

# What's wrong with a Living Wage?

Clay Nelson © 4 October 2015

Before tackling what is wrong with the Living Wage I should make a full disclosure as we often hear journalists do when they have a connection to the story on which they are reporting. In early 2012 I attended the second meeting of unions, churches, and community NGOs exploring the initiation of a Living Wage Movement in Aotearoa New Zealand. I attended its kick-off later that year on May 21<sup>st</sup>. I became active in a faith network to support the movement and later became its convenor. It meets here every month. I was co-opted to be a member of the initial governance board that approved its constitution and began the process to trademark the logos for the movement and Living Wage employers. In November of 2013 I attended a five-day residential training for leaders in the Movement, which connected me to many faith, union and community NGO leaders in Auckland and Hamilton representing a wide cross-section of ethnic and faith groups, immigrants, and socio-economic classes supportive of a Living Wage. I have participated in numerous events and attended countless meetings, written or helped write pamphlets and opinion pieces for the media, made submissions in person to Auckland City Council and Local Boards, and addressed the mayor on half of the Movement. When you called me to be your minister I asked you to become a member organisation of the Living Wage, which you unanimously agreed to do, joining over 80 other organisations. As of April of this year I have been employed by the Movement for 12 hours a week to coordinate the accreditation of Living Wage Employers. In that capacity I coordinated the approval of the Auckland Unitarian Church to be the first congregation of any faith to be accredited as a Living Wage Employer.

So, you would be within your rights to take with a grain of salt my belief that nothing is wrong with a Living Wage and a lot is right. However, there are plenty who disagree with me. To understand their objection, some background is necessary.

First you need to know what is meant by a Living Wage. The Living Wage has emerged as a response to growing poverty and inequality. The Living Wage concept is very simple – it's the hourly wage a worker needs to pay for the necessities of life and participate as an active citizen in the community. It reflects the basic expenses of workers and their families such as food, transportation, housing and childcare. Calculating that figure is complicated and must consider various government subsidies to families below the poverty line. It is calculated independently each year by the New Zealand Family Centre Social Policy Unit based on statistics generated by the government.

The Living Wage rate is voluntary and for 2015 has been calculated to be \$19.25 per hour, 30% more than the minimum wage set by the Government.

Internationally, we are well behind others countries in initiating such a movement. It began in Baltimore in 1994. It has since spread to many US cities, Canada, Britain, Australia, Bangladesh, and throughout Southeast Asia. We were not always so slow off the mark. In 1894 New Zealand was the first country in the world to establish a minimum wage. At the time it was an unthinkable progressive response to the exploitation of workers during the Industrial Revolution. The intent of the minimum wage was that it would be a living wage. Today it has become a way to keep labour

costs down for the benefit of those higher up the economic food chain. What happened?

What happened was Reaganism or Thatcherism, or Rogernomics or what is more commonly called neoliberalism. It is an ideology that reduces all values to money values. The worth of a thing is the price of the thing. The worth of a person is the wealth of the person. Neoliberalism tells you that you are valuable exclusively in terms of your activity in the marketplace — in William Wordsworth’s phrase, your “getting and spending.”

It is a belief that the market is the answer, no matter what the question. Anything that interferes with the market, which usually means unions and government regulations, must be eliminated or made powerless. To make neoliberalism take hold, the idea that there are public solutions to social ills had to be changed to a belief that only the market had solutions. This is where the idea that wealth will trickle down to everyone else became the gospel of this religion. To make this work we in the bottom 99% had to be convinced that looking out for ourselves was the only thing that mattered. Margaret Thatcher famously said about society, “There’s no such thing [as the collective will]. There are individual men and women, and there are families.” Neoliberalism destroys the collective will by pitting us against each other and demonising elements within the community – in particular the poor.

The destruction of the idea of a collective good has left us seemingly powerless in the face of overwhelming global economic forces. By believing the market is God and we are powerless before that particular divine throne, we and everything else, including our labour, have become a commodity. The result of the wide acceptance of neoliberal principles is huge income and wealth inequality throughout the western world. It has reached the point that the World Trade Organisation and the Organisation for Economic Co-operation and Development are telling its members it is endangering political and economic stability.

The Living Wage Movement is made up of heretics appalled by the idea that people can work two or three jobs and still live below the poverty line. A “heretic” literally means someone “able to choose”. We choose to rubbish the theology of neoliberalism that calls us to be mindless automatons in service to a false god. Because we reject the idea of putting individualism over the common good, we are a threat to the market. We live in the 21<sup>st</sup> century version of Christendom. Unfettered capitalism is the creed. So we are to be reviled. Fortunately for us burning at the stake is still out of fashion. Mocking isn’t. A while back in a newsletter to members of the Auckland Chamber of Commerce, Michael Barnett, its president, wrote in response to the idea of a living wage for all New Zealanders, that it was ridiculous because there are many workers who aren’t worth “even \$10 an hour.” Next to his letter was a picture of him relaxing on the deck of his lovely country home with a glass of white wine -- definitely a “let them eat cake” moment.

In New Zealand, the Chamber and political right have tried to frame the debate by questioning how the living wage is calculated, and claiming that it will hurt small businesses, raise rates, and force employees into unions.

In attempts to nit-pick the rate, the opposition in particular argues that the Living

Wage does not take into account government subsidies for families. In fact, it does. But their argument exposes a bigger issue: taxpayers subsidising businesses who fail to pay their employees enough to not need public assistance. We have been convinced that corporate welfare is good and welfare for the most vulnerable in our society is bad. It seems the free market is not quite as free as its evangelists preach. Sadly, those in opposition never go the next step in their arguments against the calculated rate by proposing another way to calculate a just one. Economic justice is not a concern of neoliberal theology. The exploitation of workers is just the unintended cost of doing business—poor sods.

A frequent argument against implementing a Living Wage is that it will hurt small businesses. That argument is repudiated by the fact that all but one of the businesses that are accredited Living Wage Employers in New Zealand are small businesses. They have reported not having been hurt at all. They have found they have more productive employees, which ultimately is lowering their costs and increasing profits. They became Living Wage Employers primarily for ethical reasons and discovered it is simply good business.

The primary target of the Living Wage Movement at the moment is the largest employer in most communities, local government. We, as direct or indirect ratepayers, are complicit in the exploitation of low wage earners, if the government we elect pleads poverty for its lack of ethical employment. Those in the Movement seek to challenge those practices. Our critics attempt to scare the voters by raising the spectre of higher rates. While that is not necessarily the case, even if it were true the rise would be minimal. If we decide that our having lower rates is worth the suffering of workers living below the poverty line and the detrimental social issues poverty breeds, we have a false sense of economy. People on even a living wage are not living in abundance. Every penny they earn will be put back into the economy. Tax revenues will increase. Health costs will come down. Policing and corrections expenses will be reduced. Government subsidies will be reduced. These are all reasons the Wellington City Council has voted to pay a living wage to all directly employed staff and contracted workers. When it has implemented the necessary changes it will become the first local body to be an accredited Living Wage Employer. In Auckland, nearly every Local Board has endorsed the Living Wage, yet the present Council is still one vote shy of implementing it. The Movement will be actively endorsing any candidate in next year's election who commits to voting for it.

As to forcing employees into unions, that is poppycock. To be a Living Wage Employer requires a company to be in compliance with the 2000 Employment Relations Act, which says employers must give employees access to a union. While it would be in their best interest to do so, employees do not have to join a union for a company to be accredited.

The Living Wage Movement Aotearoa New Zealand is still in its infancy. We have only been accrediting employers for a little over two years. To date there are only 43 such employers, but there are few New Zealanders who are not aware of it. It is a long-term project but, because it is just and more and more people are becoming aware of how destructive neoliberalism is to the common good, it will grow. While I confess to being an idealist, I'm not a hopeless one. Let me share how the idea of a Living Wage has grown in the UK.

The Living Wage UK was begun in 2001 by parents on London's East End who wanted to remain in work, but found that despite working two or more minimum wage jobs they were struggling to make ends meet and were left with no time for family and community life. In 2005, in response to numerous actions by the Movement, the Greater London Authority established the Living Wage Unit to calculate the London Living Wage. Local campaigns began emerging across the UK offering the opportunity to involve many more employers and lift many more thousands of families out of working poverty. Today there are over 1440 Living Wage Employers from every sector. Major banks, financial services, retailers, manufacturers, utilities, community service agencies, local governments, religious organisations, health providers, transport, educational institutions, aged care providers, philanthropic organisations, to mention just some. The list is littered with names like KPMG, Nestle, Ikea, Barclays, HBSC, and Goldman Sachs.

On 8 July of this year the Conservative government's Chancellor of the Exchequer announced that beginning in 2016 a National Living Wage would be phased in over four years. When the Tories support the Living Wage, the movement is no longer an idealistic pipe dream. It will take us a while to get there, but we will get there.

We will get there thanks to the many individuals like Kay Parish who initiated this afternoon's Bread & Roses High Tea that a number of you have contributed your talents, baking and teapots to make a success. By our collective action I look forward to the day that will surely come when I present Auckland City, Fonterra, Spark, Air New Zealand, ASB, Sky City, the Selwyn Foundation, Talley's, The Warehouse, Countdown, and McDonald's with their Living Wage Employer licence.