



THE FAMILY CENTRE

Social Policy Research Unit

Living Wage Aotearoa New Zealand 2023 Update

The New Zealand Living Wage (NZLW) hourly rate for 2023/24 is **\$26.00**. It will come into effect on 1 September 2023.

This is an increase of \$2.35 or 9.9% on the 2022/23 rate. This increase is the result of a comprehensive 5-yearly review of prices, expenses and calculation methods. Subsequent to this year's increase, annual updates will revert to calculations based on the annual movements in average ordinary-time wages from Stats NZ's Quarterly Employment Survey (QES). December Quarter QES statistics shall be used for these increases.

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 society¹.

Regular review of the cost of living is essential to ensuring the Living Wage fulfils its definition robustly and transparently. The original Living Wage, introduced in 2013, was designed to track with market wages annually, on the basis that reviews would be undertaken every 5 years². Already, a 2018 review has taken place³. The full review for 2023 will be available as a comprehensive report that covers any changes to data and methodology in detail with relevant citations during April this year.

The 2023 Living Wage is calculated item by item as seen in Table 1 on the following page. Household items in 12 categories are estimated for a family of two adults and two children based on available data. Tax, Kiwisaver contributions, tax credits and the accommodation supplement are included in the calculation of the gross income required to meet the household's expenses. The hourly rate is derived by dividing the gross income by 60 hours per week for 52 weeks in a year, or one full-time and one half-time working adult.

As in previous years, the final figure of \$25.99 is rounded to the nearest 5 or 10 cents mark to provide, in this case, a 2023 Living Wage figure of **\$26.00**.

This new Living Wage sits modestly at 68 percent of the average hourly earnings in New Zealand (\$38.19) for QES December 2022 quarter⁴. The QES does not provide median hourly earnings. Stats NZ's Household Labour Force Survey publishes a value for median hourly earnings from wages and salaries in the June quarter release only (\$29.66)⁵. The new Living Wage sits at 88 percent of this median.

The announcement 3 April this year gives employers lead time to implement the living wage by 1 September this year.

Table 1: Calculation of the Living Wage from estimated average itemised costs for a 2 adult 2 child family

CATEGORY	2023 COST (\$)
Food	259.66
Clothing and footwear	52.95
Actual rentals for housing	520
Household energy Electricity for appliances, hot water and heating	66.05
Household contents and services	43.53
Health GP, dental treatment and medical supplies	16.28
Transport Vehicles, running costs and public transport	152.47
Communication Phone and internet	27.42
Recreation and culture Computing equipment, sports gear, books, craft supplies etc	83.30
Education	24.74
Miscellaneous goods and services Insurance, personal care, credit services	98.43
Other expenditure Interest, savings and koha	84
Weekly total expenses	\$ 1,428.83
Tax and ACC levy	274.66
Kiwisaver (3%)	46.78
Accommodation Supplement (modelled average)	- 89.07
Family and In-Work Tax credits	- 102
Weekly gross income	\$ 1,559.20
Annual gross income	\$ 81,078.00
Hourly rate	\$ 25.99

Notes

The increased item costs since the last review in 2018 are for housing, miscellaneous goods and services, food, other expenditure, transport, household contents and services, and clothing and footwear. The largest of these is housing costs. Increased cost in the other items, especially food, are also due to inflation since 2018, particularly during the 2022 year.

The decreases are for education, health, communications, recreation and culture, and energy. We have used a more up-to-date data source for education costs and utilised the Community Services Card subsidies for health costs since households on the Living Wage fall within the Community Services Card thresholds. Phone and internet charges have reduced, as have energy costs when accounting for heat pump efficiency, a reasonable expectation for many rental homes since the introduction of the Healthy Homes legislation.

Table 2: The data sources used to estimate the Living Wage

CATEGORY	2023 Living Wage data source
Food	University of Otago Annual Food Cost Survey 2021 ⁶ inflated with Stats NZ Food Price Index
Clothing and Footwear	Custom requested Household Economic Survey (HES) 2019 data, inflated by Stats NZ Level 2 Consumer Price Indices (CPI)
Rent	Lower quartile rent for 3 bedroom dwellings from the Ministry of Business Innovation and Employment (MBIE) Detailed Quarterly Tenancy Data published by Tenancy Services
Household energy	Fuel Poverty Review ⁷ , Stats NZ Dwelling and heat pump use data from Census 2018, Energy Efficiency and Conservation Authority (EECA) heat pump sales and efficiency data, MBIE Quarterly Survey of Domestic Electricity Prices
Household contents and services	HES
Health	Ministry of Health GP utilisation data, GP fees readily advertised by 10 of the Primary Health Organisations, dental costs collected by Education New Zealand, HES
Transport	Trademe used car prices, two car scrappage reports and fleet statistics from the Ministry of Transport; commute distance paper ⁸ and Auckland public transit fares; HES
Communication	Advertised internet and phone plans
Recreation and Culture	HES
Education	HES
Miscellaneous Goods and Services	HES
Other Expenditure	Original Living Wage focus groups, CPI adjusted

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¹ Living Wage Aotearoa New Zealand <http://www.livingwage.org.nz/about>

² 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://d3n8a8pro7vnmx.cloudfront.net/nzlivingwage/pages/129/attachments/original/1434872250/Living_Wage_Investigation_Report.pdf?1434872250

³ Waldegrave, C., King, P. and Urbanová, M. (2018) Report of the Measurement Review for a New Zealand Living Wage, Living Wage Movement Aotearoa
https://d3n8a8pro7vnmx.cloudfront.net/nzlivingwage/pages/2735/attachments/original/1522815168/Living_Wage_2018_Measurement_Review_Report_Final_2_4_18_%28ID_8512%29.pdf?1522815168

⁴ Quarterly Employment Survey: December 2022 Quarter, Wellington, Stats NZ

⁵ Labour Market Statistics: (Income) June 2022 Quarter, Wellington: Stats NZ

⁶ C. Smith, "Information Package for Users of the New Zealand Estimated Food Costs 2020 and 2021 (Food Cost Survey)," University of Otago, 2022

⁷ P. Howden-Chapman, H. Viggers, R. Chapman, K. O'Sullivan, L. Telfar Barnard and B. Lloyd, "Tackling cold housing and fuel poverty in New Zealand: A review of policies, research and health impacts," *Energy Policy*, vol. 49, no. 1, pp. 134-142, 2012.

⁸ R. Fabling and D. C. Maré, "Measuring commute patterns over time: Using administrative data to identify where employees live and work," *Motu Economic and Public Policy Research*, July 2020.