EMPLOYMENT RELATIONS

Labour Cost Index

Technical Report – June 2026

Public Service Commission
Te Kawa Mataaho

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 2026 quarter ("this quarter") for use by public sector employment relations professionals, and other key stakeholders. Quarterly wage movements reflect increases applied between mid-February 2026 and mid-May 2026, while annual wage movements reflect increases applied between mid-May 2025 and mid-May 2026.

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 2026 Labour Cost Index – Key Points.*

3 Across **all sectors combined**, wages grew 0.6 percent this quarter (up from 0.5 percent in the March 2026 quarter ("last quarter")) and 2.0 percent in the year to June 2026 (unchanged from 2.0 percent in the year to March 2026).

4 In the **public sector**, wage growth this quarter was 0.4 percent (unchanged from 0.4 percent last quarter) and 1.7 percent for the year to June 2026 (unchanged from 1.7 percent from the year to March 2026.

5 In the **private sector**, wage growth this quarter was 0.7 percent (up from 0.4 percent from last quarter) and 2.0 percent for the year to June 2026 (unchanged from 2.0 percent in the year to March 2026).

6 In the **Public Service**, wage growth for this quarter was 0.1 percent (down from 0.2 percent last quarter) and 1.3 percent for the year to June 2026 (down from 1.4 percent in the year to March 2026).

7 These results are in the context of annual consumer inflation, as measured by the Consumer Price Index, of 4.1 percent for the year to June 2026 (up from 3.1 percent in the year to March 2026). Quarterly inflation was 1.5 percent in June 2026 (up from 0.9 percent last quarter).

Public Service Commission technical report on Labour Cost Index movements: June 2026 quarter

8 Statistics NZ (Stats NZ) publishes official labour market statistics quarterly, providing a picture of the New Zealand labour market. These statistics include measures of employment, underemployment, and unemployment, 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 (GWPS) on Employment Relations in the Public Sector has been influencing remuneration decisions across the public sector since it was released in August 2024. You can find a copy of the GWPS on our website here. Wage growth in June 2026 reflects remuneration decisions made during 2025 and early 2026, and so is affected by the 2024 GWPS.

12 Recent economic conditions as a result of the ongoing conflict in the Middle East and resulting effects on inflation may have affected the index this quarter. If there has been an effect, it will have been in the private sector only. Private sector wage rates can adjust more rapidly to economic shocks than wage rates in the public sector. Stats NZ has not quantified the impact of the Middle East crisis on wage growth.

Quarterly change

13 Wage growth was 0.6 percent this quarter (up from 0.5 percent from March 2026). In the public sector[1], wages grew 0.4 percent this quarter (unchanged from 0.4 percent last quarter), while in the private sector, wages grew 0.7 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. The Public Sector Pay Adjustment disrupted this seasonality between 2022 and 2025, both in the scale and timing of increases, and the subsequent effects on the timing of bargaining, but typical wage growth patterns appear to be reemerging. As shown in Table 1, wage growth for June 2026 for both public and private sectors is just above average for a June quarter. Refer *Public Sector and Sector Sub-Groups* below for more information about movements within the public sector.

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

Average quarterly wage growth since 2009		
	June 2026 quarter	**Average for a June quarter**
All Sectors Combined	0.6%	0.6%
Private Sector	0.7%	0.6%
Public Sector	0.4%	0.4%
Public Service	0.1%	0.3%

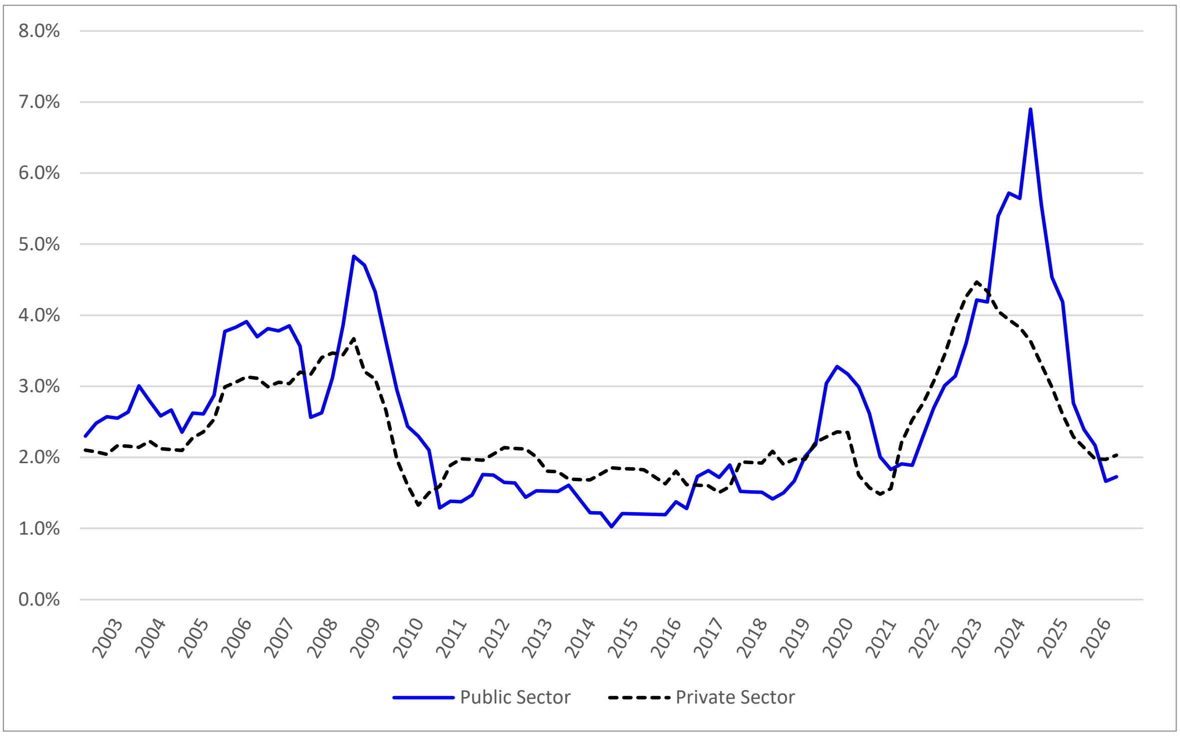
Annual change

15 In the year to June 2026, wages grew 2.0 percent (unchanged from 2.0 percent in the year to March 2026). Over the same period wages grew 1.7 percent for the public sector (unchanged from 1.7 percent for the year to March 2026) and 2.0 percent for the private sector (unchanged from 2.0 percent for the year to March 2026).

16 Figure 1 below compares annual wage movements for the public and private sectors since the March 2002 quarter. Private sector annual wage growth remains above public sector wage growth, after a period where public sector wage growth led the private sector between mid-2023 and 2025.

[1] As part of the June 2026 Labour market statistics release Stats NZ has made minor corrections to the December 2025 and March 2026 index values for the public sector labour cost index. For example, the March 2026 public sector index (LCIQ.SG33Z9) was corrected from 1467 to 1468. This has no material impact on our past reporting but slightly affects quarterly wage growth for the public sector this quarter. Without the correction quarterly wage growth in the public sector would have been 0.5 percent instead of 0.4 percent.

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



17 Figure 1 illustrates that public sector wage growth is generally slower to react to market conditions than the private sector, both being slower to adjust down in reaction to downward labour market pressures, and slower to adjust 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, and which can then take some time to renegotiate when they expire.

Public sector and public sector sub-groups

18 We approximate wage increases from collective bargaining outcomes covering over 50,000 public servants across the Public Service, health, and education sectors have affected the index this quarter. There is some uncertainty around this as it is known that increases are not always able to be given effect to quickly after settlement is reached.

19 Increases due to promotion into a new role, or due to the provision of contractually required progression is not included in the adjusted index, as they reflect a wage change due to a change in the quality of work performed, but are reflected in the unadjusted index (refer *unadjusted wage growth* below).

19.1 Central government wages grew 0.5 percent this quarter (unchanged from 0.5 percent from last quarter), and 1.7 percent in the year to June 2026 (up from 1.6 percent in the year to March 2026). 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 (down from 0.2 percent in March 2026). In the year to June 2026, Public Service wage increases were 1.3 percent (down from 1.4 percent in the year to March 2026).

19.3 Education sector wages grew 1.1 percent this quarter (up from 0.8 percent last quarter), and 2.3 percent in the year to June 2026 (up from 1.6 percent in the year to March 2026). Education sector wage growth is driven by new settlements for Teachers and Principals agreed earlier this year and late last year.

19.4 Health sector wages grew 0.3 percent this quarter (up from 0.2 percent last quarter). In the year to June 2026, annual wage growth was 0.9 percent (down from 1.4 percent in the year to March 2026). This is the lowest annual wage growth in the sector since mid-2015. We had anticipated higher wage growth for the health sector this year, as a result of new increases agreed in the first quarter of 2026, including for doctors, nurses, and technical staff at Health New Zealand. Low wage growth this quarter suggests those increases had not taken effect by the time the June collection was complete (mid-May). These wage increases will affect the index in the coming quarters instead.

19.5 Other central government group wages grew 0.1 percent this quarter (unchanged from 0.1 percent last quarter), and 1.7 percent in the year to June 2026 (down from 1.8 percent in the year to March 2026). 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 were flat this quarter, changing 0.0 percent (down from 0.3 percent last quarter). Annual wage growth in the year to June 2026 was 2.5 percent (down from 2.7 percent for the year to March 2026). Wage growth in the local government sector is highly seasonal. On average, wage growth is much higher in September and December than in the first half of the year. While nil wage growth is unusual in local government, it is not unprecedented. The last time this occurred was in June 2020.

Cumulative wage growth and inflation

21 Consumer inflation, as measured by the Consumer Price Index, was 1.5 percent in the June 2026 quarter (up from 0.9 percent last quarter). Annual consumer inflation was 4.1 percent in the year to June 2026 (up from 3.1 percent in the year to March 2026). Annual inflation leads annual wage growth across all monitored sector subgroups.

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 cumulative wage growth 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.

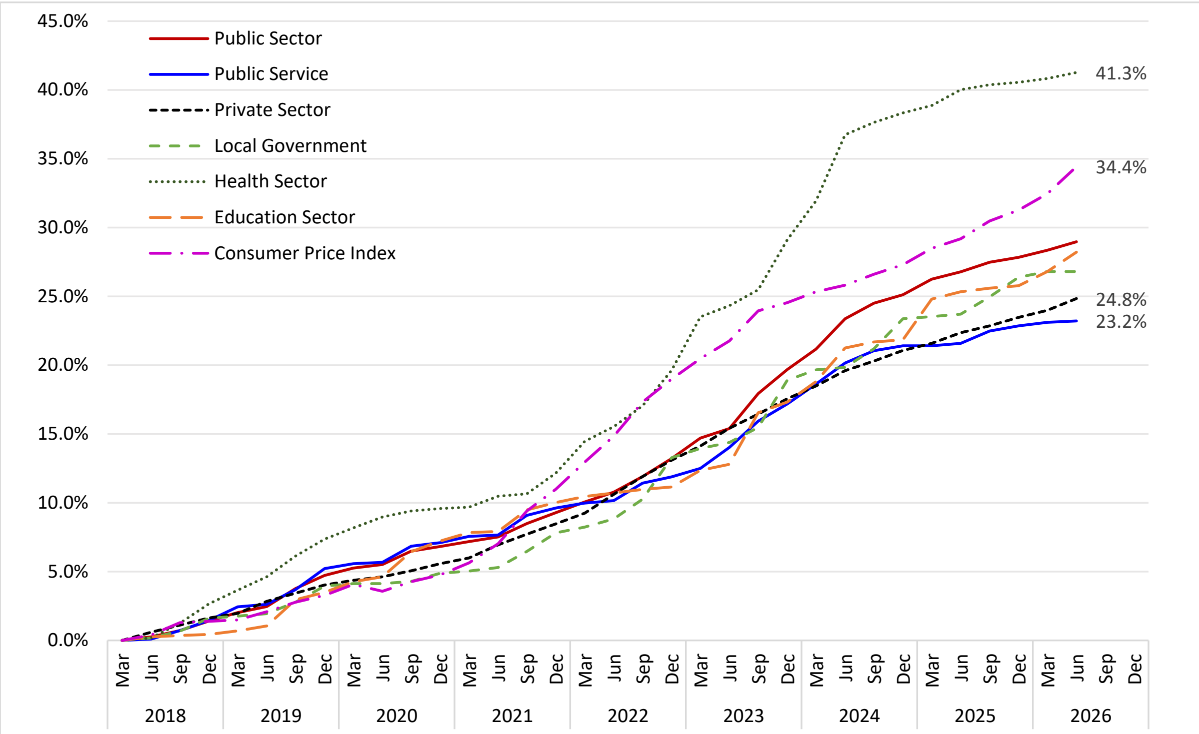
Medium-term cumulative wage growth

24 Cumulatively, wages have grown 25.6 percent since March 2018, growing 29.0 percent across the public sector, and 24.8 percent across the private sector in that time. For comparison, cumulative inflation was 34.4 percent since 2018.

25 Within the public sector, cumulative wage growth varies between 23.2 percent for the Public Service and 41.3 percent for the health sector, although the health sector is an outlier in this regard, refer figure 2 below.

26 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

27 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 December 2001) shows more variability.

28 Cumulatively, wages have grown 81.5 percent since 2001, growing 89.0 percent across the public sector, and 79.9 percent across the private sector in that time. For comparison, cumulative inflation is 90.2 percent since 2001.

29 Cumulative wage growth has varied greatly over this period within the public sector, since 2001:

29.1 Health sector cumulative wage growth is 114.3 percent.

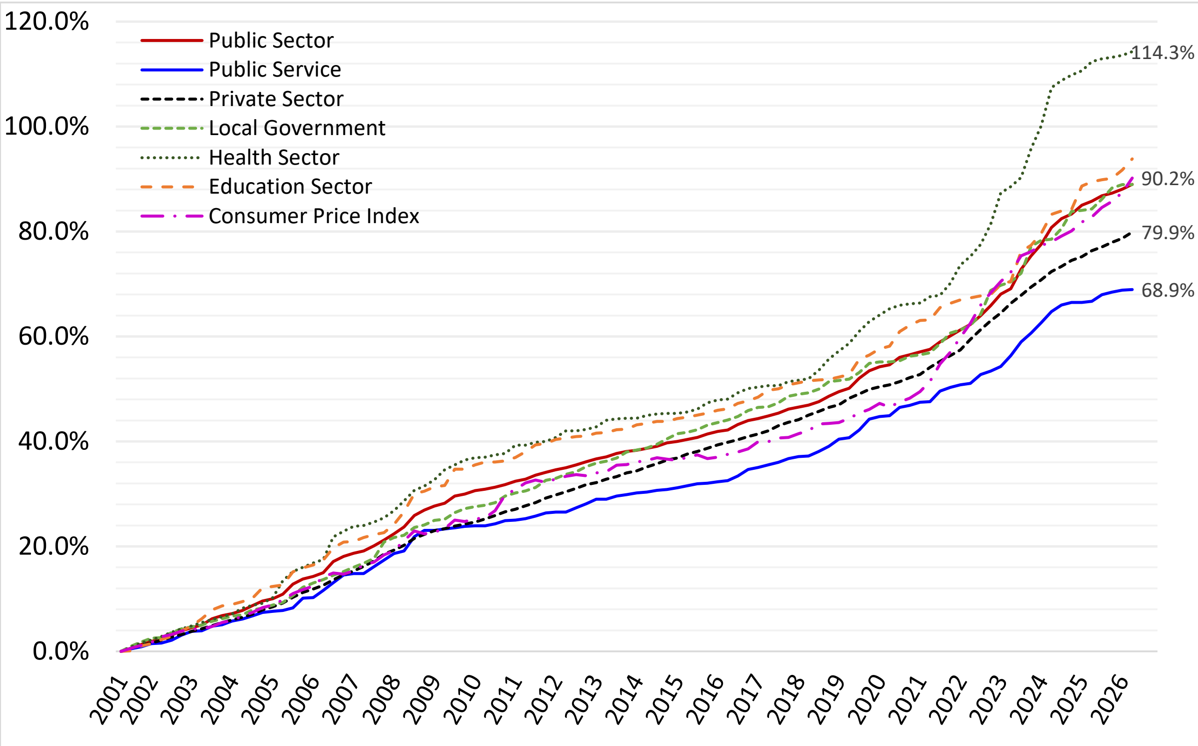
29.2 Education sector cumulative wage growth is 93.8 percent.

29.3 Public Service cumulative wage growth is 68.9 percent.

30 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 deliver benefits to staff and are a cost to employers, but which are adjusted out of the LCI. Refer to *unadjusted wage growth* below for further context.

31 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 December 2001)



Unadjusted wage growth

32 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.

33 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.

34 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.

34.1 Quarterly consumer inflation for the year to June 2026 (1.5 percent), led unadjusted wage growth across all monitored sectors and subsectors (0.9 percent in the year to June). This was comprised of unadjusted annual wage growth of 0.6 percent in the public sector, and 1.0 percent in the private sector.

34.1.1 Within the public sector, annual unadjusted wage growth was 0.1 percent in the Public Service, 1.1 percent in the education sector, 0.3 percent in the health sector, and 1.1 percent in other central government.

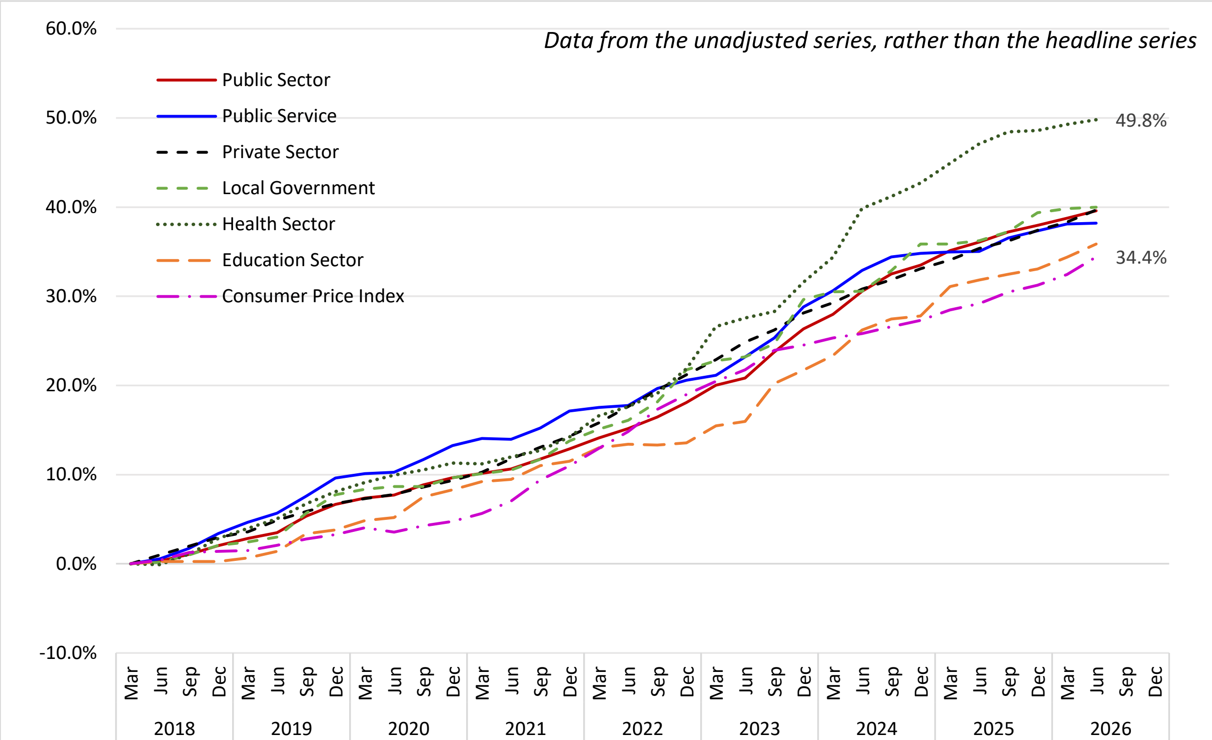
34.2 We note that quarterly unadjusted wage growth can be quite variable, as it can change significantly due to quality of work changes, including staffing changes including both the number of staff employed, and changes to the individuals performing the work. Quarterly unadjusted wage growth is very likely to increase in the September 2026 quarter due to progression and other increases occurring from 1 July 2026 across the sector.

34.3 Annual consumer inflation for the year to June 2026 (4.1 percent), led unadjusted wage growth across all monitored sectors and subsectors (3.1 percent in the year to June). This was comprised of unadjusted annual wage growth of 2.6 percent in the public sector, and 3.2 percent in the private sector.

34.3.1 Within the public sector, annual unadjusted wage growth was 2.6 percent in the Public Service, 3.1 percent in the education sector, 1.8 percent in the health sector, and 3.2 percent in other central government.

35 Figure 4 shows cumulative unadjusted wage growth for the public sector, private sector, and select public sector sub-groups against inflation since 2018.

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



36 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 differ. For example, since 2018:

36.2.1 Cumulative adjusted wage growth in the Public Service is 20.2 percent lower than cumulative adjusted wage growth in the public sector overall.

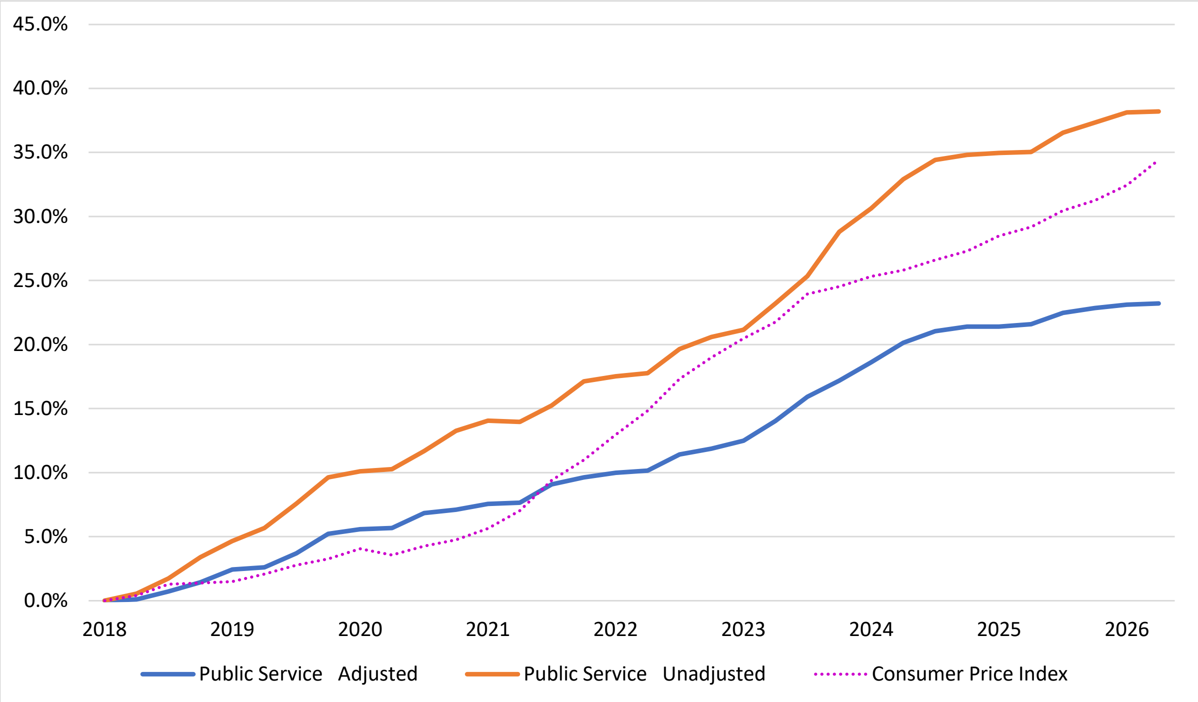
36.2.2 Cumulative unadjusted wage growth for the Public Service is just 3.7 percent lower than cumulative unadjusted wage growth in the public sector overall.

37 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, such as described above.

38 For sectors with a larger gap between cumulative adjusted and unadjusted wage growth, such as the Public Service, we can identify that a higher proportion of wage growth for "adjusted out" reasons, including progression and promotion, compared to sectors with a smaller gap, such as the health sector.

39 Figure 5 illustrates the difference between cumulative adjusted and unadjusted wage growth for the Public Service since 2018, with inflation as a comparator.

Figure 5: Labour Cost Index – Public Service adjusted wage growth and unadjusted wage growth since 2018, and consumer inflation



Proportion of employees receiving wage increases

40 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 on 31 March, and changes to the minimum wage, which typically occur annually in April.

41 The proportion of wages changing is above average for a June quarter for both public and private sectors, while the proportion of wages changing annually is slightly below average in both sectors.

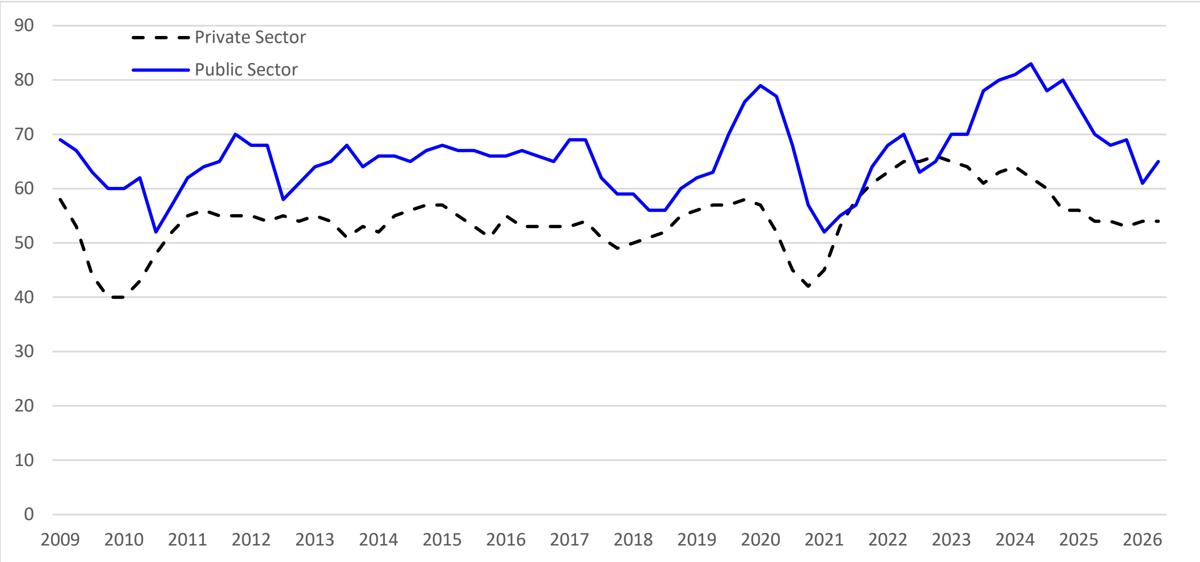
41.1 Eighteen percent of all wage rates increased in the June 2026 quarter (up from 13 percent last quarter), and 55 percent of wage rates increased in the year to June 2026 (unchanged from 55 percent for the year to March 2026).

41.2 In the public sector, 17 percent of wage rates increased this quarter (up from 14 percent last quarter) and 65 percent of public sector wage rates increased in the year to June 2026 (up from 61 percent in the year to March 2026).

41.3 In the private sector, 18 percent of wage rates increased this quarter (up from 13 percent last quarter), and 54 percent of wage rates increased in the year to June 2026 (unchanged from 54 percent in the year to March 2026).

42 Figure 6 below shows the proportion of wages changing annually for the public and private sectors.

Figure 6: proportion of wage rates changing for the public sector and private sector (annually), since March 2009



Looking ahead to the September 2026 quarter

43 LCI data for the September 2026 quarter will be released on 4 November 2026, following a survey period of mid-August 2026.

44 Wage growth for a September quarter is typically higher in the public sector, as wage changes often occur from 1 July annually.

44.1 In the public sector, wage increases for many public servants will occur from 1 July 2026, and will affect the index this quarter, including increases for around 10,000 public servants from recently agreed settlements.

44.2 We anticipate health sector wage growth will be high in the coming quarter, as increases agreed through settlements earlier this year, and not processed in time to affect the index this quarter, take effect.

44.3 Economic conditions have changed rapidly in early 2026, in response to the ongoing conflict in the Middle East and resulting implications for fuel. The private sector responds more quickly to external economic shocks than the public sector, due to the relative prevalence of multi-year bargained outcomes in the public sector.

45 As a point of comparison, Table 2 shows quarterly wage growth across all sectors, the public and private sectors, and the Public Service for the September 2025 quarter. It also shows short term (2022-2025) and longer term (2009-2025) average quarterly wage growth for a September quarter.

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

Quarterly wage growth trends for a September quarter			
	September 2025	September Average 2022 - 2025	September Average 2009 - 2025
All Sectors Combined	0.4%	0.8%	0.6%
Private Sector	0.4%	0.8%	0.6%
Public Sector	0.6%	1.2%	0.7%
Public Service	0.7%	1.1%	0.7%

46 You can find previous Labour Cost Index reports, including our report for September 2025, on the Commission’s Employment Relations website.

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

Date: 25 August 2026