

# **Identifying the level of a living wage for New Zealand: Part 1.**

**OHS symposium  
Precarious Work and the Living  
Wage in our Communities**

**Two Day Symposium and Workshops  
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**Peter King**

**Family Centre Social Policy Research Unit**

# OUTLINE

- **Two part approach**
- **Target household**
- **The income earners**
- **Information sources**
- **Considering Gross and Net income**
- **Calculation breakdown for the agreed living wage level**
- **Income distribution, government transfers and the living wage**

# **A two part approach**

- 1. Estimate necessary level of disposable or net income for a specified household**
- 1. Calculate the gross income required to produce the necessary disposable income**
  - Calculation takes into account taxes and income supports**
  - The living wage is a market wage based on the gross income**

# The target household

- **A target household was decided at an early stage**
- **Facilitates simplicity and clarity**
- **Two adults and two dependent children**
- **Minimum size for population replacement**
- **A living wage should be sufficient to meet the needs of such a basic family unit at least**
- **Provision for larger family units is subject to wider population, tax and income support policies**

# The income earners

- **How many? One or two?**
- **69% of NZ households with 2 adults and 2 dependent children had two earners (HLFS June 2012)**
- **Settled on one full time and one half time earner**
- **Calculations assume both earn at the same rate**
- **Combined incomes produce required total net household income**

# Information sources

## Part 1

- **Otago University annual Food Cost Survey**
- **Average lower quartile national rent figures**
- **Household Economic Survey**
- **Focus groups**

## Assumes:

- **10 hours childcare costs**
- **Saving through Kiwi Saver at the minimum level of two percent of gross income**

## Part 2

- **IRD tax rates and tax credits**
- **Work and Income Accommodation Supplement eligibility**

# Considering Gross and Net income

## Process:

- **First estimate appropriate level of disposable or net income**
- **Then calculate level of gross income required to provide the necessary net income**

## Calculation must take into account:

- **Tax/PAYE removed from gross income**
- **Income support transfers added to income**

# Calculation breakdown for the agreed living wage level

Household income	Incoming			Outgoing	
	Annual gross	FTC	IWTC	Kiwi saver 2%	PAYE incl. ACC
Fulltime	38,288			766	6,371
Halftime	19,144			383	2,696
<b>Total</b>	<b>57,432</b>	<b>3,640</b>	<b>3,120</b>	<b>1,149</b>	<b>9,067</b>

<b>Total incoming</b>		<b>Total outgoing</b>		<b>Net Income</b>
<b>64,192</b>	Minus	<b>10,216</b>	Equals	<b>53,976</b>

The full time (and half time) hourly rate is \$18.40

AS is not included because this household was not eligible.

Without FTC and IWTC total gross required would rise to \$64,192 and hourly rate to \$20.60



# **Income distribution, government transfers and the living wage**

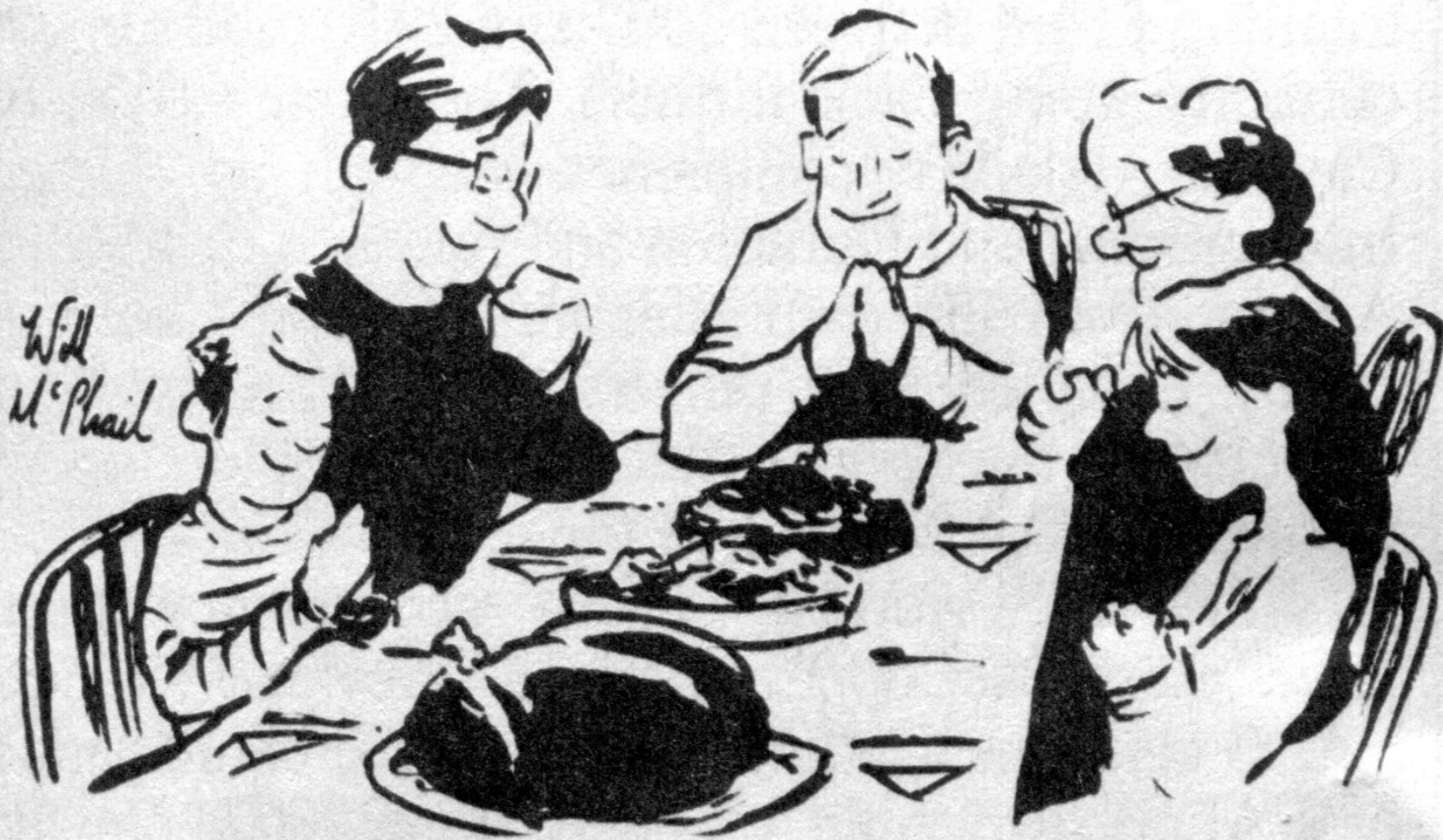
- **Without current tax credit eligibility the gross, earned, income would increase by \$6,760 per annum to \$64,192**
- **The hourly payable living wage would increase to \$20.60**
- **Given the assumed rent level the target household is not eligible for an Accommodation Supplement**

# **Income distribution, government transfers and the living wage**

- **Changes to eligibility criteria for these forms of income redistribution can make a considerable difference to the possibility of a living wage**
- **Income redistribution is commonly viewed as being downward from high to low income earners**
- **But it is less common to view low wages as an upward distribution of wealth**

# **Income distribution, government transfers and the living wage**

- **Income adequacy for all is incompatible with a high level of income inequality**
- **A downward redistribution of wealth is necessary to support income adequacy for all through a combination of increased market wages and income support**
- **Support from employers, the state, and the wider population is required**



*“Thank you, God, for giving others  
so much less than us”*