

## The Living Wage

### Introduction

1. Intense debate over proposals introduce a "living wage" is occurring globally. The current campaign in New Zealand is part of this global conversation. In 2013 social researchers proposed a living wage of \$18.40 per hour as the minimum income necessary to support a New Zealand worker and their family in dignity. Around 400 employers have since adopted the living wage brand as part of their wages policy.
2. However, there is considerable controversy over the sustainability of the living wage concept and whether or not it can achieve its objectives. Key among the expressed concerns is the effects the concept could have on commercial (as opposed to taxpayer funded) businesses, the success of which is the foundation of our national economic performance.
3. Simply buying into the idea of providing a dignified life for workers may lead to just the opposite. No matter how a business chooses to label its approach, the approach it takes to wages should be an economically rational and sustainable one. It is therefore vitally important that businesses looking to increase wages to "living wage" levels do so in full knowledge of the potential consequences. This requires a similarly full knowledge of the underlying assumptions upon which the living wage concept is built.
4. This paper looks at the underlying assumptions of the living wage and makes suggestions for an economically sound approach to lifting wages.

### What is the living wage?

5. The living wage concept is aimed at providing workers the minimum income necessary to meet their own and their dependents' basic needs and to live "in dignity".
6. Basic needs for living in dignity are commonly defined as including:
  - a. Housing
  - b. Food
  - c. Childcare
  - d. Education
  - e. Transportation
  - f. Healthcare
  - g. Taxes
  - h. Holidays and recreation
  - i. Saving for long term purchases and emergencies
  - j. Other basic necessities (social security)
7. There is no single globally accepted definition of living wages. What is clear from the central concept, however, is that living wages are calculated on the basis of a notional employee's *domestic circumstances* rather than the value of their *work* (skills and productivity). Thus, the living wage is based on requiring employers to support their employee's needs rather than paying employees for the value created by their work.

8. This focus on domestic needs arguably excludes traditional labour economics as a basis for its calculation and leads to conclusions that the living wage is a form of wealth distribution based on socialist as opposed to neo liberalist principles<sup>1</sup>. Certainly, the publicly active proponents and opponents of the concept appear to divide along these lines.
9. Currently accredited "living wage employers"<sup>2</sup> are made up almost exclusively of churches, community group, unions, left wing political parties and a very small number of small and mainly "green" businesses (e.g. organic foods). Employers not accredited as Living Wage employers who have nevertheless used the term to describe their wages policies are few and concentrated mainly in local government.
10. A very small number of larger private sector employers have adopted the Living Wage brand without seeking to be accredited as Living Wage employers. However, they have all apparently done so in a staged and structured manner that aligns increases in wage rates to increases in the skills and productivity of employees<sup>3</sup>. It is arguable that employers in this category are not in fact following the Living Wage model as such, as their structured approach has added value to the workers' labour, rather than compensated them for their domestic circumstances.
11. The proponents of living wages argue that they have increasingly positive effects on poverty alleviation, as more basic needs are included in its definition. However, this outcome has often been questioned. For instance, OECD research has found that the poorest households are those where no one is working and therefore neither living nor minimum wages would directly contribute to their poverty alleviation.
12. There is also abundant literature arguing that lifting minimum wages (the lowest acceptable market price of labour) without supporting increases in productivity may actually increase poverty and unemployment in the medium and long term (particularly among workers with low skills and/or productivity) and hinder business development<sup>4</sup>.
13. This could also be said for living wages (the lowest acceptable value for a "dignified" life) but given the diverse and wide definition of basic needs, living wages could be up to six times higher than minimum wages for low productivity sectors<sup>5</sup>. This "excessively high minimum wage" could be even more counterproductive to employment creation and the competitiveness of companies and, in the long term, adversely affect the economic development of a country.

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<sup>1</sup> The concept has its origins in the feudal and church-led middle ages, where a fair and decent wage was set according to church recommended community based values.

<sup>2</sup> See Appendix 1 for a list of accredited Living Wage employers

<sup>3</sup> Vodafone and the Warehouse are examples.

<sup>4</sup> "50 years of Research on the Minimum Wage" (Joint Economic Committee – Congress of the United States" (1995), OECD 1998

<sup>5</sup> G. Sestrini, Wages in the Apparel Industry: What constitutes a Decent Standard? 2005, page 19.

14. Beyond that, and although the “livability” concept has been used and developed at international level through various Declarations, Conventions and Covenants, it remains highly problematic, especially when applying it to commercial businesses whose long-term sustainability requires them to remain profitable. This in part is why a majority of existing living wage employers are in community groups and taxpayer funded public and local government sectors where their existence is not immediately threatened by the need to be profitable.

### **The New Zealand Living Wage Campaign**

15. New Zealand’s current living wage campaign dates from 2013 and is based on a calculation by social researchers of the costs of a basic healthy lifestyle for a family of two parents and two children, one 10, the other 4, one parent working full-time and the other part-time.
16. Transport and most other costs are based on the household economic survey and judgments have been made about what items are essential and what are luxuries. For the purposes of establishing a living wage rate the researchers used the following basic criteria;

#### *Income conditions*

- a. One parent is working full time the other part time

#### *Household Conditions*

- b. The household consists of two adults and two dependent children; one a teenager and the other aged under 10.
- c. Both children are attending school.
- d. “Income” includes the value of all money, goods and services received by the household regardless of the source.
- e. The financial circumstances of the household are not expected to change significantly.
- f. The members of the household are drawing on a common pool of resources and the earned market income of the two adults.
- g. There are costs relating to generating income, such as travel to and from work, work clothes, meals, and tools.
- h. Work done within the household has no financial value.
- i. The goods and services that are available, including public services, will continue to be available at the same cost.
- j. The householder has access to good information on options that affect income and expenditure decisions and has a very good ability to manage a household budget.

#### *Food*

- k. Three meals a day for all members, plus snacks after school and work.
- l. Allow for meals for visitors at least once a week.
- m. Food of supermarket price and quality sufficient to maintain health and normal development
- n. One child is a teenager and one is aged under 10.

*Household operations*

- o. Maintain cleanliness and hygiene.
- p. Utensils and cutlery for all members.
- q. Feeding and caring for pets.

*Housing*

- r. Private sector market rents at the lower end of the market in the area for 3 bedrooms.

**Movements in the living wage**

17. Living Wage Movement Aotearoa<sup>6</sup>, the organisation spearheading the campaign for living wages, and the self-appointed organisation responsible for setting the living wage rate, has stated that it will review the rate fully each five years, and adjust it in interim years using the QES.
18. Since introduction in 2013 the “living wage” amount has been increased annually. It increased to \$22.10 in 2020 and will move to \$22.75 in May 2021. The last full review of the basis of calculation of the living wage was undertaken in 2018. Between 2013 and 2018, and since, the original amount has been moved by the amount indicated by the June quarter of the Quarterly Employment Survey (QES).

Year	LW Rate	FTE salary <sup>7</sup>	Min Wage	FTE salary
2013 <sup>8</sup>	\$18.40	\$38,382	\$13.75	\$28,682
2014	\$18.80	\$39,216	\$14.25	\$29,725
2015	\$19.25	\$40,155	\$14.75	\$30,768
2016	\$19.80	\$41,302	\$15.25	\$31,811
2017	\$20.20	\$42,137	\$15.75	\$32,854
2018 <sup>9</sup>	\$20.55	\$42,867	\$16.50	\$34,419
2019	\$21.15	\$44,119	\$17.70	\$36,922
2020	\$22.10	\$46,100	\$18.90	\$39,425
2021	\$22.75	\$47,456	\$20.00	\$41,720
2022	\$23.65	\$49,333	\$21.20	\$44,223
2023			\$22.70	\$47,352

**History**

19. The concept of a living wage is not new; its origins can be traced back to at least to the Middle Ages when the concept of a “fair and decent wage”

<sup>6</sup> Living Wage Movement Aotearoa was established in April 2013 with membership comprising faith based religious groups, unions and community/secular groups. In the same year independent research by the Family Centre Social Policy Unit established the first Living Wage rate for New Zealand, \$18.40 per hour. The Living Wage Movement is not aligned to any political party [it does have left wing political parties as members] but seeks to influence those who have the power to change the lives of workers and their families. *Its primary focus is on incomes funded through public money, and on large employers.*

<sup>7</sup> Based on a 40 hour Week

<sup>8</sup> Full Review

<sup>9</sup> Full Review

based on community values determined by the church and paid by feudal landowners to their tenants was the basis on which wages were paid. It flourished further as a concept during the Industrial Revolution and was a central feature of the then embryonic communist renaissance in the 19th century<sup>10</sup>. In more recent times it was revived (initially in London<sup>11</sup>), and has become something of a “flagship” concept for addressing low pay issues.

20. In New Zealand, centralised wage-fixing, incorporating something like a living wage component, was ‘institutionalised’ in the late 19th century<sup>12</sup>. As early as 1907, the Court of Arbitration endeavoured to establish a minimum or ‘living’ wage level but the level had to be adjusted from time to time.
21. During the First World War, the court was authorised to issue cost-of-living bonuses and in 1919 was given authority to make a general adjustment of rates within its jurisdiction. Using this authority, the court attempted to preserve the “living wage” concept by issuing a Standard Wage Pronouncement (SWP) prescribing minimum rates the court considered appropriate for unskilled, semi-skilled and skilled workers.
22. The prescribed rates were inserted into awards and agreements as these documents came up for renewal, with a cost-of-living bonus added. These continued until 1952 when unions sought to end them. The unions believed a General Wage Order (GWO) would serve them better.
23. GWOs might be thought of as operating in tandem with SWPs. The first GWO was issued by the court in 1922 after it was authorised, in 1921, to make wage adjustments of general application. Unlike SWPs which prescribed minimum rates, GWOs were intended to protect the real value of wages against increases in the cost of living and in effect, they functioned usually as a kind of living wage increase.
24. In June 1968, the Court of Arbitration caused considerable consternation by rejecting a GWO on the grounds of incompatibility with current economic conditions. That decision was overruled the following month when the court’s worker and employer representatives joined together to countermand the original decision, granting a 5% increase. For the GWO system, as for the arbitration system itself, this was the beginning of the end.

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<sup>10</sup> The Living Wage concept aligns closely with the dicta ‘*From each according to his ability, to each according to his need(s)*’ espoused by Karl Marx in his *Critique of the Gotha Program*, 1875. This in turn was aligned to the idea that the State owned the means of production and therefore was the primary employer and provider. This may explain in part why the Living Wage Aotearoa Movement state that their primary target is publicly funded organisations and large corporates.

<sup>11</sup> London’s intention (a lesser living wage rate applies for persons working outside London) is to let individuals live more comfortably in a very expensive city. Signing up as a living wage employer in London is voluntary, no-one has to do it. To date, both in London and elsewhere, it has been adopted mainly in the local government sector, using tax or ratepayers’ money.

<sup>12</sup> Labour and Industrial Relations in New Zealand, A Discussion on Wage Structure, Douglas Martin, Pitman Pacific Books, Howells, Woods, Young, 1974 258

25. The years prior to 1968 had, increasingly, seen direct bargaining between employers and unions (second-tier bargaining) resulting in wage increases much higher than those achieved by arbitration. The higher wage increases contributed to the period's growing inflationary pressures and led to an attempt to control the wage bargaining process by statutory means.
26. In force from March 1971 until March 1972, the Stabilisation of Remuneration Act aimed to '*make provision with respect to the stabilisation of remuneration for employment and matters incidental thereto*'. The Act set an upper limit of 7% for new wage settlements with anything above the ceiling to go a Remuneration Authority. The Act did not work. 7% became a floor and the Court of Arbitration awarded the Clerical Workers Union a 16.5% increase which the union retained by successfully arguing in the Court of Appeal that the Court of Arbitration was not subordinate to the Authority<sup>13</sup>.
27. Over the next decade, with the arbitration system in decline and inflation continuing to increase, further efforts at wage control were made<sup>14</sup>. Only at the end of 1986 was the now complex regulatory system revoked with, subject to a new statutory Minimum Wage Act, in 1987, the onus of determining wages and conditions passing with the 1991 Employment Contracts Act, to the negotiating parties.
28. While New Zealand's centralised wage-setting process attempted to ensure that wages kept up with prices - or in other words, to ensure employees were paid something like a living wage - that was not the whole story. Nothing better exemplifies the difference between how the wage function was viewed for much of the twentieth century and how it is has come to be viewed than the first attempt to introduce a minimum wage of general application.
29. In 1935, the Court of Arbitration was given the authority to introduce, via a GWO, a minimum wage which set the adult male rate at slightly above prevailing minimum adult male rates for unskilled labour. The wage was intended to allow a man to maintain himself, a wife and three children 'in a fair and reasonable standard of comfort'. It was, in essence a 'living wage' for a family headed by a male employee. The female rate was set at 47% of the male rate.
30. But from 1936 to 1945 when New Zealand's first Minimum Wage Act was passed, nothing much changed – award and agreement minima, adjusted by cost-of-living increases, essentially set the lower rate payable and awards and agreements all distinguished between higher male and lower female rates. And similarly, when the 1945 Minimum Wage Act was passed, it was

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<sup>13</sup> The decision was reversed by the Stabilisation of Remuneration Amendment Act in November 1971, but without retrospective application – the Clerical Workers kept their increase.

<sup>14</sup> From mid-1972 on Economic Stabilisation Regulations were made under the 1948 Economic Stabilisation Act, replaced by Economic Stabilisation Regulations in 1973 and with Wage Adjustment Regulations following in 1974. In 1979 the National Government passed a Remuneration Act which repealed the General Wage Orders Act, allowed rates of remuneration to be determined by regulation and for any instrument to be nullified by regulation. The consequence was a 24-hour general strike. A wage freeze, lasting until November 1984, followed in mid-1982.

still considered reasonable to set a lower female rate. That distinction did not entirely disappear until 1979, once the Equal Pay Act was fully implemented.

31. And that brings us to the heart of the present living wage dilemma. The history of the Living Wage has played out primarily in an era of heavily protected trade and labour markets. Until the latter years of the twentieth century, the minimum/living wage focus was on the male bread winner model of family organisation – a relatively straightforward basis on which to calculate an adequate payment level but not at all appropriate for the twenty-first century in which free trade and international labour migration are the foundations of modern work. The current premise of the Living Wage (a 1½ income family of four) is strongly reminiscent of this bygone era.

### **Living wages in international law**

32. References to living wages can be found in the Universal Declaration of Human Rights, 1948<sup>15</sup>, and in the International Covenant on Economic, Social and Cultural Rights, 1966<sup>16</sup>.
33. The principle of the “provision of an adequate living wage” is included in the Preamble to the Constitution of the International Labour Organization, and The Minimum Wage Fixing Convention (No. 131) and Recommendation (No. 135), 1970, deal with living wages<sup>17</sup>.
34. Other references to living wages are to be found in the 1977 ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy<sup>18</sup> and in the 1976 OECD Guidelines for Multinational Enterprises.
35. However, all these provisions have to be properly interpreted in their context and framework. None were conceived to create an international legal obligation on States or companies for a living wage.

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<sup>15</sup> Article 23, paragraph 3 states: “Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection”

<sup>16</sup> Article 7 recognises that the right to “Remuneration which provides all workers, as a minimum, with: ... (ii) A decent living for themselves and their families in accordance with the provisions of the present Covenant”.

<sup>17</sup> ILO Convention 131 established the level of minimum wage as the combination of both social (living) factors and economic ones (“the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups” and “the requirement of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment”).

<sup>18</sup> Paragraph 34 reads as follows: “When multinational enterprises operate in developing countries [...] they should provide the best possible wages, benefits and conditions of work, within the framework of government policies. These should be related to the economic position of the enterprise, but should be at least adequate to satisfy the basic needs of the workers and their families. Where they provide workers with basic amenities such as housing, medical care or food, these amenities should be of a good standard”.

36. Even if this concept appears to be a legitimate reference as a goal for public policies, none of the international organisations, or UN Member States, have developed them in a concrete way. Nor is there a single UN definition or model for how such development might be undertaken. This is due mainly to the uncertainty and lack of practical approach that this concept lends itself to.
37. These references were initially introduced as objectives of public policies, as well as globally legitimate aspirations, rather than concrete obligations for companies within an employment relationship.

### **Living wages and minimum wages**

38. Governments, employers, workers and academics have different perspectives on the concepts of the minimum wage and the living wage. Living wages are essentially instruments of social regulation aimed at reducing inequalities and contributing to poverty alleviation. Unlike minimum wages, living wages are not designed to ensure fair value for work done.
39. Also unlike the living wage, regulation of the minimum wage is widespread. The vague nature of the "livability" concept makes it difficult for countries to fix their view of the minimum value of work wages by referring exclusively to the cost of an employee's domestic circumstances. Consequently, only a few countries use a reference to a living wage as part of a minimum wage setting system, together with other economic parameters (for example, Indonesia, Colombia).

#### *Methodologies to measure living wages*

40. A variety of methodologies have been used to determine the basic needs of the worker and their family; these include,
- a. The *national poverty line level*, set by governments, takes into account regional/ sectoral specificities.
  - b. The *full market basket approach* considers a complete basket of goods to meet the basic needs of a family, according to the composition of the household and the number of wage earners. The basket is meant to provide a 2500-3000 calorie diet per person per day.
  - c. The *extrapolated market basket approach* uses as a basis for measurement the food expenditure of an average consumer, multiplied by the number in the household and divided by the number of wage earners. Another (low) percentage is added to this amount for discretionary spending.
  - d. The *relative income measure*, based on the median pay of hourly earnings of a country. Half of the median pay would be considered as low pay. To avoid having to continuously update national hourly earnings, an additional amount of \$2 per day (setting the poverty



line) has been proposed as an absolute minimum below which half of the median pay cannot fall.<sup>19</sup>

41. All these methodologies have pros and cons, but none provide a succinct definition of basic needs<sup>20</sup>.

### **The subjective nature of the living wage**

42. The inherently subjective nature of some of the judgements used to justify the recommended level of the living wage creates problems for its effective implementation. For instance;
- a. How many individuals fit the assumed familial pattern? (e.g. how many households have more children, or only one child, or younger or older children, or both parents working full-time, or only one parent working part-time or full-time or more than two employed persons, whether working full or part-time?)
  - b. How many families work in areas where living costs are more expensive - or less, expensive? How many families are renting rather than living in their own houses?
  - c. How many individuals stay on low rates of pay for any length of time?
  - d. What would be the effect of an arbitrary wage increase – should it become a requirement – on other economic objectives - of which seeking to maintain a low unemployment level will be just one.
  - e. What about the potential for price increases, increased capital expenditure to moderate labour costs, associated job loss?
43. Companies and community groups that espouse enthusiasm for living wage typically have not addressed such factors in their analysis, apparently accepting at face value statements that the living wage is a fair wage. However, the most vocal proponents of the living wage are the same voices as those calling for higher wages generally for many years i.e. community groups and unions.
44. As mentioned earlier, the living wage dates back to the middle ages, not just in its conceptual form, but also in its traditional support, ie, churches and community based groups. In the middle ages wages and prices were not determined by the “market” but in a manner consistent with community values<sup>21</sup>. This assessment was made “under the immediate and powerful influence of moral and religious teaching”<sup>22</sup>. Support from the clergy and

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<sup>19</sup> Anker et al, ILO 2002

<sup>20</sup> Robert C Shelburne, *The History and Theory of the Living Wage Concept*, United Nation Economic Commission for Europe, 1999

<sup>21</sup> Life then was based primarily on agricultural feudalism, with landlords accepting responsibility for the lives and wellbeing of their tenants, with encouragement from the all powerful church.

<sup>22</sup> John Ryan, *A Living Wage*, London, MacMillan, 1912

community groups, including unions has continued to this day. Indeed the members of the current Living Wage Movement Aotearoa are drawn exclusively from those groups<sup>23</sup>.

45. The main limitations of the "livability" concept arguably are the following:
- a. The basic needs of workers and their families are diverse and it is difficult to define and measure them in an objective way (there is no mathematical formula which takes into account the diversities among households);
  - b. The idea of "livability" often gets confused with similar ideas, such as the subsistence wage, poverty line, and/or relative income. There is no agreement on these elements, or on other elements that can be considered as the basis for the "living" measurement, such as the household size, the number of wage earners, the level of needs (adequate, medium, low). Moreover, the methodologies outlined do not take into consideration other variations, namely the level of economic and social development of the country, the capacity of employers to pay, the productivity rate, the level of technology, the inflation rate, the unemployment rate; etc.
  - c. The intrinsic ambiguity of the concept makes it likely to lead to unrealistically high wage levels and to create dilemmas for companies, incurring negative consequences on job creation and competitiveness. It also affects the capacity of companies to survive in the formal economy. Furthermore, it can reduce the capacity of employers to hire and to pay workers, and therefore can decrease the number of jobs in a given industry.
  - d. It could lead to unjustified discrimination among workers, as it is not easy to objectivize the different elements in its definition;
  - e. It risks shifting on to companies the responsibility that states and public authorities should assume in ensuring the basic needs of individuals by way of national social protection policies, to which employers already directly contribute<sup>24</sup>;
  - f. Measurement of basic needs may pose greater difficulty along the supply chain, also because of the lack of data in weak governance areas.
46. Around  $\frac{3}{4}$  of families earning less than the current Living Wage amount have no children. The family based assumptions of the living wage arguably are excessive with respect to this group.

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<sup>23</sup> Appendix 1 is a list of currently accredited Living Wage employers

<sup>24</sup> for instance national policies providing social insurance for health protection or social assistance covering housing, family care, etc.

47. Because transfer payments reduce & income taxes rise as incomes increase, not all of the extra income provided by lifting wage rates to the living wage would end up in earners' take home pay.
48. Consequently, the biggest winner from moving to a living wage would be government – because it would pay out less in transfer payments and gain more in tax revenues. Conversely, the biggest losers from moving to a living wage would be children – because transfer payments to families who have wages increased to living wage would reduce.
49. Irrespective of the methodology used to define it, the living wage concept therefore is seen by economists as unsuitable as a basis for establishing wages policies, especially in weak governance areas, or in countries with low surveying and statistical capacities and capabilities.

### **Best approach for companies**

50. Given the lack of a meaningful and effective definition of the living wage concept, there is a danger that businesses euphorically rather than economically imbued with the concept of a living wage end up paying wages that, depending on the elements used to define basic needs, could be two–three times prevailing wage rates in a given industry<sup>25</sup>.
51. This could also create discrimination among workers, and, instead of being effective in resolving reputational or non-compliance risks in the supply chain, it could create additional difficulties for companies in weak governance areas.
52. The same could be said for SMEs striving to remain competitive and for whom an obligation to pay too high minimum wages would mean closing down, or shifting into the informal economy.
53. Therefore, it is highly recommended that companies look at more efficient alternatives as part of human rights/CSR, human resources, or wage policy strategies.
54. In order to minimise reputational risk in supply chains, more concrete references could be useful: national minimum wages where they exist, minimum wages as set up in collective agreements, or a general legal compliance approach.
55. Additionally, a multi stakeholder approach to wage policies will be much more effective, with positive effects on the whole business environment and SMEs' capacity to remain competitive. To be sustainable this must include introducing means of upskilling workforces at the lowest levels of the economy, and having those additional skills applied to increased productivity.

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<sup>25</sup> Idem, G. Sestrini, Wages in the apparel Industry: What Constitutes a Decent Standard? 2005, page 22.

56. Put another way, the key challenge in the low pay issue is to increase the value (as opposed to the cost) of low paid work. Artificially reducing the pay gap between higher- and lower-skilled work could dampen incentives to acquire productive/valuable skills, which would potentially damage progress towards the Government's economic growth objectives.

### *Productivity*

57. High productivity is the result of optimal efficiency and effectiveness in the mix and deployment of capital and labour. Put more simply, it is the product of the best combination of technology and employee skills and motivation that can be devised.
58. The three primary strategies for increasing productivity can be summed up as:
- a. getting more output, with less input,
  - b. getting more output with the same input; and,
  - c. getting more output with different inputs.
59. Output in this context may be *volume or quality or value*, or any combination of these three. The key driver on an employer to adopt one or more of these strategies is that the business will earn a better return for its investment. Without the prospect of improved returns, there is little motivation or ability to do anything, *including raising wages*. This is another argument in favour of adopting a "pull" strategy using increased productivity to "drag" wages up.
60. Given that the primary causes of low pay are functions of market behaviours, it becomes a matter of social policy to determine what if any regulation or stimulation of market behaviour is desirable or necessary.

### **Conclusion**

61. Paying the "living wage" recommended by Living Wage Movement Aotearoa assumes, among other things, that all employees receiving the wage are "worth" at least the specified amount because that is what they need. However, in productivity terms, this will often not be the case. If so, an employer who is required to pay a specified living wage will effectively be subsidising the employee against other employees - to the employer's detriment.
62. Subsidising productivity is not sustainable indefinitely even by nations that own the means of production. Failed economies such as those of Cuba and Venezuela are blunt proof of this. Faced with paying unsustainable wages, employers inevitably are going to think much harder about who they employ, becoming increasingly reluctant to "give someone a go" as a consequence. If that happens, those most likely to be hurt are the very ones living wage proponents are meaning to help.
63. Far better a foot on the employment ladder than access barred by good intentions. Raising present low incomes without dealing with the consequences in other areas will slow New Zealand's responses to the

challenges involved in becoming a high performing economy. In particular, raising wages without sustainable improvements in productivity will create destructive pressures on many businesses and the economy in general. Ultimately, sustainable growth in wages must follow, not lead, sustainably improved productivity.

## APPENDIX 1

### Accredited employers in New Zealand

64. To become an accredited employer, employers must meet the entry criteria then apply to the Living Wage Movement Aotearoa to be registered. Fees are payable based on the type of organisation and number of employees. The criteria are;
- All employees, whether directly employed or contractors, must be paid the Living Wage.
  - No changes to conditions of employment or working hours to compensate for increased wages are permitted.
  - All workers must be provided with access to a union in their place of work.
65. As of February 2019 the following employers were accredited by Living Wage Aotearoa as being living wage employers. Listings in red have left the list since June 2018.

<b>Not for profit organisations</b>	
<p><i>Unions</i></p> <p>Dairy Workers Union E-Tu First Union ISEA NZ Council of Trade Unions NZ Meat Workers and Related Trades Union NZ Nurses Organisation NZEI Public Service Association Tertiary Education Union Unite Union</p> <p><i>Community Groups</i></p> <p>Auckland North Community and Development Auckland Women's Centre Changemakers Refugee Forum Community Networks Aotearoa <b>Connecting Communities Wairarapa</b> Corinna School Headstart Early Learning Centre Hutt Unions and Health Service Hutt Valley Disabled Resources Trust Karori Childcare Centre Mangere East School Miramar &amp; Maupuia Community Centre Newtown Union Health Service</p>	<p><i>Churches</i></p> <p>Anglican Centre Wellington Auckland Methodist Central Parish Auckland Unitarian Church Christchurch Cathedral <b>Holy Trinity Cathedral</b> Methodist City Action Methodist Mission Northern NZ Council of Christian Social Services St Andrews on the Terrace St Matthew in the City</p> <p><i>Political Parties</i></p> <p>Green Party NZ Labour Party</p> <p><i>Activist Groups</i></p> <p>CWS Action Against Poverty Global Action Plan Oceania Greenpeace Peace Movement Aotearoa Council for International Development</p> <p><i>Charitable Trusts</i></p> <p><b>EcoMatters</b> Fincap JR McKenzie Trust Lake Taupo Forest Trust Tuaropaki</p>

North Shore Women's Centre Oma Rapeti Early Learning Centre Porirua Union Community Healthcare Centre Sexual Abuse Help Wellington <b>The Community Project Aotearoa</b> Vaka Tautua Community Health Centre Waiheke Resources Trust Waikato Environment Centre Waitakere Union Health Centre Women's Health Action Young Workers Resource Centre	Wiri Trust  <i>Others</i> Closing the Gap Income Equality Project DignityNZ Healthcare+ NZ College of Public Health Medicine NZ Psychological Society Oxfam Union Aid
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<b>Private Sector Businesses</b>	
<i><b>Business</b></i>	<i><b>Nature of Business</b></i>
AMP	Insurance
Angel Food	Vegan Food
Banjo Brew	Iced Tea
Barbarian	Independent theatre company
Berl	Economics
Bicycle Junction	Electric bicycles
Binns Property Works	Household and garden maintenance
Book Twizel	Book a bach
Boquita	Restaurant (Wellington)
Cali Woods	Eco friendly reusable straws
Carma Cola	Organic carbonated drinks
Chia Awaka	Health drinks
City Guard	Security firm s
Co Liberate	Gym based mental health and wellbeing
Colourvolution	Makeup and cosmetics
Conscious Consumers	Sustainable energy
Easy as E-Cigs	E-cigarettes
Ethique	Organic health foods
Exchange Creative Hub & Café (XCHC)	Christchurch café
Fix and Fogg Peanut Butter	Organic peanut butter
Good Fortune Coffee Co	Fair Trade Coffee
Heathrose	Management Consultancy
<b>Ika Seafood Restaurant and Bar</b> <sup>26</sup> (now Kai Pasifika Restaurant)	Restaurant and bar
JDR	Landscaping and construction
jf Services	Building services
Kiwi Labels	Printing services
<b>La Boca Loca Trade</b>	<b>Mexican restaurant (Wellington)</b>
Little Island Coconut Creamery	Organic ice cream and coconut milk
Mr Peacock	NZ made clothing and footwear

<sup>26</sup> Ceased trading in April 2017

Nice Blocks	Ethically sourced artisan ice blocks
NitrogenX	Medical supplies
Ocho	Organic Chocolate
Optic Mix	Digital printing
ParalloOCULO	Cloud transformation specialists
Pivotal Print	Printing services
Ponsonby Lounge Bar	Bar
Presland & Co	Law Firm
Pro Climb Tree Care	Arbourists
Raglan Coconut Yoghurt	Organic yoghurt
Rogue and Vagabond	Bar (Wellington)
Silver River Lake Tekapo	Stargazing experiences
Spanish Painting	?
Streamliners	User documentation services
SWE Southern Water Engineering	Irrigation Consultancy
Thankyou Payroll	Free payroll for community services
The Fresh Desk	Cleaning company
The Sleep Store	Baby products
The Very Green Gardener	Organic Teas
Theme Productions	Event Design and Production
Thunderpants	Organic clothing
Tonzu	Organic tofu and soy products
TXG compression wear	Clothing
Unreal Films	Films about democracy and human rights
Vaporium	Vaping and e-cigarettes
Vector	Electricity supplier
Wear	Internet Fashion website
West Auckland Physiotherapy	Physiotherapy practice
Westpac	Banking
Westprint Offset Print Specialists	Printing services
WhereScape	IT Consultancy
Zenzo	Organic coconut yoghurt



**Members at February 2023**