

Consultation on the Government's Procurement Rules, 4th edition

A Submission by the Living Wage Movement Aotearoa NZ

Introduction

The Living Wage Movement Aotearoa NZ is an incorporated society comprising 86-member organisations from faith, union and community groups.

Our organisation is committed to the reduction of poverty and inequality through a Living Wage, which 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.

Labour, Greens and NZ First candidates made a commitment to a Living Wage at the last election and since that time the Government has moved all public servants to no less than the Living Wage.

This submission relates to the set of outcomes for agencies to leverage from procurement to achieve greater "collective impact," namely to

1. increase New Zealand businesses' access to government procurement
2. increase the size and skill level of the domestic construction sector workforce and provide employment opportunities to targeted groups
3. improve conditions for workers and future-proof the ability of New Zealand business to trade
4. support the transition to a net zero emissions economy and assist the Government to meet its goal of significant reduction in waste by 2020

Overview

Public value is a much-repeated concept throughout the procurement rules. The Living Wage Movement believes in the power of procurement to add *public value*. However, our organisation is concerned that the rules refer only to minimum employment conditions and not to the standards necessary for the wellbeing of workers and their families. Low wages and minimum employment standards contribute to ill-health, poor work practices and unsafe living environments and should not be the standard for government procurement contracts. The earnings of workers engaged by government through procurement contracts should reflect the Living Wage to ensure the wellbeing of contractor's employees, their families and the community.

1. Outcome No.3: improve conditions for workers and future-proof the ability of New Zealand business to trade.

The current rules say: "Agencies must ensure their contracted providers, including contractors and subcontractors, are compliant with minimum employment standards. For information see <https://employment.govt.nz/>."

We propose specific reference to the Living Wage in the rules relating to improving conditions of workers.

a. Public value

The Procurement Rules state: *"The Rules guide Government agencies through setting a standard of best practice procurement. To responsibly procure agencies must achieve public value."* and

"Government procurement can and should be used to support wider social, economic and environmental outcomes that go beyond the immediate purchase of goods and services."

Compliance with the law means that workers must earn no less than a Minimum Wage (\$16.50).

The Minimum Wage is a poverty level income level that provides workers and their families with less than the basic necessities of life. It is not an acceptable standard for a government seeking to add public value through procurement.

The Living Wage is an independently determined rate that ensures all workers can survive and participate in society and should be a foundational principle for Government procurement. If the Government wishes to achieve public value through its procurement practices, it must incorporate the requirement that all workers employed to deliver goods and services to the public are on no less than the Living Wage. These workers are, but for contracting out, public servants, contributing to the public good. Delivering public value must generate well-being and this could not be achieved under the current proposal in the Procurement Rules.

b. The local community

The government seeks collective impact and MBIE states: *"Public value includes considerations that are not solely focused on price, for instance what benefit your procurement could bring to the local community or environment."*

When workers are paid poverty wages local economies suffer. The Government should be modelling best practice by ensuring any worker, who earns their income through public funding, is given the respect and dignity of a Living Wage – an amount that enables them to survive and to participate in society; an amount that supports thriving communities.

In addressing public outcomes, the draft specifically notes that "benefits to disadvantaged groups" are a focus. Invariably those employed in delivering contracted services, such as cleaning or security, are women, Maori, Pacific and migrant workers. The rules need to establish decent standards if disadvantaged groups are to benefit from government procurement. Compliance alone will not benefit those who need it most.

2. Designated contracts

The procurement rules say that "agencies must conduct sufficient monitoring of designated contracts to ensure that commitments made in contracts for ensuring good conditions for workers are delivered and reported on."

It is the view of the Living Wage Movement that the good conditions for workers should apply across all contracts entered into by government agencies and not just those designated by Cabinet.

3. Undercutting

The rules tip box says: *It is important for agencies to incentivise better labour market players over non-performers who may be unfairly undercutting their competitors in government contracting. One*

way to do this is to ensure that all workers employed to fulfil the requirements of government contracts are treated fairly and are not exploited.

The government should ensure workers are not exploited and this means setting standards that lift minimum wage workers out of poverty. The Living Wage standard as a minimum payable rate will ensure that good operators seeking to pay decent wages will not be undermined by cowboys who treat their workers unfairly for a competitive advantage and extra profit.

4. Information

The tendering process should require all businesses tendering for services to disclose the number of staff they are employing on less than the Living Wage. Only by requiring detail of employment conditions can the government agencies effectively monitor the standards being implemented.

In addition, **Rule 15 Planning** should incorporate an item called “pay rates,” so that the agencies are alert to the need to seek tenders that incorporate minimum employment standards of no less than Living Wages.

5. Reasons to exclude a supplier (Rule 44)

The rules seek public value and an assurance of no exploitation but the reasons to exclude a supplier are not inclusive of these concerns.

The Living Wage Movement proposes that a reason to exclude a supplier is evidence of exploitation of the workers employed by a supplier.

6. The Charter

The Living Wage Movement is concerned the charter does not recognise the people who are delivering services through suppliers. Procurement is not about processes and products alone, it is about people.

We propose the charter includes under “Be fair to all suppliers”, the following: Create competition and encourage capable suppliers that recognise the value of their staff by paying them a decent wage.

Summary

The Government has been a shining light for decent wages, ensuring that all core public servants are employed on no less than the Living Wage. However, behind the directly employed workforce is a less visible army of contracted workers, languishing on poverty wages. We seek a change to these draft rules to ensure that the principle applied to one workforce, (the directly employed), is equally applicable to its second, publicly-funded workforce (the contracted workers).

The Living Wage Movement would like to appear in person to speak to this submission should their be process that enable this engagement.



Annabel Newman

National Convenor

Living Wage Movement Aotearoa NZ

