



Living Wage Aotearoa New Zealand

As the gap between the rich and poor grows in New Zealand and poverty increases, more and more New Zealanders don't get paid enough to meet their needs, enjoy their lives and participate in society.

All over the world communities are uniting to address poverty and inequality through living wage campaigns. The living wage campaign in Aotearoa New Zealand has been initiated by the Service and Food Workers Union Ngā Ringa Tota. It aims to connect unions, community and faith-based organisations together around a common goal of achieving a living wage as a necessary step in reducing inequality and poverty in our society.

Why do we need the living wage campaign?

- New Zealand has gone from one of the most equal countries in the OECD to one of the most unequal in the past 20 years
- Income inequality reached its highest level ever in New Zealand and median incomes dropped by 3% in 2010-11
- The richest 150 people in New Zealand grew their wealth by 20% in 2010 while wages moved by less than 2%
- The top 1% of earners has more wealth than the bottom 60%, or three times more than the combined cash and assets of the poorest 50 per cent
- One in five, or 230,000 NZ children are estimated to be living in poverty – one in six Pakeha, one in four Pacific, and one in three Māori children
- 40% of poor children come from families where at least one person is in full time work or self employed

What will the living wage campaign do?

- Call for a living wage that is based on an independently calculated rate
- Work with local networks to build local organisation to address local needs
- Acknowledge the many facets of a living wage including tax, transfers, and social services
- Recognise the many voices in our community that are fighting for a just society for those in and outside of paid work
- Make the living wage a real issue that unites communities

How will the living wage campaign become a reality?

- Businesses commit to the principle of the living wage to support community well-being
- All publicly-funded bodies lead by example ensuring their employees are paid a living wage
- All publicly-funded bodies incorporate the living wage and job security into their procurement policy and partnerships with social and environmental agencies
- Corporates and other ethical employers who can pay should lead the private sector by paying a living wage

The Living Wage Aotearoa New Zealand Campaign says:

A living wage is the income necessary to provide workers and their families with the basic necessities of life. A living wage will enable workers to live with dignity and to participate as active citizens in society. We call upon the Government, employers and society as a whole, to strive for a living wage for all households as a necessary and important step in the reduction of poverty in New Zealand.



A living wage: Why do we need it?

New Zealand has growing poverty and inequality. This means more and more New Zealanders don't get paid enough to meet their needs and participate as active citizens in society.

This country has one of the worst rates of income inequality compared to other developed countries. In two decades we have gone from being one of the most equal to become one of the most unequal countries in the developed world. Most of that increase was due to larger pay rises for the top earners while those on low wages have been held back.

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Research into the benefits of a living wage in the United Kingdom shows that a living wage:

- Supports recruitment and retention of staff, saving turnover costs
- Lowers the rates of absenteeism and sick leave
- May enhance productivity, through higher quality work by employees
- Boosts morale and motivation
- Improves public image and reputation of businesses

The living wage movement will call on:

- Businesses to commit to the principle of the living wage to support community well-being
- All publicly-funded bodies to lead by example ensuring their employees are paid a living wage
- All publicly-funded bodies to incorporate the living wage and job security in their procurement policy and partnerships with social and environmental agencies
- Corporates and other ethical employers who can pay to lead the private sector by paying a living wage



A living wage: Where did it all begin?

It is no surprise that churches and unions are among the voices calling for a living wage. In the nineteenth century churches and unions were vocal in their call for a living wage. Even business owners in England argued that efficiency depended on a living wage so workers could be active citizens.

- In 1891 Pope Leo X11 said the State should guarantee a living wage; and, in 1931 Pius XI said wages had to be sufficient to support both worker and family.
- In the 1870s Sidney and Beatrice Webb argued for trade unions to push for a living wage that would provide food, shelter and clothing for the family. The union movement's fight for a family wage in the early 20th century was to ensure the needs of workers and their families were met.
- In 1894 United Kingdom MP and industrialist Mark Oldroyd argued that a living wage had to be "sufficient to maintain the worker in the highest state of industrial efficiency, with decent surroundings and sufficient leisure".

The first legislation on a minimum wage covering all employees was enacted in 1945. The Government conducts a review of the statutory minimum wage annually. The object of this review is to "balance the protection of the lowest paid with employment impacts." What does this mean? In 1946 the minimum wage was 83% of the average wage but in 2012 it was only 53%. The statutory minimum wage is not a living wage.

The first modern living wage victory was in 1994 when a campaign by faith groups in Baltimore, United States, won a new law requiring that workers paid through publicly-supported funds earn wages above the poverty level and that private contractors pay their workers a living wage. The movement has now spread to Canada, Britain, Australia and beyond.

Living wage movements share common features. They:

- Aim to reduce poverty
- Target groups of low paid workers
- Work best when communities and unions work together
- Say wages should be based on need and not left to the market
- Win wages that are higher than the statutory minimum wage
- Influence the use of public money to support living wages
- Also call for employers to voluntarily pay a living wage



A living wage: What is it?

A living wage group enough union ploy

A living wage is the income necessary to provide workers and their families with the basic necessities of life. A living wage will enable workers to live with dignity and to participate as active citizens in society.

Wages in New Zealand are set in different ways.

- A statutory minimum wage is set by the Government after public consultation. The current minimum wage is \$13.50 per hour. We know this is not a living wage that enables workers to survive and participate in society.
- Workers' employment agreements are set through negotiation between employers and worker/s. Many workers are paid on or just above the minimum wage and this is not a living wage.
- A living wage movement brings communities, unions and faith groups together to influence decision-makers so workers receive enough money to survive on and to participate in society. A living wage calls on employers to negotiate with their employees and unions to implement the living wage through the workplace employment agreement.

How is a living wage different?



Around the world community organisations and unions have joined forces in successful living wage campaigns; they have united around a common goal of reducing poverty. The lives of many low income families have been changed by strong, visible campaigns, focusing on:

- Workers whose earnings come from public funds (either directly or indirectly)
- Wealthy corporates who can pay and
- Employers who voluntarily come on board

In the United Kingdom this approach has changed the debate about wages. A broad cross-section of society now accepts that earnings should be based on what workers need to survive and participate in society and not on the market alone. People who work should not live in poverty.

Living wage campaigns have provided information, education and leadership across communities to build knowledge and understanding about what is happening in society. These alliances work as facilitators and brokers of important relationships between communities and decision-makers, like politicians. By bringing people together living wage movements have influenced politicians and businesses to change their policies and practices and support a living wage.

In New Zealand the living wage movement can:

- Shift the debate about earnings and win support for a living wage
- Unite communities around reducing poverty and inequality
- Influence decision-makers to change their practice and their policy and deliver a living wage



A living wage: How much is it?

A living wage is the minimum income necessary for a decent life for workers and their families. A living wage would enable workers employed full time to meet their needs and participate as active citizens in society. Workers employed full time should not have to live in poverty.

Around the world living wage campaigns are supported by independent research that determines how the rate will be calculated. This means:

- Deciding on a basket of goods and services such as housing, clothing, nutrition, child care, transport and leisure
- Costing those items using government and other data
- Applying those costs to a single family unit or averaging across a number of different family units (such as two adults earners and two children)
- Estimating the hourly rate required for a full time worker to meet those basic costs.

A calculation has to take into account many factors and different countries have developed a variety of methods to do this. Income is affected by taxes, tax credits (such as Working for Families), and other benefits (such as accommodation allowances). The rate may vary depending on where you live, for instance, there may be a metropolitan rate and a single amount for the rest of the country, as in London and the United Kingdom.

A living wage movement is about more than a rate of pay. It is about earnings and workplace participation. The living wage is part of the employment agreement for workers that incorporates hours of work and other benefits. If an increase is accompanied by a drop in hours the worker's earnings are compromised. A living wage is also only effective if it can be enforced and it is therefore linked to the democratic right to be represented by a union.

The living wage rate:

- Is being researched by the independent Family Centre Social Policy Research Unit in Lower Hutt
- Is expected to be determined by the end of 2012
- Will be part of a package of rights that enables workers to survive and participate in society as workers and citizens.



A living wage: Why is public money a focus?

Living wage campaigns around the world focus on the use of public money. For local and central government the wise and ethical use of public money is good business. In Australia, England, Scotland, the United States and Canada procurement policies are linking the purchase of goods and services to employment practices. New Zealand local and central government can:

- Demand fair and safe employment practices for all directly and indirectly employed workers
- Ensure a living wage is part of any publicly-funded contract for services
- Incorporate the living wage and job security in their procurement policies and partnerships with social and environmental agencies

Poor health and safety practice, low wages, and insecure employment are costs on government – local and central. For example, there are social costs of poverty, businesses can be deterred from investing where communities are poor, and there is reduced spending power where wages are low.

Government has considerable purchasing power. This power can be used to buy goods and services based on economic, social and environment goals, such as creating jobs, operating in an ethical manner or supporting local business.

It is possible to link purchasing with employment practices at the same time as operating in a responsible way with taxpayers/ratepayers dollars. This can happen through responsible contractor policies.

This means, for instance, that local or central government and its contractors and service providers will commit to:

- A living wage for all employees
- Guaranteed minimum hours of work
- Policies and partnerships that support a living wage
- Monitoring compliance with policy and law
- Respect for unions and collective bargaining



A living wage: Who benefits?

A living wage is good for workers, good for business and good for the community. Low income households spend a larger share of their income on a weekly basis than high income earners and so when workers earn more, businesses benefit.

Research into the benefits of a living wage in the United Kingdom shows that a living wage:

- Boosts morale and motivation of workers
- Supports recruitment and retention of staff, saving turnover costs
- Lowers the rates of absenteeism and sick leave
- May enhance productivity, through higher quality work performance
- Improves public image and reputation of businesses

There are about 90,600 New Zealand workers currently on the minimum wage (\$13.50 an hour) and more than a third (36%) of all waged workers earn less than \$18.00 per hour. Improving the incomes of low waged workers will affect many New Zealand families.

The living wage will have a positive financial and social impact on low paid workers. For example, higher incomes mean better quality food and that is associated with less obesity, diabetes and nutrient deficiency and therefore better health outcomes. That also means reduced costs for society as a whole.

Women, Māori, Pacific peoples, disabled people, and young people are more likely to be on low wages. A living wage will help to reduce New Zealand's high income inequality, including gender inequality, and improve the position of Māori, Pacific and migrant workers. Raising wage levels will help narrow the wage gap with Australia and remove an incentive for workers to cross the Tasman for a chance of a decent life.

A living wage can:

- Lift the poorest working families out of poverty
- Improve workplace stability and employer reputation
- Reduce social costs of poverty, for example, health care
- Ensure public money does not contribute to poorer communities
- Lessen the income gap between the rich and the poor



Living Wage Aotearoa New Zealand

A living wage: How do we work together?

Living Wage Aotearoa New Zealand is the name for a broad-based community and union alliance that is working together to reduce poverty and inequality in New Zealand.

Networks have formed in both Wellington and Auckland to plan the way a living wage can be won in these two cities. See the website for advertised events.

The first modern living wage campaign began in Baltimore in the United States in 1992 and campaigns have since spread across the world as communities have taken a stand against growing poverty amongst their working populations.

Many living wage campaigns around the world have been supported by organisations affiliated to the Industrial Areas Foundation, including London Citizens. These alliances:

- Are built on a membership base of organisations that include faith groups, community organisations and unions
- Are not party political
- Build a strong and vocal community leadership
- Pick winnable issues
- Hold assemblies at which decision-makers are asked to back the living wage
- Broker important relationships between communities and those in positions of power and influence

In New Zealand we are building our own movement with our own communities and goals. So far participant organisations have decided they want to:

- Join together as unions, communities and faith groups to speak with a single voice
- Endorse a statement about the living wage as the first step to building commitment to this movement
- Build strong local organisation (first in Auckland and Wellington)
- Aim to establish a living wage rate based on independent research



Living Wage Aotearoa New Zealand

Frequently Asked Questions

What is a living wage?

The living wage is the minimum wage necessary for a worker to survive and participate in society. It reflects the basic expenses of workers and their families such as food, transportation, housing and child care. The Family Centre Social Policy Research Unit conducted independent research into a New Zealand living wage rate and announced the rate of \$18.40 an hour in February 2013.

What is the living wage movement?

This movement was launched as Living Wage Aotearoa New Zealand in Auckland in May 2012 and in Wellington in August 2012. Local living wage movements have emerged in other parts of New Zealand. Living Wage Aotearoa New Zealand brings together over 150 organisations concerned about growing poverty and inequality in New Zealand including unions, community and faith-based organisations. The aim of the movement is to reduce inequality and poverty in our society by campaigning for all workers to receive a living wage.

Is it really so bad in New Zealand?

The gap between the rich and poor is growing in New Zealand and poverty increasing. More and more New Zealanders don't get paid enough to meet their basic needs and participate as active citizens in society.

- New Zealand is ranked by the OECD 23rd out of 30 developed countries for income inequality
- 270,000 New Zealand children are estimated to be living in poverty – 1 in 6 Pakeha, 1 in 4 Pacific, and 1 in 3 Maori children
- 40% of poor children come from families where at least one person is in full time work or self employed
- The richest 150 people in NZ grew their wealth by 20% in 2010 while wages moved by less than 2%
- The top 1% of earners has more wealth than the bottom 60%

Is the living wage the same as the minimum wage?

No, the minimum wage and the living wage are two different things. The minimum wage is decided by the Government of the day after consultation with employers and unions and advice from government agencies. The minimum wage is \$13.75 and we know this is not enough to live on. It is not a living wage that enables workers to survive and participate in society. Many workers' employment agreements set rates just above the minimum wage and this is not a living wage either.

What could the movement do that would make a difference?

The living wage movement can make a difference if:

- Businesses commit to the principle of the living wage to support community well-being
- All publicly-funded bodies lead by example ensuring their employees are paid a living wage

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- All publicly-funded bodies incorporate the living wage and job security in their procurement policy and partnerships with social and environmental agencies
- Corporates and other ethical employers who *can* pay lead the private sector by paying a living wage

What will Living Wage Aotearoa New Zealand do?

Living Wage Aotearoa New Zealand will:

- Recognise the many voices in our community that are fighting for a just society for those in and outside of paid work
- Work with local networks to build local organisation to address local needs
- Call for a living wage that is based on the independently calculated New Zealand living wage of \$18.40
- Acknowledge the many facets of a living wage including tax, transfers, and social services
- Recognise that the living wage is about more than just an hourly rate because the ability to survive and participate in society is limited by other factors such as having to work long hours to make ends meet

Does this mean my community organisation has to pay a living wage?

This movement targets the funders of community organisations, such as local and central government, because funding should support workers to earn enough money to survive and participate in society. The campaign also targets the corporates and the big employers who can afford to pay the living wage.

What are the benefits to employers of a living wage?

Research into the benefits of a living wage in the United Kingdom shows that a living wage:

- Supports recruitment and retention of staff, saving turnover costs
- Lowers the rates of absenteeism and sick leave
- May enhance productivity, through higher quality work by employees
- Boosts morale and motivation
- Improves public image and reputation of businesses

It is well established that low income households spend a larger share of their income on a weekly basis than high income earners. When workers buy goods and services this benefits businesses, large and small.

What are the benefits to employees of a living wage?

Research into the benefits of a living wage in the United Kingdom shows that a living wage resulted in substantial financial and welfare benefits for employees; many employees indicated a greater willingness to implement changes and adopt changes in the workplace.

Will a living wage create job losses?

We often hear that increasing wages will cause job losses, based on the idea that paying a higher hourly wage commands a greater proportion of the wage bill, leaving fewer hours available and therefore fewer jobs.

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Frequently Asked Questions

But the evidence actually indicates there are minimal impacts, if any, and sometimes employment can increase. In 1994 Card and Krueger found that as wages rose for workers in fast-food restaurants in New Jersey, employment increased in all cases.

A 2011 study¹ showed that when minimum wages rose, cost increases did not result in unemployment but rather the costs were absorbed through other channels of adjustment, including higher prices, lower profit margins, wage compression, reduced turnover, and higher performance standards. The study showed that raising the minimum wage allowed management to extract more performance from current employees in more than half of all cases.

Can living wages improve productivity?

Paying living wages is likely to increase productivity as workers are no longer stretched to the margins simply to survive and can invest more in their jobs. A London study in 2012² showed over half of employees felt more positive and more loyal - and staff turnover fell by 25%. For those companies surveyed wage cost increases were only 6% of the contract cost even though staff received much higher increases, averaging 26%.

Costco and Wal-Mart's Sam's Club compete in the US retail market with Costco taking 50% of the market and Sam's Club 40%. Yet Costco pays wages that are on average 72% higher than Sam's Club. Costco has more workers covered by health insurance and retirement benefits than Sam's Club, yet labour turnover in Sam's Club is much higher at 44%, compared with 17% for Costco (dropping to 6% after one year of employment). Costco is considered to have one of the most loyal and productive workforces in retail³. Higher wage rates do not automatically translate into higher costs.

Will the living wage cost the country?

UK research shows that government and workers benefit. Paying the living wage can help struggling families and improve public finances at a time of economic difficulty. If firms in London paid the living wage it is estimated that Government could save almost £1bn a year because of the increase in the tax base and reduced welfare spending.

Low wages affect the individual workers, the households in which they live, their wider community, and the nation at large. While unemployment and underemployment are on the rise, increasingly our communities are experiencing in-work poverty as the gap between wages and survival grows.

The community pays for this shortfall, in poor education and health outcomes, higher crime rates, weakening local economies, child poverty, a deterioration in community engagement with civil society groups, and the growing presence of crippling debt.

1 Barry T. Hirsch, Bruce E. Kaufman, Tetyana Zelenska. Minimum Wage Channels of Adjustment. Institute for the Study of Labor, Bonn, Germany, 2011

2 Jane Wills and Brian Linneker. The costs and benefits of the London living wage. Queen Mary University of London, London, 2012

3 Wayne F. Cascio "Decency Means More than 'Always Low Prices': A Comparison of Costco to Wal-Mart's Sam's Club, Academy of Management Perspectives, August 2006.



Living Wage Aotearoa New Zealand

Frequently Asked Questions

Will contractors be driven out of a competitive market?

Lifting up the wages of employees across the board in procurement contracts makes the marketplace more competitive, as firms can no longer rely on wage repression as their sole competitive advantage.

There are plenty of smaller businesses operating in these markets that struggle to get contracts because they already pay decent wages. By instituting a living wage, barriers to entry for those firms are reduced, allowing them to participate and making the marketplace more competitive overall.

Will a living wage cause inflation?

The rate of inflation is influenced by so many economic factors it isn't reasonable to say that a living wage will cause inflation. In addition, businesses can and do make adjustments to compensate for a mandated increase without pushing the additional expenses onto consumers. Many other things, such as an influx of foreign credit, an increase in taxes or a shortage of raw materials can also cause inflationary bumps.

It is also the case that cost savings are made as higher wages lower turnover rates and motivate greater worker productivity, militating against strong inflationary pressures (See above: Can living wages improve productivity?). US studies show the insignificance of inflationary impact, suggesting that a 10% increase in the minimum wage causes overall prices to rise somewhere between 0.2% and 2.16%, with most estimates falling below 0.4%⁴.

In the US, for example, the longest-running living wage ordinance has been the city of Baltimore. An analysis of the service contracts before and after the implementation of the living wage found that the nominal contract costs for the city rose just 1.2% - lower than inflation during the same period – and concluded that the budgetary impact of the ordinance had been minimal.

Are some categories of workers exempt from this?

The living wage is based on what workers need to survive and participate in society and not on labour market conditions or capabilities of the individual worker. Rather the living wage sets a floor for wages, below which workers cannot meaningfully participate in society. There is no reason why workers with low skill level levels, disabilities, or those just out of school (among many other disadvantaged groups) should be prevented from participating in society by not receiving enough money to live on.

Therefore, the living wage is the minimum rate that an ethical employer should pay all workers. To say that some categories of workers are exempt from paying a living wage suggests that some groups in society should be excluded from participating in society and that is contrary to the purpose of the Living Wage Movement.

What can I/my organisation do?

There's no shortage of ways to help out. Your organisation may have time, people, money, venues or networks that you can offer this campaign. Please let us know how you are able to support us.

We are looking for people to become involved in local movements around the country. You can help decide the future direction of the living wage campaign by becoming involved.

To get involved, email: info@livingwage.org.nz

4 "A Survey of the Effects of Minimum Wages on Prices," by Sara Lemos, Journal of Economic Surveys 22(1): 187–212, 2008.