

Developing an evidence-based 'NZ Living Wage'



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Precarious Work and the Living Wage in our Communities
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Background

- Family Centre's earlier poverty measurement research
- Aim to provide an empirical basis for determining a living wage level for NZ
- *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. (Living Wage Aotearoa New Zealand)*
- Participation refers to more than survival on the basic necessities. It involves the ability to participate socially and even consider the future like a modest insurance policy, being able to pay for a child's school trip, having a computer in the home and being able to mix with friends recreationally, albeit modestly.



- A household unit of two adults and two children (2A2C) was chosen
- 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 this report is that the LW is set at an hourly rate for a full time market wage, and that it in conjunction with the other adult's half time wage is sufficient to provide the level of after tax income to meet the household's reasonable needs.



Focus Group Results

BUDGET ITEM	Hutt Valley	Porirua	Newtown	Mangere	Kingsland	Average
Food	260	400	330	300	275	313
Household operations	30	90	50	105	65	68
Housing	350	290	450	400	400	378
Power/Heating	100	100	100	160	45	101
Phone & internet	65	43	50	60	30	50
Transport	180	250	140	180	129	176
Activities/Recreation	60	250	50	100	60	104
Holiday	10	90	60	20	39	44
Insurances	33	40	15	9		24
Life insurance/Super	37	20	45	80	40	44
Saving	160	250	60	50	15	107
Exceptional Emergency	60	100	20	50	50	56
Appliances	20	30	15	30	33	26
Furnishings	15	40	15	40	6	23
Medical	20	35	20	5	7	17
Clothing/Shoes	60	115	50	110	60	79
Childcare	350	300	190	50	250	228
Education	21	60	60	30		43
TOTAL	1831	2503	1720	1779	1504	1881



Adjusted Estimates

Focus Group Budget Item	Average	Alternative estimates
Food	313	226
Household operations	68	68
Housing	378	275
Power/Heating	101	101
Phone & internet	50	50
Transport	176	176
Activities/Recreation	104	104
Holiday	44	44
Insurances	24	24
Life insurance/Super	44	44
Saving	107	
Exceptional Emergency	56	56
Appliances	26	26
Furnishings	23	23
Medical	17	17
Clothing/Shoes	79	79
Childcare	228	31
Education	43	43
TOTAL	1,881	1,387



Correspondence between Focus Group and HES Categories

Focus group items	HES items
Food	Food
Clothing/Shoes	Clothing and footwear
Housing	Actual rentals for housing
Power/Heating	Household energy
Household operations + Appliances + furnishings	Household contents and services
Medical	Health
Transport	Transport
Phone + Internet	Communication
Activities/Recreation + holiday	Recreation and culture ^[1]
Education	Education
Insurances + life insurance	Miscellaneous goods and services
Saving + Exceptional emergency	Other expenditure
Childcare	

^[1] The HES category for alcohol and drugs has been included here.



Moderation of Focus Group Estimates against HES Averages

Expenditure categories from HES plus childcare	HES Average	FG average	Revised FG average	Average of HES deciles 1-5
Food	256	313	226	226
Clothing and footwear	34	79	79	18
Actual rentals for housing	90	378	275	275
Household energy	58	101	101	46
Household contents and services	64	117	117	33
Health	29	17	17	14
Transport	177	176	76	121
Communication	34	50	50	29
Recreation and culture	162	148	148	78
Education	32	43	43	37
Miscellaneous goods and services	125	68	68	64
Other expenditure	183	163	163	66 ^[1]
Childcare		228	140	31
Weekly	1,245	1,880 ^[2]	1,503	1038
Annually	64,722	97,760	78,156	53,976
Total Gross from 1.5 incomes	73,800	124,456	96,866	57,432
Hourly rate for fulltime worker	23.65	38.89	31.05	18.41

^[1] This figure is reduced from the original HES figure of \$96 which is mostly comprised of mortgage interest, and does not apply to our target families. Instead, the \$66 comprised of the estimated \$56 for Exceptional emergencies identified by the focus groups and an allowance of \$10 for non-mortgage interest payments. Other saving in addition to KiwiSaver is also allowed for here.

^[2] This figure differs by \$1 from the corresponding totals in Table 1 and Table 2 due to rounding.

Adjusted Estimates

Expenditure categories from HES plus childcare	HES Decile 1-5 with National and Auckland Rents	
	National	Auckland
Food	226	226
Clothing and footwear	18	18
Actual rentals for housing	275	438
Household energy	46	46
Household contents and services	33	33
Health	14	14
Transport	121	121
Communication	29	29
Recreation and culture	78	78
Education	37	37
Miscellaneous goods and services	64	64
Other expenditure ^[1]	66	66
Childcare	31	70
Weekly	1038	1,240
Annually	53,976	64,480
Total Gross from 1.5 incomes	57,432	75,213
Hourly rate for fulltime worker	18.41	24.11

^[1] The HES category for alcohol and drugs has been included here.



The estimates have considerable evidence to support them

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 role of the State in achieving a 'Living Wage'

- 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.

