



## 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 March 2026 quarter ("this quarter") for public sector employment relations professionals, and other key stakeholders. Quarterly wage movements reflect increases applied between mid-November 2025 and mid-February 2026, while annual wage movements reflect increases applied between mid-February 2025 and mid-February 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 *March 2026 Labour Cost Index – Key Points*.
- 3 Across **all sectors combined**, wages grew 0.5 percent this quarter (up from 0.4 percent in the December 2025 quarter ("last quarter")) and 2.0 percent in the year to March 2026 (unchanged from 2.0 percent in the year to December 2025).
- 4 In the **public sector**, wage growth this quarter was 0.4 percent (up from 0.3 percent last quarter) and 1.7 percent for the year to March 2026 (down from 2.2 percent from the year to December 2025).
- 5 In the **private sector**, wage growth this quarter was 0.4 percent (down from 0.5 percent from last quarter) and 2.0 percent for the year to March 2026 (unchanged from 2.0 percent in the year to December 2025). This is the first time annual private sector wage growth has led annual public sector wage growth since the June 2023 quarter.
- 6 In the **Public Service**, wage growth for this quarter was 0.2 percent (down from 0.3 percent last quarter) and 1.4 percent for the year to March 2026 (up from 1.2 percent in the year to December 2025).
- 7 These results are in the context of annual consumer inflation, as measured by the Consumer Price Index, of 3.1 percent for the year to March 2026 (unchanged from 3.1 percent in the year to December 2025). Quarterly inflation was 0.9 percent in March 2026 (up from 0.6 percent last quarter).



## Public Service Commission technical report on Labour Cost Index movements: March 2026 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 (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 March 2026 largely reflects remuneration decisions made during 2025, and so is affected by the 2024 GWPS.

#### *Quarterly change*

- 12 Wage growth was 0.5 percent this quarter (up from 0.4 percent from December 2025). In the public sector, wages grew 0.4 percent this quarter (up from 0.3 percent last quarter), while in the private sector, wages grew 0.4 percent this quarter (down from 0.5 percent last quarter).
- 13 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 March 2026 for both public and private sectors is close to average for a March quarter. Refer *Public Sector and Sector Sub-Groups* below for more information about movements within the public sector.

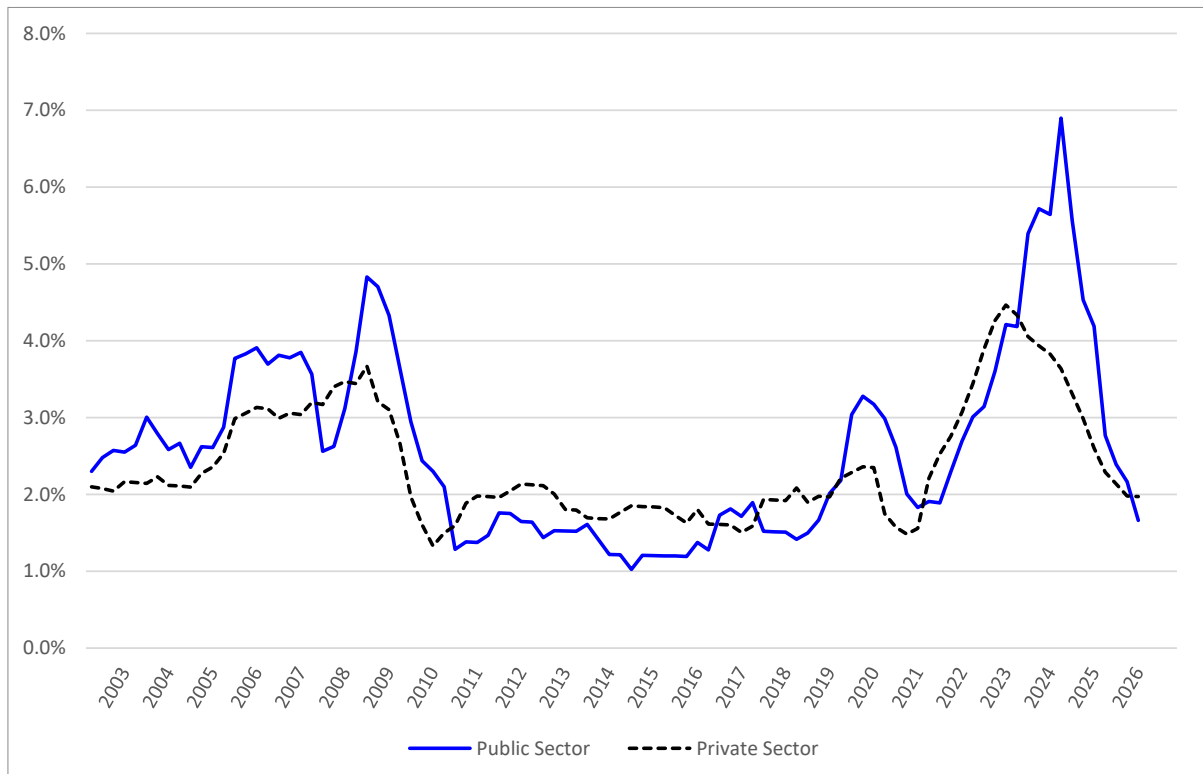
**Table 1: Current and average quarterly wage growth for a March quarter, since 2009**

	March 2026 quarter	Average for a March quarter
<b>All Sectors Combined</b>	0.5%	0.5%
<b>Private Sector</b>	0.4%	0.4%
<b>Public Sector</b>	0.4%	0.5%
<b>Public Service</b>	0.2%	0.4%

### Annual Change

- 14 In the year to March 2026, wages grew 2.0 percent (unchanged from 2.0 percent in the year to December 2025). Over the same period wages grew 1.7 percent for the public sector (down from 2.2 percent for the year to December 2025) and 2.0 percent for the private sector (unchanged from 2.0 percent for the year to December 2025).
- 15 Figure 1 below compares annual wage movements for the public and private sectors since the March 2002 quarter. It shows this is the first time annual private sector wage growth has led annual public sector wage growth since the June 2023 quarter.

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





- 16 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.

### **Public sector and public sector sub-groups**

- 17 We approximate wage increases from collective bargaining outcomes covering up to 51,000 public servants have affected the index this quarter. This approximation may be an overestimation, as we know many increases which were agreed during between November and February are unlikely to have been processed in time to influence the index this quarter; such increases will instead affect the index in June 2026. 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).
- 17.1 Central government wages grew 0.5 percent this quarter (up from 0.2 percent from last quarter), and 1.6 percent in the year to March 2026 (down from 2.2 percent in the year to December 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.
- 17.2 Public Service wages grew 0.2 percent this quarter (down from 0.3 percent in December 2025). In the year to March 2026, Public Service wage increases were 1.4 percent (up from 1.2 percent in the year to December 2025).
- 17.3 Education sector wages grew 0.8 percent this quarter (up from 0.1 percent last quarter), and 1.6 percent in the year to March 2026 (down from 3.2 percent in the year to December 2025).
- 17.3.1 At the time data for this quarter was collected, collective bargaining covering high FTE workforces in the sector, including teachers and principals, was ongoing, or in the process of concluding. While some of these increases have been processed by payroll systems and have affected the index this quarter, we anticipate further increases resulting from recent bargaining outcomes in the next quarter.
- 17.3.2 The notable reduction in annual wage growth in the education sector is attributable to very significant wage growth for the sector this time last year (2.4 percent quarterly growth in the March 2025 quarter) which is no longer affecting annual growth.
- 17.4 Health sector wages grew 0.2 percent this quarter (up from 0.1 percent last quarter). In the year to March 2026, annual wage growth was 1.4 percent (down from 1.6 percent in the year to December 2025). This is the lowest wage growth in the sector since September 2021. Collective bargaining continues for many high FTE workforces in the sector, including many Health NZ-employed nurses and doctors, and some recent settlements for some Health sector workforces did not occur in time to affect the March



index. Health sector wage growth will remain low until new increases are agreed and implemented.

- 17.5 Other central government group wages grew 0.1 percent this quarter (down from 0.4 percent last quarter), and 1.8 percent in the year to March 2026 (down from 2.1 percent in the year to December 2025). This group includes the New Zealand Police, New Zealand Defence Force, Accident Compensation Corporation, and other Crown agents not elsewhere included.

### Local government

- 18 Local government wages grew by 0.3 percent this quarter (down from 1.1 percent last quarter). Annual wage growth in the year to March 2026 was 2.7 percent (up from 2.5 percent for the year to December 2025). Local government wage growth tends to be highly seasonal. Since 2021 quarterly wage growth for a March or June quarter has not exceeded 0.6 percent, while over that time quarterly wage growth for a September or December quarter has not been less than 1.0 percent.

### Cumulative wage growth and inflation

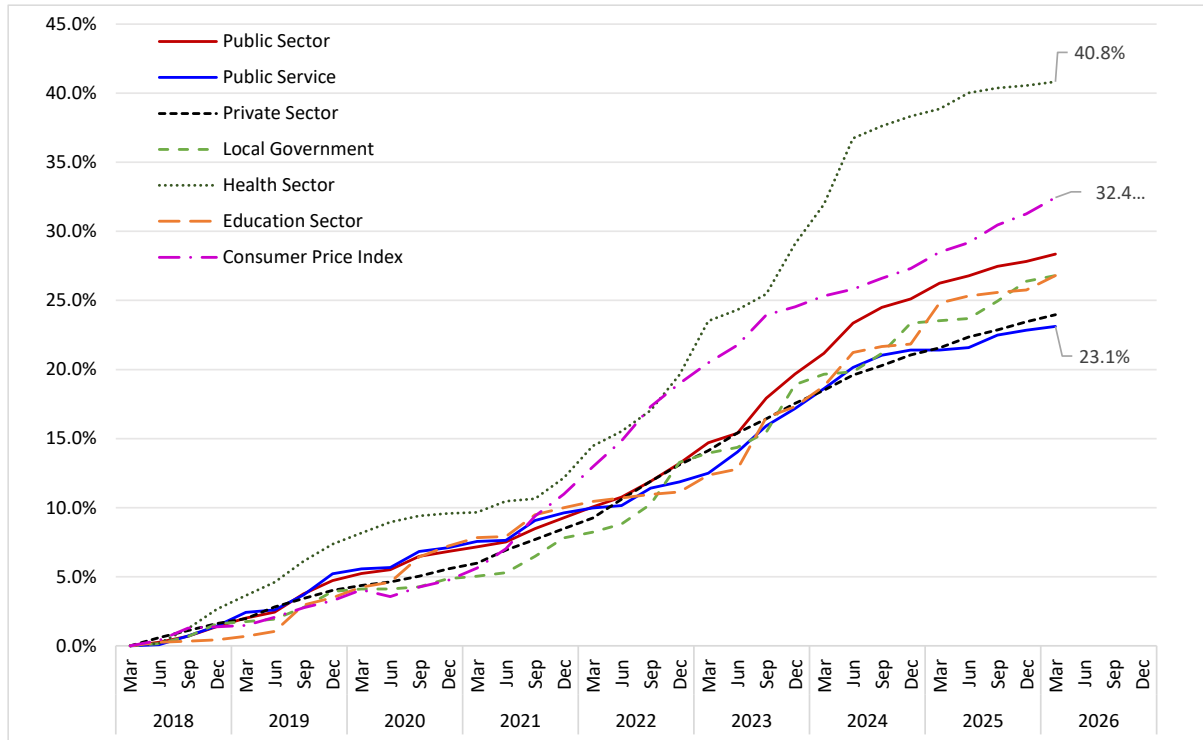
- 19 Consumer inflation, as measured by the Consumer Price Index, was 0.9 percent in the March 2026 quarter (up from 0.6 percent last quarter). Annual consumer inflation was 3.1 percent in the year to March 2026 (unchanged from 3.1 percent in the year to December 2025). Annual inflation leads annual wage growth across all monitored sector subgroups, except education.
- 20 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.
- 21 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

- 22 Cumulatively, wages have grown 24.8 percent since March 2018, growing 28.3 percent across the public sector, and 24.0 percent across the private sector in that time. For comparison, cumulative inflation was 32.4 percent since 2018.
- 23 Within the public sector, cumulative wage growth varies between 23.1 percent for the Public Service and 40.8 percent for the health sector, although the health sector is an outlier in this regard, refer figure 2 below.
- 24 Figure 2, below, shows the trend in wage movements of selected sectors and sector subgroups since 2018, on a cumulative basis.



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

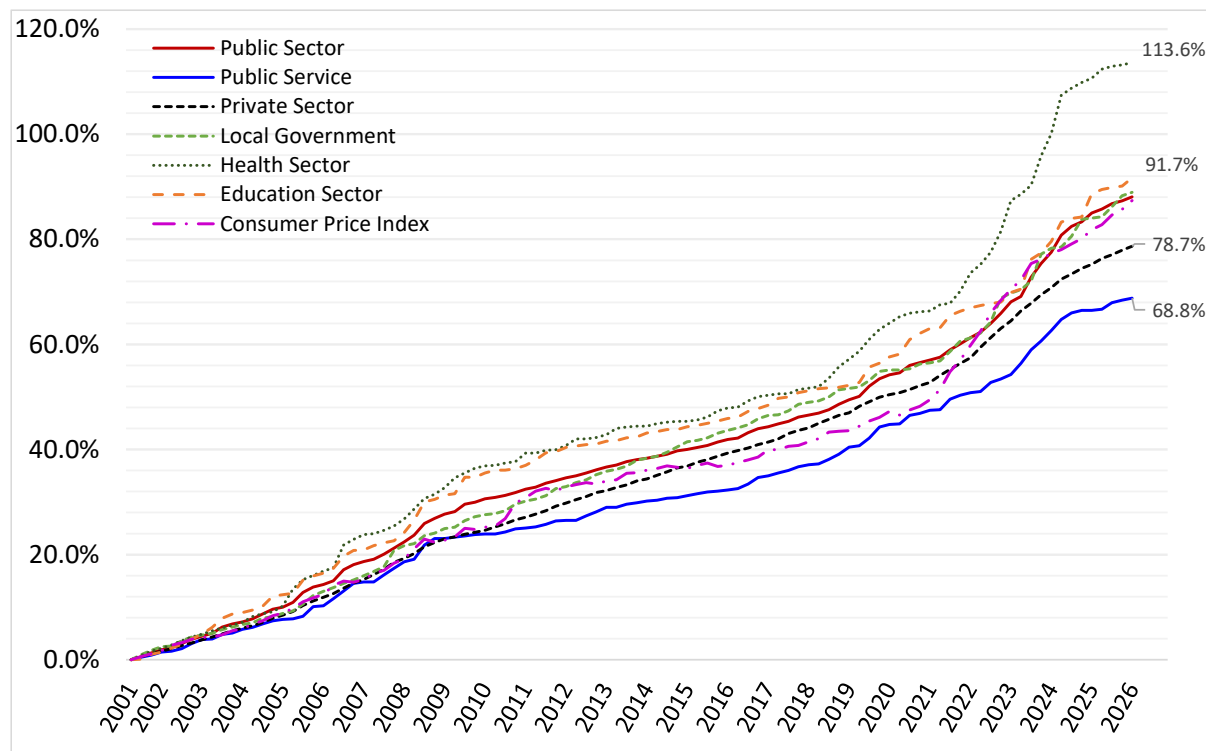


### Long-term cumulative wage growth

- 25 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.
- 26 Cumulatively, wages have grown 80.4 percent since 2001, growing 88.1 percent across the public sector, and 78.7 percent across the private sector in that time. For comparison, cumulative inflation is 87.4 percent since 2001.
- 27 Cumulative wage growth has varied greatly over this period within the public sector, since 2001:
- 27.1 Health sector cumulative wage growth is 113.6 percent.
  - 27.2 Education sector cumulative wage growth is 91.7 percent.
  - 27.3 Public Service cumulative wage growth is 68.8 percent.
- 28 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.
- 29 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

- 30 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.
- 31 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.
- 32 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.
- 32.1 Quarterly consumer inflation for the March 2026 quarter (0.9 percent) led unadjusted wage growth across all monitored sectors and subsectors except for Education (1.0 percent unadjusted wage growth in March 2026). 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.

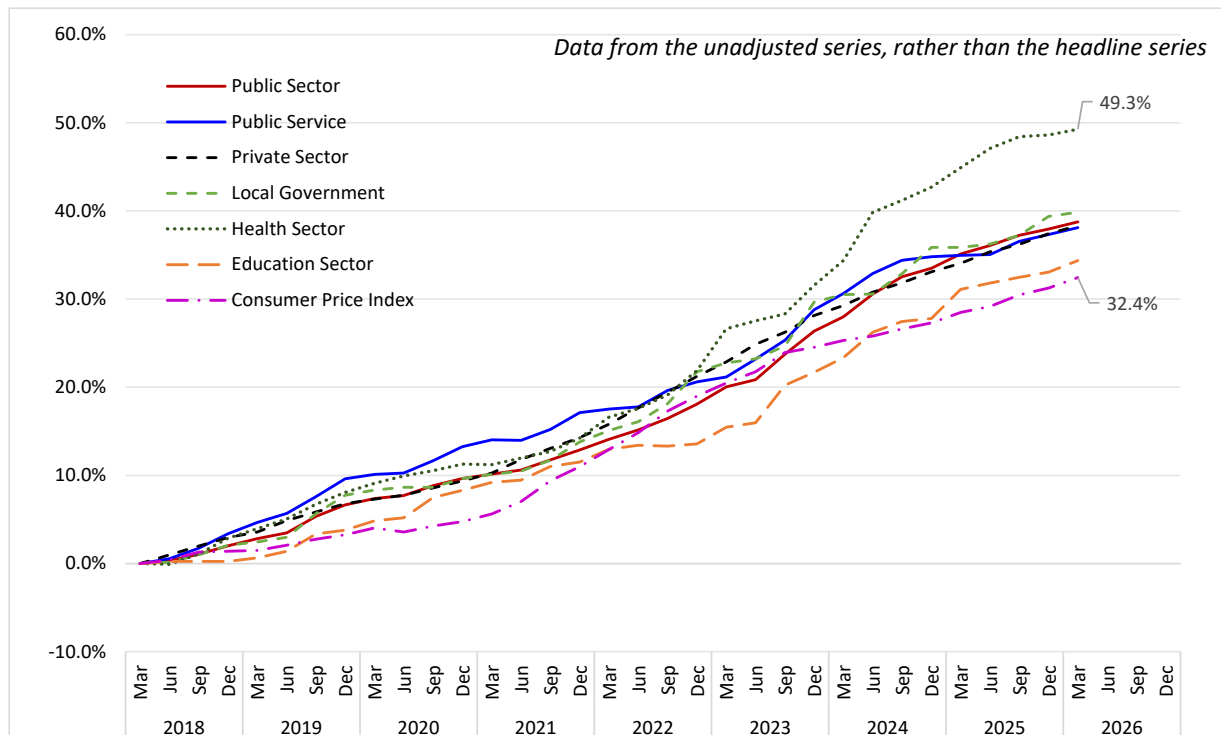


32.2 Annual consumer inflation for the year to March 2026 (3.1 percent), lagged matched unadjusted wage growth across the economy (3.1 percent in the year to March 2026), and lagged unadjusted wage growth in the private sector (3.2 percent) for the same period. By comparison inflation led unadjusted wage growth in the public sector (2.7 percent) and all monitored public sector subgroups.

32.3 In the Public Service both quarterly unadjusted wage growth (0.6 percent) and annual adjusted wage growth (2.3 percent) lagged equivalent inflation figures.

33 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)**



34 As this is measured over the same period results can be compared with cumulative wage growth shown in figure 2.

34.1 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.

34.2 Relativities between adjusted and unadjusted wage growth across the sectors differ. For example, since 2018:

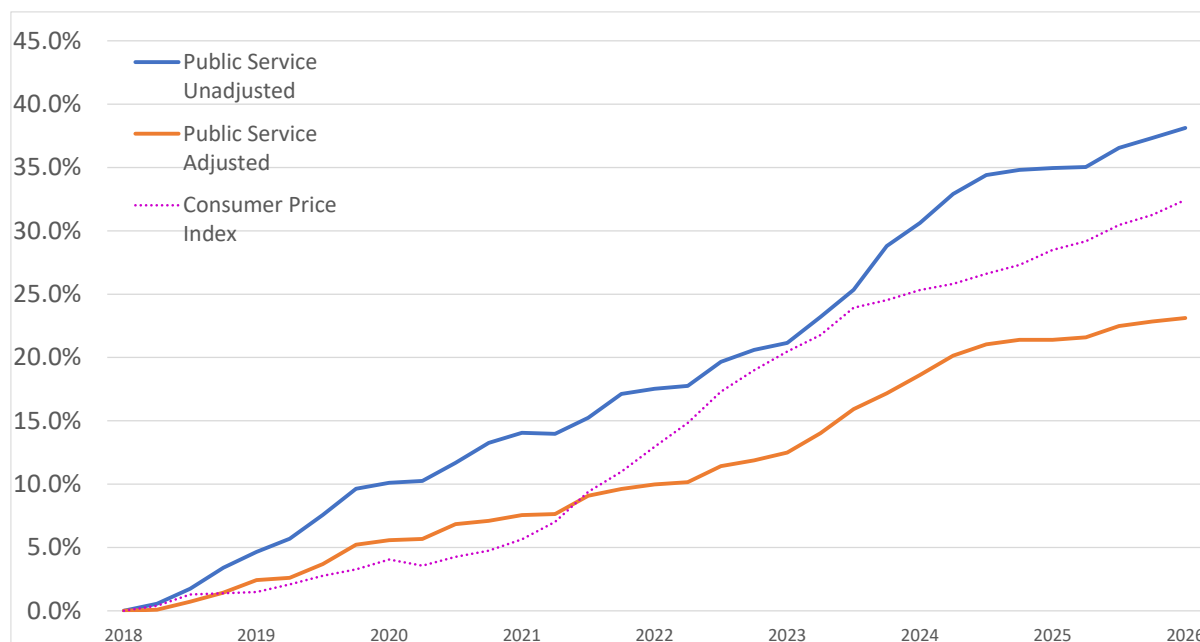
34.2.1 Cumulative adjusted wage growth in the Public Service is 18.5 percent lower than cumulative adjusted wage growth in the public sector overall.

34.2.2 Cumulative unadjusted wage growth for the Public Service is just 1.7 percent lower than cumulative unadjusted wage growth in the public sector overall.



- 35 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 shown above.
- 36 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.
- 37 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*

- 38 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.
- 39 The proportion of wages changing is slightly below average for a December quarter for both public and private sectors, while the proportion of wages changing annually is about average in the private sector and slightly above average in the public sector.
- 39.1 13 percent of all wage rates increased in the March 2026 quarter (down from 15 percent last quarter), and 55 percent of wage rates increased in the year to March 2026 (unchanged from 55 percent for the year to December 2025).
- 39.2 In the public sector, 14 percent of wage rates increased this quarter (down from 20 percent last quarter) and 61 percent of public sector wage rates increased in the year

# Labour Cost Index Technical Report – March 2026



**Te Kawa Mataaho**  
Public Service Commission

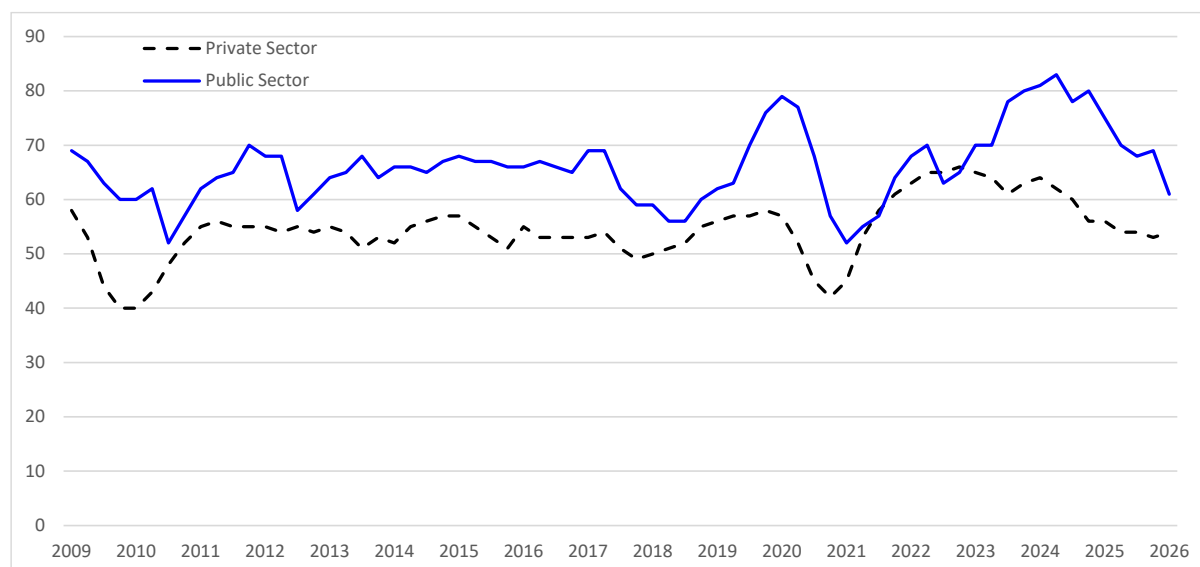
to March 2026 (down from 69 percent in the year to December 2025). As illustrated below, this is the lowest proportion of public sector wages changing over a 12-month period since September 2021.

39.2.1 Within the public sector, just 5 percent of local government wages increased in the March 2026 quarter, the lowest result on record for this group on record (since March 2009).

39.3 In the private sector, 13 percent of wage rates increased this quarter (down from 14 percent last quarter), and 54 percent of wage rates increased in the year to March 2026 (up from 53 percent in the year to December 2025).

40 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 June 2026 quarter

- 41 LCI data for the June 2026 quarter will be released on 5 August 2026, following a survey period of mid-May 2026.
- 42 Wage growth for a June quarter is typically low in the public sector as few increases usually occur between February and May annually. We anticipate somewhat unusual increases for June 2026 due to bargaining outcomes and prevailing economic conditions.
- 42.1 Economic conditions have changed rapidly in early 2026, in response to the ongoing conflict in the Middle East and resulting implications for fuel. This will affect wage growth in the private sector as employees and employers face higher costs, but is not likely to influence public sector wage growth in the short term.
- 42.2 In the public sector, wage increases agreed through collective agreement settlements covering around 80,000 FTE will drive significant wage growth across the education and



health sectors, with increases for teachers, principals, and select medical workforces expected to be delivered.

- 42.3 The Minimum Wage increased from 1 April 2026 and will affect the index next quarter. The effects of changes to the Minimum Wage are most felt in the private sector.
- 43 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 June 2025 quarter. It also shows short term (2022-2025) and longer term (2009-2025) average quarterly wage growth for a June quarter.

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

	June 2025	June Average 2022 - 2025	June Average 2009 - 2025
<b>All Sectors Combined</b>	0.6%	1.0%	0.6%
<b>Private Sector</b>	0.6%	1.0%	0.6%
<b>Public Sector</b>	0.4%	0.9%	0.4%
<b>Public Service</b>	0.1%	0.7%	0.3%

- 44 You can find our full report on June 2025 quarterly wage growth on the Commission's Employment Relations [website](#).

Please direct any enquiries to [EmploymentRelations@publicservice.govt.nz](mailto:EmploymentRelations@publicservice.govt.nz)

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