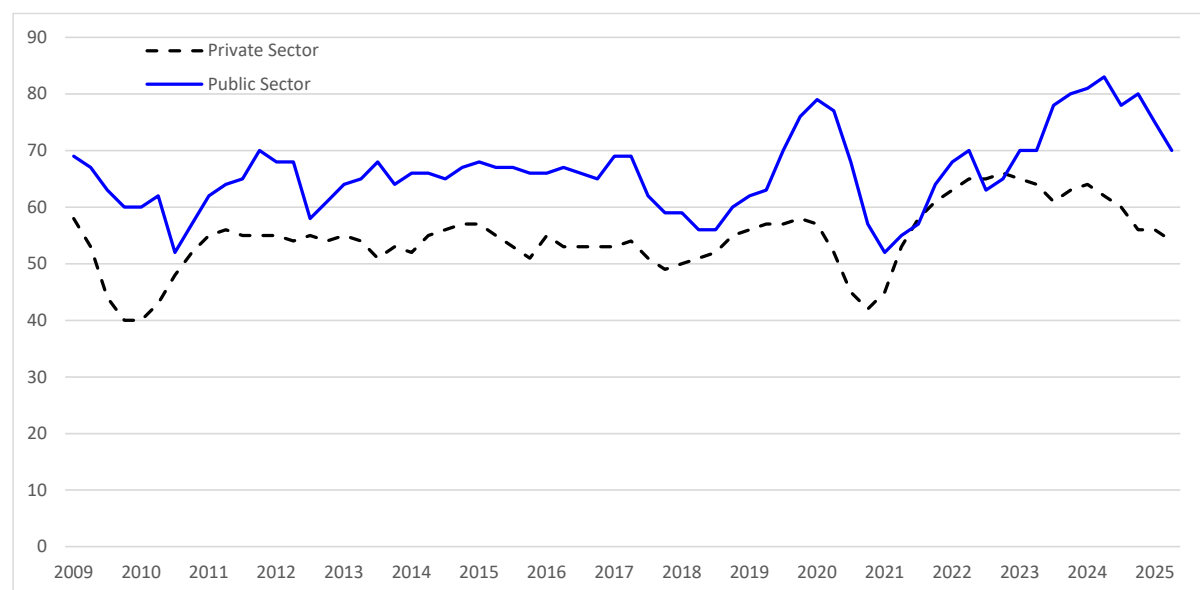
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- 41 Figure 5 below shows the proportion of wages changing annually for the public and private sectors.

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



A note on pay equity

- 42 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.
- 43 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, as shown above, caution should be exercised. Delivering a negotiated pay increase to “keep up” with a pay growth in another sector risks undermining pay corrections that have influenced that sector’s wage growth. This could result in new sex-based undervaluation emerging, and in turn could have cost for the employer, and government.

Looking ahead to the September 2025 quarter

- 44 LCI data for the September 2025 quarter will be released on 5 November 2025, following a survey period of mid-August 2025.
- 45 Wage growth in the public sector has typically been highest in a September quarter, which is attributable to increases to wage rates applied from 1 July. Public Service annual wage growth will increase, but health and education sector wage growth is likely to remain at similar levels, or may fall, due to the continuation of bargaining for large parts of the workforce in those sectors.

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46 Table 2 shows quarterly wage growth for the September 2024 quarter, and recent quarterly averages for all sectors combined, the public sector, and the Public Service.

Table 2: Wage growth trends in a September quarter, select sectors

Quarterly wage growth trends for a September quarter			
	September 2024	September Average 2021 - 2024	September Average 2009 - 2024
All Sectors Combined	0.6%	0.9%	0.6%
Private Sector	0.6%	0.8%	0.6%
Public Sector	0.9%	1.3%	0.8%
Public Service	0.7%	1.2%	0.7%

47 You can find our full report on September 2024 quarterly wage growth on the Commission’s Employment Relations [website](#).

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

Date: 21 August 2025