



# THE FAMILY CENTRE

## SOCIAL POLICY RESEARCH UNIT

### Living Wage Aotearoa New Zealand 2021 Update

The New Zealand Living Wage (NZLW) hourly rate for 2021/22 is \$22.75. It will come into effect 1 September 2021. This is an increase of 65 cents on the 2020/21 rate which is in line with the movement in average ordinary time hourly earnings. The predicted collapse in average earnings as a result of the COVID-19 pandemic, did not eventuate.

The original NZLW announced in 2013 was constructed on the basis of expenditure items for a modest weekly budget<sup>1</sup>. However, once the living wage rate became a wage mechanism within the labour market, it was decided that annual updates between five yearly reviews should reflect wage movements. A full five yearly review was carried out in 2018<sup>2</sup>.

The NZLW is defined by Living Wage Aotearoa New Zealand as: *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*<sup>3</sup>.

Wage movement is reported by Statistics New Zealand in the Quarterly Employment Survey (QES). To be consistent, the annual update is based on the percentage wage movement for the year to June the previous year because when the first living wage was calculated the year to June was the most up-to-date figure.

The QES measures the average hourly wage bill across all jobs in New Zealand. The average ordinary time hourly earnings for the year to June 2020 increased 3.0 percent from the year to June 2019<sup>4</sup>.

*The rate of \$22.75 is the recalculated New Zealand Living Wage for 2021/22. The movement in the average ordinary time hourly rate, as provided by the QES, was 3.0 percent leading to an estimate of \$22.76 which was rounded down to \$22.75*<sup>5</sup>.

This figure sits modestly at 68 percent of the average hourly earnings in New Zealand (\$33.33) for the same quarter<sup>6</sup>. The QES does not provide median hourly earnings. The Household Labour Force Survey (HLFS) for the same quarter, showed the NZ Living Wage to be 84.3 percent of median hourly earnings from wages and salaries (\$27.00)<sup>7</sup>.

The announcement 1 April this year gives employers lead time to implement the living wage by 1 September this year.

*Prepared for Living Wage Aotearoa New Zealand by Charles Waldegrave, FCSPRU. Contact: Charles Waldegrave 021 671673.*

<sup>1</sup> King, P. and Waldegrave, C. (2012) *Report of an investigation into defining a living wage for New Zealand*, Family Centre Social Policy Research Unit, Commissioned for The Living Wage Campaign, December, Living Wage Aotearoa New Zealand

[https://www.livingwage.org.nz/reports\\_and\\_research](https://www.livingwage.org.nz/reports_and_research)

<sup>2</sup> Waldegrave, C., King, P. and Urbanová, M. (2018) *Report of the Measurement Review for a New Zealand Living Wage*, Living Wage Movement Aotearoa [https://www.livingwage.org.nz/reports\\_and\\_research](https://www.livingwage.org.nz/reports_and_research)

<sup>3</sup> Living Wage Aotearoa New Zealand <http://www.livingwage.org.nz/about>

<sup>4</sup> Labour Market Statistics: June 2020 Quarter, Wellington: Statistics New Zealand

<sup>5</sup> Each year it is rounded up or down to the nearest 5 cents.

<sup>6</sup> Labour Market Statistics: June 2020 Quarter, Wellington: Statistics New Zealand

<sup>7</sup> Labour Market Statistics (Income): June 2020 quarter, Wellington: Statistics New Zealand