

# Living Wage

## Aotearoa New Zealand



## THE LIVING WAGE RATE

### THE LIVING WAGE DEFINED

The Living Wage is defined as: *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.*

The Living Wage concept is a simple yet powerful alternative to the more familiar “market” rate. It reflects the basic expenses of workers and their families such as food, transportation, housing and childcare.

It is calculated independently each year by the New Zealand Family Centre Social Policy Unit.

It is calculated independently of the Living Wage Movement Aotearoa NZ by the New Zealand Family Centre Social Policy Research Unit. The rate is updated annually in line with the increase in average wages and every five years a full review will be conducted, the first review being in 2018.

### A SINGLE RATE FOR AOTEAROA NEW ZEALAND

While aspirational in its vision, the Movement takes a pragmatic approach by funding the calculation of a “basic yet decent” hourly rate (see [www.livingwage.org.nz](http://www.livingwage.org.nz) for details) applicable across the country. The Movement’s view is that higher levels of pay are not going to happen in the current political and economic climate any more than much-needed improvements to Working for Families. As well as politically practical, a single rate is pragmatic for employers, who have the certainty of the same rate wherever they operate in Aotearoa.

Many and various groups of workers benefit from a living wage in different ways, including young people, students, and childless couples who might otherwise have been in poverty.

The Movement considers a whole-of-life approach should be taken to assessing the value of the living wage. As economist and Living Wage volunteer, Prue Hyman explains:

*Paying a living wage could enable those in these categories to make modest savings and thus assist them to save for later family formation and/or retirement savings. But while young people are, as is to be expected, disproportionately paid below the minimum wage (228,500 are between 15 and 24) there are at least 49,000 workers in each five year age bracket up to 60 years old. A huge proportion of 47% of Maori workers and 55% of Pacific Island workers are below the living wage. Many of the older workers will be from these ethnic minorities and are likely to be, more than the younger age group, in the types of work likely to benefit from payment of a living wage.*

## A HOUSEHOLD OF 2 ADULTS AND 2 CHILDREN

New Zealand, like Canada and the US, has chosen a two adult and two child family as their base unit for calculating a living wage. A living wage is an individual wage in the market. The rate is set at a level to support a household of two adult and two children on 1.5 incomes and is therefore more generous to a household of two adults without children and more stringent for a family with three or more children. It will be more generous to a family without a disabled child than to a family with one. The market pays a wage for workers to do particular jobs regardless of their family size, medical needs or other financial obligations.

If a living wage is to enable workers to live with dignity and to participate as active citizens in society, it must be sufficient for families with children. In other words, the adult earners in the household between them need sufficient income to be able to at least participate modestly in society with their children. If two incomes, one being fulltime, can't afford that, then it is less than a living wage. Two adults and two children were chosen as the household composition for these reasons and also because it is a common NZ family size. (See Prue Hyman's comments above about whole-of-life benefits.)

## THE LIVING WAGE AND FAMILY TAX CREDITS

The Movement believes it is the responsibility of employers to pay wages at a level that allows people in full-time work to support themselves and their families. This is a matter of human dignity. It is only in recent years that it has become acceptable in countries such as England and New Zealand for employers to pay very low wages, in the expectation that these will be topped up to a somewhat liveable level by governments. This means that taxpayers are subsidising wages to the tune of billions of dollars for profitable enterprises.

While the Movement believes it is a fundamental obligation of employers to pay wages on which people can live, we accept the reality of the free-market model presents many with a challenge in doing so. That is why the accreditation system for Living Wage Employers is a voluntary programme. The Movement is not aware of anyone who would prefer to be paid a low wage and then deal with a government agency to receive a top-up of that wage, rather than simply being paid enough to live on by the employer.

The Living Wage is one essential part of a strategy to reduce poverty and inequality. As the gap between the rich and the poor grows in New Zealand and poverty increases, more and more New Zealanders don't get enough money to meet their needs, enjoy their lives and participate in society. The Living Wage Movement brings together community, union and faith-based groups around the common goal of achieving a Living Wage that will enable workers to live with dignity and participate as active citizens in society.

