

Moving the Minimum Wage towards a 'Living Wage': What is the impact on employers and workers?



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“Labour is not a commodity” Today

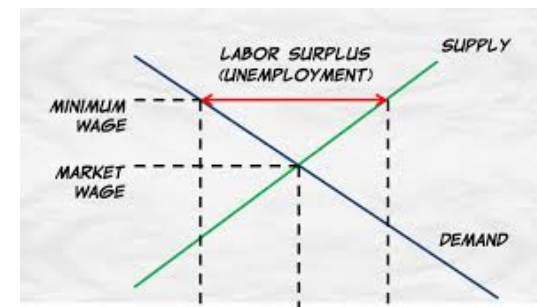
International Conference promoted by ADAPT in collaboration with ILO, CIELO Laboral Network, WEC.
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Context

- LW internationally prominent due to rising living costs & low-paid/ precarious work
- Defined by 'quality of life' not basic subsistence
 - A worker should be able to have some access to recreation/ culture; provision for emergencies (savings, insurance); and provide for dependents
 - NZ rate = the hourly wage which if earned by 1.5 fulltime adult workers would allow a household of 2 adults and 2 children 'to live modestly and participate in society'
 - ❑ 2019 LW = \$21.15.
 - ❑ MW (one of highest in OECD) = \$17.70
- LWs are voluntary. There is a rapidly growing number of 'accredited' employers in NZ
 - Most are small firms and NGOs with a strong ethics/ CSR commitment. Also a couple of councils and some corporates with a relatively small proportion of low-paid workers
 - Other employers publicly 'shadow' the LW. Obstacles to accreditation are uncertainty over future rates, as well as the obligation to extend compliance to sub-contractors (

Arguments for and against: similar to MW



Case against...

- paying above 'market' wages leads to job losses and/or work intensification
- wage growth should reflect firm and individual performance
- clumsy way to address poverty given wide variation in individual circumstances and regional living costs
- problem is less one of low pay than high living costs, especially housing
- disproportionately negative impact on small firms and service sector
 - labour intensive, low margin
 - less able to absorb or pass on cost increases, or respond through efficiencies/work reorganisation
 - additional indirect impact on wage costs as skilled/experienced staff seek to restore differentials with entry-level workers
 - other costs such as rent, rates rising fast too





Alternative views...

- low pay reflects unequal bargaining power not simply supply and demand
 - less skilled are less organised, geographically sticky and more dependent
 - pay may not reflect contribution/ productivity and can be exploitative
- 'efficiency wage' and human relations theories - positive returns to higher pay
 - better recruitment; retention; development and training; commitment; and better people management and employee relations generally, including in small firms
- targeted taxpayer-funded transfers such as housing and child benefits subsidise low pay
- higher pay for low earners has positive macroeconomic multiplier effect
- higher wage floor encourages competition based on innovation and quality not simply cost





Issues need exploring in a systematic way

- From an *employee* perspective, how far is pay (and household income) linked to quality of life (satisfaction with work *and* family life/ leisure)?
 - where, if any, are the tipping points?
- The prevalence of small firms and service work in NZ means many employers do not pay \geq LW. However, little is known about *employer attitudes* around low pay and the LW
 - are low-paying employers favourable in principal but constrained in practice? or could they pay more but choose not to?
 - what explains differences in attitudes and practice – e.g. size, sector, ownership, competition, unionisation, management choice....?



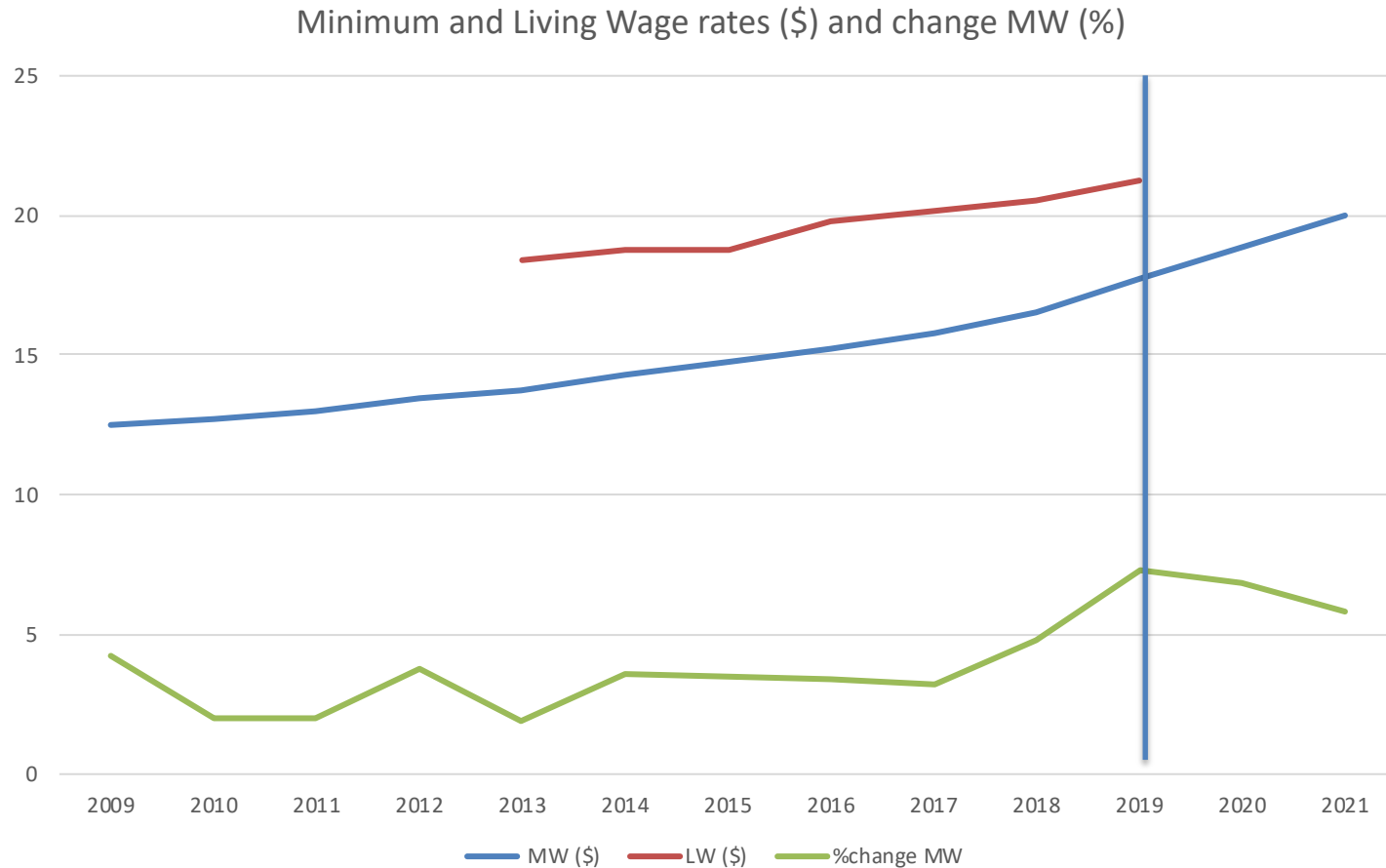


The research project

- Two main questions
 - is there a LW range that enables people to thrive in Aotearoa/NZ?
 - what are the main barriers to, and facilitators of, employers' adoption of LW?
- Supported by Marsden Fund
 - established by the Government in 1994 to support excellent fundamental research; administered by the Royal Society of New Zealand
 - pilot study funded by Massey University (VC's Discretionary Fund)
- Three years, commencing March 2018
 - nationally-representative panel survey of 1,000 workers in low-income occupation (up to \$60,000), Yrs 1 and 3
 - employer (and other stakeholder) interviews at sector/policy level (Yr1)
 - company-level interviews and case studies (Yrs 2-3)



Fortuitous Timing - increases to MW



Median hourly earnings 2019

- clerical/ admin \$25.2
- technicians/ trades \$25.0
- machinery operators/ drivers \$22.5
- community/ personal service \$21.3
- sales workers \$20.0
- labourers \$19.2





Employee Survey

- Individual and household income; working time; attitudes to work and wellbeing
- Distributed through Qualtrics – paid respondents but can accurately target low paid; respondents experienced at survey completion
- Sample approximates to low-paid workforce
 - 69% female; modal age 30-35
 - 61% NZ European, Māori 11%, Asian 11%, Indian 7%, Pacific 6%, 3% other
 - most (77% men, 65% women) work in the private sector, for a range of different size employers, with 18.1% in the public sector. Only 15% are union members
- Half (49% men, 44% women) are on MW
 - 14% had more than one job
 - a quarter worked <20 hours per week; 13% of men and 5% women worked 46 or more.
- A third of female and nearly half of male respondents are sole household earners
 - 12.9% receive Working for Families benefit; 7.4% Accommodation Supplement; 6.5% pension; 3.7% a sickness or disability benefit
- Three in five live in rental accommodation



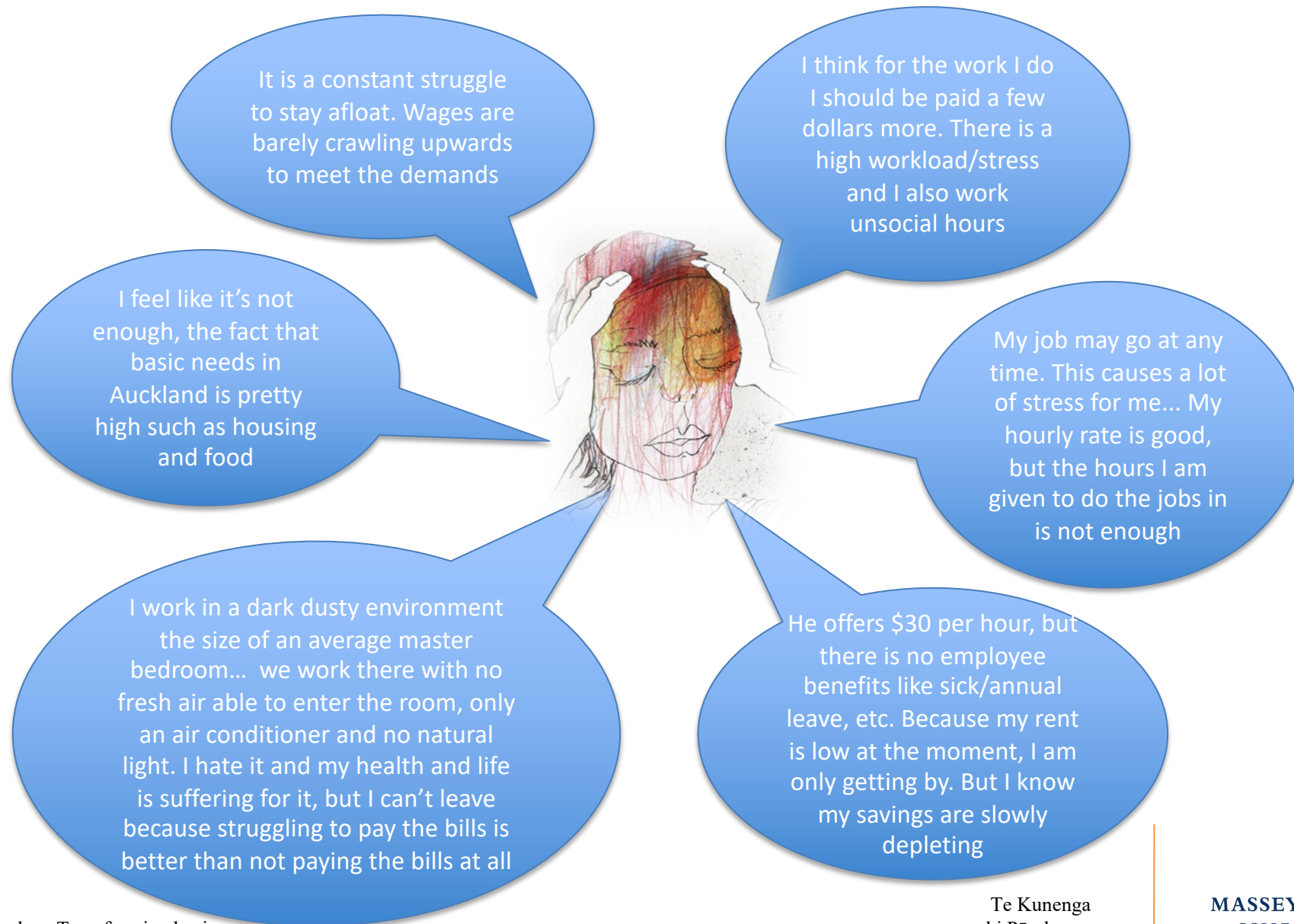


1. Income is related to stress and wellbeing

- lower earners particularly low on satisfaction with e.g. health, achievements, future
- worry about the future is also a big relative difference

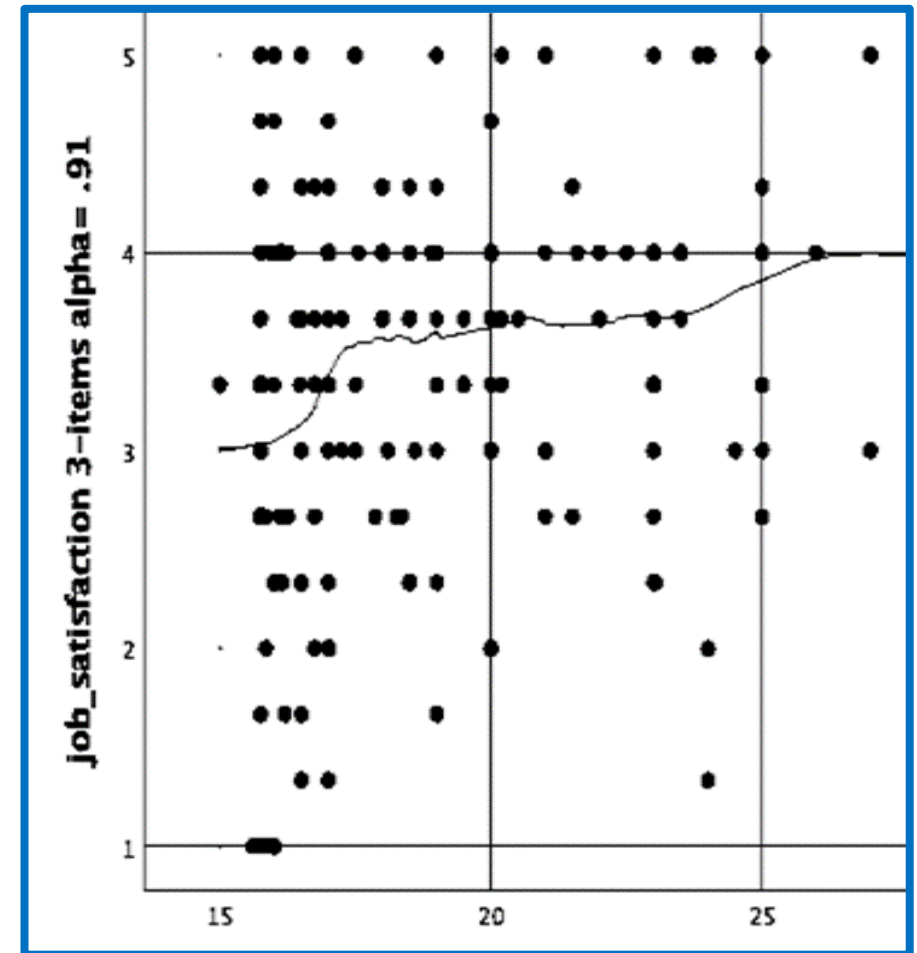


Stress is related to working time, insecurity, working conditions as well as pay



2. Low pay and job attitudes are strongly related

- Used established scale measures of Job Satisfaction; Work Engagement ; Career Satisfaction; Meaningful Work; Affective Commitment; Organizational Citizenship Behaviours; and Work–Life Balance
- Related these to individual pay and household income (and composition)
 - statistically significant relationship between pay and job attitudes
 - all 7 pivot upwards between the then MW (\$15.75) and LW (\$20.55)
 - bigger shift for those in lower income households
 - no moderation by number of dependents
 - few gender differences



Though, overall, women...

- are more likely to say they are often exhausted by work (50.7%/39.7%)
- have low influence over decisions concerning their job (51.2%/ 39.6%)
- are less likely to say wage/ salary meets their needs (46.1%/56.2%)
- are slightly more stressed (5.72, 5.18 on 10pt scale, $p=.001$) and slightly less happy (6.10, 6.37, $p=.075$)

Employer perspectives

First wave: Series of interviews in 2018

- Employer associations
 - Business NZ, Manufacturing NZ, EMA, Retail NZ, Tourism Industry Association, Hospitality NZ, Food Grocery Council, Federated Farmers, Horticulture NZ, NZ Aged Care Association
- Chambers of Commerce
 - Hawkes Bay, Otago, Auckland, Wellington, Manawatu
- Consultants and other stakeholders
 - Strategic Pay, Premium Business Solutions, CTU, HRINZ, LWMANZ, Wellington and Auckland councils



1 Little opposition in principle...

- Sector associations see LW as partial response to enduring labour shortages, re-branding careers
 - New Zealand Tourism Industry Association – ‘Sustainability Commitment’ includes being a ‘quality employer’ and paying a ‘fair wage’ - “One of the commitments we’re asking businesses to do is to pay a fair wage to staff... this might be the minimum wage for a new starter with no skills, but look different for an experienced employee. One of the default mechanisms for a fair wage is the living wage”.
 - Federated Farmers: latest Workplace Action Plan considering advising members on ‘aspiring to the Living Wage...(for) the ones that can afford it - in order to recruit staff you really have to make an attractive proposition for them’

....but individual employers in a bind

- experiencing upwards wage pressures due to low unemployment (including regional pressures e.g. ChCh) but many firms have limited manoeuvre to raise productivity or pass on costs
 - international competition – manufacturing
 - dependence on key customers – food processing
 - acute price sensitivity with online comparisons – retail
 - price takers - farming

“A lot of our members don’t have a problem with a living wage concept. I recall a story from an Auckland manufacturer with two of his machine operators lured away by a bigger company offering better salary. He said, ‘I wish I could have matched that, but I just can’t, but I don’t berate the guys because their rent has just gone up from \$700 to \$750 a week and they’ve got a young family.’ The high cost of living in Auckland, which is specifically tied to the high cost of accommodation, it just really drives up not only wage expectations, but also objective wage pressures. But, the problem is that the money has got to be earned before it's spent” – Manufacturers Network

2. Responses to rising MW

- Reduced hours/ workers
 - “some of our clients have done things like changed the contracts so people are working less hours; some people have gone from 40 to 38, so effectively it's a pay increase, but it doesn't cost the organisation any more and they're looking for ways to get the work done. Some are just cutting staff numbers, particularly supervisory staff” – Strategic Pay
- Training and job enlargement
 - e.g. WN council brought parking services in house: “We changed them much more from being just ticket revenue collectors and compliance officers, to having a role in the city that was a bit more ambassadorial. And, so our recruitment processes became a lot more rigorous. We put staff through assessment centres. ...I think it has helped us attract a better calibre of person”
- Automation
 - the predicted [MW] and cost changes are making automation more affordable. With automation you don't have all the other challenges of dealing with human beings; some of the warehouses within our membership that I visit now, you don't even keep the lights on” - FGC
 - “Over the last six years [Sistema] have both heavily automated and increased their workforce, and what they've done in a very good way is basically trained people who used to do manual work to become machine operators. That's a good example for automation not leading to job losses... What it [MW] will do is separate well-managed companies from poorly-managed companies in a more dramatic way; so, what you will see is not an overall loss of jobs, but you will see a shift in what kind of jobs are being offered” – Manufacturing NZ



Conclusions

- LW is likely to improve wellbeing and translate into job commitment
 - more for those in poorest households
 - less where jobs are of poor quality
- Low pay often a product of structural constraints than employer agency/ choice
- Increased pay costs may encourage a range of responses
- Low pay and the *living* wage are social not simply employment issues
 - policy needs to address housing and other costs, and welfare reform
- Further research needed into employer attitudes and practices
 - next up – longitudinal case studies
 - employer survey

