

Living Wage

Aotearoa New Zealand



Frequently Asked Questions: Contracts for Service

The Living Wage Movement is calling for a Living Wage for all New Zealanders. Public institutions and large employers can lead the way modelling ethical practices. However, many small businesses are choosing to put steps in place to become Living Wage Employers too. Living Wage Aotearoa New Zealand will work with businesses to support them to ensure that directly paid employees and any contracted workers are paid a Living Wage. This information sheet is to assist understanding of the Living Wage where it relates to contractors.

WHAT IS A CONTRACT FOR SERVICES?

Contractors enter into a contract for services with an enterprise that is hiring an outside party to deliver a service. This creates a contractor-client relationship and is called a contract for services. Where an employee/employer relationship exists it is a contract of service.

CAN WE DIRECT OTHER BUSINESSES TO PAY THE LIVING WAGE? ISN'T THIS INTERFERING IN THE AUTONOMY OF A BUSINESS?

There is nothing that prevents businesses setting the rules for contractors that deliver services to their business. Enterprises can require contractor's employees are paid a minimum rate equivalent to the current Living Wage. It is the same as a business deciding it will set terms around environmental or quality standards. Businesses increasingly acknowledge that consumers want to support enterprises that are making ethical choices.

DOESN'T THE LAW PREVENT DISCLOSURE OF PEOPLE'S RATES OF PAY?

The accreditation process does not require disclosure of names of individuals employed by contractors but there is a requirement that an accredited Living Wage Employer is assured that no contracted worker is being paid less than the Living Wage.

WHY ISN'T IT ENOUGH TO PAY JUST THE DIRECTLY EMPLOYED STAFF THE LIVING WAGE?

Many workers are living in poverty because businesses have contracted out services. They may have done this so they don't have to take responsibility for the service or perhaps to reduce costs but the result is continuous pressure on labour costs. The competitive tendering of services drives down wages and only the business contracting the service has the power to change this. They can do this

by specifying that the current Living Wage is the minimum rate for all staff.



WHAT ABOUT THE COMPANY THAT JUST DELIVERS A SERVICE PERIODICALLY?

The accredited Living Wage Employer must ensure directly employed workers are paid a Living Wage and that contractors who deliver services on a regular and ongoing basis pay the workers a minimum of the current Living Wage. Periodically cleaning the windows would not be included in the requirements.

WILL THE REQUIREMENT TO PAY A LIVING WAGE CAUSE CONFLICT WITH CURRENT CONTRACTORS?

No, setting the terms of a contract for service is a business decision. When a business requires any contractors to tender on the same terms there is a level playing field and therefore no party is disadvantaged. Evidence suggests the quality of the players in the market may actually improve.¹

WHAT HAPPENS WHEN THERE ARE LANGUAGE BARRIERS TO UNDERSTANDING THE LIVING WAGE?

All businesses big and small have to abide by New Zealand law and will probably have support systems in place to assist them. For any questions about the Living Wage contact us through **info@livingwage.org.nz** or visit the website **www.livingwage.org.nz**

WHAT HAPPENS IF THE CONTRACTORS SAY THEY CAN'T AFFORD TO PAY IT?

Contractors base their proposals to deliver services on the specifications provided by the business. If the business requires workers are paid a Living Wage then all tenders will reflect that. Ethical businesses can take comfort that they are not supporting working families living in poverty.

WHAT PROCESS DO I HAVE TO GO THROUGH TO ENSURE CONTRACTORS PAY A LIVING WAGE?

The terms of the contract for service will determine how the Living Wage becomes a reality. There may be a right to review the contract during its term or the contract may just run its term before new rules are put in place. At that point the current contractor and/or competitor firms may be notified of the specifications for undertaking a future contract, including the requirement that workers will receive the Living Wage.

1. The Costs and Benefits of a Living Wage for Auckland City Council
www.livingwage.org.nz/resources

IS THIS JUST FOR LARGE EMPLOYERS? HOW CAN LITTLE COMPANIES DO IT?

Living Wage Aotearoa New Zealand is calling for workers whose wages are funded by public money to receive a living wage as well as large enterprises that can afford to do so. However, many other smaller businesses and non-government organisations are choosing to do so. Small businesses such as TONZU, Angel Foods, and Little Island Creamery are accredited Living Wage Employers. This is the choice of the business and you may decide to work with the Movement on the implementation in your enterprise.



ISN'T THIS THE RESPONSIBILITY OF CENTRAL GOVERNMENT?

The Living Wage is different from the statutory Minimum Wage which is the responsibility of Government which determines and implements a mandatory Minimum Wage. When it was first introduced in 1946 the Minimum Wage was 83% of the average wage but over the decades it has declined in value. The Minimum no longer provides enough for workers to survive and participate in society and that is why there is a new Movement for a Living Wage.

WILL I END UP WITH A WORSE SERVICE AS A RESULT?

No, the quality of the service is dependent on many factors including the organisation of the business, the relationships between employers and their staff, and the knowledge and experience of the firm in their particular field. Evidence suggests that benefits of a Living Wage outweigh the costs by improving loyalty, motivation, and productivity (see FAQs for more information at www.livingwage.org.nz).

CAN I BE A SUPPORTER OF THE LIVING WAGE BUT NOT AN ACCREDITED EMPLOYER?

The movement for a Living Wage is built on a broad-based alliance of religious faith-based groups, secular/community groups and union groups. Many community supporters calling for a Living Wage are also employers of staff. Some of these groups have chosen also to be a Living Wage Employer, immediately or over time, but this is a separate to any decision about the employment status of workers.

HOW CAN YOU TELL IF AN EMPLOYER IS REALLY A LIVING WAGE EMPLOYER?

An accreditation programme has been developed with criteria that needs to be met to access the license to use the Living Wage Employer Trademark. The programme is overseen by an advisory board. A Living Wage Employer meets the terms of accreditation and signs an agreement for one year. The criteria include that directly employed and workers employed by contractors delivering services on a regular and on-going basis are paid the Living Wage. For information on the employer accreditation programme: www.livingwage.org.nz/employers