



FAIR/ LIVING/ FAMILY/ MINIMUM/ SOCIAL WAGES: HISTORICAL AND RECENT NEW ZEALAND DEBATES

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Abstract

This paper briefly discusses usage of the following terms with respect to wages in New Zealand: fair, living, family, minimum and social wages. A historical outline is followed by consideration of some arguments used by various interest groups, particularly with respect to changes to the minimum wage in recent years. Noting international trends towards increasing earnings differentials, it discusses why a living wage is less central to New Zealand wage campaigns than in the United States. It argues that social justice advocates will and should continue to work on a combination of employer responsibility and government support for those on low wages - with a realistic minimum wage part of a package which could also include the concept of a living wage, explicitly or at least implicitly.

Introduction

Living wage ordinances covering businesses contracting with local government had been passed by over sixty municipalities in the United States by the end of 2001. Most were at levels of US\$8.50 to \$10.50 per hour as against the federal minimum wage of US\$5.15. Although only a very small proportion of the labour force are directly covered, some ripple effects occur and the living wage movement draws attention to the fact that minimum wage employment leaves many families in poverty. New Zealand's industrial relations and social welfare systems contain elements not present in the United States that are intended to alleviate family poverty particularly for single income families with total earnings at or close to the minimum wage. Nevertheless, it bears investigation why the concept of a living wage, formerly prevalent in New Zealand discourse, is no longer a common slogan.

This paper therefore summarises briefly some older and current usages of the terms fair, living, family and social wage in New Zealand, as well as paying more detailed attention to arguments over the minimum wage and discussing gender aspects of living and minimum wages. It argues that in a period when labour market differentials have widened substantially and real incomes at or below the average have been stagnant or falling, it is important for social justice advocates to work on a combination of employer responsibility and government support for those on low wages. A realistic minimum wage is a vital part of the latter approach, while the living wage concept could perhaps be part of a broad strategy.

Historical Background to 1945

The 1894 Industrial Conciliation and Arbitration Act framework, together with shortages of labour between 1894 and 1908, "placed the trade unions in a position of which they took full advantage" (Woods, 1963, p 49). Unions obtained wage increases from individual employers and then applied to the conciliation and arbitration machinery for more general application of the increases in awards for the relevant type of work. In this period, the principles used by the Arbitration Court were largely those of fixing a 'fair wage', by which was meant "what reasonably good employers were actually paying for a particular class of labour" (ibid, p 95). Thus different minima were set in different awards on this fair wage basis. In 1907, however, the Harvester Award in Victoria, Australia, promulgated the principle of a wage designed to guarantee a (MALE) worker a certain standard of living, the beginnings of the 'family wage' or 'living wage', which appear to be virtually equivalent terms for some time at least in Australasia. This decision clearly had an impact on the New Zealand Arbitration Court even though it said little about a living wage policy before 1914. However, by 1908 it had adopted a rate of 8s a day as a basic rate for unskilled male labour under fair wage arguments.

Such a general basic rate inevitably led to attempts to increase it according to price changes, thus starting to elide fair wage and living wage concepts, even though they were potentially contradictory. During the First World War, the Court followed price movements more directly "on the grounds explicitly stated that it was

concerned particularly with the preservation of a reasonable living standard... In 1918 the Court went so far as to state that an industry which could not afford a reasonable living wage should cease operations" (ibid, p 97), an argument still used by those seeking to increase the minimum wage. In 1920 amending legislation included the requirement that awards should provide for a 'fair living wage', thus completing the mixing of these concepts. By 1922, "it was preponderantly concerned with maintaining a minimum purchasing power for industrial workers" (ibid, p 103), although it should be noted that not all workers were covered by the Court's decisions. Noel Woods sums up the changes in the Court's functions generally as a shift "from mediation to protection" (ibid, p 139), with the cost of living a major pillar of its fixing of the general minimum or basic unskilled rate. By the mid 1920s the growth of the political Labour movement and party gave momentum to a trade union campaign for increases beyond the cost of living in basic wage rates.

In 1925 the Court was asked by Government to make a statement on its wage fixing principles in response to the criticism. The living wage part of their response stated more explicitly than ever before the view that their minimum (MALE) rate should be sufficient to maintain a man, his wife and two dependent children, refuting a suggestion that it should cover three children since two was close to the average. While a sound statistical basis of family budgeting for assessing the minimum amount needed was lacking, the principle was clear. With Labour in government for the first time in 1935, legislation was passed requiring the Arbitration Court to make a general order in 1936 fixing a basic minimum wage rate for adult males and (a lower) one for adult females to apply to every award and agreement under its jurisdiction. The male rate was to be sufficient to maintain him, his wife and three (not two) dependent children, apparently based on the argument of encouraging larger families which would be good for the country. Wartime provisions then intervened and the first legislation on a Minimum Wage covering ALL employees was enacted in 1945.

Despite their earlier commitment to equal pay, Labour in government in the period just discussed did not question the gender biases implicit in the family wage concept which allowed higher wages for men, irrespective of whether individual men or women actually had dependents. The 1936 decision had set the female level at only 47% of the male rate, increasing to 66% in 1947, with the differential not abolished until the full implementation of the 1972 Equal Pay Act. Clearly attaching the same meaning to family wage and living wage is compatible with a significant gender bias in each.

In 1950 the Court argued that the family wage aspects of the 1936 legislation had been made 'more or less obsolete' by the setting of the overall minimum wage by government under the 1945 Act and by the system of family allowances, first introduced as a small (2s per week for third and subsequent children) tightly income tested benefit in 1926 and made universal in 1946. The

allowances gave some women an income in their hands for the first time. Further, by conceding that the male breadwinner wage could not support all families, the allowances started to delink men's wages from responsibility for dependents, thus setting the scene for arguments for equal pay for women in paid work (Nolan, 2000).

The first Labour government also developed the framework of a welfare state for both those in paid work and the unemployed. They combined aspects of universal and targeted provisions, including free health care and education, provision of state housing, and unemployment benefits (Du Plessis 1995). The New Zealand and Australian combination of labour market and welfare provisions have frequently been characterised as a (male) wage earners' welfare state and the value of the provisions noted by their inclusion in the term 'social wage'. "Adding to wages-as-income the various services provided by the government we have the 'social wage'" (Easton, 1986, p 81).

Thus the social wage could be seen as a full income concept, including all non wage benefits paid for by employers, and contributions from government revenue to wage earners or the whole population. These could be income targeted or otherwise, paid in the form of income supplements, general or targeted, or could be paid through vouchers or subsidies geared specifically to food, housing, health, superannuation or education. Not all of these alternatives have been used in New Zealand, where the voucher system has been strongly resisted. Using the social wage concept, explicit trade offs have been bargained in Australia between the government and union movement under a long running Accord, with other benefits, such as improvements in subsidised work based superannuation, substituted for general wage increases. No such formal system for tradeoffs was instituted in New Zealand despite some moves towards a Compact by the Moore Labour government in 1990 and recent interesting hints about a social dialogue. However, governments have certainly used improvements in other areas as a justification for lower wage increases than unions sought.

The Last 55 Years: The Minimum Wage and Minimum Code

The New Zealand adult minimum wage provided from April 1946 a minimum weekly rate for men of \$10.50 and for women of \$6.30 (60%), with a gender differential continued until the mid 1970s. The rate is not automatically raised each year, although it must be reviewed annually. Of the 29 OECD countries, 17 had national minimum wages in 1998 (this has since increased, with a minimum wage established in the UK) and 12 of these had some form of indexation. Price indexation and relativity to average wages have often been suggested in New Zealand, but never adopted.

However, the relativity of the minimum wage to average wages has fluctuated wildly over the years with extremes of 30% in 1984 and 83% in 1947 (see table 1). The proportionality never fell below two thirds before 1957, gradually fell to 44% in 1972 and was restored to almost two thirds in 1973 in line with a recommendation of the 1972 Royal Commission on Social Security. Adjustments in the next 11 years were few and well below price and general wage increases in a period of high inflation, so that the ratio had fallen to 30% in 1984 after nine years of National government. The minimum was raised in three steps between 1985 and 1987 to reach 52.5% under Labour.

Further slippage under National from 1990 to 1999 and only partial restoration by Labour/Alliance has led to the current fairly low relativity of 42%. The most recent increase took the level from February 2002 to \$8 per hour, up 30 cents, while youth rates for 16/17 year olds rose by \$1 to \$6.40, to move them up to 80% of the adult rate - thanks to trade union pressure and a major campaign by the junior Alliance government partner.

With regard to the level of the minimum wage, there is "nothing at all rational about the level it sits at" (Harre, 2002, p 4). This from the then Alliance Associate Minister of Labour and Minister of Women's Affairs, Leila Harre, who added: "Why 42% of the average? Why not 50% or the European goal of 66%? (ibid). In 1998, when the relativity was 43.7%, the New Zealand minimum wage was, according to the CTU submission, 8th highest in US\$ or purchasing power parity of the 17 OECD countries with minima, with largely the lower income countries lower ranked. New Zealand was similarly around the middle on relativity to average total earnings for full time workers, at 6th of the 13 countries with data available.

Two economists and strong advocates of a high minimum wage have called for a ratio as high as 80% (Brosnan and Wilkinson, 1987), back to the level in the earliest years of a legislated minimum. Brosnan and Wilkinson argue on equity and efficiency grounds for an effective minimum wage, citing the need for incentives to train and retain staff and raise productivity. They also refreshingly mention the unfashionable argument for the positive multiplier effect of higher wages and reject the orthodox account of low pay simply reflecting low skill, "an argument of impregnable circularity in which the outcome, low pay, is used as the only evidence for the alleged cause - low skill and personal inefficiency" (ibid, p 35). Instead they see the explanation of low pay in the "social structuring of jobs and workers" and "related considerations of industrial and political power" (ibid, p 37).

Attempting to assess numbers on rates at or close to the minimum rate is difficult. Prior to the 1991 ECA's dismantling of union recognition, comprehensive data on award and agreement rates were available, but now only partial information on contracts can be used. Certainly when the minimum wage's relativity is at its lowest, very

few jobs have wage agreements even for the lowest categories close to the minimum. Some low paid work, however, specifies the minimum wage, whatever it is at the time, as the minimum for that contract. In addition, some low paid and casualised jobs have no effective written contracts or agreements and for these, the minimum wage does at least provide a theoretical safety net. In 1998, when the CTU was seeking an increase from \$7 to \$7.50 per hour in the minimum rate, (\$280 to \$300 in the weekly rate for a 40 hour week), their examination of contracts in low paid work found that minimum rates less than \$300 were "distinctly outside standard labour market practice."

The CTU's annual submissions seeking an increase in the minimum wage have regularly called for clearer definitions of its purpose, development of explicit criteria for setting it, and a formal process of consultation over the application of the criteria. Their 1998 submission suggested three reference points, firstly "the level of the unemployment benefit, because workers should not be worse off after taking waged employment", secondly "some stable relationship to the average wage to stop the low paid getting left too far behind", and thirdly "regard to the level of minimum rates in collective agreements so that the minimum wage can be a factor in eliminating 'low pay ghettos' from the labour market."

It could be argued that in earlier periods there were clearer criteria over setting minimum wages, even if these were not enshrined in legislation. After 1946, while minimum wages were set by government, the Arbitration Court retained for many years the role of making General Wage Orders, a system which applied alongside collective bargaining for awards and agreement. The 1950s and 1960s were periods of labour shortages, where wage increases were conceded by employers and the gaps between both minimum wages and negotiated award rates and rates actually paid widened. However, a shift to what the economy overall could afford was also apparent. Wartime regulations had been followed by the Economic Stabilisation Act, 1948, intended to give priority to economic stability and used during the 1970s to attempt "to effect a policy of shifting wage bargaining out of the sphere of industrial law and into the sphere of economic and monetary policy" (Williams, 1976, p 58). In practice, the 1970s and 1980s saw periods of very high wage/price inflation and an unsuccessful attempt to dam the tide with wage freezes.

While seeking criteria for settling the minimum wage, the CTU argues that it "should not be seen as a PRIMARY wage fixing instrument, but rather as a 'safety net' protection against exploitation for those who do not have conditions of employment determined through a (fair) process of collective bargaining, and who do not have the personal leverage (skills etc) to secure an adequate employment contract" (CTU 1998 submission). In their view it should constitute a minimum social standard, have a role in tackling the problems of low pay, and be used to resist widening inequalities in pay - in the last of which it has been totally unsuccessful in recent years. That

minimum standard implies, in their view, that “if jobs will only be provided at wages below some level, society would rather not have them”, with the need for the minimum to be set because “there are some people who for reasons of lack of knowledge or out of desperation will work for sub-standard wages, and others ruthless

enough to employ them”. Particularly relevant to the living wage discussion, it also follows for the CTU that “a benefit-based social standard would not represent an acceptable level of wages or constitute a ‘minimum living wage’”.

Table 1 Adult Minimum Wages (Male minimum only until 1972)

(selected years until 1981: then each increase in the minimum wage shown)

Sources: Brosnan and Wilkinson (1987) and Labour Department publications

Date - and political party in power	Nominal and Hourly Weekly (Gross \$/hour) (Gross \$/ 40 hour week) Minimum Wages		Relativity of minimum wage to average weekly earnings (ordinary time): percentage
1946	0.26	10.50	83
1951	0.33	13.17	67
1957	0.47	18.75	74
1963	0.51	20.33	66
1969 National	0.59	23.50	56
1972 Labour 1972/5	0.68	23.50	44
1975 National 1975/84	1.37	54.88	60
1978 National	1.61	64.41	49
Jan 1981 National	2.10	84	30
Feb 1985 Labour 1984/90	2.50	100	34
Sep 1985 Labour	4.25	170	54
Feb 1987 Labour	5.25	210	53
Feb 1988 Labour	5.625	225	51
May 1989 Labour	5.875	235	50
September 1990 (no change 91/4) National 1990/9	6.125	245	47 (by 1994 42)
March 1995 National	6.25	250	43
March 1996 National	6.375	255	42
March 1997 (no change 98/9) National	7.00	280	44 (by 1999 41)
March 2000 Labour and	7.55	302	44
Feb 2001 Alliance Coalition	7.70	308	42
Feb 2002 1999/2002	8.00	320	42

Key government departments which advise Cabinet on the annual review of the minimum wage include Treasury, Labour, and the State Services Commission. All are regularly cautious, repeating the orthodox economic arguments on wage employment tradeoffs seemingly like automatons. Treasury goes further when reviewing overall economic policy, agreeing with right wing pressure groups including the New Zealand Business Roundtable that the minimum wage should be abolished altogether.

The underlying philosophy is a belief that labour markets are perfectly competitive, with wages simply reflecting productivity and exploitation of employees a myth. Treasury is committed to only the ‘wages as a price’ view, with little or no attention to ‘wages as a living’, let alone ‘wages as a social practice’ (Mutari et al, 2001).

For example: “A minimum wage has distortionary effects in the labour market which are likely to hinder long term employment prospects and harm the very workers that the policy is designed to assist... It is not obvious whether workers being paid a low wage are being exploited, or whether they are receiving an amount which is appropriate, given the training they are receiving and their current productivity... (Minimum wage regulation) does not pass a cost/benefit test... It is likely that its objectives could be better achieved by other means, such as income assistance” (New Zealand Treasury, 1987, p 288/290).

Similarly, the State Services Commission (SSC), which has to be particularly concerned with the effects on the government budget of higher pay in the public sector, argued in 1997 that an increase in the minimum wage is

“inconsistent with a policy of getting disadvantaged job seekers into employment”. The Labour Market Policy Group of the Department of Labour (LMPG) regularly predicts adverse employment effects in response to minimum wage increases.

In contrast with these three departments, the Ministry of Women's Affairs valiantly fights rearguard actions supporting an increase. Their comments on drafts of official papers to go to Cabinet on the 1998 and 1999 Minimum Wage Reviews question conventional wisdom, arguing that some studies show that appropriately set minimum wages can raise productivity levels and economic efficiency. On the issue of possible exploitation, the Ministry argued on 27 October 1998: “The issue of vulnerable workers who need protection from exploitation relates not only to those who lack the necessary information and skills to bargain effectively but also to workers who lack bargaining power, for whatever reason. The protection of vulnerable workers is not only a question about whether monopsonies are present in the labour market, it is also a question about the ability of the industrial relations structure to protect workers from discrimination and exploitation. It is by no means certain that workers will receive wages equivalent to their productivity in any market where there is significant unemployment and employers are legally available to exploit this situation.”

The following year they expressed concern over a concentration on economic impacts of minimum wages at the expense of social impacts. “The paper contains extensive discussion of the employment effects of an increase, even though they may be statistically insignificant... Yet conversely there is no discussion of the social impacts ... in particular, of what it means to live on the minimum wage and the flow-on effects for other areas of social policy” (MWA to LMPG, 6.10.1999). The Ministry argued for considering the complementary nature of minimum wages and in-work tax credits. Their own recommendation in 1999 was for an increase in the minimum wage to \$8 per hour (which it has now just reached in 2002), arguing that “the minimum wage is a direct means of improving income adequacy for individuals in low wage work, amongst whom women and Maori are disproportionately represented” (MWA to LMPG, 3.11.1999), with about 57/58% of those directly benefiting being women.

Given the vehemence of Treasury arguments, it might be expected that empirical evidence on the impacts of the minimum wage is stronger than elsewhere, with negative employment effects of increases clearly established. In fact this is far from the case, with the same theoretical arguments used by both sides on the issue as in overseas countries, but with even less sound empirical econometric evidence controlling for other factors. The most quoted article (Maloney, 1995) does find negative employment effects for young adults, but has been subjected to methodological criticism, while Chapple (1997) found mostly insignificant results. A later study of females with no qualifications, a 'high risk' group, found “little

evidence that the increases in the adult minimum wage diminish their employment prospects” (Pacheco and Maloney, 1999, p 67). The CTU was concerned about the objectivity of the studies and their interpretation, pointing out in their 1998 submissions that some of Maloney's work had been commissioned by the NZ Business Roundtable and questioning their selective quoting in the Officials Paper on the 1997 review.

All these studies referred to difficulties with data, including lack of a sufficiently long time series. Pacheco and Moloney, faced with findings apparently failing to conform to orthodox theory, suggest interpretations of their results to rescue it. “Politicians might opt to raise the minimum wage when general economic conditions suggest that any adverse effects will be minimal” (ibid, p 67). This could be plausible but for the fact that the ratio of the minimum to average wage has fluctuated very widely with Labour governments raising them more often and by greater amounts than National administrations, whatever the economic situation.

As well as the minimum wage, the minimum code in New Zealand enshrines a number of provisions which can be improved on in contracts but not eroded. These include annual leave, statutory holidays, sick leave and parental leave, the latter partly if minimally paid leave since July 2002, again thanks largely to the efforts of the Alliance junior partner in government. The Equal Pay Act 1972 and the employment related anti discrimination provisions of the Human Rights legislation are also sometimes classified under the minimum code.

The Social Wage

The New Zealand social welfare system's supplementary targeted assistance to low income earners forming part of the social wage includes support for bringing up children, Accommodation Benefit and the Community Services Card. In 1986 a Guaranteed Minimum Family Income (GMFI) was introduced, now converted into a family tax credit. This tops up the income of two parent households where either parent or both in combination are in paid work for 30 hrs or more per week and combined income is very low. Sole parents not on DPB and in the labour force for 20 hours or more per week are also eligible, while targeted Family Support is available to all those caring for dependent children.

In 1987, when the minimum wage level for a 40 hour week was raised to \$210, GMFI for a household with one child, including Family Support, was only \$270. Since those on the minimum wage would also qualify for family support, then \$42 per week for the first child, families where one parent was working a 40 hour week would receive only a minimal GMFI payment. Combined with little publicity for the benefit, no indexation, and an effective 100% marginal tax rate, take up of GMFI was very low. As a family tax credit, it now tops up the income of families who meet the conditions above and have an income below \$352.23 per week before tax to

that level (before adding Family Support). With the minimum wage for a 40 hours week now \$320, again the gap is fairly small but benefits some low income families. Family Support to be added is now \$47 per week for the first child and \$32 per week for subsequent children under 13 years old, with extra amounts for older children. The increase of \$5 for the first child over 15 years is derisory compared with the rate of inflation while income thresholds for targetting have also failed to keep pace with price increases. The abatement regime means that one child families on the average wage receive no child support at all (St John, 2002).

In addition to Family Support, in 1996 a previous tax credit to support children was converted into a new Child Tax Credit at a maximum of \$15.00 a week per child. This new 'incentive' for working parents only was severely criticised by poverty activists for penalising beneficiary families, but does help the low paid working group under consideration here. Child care is also subsidised by tax financed payments to approved child care centres. The Accident Compensation Scheme is the only element of the system based on social insurance, with contributions from employers and employees towards workplace accidents costs. This scheme provides 80% replacement of wages following an accident and meets other costs.

Also regarded under some definitions as part of the social wage is government expenditure on education and health directed towards wage earners. The scope and magnitude of government subsidised elements of living costs is much greater than in the United States, where health insurance coverage by employers is therefore a crucial benefit. This difference may well be part of the explanation for a living wage being a major campaign issue in many U.S. cities, unlike the situation in New Zealand.

Labour Market Deregulation and Widening Differentials

The reduced collective employee power following from labour market deregulation in the 1990s limited the labour movement's ability to fight for the low paid. One U.S. based observer judged the changes to the New Zealand industrial scene as "visible and dramatic, because in an astoundingly short time it moved from being a socialized country with labor law that was highly protective of unions and with one of the highest levels of union density in the world to a country that was extremely hospitable to free market ideas with a labor law founded on Chicago school ideas" (Dannin, 2001, p 1091). The provisions of the Employment Contracts Act 1991, together with a weak economy, inevitably led to a rapid fall in union coverage, from the internationally high level of 55.7% of wage and salary earners in 1989 to 21.4% in 1999 (May et al, 2001). Simultaneously there was a sharp reduction in collective, and especially multi employer bargaining.

The Labour/Alliance government 1999/2002 repealed the ECA, and its Employment Relations Act, 2000 (ERA) went some way to restoring union recognition and rights. Membership has recovered somewhat, with a 9% increase over the two years to December 2001, as against an increase in employment of 4.3%. However, some see the ERA changes as being largely a matter of details rather than fundamental aspects of industrial law (Dannin, 2001).

With the decimation of unions in the 1990s, the priority for individual unions was survival for themselves and their members, by making their services attractive to current and potential members in a new situation. The legislative framework was much more favourable than before to competition between unions in a workplace rather than allowing a largely captive membership, while the curtailment of union rights and power made it more difficult to persuade many workers of the need to join any union. In this climate, individual unions needed to concentrate on retaining reasonable collective contracts, being forced to bargain in most cases employer by employer. The NZ Council of Trade Unions (CTU) was also weakened by deunionisation.

In the individualistic climate of the 1990s, with government antipathy to collectivism and trade union power, the area where progress looked most possible was on individual rights. To soften the ECA measures, National Minister of Labour Bill Birch, in a media statement (23.4.1991) promised to strengthen the minimum code as a 'safety-net' for employees. However, all that this produced was a new statutory entitlement to 5 days paid leave per year for sickness or bereavement. In this climate one focus for the CTU was enhancement of the minimum code and conditions of work, a focus still maintained. Thus the 2001 Fairness at Work campaign of the CTU had as its main themes occupational safety and health, improvements to accident compensation, paid parental leave, equal employment opportunity, abolishing youth rates under the minimum wage, and improvements to holiday provisions, together with a work-family balance campaign. While the notion of a living wage might have formed part of an individual rights based approach, wage levels beyond the minimum were largely left to individual unions.

In New Zealand as in most other countries, the costs of structural adjustment programmes have fallen largely on low income groups. In addition real average earnings levels stagnated until recently (Martin, 1997). Recent studies of income distribution all show widening gaps both with respect to earnings and total household incomes (Podder and Chatterjee, 1998). Differentials have been widening throughout the capitalist world. The neoclassical rationale is that of required higher returns to scarce skills, with top salaries reflecting high productivity, responsibility, and performance in an increasingly complex and technologically advanced environment with international competition for these skills. The differentials are now, this position argues, closer than in earlier years to where they should be, as

they were previously artificially narrow due largely to over egalitarian attitudes and outmoded industrial relations/collective bargaining systems with centralised award systems in New Zealand. All will benefit from the faster growth, increases in employment, and higher productivity which the incentives for those at the top bring about.

However, the literature contains plenty of scepticism about simple explanations focussed on justified increased returns to skills and education (discussed further in Hyman, 1999). One review suggests that the rise of U.S. wage inequality is substantially due to institutional forces, with declines in the real value of the minimum wage and the level of unionisation significant factors (Fortin and Lemieux, 1997). Robert Kuttner challenges the market's verdicts on worth, pointing to "the sheer randomness of pay arrangements in a market society, the benefits of discrimination to dominant groups, and the loose connection between the distribution of earnings and the economic performance of society as a whole" (Kuttner, 1997, p 76). Hence, noting the fall in value of the U.S. minimum wage from 50% to under 40% of the average, "the widening of earnings inequality is less the result of natural changes in the distribution of skills or the logic of labor markets than a reflection of shifts in relative power between owner of capital and wage and salary workers" (ibid, p 85).

Why No Concerted Movement For A Living Wage?

Strategies based on a living wage slogan might seem sensible during a period of increasing inequality and high poverty levels for low income families and children. Certainly the need for very low waged sectors of the economy and high levels of inequality need to be questioned. However, a number of factors together may account for the lack of active campaigning on the living wage issue or slogan, despite it being in the background. These include reduced union power and the need to prioritise and, compared to the U.S. situation, the comparative strength of the minimum code and social wage, discussed above. In the U.S. the minimum wage has become increasingly weak, failing even to keep up with inflation. Also contributing to the difference in tactics is the relative size and differences in government structures.

Another element in the lack of attention in New Zealand to a living wage is a lack of discussion, analysis, and alternative perspectives to the orthodox in the media and public discourse over low pay and widening differentials. Certainly, the packages and redundancy or other payouts to CEOs, politicians and public servants receive attention and critique. But negative reactions to very high executive pay are often labelled the politics of envy, with international competition cited as one element in their being essential. Overall, orthodoxy appears to have captured most of the high ground. One contribution to this may be the lack of open fora for debate. Minimum

wages are set by government following submissions by the major stakeholders. There are no longer General Wage Orders or an Arbitration Court holding open hearings. Select Committees debate many issues but not in this arena. Privacy of wage information is the norm in an era of individual contracts. Low pay is often seen as inevitable in a relatively poor performing economy with higher growth rates and 'trickle down' the only possible remedies.

The changes discussed in this paper have led to a situation where collective action by the low paid occurs less than industrial action by professional groups, particularly in the education and health sectors. While these groups may have strong cases for improved earnings, they are not the lowest paid towards whom minimum or living wages campaigns are directed. Much less industrial power is in the hands of the really low paid and undervalued female dominated groups in the health sector. As the Minister of Women's Affairs put it on Suffrage Day 2002 with respect to home care workers: "It is a triple whammy where workers are undervalued because they are primarily women, the type of work they do is undervalued, and the older people and people with disabilities they care for also undervalued." Equal pay for work of equal value or pay equity is once more on the political agenda, challenging orthodox explanations of gender earning differences. However, the enterprise bargaining dominated industrial relations system makes it even harder to devise a workable system than in 1990 when the shortlived Employment Equity Act attempted to tackle the issue. If a politically acceptable system can be devised, it could be one way for home care workers and other low paid female groups to achieve equity and a living wage. Similar arguments apply to Maori and Pacific Island dominated low paid work.

One potential difficulty with the living wage relates to the level and relationship to family structure. In the U.S. "the living wage typically advocated is the hourly rate equivalent to keeping a family of four above the federal poverty line" (Figart, 1999). This is essentially the family wage revisited. The gender bias issue in the family wage is hopefully outdated, but this is partly reflected in the increasing proportion of two earner families, which makes seeking a living or family wage for each problematic in terms of the old arguments. Some CTU comments for the 1999 minimum wage review are relevant here. "It should be noted the minimum wage is not a 'living wage'. A living wage comes from a mix of wages, income support for dependent children, costs of housing and the rest: it is a mix of the industrial and social wage. A minimum wage can never be set at a living wage level because the number of people depending on it, and the other living costs that they face are not settled. For example, if a minimum wage was set at a level that allowed a wage earner to support an adult couple and three dependent children, it would massively 'overcompensate' a single young adult, but not provide a living wage for a wage earner with four dependent children."

Conclusion

The issues over whether adequacy of wages for living should be the business of employers or government/the community or both (or whether it is only a concern for the employee) will continue to be important in New Zealand. The extent to which the social welfare system, the employer or neither should be responsible for adequate living standards is bound to remain contentious. The relative role of minimum/living wages and of social welfare benefits/top ups in preventing poverty has been alluded to above by the Ministry of Women's Affairs. Are social welfare top ups at times simply subsidising employers and reducing the pressure on them to pay adequate wages? And what of their disincentive effects on both employers and employees to increase wages by raising hours or productivity, training and skills, especially when subject to 100% withdrawal? Overall, a sensible conclusion is that: "Minimum wages and social welfare are not alternatives but essential complements" (Brosnan and Wilkinson, 1987, p 38). Social justice campaigners will no doubt continue to debate the best combination of employer and government support for those on low wages, as well as support for those unable to find employment. A realistic minimum wage will continue to be part of the latter approach - whether the living wage will reemerge remains to be seen.

Future Research

There is a need for much more information and debate than occurs in New Zealand on the principles and practices that underlie wage determination. There is little literature parallel to that in the United States on wages as a living and as a social practice, not just wages as a price (Mutari et al, 2001), with only a few writers in academic or public debate (Hazeldine, 1998; Hyman, 1998) looking behind or beyond orthodox accounts of wage structures. More information and debate is needed on earnings, with a retreat from excessive secrecy/privacy towards public disclosure. At the low wage end of the market, minimum wage debates need to be more in the open. The contribution to this of Harre (2002) was an important precedent, but with Alliance out of government and Parliament, others must ensure that its impact is not lost.

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