

Thriving People

– Growing prosperous and inclusive businesses and communities

The living wage is defined as 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, and is calculated independently each year by the New Zealand Family Centre Social Policy Unit” ([Living Wage Aotearoa, 2021](#)) As of February 2022, The current living wage is \$22.75. The updated living wage will be announced in April for implementation in September.

Adoption Drivers:



Stakeholders

- Growing pressure from stakeholders to adopt fairer wages, including unions, employees, government, and community groups.



The right thing to do as inequality rises

- With rising inequality and growth of working poor the living wage is a key mechanism to support with reducing the wealth gap.
- Increasing wages supports closing gender and ethnicity pay gaps, and helps to overcome occupational segregation.



Living out organisational strategy and aligning with values

- A living wage demonstrates an organisation’s social license to operate.
- How organisations treat their most vulnerable employees have wider ripple effects, positively influences organisational culture.
- Fairer wages enables organisations to have broader effect through influencing the supply chain.
- For many organisations with a strong social sustainability strategy (ESG), fairer wages are a natural progression of embedding social sustainability.



Employee engagement, talent attraction and retention

- Fairer wages are a useful tool in the global labour shortage to attract and retain talent.
- They are also helpful in ensuring higher retention and engagement levels amongst staff.
- They can also help enhance an organisation’s reputation and develop a stronger employment brand for employees who desire to work for organisation’s with purpose beyond profit.



Increase productivity and higher quality output

- Research has shown that a living wage also reduces absenteeism and increases the quality and quantity of worker productivity.



Commercial benefits

- Adoption of fairer wages enables access to tenders with increasing demand from local government clients and councils for proof of a living wage.
- Investment firms are increasingly incorporating socially responsible investing into their strategies (IDH, 2021).

Tips to support pre-implementation:

- Have a nominated Executive sponsor to support board and executive conversations. Take a holistic approach to align fairer wages with organisational strategy and values.
- Connect early with those teams that will be key to the implementation process; Human Resources Department (Remuneration and Reward, Change Managers and HR practitioners), Communications and Procurement
- Do not underestimate the time it takes to develop robust analytics.
- Cost will extend beyond immediate pay increases as this will have cascading relativity impacts across the organisation.
- Having a good reporting system in place for HR and Recruitment is important to ensure automation post implementation.

Tips for Teams

Learnings for HR:

- Changes must be considered within the broader remuneration framework.
- Connect with HR practitioners to create a communications and engagement plan to connect with those who would see a wage increase as well as sharing the adoption of fairer wages across the organisation.
- Connect with employee services teams to embed checks and balances into HR and recruitment systems. This includes tracking overtime and setting up manager alerts when an employee's 'hourly rate' dips. The recruitment system can be updated to ensure that contracts could not be generated for less than the living wage hourly rate or salary level.
- For some salaried teams tracking overtime and taking lieu days may require culture change.
- Remuneration review is on an annual basis aligned with the living wage review to ensure alignment.
- Align the yearly living wage update (announced April) with union conversations.
- Relativity is a difficult element of this process and requires comprehensive discussions and complicated decisions about what are normal gaps and appropriate distributions between roles.

Procurement:

- Take a systematic approach to connecting with suppliers and sharing your living wage desire and timeline for implementation. Having key milestones with your suppliers is critical to ensure you give them a good shot of transitioning with alongside your organisation.
- Support suppliers not meeting living wage requirements by giving them time to review information and determine if they will be able to meet the living wage requirements.
- Some of your suppliers may adopt the living wage for others they will pay their staff more for the time that they are working for you.
- To ensure consistency embed the living wage requirements into procurement practices, policies and engage in regular audits.
- [Check out the IDH report](#) which shares how to approach working with suppliers to implement a living wage

Communications:

- Support HR teams with employee comms especially around the process for tracking overtime.
- Support procurement with comms to suppliers.
- If your organisation is living wage accredited, work with Living Wage Aotearoa to ensure media information goes out across your company and Living Wage channels.



Useful Links

- [Aotearoa Living Wage Website](#)
- [UN Global Compact – Living Wage Reference Sheet](#)
- [Improving Wages with Supply Chains](#)
- [IDH Build Better Business through living wage](#)
- [SBC Thriving People](#)

Case Study – SkyCity Sustainable Wage

A sustainable wage is a fair wage that takes regional living costs into account.

For quite some time SkyCity Directors/Management have asked the question about the Living Wage, and whether it should be adopted by our organisation. The Sustainable Wage was the next iteration of wage strategy from our ‘\$20 by 2020 strategy’ introduced in 2017 – the NZ Govt introduced their \$20 strategy shortly after.

Some of the key drivers behind it were:

- To lift pay rates of our lowest paid workers due to unaffordability of living in Auckland (rent, etc)
- To improve our talent attraction and retention
- To demonstrate our commitment to the communities we operate in
- To create alignment with key strategies, including
 - o Reducing the Gender and Ethnic Pay Gaps
 - o Supporting the Communities we operate in
 - o Helping improve our Talent Attraction
 - o Making Hospitality a sustainable career

The timing of the Collective Bargaining process in mid-2021 aligned with the completion of the analytical work and presented an opportunity to introduce the Sustainable Wage. It forms part of our future planning that could mean fewer but more meaningful roles. Adopting automation in the workplace and employees with higher skills and higher pay.

Buy in from the board and Exec starts early

The Board, CEO and COO were the major parties required to go ahead with this project as while there were significant benefits from implementing the Sustainable Wage, there were also significant increases in labour expenses.

The CEO was a champion of the Sustainable Wage, and along with the Chief People and Culture Officer, was a major driver in the success of the project.

Analytics is key and takes time

A significant amount of analytic work was done across main 4 areas

- Building of the Sustainable Wage
- Impact of Introduction of the Wage
- Relativity Impact on Higher Paid Roles
- Potential benefits to offset the implementation cost

Tips for implementing a sustainable wage

Research the living wage and your staff

The NZ Living wage is calculated using a basket of goods approach and is based on 2 adults, 2 children and 1.5 incomes and is NZ wide. We decided to take the same basket of goods approach but make the calculations more regional and tailored to our employees where possible.

Develop a Persona

We analysed the makeup of our workforce (age, gender, relationship status etc.) and produced a persona that suited the SkyCity workforce. We then calculated the cost of living based on this persona.

Develop a tailored basket of goods

The categories included in our basket of goods are the same as the NZ Living Wage (rent, transport, food, recreation, and culture etc.). Using multiple data sources and the HES, we were able to tailor most costs by region and where possible, to our persona.

Some examples include:

- Rent was calculated using average rent prices (Barfoot & Thompson monthly rental report) in the suburbs where SkyCity employees live
- Transport costs were calculated using the average distance between employee’s home and work, and which form of transport they would use and average petrol and public transport costs
- Recreation and Culture uses HES data (same as NZ Living Wage), but we also added additional costs that are typical of our persona (TV and music streaming services, restaurant/ takeaways, annual domestic holiday etc.)

Key things to consider

- This work involves a top to bottom analysis of wage and salary structure.
- This work has a significant cost, being clear on the upside of doing it and how it aligns with your Rem Strategy is important.

Once the SkyCity Sustainable Wage was calculated for each site, analysis was done into wage relativity and how to retain it with an increase in base pay. This required a significant amount of analytical work as well as discussion around rates, roles and what was and wasn’t acceptable wage compression of roles

Being an Entertainment company, COVID has significantly impacted our revenues and profitability leading to a delay in implementation of the Sustainable Wage, but SkyCity is still committed to it.