

Living Wage Aotearoa New Zealand Statement

“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.”



Participation refers to more than survival on the basic necessities, because it involves the ability to participate socially and even consider the future like a modest insurance policy. It embraces small but important things like being able to pay for children to enjoy a school trip, having a computer in the home and being able to mix with friends recreationally, albeit modestly.

It is this sentence that distinguishes the Living Wage from the 'poverty' or 'income hardship' threshold.



"I'd love to leave a beautiful legacy for my grandchildren
-a decent wage and decent conditions when they go to work."

Calculating a Living Wage

In order to calculate a Living Wage, a household unit of two adults and two children(2A2C) was chosen because this is a common NZ family size and it is the minimum average sized 'family' required to ensure population replacement.

It was considered a Living Wage should at least be sufficient to support such a unit.



"A living wage is all about family."

The household is assumed to have two income earners, one working full time and the other half time.

Statistics New Zealand Household Labour Force Survey (HLFS) results for June 2012 show that in 68.5 percent of households with two adults and two dependent children, both adults were income earners.



"Cost of living goes up. Wages don't."

How the Living Wage was calculated.

People live in households but are paid in the market as individuals regardless of their household obligations. A living wage really has to be an individual market wage. Thus the position adopted in the report was that the Living Wage is set at an hourly rate sufficient to provide the level of after tax income to meet the household's reasonable needs.



"I can't get what I want for my kids. We've had to sacrifice lots of things."

Focus Groups

Five focus groups were held, three in the Wellington area and two in Auckland, with an average of 8 members in each. They were invited to estimate for a household of 2A2C, a list of household expenditure items that were much the same as those covered by the Household Economic Survey (Statistics New Zealand) that would reflect the Living Wage definition. The results showed that the groups produced estimates that were considerably higher than what might in the end be agreed as a defensible and achievable level for the Living Wage.

Independent data sources

The second way of estimating the budget items constituting necessary expenditure used independent data sources. With the higher than expected estimations from the focus groups, this second estimate was the one used in deriving the living wage.

The following independent data sources were used to estimate budget items:

The annual Food Cost Survey carried out by the University of Otago's Department of Human Nutrition was used to estimate a basic weekly food cost for a 2 adult/2 children family (2A2C) that would meet their nutritional needs.

The Ministry of Business, Innovation and Employment's average lower quartile national rent figures were used to estimate weekly housing costs

The Statistics New Zealand's Household Economic Survey average expenditure figures for income deciles 1-5 (the lower 50 percent of NZ household incomes) were used to estimate the remaining itemised costs apart from childcare.

10 hours were allowed for childcare costs, given one adult worked 20 hours a week and 3 and 4 year olds have access to 20 hours free early childhood education.

Saving through Kiwi Saver at the minimum level of two percent of gross income was assumed. The sum of the costs of the budget items provided a benchmark for the required household after tax income that was needed to cover those costs.

Calculation

Having identified a necessary level of disposable, after tax income, the next step was to calculate the 1.5 before tax market wages for two individuals necessary to provide that after tax household income. The calculation took into account the effects of income tax, Working for Families tax credits, Kiwi Saver deductions from wages, and financial support provided by the state through childcare support and the Accommodation Supplement.

The Living Wage benchmark

The calculations showed that a total gross annual income from 1.5 market incomes of \$57,432 was required to meet the estimation for the required household income. This in turn produced an hourly rate of \$18.41

That provides a household after tax income of \$53,976 which is 76.78 percent of median after tax household income and 63.78 percent of average after tax household income. This is where one would expect a living wage to sit, close to half way between the poverty line (60 percent of median after tax household income) and the median.

In order to avoid creating a sense of 'false precision' when setting the final LW benchmark, the hourly rate was rounded down a cent to **\$18.40**.

Two qualifications

This benchmark has been set with two qualifications. Firstly, **regional variations in rent** complicate matters considerably with Auckland having far higher rents than the rest of the country. A national figure for the LW is required, so the differences in Auckland would seem to have to be made up through increases in Accommodation Supplement entitlements. The evidence presented in the Report provides a strong case for that.

Secondly, the calculation of the hourly rate necessary to produce that level of disposable income is **based on existing tax rates and income support entitlements** such as Working for Families tax credits, Childcare support and the Accommodation Supplement. If any of these changed, the necessary hourly rate would change as well—either up or down.

**The Table
Expenditure by
Categories**

Food	226	
Clothing and footwear	18	
Housing - rent or mortgage	275	
Household energy	46	
Household/ contents/ services	33	(includes appliances + furnishings)
Health	14	
Transport	121	
Communicati on - phone/interne t	29	
Recreation and culture	78	

Education	37	
Miscellaneous	64	(insurance/ life insurance)
Savings + emergencies	66	
Childcare	31	
Weekly	1038	
Annually	53976	
Total gross from 1.5 incomes	57432	(60 hours)
Hourly rate	18.41	

**(This takes
into account
Kiwisaver,
Family tax
credit, In
work tax
credit)**

So?

Given this evidence, and given that many people are earning less than this, with a minimum wage of \$13.75 (\$4.65 below a living wage), we have an obviously unjust society, with many people denied full citizenship.

What you can do.

Vote for social justice: some of the political parties support this campaign.



Get your church, union and community group to sign up to this campaign.

Put pressure on local employers to become Living Wage Employers.

Put pressure on your local MP.