



THE FAMILY CENTRE

SOCIAL POLICY RESEARCH UNIT

Living Wage Aotearoa New Zealand 2016 Update

The New Zealand Living Wage (NZLW) hourly rate for 2016/17 is \$19.80. It will come into effect 1 July 2016. This is an increase of 55 cents on the 2015/16 rate which is in line with the movement in wages.

The original NZLW announced in 2013 was constructed on the basis of expenditure items for a modest weekly budget¹. However, once the living wage rate became a wage mechanism within the labour market, it was decided that annual updates between five yearly reviews should reflect wage movements. The five yearly reviews will involve analysis of the movements in expenditure items, wages and inflation to ensure that the annual increases remain realistic, robust and true to the NZLW definition².

The NZLW is defined by Living Wage Aotearoa New Zealand 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*³.

Wage movement is reported by Statistics New Zealand in the Quarterly Employment Survey (QES). To be consistent, the annual update is based on the percentage wage movement for the year to June the previous year because when the first living wage was calculated the year to June was the most up-to-date figure.

The QES measures the average hourly wage bill across all jobs in New Zealand. The average ordinary time hourly earnings for the year to June 2015 increased 2.8 percent from the year to June 2014⁴. This is a smaller percentage than the most recent increase in the minimum wage of 3.5 percent.

*The rate of \$19.80 is the recalculated New Zealand Living Wage for 2016/17. The movement in the average ordinary time hourly rate, as provided by the QES, was 2.8 percent leading to an estimate of \$19.81 which was rounded down to \$19.80*⁵.

This figure sits modestly at 68 percent of the average hourly earnings in New Zealand (\$29.01) for the same quarter⁶. The QES does not provide median hourly earnings. The New Zealand Income Survey for the same quarter showed the NZLW sat at 72 percent of the average hourly earnings (\$27.46) for the same quarter and 87 percent of median hourly earnings (\$22.83)⁷.

The announcement in February each year gives employers lead time to implement any movement by 1 July the same year.

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¹ King, P. and Waldegrave, C. (2012) *Report of an investigation into defining a living wage for New Zealand*, Family Centre Social Policy Research Unit, Commissioned for The Living Wage Campaign, December, Living Wage Aotearoa New Zealand

² King, P. and Waldegrave, C. (2014) *Living Wage Aotearoa New Zealand Update*, Family Centre Social Policy Research Unit, Commissioned for The Living Wage Campaign, December, Living Wage Aotearoa New Zealand

³ Living Wage Aotearoa New Zealand <http://www.livingwage.org.nz/about>

⁴ Labour Market Statistics: June 2015 Quarter, Wellington: Statistics New Zealand

⁵ Last year it was rounded down 2 cents from \$19.27 to \$19.25. \$19.27 was the base calculation used for this 2.8 percent increase.

⁶ Quarterly Employment Survey: June 2015 Quarter, Wellington: Statistics New Zealand

⁷ New Zealand Income Survey: June 2015 quarter, Wellington: Statistics New Zealand