

Labour Cost Index Technical Report – September 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 September 2025 quarter ("this quarter") for public sector employment relations professionals, and other key stakeholders. Quarterly wage movements reflect increases applied between mid-May 2025 and mid-August 2025, while annual wage movements reflect increases applied between mid-August 2024 and mid-August 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 *September 2025 Labour Cost Index – Key Points*.
- 3 Across **all sectors combined**, wages grew 0.4 percent this quarter (down from 0.6 percent from the June 2025 quarter ("last quarter")) and 2.1 percent in the year to September 2025 (down from 2.4 percent in the year to June 2025).
- 4 In the **public sector**, wage growth this quarter was 0.6 percent (up from 0.4 percent last quarter) and 2.4 percent for the year to September 2025 (down from 2.8 percent from the year to June 2025).
- 5 In the **private sector**, wage growth this quarter was 0.4 percent (down from 0.6 percent from last quarter) and 2.1 percent for the year to September 2025 (down from 2.3 percent in the year to June 2025).
- 6 In the **Public Service**, wage growth for this quarter was 0.7 percent (up from 0.1 percent last quarter) and 1.2 percent for the year to September 2025 (unchanged from the year to June 2025).
- 7 These results are in the context of annual consumer inflation, as measured by the Consumer Price Index, of 3.0 percent for the year to September 2025 (up from 2.7 percent in the year to June 2025). Quarterly inflation was 1.0 percent in September 2025 (up from 0.5 percent last quarter).



Public Service Commission technical report on Labour Cost Index movements: September 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 (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](#). While the policy was released over a year ago, this is the first quarter where we can see its impact on wage growth. This is due to the flow on impacts from the 2022 Public Sector Pay Adjustment (PSPA):
 - 11.1 Settlements giving effect to the PSPA generally expired between December 2024 and June 2025.
 - 11.2 These agreements subsequently bargained through the first half of 2025.
 - 11.3 Increases from bargaining generally occur from 1 July 2025, which then affects the LCI in the September quarter.

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Quarterly change

- 12 Wage growth was 0.4 percent this quarter (down from 0.6 percent in June 2025). In the public sector, wages grew 0.6 percent this quarter (up from 0.4 percent last quarter), while in the private sector, wages grew 0.4 percent this quarter (down from 0.6 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 PSPA has disrupted this seasonality in recent years, both in the scale and timing of increases, and the subsequent effects on the timing of bargaining. It is difficult to determine whether seasonality has returned to the public sector due to protracted bargaining for some large workforces. This is likely something we will have to review over the coming quarter.

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

Average quarterly wage growth since 2009		
	September 2025 quarter	Average for a September quarter
All Sectors Combined	0.4%	0.6%
Private Sector	0.4%	0.6%
Public Sector	0.6%	0.7%
Public Service	0.7%	0.7%

Annual Change

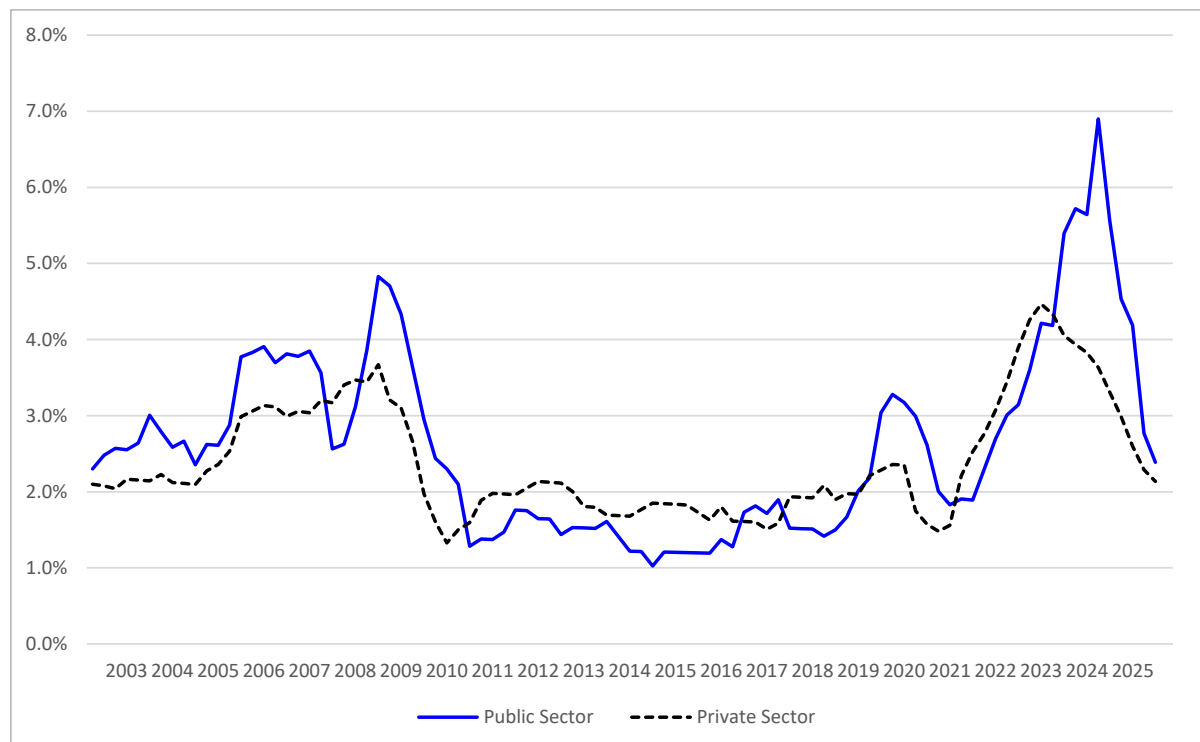
- 14 In the year to September 2025, wages grew 2.1 percent (down from 2.4 percent in the year to June 2025). Over the same period wages grew 2.4 percent for the public sector (down from 2.8 percent for the year to June 2025) and 2.1 percent for the private sector (down from 2.3 percent for the year to June 2025).
- 15 Figure 1 below compares annual wage movements for the public and private sectors since the March 2002 quarter.
- 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:
- 17 Recent examples where the private sector has responded more quickly to tightening or loosening labour market conditions are:
 - 17.1 Decreases in private sector wage growth as COVID-19 affected New Zealand in 2020.
 - 17.2 Increases in private sector wage growth due to tight labour market conditions in 2021 and 2022.
 - 17.3 Decreases in private sector wage growth as high inflation began to fall in 2023.

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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 We note that:

- 18.1 The effect of the Global Financial Crisis on wage growth was first seen in the December 2008 quarter.
- 18.2 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.
- 18.3 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.

Public sector and public sector sub-groups

19 A significant volume of collective agreements, particularly in the Public Service, have bargained and settled in the first half of 2025. Many of these agreements delivered increases for staff from 1 July. We approximate wage changes for up to 50,000 public servants, including constabulary staff at NZ Police and staff across many Public Service departments have affected the index this quarter. Some staff may have received lump sum payments as a bargaining outcome; these are personnel costs, but do not affect salaries, and so do not influence the index. 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 0.5 percent this quarter (up from 0.4 percent from last quarter), and 2.3 percent in the year to September 2025 (down from 2.8 percent in the

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year to June 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 0.7 percent this quarter (up from 0.1 percent in June 2025). In the year to September 2025, Public Service wage increases were 1.2 percent (unchanged from 1.2 percent in the year to June 2025, which was the lowest result for the sector since September 2016). September 2025 is the first quarter we can see the impact of the new GPWS on Public Service wage growth. Table 2 illustrates the difference in quarterly wage growth this year compared to previous years.

Table 2: Public Service quarterly wage growth for a September quarter, 2018 – 2025

Quarterly Wage growth for September		
Year	Quarter	Public Service
2018	Sep	0.6%
2019	Sep	1.1%
2020	Sep	1.1%
2021	Sep	1.3%
2022	Sep	1.1%
2023	Sep	1.7%
2024	Sep	0.7%
2025	Sep	0.7%

- 19.3 Education sector wages grew 0.2 percent this quarter (down from 0.4 percent last quarter), and 3.2 percent in the year to September 2025 (down from 3.4 percent in the year to June 2025). Collective bargaining covering high FTE workforces in the sector, including teachers and principals, continue to bargain, and so have not affected the index this quarter. Education sector wage growth is expected to remain low until new increases are agreed and implemented.
- 19.4 Health sector wages grew 0.3 percent this quarter (down from 0.8 percent last quarter). In the year to September 2025, annual wage growth was 2.0 percent (down from 2.4 percent last quarter, and 9.7 percent this time last year). Collective bargaining covering high FTE workforces in the sector, including many Health NZ-employed nurses and doctors, continue to bargain, and so have not affected the index this quarter. Health sector wage growth is expected to remain low until new increases are agreed and implemented.
- 19.5 Other central government group wages grew 1.2 percent this quarter (up from 0.1 percent last quarter), and 2.2 percent in the year to September 2025 (down from 4.1 percent in the year to June 2025). This group includes the New Zealand Police, New Zealand Defence Force, Accident Compensation Corporation, and other Crown agents not elsewhere included. Wage growth for Other Central Government is significantly affected by increases for Constabulary staff at NZ Police this quarter.

Local government

- 20 Local government wages grew by 1.0 percent this quarter (up from 0.1 percent last quarter). Annual wage growth in the year to September 2025 was 3.1 percent (down from 3.2 percent

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for the year to June 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. Quarterly wage growth of 1.0 percent is slightly above average for a September quarter in local government.

Cumulative wage growth and inflation

- 21 Consumer inflation, as measured by the Consumer Price Index, was 1.0 percent in the September 2025 quarter (up from 0.5 percent last quarter). Annual consumer inflation was 3.0 percent in the year to September 2025 (up from 2.7 percent in the year to June 2025). Annual inflation now leads annual wage growth across all monitored sectors, except education, and local government.
- 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

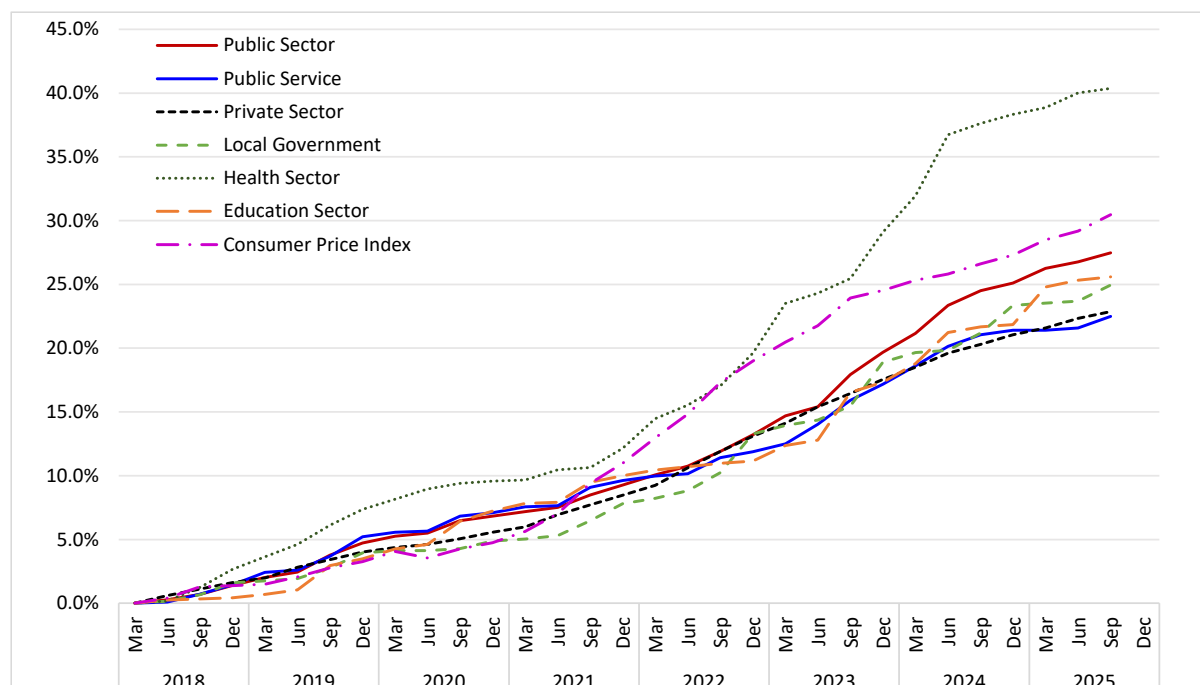
- 24 Cumulatively, wages have grown 23.7 percent since March 2018, growing 27.5 percent across the public sector, and 22.9 percent across the private sector in that time. For comparison, cumulative inflation was 30.5 percent since 2018.
- 25 Within the public sector, cumulative wage growth varies between 22.5 percent for the Public Service and 40.4 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.

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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

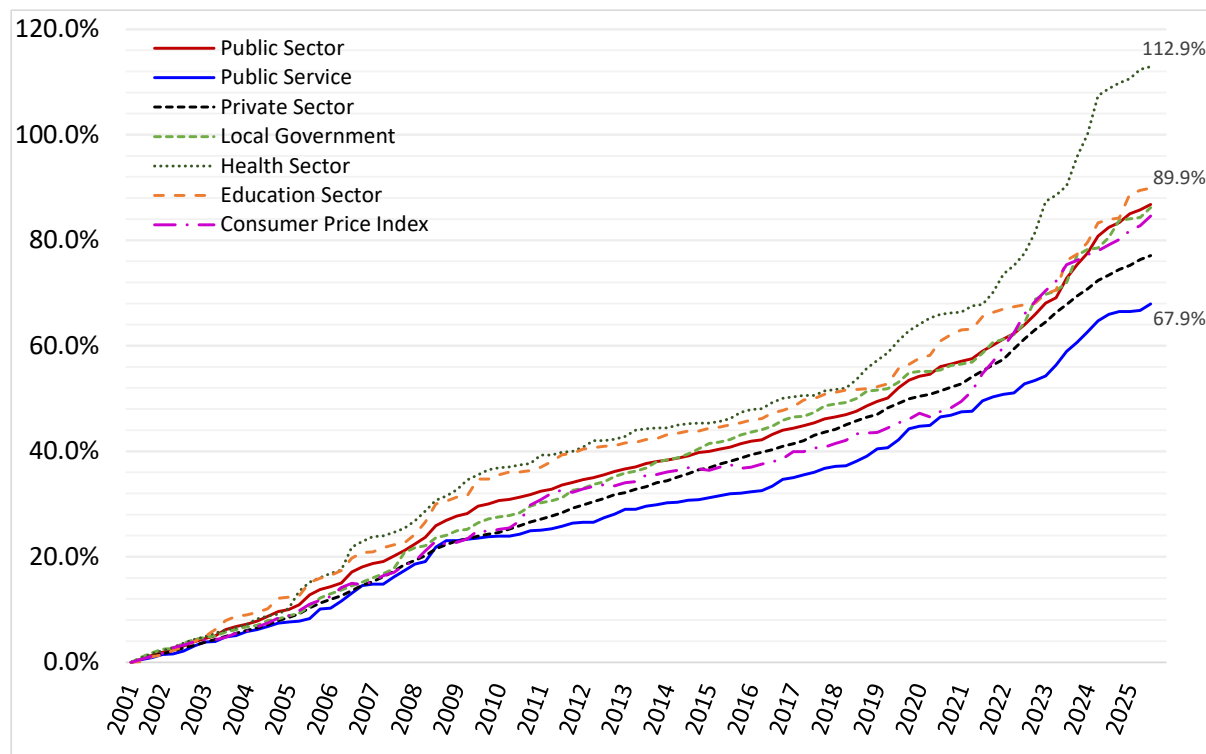
- 27 Where the medium-term wage growth trend is one of relatively consistent wage growth across much of the public sector and the private sector, the longer-term wage growth trend (since June 2001) shows more variability.
- 28 Cumulatively, wages have grown 78.8 percent since 2001, growing 86.8 percent across the public sector, and 77.1 percent across the private sector in that time. For comparison, cumulative inflation is 84.6 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 112.9 percent.
 - 29.2 Education sector cumulative wage growth is 89.9 percent.
 - 29.3 Public Service cumulative wage growth is 67.9 percent.
- 30 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 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.

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Figure 3: Labour Cost Index – wage movements by sector and inflation (cumulative percentage change since June 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. Quarterly unadjusted wage growth across the public sector and most of the public sector sub-groups we monitor is higher than inflation this quarter.
- 34.1 Across all sectors combined, unadjusted wage growth for the September 2025 quarter was 0.7 percent (0.8 percent in the public sector, and 0.6 percent in the private sector) compared to quarterly inflation of 1.0 percent. Public Service unadjusted wage growth was 1.1 percent for the quarter. We note that quarterly unadjusted wage growth can

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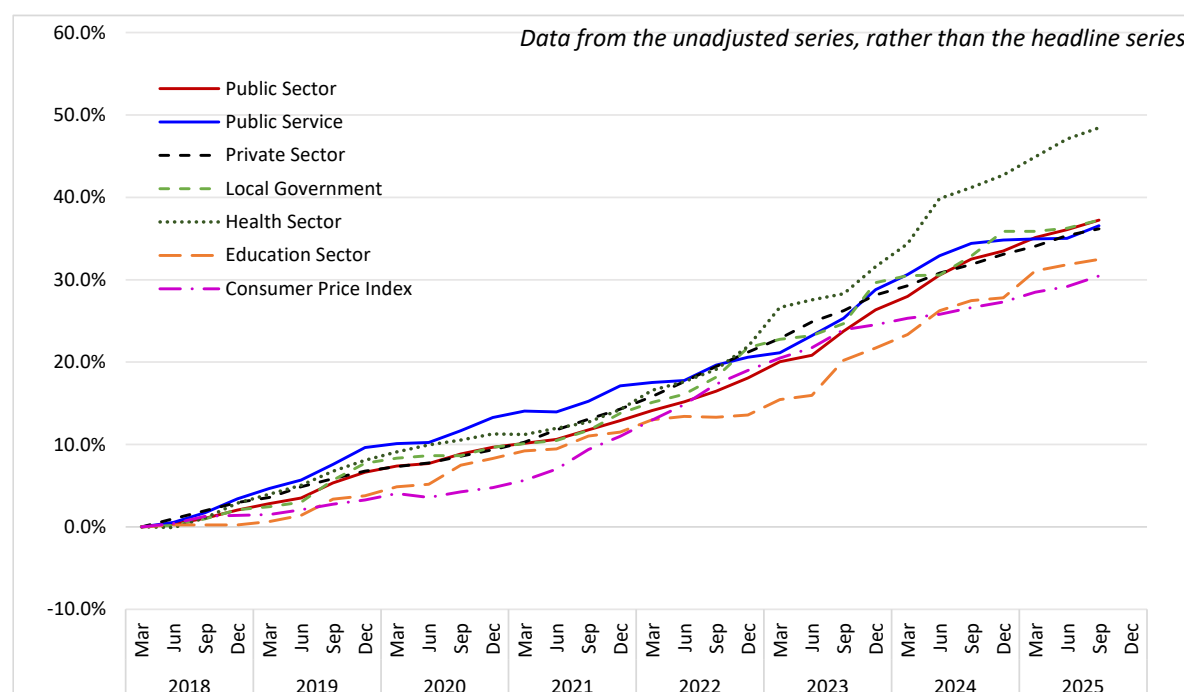


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be quite variable, as it can change significantly due to quality of work changes, including staffing changes including both the number of staff employed, and changes to the individuals performing the work.

- 34.2 Across all sectors combined, unadjusted wage growth for the year to September 2025 was 3.4 percent across all sectors (3.5 percent in the public sector, and 3.3 percent in the private sector) compared to annual inflation of 3.0 percent. In the Public Service annual unadjusted wage growth was 1.6 percent.
- 35 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](#).
- 35.1 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.
- 35.2 Relativities between adjusted and unadjusted wage growth across the sectors differ. For example, since 2018:
- 35.2.1 Cumulative adjusted wage growth in the Public Service is 18.2 percent lower than cumulative adjusted wage growth in the public sector overall; 22.5 percent in the Public Service, 27.5 percent in the public sector.
- 35.2.2 Cumulative unadjusted wage growth for the Public Service is 0.8 percent lower than cumulative unadjusted wage growth in the public sector overall; 36.5 percent in the Public Service, 37.2 percent in the public sector.

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



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- 36 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.
- 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. 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.
- 37.1 **Public sector:** Cumulative unadjusted wage growth is 35.5 percent higher than cumulative adjusted wage growth, since 2018.
- 37.2 **Public Service:** Cumulative unadjusted wage growth is 62.5 percent higher than cumulative adjusted wage growth, since 2018.
- 37.3 **Education sector:** Cumulative unadjusted wage growth is 27.0 percent higher than public sector cumulative adjusted wage growth, since 2018.
- 37.4 **Health sector:** Cumulative unadjusted wage growth is 20.0 percent higher than public sector cumulative adjusted wage growth, since 2018. This result is the highest we’ve seen for the health sector since at least 2018, suggesting a greater proportion of wage growth in this sector has been delivered for “adjusted out” reasons in recent quarters.
- 37.5 **Private sector:** Cumulative unadjusted wage growth is 58.3 percent higher than public sector cumulative adjusted wage growth, since 2018.

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 annually remains above the long-term trend in both public and private sectors. The proportion of wages changing are slightly below average for a September quarter across both public and private sectors.
- 39.1 Fifteen percent of all wage rates increased in the September 2025 quarter (down from 18 percent last quarter), and 56 percent of wage rates increased in the year to September 2025 (down from 57 percent for the year to June 2025).
- 39.2 In the public sector, 22 percent of wage rates increased this quarter (up from 14 percent last quarter) and 68 percent of public sector wage rates increased in the year to September 2025 (down from 70 percent in the year to June 2025).
- 39.3 In the private sector, 14 percent of wage rates increased this quarter (down from 19 percent last quarter), and 54 percent of wage rates increased in the year to September 2025 (unchanged from the year to June 2025).

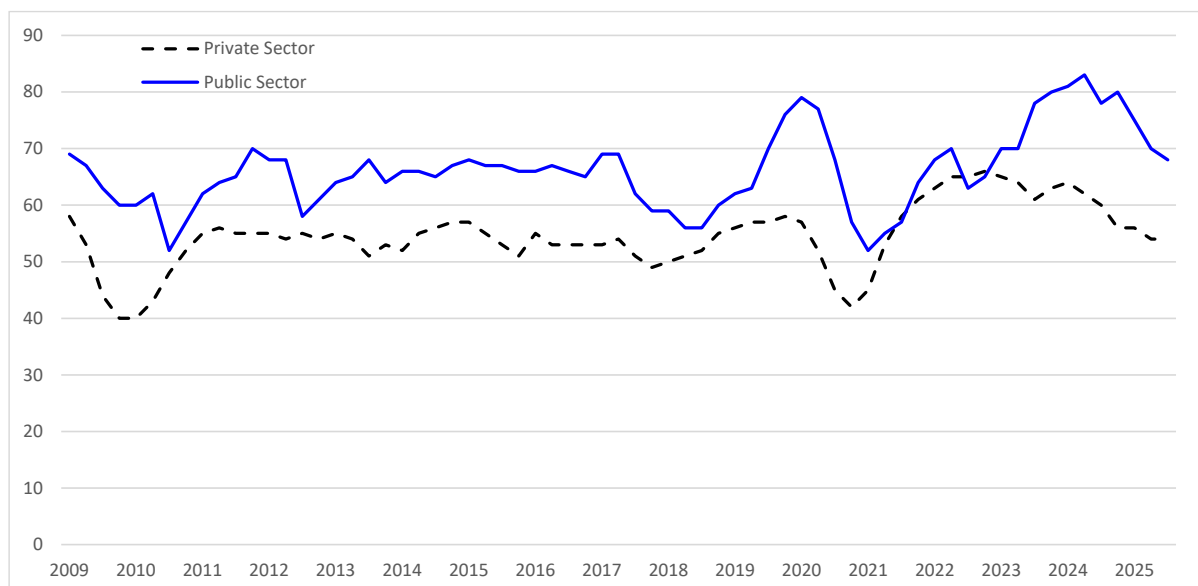
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- 40 Figure 5 below shows the proportion of wages changing annually for the public and private sectors.

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



A note on pay equity

- 41 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.
- 42 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, which in turn could drive employer costs, including government.

Looking ahead to the December 2025 quarter

- 43 LCI data for the December 2025 quarter will be released on 4 February 2026, following a survey period of mid-November 2025.
- 44 Wage growth in a December quarter often reflects increases applying from 1 July but processed after the September quarter collection period such as from new collective bargaining outcomes. We anticipate settlements covering around 7500 FTE in the Public Service and wider public sector will affect wage growth in the December quarter.
- 45 As a point of comparison, Table 3 shows quarterly wage growth across all sectors, the public and private sectors, and the public service for the December 2024 quarter. It also shows short term (2021-2024) and longer term (2009-2024) average quarterly wage growth for a December quarter.

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Table 3: Wage growth trends in a December quarter, select sectors

Quarterly wage growth trends for a December quarter			
	December 2024	December Average 2021 - 2024	December Average 2009 - 2024
All Sectors Combined	0.6%	0.8%	0.6%
Private Sector	0.6%	0.8%	0.6%
Public Sector	0.5%	1.0%	0.6%
Public Service	0.3%	0.6%	0.5%

- 46 You can find our full report on December 2024 quarterly wage growth on the Commission's Employment Relations [website](#).

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

Date: 20 October 2025