

Contents Page: NZJER, 2013, 38(2)

Name	Title	Page Number
Katherine Ravenswood	Editorial: Precarious work, vulnerable workers and the Living Wage	1-3
Judy McGregor	The human rights framework and equal pay for low paid female carers in New Zealand	4-16
Erling Rasmussen and Jens Lind	In support of a New Zealand 'living wage': reflections on Danish 'working poor' trends and issues.	17-32
Sarah Kaine and Katherine Ravenswood	Working in Residential Aged Care: A Trans-Tasman comparison	33-46
Gail Pacheco and Jessica Dye	Estimating the Cost of Youth Disengagement in New Zealand	47-63
Annabel Newman	Precarious work and a living wage in our communities	64-69
Deborah Littman	The living wage: an idea whose time has come	70-77
Peter Skilling	Review Essay: Inequality and the Living Wage	78-81

Editorial: Precarious work, vulnerable workers and the Living Wage

KATHERINE RAVENSWOOD*

In February 2013 the living wage rate was launched at a symposium, *Precarious Work and the Living Wage* at AUT University. The symposium was hosted by the Centre for Occupational Health and Safety (AUT), the Council of Trade Unions and the Service and Food Workers' Union. It attracted speakers and participants internationally from among activists, unions, church and community groups and academics. Robust discussion fuelled the passion and desire for change from all who took part in the two day symposium. Conversations brought all these groups together, and this special issue of the *New Zealand Journal of Employment Relations* continues some of the themes from the symposium and furthers some of the debates and discussions that were held.

As Employment Relations and Human Resource Management academics, we tend to focus on the workplace and on the individual while they are at work. Even topics such as work-life balance typically concentrate on work-life balance and the individual *at work*. We often overlook what happens when those workers return from work to their home and communities. The living wage movement calls upon us to recognise that workers belong to communities and families. The living wage acknowledges that full participation in society is part of decent work and decent pay (Standing, 2011), and that organisations should recognise this in their remuneration of employees.

Several speakers at the symposium called to mind examples of the impact of work on the lives of workers. Helen Kelly (President of the NZCTU) recounted the story of a young forestry worker and his daily home life before a work accident took him from his family. Malcolm Sargeant (Middlesex) also connected the workplace, in terms of OHS outcomes, and the life of the workers at and outside of work. Workers working long hours, several jobs, commuting across large suburbs for work, lacking in sufficient or adequate food, are further disadvantaged in their health and safety at the workplace. Unions are a type of 'community' too, and their support for members' participation and activism are crucial in the fight for better wages and conditions for all workers, especially those who are 'vulnerable' or in 'precarious' work.

New Zealand has a history dating back to the early twentieth century and before of establishing protections and social welfare systems for workers and their families (Lamm, Rasmussen & Anderson, 2013; Anderson & Quinlan, 2008; Quinlan & Sheldon, 2011). However, internationally legal minima only now provide "the most disadvantaged and vulnerable with a modicum of security at work and in living standards" (Sheldon & Quinlan, 2011: 1). We are now seeing a growing number of workers in precarious, low paid employment with poor working conditions and fractured employment relationships (Burgess, Connell & Winterton, 2013; Standing, 2011; Weil, 2011; Fenton, 2011). The breakdown of the traditional employment relationship along with pressure on traditional employment and social protections has an ongoing effect not just on paid work, but on workers' lives, impacting negatively on workers' well-being and living standards (Cockfield, Buttigieg,

* Senior Lecturer, Management, AUT University

Jerrard & Rainnie, 2011). There is an established connection between precariously, low paid employment and poor working conditions and negative individual and community outcomes (ILO, 2012).

Workers in precarious, low paid employment with poor working conditions frequently find themselves in a vulnerable position. Vulnerability is, as indicated by Reverend Unasa, a contested term whereby some people link it to the work itself, while others associate vulnerability with the workers themselves (also see Burgess et al., 2013). Some workers will be vulnerable in the labour market because of their ethnicity, age, gender or level of education for example owing to systemic and individual discrimination (Burgess et al., 2013; Piasna, Smith, Rose, Rubery, Burchell & Rafferty, 2013). However, the Reverend Uesifili Unasa reminded the audience that vulnerability and precariousness describes the form of work and the conditions of work. He noted that there are many examples of vulnerable workers becoming empowered by joining together in their communities and working towards change. He also argued that as a society we are judged by the work we do and not necessarily by the role we play in our community. The fact that we place such importance on our employment status further disadvantages and disempowers those workers in precarious, low paid work. Thus, secure work at a living wage provides some dignity and respect to vulnerable workers.

Some of the key themes arising from the symposium included the necessity for us to build bridges across communities, to collaborate and debate, and most importantly *take action* to make sure that all workers have decent work and conditions that enable them to live as full participatory citizens in our societies. Speakers at the symposium brought international knowledge and experience (Guy Standing (UK), Malcolm Sargeant (UK), Deborah Littman (Canada), Iain Campbell (Australia)) that complemented a wide variety of perspectives and communities in New Zealand, including Annie Newman (SFU), Rev Uesifili Unasa (University of Auckland) and Professor Judy McGregor (AUT University). In the spirit of ongoing discussion across communities and disciplines, this special issue brings together multiple perspectives and knowledge of precarious work, vulnerable workers and the living wage: a human rights perspective to the discussion of equal pay for low paid women workers (Judy McGregor); a comparison of Danish flexicurity and the working poor with the New Zealand living wage movement (Erling Rasmussen and Jens Lind); a Trans-Tasman comparison of low paid work in residential aged care (Sarah Kaine and Katherine Ravenswood); discussion of youth who are not in training, education or employment (Gail Pacheco and Jessica Dye) along with comments from Annabel Newman on the New Zealand living wage movement and Deborah Littman on the living wage movement in Vancouver, Canada. We also have an extended review on a recently published book on inequality in New Zealand (Peter Skilling).

As guest editor of this special issue, I would like to conclude this editorial with my own exhortation to you to remember those less fortunate among us who work hard in paid and unpaid work and do all they can to barely keep their and their family's heads above the water. A living wage acknowledges that a decent standard of pay and decent standard of living should allow for more than barely surviving. It should enable families and communities to grow and support each other. For those of us who are not struggling, perhaps it is now our responsibility to ensure that the living wage movement, the research, experiences and knowledge shared at the symposium in 2013 and in this special issue of the *New Zealand Journal of Employment Relations* are carried with us everywhere we go, into our communities and networks in New Zealand and globally.

References

- Anderson, G. & Quinlan, M. (2008). The changing role of the state: Regulating work in Australia and New Zealand 1788-2007. *Labour History*, 95(November): 111–132.
- Burgess, J., Connell, J. & Winterton, J. (2013). Vulnerable workers, precarious work and the role of trade unions and HRM. *The International Journal of Human Resource Management*, 24(22): 4083-4093.
- Cockfield, S., Buttigieg, D., Jerrard, M. & Rainnie, A. (2011). Assessing the impact of employment regulation on the low paid in Victoria. *Economic and Labour Relations Review*, 22: 131-152
- Fenton, D. (2011). Insights into Contracting and the Effect on Workers. *New Zealand Journal of Employment Relations*, 36(3): 44-58.
- International Labour Organisation. (2012). *World of Work Report 2012 “Better Jobs for a Better Economy”* [Report]. Geneva: Author.
- Lamm, F., Rasmussen, E. & Anderson, A. (2013). The Case of the Disappearing Department of Labour: Whither goes state protection for vulnerable workers. In M. Sargeant and M. Ori. (eds.) *Vulnerable Workers and Precarious Working*. (pp. 184-219). Cambridge Scholars Publishing: Newcastle upon Tyne
- Piasna, A., Smith, M., Rose, J., Rubery, J., Burchell, B. & Rafferty, A. (2013). Participatory HRM practices and job quality of vulnerable workers. *The International Journal of Human Resource Management*, 24(22): 4094-4115.
- Quinlan, M. & Sheldon, P. (2011). The Enforcement of Minimum Labour Standards in an Era of Neo-Liberal Globalisation: An Overview. *The Economic and Labour Relations Review : ELRR*, 22(2): 5-31.
- Sheldon, P. & Quinlan, M. (2011). Minimum Labour Standards and Their Enforcement. *The Economic and Labour Relations Review : ELRR*, 22(2): 1-4.
- Standing, G. (2011). *The precariat. The new dangerous class*. London: Bloomsbury Academic.
- Weil, D. (2011). Enforcing Labour Standards in Fissured Workplaces: The US Experience. *The Economic and Labour Relations Review: ELRR*, 22(2): 33-54.

The human rights framework and equal pay for low paid female carers in New Zealand

JUDY MCGREGOR*

Abstract

This article explores the paradox of New Zealand's officially expressed commitment to the fundamental human right of gender equality internationally, despite the lack of progress in the implementation of equal pay and pay equity for low paid female workers domestically. New research funded by the New Zealand Law Foundation is assessing the impact of New Zealand's implementation of international human rights treaty body obligations. The article examines the State party reports on equal pay and pay equity to the United Nations (UN) Committee on the Elimination of Discrimination Against Women and the Committee's responses. It also uses material drawn from the New Zealand Human Rights Commission's (NZHRC) national inquiry into equal employment opportunities in the aged care sector to examine the actions of non-governmental actors. The two sources of information show that women's progress in closing the gender pay gap in New Zealand at a governmental level is marked by the ebbs and flows of political will. It is argued, too, that there is currently a revival of advocacy by non-governmental actors using a human rights framework to apply pressure for change on pay equity breaches.

Introduction

Successive governments have believed that New Zealand is a good nation state with a strong and principled record in human rights since 1948, when it was involved in developing the Universal Declaration of Human Rights. This self-belief has been bolstered by scholarship identifying New Zealand's early political support for international human rights through Prime Ministers, Peter Fraser and Walter Nash, that Lauren (1988) described as "far out of proportion to the size or strength of their country" (p.167). Consistent and conscientious reporting by successive New Zealand administrations to the international human rights treaty bodies is another expression of global governmental commitment. However, new research shows that there is a difference between national self-regard about New Zealand's obligations and the realisation of human rights in everyday lives. This is demonstrated in close analysis of New Zealand's periodic reporting to UN human rights agencies on women's rights and equal pay in the past 25 years.

The article also suggests that there is a revival of advocacy using the human rights framework to apply on-going international and domestic pressure on the government to fulfil its obligations for equal pay and pay equity. The advocacy acknowledges that in liberal democratic societies, such as New Zealand, the State is central to determining the degree of gender equality in employment. A catalyst for this advocacy was a national human rights inquiry into low paid, predominantly female aged care workers, published in the report, *Caring Counts* (New Zealand Human Rights Commission, 2012).

* Professor and Head of School of Social Sciences and Public Policy at AUT. She was Equal Employment Opportunities Commissioner with the New Zealand Human Rights Commission, 2002-2012

Equal pay in the International Bill of Human Rights and other treaties

The importance of the treaty body system in implementing human rights, including gender equality, has been recognised since the 1960s. The UN Secretary-General Ban Ki-Moon stated in a 2011 report on strengthening the treaty body system:

The treaty bodies stand at the heart of the international human rights protection system as engines translating universal norms into social justice and individual well-being. Using a growing set of tools, this system provides authoritative guidance on human rights standards, advises on how treaties apply in specific cases, and informs State parties of what they must do to ensure that all people enjoy their human rights (Pillay, 2011: p.7)

Equal pay is a fundamental tenet of gender equality and was first outlined in the Universal Declaration of Human Rights 23(2) which stated: “Everyone, without any discrimination or distinction of any kind, has the right to equal pay for equal work”. It is referred to in other major treaties, such as the International Covenant on Economic, Social and Cultural Rights (ICESCR) (Articles 3 and 7a). The International Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW). Article 11 reads:

State Parties shall take all appropriate measures to eliminate discrimination against women in the field of employment in order to ensure, on a basis of equality of men and women, the same rights, in particular: (d)...the right to equal remuneration, including benefits, and to equal treatment in respect of work of equal value, as well as equality of treatment in the evaluation of the quality of work.

Various International Labour Organisation (ILO) Conventions such as ILO C100, Equal Remuneration Convention and ILO C111, Discrimination (Employment and Occupation) Convention also specify equal pay and pay equity obligations. Both the treaties on racial discrimination, the International Convention on the Elimination of all Forms of Racial Discrimination (CERD) and on the rights of disabled people, the Convention on the Rights of Persons with Disabilities (CRPD), also refer to equal pay. New Zealand has ratified all of these conventions since the late 1960s. In the case of the most modern convention, the CRPD, it helped lead the international community in the development and acceptance of the treaty, further evidence of its positive self-image as a human rights leader.

What are New Zealand’s obligations under such treaties? The Office of the UN High Commissioner for Human Rights states that the obligations are often expressed under three headings: to respect, which means refraining from interference with the enjoyment of the right; to protect, which means preventing others from interfering with the right, and to fulfil, which requires the State party to adopt appropriate measures towards the full realisation of the right. In several human rights treaties, such as ICESCR (Article 2(1), the concept of progressive realisation is referred to as a core aspect of States’ obligations in relation to economic, social and cultural rights. This means the State taking appropriate measures towards the full realisation of rights, such as equal pay and employment rights, by all appropriate means including legislation to the maximum of its available resources.

While this means that a State’s compliance with the obligation is assessed in the light of financial and other resources, a lack of resources cannot justify inaction or indefinite postponement of

implementation. This is particularly so when discrimination exists. The Committee on Economic, Social and Cultural Rights (2009) has said that the failure to remove differential treatment on the basis of a lack of available funds is not an objective and reasonable justification unless every effort has been made to use all resources that are at a State party's disposal to eliminate the discrimination, as a matter of priority. Despite the incrementalism inherent in the idea of progressive realisation, the High Commissioner for Human Rights indicates that States must also take immediate action, irrespective of the resources they have, in relation to some rights. Article 7(a)(i) *Equal remuneration for work of equal value without distinction of any kind*, is one example.

The Committee is also categorical about non-retrogressive measures and says that States should not allow the existing protection of economic, social and cultural rights to deteriorate unless there are strong justifications. It is argued later that this is relevant to repeal of the Employment Equity Act in 1990, the closure of the Department of Labour's Pay and Employment Equity Unit and the discontinuing of two equal pay investigations, involving support workers working with special needs children in the Ministry of Education, and social workers employed by the Ministry of Social Development, in February 2009.

New Zealand's reporting on equal pay to UN treaty bodies

In light of New Zealand's ratifications of human rights treaties such as CEDAW and its self-regard as a leader in global human rights consciousness, what is its record in reporting on equal pay?

Feminist academic, Prue Hyman (2008; 2010), has usefully chronicled the painful and slow history of equal pay implementation in New Zealand. In her article looking at developments from 2008-2010, she concluded that New Zealand's move from a relatively equal society to one of its most unequal made labour market protections, including equal employment opportunities, of even more importance than in the early days of awareness and policy making. She was concerned that complacency, backlash and slippage too often impeded equal opportunity for all groups in the labour market.

New research funded by the New Zealand Law Foundation allows a preliminary analysis of what New Zealand has told the UN about its progress in implementing equal pay and pay equity since it began reporting on CEDAW in 1987. New Zealand's seven periodic reports (Third and Fourth reports were combined) to the Committee on the Elimination of Discrimination against Women have been examined for reference to Article 11(d) in this research. They show that equal pay and pay equity have been central to the reporting process since 1986. This alone invites analysis both of what was said, how it was framed and the impact.

The next section summarises the relevant equal pay-related comments made by the State party, and the concluding observations and recommendations back from the Committee to New Zealand. Retrogression and progress in relation to equal pay is then discussed.

First report, 1986

New Zealand's first periodic report to the Committee on the Elimination of Discrimination Against Women in 1986 stated that there was no overall differentiation by sex in New Zealand law and that, in

employment and in society, women were increasingly taking opportunities (New Zealand's First Report, 1986). The report highlighted the Government Service Equal Pay Act 1960 and the Equal Pay Act 1972, covering the private sector. It also outlined sections of the Human Rights Commission Act 1977, section 15, which covered the prevention of sex discrimination in employment. New Zealand said, while societal attitudes were not static, it could not be said that women and men themselves practise full equality in the workplace. The report stated that women still tended to choose certain types of employment, the majority in clerical/secretarial work and other traditional occupations, such as nursing and garment manufacturing.

The difference between defacto and de jure sex discrimination was noted by the Committee in its concluding comments back to New Zealand (Committee on the Elimination of Discrimination against Women, 1988). Despite the absence of legal barriers in New Zealand to equality between men and women, and although women had acquired the right to vote in 1893, in practice, the barriers created by tradition, history and structures still existed.

The Committee said that job sexual segregation seemed to cause problems with regard to equal pay. It asked how those problems had been dealt with, whether gender-neutral job evaluation schemes had been of use, whether wage differential studies had been carried out, whether cases on wage discrimination based on sex had been raised and, finally, how wages were set and what was the role of the trade unions in wage negotiations.

Second report, 1993

The government reported that, during the reporting period (1986-1992), women had continued to earn significantly less than men (Committee on the Elimination of Discrimination against Women, 1993a). While the pay gap between male and female earnings closed from 72 percent to 79 percent between the passage of the Equal Pay Act 1972 and its final implementation date in 1977, it had risen by only two percentage points to 81 percent in the past 15 years. The report said that, despite the existence of the Equal Pay Act, the distribution of market income in New Zealand was heavily weighted in favour of males. Provisional 1991 census results showed males were still receiving more income than females in all groups over \$20,000 a year, and that 60 percent of all people earning \$20,000 or less were female.

The report referred to the effectiveness of the Equal Pay Act in light of the breakdown of collective bargaining that began with the Employment Contracts Act 1991. It said the practical application of the Equal Pay Act remained unclear in the case of individual contracts as no cases had been taken.

The introduction and then quick repeal of the Employment Equity Act 1990 was referred to in New Zealand's report. It said that, in the 1980s, some test cases under the Equal Pay Act confirmed that the courts interpreted the provisions of the Act to apply only where men and women were doing the same or substantially the same work. Many groups recognised the need for wider legislation to cover pay equity or equal pay for work of equal value, and to address the differing pay rates of women and men in predominantly single sex occupations, such as nursing and police work, which many considered carried equal levels of responsibility but not equal levels of remuneration. The report noted a strengthening of the equal pay campaign by civil society and government initiatives to respond including the Employment Equity Act 1990, covering both pay equity and equal employment opportunities. The Act was described as legislation constructed within the industrial relations framework prevailing at that time.

In its response the Committee noted, as one of several principal areas of concern, that women's annual income was not equal with that of men for many reasons, particularly because of their need to accommodate family responsibilities (Committee on the Elimination of Discrimination against Women, 1993b). Although the government had taken measures to improve women's income, it had abolished pay equity legislation during the reporting period. More efforts needed to be taken to alleviate the burden on women in that respect.

The Committee urged additional affirmative action by the government in cooperation with the private sector to help women cope with family and work responsibilities. It noted its concern that changes to employment legislation were likely to weaken the trade union movement. Without strong union support, women in paid employment would lack the means to negotiate better work conditions with their employers.

The Committee recommended that, in its next report, the government provide more detailed information about the obstacles, which still existed and prevented women from achieving full equality.

Third and Fourth reports, 1998

The government told the Committee in this report that women's average hourly earnings were 81.2 percent of men's in August 1997 (Committee on the Elimination of Discrimination against Women, 1998). This relativity had remained almost unchanged since the implementation of the Equal Pay Act. Part of the difference was attributed to longer hours of work and more overtime by men. The report noted that the gender pay gap was worse in the public sector at 76.2 percent than the private sector at 80.2 percent (Committee on the Elimination of Discrimination against Women, 1998,). Research by the New Zealand Institute of Economic Research indicated that the gender pay gap was unlikely to narrow over the next five years if the recent industry trends continued. This reflected the concentration of women in industries, such as business and financial services, where the gender earnings gap was predicted to grow, and above-average wage growth in industries where women were under-represented. Other significant factors affecting earnings were the level of seniority, levels of skills, experience and job-related training, and the duration and continuity of employment. It was difficult to quantify the effects of these factors due to the paucity of data.

The report noted that the Ministry of Women's Affairs was responsible for a research programme on the gender pay gap and that the New Zealand Council of Trade Unions was developing a three-year campaign to achieve equal pay to mark the 25th anniversary of the Equal Pay Act 1972.

Fifth report, 2002

New Zealand told the Committee that legislation providing for equal pay for work of equal value had been repealed in 1990, and the labour market had been deregulated (Ministry of Women's Affairs, 2002). It said that after entering office, the new government had begun to reverse the effects of that deregulation by establishing a Pay and Employment Equity Task Force to promote equality in public sector jobs. The Task Force was due to establish a five-year plan of action by 1 December 2003. It was

hoped that in demonstrating the value of equality policy, the plan of action would also serve as a model for the private sector.

Committee members requested additional information on the measures the government had taken to eliminate horizontal and vertical employment barriers and pay gaps (Committee on the Elimination of Discrimination against Women, 2003a). Clarity was sought also on whether cases of pay gaps had been referred to a court and, if so, whether the employer or employee bore the burden of proof. The Committee chairperson ended the dialogue with New Zealand with the comment that the Committee hoped that effective action would be taken to deal with the country's gender segregated labour market and wage disparities between men and women. In its press release after it examined New Zealand's report, the Committee listed the financial repercussions of wage gaps between men and women, as an area requiring further attention (Committee on Elimination of Discrimination Against Women, 2003b).

Sixth report, 2006

The Committee expressed concern that, while New Zealand law recognises the principle of equal pay for work of equal value, the mechanisms for implementing this principle in the private sector, such as industry wide job evaluations to ensure equal pay for women performing work of equal value, had been abolished (Committee on the Elimination of Discrimination against Women, 2007). It also stated the government lacked the authority to implement and enforce equal employment opportunities policies in the private sector.

It recommended that the State party enact and implement comprehensive laws guaranteeing the substantive equality of women with men in both the public and private sectors, especially in regard to equal pay and equal opportunity in employment.

Seventh Report, 2010

Given that the New Zealand government had dismantled the majority of its equal pay machinery in 2009, it is instructive to note how the State party reported on the gender pay gap to the Committee a year later and the nature of the Committee's latest response.

First, New Zealand acknowledged that the gender pay gap remained stubborn and its causes were complex and there were no simple solutions (Committee on the Elimination of Discrimination against Women, 2010). The gender pay gap of 11.3 percent was the lowest recorded since the New Zealand Income Survey first measured the pay gap in 1998, but it had moved very little in the last decade.

The Department of Labour's Pay and Employment Equity Unit (PEEU) designed and produced pay and employment equity toolkits and other practical assistance for state sector employers in New Zealand to help them assess pay and employment equity issues within their workplaces. Pay and employment equity reviews in the public sector were conducted between 2005 and 2009. All reviews except one found gender pay gaps, which varied in size between three to 35 percent. PEEU's obituary was consigned to a single sentence in the report: The work of PEEU was discontinued in 2009.

In the most explicit urgings made by the Committee on the Elimination of Discrimination Against Women in its reports to New Zealand, four recommendations related to equal pay and pay equity: These were:

- Enact appropriate legislation that guarantees the operationalisation and implementation of the principle of equal pay for work of equal value in line with Article 11(d) of the Convention.
- Effectively enforce the principle of equal pay for work of equal value, through establishing specific measures and indicators, identifying time frames to redress pay inequality in different sectors and reviewing the accountabilities of public service chief executives for pay policies.
- Adopt policies and take all necessary measures, including temporary special measures in accordance with Article 4, paragraph 1, of the Convention and the Committee's general recommendation No 25 with time-bound targets, to eliminate occupational segregation, both horizontal and vertical.
- Ensure that there is a monitoring institution for gender pay inequity within the State party's administration despite the closure of the Pay and Employment Equity Unit in the Department of Labour (Committee on the Elimination of Discrimination against Women, 2012).

Analysis of CEDAW reports on equal pay

Analysis of the reports, then, shows that the Committee has noted retrogression relating to equal pay and pay equity in the second, sixth and seventh reports. In the second report in 1992, it noted the repeal of the Employment Equity Act in 1990, and in the sixth report it was concerned about the abolition of mechanisms, namely the Pay and Employment Equity Unit. The seventh report explicitly urged legislative change relating to equal pay for work of equal value; indicators, timeframes and improved accountabilities in the public service; and the use of affirmative action to eliminate occupational segregation and effective monitoring of the gender pay gap.

Human rights scholars Christof Heyns and Frans Viljoen (2001: 483) state that the "success or failure of any international human rights system should be evaluated in accordance with its impact on human rights practices on the domestic (country) level". As they indicated, the challenge is to ensure that the promises contained in the treaties and affirmed through ratification are realised in the lives of ordinary people, and in the case of equal pay in the lives of thousands of low paid women in New Zealand, including those working in the aged care sector. This study shows that, to varying degrees, successive New Zealand government reports to the Committee on the Elimination of Discrimination Against Women have acknowledged equal pay and pay equity as significant, systemic and continuing barriers to gender equality. The reports also reflect the peaks and troughs of active and passive political commitment to addressing the gender pay gap domestically. In response successive UN committees have increased the tempo on equal pay. What distinguishes the last report in 2010 from the Committee to the State party is the degree of specificity of the recommendations and a move from rhetorical encouragement to active identification of instrumental actions that need to be taken.

The ebb and flow of political will

So what are the prospects then of the political tide turning as a result of increasing international encouragement to address equal pay and pay equity for low paid female workers? The question is

addressed first by considering several existing constraints to the increased exercise of political will to close the gender pay gap. The article then uses the NZHRC's national inquiry into equal employment opportunities in the aged care sector to discuss a confluence of factors pushing up from below through judicial intervention and social activism that may result in increased politicisation of equal pay.

First, the limitations of current human rights treaty body implementation in the New Zealand context. New Zealand's international obligations do not have primacy over New Zealand law nor do they bind the State party to a particular way of doing things, such as implementing the principle of pay equity as a mandatory requirement through legislation, for example. When the National government dismantled the Pay and Employment Equity Unit in 2009 and discontinued two pay investigations, it used the rationale that the unit had a five year life only, and there were other ways of closing the gender pay gap. These included a reliance on market forces, the use of toolkits, employer education, public sector chief executive accountability, plus the usual political fall-back position of more research.

The New Zealand parliament also demonstrates a traditional indifference to its obligations to promote and publicise international treaty body reports such as CEDAW. The NZHRC states that, currently, New Zealand's human rights treaty body reports and recommendations are seldom tabled in Parliament (New Zealand Human Rights Commission, 2011). The recommendations of the Committee on the Elimination of Discrimination Against Women, for example, are relatively invisible, and are rarely formally debated, unless raised during question time in an ad-hoc manner by an opposition member of parliament. In 2012, the Minister of Women's Affairs, Hon. Jo Goodhew, wrote to all Members of Parliament with a link to the seventh periodic review but the report was not subject to parliamentary oversight through tabling or debate.

Even more problematic for women's rights is that CEDAW reports are prepared by the Ministry of Women's Affairs (MoWA) with help from other government departments. The MoWA reports to the Government Administration Committee, the select committee that has a grab-bag of responsibilities ranging from civil defence to the Prime Minister and Cabinet, statistics, fitness and sport, parliamentary affairs, racing, youth and women's affairs. All other employment issues, for example, are considered by the Transport and Industrial Relations Select Committee, whose members build expertise and an oversight of the labour market frameworks and employment issues in New Zealand.

This limits the political opportunities should individual members of parliament be interested in or knowledgeable about the international treaty body responsibilities and what they mean for the human rights of New Zealanders. In turn, this results in negligible media coverage that could potentially stimulate general public debate. The very limited domestic political contest and the absence of media scrutiny by the parliamentary press gallery closes a circle of silence reinforcing political apathy and complacency about human rights such as equal pay.

The NZHRC has advocated for the establishment of a separate Human Rights Select Committee. This could address the significant gap in parliamentary scrutiny of human rights issues, enhance parliamentary oversight and strengthen accountability. The Commission also promoted the tabling of all Treaty body reports, such as those from the Committee on the Elimination of Discrimination Against Women, as an effective way for government to meet its responsibility to publicise treaty body recommendations. Promotion of treaty obligations to the wider community, such as non-governmental organisations, researchers and policy makers allows third parties to set their own human rights agendas as well as hold the State party accountable. This, the Commission believed, would increase the

likelihood of public engagement on human rights issues (New Zealand Human Rights Commission, 2011).

Stakeholders and the human rights framework

There are influential stakeholders other than the government and parliamentarians who have the ability to leverage the human rights framework so that rights are realised. An analysis of the NZHRC's inquiry into equal employment opportunities into the aged care sector allows for some reflection on whether best use is being made of human rights frameworks by organisations and individuals other than politicians to progress equal pay.

The inquiry's major findings were uncontested. Thousands of New Zealand's lowest paid and most vulnerable women workers, carers in residential facilities and community-based home settings, are paid \$3 to \$5 an hour less than their counterparts for much the same work in the 21 District Health Boards (DHBs). All three sets of workers are paid by public monies from Vote Health, although carers in residential facilities and working in the homes of older people are paid by providers contracted to DHBs rather than directly employed by DHBs. The employment model, with its structural and systemic pay inequalities, is driven by the funding model, which is the State's responsibility. As Australian academics Palmer and Eveline (2012) point out, the payment of care is critically dependent on political will. In New Zealand as elsewhere, there is no market mechanism for care workers to price themselves in a manner that reflects the value of their contribution (England & Folbre, 1999).

Caring Counts is the latest of a long list of reports exposing pay inequities in the aged care sector. However, the inquiry was primarily based on international treaty body standards and was undertaken by an A-accredited Paris Principles compliant national human rights institution. It is only the third national inquiry conducted by the Commission in the past 10 years. The inquiry received significant media and public interest. It found that it would cost \$140 million, approximately one percent of the health budget, stepped over three years, to fix the pay discrimination, and that fair travel policies were urgently needed. The Prime Minister Hon. John Key told Television 3 News that carers' pay was "unequal" but New Zealand could not at the moment afford to fix it (Television 3, 2012).

There are currently, then, three ways in which the human rights framework is being leveraged to increasingly politicise equal pay. This is bringing pressure on a State party that continues to reframe progressive realisation and that has been arguably complicit in retrogression.

First, the international human rights framework was utilised in the 2013 Employment Court case involving interpretations of the Equal Pay Act 1972. *Caring Counts* was a catalyst for this first significant test of New Zealand's equal pay legislation in 30 years. Many of the interveners in the high profile case involving Lower Hutt carer, Kristine Bartlett, including the NZHRC, unions and equal pay campaigners confirmed New Zealand's obligation to implement Article 11(d) relating to equal pay, and referred the court to the treaty body reports including CEDAW.

The case turned, in part, on an assessment of the scope of s 3 of the Equal Pay Act 1972, which sets out the criteria to determine whether an element of difference in remuneration based on sex existed. Ms Bartlett was claiming, on behalf of female caregivers, that they were being paid a lower rate of pay than would be the case if caregiving of the aged were not so substantially female-dominated. The judgment of the full Employment Court referenced the Inquiry report's conclusion that aged care workers in New

Zealand were amongst the lowest paid in the country for physically, mentally and emotionally demanding work. The Court referred to the frequent statements in *Caring Counts* that the work was undoubtedly gendered and that the low pay was directly related to it traditionally being women's work.

In its judgment, the Court stated that section 3(1)(b) requires that equal pay for women for work predominantly or exclusively performed by women is to be determined by reference to what men would be paid to do the same work abstracting from skills, responsibility, conditions and degrees of effort as well as from any systemic undervaluation of the work derived from current or historical or structural gender discrimination. The Court dismissed the defendant's suggestion that gardeners, who tend to be male, might be an appropriate comparator group to female aged care workers and noted that, ironically, gardeners received NZ\$16.56 per hour as opposed to the carers at NZ\$13.75-\$15 per hour. Dismissing the argument of crippling fiscal impact should carers be paid fairly, the Court said

History is redolent with examples of strongly voiced concerns about the implementation of anti-discrimination initiatives on the basis that they will spell financial and social ruin, but which proved to be misplaced or have been acceptable as the short term price of the longer term social good. The abolition of slavery is an old example, and the prohibition on discrimination in employment based on sex is both a recent and particularly apposite example (*Service and Food Workers Union Nga Ringa Tota Inc v Terranova Homes and Care Limited*, 2013).

Second, there has been a renaissance of civil society interest in monitoring New Zealand's progress in responding to the Committee on the Elimination of Discrimination Against Women's latest recommendations. A coalition of 28 women's groups, the CEDAW Coalition of New Zealand NGOs, was formed in Auckland in 2012, and in 2013 submitted to the forthcoming Universal Periodic Review (UPR). The UPR is the process whereby other countries question New Zealand on its overall human rights progress. The UPR is increasing in international reputation because it provides a detailed account of the human rights situation on the ground.

The CEDAW coalition submission recommended that the New Zealand government work with women's groups to develop an action plan for New Zealand Women with

authentic targets and accountabilities. This should target violence against women, *pay inequality and inequity* (emphasis added), the status of Māori and Pacific women and the importance of welfare and employment related reforms on the lives of women and their families (CEDAW Coalition of New Zealand NGOs, 2013).

The Coalition also supports the establishment of a human rights select committee.

Third, there is a marked increase in the use of "public voice" by low paid female carers telling their own stories as opposed to reliance on elite expert voices to speak for them. These narratives have been framed in terms of the human rights of carers to equal pay as a measure of the value placed on older people in New Zealand society, and not in terms of the traditional discourse of "ethic of care" and "women's work". The use of personal narrative by carers themselves has given "power to the powerless" and is creating a new and revitalised political constituency around the plight of carers with older people and their families, as well as the aged care industry. The personal narratives were a significant feature of the report *Caring Counts*. They were dominant voices in the 2013 launch of the Living Wage campaign in New Zealand, and have a primary focus in the continuing television, radio and print stories on Kristine Bartlett's equal pay case.

Conclusion

The two data sets used in this article show that, at a governmental level, New Zealand is struggling to convince successive UN committees that it is making significant progress in closing the gender pay gap. On the other hand, a number of elements have come together in the past two years to increase the public policy visibility of equal pay and the plight of low paid but vital female workers, particularly in the aged care sector. They include a high profile national human rights institution inquiry, litigation around equal pay, a civil society coalition around CEDAW implementation, the Living Wage campaign and greater mobilisation and visibility of low paid female carers as a result of strategic trade union intervention.

To these elements can be added a confluence of factors, including the demographics of ageing, the rise of the private sector aged care industry and its relationship to public funding, and a predicted global shortage of health care workers that will impact on New Zealand as elsewhere. The case for redressing political commitment and addressing low pay for low paid women workers, such as those in the aged care sector, then becomes indisputable.

Human Rights academic Samuel Moyn (2010) notes that history shows human rights have stood a better chance when social activism has surged from below and helped refresh legal agendas. As pressure builds, the implementation of equal pay for aged care workers could well become a priority fiscally as well as a matter of social justice. At some point soon, it will become politically unsustainable not to pay decent wages to women for heroic work.

The paper uses data gathered in the New Zealand Law Foundation funded project “Assessing the Impact of New Zealand’s Ratification and State Receptivity of the Major International Human Rights Treaties”. The three year project’s research team comprises the author, Professor Margaret Wilson of the University of Waikato, and Sylvia Bell, the principal legal and policy analyst of the New Zealand Human Rights Commission.

References

- CEDAW Coalition of New Zealand NGOs. (2013). *Submission to the Universal Periodic Review*. (forthcoming)
- Committee on the Elimination of Discrimination Against Women. (1993a). *Second Periodic Report of State Parties*. (CEDAW/C/NZE/2): New Zealand
- Committee on the Elimination of Discrimination Against Women. (1993b). *Concluding Observations*. (CEDAW/C/SR): New Zealand
- Committee on the Elimination of Discrimination Against Women. (1998). *Third and Fourth Periodic Report, New Zealand*. (CEDAW/C/NZL/3-4): New Zealand

Committee on the Elimination of Discrimination Against Women. (2003a). *Summary record of the 624th meeting*. (CEDAW/C/SR 624). New York

Committee on the Elimination of Discrimination Against Women. (2003b). *Concluding comments of the Committee on the Elimination of Discrimination against Women: New Zealand. Fifth periodic report*. (CEDAW/C/SR.625): New Zealand

Committee on the Elimination of Discrimination Against Women. (2007, July 23-August 10). *Concluding comments of the Committee on the Elimination of Discrimination Against Women*. (CEDAW/C/NZL/CO/6): New Zealand

Committee on the Elimination of All Forms of Discrimination Against Women. (2010, November). *Consideration of reports submitted by States parties under article 18 of the Convention on the Elimination of All Forms of Discrimination against Women, Seventh periodic report, New Zealand*. (CEDAW/C/NZL/7): New Zealand

Committee on Economic, Social and Cultural Rights. (2009). *General Comment No 20, Non Discrimination in Economic, Social and Cultural Rights (Art.2, para 2 of the International Covenant on Economic, Social and Cultural Rights*. (EC 12 GC/20): Geneva

Committee on the Elimination of Discrimination Against Women. (1988). *Seventh session, 16 February-4 March 1988 Concluding Comments of the Committee on the Elimination of Discrimination Against Women. Initial report*. (Supplement no. 38 (A/43/38)): New Zealand

Committee on the Elimination of Discrimination Against Women. (2012, July 9-27). *Concluding Observations of the Committee on the Elimination of Discrimination Against Women*. (CEDAW/C/NZL/CO/7): New Zealand

England, P. & Folbre, F. (1999). The Costs of Caring. *The Annals of the American Academy of Political and Social Science*, 561(1): 39-51.

Heyns, C. & Viljoen, F. (2001). The Impact of the United Nations Human Rights Treaties on the Domestic Level. *Human Rights Quarterly*. 23: 483-535.

Hyman, P. (2008). Pay Equity and Equal Employment Opportunity in New Zealand: Developments 2006/2008 and Evaluation. *New Zealand Journal of Employment Relations*, 33(3): 1-15.

Hyman, P. (2010). Pay Equity and Equal Employment Opportunity in New Zealand – developments 2008/2010 and Evaluation. *Labour, Employment and Work in New Zealand 2010* Retrieved from http://www.victoria.ac.nz/som/industrial-relations-centre/irc-events/lew-conference-welcome/lew-papers/N11_Hyman_LEW_Final.pdf

Lauren, P.G. (1998). *The Evolution of International Human Rights: Visions Seen*. Philadelphia: University of Pennsylvania Press.

Ministry of Women's Affairs. (2002). *The Status of Women in New Zealand 2002: The Fifth Report on New Zealand's Progress on Implementing the United Nations Convention on the Elimination of All*

Forms of Discrimination Against Women. Wellington. Retrieved from <http://mwa.govt.nz/sites/mwa.govt.nz/files/nz-cedaw-rpt-2002.pdf>

Moyn, S. (2010). *The Last Utopia: Human rights in History*. Cambridge Massachusetts: The Belknap Press of Harvard University Press.

New Zealand's First Report (1986). *Convention on the Elimination of All Forms of Discrimination Against Women.* Ministry of Women's Affairs. Retrieved from <http://mwa.govt.nz/sites/mwa.govt.nz/files/nz-cedaw-1986.pdf>

New Zealand Human Rights Commission (2011). *Strengthening Parliamentary Democracy: A discussion paper*. Wellington: Author

New Zealand Human Rights Commission (2012). *Caring Counts: Report of the Inquiry into the Aged Care Workforce*, Wellington: Author

Office of the United Nations High Commissioner for Human Rights. (n.d). *Frequently Asked Questions on Economic, Social and Cultural Rights*. (Fact Sheet No.33). Geneva: Author

Palmer, E. & Eveline, J. (2012). Sustaining Low Pay in Aged Care Work. *Gender, Work and Organization*, 19(3): 254-275.

Pillay, N, (2011). *Strengthening the United Nations Human Rights Treaty Body System*. A report by the United Nations High Commissioner for Human Rights, Office of the High Commissioner. Retrieved from <http://www2.ohchr.org/english/bodies/HRTD/docs/HCReportTBStrengthening.pdf>

Service and Food Workers Union Nga Ringa Tota Inc. v Terranova Homes and Care Limited [2013] NZEmpC 157 ARC 63/12.

Television 3 News (2012, May 28). *Government won't increase aged care pay*. Retrieved from <http://www.3news.co.nz>.

In support of a New Zealand ‘living wage’: reflections on Danish ‘working poor’ trends and issues.

ERLING RASMUSSEN* and JENS LIND**

Introduction

In May 2012, a campaign started in support of a New Zealand living wage. Initiated by the Service and Food Workers Union Nga Ringa Tota (SFWU), Living Wage Aotearoa New Zealand has grown into a broadly based community and union campaign with over 100 organisations endorsing a call for a living wage by late 2012. The campaign is partly a response to the growing concerns about low-wages in New Zealand where many workers and families are struggling financially, and it partly builds on similar campaigns in other Anglo-American countries (for example, USA, UK, Ireland). There are particular New Zealand factors at play as the country seeks to counter the fallout from the global financial crisis, high youth unemployment, and an exodus of skilled workers to overseas labour markets. In particular, the limited growth in statutory minimum wages has had a negative impact on low paid employees as have the government’s reduction in employee entitlements and its emphasis on work, even very low paid work, being a way to deal with employment and welfare issues (Fletcher, Hanna & Andersen, 2012; Hanna, Fletcher & Andersen, 2013).

However, wider international concerns about unemployment, low-wages and employee rights indicate that important underlying structural and political issues are associated with the type of work and labour markets being created (Andress & Lohmann, 2008). It is well-known from several OECD countries that the recent growth in low paying jobs has been associated with job growth in low-wage service sector employment in areas, such as hospitality, cleaning, aged care and retail (Dølvik, 2001; Rampell, 2012). This growth has also coincided with a decline in union membership and collective bargaining, a rise in atypical employment patterns and a stronger employer/management focus on costs and labour market flexibility (Appelbaum, Bernhardt & Murnane, 2003; Rasmussen & Andersen, 2006). Overall, it has made wage and income inequality, and its positive and negative effects a major media and research focus. While the extent and actual impact across economies is still debated, there are clearly concerns that growing inequality can bring about economic and social inefficiencies (Fallow, 2013; Rashbrooke, 2013). It is particularly interesting that key supporters of more ‘market’ and ‘deregulation’, (such as the OECD, 2012; Politiken, 2012; the Economist, 2012), have recently voiced concern over the continuous rise in inequality.

With the growth in low-wage service sector employment and changes in employment relations and employment patterns, there seems to be no stopping the incidence of the ‘working poor’ rising. While low-wage employment can be contained through legislative and collective bargaining interventions, this has been met with fierce employer and political resistance in many OECD countries. Social welfare interventions to mitigate the income deficiencies have also been faced

* Professor Erling Rasmussen, AUT University, erling.rasmussen@aut.ac.nz

** Professor Jens Lind, Aalborg University, Denmark. jlind@socsci.aau.dk

with the fallout from the post-2008 global financial crisis, which has put pressure on public budgets (Leschke & Jepsen, 2012; Schick, 2009). New Zealand's limited changes to statutory minima and recent welfare and public sector reforms fit well with that international picture.

While low-wage work has become a concern in many OECD countries, the recent growth in the 'working poor' is not inevitable and it is a key argument of this article that a living wage is possible and compatible with a highly efficient and competitive economy. In support of this argument, we draw on recent research which has been funded by the Russell Sage Foundation.¹ This research has used the standard European definition where low-wage workers or 'working poor' is defined as "anyone who earns less than two-thirds of the national median wage" (Solow, 2008: 5). This means that the number of 'working poor' will be influenced by the dispersion of the wage distribution, particularly the compression of the wage distribution for low-wage work. It will also be influenced by the level of the national median wage, which will indicate whether a country has comparatively a low-wage economy (as discussed below).

The Russell Sage Foundation research has found a wide range of incidences of 'working poor' in the relatively few OECD countries its research has investigated. This is a clear indication that different countries deal very differently with low-wage work.

Here are the basic facts. In 2005, the incidence of low-wage work was 25 percent in the United States, 22.1 percent in the United Kingdom, 20.8 percent in Germany (2004), 18.2 percent in the Netherlands (2004), 12.7 percent in France (2002) and 8.5 percent in Denmark (Solow, 2008: 6).

In this paper, we will focus on Danish trends since Denmark has obviously had a very low incidence of 'working poor' (Solow, 2008). It is an example, therefore, of our argument that restricting low-wage work is possible. This restriction is also compatible with a competitive economy since the Danish economy has been regarded as rather successful in recent years. Interestingly, a relatively low level of 'working poor' has even been recorded in several Danish service sectors; sectors normally renowned for their propensity to create low paying jobs (Bosch & Lehdorff, 2005; Eriksson & Li, 2008). The Danish way of restricting low-wage work also appears to fit well with the voluntary, bargained approach taken by the New Zealand campaign for a living wage. Finally, the mobility out of low-wage work is also high in Denmark (as discussed below) meaning that individuals are far less likely to become continuously stuck in low-wage work. Thus, the Danish 'case' can provide interesting counter-arguments when dire economic and employment outcomes are raised as obstacles for introducing a living wage in New Zealand.

However, we are also mindful to avoid presenting an unrealistic Danish 'fairytale'. The paper questions, therefore, the long-term viability of the 'Danish Model' of employment relations. Several critical arguments from recent research are canvassed, such as the 'Danish Model' being based on an open labour market with large in and outflows of migrants, and with a reliance on collective bargaining/agreements, with limited state regulation and, in particular, no statutory minimum wage (Knudsen & Lind, 2012; Lind & Rasmussen, 2013; Smith, 2011). Finally, we end with a brief discussion on the relevance of the 'Danish Model' and its ability to contain the incidence of 'working poor' in respect of New Zealand public policy, bargaining trends and employer and union attitudes.

The ‘working poor’ and the ‘Danish Model’ of employment relations

In recent years, the so-called ‘Danish Model’ and, in particular, its promotion of ‘flexicurity’ has attracted substantial overseas interest (Andersen & Svarer, 2007; Begg, 2012; Due, Madsen, Jensen & Petersen, 1994). While the emphasis on a flexible labour market and social welfare security has been a key driver of the ‘Danish Model’s notoriety, it has also been used in promoting a ‘Third Way’ or Social Democracy approach to economic, social and labour market policies, and has been seen as a positive example in the move towards the high-skill, high-wage economy, and an inclusive labour market (Campbell, Hall & Pedersen, 2006).

Denmark and New Zealand are seldom the subject of mainstream comparative research (but see Markey, Harris, Lind, Busck & Knudsen, 2010; McLaughlin, 2009; 2010). However, it is obvious that the two countries, despite some similarities in terms of historical developments (Lind & Rasmussen, 2006), have followed rather different public policy paths over the last two to three decades.

Radical changes have been the hallmark of the ‘New Zealand experiment’ where so-called ‘Rogernomics’ started a fundamental economic and social transformation, which ‘opened’ the New Zealand economy and implemented adjustments across most public policy areas (Kelsey, 1997). In particular, the public sector and labour market reforms have gained international notoriety (Boston, Pallet & Walsh, 1996; Dannin, 1997). The welfare support to and prevention of low-wage work became more evident under the Labour-led governments (1999-2008), where major increases in statutory minimum wages, enhanced employee rights, social welfare changes and housing subsidies shifted the goalposts for the ‘working poor’ (Haworth, 2004; Rasmussen & Walker, 2009). However, collective bargaining levels have been stagnant in the new millennium and this has clearly been problematic for many low-wage service sector jobs where collective bargaining is a rarity (Blumenfeld, 2010). Finally, there has been a move towards a more neo-liberal, punitive approach in the post-2008 period. Currently, it appears that employment, even low paid employment, is seen as a key public policy target and most public policy changes (for example, taxation, social welfare, employment minima) have done precious little to limit inequality (Rashbrooke, 2013).

Although Denmark has implemented considerable changes to its economic and social structures, the changes have been less radical and phased in slowly. This has meant, as pointed out below, that there are now systematic Danish-New Zealand differences across a range of public policy areas and with considerable variation in key economic, social and labour market indicators. The limited rise of ‘working poor’ as a proportion of the workforce in Denmark is probably also the reason why Denmark, despite the considerable international debate of inequality, has yet to experience strong research and media focus on low-wage work. While the discussion above has mentioned that Denmark has had a low incidence of low-wage work and has also had high mobility out of low-wage work, it has not really said much about *how this situation has come about and whether it can be sustained*. These questions are dealt with in the article’s next two sections.

Besides the low incidence of low-wage work, there are *two other key characteristics* which influence the experience of low-wage workers in Denmark. First, there is considerable mobility out of low-wage work: “...of every one hundred Danes who were low-wage workers in 1995, only about ten remained in that status five years later. If there is a chronically low-wage population, it appears to be quite small.” (Solow, 2008: 14). Many of the low-wage workers are students who

accept low-wage work as long as this fits with their studies. Many of these students will move to more highly paid jobs when their studies have ended (Westergaard-Nielsen, 2008). Another major group is immigrants and temporary foreign workers who are now becoming a public policy concern as will be discussed below. Second, there is also considerable support in terms of active labour market and social welfare measures. These are features which set the Danish approach apart from most other OECD countries, as highlighted below. While it has provided some impressive employment results in recent years, it has made the Danish approach very expensive: “Danish welfare policies are comprehensive, and state expenditures on labor market programs are high; as a result, Denmark spends more on these programs than any other country” (Westergaard, 2008: 32).

To really understand national differences, it is necessary to investigate how low-wage work is treated in particular countries, industries and firms. The Russell Sage Foundation research has opened for further investigation thereof.

One interesting hypothesis that emerged from this work was the notion that employers have significant discretion about the way they organize their use of low-skilled workers and the value they put on the continuity and productivity of their work force. The extreme versions came to be labelled “low-road” and “high-road” modes of organization. /.../ Of course, the nature of technology and the competitive intensity in the industry are important determinants of labor-market outcomes. That is not in doubt. In some situations, however, there may be scope for several levels of wages and job quality for unskilled workers. /.../ It then becomes important to the researcher to understand the broad factors that govern the typical choices made by employers (Solow, 2008: 3).

The quote highlights how there appears to be systematic differences even when industry location, occupational patterns and organisational size are adjusted for. As such, the Russell Sage Foundation research is consistent with other comparative employment relations theories and/or models, which have tended to place Anglo-American countries in a different category from Denmark. One can point to neo-corporatist analyses of the 1980s (Schmitter, 1981; Crouch, 1985), the so-called Calmfors-Driffill hypothesis of the late 1980s (Calmfors & Driffill, 1998), the Strategic Choice Model of the 1980s and 1990s (Katz & Darbishire, 2000; Regini, Kitay & Baethge, 1999) and the Variety of Capitalism of the 1990s and 2000s (Bamber, Lansbury & Wailes, 2011; Campbell et al., 2006). All of these theories and models put a lot of emphasis on institutional factors and they often place labour market and employment relations processes and outcomes at the centre of their discussions. It is clearly a crucial institutional feature that Danish unions have maintained industry collective bargaining as a norm-setting mechanism for low paid jobs, and it is this norm-setting collective bargaining which is currently under some pressure (Knudsen & Lind, 2012; Lind & Rasmussen, 2013).

How has Denmark limited a rise of ‘working poor’ as a proportion of the workforce?

Since the 1950s, Denmark has developed an economy, a social welfare system and an inclusive labour market which have been admired by overseas commentators (Auer, 2000; Campbell et al., 2006). In the process, it has transformed itself from a relatively low-wage country to a high-wage, high-skill, internationally integrated economy. There are many reasons for this development and one has to be careful in taking a short-term or simplistic view as it has not been a smooth path.

Denmark has had its fair share of international pressures, economic downturns, public policy ‘soul-searching’, and some adverse economic and social changes. Thus, any brief explanation for this success will be superficial and, in the following, we will highlight only a few key features and, in particular, those that can be used to compare and contrast New Zealand issues and trends.

The transformation towards high-wage, high-skill economy was part of the social democracy economic and social approach, which promoted a strong economy and high productivity through an emphasis on education and upskilling, workplace democracy (employee ‘voice’ and influence) and equality and equity. The post-1950s economic upswing was characterised by investments in education, public sector activities (including kindergartens to facilitate women joining the labour market) and localised active labour market programmes. Similar public policy approaches could be found in other European countries and in New Zealand, but there was a unique Danish approach which gave rise to the notion of the ‘Danish Model’ of employment relations. It was a strongly solidaric approach which was built around the traditional *self-determination* of employers and unions, and emphasised the role of ‘solidaric wage bargaining’ and income compression (Due et al., 1994; Due & Madsen, 2008). Thus, while the state was active in developing welfare measures (including income redistribution through taxes and transfer payments), education and training programmes, and massive infrastructure projects, there was limited intervention in the labour market (Andersen & Svarer, 2007; Due et al., 1994). Labour market regulation was mainly built on collective agreements and, to a very limited degree, on state intervention (which was normally prompted by joint employer-union suggestions). Compared to employment relations in New Zealand, the lack of legislative underpinnings is remarkable.

Besides this ‘voluntarist nature’ of employment relations, it is important to consider the importance of comprehensive state intervention in supporting economic and social mechanisms.

The Danish “flexicurity” model has achieved outstanding labour-market performance. The model is best characterised by a triangle. It combines flexible hiring and firing with a generous social safety net and an extensive system of activation policies. The Danish model has resulted in low (long-term) unemployment rates and the high job flows have led to high perceived job security (Andersen, Bosch, Deelen & Euwals, 2011: 1).

The comprehensive role of the social safety net means that most low paid employees will seldom suffer a drastic income reduction in the short-term, and many important employment entitlements are only partly dependent on having continuous employment. This creates a highly mobile workforce and many Danish workers will change jobs and experience short periods of unemployment. In that sense, labour market mobility is similar to the US patterns, where an economic down or upturn prompts an immediate employment reaction (Westergaard-Nielsen, 2008). The average unemployment duration in Denmark tends to be less than four months and while this has drifted upwards following the global financial crisis, average unemployment duration is still low: “Still, workers that lost jobs in the midst of the recession found employment rather soon: 60% after 13 weeks and 80% after 26 weeks.” (Andersen et al., 2011: 3). While the ceiling on unemployment benefit payments provides a financial incentive to rejoin employment for higher paid workers, the activation measures are very important for low paid workers, and there is a considerable degree of compulsion (financial punishment) to be actively involved in these measures.

As neo-liberal thinking has permeated public policy approaches in many OECD countries in the new millennium, the Danish/Scandinavian approach has stayed remarkably different and successful:

Despite high taxes, high unionization rates, and egalitarian income distribution they demonstrated from the mid-1990s to 2008 that it was possible to improve competitiveness, secure macroeconomic balances, lower unemployment, and engage a high proportion of women, youngsters, and senior people in economic activity, while state institutions played a large role in the economy (Kristensen & Lilja, 2011: vii).

In fact, the Danish data shows several trends contrary to neo-liberal thinking becoming more embedded in the post-1980 period: union density peaked in the mid 1990s, the public sector was still expanding post-2000, and high income tax rates and significant public transfers are still in place. Thus, even with the various current ‘pressures’ on the Danish approach highlighted below, this is still a *paradoxical* model for many outsiders as it is so different, and yet successful with the ‘wrong’ public policy approach.

As described, the incidence of low-wage work is partly influenced by the ‘Danish Model’ and its ‘flexicurity’ approach, but is also partly influenced by common understandings built over a long time amongst the key decision-makers. In particular, there appears to be a common state-employer-union understanding that continuous adaptation (to adjust in light of prevailing economic and social issues), and a focus on productivity is necessary and this understanding influences national collective bargaining as well as bargaining at organisational level (Lind & Rasmussen, 2006). Productivity measures are often implemented at workplace levels where shop stewards and work councils can have considerable influence, and employees’ positive contributions are, therefore, important in generating flexible and effective workplaces (Kristensen & Lilja, 2011; Rasmussen, O’Neil & Chalmers, 2006). The connection between high wage work and productivity can also be found in the unions’ rather positive approach to outsourcing/offshoring of low-wage work. While job protection is part of the unions’ strategic approach, it sees the containment of low-wage work as an important part of its solidaric wage bargaining. It also appears that Danish employers are very vigilant in ‘policing’ and advocating against low-wage work with adherence to collectively agreed norms being taken quite seriously by employers and their associations.

However, the Danish approach is not without its problems. There have always been areas, especially in construction, retail and hospitality, where collective agreements do not cover work and employees (Scheuer, 1996). These areas are clearly problematic for unions as they can undermine minimum wage norms. As will be discussed below, there are some serious doubts about including the areas outside of collective agreement coverage. Another problematic issue is how to fit people with low skills, low engagement or with physical and/or mental constraints into workplaces which are driven by high labour costs and international competition. There have been some serious public policy debates about the many people who cannot get a permanent position in the Danish labour market and the many people who have been ‘retired’ temporarily or often permanently from the labour market through various sickness and pension schemes (Velfærdskommissionen, 2004; Møller, Lind & Hansen, 2008). Finally, this is a very expensive system which tends to put pressure on employers, employees and particularly state expenditures. The high level of Danish taxation, driven by high income taxes, local taxes and a 25 percent VAT rate, often astounds foreign observers. While social welfare, health and education account for a large part of expenditure, the active labour market measures and the wider context of extensive free education and training opportunities are very expensive to run (Westergaard-Nielsen, 2008).

Still, as Kristensen and Lilja (2011) have illustrated, the rather large and expensive welfare state can positively support organisational adjustments and allow for continuous upskilling and learning. Under increasing international competition, organisations and individuals have to *experiment* with new business models, new working arrangements, and new career and living patterns. This demands high levels of flexibility and connectivity, especially of the many small-to-medium sized Danish firms. In this volatile labour market, individual workers have to rely on more than just traditional supports, such as crèche and kindergarten facilities, paid parental leave, and protected jobs. In order to incorporate new family patterns and continuous upskilling requirements, new welfare and active labour market measures have involved the development of individualised employment planning, transfer/job change supports, temporary leave schemes, individualised social services and so on (Kristensen & Lilja, 2011).

Can the Danish Model continue in a globalised/international labour market?

Despite its remarkable success in the last couple of decades, there are doubts whether the ‘Danish Model’ is viable in a globalised labour market. As it is based largely on collectively agreed arrangements, it demands a consensus approach and comprehensive coverage of collective agreements and arrangements. This cannot be taken for granted. Interestingly, the other two aspects of ‘flexicurity’ – state support of incomes and active labour market interventions – have only had minor adjustments in the new millennium and, if anything, have been seen as even more important in order to deal with a more fluid labour market and with the demographic pressures of an ageing workforce. There have been some adjustments to deal with the costs associated with state interventions, and a tightening of unemployment and benefit regulations (Andersen, Olsen, Ploug & Juul, 2012; Møller et al., 2008). This has meant that the unemployed and beneficiaries have faced tougher times, but has yet to prompt a public debate about the ‘working poor’ or a living wage, despite the unions trying to engage young people and unorganised employees in a wider discussion about how to prevent low-wage work. This public debate may still surface as there has been considerable media and political debate about the growing inequality in Denmark (Politiken, 2012). However, inequality is still far from American proportions as the Danish Gini coefficient² has increased from 20.6 to 24.3 over the last 15 years as the economic upswing has benefited highly paid employees most (Economist, 2012; Lind & Rasmussen, 2013; OECD, 2012)

Thus, the main doubts about the viability of the ‘Danish Model’ are linked to collectively agreed arrangements. Danish research has pointed to three trends which could threaten the sustainability of the Danish Model (Due & Madsen, 2008; Knudsen & Lind, 2012; Lind & Rasmussen, 2013):

- Decentralisation of collective bargaining
- Union density decline and less comprehensive collective bargaining
- European Union regulations and migrant labour

Over the last couple of decades, there has been a decentralisation of collective bargaining. This process, often called “managed decentralisation” or “centralised decentralisation”, has made the key national peak employer and union organisations (DA and LO) less important. Instead, employer associations and unions at the industry level – the next level down from the national peak organisations DA and LO – have gained in importance, and are now the key parties concluding collective agreements (see Lind & Rasmussen, 2013). At the same time, collective agreements have become less prescriptive and many important employment conditions, including wages and working

hours, are often negotiated at workplace level. This has clearly opened for more employer-determined flexibility, but with strong union and employee influence on workplace decision-making, it is a far cry from employer-determined flexibility in New Zealand. It has also yet to result in a strong growth of ‘working poor’ as, despite the growing importance of workplace wage negotiations, wage differentials have not increased considerably.

The ‘Danish Model’ assumes that collectively agreed arrangements will cover the labour market in a nearly comprehensive fashion. This assumption has been questioned since research by Scheuer (1996), and it is estimated that around 60 percent of the private sector workforce are currently covered by collective agreements (LO, 2011a). With over a third of the private sector workforce being without collective bargaining coverage, some of these workers could face low-wage situations since there is no Danish statutory minimum wage. The key role of collective bargaining and union membership in containing low-wage work may be one reason why there has not been a strong decline in union density in Denmark as in other countries. As can be seen from Table 1 below, Danish union membership is roughly as high as it was in the 1980s.

Table 1: Members of trade unions in Denmark (in thousands)

	1985	1995	2000	2005	2009	2010	2011
Workforce*	2.434	2.547	2.614	2.640	2.677	2.676	2.655
LO	1.119	1.208	1.167	1.142	987	955	917
FTF	309	332	350	361	358	358	356
AC	74	132	150	163	**133	137	139
Outside the Peak Organisations	198	190	203	227	**340	354	366
Union members	1.700	1.809	1.802	1.799	1.665	1.631	1.603
Union density	70	73	72	72	68	67	67
Members of Peak Organisations as percentage of all union members (%)							
LO	66	65	62	60	54	53	52
FTF	18	18	19	19	20	20	20
AC	4	7	8	9	7	8	8
Outside the Peak Organisations	12	10	11	12	19	19	20

Source: LO, 2011b

*Self-employed are not included

**These changes were prompted when two member organisations (‘Ingeniørforeningen’ and ‘Landinspektørforeningen’) decided to leave AC.

LO is the traditional, mainly blue-collar, peak organisation, FTF mainly organises white-collar workers while AC have academically educated employees as members.

Table 1 indicates that there has been a relatively small drop in union density, and there is still a very high level of union density compared to most other countries. However, there have been several important distributional changes. LO has lost some of its previous dominance as it has lost members. To a large degree, this has been driven by changes in the workforce composition as

service sector and white-collar jobs have grown. As the peak union organisations often work together in securing the key employment conditions and arrangements, this has had less impact on collective bargaining outcomes as could have been the case. The peak union organisations are all advocating a strong position on the 'working poor' and they are often supported by peak employer associations as organised employers are trying to avoid being undercut by 'cheap labour' employers. However, the rise in union members outside the peak union organisations is rather more dangerous as this is partly built on the popularity of so-called 'discount unions' (Ibsen, Høgedahl & Scheuer, 2011; 2013). Normally, these unions have rather weak bargaining positions or no collective agreements at all, which opens up for low-wage work. While there has been a strong growth in 'discount unions' over the last six to seven years, the full effect of this growth on low-wage work is yet to manifest (Navrbjerg & Larsen, 2011).

European Union membership means that the Danish labour market has become part of the 'free mobility of capital and labour' within EU countries. EU nationals can legally work in any Danish company, and will be subject to the same rules and conditions as Danish nationals. However, when under the employ of a foreign owned company operating in Denmark, the employment relations is regulated by the Posted Worker Directive, which is implemented via Danish legislation. According to this legislation, a foreign-owned company must follow Danish legislation and agreements that regulate the working conditions of particular jobs. In both cases, there are clear prescriptions where legislation stipulates the appropriate regulations (such as safety at work, holidays, legislation on white-collar workers, equal treatment of men and women and equal pay). This is less clear cut if the collective agreements do not stipulate wage levels, working time arrangements, and so on. These situations could easily allow strong growth in the 'working poor' as there is no statutory minimum wage as a default option.

Finally, there have been several cases reported in the media where Danish and foreign-owned companies have ignored Danish legislative or collectively agreed regulations when employing non-Danish workers (for example, in the construction sector). In most of the reported cases as well as in the limited research done so far, migrant workers have been lower paid than Danish workers, they work longer hours, their working environment is sub-standard, and the work intensity is higher (Hansen & Hansen, 2009; Arnholtz & Hansen, 2011; Pedersen & Thomsen, 2011). This could become a considerable issue since there has been strong growth of foreign workers in the Danish labour market, rising from 40,000 to 60,000 workers during 2008-11 despite rather low levels of economic activity (Arnholtz & Hansen, 2011).

Discussion

In respect to the living wage campaign, the Danish example provides an encouraging picture. It shows that it is possible to limit the 'working poor' in an open, flexible economy and, equally important, many employees leave the 'working poor' status after a relatively short period. As with the living wage campaign, the Danish approach rejects low-wage work as a solution to unemployment or activation of social welfare recipients and this provides a strong guideline for public policy-making. The Danish approach also aligns with the living wage campaign where the emphasis is on collectively agreed solutions where the consideration of other workplace measures for example, changes to work organisation, can make wage increases for low paid employees less costly for employers. However, the New Zealand living wage campaign needs to tackle two

important issues in order to align with the 'Danish Model': the strategies of the current National-led government and the low level of collective bargaining.

The economic, social and labour market approaches of the current National-led government contrast with the negative image of low-wages found in the 'Danish Model' and the living wage campaign. One can point to the limited rises in the statutory minimum wage since 2008, the recent welfare reforms and their pressure on beneficiaries to take on any type of job, or the insufficient support of vocational training and labour market transitions of young people (Fletcher et al., 2012; Hanna et al., 2013). There is a considerable gap between such approaches and the fundamental ideas and interventions of the 'Danish Model' and 'flexicurity'. Although the living wage campaign has succeeded in building grass-root support across community organisations, religious groups and unions, the 2014 General Election will be a litmus test whether this has been sufficient in shifting the balance of the public policy debate. Without broad political and social support, it would be difficult to imitate the Danish approach.

Another problematic issue is the reliance of the 'Danish Model' upon collective bargaining as this is no longer relevant in many New Zealand workplaces. While public support from other grass-root organisations is important in persuading employers to agree to the living wage approach, the Danish approach is clearly based on comprehensive collective bargaining. There are debates of how to create more comprehensive collective bargaining in New Zealand, but making it happen is the key test. Recent union discussions of making collective bargaining more comprehensive have focussed on extending key bargaining results across industry groups (Harré, 2010; Kelly, 2010). This appears to be slightly different from the historical awards and blanket coverage provisions with its focus on key collective agreements being trendsetters. However, it is also different from the Danish approach since it still seems to rely heavily on legislative backing and less on collective action. Furthermore, it appears to assume that any widespread collaboration with employers is of limited use. While Danish employers and employer organisations play a crucial role in enforcing collectively agreed norms, this is unlikely to be the case in New Zealand. New Zealand employer organisations seldom assume any enforcement role and their support of more 'flexibility', also in terms of wage-setting, broadly fits their constituency: most employers tend to support more employer determined flexibility and less collective bargaining (Foster, Rasmussen, Murrie & Laird, 2011; Foster, Rasmussen & Coetzee, 2012). Thus, unions need to establish more widespread collective bargaining and to overcome employer hostility to align with the Danish approach.

Finally, there are several areas where more government intervention could improve the quality of labour market outcomes. Under the previous Labour-led government, workplace partnership was seen as a way forward towards a *high wage*, highly productive economy (Haworth, 2010). This collaborative approach facilitating higher productivity and wage levels has been in place in Denmark for some time where workplace partnership is built around extensive workplace participation structures (Markey et al., 2010; Rasmussen et al., 2006; Rasmussen & Lind, 2003). While workplace partnership is no longer part of public policy in New Zealand, this could be resurrected. Besides comprehensive workplace participation structures, Danish workplace partnerships also benefit from continuous upskilling which is, as mentioned above, highly expensive for both taxpayers and employers. In New Zealand, there are issues surrounding funding, structures and workplace buy-in which have made skills shortages, import of skilled labour and upswing 'bottlenecks' a perennial problem for many employers (Rasmussen & Walker, 2009). Furthermore, there are considerable concerns about New Zealand management approaches and skills (Birchfield, 2011; Haworth, 2012; Matheson, 2009). While the current National-led

government has recently highlighted major shortfalls in the education and training areas (Cochrane & Piercy, 2014), it will probably take a very substantial effort to bring New Zealand closer to the Danish level of upskilling.

Conclusion

The concerns about 'working poor' have grown in the new millennium as the wider impact of globalised capitalism and labour markets has created considerable wage differentials, and large sections of the workforce are struggling financially in many OECD countries. The fallout from the global financial crisis has added further impetus. These concerns are also associated with other economic and social issues, such as the wider impact of inequality, the ability to move out of low-wage work, restricted education and upskilling opportunities and, overall, the creation of a less inclusive society.

It is possible to contain low-wage work and create a virtuous circle where a lower proportion of 'working poor' leads to positive economic and social dynamics. It is also important to ensure that mobility out of low-wage work is high. The low incidence and duration of low-wage work are the key indicators which make the 'Danish Model' and its 'flexicurity' and active labour market programmes stand out internationally. Although this has been and still is a rather successful approach one cannot take for granted that positive outcomes will continue. The Danish Model has already had to be adapted on a continuous basis in face of economic, social and employment problems and radical international market changes. Currently, there are clear warning signs that the 'Danish Model' is struggling in face of changes to union membership, less collective bargaining coverage, and the integration of the Danish economy and labour market in the EU 'free market' zone.

While the New Zealand living wage campaign can take heart from the Danish experiences, we have pointed to several institutional underpinnings of the Danish success in containing the 'working poor' which are not in place in New Zealand. There will need to be considerable public policy change and enhanced collective bargaining if New Zealand wants to pursue a Danish-inspired approach. Overall, this makes us cautious about future trends, both in terms of whether the 'Danish Model' will, once again, be able to withstand external and internal pressures through adaption and whether the living wage campaign will result in adequately containing the extent of 'working poor' in New Zealand. It also indicates that further comparative research is needed on how 'decent work', including higher wages, can be created in employment growth areas such as retail, hospitality, logistics and transport, health and personal care.

References

- Appelbaum, E., Bernhardt, A. & Murnane, R (eds.), (2003), *Low wage America: How Employers are Reshaping Opportunity in the Workplace*. New York: Russell Sage.
- Andersen, L. Olsen, L., Ploug, N. & Juul, J.S. (2012). *Det danske klassesamfund*. København: Gyldendal.

Andersen, T.M., Bosch, N., Deelen, A. & Euwals, R. (2011), The Danish flexicurity model in the Great Recession. *VoxEU*. Retrieved from www.voxeu.org/article

Andersen, T.M. & Svarer, M. (2007). Flexicurity – Labour Market Performance in Denmark. *CESifo Economic Studies*, 53(3): 389-429.

Andress, H-J. & Lohmann, H. (eds.) (2008), *The Working Poor in Europe*. Cheltenham (UK): Edward Elgar.

Arnholtz, J. & Hansen, N.W. (2011). Nye arbejdsmigranter på det danske arbejdsmarked. In T.P. Larsen (ed.), *Insidere og outsiders*. København: Jurist- og Økonomforbundets Forlag.

Auer, P. (ed.). (2000). *Employment revival in Europe: Labour market success in Austria, Denmark, Ireland and the Netherlands*. Geneva: International Labour Organisation.

Bamber, G., Lansbury, R.D. & Wailes, N. (eds.). (2011). *International and Comparative Employment Relations. Globalisation and Change*. (5th Ed.). Sydney: Allen and Unwin.

Begg, I. (2012, April 15). Is 'Flexicurity' Post-Crisis Europe's New Social Model? *Bloomberg News*. Retrieved from <http://www.bloomberg.com/news/2012-04-15/is-flexicurity-post-crisis-europe-s-new-social-model-.html>

Birchfield, R. (2011). Leadership's Looming Crisis. *New Zealand Management Magazine*. July: 16-21.

Blumenfeld, S. (2010). Collective bargaining. In E. Rasmussen (ed.), *Employment Relationships: Workers, Unions and Employers in New Zealand*. (pp.40-55). Auckland: Auckland University Press

Bosch, G. & Lehndorff, S. (2005). Introduction: service economies – high road or low road? In G. Bosch and S. Lehndorff (eds.), *Working in the Service Sector*. (pp.1-31). London: Routledge

Boston, J., Martin, J., Pallot, J. & Walsh, P. (1996). *Public Management*. Auckland: Oxford University Press.

Calmfors, L. & Driffill, J. (1998). Bargaining Structure, Corporatism and Macroeconomic Performance. *Economic Policy*, 3: 13-61.

Campbell, J.L., Hall, J.A. & Pedersen, O.K. (eds.). (2006). *National Identity and the Varieties of Capitalism*. London: McGill-Queen's University Press.

Cochrane, B. & Piercy, G. (2014). *Industry training: the black sheep of tertiary education*. Paper, Waikato University.

Crouch, C. (1985). Conditions for trade union wage restraint. In L.N Lindberg and C.S (eds.), *The Politics of Inflation and Economic Stagnation*. Washington: Brookings Institute.

Dannin, E. (1997). *Working Free: The origins and Impact of New Zealand's Employment Contracts Act*. Auckland: Auckland University Press.

Due, J. & Madsen, J.S. (2008). The Danish Model of Industrial Relations: Erosion or Renewal? *Journal of Industrial Relations*, 50(3): 513-529.

Due, J., Madsen, J.S., Jensen, C.S. & Petersen, L.K. (1994). *The Survival of the Danish Model*. Copenhagen: DJØF Publishing.

Dølvik, J.E. (ed.). (2001). *At Your Service? Comparative perspectives on employment and labour relations in the European private sector services*. Brussels/New York/London: PIE.-Peter Lang.

Economist. (2012, October 13), *Special report: the world economy. The inequality debate*. Retrieved from <http://www.economist.com/blogs/freeexchange/2012/10/special-report-world-economy>

Eriksson, T. & Li, J. (2008). Restructuring Meets Flexicurity: Housekeeping Work in Danish Hotels. In N. Westergaard-Nielsen (ed.), *Low-Wage Work in Denmark*. (pp.186-217). New York: Russell Sage Foundation

Fallow, B. (2013, November 7). More to living wage than meets eye. *New Zealand Herald*, p. b5.

Fletcher, M., Hanna, K. & Anderson, D. (2012, 19-20 November). *The introduction of compulsory income management into New Zealand's social security system: the case of the youth service package*. Paper presented at the 15th Labour, Employment and Work Conference, Wellington, 19-20 November 2012.

Foster, B., Rasmussen, E., Murrie, J. & Laird, I. (2011). Supportive legislation, unsupportive employers and collective bargaining in New Zealand. *Relations Industrielles/Industrial Relations*, 66(2): 192-212.

Foster, B., Rasmussen, E. & Coetzee, D. (2012), Ideology versus reality: New Zealand employer attitudes to legislative change of employment relations, *New Zealand Journal of Employment Relations*, 37(3): 50-64.

Gautié, J. & Schmitt, J. (eds.). (2010). *Low Wage Work in the Wealthy World*. New York: Russell Sage.

Hanna, K., Fletcher, M. & Anderson, D. (2013), Is income management for young New Zealand beneficiaries justified? *Australian Journal of Social Issues*. Forthcoming

Hansen, J.A. & Hansen, N.W. (2009). Polonia i København. *LO-dokumentation* 1/2009 København, LO.

Harré, L. (2010), Collective bargaining – right or privilege? In E. Rasmussen (ed.), *Employment Relationships: Workers, Unions and Employers in New Zealand*. (pp.24-39). Auckland: Auckland University Press

Haworth, N. (2004). Beyond the Employment Relations Act: the wider agenda for employment relations and social equality in New Zealand. In E. Rasmussen (ed.), *Employment Relationships: New Zealand's Employment Relations Act*. (pp.190-205). Auckland: Auckland University Press

Haworth, N. (2010). Economic Transformation, Productivity and Employment relations in New Zealand 1999-2008. In E. Rasmussen (ed.), *Employment Relationships: Workers, Unions and Employers in New Zealand*. (pp.149-467). Auckland, Auckland University Press

Haworth, N. (2012), Commentary: Reflections on High Performance, Partnership and the HR Function in New Zealand, *New Zealand Journal of Employment Relations*, 37(3): 65-73.

Ibsen, F., Høgedahl, L & Scheuer, S. (2011). *Kollektiv Handling*. København: Nyt fra Samfundsvidenskaberne.

Ibsen, F., Høgedahl, L. & Scheuer, S. (2013). Free riders: the rise of alternative unionism in Denmark. *Industrial Relations Journal*, 44(5-6): 444-461.

Katz, H. & Darbishire, O. (2000). *Converging Divergencies. Worldwide Changes in Employment Systems*. New York: ILR Press.

Kelly, H. (2010). Challenges and opportunities in New Zealand employment relations: a CTU perspective. In E. Rasmussen (ed.), *Employment Relationships: Workers, Unions and Employers in New Zealand*. (pp.133-148). Auckland: Auckland University Press

Kelsey, J. (1997). *The New Zealand experiment: A world model for structural adjustment?* Auckland: Auckland University Press.

Knudsen, H. & Lind, J. (2012). De danske modeller: Plus ça change, plus c'est la même chose? *Tidskrift for Arbejdsliv*. 14(2): 9-30.

Kristensen, P.H. & Lilja, K. (eds.). (2011). *Nordic Capitalisms and Globalisation*. Oxford: Oxford University Press.

LO – Landsorganisationen i Danmark. (2011a). *Hvem organiserer sig – Forklaringer på medlemskab af fagforeninger og a-kasser*, København: LO-dokumentation 3/2011.

LO – Landsorganisationen i Danmark. (2011b). *Udfordringerne for den danske model*. København: LO.

Leschke, J. & Jepsen, M. (2012). Introduction: Crisis, policy responses and widening inequalities in the EU. *International Labour Review Special Issue: The Crisis, inequalities and social policy in the EU*. 151(3/4): 289-312

Lind, J. & Rasmussen, E. (2008). Paradoxical patterns of part-time employment in Denmark? *Economic and Industrial Democracy*, 29(4): 521-540.

Lind, J. & Rasmussen, E. (2013, June 20-22). *Labour market regulation in Denmark during and beyond the economic crisis*. ILERA Conference, Amsterdam

Markey, R., Harris, C., Lind, J., Busck, O. & Knudsen, H. (2010). The Effect of Employee Participation on Work Environment in Food Processing Industry in Denmark and New Zealand. *Indian Journal of Industrial Relations*, 45(4): 622-34.

Matheson, D. (2009). How Capable Are Kiwi Managers? *New Zealand Management Magazine*. August: 24-25.

McLaughlin, C. (2009), The Productivity-Enhancing Impacts of the Minimum Wage: Lessons from Denmark and New Zealand, *British Journal of Industrial Relations*, 47(2): 327-348.

McLaughlin, C. (2010). Building a 'high road' economy? The Employment Relations Act in an international comparative perspective. In E. Rasmussen (ed.), *Employment Relationships. Workers, Unions and Employers in New Zealand*. Auckland: Auckland University Press.

Møller, I.H., Lind, J. & Hansen, H. (2008), *Aktivering – Disciplinering til arbejde*. København, CASA.

Navrbjerg, S.E. & Larsen, T.P. (2011). De uorganiserede og 'de gule' – outsiders med stadig større betydning for samarbejdet på arbejdspladserne. In T.P. Larsen (ed.), *Insidere og outsiders*. København: Jurist- og Økonomforbundets Forlag .

OECD. (2012). *Divided We Stand: Why inequality keeps rising*. Retrieved from <http://www.oecd.org/social/soc/dividedwestandwhyinequalitykeepsrising.htm>

Pedersen, L.M. & Thomsen, T.M. (2011). Arbejdsmigration fra de nye EU-lande. *Tidsskrift for Arbejdsliv*, 13(3): 45-63.

Politiken. (2012, October 20). *OECD advarer mod øget ulighed*. Retrieved from <http://politiken.dk/indland/ECE1787901/oecd-advarer-mod-oeget-ulighed/>

Rampell, C. (2012, August 30). Majority of New Jobs pay Low Wages, Study Finds. *New York Times*. Retrieved from http://www.nytimes.com/2012/08/31/business/majority-of-new-jobs-pay-low-wages-study-finds.html?_r=0

Rashbrooke, M. (ed.). (2013). *Inequality: a New Zealand crisis*. Wellington: Bridget Williams Books.

Rasmussen, E. & Andersen, T. (2006). European employment relations: from collectivism to individualism? In H.H Larsen and W. Mayrhofer (eds.), *Managing Human Resources in Europe*. (pp.63-83). Oxford: Routledge

Rasmussen, E. & Lind, J. (2003). Productive employment relationships: European experiences. *New Zealand Journal of Industrial Relations*, 28(2): 158-169.

Rasmussen, E., O'Neil, P. & Chalmers, P. (2006). *International Experiences of Partnership*. Wellington: Department of Labour.

- Rasmussen, E. & Walker, B. (2009). Employment relations in the new millennium. In E. Rasmussen (ed.), *Employment relations in New Zealand*. (pp.123-167). Auckland: Pearson,
- Regini, M., Kitay, J. & Baethge, M. (eds.). (1999). *From Tellers to Sellers*. Cambridge, MA: MIT Press.
- Scheuer, S. (1996), *Fælles aftale eller egen kontrakt i arbejdslivet*. København: Nyt fra Samfundsvidenskaberne.
- Schick, A. (2009). Crisis Budgeting. *OECD Journal on Budgeting*, 3: 119-132.
- Schmitter, P. (1981). Interest intermediation and regime governability in contemporary Western Europe and North America. In S. Berger. (ed.). *Organization interest in Western Europe*. (pp.287-330). New York: Cambridge University Press
- Smith, F. (2011, May 3). Danish fairy tale loses the plot. *Financial Review*. Retrieved from http://www.afr.com/p/national/work_space/danish_fairy_tale_loses_the_plot_5r5Ocux1ADJcBSR WXHOAI
- Solow, R. (2008). Introduction: The Danish Story. In N. Westergaard-Nielsen (ed.), *Low-Wage Work in Denmark*. (pp.1-15). New York: Russell Sage Foundation
- Velfærdskommissionen. (2004). *Analyserapport – Fremtidens velfærd kommer ikke af sig selv*. København: Velfærdskommissionen.
- Westergaard-Nielsen, N. (2008). Low-Wage Work in Denmark. In N. Westergaard-Nielsen (ed.), *Low-Wage Work in Denmark*. (pp.16-31). New York: Russell Sage Foundation

Notes

¹ An overview of the low-wage research funded by the Russell Sage Foundation as well as the general purpose of the Foundation can be found on www.russellsage.org with details published under the section: *RSF Case Studies of Job Quality in Advanced Economies*. Research approaches and findings have been published in several reports and books (for example, Appelbaum et al., 2003; Gautié & Schmitt 2010; Westergaard-Nielsen, 2008).

² The Gini coefficient is used to measure income distribution or inequality by national and international statistics, where a growth in income inequality is signalled by a growth in the Gini coefficient. While there has been a growth recently in the Danish Gini coefficient, it is still low by OECD standards (see OECD, 2012)

Estimating the Cost of Youth Disengagement in New Zealand

GAIL PACHECO^{*} and JESSICA DYE^{**}

Abstract

Youth exclusion, disengagement, and overall underutilisation in the labour market are associated with serious economic and social costs. In this research we project the loss to productivity, measured in foregone wages, and the expected cost to public finances for New Zealand (NZ) and Auckland youth aged 15-24 not in employment, education, or training (collectively known as NEET). We estimate the expected per capita cost of each NEET youth in NZ is approximately \$21,969 over the next one to three years. The analogous cost for the Auckland cohort is higher, due largely to greater foregone wages. Closer inspection reveals that Auckland NEET youth of Maori and Pacifica descent are associated with relatively high per capita costs compared to their NZ European counterparts. This finding is driven by the greater propensity of Maori and Pacific Peoples to disengage from the education system earlier, withdraw from the paid workforce due to caregiving responsibilities at a younger age, and to experience longer durations of unemployment than their NZ European counterparts.

Keywords: NEET, youth disengagement, economic productivity, labour market, transition to work
JEL Classification: J64, J24

Introduction

There has been growing interest in recent years in the labour market issues that youth face. A wide range of empirical evidence suggests that young people out of employment or education are likely to have a lifetime of poorer outcomes in terms of future unemployment (e.g. Gregg, 2001; Maloney, 2004; Mroz & Savage, 2006), lower future wages (e.g. Gibson, 2000; Gregg & Tominey, 2004; Cruces, Ham & Viollaz, 2012), increased criminal activity (e.g. Carmichael & Ward, 2000; Fergusson, Horwood & Lynskey, 2006; Wu & Wu, 2012), and even reduced happiness and health (e.g. Fergusson et al., 1997; Clark, Georgellis & Sanfeym, 2001; Blakely, Collings & Atkinson, 2003; Blanchflower, 2010). For example, Maloney (2004) finds evidence that labour market inactivity of New Zealanders at an earlier age is associated with inactivity at a later age, while Fergusson et al. (1997) and Fergusson et al. (2006), respectively, present evidence to suggest that young New Zealanders exposed to unemployment have higher rates of substance use and anxiety disorder, and increased levels of youth offending.

Such research indicates that youth disengagement from the labour market and education system has both short run, as well as serious long-term consequences for the individual and the economy. In 2004, to better understand this segment of the youth population, Statistics NZ began to measure and publicly report the numbers of youth that were neither employed, nor in education or training – this group is collectively known as NEETs. While the concept of NEETs is related to the measurement of youth unemployment, there are some important differences that need to be recognised. A person is defined as being unemployed in NZ if they do not have a paid job but were available and had been actively looking for work in the previous four weeks. Therefore, unemployment figures exclude

^{*} Associate Professor, Department of Economics, AUT University. Email: gail.pacheco@aut.ac.nz

^{**} Department of Economics, AUT University

individuals who were available for work but are not actively looking. In contrast, NEET statistics include some of the economically inactive, i.e. individuals that are not looking for work, and may or may not be in caregiving roles. For this reason, NEET rates are a common measure of non-utilised youth labour market potential.

While there is considerable literature studying the consequences of youth disengagement, remarkably little research to-date has attempted to quantify the associated individual, social, and economic costs. We contribute to this gap in the literature by estimating the expected economic cost of NEET youth in NZ. Specifically, we project the short-term (one to three years) loss to productivity, measured in foregone wages, and the expected cost to public finances associated with the youth NEET cohort aged 15-24 years, as at December 2012. We conduct this analysis at both the aggregate country level as well as for the largest urban area of NZ, Auckland. A priori, we expect that the cost of NEET youth in Auckland will be higher than that for NZ, largely due to the higher foregone wages in Auckland. We also further devolve our analysis by ethnicity to compare the cost of NEET youth that are Maori, Pacific Peoples, and NZ European. Such sub-group analysis is important in informing policy, such that intervention in the youth labour market can be better targeted.

The remainder of this paper is as follows: Relevant literature establishing the negative consequences of youth becoming NEET to individual wellbeing, as well as to wider society is reviewed. Then, information on NEET trends in NZ is presented, followed by our methodological approach to computing the economic cost of NEET youth. Finally, a discussion of results is presented.

Literature Review

There are a range of negative consequences associated with young people being NEET. Not only are these consequences borne by the individual, they also generate costs to society in terms of lost productivity and public finances, as well as having other wider social implications. The international and domestic literature suggests that these costs broadly include: scarring, in terms of future employment prospects and wages (i.e. reduced economic productivity); increased crime; and reduced quality of life.

Scarring – Future Employment Prospects and Wages

There is considerable evidence to suggest that inactivity at an early age is associated with higher probabilities of inactivity at a later age, as well as lower wages later in life (e.g. Ellwood, 1982; Arulampalam, 2001; Bynner & Parsons, 2002; Maloney, 2004; Gregg & Tominey, 2004; Mroz & Savage, 2006; Cruces et al., 2012)¹. For example, Gregg (2001) finds that, even after controlling for risk factors likely to raise the probability of an individual experiencing unemployment, British youth who experience unemployment (compared to those who do not) disproportionately go on to experience further periods of being out of work (either unemployment or inactivity) in their prime age adult years (28-33 years of age). This path dependence is found to be significantly more pronounced for men than for women. Likewise, in NZ, Maloney (2004) finds evidence of path dependence, in that indications of inactivity during youth are associated with higher probabilities of inactivity at a later age.

Prior literature also documents the existence of a scarring effect on the future wages of youth that experience early disengagement (e.g. Ellwood, 1982; Arulampalam, 2001; Gregg & Tominey, 2004; Mroz & Savage, 2006; Cruces et al., 2012). When these individuals do return to the labour market, they may find work of a lower skill level than their non-NEET counterparts. This results in a wage differential between youth workers that had a period of being NEET (i.e. those who had a longer

transition period into the labour market) versus those that have no NEET history. Gregg and Tominey (2004) find evidence in the UK of scarring in the form of persistently reduced wages, stemming from an individual's youth unemployment experience. They find a sizeable wage scar for males and females at age 23, followed by a 10 year recovery period, as long as no further unemployment spells are experienced. They also find evidence of a smaller residual wage scar of approximately eight percent that can persist for up to 20 years, even if there are no further unemployment experiences. Mroz and Savage (2006) find qualitatively similar results for youth in the US, while Cruces et al., (2012) present similar findings within the Argentinian and Brazilian context. Further, while Cruces et al. (2012) find that the wage penalty diminishes over time, their results also point to variations across different skill groups, with low skilled individuals experiencing greater persistence in wage penalties over time.

A factor likely to further accentuate the wage effect for NEET youth is lower educational attainment (Cruces et al., 2012). There is considerable evidence on the returns to education in terms of higher wages. For instance, reviewing the international literature Psacharopoulos and Patrinos (2004) find that the average rate of return for another year of schooling is slightly more than six percent per year in OECD countries, while recent figures indicate the average private rate of return to education for OECD countries is as high as 12.4 percent². Examining annual wage differentials in NZ, Gibson (2000) shows a high return to academic credentials, particularly for ethnic minorities such as Maori and Pacific Peoples³. He posits that this wage effect is attributable to credentials signalling worker productivity to employers⁴. Our empirical analysis takes this factor into consideration as we explicitly account for the likely impact of educational underachievement on wages in the next one to three years for NEET youth in NZ.

Increased Criminal Activity

Higher rates of youth inactivity and unemployment are also often seen as precursors to rising crime rates (e.g. Chiricos, 1987; Carmichael & Ward, 2000; Fergusson et al., 2001; Fergusson et al., 2006; Wu & Wu, 2012). Carmichael and Ward (2000) find a systematic positive relationship between burglary rates and male unemployment rates in England and Wales. While their results are irrespective of age, they find a consistent, positive relationship between youth unemployment and criminal damage and robbery rates. Additionally, making use of a NZ birth cohort sample (up to the age of 18), Fergusson et al. (2006) find an increase in the duration of unemployment is significantly associated with rises in youth offending.

Reduced Quality of Life

Research in both the NZ and international context suggests that unemployment among young people is associated with reductions in quality of life, particularly with regard to a rise in the prevalence of mental health issues, such as depression, lower self-esteem, and anxiety (e.g. Feather, 1982; Goldsmith, Veum & Darity, 1996; Mathers & Schofield, 1998; Clark et al., 2001; Fergusson et al., 2001; Blakely et al., 2003; Gerdtham & Johannesson, 2003; Blanchflower, 2010), and substance abuse (Fergusson et al., 1997; Fergusson et al., 2001; Blanchflower, 2010). Employing a longitudinal survey data set of young people in the US, Goldsmith et al. (1996) finds that youth, who experience unemployment or time spent out of the labour force, can experience long-term harm to their self-esteem, suffering from depression, a sense of loss of identity (self-alienation), and anxiety. These psychological impacts also place an increasing burden on the immediate family of unemployed youth. For example, in a recent UK survey of young individuals, more than a quarter of those who had been unemployed said unemployment was a cause for arguments with family, and 10 percent said it drove them to drugs or alcohol (Prince's Trust, 2010). With regard to NZ evidence, Fergusson et al. (1997) find that young New Zealanders exposed to unemployment have higher rates of substance use and

anxiety disorder later in life, while Blakely et al. (2003) find that unemployment in NZ is associated with a two-to-three-fold increase in the relative risk of suicide, compared with being employed.

Quantifying the Cost of NEET

The literature reviewed above highlights the wide range of costs associated with youth disengagement. To date, however, there is limited work on actually quantifying these costs. Notable exceptions are Godfrey, Hutton, Coles, Craig & Johnson (2002) and Coles, Godfrey, Keung, Parrott & Bradshaw (2010), which attempt to estimate the lifetime cost of NEET youth in the UK. The latter of these studies (an update of the former) estimates the average per capita cost of UK NEET youth (aged 16 to 18) to be £16,649 in terms of welfare and productivity losses, and public finance costs (during that three year time period).

To our knowledge, this research is the first foray in NZ that explicitly constructs cost figures for youth disengaged from education/training and the labour market. In forming our cost estimates, we would ideally like to take into account costs relating to all of the potential consequences: direct and indirect as well as immediate and delayed. Unfortunately, however, some costs are difficult to quantify due to the unavailability of necessary data in many instances, and the inherent difficulty of estimating costs of an indirect nature. There are a couple of instances in past literature where researchers have attempted to provide a loose framework with which to estimate the cost of outcomes such as poorer health, and increased crime (see Godfrey et al., 2002 and Coles et al., 2010 for research in this vein). However, by the authors' own admission, data limitations lead to largely speculative estimates. Additionally, their estimates rely heavily on assumptions derived from individual case studies and prior UK research which attributes specific outcomes to NEET versus non-NEET individuals. The lack of such research in NZ further hinders our estimation of these indirect costs.

Therefore, this research focusses on the two costs that can be more readily quantified – lost productivity (foregone wages), and the burden on the country's public finances. Due to unavailability of appropriate panel data, we also restrict our purview to estimating short-term costs over a one to three year time period. As a consequence, the costs estimated most likely underrepresent the true cost of increasing NEET levels, but can nevertheless be viewed as lower bound estimates.

Background Context: NEET in NZ

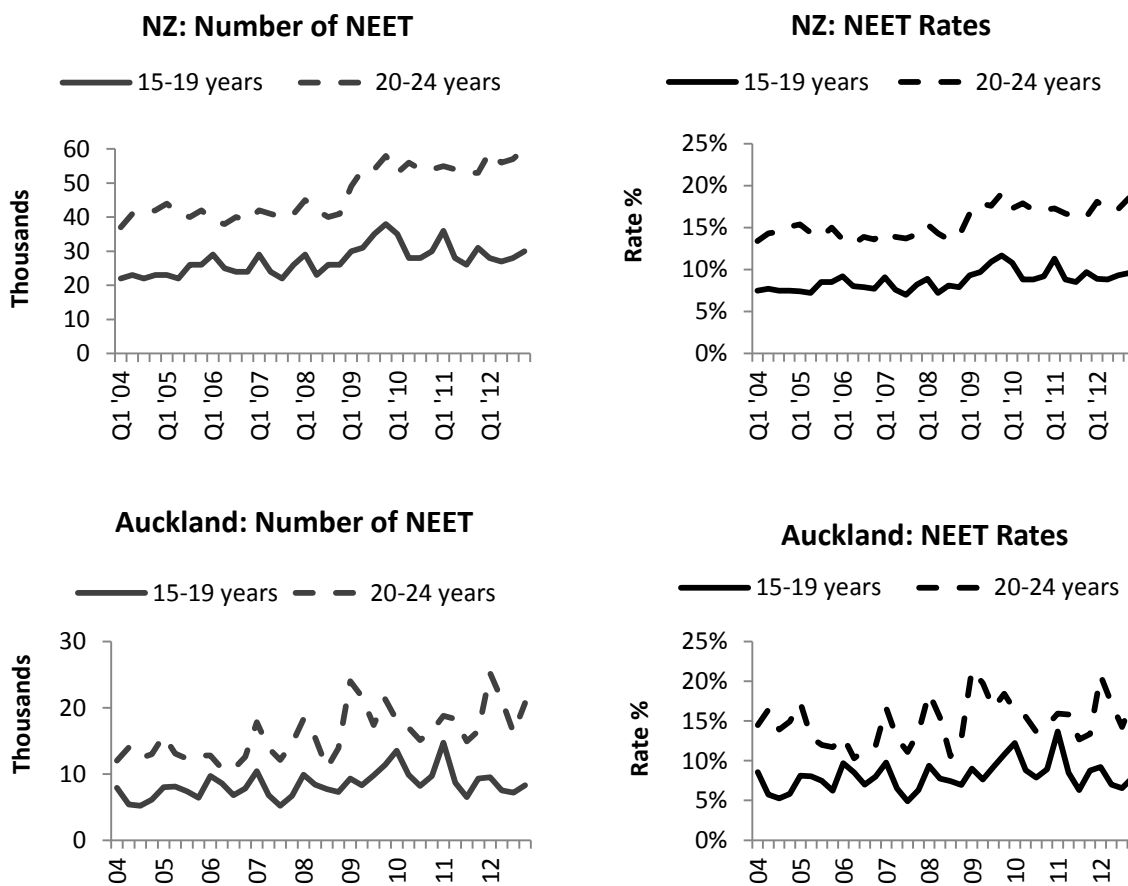
As at December 2012, there were 88,600 NEET youth aged 15-24 in NZ (Statistics NZ, 2012a). Of concern is that, while this figure equates to a NEET rate which is lower than the 2012 OECD average (~14 percent compared to ~16 percent), the number of NEET youth in NZ has increased 34.4 percent since data for this group was first collected by Statistics NZ in March 2004. Also noteworthy is the variation in NEET rates between genders, with females being more prevalent in the NEET statistics. Specifically, the NEET rate for young women aged 15-24 was 17.7 percent as at December 2012, while that for young men was 10.4 percent. Disaggregating by age, this result is driven primarily by the 20-24 years old sub-group, with the NEET rate for females in this age group more than double that for their male counterparts (24.5 percent compared to 12.0 percent) due to significantly higher numbers of young women classified as inactive and engaged in caregiving.

Of the total NZ NEET youth population (December 2012), 29,000 lived in the country's economic hub – Auckland. This figure equates to 13 percent of all young Aucklanders in this age group⁵, and ~33 percent of total NZ NEET in this time period. As with NZ NEET more broadly, the total number of NEET youth in this region has grown substantially (~46 percent) since March 2004. In both

instances, this upward trend is driven largely by a rise in the number of 20-24 year olds that are NEET over the period 2004 to 2012 (see figures 1-4 below).

The gravity of the upward trend apparent in NEET rates is somewhat mitigated by the strong national and regional population growth experienced over the last decade (NZ > eight percent, Auckland > 10 percent) (Statistics NZ, 2012b). Nevertheless, the rising number of youth NEET pre and post the 2008 recession is indicative of wider issues affecting youth in NZ that are yet to be addressed, and likely to worsen as the age cohort of 15-24 year olds looks set to rise. Additionally, the Auckland NEET average for youth masks significant differences among localities and ethnicities⁶. For example, the NEET rate for youth aged 15-24 in the Manukau district ward (which includes two of Auckland's lowest socio-economic districts, Mangere-Otahuhu and Otara-Papatoetoe) in September 2012 was ~21.3 percent (Statistics NZ, 2012c), well above the national average of 12.6 percent. Similarly, youth of Maori and Pacifica descent are at greater risk of becoming NEET compared to their NZ European and Asian counterparts. In December 2012, the NEET rates for individuals aged 15-24 were ~21.5 percent and ~20.9 percent for Maori and Pacific Peoples respectively, compared to ~10.4 percent and ~11 percent for European and Asian individuals. The aforementioned statistics highlight that there are ethnic subgroups within Auckland that require urgent attention/policy directed at improving their transitions between NEET status to the workforce, education, and/or training. Consequently, the research within this report is aimed at investigating both regional (by comparing Auckland with NZ), and ethnic differences in terms of trends and the cost of being NEET.

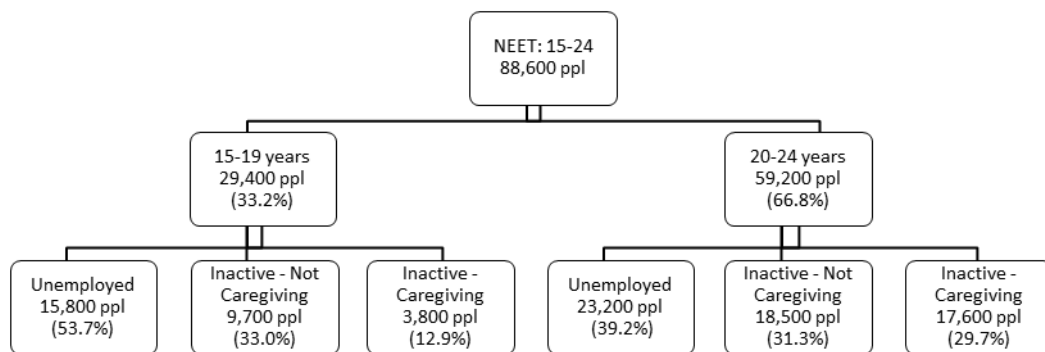
Figures 1-4: Number of NEETs & NEET Rates, NZ & Auckland: 2004-2012



Source: Statistics NZ, Household Labour Force Survey.

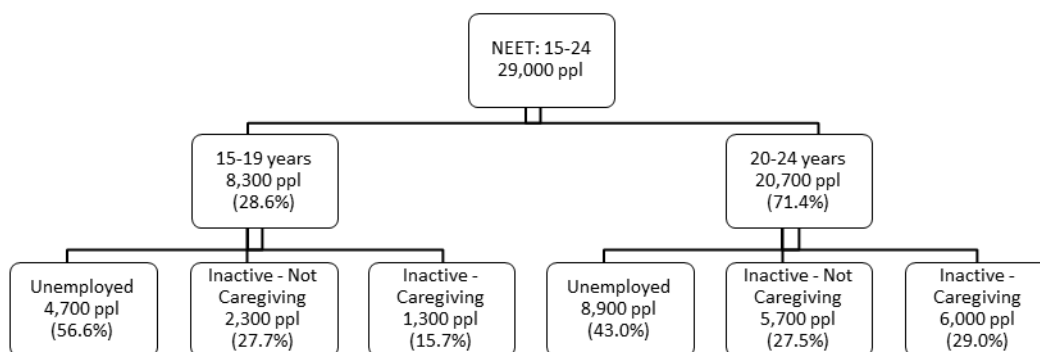
Figures 1 to 4 present NEET youth trends for NZ and Auckland over the period of 2004 to 2012. The first observation is that the NEET rate is consistently lower for 15-19 year olds, relative to 20-24 year olds. This is expected as this age group is more likely to have individuals participating in the education sector, especially since the compulsory school leaving age in NZ is 16⁷. All figures also point to seasonal fluctuations in NEET numbers, particularly evident for 15-19 year old NEETs – with drops in the NEET rate in quarter four (December) each year, followed by rises in quarter one (March). This is likely due to the rise in part-time and contract employment during the Christmas and summer season. Finally, in line with prior evidence that young people are particularly sensitive to labour market downturns (e.g. Kahn, 2010; Bell & Blanchflower, 2011; Fabling & Mare, 2012), there is a rise in the number of NEET youth during the 2008/09 recession instigated by the global financial crisis. With the exception of the Auckland 15-19 year old cohort, NEET numbers have remained at elevated levels since this time, courtesy of a subdued labour market. During recessionary periods, NZ youth are not only competing for fewer jobs with older, more skilled/experienced workers, but the industries their employment is typically concentrated in are most vulnerable to changes in economic performance, such as hospitality, and tourism (Department of Labour, 2010).

Figure 5: Breakdown of NZ NEETs, 15-24 year olds



Source: Statistics NZ, 2012a

Figure 6: Breakdown of Auckland NEETs, 15-24 year olds



Source: ibid

Figures 5 and 6 present a breakdown of NEET youth in NZ and Auckland by unemployed and inactivity status. There were 29,400 (59,200) for 15-19 (20-24) year olds classified as NEET in NZ in December 2012. Of these, ~54.7 percent (~39.2 percent) in the 15-19 (20-24) group were unemployed, ~33.0 percent (~31.3 percent) inactive and not engaged in caregiving, and ~12.9 percent (~29.7 percent) inactive and engaged in caregiving. A comparable breakdown for Auckland reveals similar proportions in the three sub-categories of NEET status (Figure 6) (Statistics NZ, 2012a)⁸.

However, analogous breakdowns for Auckland NEET youth disaggregated by ethnicity (not shown here for the sake of brevity, but see Pacheco and Dye, 2013) highlight distinct variation in NEET status across ethnic sub-groups within Auckland. For example, the occurrence of NZ European teenagers that are classified as unemployed is markedly higher than youth of Maori and Pacifica descent, for which the propensity to become inactive is greater. The variation in rates of NEET youth aged 15-19 classified as inactive due to caregiving activity is worthy of particular mention. Specifically, the occurrence of Maori (Pacific Peoples) teenagers who are NEET falling into this category is nearly three (two) times higher than their NZ European counterparts. This observation is in-line with prior NZ evidence that teenage birth rates are significantly higher for youth of Maori and Pacifica descent, compared to NZ European (e.g. Dickson, Sporle, Rimene & Paul, 2000; Families Commission, 2011).

Methodology

To compute estimates of the associated costs for NZ NEET youth, the following analysis focuses on: i) youth NEET that are unemployed; ii) youth NEET that are inactive (i.e. neither employed nor in education); and iii) youth NEET that do not reach their educational potential and, consequently, upon entering the labour force, underachieve.

We focus on NEET aged 15-24 years as this captures the transition into the labour market at different points in a youth's timeline⁹. Data is sourced from Statistics NZ for youth NEET aged 15-19 and 20-24. Following Godfrey et al. (2002) and Coles et al. (2010), costs are defined as the excess cost of being in the NEET group compared to the hypothetical situation that these youth would have experienced (on average) as their non-NEET counterparts. Wherever possible, we draw on recent relevant NZ estimates from Statistics NZ data. Where this is not possible we use comparable figures from overseas research and state these assumptions.

We estimate costs at the country-level (NZ) as well as at the regional level for Auckland. A priori, we expect the economic cost of the latter to be higher than the former due to higher wages foregone. As indicated earlier, Auckland youth of Maori and Pacifica descent are more likely to be NEET compared to other ethnicities. There are also ethnic differences in terms of average wages foregone, durations of unemployment, and educational attainment – we, therefore, make use of these variations when disaggregate costs by ethnic sub-group in Auckland. In particular, we estimate separately the per capita cost of NEET youth in Auckland that are of NZ European, Maori, and Pacifica descent¹⁰

An overview of the methodology employed and assumptions made are provided in the three subsections below.. For a detailed breakdown of calculations see Pacheco and Dye (2013).

Unemployed NEET

In order to estimate the cost of unemployed NEET youth in terms of foregone earnings (productivity) and public finance costs, we need to estimate the excess length of time they are unemployed. The average duration of a single spell of unemployment for NZ (Auckland) youth aged 15-24 is 17.7 (17.9) weeks. Notably, the relevant average durations of unemployment in Auckland vary between a low of 16.4 weeks for NZ Europeans, and a high of 24.7 weeks for Maori¹¹. As unemployed youth are likely to experience more than one stint of unemployment over the short/medium-term (see literature review where path dependency of youth disengaged from the labour market is discussed), we assume these NEET individuals will be unemployed for ~50 percent longer than the average duration over the next one to three years. We further assume that non-NEET 15-19 year olds do not experience unemployment, while 20-24 non-NEETs will experience the average duration of unemployment at

some point over the next one to three years. The latter assumption makes the unemployment costs calculated for the older age group conservative in nature, the alternative being to assume non-NEET 20-24 year olds will not experience unemployment at any point during these years.

To compute the productivity cost, we also require assumptions regarding wages foregone based on age/region, and ethnicity of the individual. Based on data from the Household Labour Force Survey (Statistics NZ, 2012d), the average weekly income from wages for men and women in NZ aged 15-19 (20-24) is \$96 (\$383). Data from the same survey indicates that analogous figures for Auckland youth are ~11percent higher. NZ European youth are assumed to earn the average weekly earnings of Aucklanders generally, while Maori (Pacific Peoples) average weekly earnings are 17 percent (28 percent) lower.

As a result of lower earnings, there is a loss in tax revenue (both income tax and indirect tax). A marginal income tax rate of 10.5cents (17.5cents)¹² per \$1 is assumed for foregone earnings for 15-19 (20-24) year olds. There are also lost ACC (Accident Compensation Corporation) contributions from the employee (employer) of 1.70 percent (1.15 percent) of every \$1 of taxable income not earned¹³. In addition, Davidson (2005) illustrates that indirect taxes account for approximately 15 percent of disposable income, on average, for household income deciles one to five. Therefore, we also assume a loss in indirect taxes of 15 percent of the foregone disposable income of these NEET individuals¹⁴.

Finally, unemployment benefit payments also need to be taken into account. We expect the average net unemployment benefit received by individuals aged 18-19 is \$153.72¹⁵, while that for 20-24 year olds is \$170.80¹⁶.

Inactive/Not in the Workforce

As indicated in the literature review, NEET youth that do not fall into the unemployed category are inactive, and split into those that are (i) engaged in caregiving, and (ii) those that are not. Given the high teenage birth rates in NZ (Dickson et al., 2000; Families Commission, 2011), we assume that caregiving activity relates to childcare.

In estimating foregone earnings for inactive youth, we follow Godfrey et al. (2002) in assuming that young parents that are NEET will be out of the workforce and education sector for 1.5 years (regardless of age group)¹⁷. For other inactive youth (excluding NEET parents), we assume that they will be out of the labour market for one year.

As with unemployed NEET, foregone earnings for inactive NEET also results in lost direct and indirect tax revenues; the same assumptions with regard to the relative direct and indirect fiscal incidence rates as outlined in the previous sub-section are employed here. The final assumption we make here is that the net unemployment benefit received by young parents is the 2012 net benefit payable to solo parents of \$293.58 (WINZ, 2012).

Educational Underachievement

A final cost to consider is the productivity loss incurred due to educational underachievement – a consequence of a period of youth unemployment and/or inactivity. As discussed, when NEET individuals do return to the labour market they may find work of a lower skill level than their non-NEET counterparts, resulting in a wage differential between youth workers that had a period of being NEET versus those that did not.

Recent information indicates that the proportion of NEET youth aged 15-24 in NZ that have no qualification, or school only qualification as their highest level of educational attainment is ~36

percent and ~32.3 percent, respectively (Statistics NZ, 2011). With regard to the Auckland cohort, statistics disaggregated by age group reveal that ~20.5 percent (~29.5 percent) of NEET individuals aged 15-19 (20-24) in Auckland have no qualification, and an additional ~49.4 percent (~26.1 percent) have school only qualifications. We also have similar statistics disaggregated by ethnicity for the Auckland cohort, which corroborate prior research that, in general, Maori and Pacific Peoples lag behind their NZ European (and Asian) counterparts in terms of educational attainment at all levels (e.g. Pool, Baxendine, Cochrane & Lindop, 2005)¹⁸.

To estimate the loss in productivity associated with underachievement, we need to make assumptions regarding the average level of qualifications for each age group and the likely qualifications and, hence, wages for their non-NEET counterparts. For example, for those with a qualification in the 15-19 year old NEET group, we assume this is Year 1 and that their relative counterparts in the non-NEET group have at least Year 12 school certificate. This equates to an eight percent differential in wages between these two groups, as average wages of those with Year 11 is 92 percent of average wages for those with Year 12. With respect to 20-24 NEET individuals who have at least school qualifications, this results in a 24 percent differential relative to average national wages¹⁹. For both age groups, we further assume that the counterfactual for those with no school qualifications is Year 12, and this equates to a 32 percent differential in wages (Statistics NZ, 2012d).

In a similar vein to UK research by Godfrey et al. (2002), we presume that those who are NEET and unemployed in the 15-19 (20-24) age group experience the wage differential for 18 (12) months, while those that are NEET and inactive experience the differential for 21 (15) months.

As with unemployment and inactivity, reduced wages result in lost income and indirect tax revenue. Therefore, the same assumptions outlined in the discussion of unemployed NEET are applied here as well.

Results

Based on the assumptions outlined in the three previous subsections, a summary of the short-term costs estimated for the various NEET cohorts (as at December 2012) is provided in Table 1. We project that the potential foregone earnings for the NZ (Auckland) youth NEET group over the next one to three years is \$1,387,274,374 (\$485,902,453). Over the same timeframe, the expected cost to public finances for this group is \$1,028,992,473 (\$354,538,366).

It is important to view these estimates separately. Foregone earnings is, simply put, a proxy for the lost potential productivity of the NEET cohort and, therefore, foregone earnings include foregone tax and ACC payments. However, in combining foregone earnings with the expected cost to public finances to attain a total expected cost, we deduct foregone tax and ACC contributions from public finance costs to ensure we do not double count these payments.

Based on cohort sizes as at December 2012, the total *per capita cost* of NEET in NZ over the next one to three years is expected to be \$21,969. As expected, the per capita cost for Auckland NEET youth of \$23,661 is notably higher than that for NZ NEET. This is primarily due to the higher wages found in Auckland relative to the rest of NZ. Significant variation in the cost associated with being NEET across different ethnic groups within Auckland is also evident. In particular, the *per capita cost* over the next one to three years is lowest for NZ European NEET youth at \$18,178 and highest for Maori NEET youth at \$28,289, while that for Pacific Peoples NEET youth sits in between at \$22,242.

In terms of the ethnic sub-groups portrayed in Table 1, it is clear that differences across ethnicities are driven by a number of factors. Given that the average wages for NZ European are higher than that for Maori and Pacific Peoples, this would suggest the productivity loss in per capita terms would be higher for this sub-group. However, the counter balancing factor at play here is that the average duration of unemployment for ethnic minorities is high, and this results in the per capita productivity loss for Maori to be highest (at \$16,759). Maori and Pacifica NEET also have higher proportions of youth that are inactive and engaged in caregiving, relative to NZ European. This leads to a greater strain on public finances in terms of higher benefit payments, and these individuals are also expected to remain out of the workforce for longer and, consequently, have lower productivity (higher foregone earnings). NEET youth of Maori and Pacifica descent are further disadvantaged in the labour market as they typically have lower educational attainment than their NZ European counterparts, meaning they are also more likely to experience wage differentials when they do enter the workforce.

Table 1: Short-term costs over 1-3 years of NZ NEET by region & ethnicity

	NZ*	Auckland*	Auckland NZ European	Auckland Maori	Auckland Pacific Peoples
Number of NEET 15-24 year olds: December 2012	88,600	29,000	12,000	6,300	8,400
Total productivity loss (per capita) \$	1.39bn (15,414)	485.9m (16,755)	160.6m (13,379)	106.3m (16,875)	116.4m (13,856)
Unemployment	119.4m	47.6m	22.1m	10.2m	9.8m
Inactivity	971.1m	348.5m	106.7m	76.4m	79.8m
Educational Underachievement	296.7m	89.8m	31.8m	19.7m	26.7m
Total public finance costs (per capita) \$	1.03bn (11,433)	354.5m (12,225)	108.4m (9,033)	105.6m (16,759)	107.3m (12,773)
Unemployment	136.0m	47.7m	21.0m	11.0m	11.7m
Inactivity	799.1m	278.3m	77.3m	88.3m	87.1m
Educational Underachievement	93.8m	28.5m	10.1m	6.3m	8.5m
Total per capita cost \$**	21,969	23,661	18,178	28,289	22,242
15-19 year olds	10,084	11,347	10,853	18,624	14,411
20-24 year olds	27,911	28,599	21,112	32,162	25,378

Source: Author's computations.

Notes: *The NZ and Auckland costs are estimated in an aggregate context without taking into account the ethnic composition of their respective cohorts.

**Total per capita figures are not an accumulation of productivity and public finance costs. To avoid double counting we remove the value of tax (direct and indirect) income and ACC contributions included in public finance costs as these are essentially transfer payments from the individual to the government.

Clearly, devolving analysis down to ethnic sub-groups is crucial in capturing a more accurate reflection of the economic cost of NEET youth. When we employ weighted averages of the per capita costs for the three major ethnic sub-groups (NZ European, Maori, and Pacific Peoples) we arrive at an

average of \$21,842, which is lower than the Auckland estimate of \$23,661. It is important to note that the Auckland figure also includes other ethnicities, such as Asian or Middle Eastern, Latin American or African (MELAA), and is based on Auckland averages from Statistics NZ for, for example, wages, duration of unemployment, educational attainment. Consequently, both the NZ and Auckland estimates of NEET costs presented here may have been lower if we were able to control for the ethnic composition of the NEET cohort in these aggregate samples²⁰. Nevertheless, our estimates can still be viewed as lower bound figures given the conservative nature of the assumptions made in computing costs, and the omission of costs associated with the more subtle and indirect consequences of NEET, such as crime and poor health outcomes.

As a final discussion point, we have not explicitly estimated the medium or long-term costs of NEET youth. Coles et al. (2010) compute associated costs (for NEET youth aged 16-18 in the UK) for the medium term of 40-45 years, and long-term in terms of pension differentials. They find the present value of lifetime future costs to be approximately 9.6 times that of short-term costs. If we employ the same multiplicative factor for the estimates of short-term costs of NZ NEET, we arrive at an approximate present value of lifetime costs per capita of \$210,902 whereas the analogous figure for Auckland NEET would be \$227,146. An interesting avenue for future research would be to investigate what the relevant multiplicative factor is in the NZ context.

Conclusion

A vast literature shows that youth exclusion and disengagement from the labour market has costs both to the individual, and the economy/society at large. Consequences range from reduced economic productivity to increased criminal activity. Therefore, the rising number of youth in NZ that are classified as NEET is of concern as it signals increasing difficulties for young people making the transition from education into the labour market. Of particular concern is that there are sub-groups of youth in Auckland that appear particularly vulnerable to becoming lost in the transition between education and the labour force; namely, youth of Maori and Pacifica descent for which NEET rates currently exceed 20 percent.

This research estimated the expected economic cost of youth disengagement in terms of lost productivity and the strain on public finances. When considering the current youth NEET cohort in NZ, we estimated a per capita cost of \$21,969 over the next one to three years. The analogous figure for the Auckland cohort was found to be higher than that estimated for the average NEET NZ youth (\$23,661), which we attribute broadly to higher wages foregone of NEET in Auckland relative to the rest of NZ.

Our analysis also suggests substantial differences in per capita costs of NEET youth across individuals of European, Maori, and Pacifica descent. NEET youth of Maori (Pacifica) descent were found to be associated with the highest per capita cost at approximately \$28,289 (\$22,242), while the analogous figure for their NZ European counterparts was found to be \$18,178. This difference arises due to the greater propensity of Maori and Pacific Peoples to disengage from the education system earlier, to withdraw from the workforce due to caregiving responsibilities at a younger age, and to experience longer periods of unemployment.

We must note a couple of caveats in this conclusion. First, we have not been able to address the costs associated with other expected outcomes for NEET youth that include poorer physical and mental health outcomes, increased substance abuse, and increased prevalence of crime. Second, it is outside the scope of this study to estimate the medium and long-term effects of youth disengagement. For example, we do not estimate the ongoing labour market difficulties such as: underemployment post

the short-term window of one to three years; future unemployment; or future wage differentials arising due to lower average educational attainment. Consequently, our estimated costs are likely an underrepresentation of the true cost of increasing NEET levels and should be viewed as lower bound estimates.

Incorporating these additional costs and longer-term effects when data become available are possible directions for future research in this area. Another possible future research exercise is to investigate predictors of becoming NEET when aged 15-19 or 20-24. Such analysis would require appropriate panel data from a cohort, and would be useful for designing policy aimed at early intervention, as well as, where necessary, successfully re-engaging youth which become NEET.

References

- Arulampalam, W. (2001). Is Unemployment Really Scarring? Effects of Unemployment Experiences on Wages. *The Economic Journal*, 111(475): 585-606.
- Becker, G.S. (1964). *Human Capital: A Theoretical and Empirical Analysis with Special Reference to Education*. (1st ed.). New York: Columbia University Press.
- Bell, D.N.F. & Blanchflower, D.G. (2011). *Young People and Recession: A Lost Generation?* (Discussion Paper, No. 5674). Bonn: IZA (Institute for the Study of Labor).
- Birnie, D., Maloney, T., Canler, C., and Davies, P. (2012), Labour Market Under-performance in Auckland: An Initial Investigation, *Auckland Council Working Report*, WP2012/002.
- Blakely, T., Collings, S. & Atkinson, J. (2003), Unemployment and suicide. Evidence for a causal association? *Journal of Epidemiology and Community Health*, 57: 594-600.
- Blanchflower, D.G. (2010). The Well-being of the Young. *British Journal of Industrial Relations*, forthcoming.
- Brosnan, P. (1984). Age, Education and Maori-Pakeha Income Differences. *New Zealand Economic Papers*, 18(1): 49-61.
- Bynner, J. and Parsons, S. (2002). Social Exclusion and the Transition from School to Work: The Case of Young People Not in Education, Employment, or Training (NEET). *Journal of Vocational Behaviour*, 60: 289-309.
- Carmichael, F. & Ward, R. (2000). Youth Unemployment and the Crime in the English Regions and Wales. *Applied Economics*, 32(5): 559-571.
- Chiricos, T.G. (1987). Rates of Crime and Unemployment: An Analysis of Aggregate Research Evidence. *Social Problems*, 34(2): 187-212.
- Cricton, S. & Dixon, S. (2011). *Labour Market Returns to Further Education for Working Adults*. (Working Paper). Wellington: Department of Labour
- Clark, A.E., Georgellis, Y. & Sanfeym P. (2001). Scarring: The Psychological Impact of Past Unemployment. *Economica*, 68(270): 221-241.

- Coles, B., Godfrey, C., Keung, A., Parrott., S. & Bradshaw, J. (2010), *Estimating the Life-time Cost of NEET: 16-18 Year Olds not in Education, Employment or Training*. York: University of York.
- Cruces, G., Ham A. & Viollaz, M. (2012). *Scarring Effect of Youth Unemployment and Informality: Evidence from Argentina and Brazil*. Paper presented at the 2012 IZA Conference, Bonn, Germany.
- Davidson, S. (2005). *Person Income Tax in New Zealand. Who Pays, and is Progressive Taxation Justified?* Wellington: New Zealand Business Roundtable.
- Department of Labour (2010, April). *The Impact of the Recession on Young People*. (HLFS Investigation Report). Wellington: Department of Labour.
- Dickson, N., Sporle, A., Rimene, C. & Paul, C. (2000), Pregnancies Among New Zealand Teenagers: Trends, Current status and International Comparisons. *The New Zealand Medical Journal*, 113(1112): 241-245.
- Ellwood, D. (1982). Teenage Unemployment: Permanent Scars or Temporary Blemishes? In R.B. Freeman and D.A. Wise. (eds.). *The Youth Labor Market Problem: Its Nature, Causes and Consequences*. (pp. 349-390) Chicago: University of Chicago Press.
- Fabling, R. & Mare, D.C. (2012). *Cyclical Labour Market Adjustment in New Zealand: The Response of Firms to the Global Financial Crisis and Its Implications for Workers*. (Working Paper, 12.04). Wellington: Motu Economic and Public Policy
- Families Commission. (2011). *Teenage Pregnancy and Parenting: An Overview*. Retrieved from <http://www.familiescommission.org.nz/publications/research-reports/teenage-pregnancy-and-parenting>
- Feather, N.T. (1982). Unemployment and its Psychological Correlates: A Study of Depressive Symptoms, Self-esteem, Protestant Ethic Values, Attributional Style, and Apathy. *Australian Journal of Psychology*, 34(3): 309-323.
- Fergusson, D.M., Horwood, L.J. & Lynskey, T.L. (1997), The Effects of Unemployment on Psychiatric Illness During Young Adulthood. *Psychological Medicine*, 27(2): 371-381.
- Fergusson, D.M., Horwood, L.J. & Woodward, L.J. (2001). Unemployment and Psychosocial Adjustment in Young Adults: Causation or Selection? *Social Science & Medicine*, 53(3): 305-320.
- Fergusson, D.M., Lynskey, M.T. & Horwood, L.J. (2006), The Effects of Unemployment on Juvenile Offending. *Criminal Behaviour and Mental Health*, 7(1): 49-68.
- Gerdtham, U.G. & Johannesson, M. (2003). A Note on the Effect of Unemployment on Mortality. *Journal of Health Economics*, 22(3): 505-18.
- Gibson, J. (2000). Sheepskin Effects and the Returns to Education in New Zealand: Do They Differ by Ethnic Groups. *New Zealand Economic Papers*, 34(2): 201-220.
- Godfrey, C., Hutton, J.B., Coles, B., Craig, G. & Johnson, J. (2002), *Estimating the Cost of Being "Not in Education, Employment or Training" at Age 16-18*. University of York: Social Policy Research Unit, 346.

- Goldsmith, A.H., Veum, J.R. & Darity, W. (1996), The Impact of Labor Force History on Self-Esteem and its Component Parts, Anxiety, Alienation and Depression. *Journal of Economic Psychology*, 17: 183-220.
- Gregg, P. (2001). The Impact of Youth Unemployment on Adult Unemployment in the NCDS. *The Economic Journal*, 111(475): 626-653.
- Gregg, P., and Tominey, E. (2004). *The Wage Scar from Youth Unemployment*. (Working paper, 04/097). Bristol: University of Bristol, Centre for Market and Organisation
- Kahn, L.B. (2010). The Long-term Labor Market Consequences of Graduating from College in a Bad Economy. *Labour Economics*, 17(2): 303-316.
- Maani, S. (1999). *Private and Public Returns to Investments in Secondary and Higher Education in New Zealand over Time: 1981-1996*. (Working Paper, 99(2)). Wellington: New Zealand Treasury
- Maani, S. (2000). *Secondary and Tertiary Education Attainment and Income Levels for Maori and Non-Maori over Time*. (Working Paper, 00(18)). Wellington: New Zealand Treasury.
- Maloney, T. (2004). *Isolating the Scarring Effects Associated with the Economic Inactivity of Youth in New Zealand: Evidence from the Christchurch Health and Development Study*. Report to the Labour Department Policy Group. Auckland: Department of Labour
- Manning, A. (2000). Pretty Vacant: Recruitment in Low Wage Labour Markets. *Oxford Bulletin of Economics and Statistics*, 62: 747-70.
- Mathers, C.M. & Schofield D.J. (1998). The Health Consequences of Unemployment: The Evidence. *The Medical Journal of Australia*, 168(4): 178-182.
- Mroz, T.A. & Savage, T.H. (2006). The Long-term Effects of Youth Unemployment. *Journal of Human Resources*, 41(2): 259-293.
- Pacheco, G., and Dye, J. (2013). *Estimating the Cost of Youth Disengagement in New Zealand*. (Working Paper Series, 2013/04). Auckland: AUT University, Department of Economics.
- Pool, I., Baxendine, S., Cochrane, W. & Lindop, J. (2005), *New Zealand Regions, 1986-2001: Education and Qualifications*. (Discussion Paper, No. 56). Waikato: University of Waikato, Population Studies Centre
- Psacharopoulos, G. & Patrinos, H.A. (2004). Returns to Investment in Education: A Further Update. *Education Economics*, 12(2): 111-134.
- Prince's Trust. (2010). *The Prince's Trust YouGov Youth Index 2010*. Retrieved from http://www.princes-trust.org.uk/pdf/Youth_Index_2010.pdf
- Scott, D. (2009), *What Do Students Earn after their Tertiary Education?* Wellington: Statistics New Zealand and Ministry of Education.
- Sissons, P. & Jones, K. (2012), *Lost in Transition? The Changing Labour Market and Young People not in Employment, Education or Training*. London: Lancaster University, The Work Foundation

Statistics NZ. (2011). *Household Labour Force Survey: September 2011 Quarter*. Retrieved from http://www.stats.govt.nz/browse_for_stats/income-and-work/employment_and_unemployment/HouseholdLabourForceSurvey_HOTPSep11qtr.aspx

Statistics NZ. (2012a). *Household Labour Force Survey: December 2012 Quarter*. Retrieved from http://www.stats.govt.nz/browse_for_stats/income-and-work/employment_and_unemployment/HouseholdLabourForceSurvey_HOTPDec12qtr.aspx

Statistics NZ. (2012b). *National Population Estimates: June 2012 Quarter*. Retrieved from http://www.stats.govt.nz/browse_for_stats/population/estimates_and_projections/NationalPopulationEstimates_HOTPJun12qtr.aspx

Statistics NZ. (2012c). *Household Labour Force Survey: September 2012 Quarter*. Retrieved from http://www.stats.govt.nz/browse_for_stats/income-and-work/employment_and_unemployment/HouseholdLabourForceSurvey_HOTPSep12qtr.aspx

Statistics NZ. (2012d). *New Zealand Income Survey: June 2012 Quarter*. Retrieved from http://www.stats.govt.nz/browse_for_stats/income-and-work/Income/NZIncomeSurvey_HOTPJun12qtr/Definitions.aspx

Stiglitz, J.E. (1975). The Theory of "Screening," Education, and the Distribution of Income. *The American Economic Review*, 65(3): 283-300.

WINZ. (2012). *Benefit rates April 2012*. Retrieved from <http://www.workandincome.govt.nz/individuals/brochures/benefit-rates-april-2012.html>

Wu, D. and Wu, Z. (2012). Crime, Inequality and Unemployment in England and Wales. *Applied Economics*, 44(29): 3765-3775.

Zuccollo, J., Maani, S., Kaye-Blake, B. & Zeng, L. (2013). *Private Returns to Education. How Does New Zealand Compare to the OECD?* (Working Paper, 13/10). Wellington: New Zealand Treasury.

Notes

¹ Explanations for the observed persistence in unemployment/inactivity and wage scarring vary. Some popular explanations are that bouts of inactivity at a young age hinder human capital accumulation (Becker, 1964; Mroz & Savage, 2006), damage self-esteem, generate habituation effects (Clark et al., 2001), and/or signal low productivity to employers (Manning, 2000).

² The equivalent private rate of return is determined to be just 8.9 percent in NZ, however, Zuccollo, Maani, Kaye-Blake & Zeng (2013) argue ~50 percent of this gap can be explained by methodological issues.

³ Additional NZ evidence confirming high returns to education include Brosnan (1985), Maani (1999; 2000); and Scott (2009). Crichton and Dixon (2011) find limited returns to further education for adults aged 25-64 years that undertook certificate or diploma qualifications; however, in ~60 percent of cases, individuals were already qualified at a level at least as high as, if not greater than, the qualification undertaken.

⁴ See Stiglitz (1975) for in-depth discussion of “screening” theory as it relates to the returns on education.

⁵ Specifically, ~13 percent of Aucklanders in this age group who are classified as usually resident, non-institutionalised, and civilian.

⁶ Birnie, Maloney, Canler & Davies (2012) also document these differences

⁷ Unfortunately, Statistics NZ does not collect information on individuals that are NEET for the 16-19 age bracket

⁸ The percentages for either age group of the NZ cohort do not add to 100 percent (specifically, 99.7 percent and 100.2 percent for 15-19 and 20-24, respectively) due to rounding by Statistics NZ. Similarly, percentages for the 20-24 age group in the Auckland cohort do not add to 100 percent, but rather 99.5 percent

⁹ This is similar to analysis by Sissons and Jones (2012) who focus on the 16-24 year bracket for the UK

¹⁰ Due to very small sample size in some instances, we are unable to conduct disaggregated analysis for Auckland NEET of Asian ethnicity.

¹¹ Statistics NZ, Household Labour Force Surveys. It is the time series average for the period December 2007 to December 2012.

¹² These are the applicable marginal tax rates for the 2012/13 tax year for the income brackets of ‘up to \$14,000’, and ‘\$14,000 to \$48,000’.

¹³ ACC levy charges are as at April 2012

¹⁴ Since 2005, the GST rate in NZ has increased from 12.5 percent to 15 percent meaning this figure likely underestimates the actual incidence of indirect tax for low decile households

¹⁵ This is the average of the 2012 net benefit rates for single 18-19 year olds at home and not at home with no children.

¹⁶ We focus on the unemployment benefit due to limited information on the number of NEET receiving additional benefits.

¹⁷ Note – the focus of the forthcoming calculations are on the counterfactual for youth that are inactive, whether engaged in caregiving or not. It is outside the scope of this study to evaluate the differences in long term benefits for households when youth parents stay at home for caregiving reasons versus enter back into the workforce.

¹⁸ Specifically, as at December 2012, ~17.6 percent (~34.5 percent), ~31.5 percent (~36.5 percent), and ~52.4 percent (~20.1 percent) of European, Maori, and Pacific Peoples NEET youth in Auckland aged 15-24 had no (school only) qualification. Due to a lack of disaggregated data, we assume the proportions hold across both age groups

¹⁹ Average wage is based on an aggregate of all individuals across the educational qualification spectrum

²⁰ Individuals reporting multiple ethnicities (reflective of NZ's culturally diverse population) will complicate any future research that wishes to venture down the path of controlling for ethnic composition in the aggregate estimates for Auckland and NZ.

Working in Residential Aged Care: A Trans-Tasman comparison

SARAH KAINE* and KATHERINE RAVENSWOOD**

Abstract

Residential aged care has become an issue of critical interest in developed countries, including Australia and New Zealand, due to an ageing population and workforce. The ageing population has contributed to concerns about ensuring a sustainable labour supply to the sector. A key barrier to a sustainable workforce in residential aged care in Australia and New Zealand is the physically and emotionally demanding work, which is undervalued and low paid. This article compares the regulatory frameworks for residential aged care in New Zealand and Australia, and considers why, despite different environments, the outcomes for residential aged care workers are very similar. There is scant comparative research in residential aged care, particularly between New Zealand and Australia. This article provides an important overview of the regulatory environment in a sector that is increasingly important to the public, policy makers and researchers.

Introduction

Across the developed world, governments are contending with the policy challenges associated with an ageing population. The extent of the problem is starkly illustrated in OECD figures, and its impact of workforce and retirement policy in general (OECD, 2006). These demographic trends are reflected in Australia and New Zealand where government-sponsored reports have delineated the extent of demographic change and the implications of this change for the provision of social services, specifically aged care services (Badkar, 2009; Commonwealth of Australia, 2004; 2010; Grant Thornton, 2010; Productivity Commission 2008; 2011).

In Australia and New Zealand, particular attention is being paid to the issue of attracting and maintaining a suitable workforce to deliver services to the aged, either in their own home or in residential care facilities (Grant Thornton, 2010; Productivity Commission, 2008; 2011). The demand for aged care is, of course, underscored by the same ageing population that is predicted to leave both countries with critical labour and skills shortages, particularly in aged care (Badkar, 2009; Carryer, Hansen & Blakey, 2010; Kiata, Kerse & Dixon, 2005; Lazonby 2007; Productivity Commission, 2011).

Aged care services are publicly funded on both sides of the Tasman; consequently, the growth in demand for services raises two important public policy questions. The first about the sustainability of the aged care sector, and the second about the responsibility of national governments to guarantee the quality of care provided to the aged. Although key concerns are to prevent escalating cost to governments and public, poor work conditions of employees have been associated with lower quality care. Research has established some connections between poor work conditions, such as stress amongst employees (Bonias, Bartram, Leggat & Stanton, 2010; Schmidt & Diestel, 2010), workload and ensuing lack of time to provide non-physical care (Carryer et al., 2010; Duffield et al., 2011; King & Meagher, 2009; Palmer & Eveline, 2012) and job dissatisfaction created through lack of recognition of the skill

* Senior Lecturer, Management Discipline Group, University of Technology, Sydney

** Senior Lecturer, Management, AUT University

required and low pay (Bach, Kessler & Heron, 2012; (Badkar, Callister & Didham, 2009; Kaine 2009; Kiata & Kerse, 2004; King & Meagher, 2009; Lazonby, 2007; Martin, 2007; Mears, 2009; Nishikawa, 2011; Palmer & Eveline, 2012; Provis & Stack, 2003; Ryosho, 2011) and lower care outcomes. A critical component in the provision of quality care relates to the supply of appropriately trained workers (Productivity Commission, 2011).

In order to understand how to ensure an appropriate labour supply to the sector, it is necessary to identify and comprehend the characteristics of the aged care sector, in particular, how aged care funding and regulation impacts on the existing, and potentially future, workforce. Funding of the sector is inextricably linked to the wage rates of the workers. As low waged workers in a feminised sector and often on part-time contracts, this group of workers is one that would immediately benefit from a living wage. This article compares the workforce characteristics and regulatory framework for residential aged care in Australia and New Zealand. In doing so, it enables some explanation of how different regulatory systems result in similar working conditions.

Trans-Tasman Comparisons

Researchers have pointed out the benefits of a comparative approach to industrial relations (IR) because it facilitates both a greater understanding of our own IR context, and highlights both positive and negative aspects of the IR system in relation to the comparative country (Bamber & Lansbury, 1998). There have also been calls for increased comparative research between Australia and New Zealand (Markey, 2011), in part because of similar shared union and regulatory environments between the countries during the twentieth century (Ellem & Franks, 2008; Markey, 2011). Although New Zealand and Australia have followed similar IR patterns, for a period of the 1980s and 1990s, there was considerable divergence in formal IR policy (Barry & Wailes, 2005). Despite this divergence, the 2000s saw the two countries align much more in IR policy than the previous two decades (ibid).

This current Trans-Tasman comparative study is particularly fruitful because, despite differences in IR policy in the residential aged care sectors, there are considerable similarities in the increasing demand for labour, and the continuing low wages paid to non-nurses in residential aged care. The poor work conditions in both countries have been the subject of separate research by both authors and by other researchers in Australasia (Kaine, 2012; Ravenswood, 2011; McGregor, 2012; King & Meagher, 2009). Indeed, while this article focusses on residential aged care, Barry and Wailes (2005) also noted similar labour market outcomes from different institutional frameworks.

Through examining the two regulatory systems and where they differ or are similar, it is proposed that systems perpetuating the current poor work conditions will be revealed and potential remedies discovered. This is an important tenet of comparative IR research that is noted by several scholars in the field (Bamber & Lansbury, 1998; Barry & Wailes, 2005). Furthermore, comparing two countries with similar historical IR trajectories enables a focus on the functions of institutions more than comparative national cultures, and strengthens the results where they are similar in both countries, suggesting that they may be more generalisable to other IR contexts than a single nation study.

The similar historical frameworks for IR between these two countries mean that any differences can provide a substantial background for examining, and learning from, the differences and similarities in an increasingly significant sector. Our approach, looking as much at the functions of institutions as the

institutions themselves, answers the critique of an overly institutional approach to comparative industrial relations (Barry & Wailes, 2005; Bamber & Lansbury, 1998; Markey, 2011).

This current article arose through comparison of the results of two earlier studies that were undertaken separately in Australia and New Zealand by the authors. Each study comprised of analyses of three residential aged care organisations in each country. The original projects were conducted with slightly different purposes, one focussing more on regulation in Australia, the other on employee participation and wellbeing in New Zealand. Comparison of results confirmed that, despite differences in regulatory frameworks, the outcomes for workers in residential aged care were very similar in both countries. This current article proposes to outline the workforce characteristics and regulatory frameworks in both countries, offer some explanation for the similar outcomes for workers, and suggest alternative means of regulating residential aged care for employees.

Section one contains an overview of workforce characteristics and issues in residential aged care in Australia and New Zealand. Section two outlines the regulatory context within which residential aged care in both countries is delivered. The penultimate section then considers these regulatory contexts and comparative workforce issues, and suggests potential remedies to address these in both countries. The final section provides some concluding observations about the nature of work in aged care and the impact of regulation on workplace outcomes. It also suggests directions for future research.

Residential Aged Care in Australia and New Zealand

Residential aged care is a growing sector in terms of employment in Australia and New Zealand. Australia had 2773 facilities providing care to 163,000 people in residential aged care facilities in 2010, and New Zealand providers had approximately 34,000 beds in residential aged care facilities in 2011 (NZACA, 2012; Productivity Commission, 2011). Table 1 illustrates how many of the workforce characteristics are similar between New Zealand and Australia: the majority of residential aged care workers are in direct care positions, women, employed on a part-time basis, and increasingly in the age group of 45 years and older.

Table 1: Workforce characteristics

Australia	New Zealand
202,344 RAC workers	Approx. 33,000 RAC workers
73% in direct care roles	77% in direct care roles
89% women	92% women
72% working part-time	64% working part-time
55% aged 35-55	Majority 45 years or older
Increasing use of agency staff	Increasing use of migrant labour
Turnover of approx. 25%	Turnover of approx. 25%

Source: Badkar, 2009; Grant Thornton, 2010; Kiata et al., 2005; Martin & King, 2008; Miller, Booth & Mor, 2008; King et al., 2013; NZACA, 2010.

The workforce issues are similar in both Australia and New Zealand, characterised by a growing sector with constraints on funding. How future workforce demand will be met is a key concern in both countries. It is predicted that workforce demand may increase by 50 to 75 percent by 2026 in New Zealand (Grant Thornton, 2010). In Australia, it is anticipated that the workforce will need to grow to four times its current size to meet demand in 2050 (Commonwealth of Australia, 2012).

One means of reducing demand for workforce is, of course, increasing the workload and intensification of existing employees. There is evidence of this in both countries where research documents a decreasing ratio of employees to residents (Productivity Commission, 2011; Carryer et al., 2010; Haultain, 2011; Kiata et al., 2005). Furthermore, complex tasks are often delegated to lower skilled employees (such as from nurses to caregivers) as a cost cutting measure (Networkers, 2005; Productivity Commission, 2011). These types of efficiency measures may impact on both quality of care as workers have less time to carry out care tasks, but also pose issues for employee health and safety, and, therefore, may increase costs to organisations through injury, accidents, and lost time (Ravenswood, 2011). In Australia, research has shown that increased workload/low staffing levels have contributed to increased staff turnover, and poorer care outcomes (Productivity Commission, 2011). Another factor relevant to workload is the relatively high use of agency staff in Australia to cover absences and shortfalls in staffing levels (King et al., 2013). This, too, impacts on quality of care because, generally, agency staff are not as familiar with residents' needs, but also has on-flow effects on the workload for other staff who may have to compensate for an agency staff member's lack of familiarity with the facility. New Zealand, in contrast, relies on agency staff less, with managers employing existing staff on extra shifts, or allocating more work to individuals on a shift (NZACA, 2010; Ravenswood, 2011).

Wages are relatively low in both countries with residential aged care workers not only on low wages, but low compared to those in similar positions in public sector hospitals (ANF, 2012; McGregor, 2012; Ravenswood 2011). In New Zealand, wages for residential aged care have tracked at the minimum wage or slightly above, with the only increases really being in adjustment with increases to the national wage (McGregor, 2012; Ravenswood 2011). It must be noted that wages are higher in general in Australia than New Zealand, but residential aged care wages in Australia still are low compared to other industries (Productivity Commission, 2011).

Regulatory context – Funding and Quality of Care

Funding of the sector is via public funding, and to a mixture of private (and in Australia some public) providers of residential aged care. Although there are different mechanisms, to be detailed below, both countries regulate the amount individuals pay for residential aged care and by how much they are subsidised. Both countries also regulate the licensing of residential aged care providers, and provide some minimum standard of care guidelines. The patterns of ownership of residential aged care providers differ significantly, with the majority in Australia owned by not-for-profit organisations, and the converse in New Zealand (see Table 2).

Table 2: Ownership of Residential Aged care facilities

	Australia	New Zealand
Profit	35%	68%
Not-For-Profit	59%	32%
Public	6%	0%

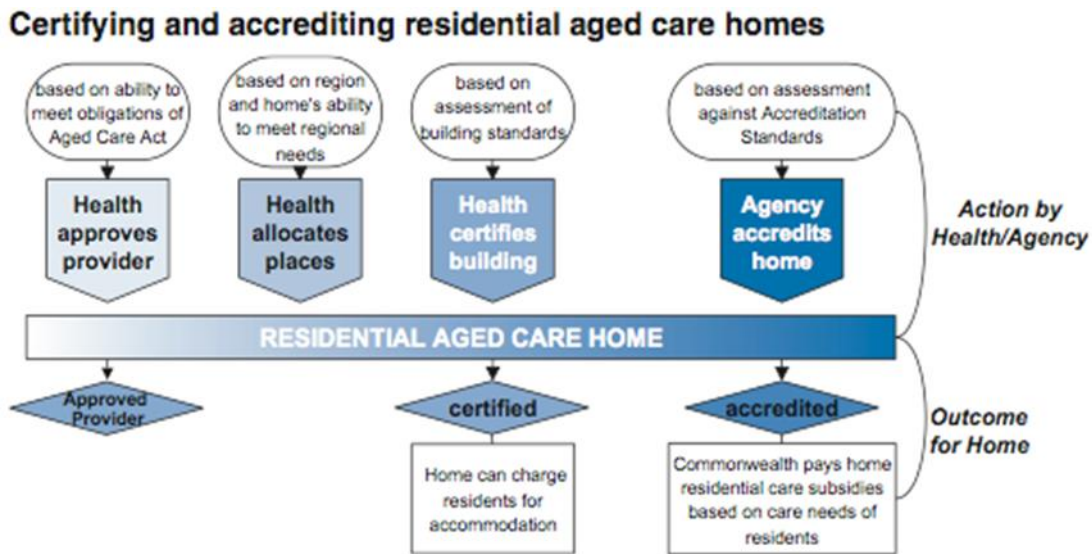
Source: DoHA, 2010 as cited in Productivity Commission, 2011; NZACA, 2010.

The aged care sector in Australia is highly regulated by the state in recognition of the vulnerability of residents and clients (Hogan, 2004), and due to the large amount of public money it attracts. Formal state regulation of residential aged care is complex. It extends to quality of care, location and quantity of services provided, and price controls stipulating the maximum a provider may charge its clients (Productivity Commission, 2011). These regulations are largely enforced as a consequence of the need for a ‘managed market’. A key characteristic of this managed market for aged care services in Australia is that the federal government provides the majority of funding for the provision of services within the sector, allowing it to constrain or regulate the actions of non-government (both for-profit and not-for-profit) providers by placing conditions on the granting of subsidies (Howe, 2006). In the case of aged care, those conditions are expressed through the Aged Care Act 1997 (Cth).

The Aged Care Act 1997 (the Act) is the over-arching legislation articulating the goals of the sector, establishing the funding framework and detailing the responsibilities associated with the acceptance of such funding by service providers (Nicoll, Jackson & O’Hanlon, 2003). Specifically, the Act outlines the regulatory mechanisms with which the government controls the allocation of beds, limits service prices and accommodation bond charges, allocates funding and assesses the eligibility of clients to attract subsidies (Productivity Commission, 2008). These mechanisms and their inter-relationships will be explored in more detail below.

Figure 1 illustrates the relationship between the regulations and funding. It shows the regulatory process from the initial approval of a provider by the Department of Health and Ageing to the annual allocation of beds for which the provider applies, through to building certification and accreditation, all of which contribute to the eligibility for funding. The funding of aged care facilities is distributed through subsidies for each resident, which is based on care needs. Given the direct link between the level of care required for a resident and the amount of government funding a facility attracts to care for that resident, government validation through Aged Care Assessment Teams (ACAT) occurs to ensure appropriate care levels are being declared and claimed by providers. The federal government also determines the price paid by residents for subsidised services and the cost of accommodation bonds (Productivity Commission, 2008).

Figure 1: Regulatory Process



Source: Nicoll et al., 2003 as cited in Braithwaite, Makkai & Braithwaite, 2007: 192)

Similarly to Australia, the New Zealand government, via District Health Boards, is the major funder of residential aged care. All aged care residential providers, who provide care to subsidised people, are funded through contracts of service with their District Health Board. The Social Security Act 1964 governs the maximum contributions made by individuals towards their care in residential aged care (Ministry of Health, 2012). Subsidies are granted dependent on the elderly person's dependency levels and means testing of income and some assets (Lazonby, 2010; NZACA, 2010). While the contract of service with aged care providers and District Health Boards is negotiated nationally, compliance with the agreements is monitored by the local District Health Board with which the agreement is made (Office of the Auditor General, 2009).

New Zealand is starkly different from Australia in its lack of current specific legislation governing aged care. Historically, residential aged care was governed by specific regulations: the Old People's Homes Regulations covered minimum standards of accommodation, licences, and the duties of licensees. The latter section outlined the minimum number of hours to be worked by staff (including the manager) per facility according to the number of residents. This regulation was revoked in 1993 and replaced with the Hospital Regulations which also has been superseded. The Health and Disability (Services) Act 2001 currently guides minimum standards for quality of care, and the accreditation of providers. Quality of care is regulated to some extent through this Act (Lazonby, 2007).

The Act provides the basis for standards that must be met to gain certification. These include general and core standards, restraint minimisation standards, infection prevention, and control standards (see Table 3). Within each standard, several specific criteria are included. Table 3 shows some of the standards and how they are audited. According to the Health and Disability (Services) Act 2001, providers must be audited by independent assessors every five years. This process has been called into question because the provider appoints and remunerates the auditor themselves. Furthermore, the standards are for the health and disability sector overall, and it is up to auditors to assess how the standards apply in the residential aged care sector (Office of the Auditor General, 2009).

Table 3: Standards and auditors' requirements

Standard	Example of what the auditors check
Organisation management	Enough staff with the necessary qualification on duty at the rest home. Checked by staff rosters and interviews with manager and staff. Auditors will check records to ascertain that staff receive adequate orientation and training. Check that risk management systems are in place and that rest home service is monitored.
Continuum of service delivery	Residents receive care that is safe and appropriate to their needs. Residents receive medication in a safe way.

Source: Adapted from Office of the Auditor, 2009: 19

Regulatory context – employment conditions

Two recurring key issues for employment conditions are low pay and also workload, with increasing intensification of work in both countries. In New Zealand, there is little regulation governing workload or, indeed, required training for caregivers, with neither the Aged-Related Residential Care agreements or the Health and Disability (Services) Act 2001 providing detailed guidelines for minimum numbers of non-nursing staff nor minimum numbers of hours worked per week.

In Australia and New Zealand, the traditional mechanism for increasing wages in residential aged care has been through centralised instruments, either Awards (in Australia) or through movements in the Minimum Wages Act 1983 (New Zealand). The reliance on both of these instruments to alter wages highlights the difficulty faced by caregivers in the sector to collectively bargain. This difficulty is threefold: first the casual/part-time nature of care work in dispersed workplaces has made the sector difficult for unions to organise and, consequently, bargain for (Cooper, 2010). Second, centralised wage determination has been subject to the historical undervaluing of women's work, such as caregiving (Baird, 2003; Kaine, 2012; Palmer & Eveline, 2012). Third, the public funding of aged care in both countries has imposed budgetary constraints, with aged care providers frequently citing inadequate funding as a barrier to improving the wages and conditions of caregivers (Catholic Health Australia, 2013; NZACA, 2011). The cumulative effect of these barriers to bargaining is the continuing reliance of aged care workers on centralised instruments, which only ensure minimal wages and conditions are received.

In Australia, recent changes to labour laws have resulted in a mechanism embedded in the Fair Work Act 2009, which is designed to facilitate collective bargaining amongst low paid workers known as the Low Paid Bargaining Stream (LPBS) (see Naughton, 2012). While the LPBS contains the capacity to include third parties, such as funding bodies in the bargaining process, it cannot compel third parties (such as governments) to increase funding. Unions representing aged care workers applied to access the LPBS in 2010, but the case faced a significant hurdle early on. Fair Work Australia determined that, while aged care workers were indeed 'low paid', it also deemed ineligible to access the LPBS any workers in organisations that had previously only been involved in what might be described as 'defensive'¹ bargaining, effectively splitting the sector in half.

As a consequence of the LPBS excluding significant numbers, aged care unions diverted efforts attempting to influence a review of the sector being undertaken by the federal government. The resulting policy document, *Living Longer, Living Better: Aged Care Reform Package*, was released in 2012. As part of this package of reforms, the then federal government quarantined \$1.2 billion of the \$3.7 billion new funding to the sector, overall, to be used for the improvement of wages and conditions. The receipt of these funds by aged care providers was conditional to particular labour outcomes being agreed upon and met. Specifically, this funding process involved the development of a workforce 'Compact' (the tripartite commitment between government, unions and aged care providers), which set out the broad parameters for the disbursement of the additional funding in accordance with goals concerning the improvement of labour standards. Outcomes, thus far, are mixed. While some aged care providers agreed to participate in bargaining under the conditions of the Compact, employer peak bodies have argued that the Compact is "poor public policy" and a break with "established and respected industrial relations practices" (Maher, 2013). Furthermore, the election of a conservative federal government has put in doubt the future of the 'Compact' in any form.

There is no obvious parallel in New Zealand, however, the EEO Commissioner of the Human Rights Commission has formal responsibilities, including the evaluation of the role that legislation, guidelines, and voluntary codes of practice play in facilitating and promoting best practice in equal employment opportunities; leading the development of guidelines and voluntary codes of practice to facilitate and promote best practice in equal employment opportunities, and monitoring and analysing progress in improving equal employment opportunities in New Zealand (Human Rights Amendment Act, 2001). The EEO Commissioner has reported on inequalities in aged care for both the older people being cared for and for employees in aged care. This has not led to changed regulations, but has, in October 2012, been the impetus for a summit between some providers, unions, government and other interested parties in aged care with a view to increasing wages and conditions across all types of aged care in New Zealand (McGregor, 2012). Furthermore, a case has been taken by a female aged care worker under the Pay Equity Act 1972, arguing that it is discrimination that aged care workers are paid less because the work is in a female-dominated occupation. This argument tests the interpretation of the Act and is currently awaiting the Judges' decision (Slade, 2013).

Comparing 'remedies'

A common outcome of enduring low pay for caregivers in New Zealand and Australia is the likely impact on the quality of care for recipients of aged care. While outcomes are hard to measure in terms of non-physical care, research does indicate that quality of care is impacted on by the workload and wellbeing of caregivers (Bonias et al., 2010; Carryer et al., 2010; Clarke & Hill, 2012; Ravenswood, 2011; Schmidt & Diestel, 2010). As competition among providers increases, reputation for care will become increasingly important. It would, therefore, seem crucial for work conditions to be integral to the regulation and funding of this significant industry. Long term, perhaps radical, 'blue skies' ideas are necessary to ensure a skilled, sustainable workforce that provides quality care. What we propose here, however, is more practical medium term solutions that could work with current regulation as future innovations are developed. We propose these as a result of the comparative strengths and weaknesses of both the Australian and New Zealand frameworks.

One weakness of both regulatory frameworks is the lack of assurance for work conditions in the accreditation standards for aged care providers. The national accreditation of aged care providers is central to the funding and regulatory frameworks. The accreditation standards focus on outcomes of care

and overlook the role that employment has in providing quality care. While, currently, these systems are not providing the necessary stimulus for improved working conditions, enhancing the accreditation standards would necessitate greater focus on employment conditions, and the ensuing effect on quality of care. Given the increase in workload, skill and demand for aged care workers, a 'sensible' remedy could be to address these factors more precisely in accreditation standards. Including components of work conditions, such as staffing levels, maximum hours, training and other work conditions in the accreditation standards would indicate their importance for, and connection with, quality of care and, therefore, organisational outcomes for providers. While Australia has specific aged care accreditation standards, New Zealand has very few, and this is one remedy that could be taken from a Trans-Tasman comparison. New Zealand could benefit from standards and audits that refer to the specific conditions of aged care, as opposed to generic health provision guidelines, which existed under the previous legislation in New Zealand briefly outlined earlier.

Furthermore, in comparison to Australia, New Zealand has limited industry and national instruments for aged care workers to collectively take action on wages. In Australia, the LPBS and the Aged Care Compact both represent recent attempts to address wages nationwide. Changes may eventually occur in New Zealand depending on the current case under the Pay Equity Act 1972. One possible solution for New Zealand in the shorter term is the inclusion of employee representation in the negotiations for the national aged care service agreements, strengthening employee voice at an industry level (Ravenswood, 2012). Indeed, a combination of more aged care specific standards for work conditions in accreditation with increased employee voice at a national level could provide substantial improvements for aged care workers. While not exactly the same, this process would mirror the Australian example of linking funding to the development and implementation of a Workforce Compact. We acknowledge, however, that changes to the process of the national service agreements would require considerable change in employers' acceptance of the inclusion of work conditions in their service contract, which has been contested in the past (Healthcare Providers New Zealand Incorporated and New Zealand Association of Residential Care Homes Incorporated vs District Health Boards of New Zealand, 2007), and is, indeed, proving controversial in the Australian equivalent.

Future Research

Palmer and Eveline (2012) highlight the role that a rhetoric of vocation and low-skill has in enduring low wages for aged care work. This is, undoubtedly, a strong underlying factor in the similar outcomes for workers from different regulatory frameworks in New Zealand and Australia. Indeed, as has been argued, both countries have similar IR histories (Bray & Walsh, 1998; Wailes, 2011), which will have been influenced by gendered notions of care work and its value (Frances & Nolan, 2008). However, any change to that rhetoric will be through social change, which is not likely to provide quick solutions to a growing problem. It could be that we may, in both countries, reach a 'tipping point' where the sheer number of baby boomers approaching residential aged care will prompt a rethinking of society's value of care work. This is a complex issue which could provide endless avenues for the exploration of what the societal influences on the value of care work are.

One stimulus to social change could be through changed regulation of the work conditions in the industry in both countries. The question of the role of regulation versus managerial prerogative is an enduring debate, but in the context of aged care, in particular, the role of government not as formal regulator but as the procurer of a service is an area of research that deserves further consideration.

Should our 'remedies' of more closely linked work conditions with clinical outcomes be included in accreditation standards, where does this leave the role of unions as representatives of aged care workers? Unions in both countries have been instrumental in the use of current regulation in trying to secure increased wages. In environments of at best stagnating unionisation (OECD, 2013), could our proposed remedy push unions in aged care further to the edges? What would the effects of this be, and could it, in the long term, erase some of the benefits of increased regulation?

While we have focussed on formal regulation, social change could well provide faster moving progress with relation to wages if, for example, the living wage campaign in New Zealand continues to gain social acceptance and employer uptake. While the living wage campaign does not address the general work conditions of residential aged care (such as staffing levels and work load), low pay is a primary concern for workers in the sector. Furthermore, the philosophy underlying the living wage campaign that encourages the respect for and valuing of workers as people could well lead to other improved conditions and recognition of the work that residential aged care workers undertake. The role of unions, managerial prerogative and the living wage campaign will be of future interest in this sector.

Our comparison of aged care regulation in Australia and New Zealand has highlighted some key differences, mainly in the lack of specific attention to aged care in New Zealand. However, the comparison also indicates common weaknesses in accreditation of aged care providers that could provide an avenue for improvement in an industry that is in a state of 'urgency'. These 'simpler' remedies, however, do not preclude the need for long-term planning and thought which looks beyond the 'simple' to innovative, perhaps challenging change that may be required.

References

- ANF – Australian Nursing Federation. (2012). *Federal Budget Submission 2012-2013*. Retrieved from http://anf.org.au/documents/submissions/ANF_Budget_Submission_12-13.pdf
- Badkar, J. (2009). *Demographic shift. The future demand for paid caregivers in a rapidly ageing society*. Wellington: Department of Labour.
- Badkar, J., Callister, P. and Didham, R. (2009). *Ageing New Zealand: The Growing Reliance on Migrant Caregivers*. [Working Paper 09/08]. Wellington: Institute of Policy Studies
- Bach, S., Kessler, I. & Heron, P. (2012). Nursing a grievance? The role of healthcare assistants in a modernized national health service. *Gender, Work and Organization*, 19(2): 205-224.
- Baird, M. (2003.) Re-conceiving industrial relations: 2003 AIRAANZ presidential address. *Labour and Industry*, 14(1): 107-115.
- Bamber, G. & Lansbury, R. (1998). *International and comparative employment relations*. Crows Nest, Australia: Allen & Unwin.
- Barry, M. & Wailes, N. (2005). Revisiting the Australia-New Zealand comparison. *New Zealand Journal of Employment Relations*, 30(3): 1-17.

- Bonias, D., Bartram, T., Leggat, S.G. & Stanton, P. (2010). Does psychological empowerment mediate the relationship between high performance work systems and patient care quality in hospitals? *Asia Pacific Journal of Human Resources*, 48(3): 319-337.
- Braithwaite J., Makkai T., & Braithwaite, V. (2007) *Regulating Aged Care*. Cheltenham: Edward Elgar.
- Bray, M. & Walsh, P. (1998) Different Paths to Neo-Liberalism? Comparing Australia and New Zealand. *Industrial Relations. Labour & Industry: A Journal of Economy and Society*, 37(3): 358-387.
- Carryer, J., Hansen, C. & Blakey, J. (2010). Experiences of nursing in older care facilities in New Zealand. *Australian Health Review*, 34: 11-17.
- Catholic Health Australia. (2013). Aged care pay increase needs more than workforce compact. Retrieved from <http://www.cha.org.au/news/media-releases/367-aged-care-pay-increase-needs-more-than-workforce-compact.html>
- Clarke, M.A & Hill, S.R. (2012). Promoting Employee Wellbeing and Quality Service Outcome: The role of HRM Practices. *Journal of Management & Organization*, 18(5): 702-713
- Commonwealth of Australia. (2004). *Australia's demographic challenges*. Canberra: Author
- Commonwealth of Australia. (2010). *Australia to 2050: Future Challenges, the 2010 Intergenerational Report*. Canberra: Author
- Commonwealth of Australia. (2012). *The Australian Government Response. Productivity Commission's caring for older Australians report*. Canberra: Author
- Cooper, R (2010). *The bargaining power of women employees in the low-paid personal care sector: A brief review of the concepts and the evidence in Australia*. Report for the Liquor, Hospitality and Miscellaneous Workers' Union. Sydney, Australia
- Duffield, C., Diers, D., O'Brien-Pallas, L., Aisbett, C., Roche, M., King, M. & Aisbett, K. Nursing staffing, nursing workload, the work environment and patient outcomes. *Applied Nursing Research*, 24(4): 244-255
- Ellem, B. & Franks, P. (2008). Trade union structure and politics in Australia and New Zealand. *Labour History*, 95: 43-67.
- Frances, R. & Nolan, M. (2008), Gender and the Trans-Tasman World of Labour: Transnational and Comparative Histories. *Labour History*, 95(November): 25-42.
- Grant Thornton. (2010). *Aged residential care service review*. Wellington, New Zealand. Retrieved from: <http://nzaca.org.nz/publication/documents/ARSCR.pdf>
- Haultain, R. (2011). Take a stand – sign the charter for quality aged care. *Kai Tiaki. Nursing New Zealand*, 17(3): 23.
- Healthcare Providers New Zealand Incorporated and New Zealand Association of

- Residential Care Homes Incorporated vs. Northland, Waitemata, Auckland, Counties Manukau, Waikato, Lakes, Bay of Plenty, Tairāwhiti, Taranaki, Hawke's Bay, Wanganui, Midcentral, Hutt Valley, Capital & Coast, Wairarapa, Nelson Marlborough, West Coast, Canterbury, South Canterbury, Otago, and Southland District Health Boards.* (2007). CIV-2007-485-1814
- Hogan, W.P (2004). *Review of Pricing Arrangements in Residential Aged Care: Summary of the Report.* Australian Government, Department of Health.
- Howe, J. (2006). "Money and favours": Government deployment of public wealth as an instrument of labour regulation. In A. O'Donnell, J. Howe, R. Johnstone, C. Arup, P. Gahan, R. Mitchell (eds.), *Labour law and labour market regulations.* (pp.167-186). Sydney: The Federation Press
- Kaine S. (2009). Regulation and employment relations in aged care. *Labour and Industry*, 20(1): 67-88
- Kaine, S. (2012). Collective Regulation of Wages and Conditions in Aged Care: Beyond Labour Law. *Journal of Industrial Relations*, 54(2): 204-220.
- Kiata, L. & Kerse, N. (2004). Intercultural residential care in New Zealand. *Qualitative Health Research*, 14: 313-327.
- Kiata, L., Kerse, N. & Dixon, R. (2005). Residential care workers and residents: the New Zealand story. *The New Zealand Medical Journal*, 118(1214): 1-11.
- King, D., Mavromaras, K., He, B., Healy, J., Macaitis, K., Moskos, M., Smith, L. & Zhang, W. (2013). *The aged care workforce 2012 final report.* Canberra: Commonwealth of Australia
- King, D. & Meagher, G. (2009). Introduction. In D. King and G. Meagher (eds.), *Paid care in Australia: Politics, profits, practices.* (pp.1-11). Sydney, Australia: Sydney University Press
- Lazonby, A. (2007). *The changing face of the aged care sector in New Zealand.* (Working Paper 2007-1). Auckland: University of Auckland, Retirement Policy and Research Centre, University of Auckland.
- McGregor, J. (2012). *Caring Counts.* Wellington: Human Rights Commission
- Maher, S. (2013, April 24). Backlash on \$1.2bn aged-care wage deal. *The Australian*. Retrieved from <http://www.theaustralian.com.au/national-affairs/industrial-relations/backlash-on-12bn-aged-care-wage-deal/story-fn59noo3-1226628245640>
- Markey, R. (2011.). Historical perspective and Trans-Tasman currents in Industrial Relations. *Labour and Industry*, 21(3): 645-660.
- Martin, B. (2007). Good jobs, bad jobs? Understanding the quality of aged care jobs, and why it matters. *Australian Journal of Social Issues*, 42(2): 183-197.
- Martin, B. & King, D. (2008). *Who Cares for Older Australians?* Adelaide: Flinders University, National Institute of Labour Studies.

- Mears, J. (2009). Blurred boundaries: how paid careworkers and care managers negotiate work relationships. In D. King and G. Meagher (eds.), *Paid Care in Australia: politics, profits, practices* (pp. 145-166). Sydney, Australia: Sydney University Press.
- Miller, E. A., Booth, M. & Mor, V. (2008). Meeting the demographic challenges ahead: Toward culture change in an ageing New Zealand. *Australia and New Zealand Health Policy*, 5(5): doi:10.1186/1743-8462-5-5
- Ministry of Health (2012). *Long-term Residential Care for Older People: What you need to know: 2012*. Wellington: Author.
- Naughton, R. (2011). The Low paid bargaining scheme – an interesting idea but can it work? *Australian Journal of Labour Law*, 24 (3): 214-237.
- Networkers (2005). *A snapshot of staffing levels in aged care services. A report to the New Zealand Nurses Organisation. September 2005*. Wellington, New Zealand: New Zealand Nurses Organisation.
- NZACA. (2010). *2009 NZACA member profiling survey*. New Zealand Aged Care Association. Wellington, New Zealand
- NZACA. (2011). *The Future of Aged Care*. [Discussion Paper 27]. Wellington: New Zealand Aged Care Association.
- NZACA. (2012). *NZACA Welcomes HRC Inquiry Finding For Increased Government Funding*. New Zealand Aged Care Association. Wellington, New Zealand
- Nicoll, P., Jackson, D., Then, E-L., and O'Hanlon. (2003). *Managing Residential Aged Care Accreditation: The Aged Care Standards and Accreditation Agency Ltd*. (Audit report no.42, 2002-2003). Canberra: Australian National Audit Office.
- Nishikawa, M. (2011). (Re)defining care workers as knowledge workers. *Gender, Work and Organization*, 18(1): 113-136.
- OECD (2006). *Live longer, work longer*. Retrieved from: <http://www.oecd.org/els/emp/ageingandemploymentpolicies.htm>
- OECD. (2013). *StatExtracts – Trade Union Density*. Retrieved from: http://stats.oecd.org/Index.aspx?DatasetCode=UN_DEN
- Office of the Auditor-General. (2009). *Effectiveness of arrangements to check the standard of services provided by rest homes*. Wellington: Author. Retrieved from: <http://www.oag.govt.nz/2009/rest-homes/docs/rest-homes.pdf>
- Palmer, E. & Eveline, J. (2012). Sustaining low pay in aged care work. *Gender, Work and Organization*, 19(3): 254-275.
- Productivity Commission. (2008). *Trends in aged care services: some implications*. Canberra: Author.

Productivity Commission. (2011). *Caring for Older Australians: Overview*. Canberra: Author.

Provis, C. & Stack, S. (2003, 4th-7th February). *Caring labour, personal obligation and collective responsibility*. Paper presented at 17th Annual conference of the Association of Industrial Relations Academics of Australia and New Zealand (AIRAANZ). Melbourne, Australia.

Ravenswood, K. (2011). *Productivity, participation and employee wellbeing in the residential aged care sector*. (Unpublished doctoral thesis. AUT University, New Zealand). Retrieved from <http://hdl.handle.net/10292/4251>

Ravenswood, K. (2010, 19-20 November). *Regulation and voice in Residential Aged Care*. Paper presented at 15th Conference on Labour, Employment and Work (LEW 15), Wellington, New Zealand.

Ryosho, N. (2011). Experiences of racism by female minority and immigrant nursing assistants. *Affilia: Journal of Women and Social Work*, 26(1): 59-71.

Schmidt, K-H. & Diestel, S. (2010). Differential effects of decision latitude and control on the job demands-strain relationship: A cross-sectional survey study among elderly care nursing staff. *International Journal of Nursing Studies*, 48(3): 307-317.

Slade, M. (2013, July 31). Test Case for Gender Pay Equity. *The Southland Times*. Retrieved from <http://www.stuff.co.nz/business/women-of-influence/8983239/Test-case-for-gender-pay-equity>

Wailles, N. (2011). Employment Relations in Australia and New Zealand. In M. Barry and A. Wilkinson (eds.), *Research Handbook of Comparative Employment Relations*. (pp.286-303). Cheltenham, UK: Edward Elgar

Notes

¹ In Australia, the change from state-based industrial relations systems and legislation required workers in aged care to transition from state-based industrial instruments to federally-based instruments. In an attempt to save more favourable provisions contained in the state-based instruments, unions opted to quarantine these conditions in collective agreements.

Precarious work and a Living Wage in our communities

ANNABEL NEWMAN*

Introduction

Food parcels are the soup kitchens of the modern age. Workers are not hovering “seagulls” at the waterfront waiting for work, a visible reminder of a society in crisis; they are battling for accommodation allowances at the local WINZ (Work and Income New Zealand) office, taking loans from sharks or picking up texts notifying them of available working hours for the next day. Many are poor but they are less visible in their cyber-queues than they once were on the street.

John Maynard Keynes (1963: 10) said “The outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and income”. We know New Zealand has 500,000-750,000 people living in households below the internationally recognised poverty line, that up to 270,000 children are estimated to be living in poverty, of which one in five are Pacific or Maori. We also know that two in five children living in poverty are in households where there is at least one adult in full time employment or self-employed (Perry, 2013).

Living Wage Aotearoa New Zealand (Living Wage Aotearoa) is a response to the challenge we face as a society of a growing working poor. This is a social justice movement that aims to transform the lives of workers and their families and, at the same time, to rethink how we organise our civil society so we have a united voice around the concerns we share.

I approach this article from a union perspective and, in this context, I will address the drivers for change and the nature of the movement emerging. I will argue that while a living wage may well lift many thousands out of poverty in New Zealand workplaces, the real value of the movement is in the bold new relationships being formed across civil society that could provide a vehicle for social justice campaigns for many years to come.

The problem

Members of the Service and Food Workers Union Nga Ringa Tota (SFWU) and the New Zealand Nurses Organisation took industrial action against the largest rest home provider in the country, Oceania: an overseas controlled private equity firm, which runs wind farms in France and the Gdansk shipyards in Poland. More than 600 Oceania union members were paid barely above the minimum wage, at the time \$13.50 per hour, but the company refused to offer the funding increase passed on by government – just over 1 percent.

Union members took repeated strike action over many months, joined by residents, their families, politicians and the media. Newspapers ran photos of residents with Zimmer frames and 103 year old Leoni Teesdale told the local paper: “I believe in fair pay. In the Bible it says: “A labourer must be worth his hire’ and that’s what this is all about” (Our Voice, 2012: 10).

* Campaign Coordinator, Service and Food Workers Union Nga Ringa Tota, Master of Public Policy (Hons), Massey

Union Secretary, John Ryall, said Oceania was planning a massive expansion and the residents' and families' message that Oceania undervalued their staff was critical in turning the company around. Oceania agreed to pass on the government funding increase and the dispute was resolved. In this campaign, the workers came together as union members, they bargained, they accessed mediation, they took strike action, they won extensive news coverage and public sympathy, in other words they did everything the law allows to influence their employer and more, and yet the vast majority of these workers remain on poverty wages of between \$14 and \$16 per hour.

This story captures the problem faced by many unions, and provides a glimpse into the sort of solution that is inspiring the living wage movement. The primary role of unions is to represent workers so they can advance their collective interests. Unions balance the unequal power relationship between employers and workers in bargaining for employment conditions, and in the management of disputes at work. While many workers, such as cleaners, gain a financial benefit from being on a collective agreement (currently 25 cents above the minimum wage), the task of representation is all-consuming for what are generally very financially-stretched organisations, particularly in the private sector. The role of unions is central to social justice for workers in a democracy but, at the same time, unions are struggling to fulfill a role as social justice organisations, if indeed they aspire to such.

Decentralised wage setting and weakened unionisation are critical factors in the growing inequality in New Zealand (Rosenberg, 2011). The market determines wage outcomes and has failed to deliver large numbers of working people in this country out of poverty (Perry, 2013). It is the statutory minimum wage that determines ground zero for many workers (currently \$13.75 per hour) and, at 53 percent of the average wage, it is a far cry from its genesis in 1946 when the statutory minimum was 83 percent of the average wage. With 91,500 workers living on the minimum wage and 573,100 earning less than the living wage rate of \$18.40 per hour (Ministry of Business, Innovation and Employment, 2013), the call for a shift in thinking about wage-setting is understandable. Neither the market nor the statutory minimum wage is grounded in what workers need to live a decent life – the living wage is. Reflecting international models, the living wage movement has defined the living wage as what workers need to survive and participate in society.

Setting a living wage through independent research is a milestone for this movement, but winning a living wage for workers when this can mean a 30 percent pay increase is a massive challenge because our law and our levels of activism are currently so compromised in New Zealand. The legal structures, of course, influence our history of activism – in quality and quantity – but equally, our levels of activism influence the quality of the law. The living wage movement seeks to play a part in shaping the future outcomes for workers through deepening social activism and, ultimately, influencing the decision-makers who mold the economy of the future and the legal framework that constrains or liberates us. In this sense, it is not the call for a living wage, or the evidence that justifies a living wage that is transformative but the activation of civil society around a common purpose that will contribute to shaping a new future for New Zealanders.

The organising challenge

The modern precarious workforce cannot depend on traditional union organising and bargaining as the sole means by which workers can realise a better life for themselves and their families. While the Employment Relations Act 2000 places employees and employers at the centre of all the action, the reality is that there is no longer a single field of battle for addressing the interests of these parties. The real power (where the money is) is often elsewhere, and those who hold the

purse strings are invariably – and comfortably – beyond reach of the law and the rough and tumble of bargaining. This is not to say all workers are caught in complex webs of control, but it is a growing reality and some unions have been forced to grapple with this more than others.

An example of this precarious worker is the contracted cleaner whose employer is winning tenders to deliver services to a business, such as a company or government agency. The contractor is limited by the parameters of the contract for service and the behavior of the competitors in the industry. On the one hand, setting the price of the labour through a collective agreement is attractive to the employer because it takes labour out of competition for the tendering process; on the other hand, it limits any movement above the industry standard because this is likely to result in the contractor being undercut by competitors. Any fair shift in the price of labour has to be negotiated with those not part of the legal employment relationship, those who hold the funds, whether that is a private business, a council or a university. Unfortunately, funders usually contracted out services in the first place to absolve themselves of responsibility and/or to cut the cost of their “non-core” activities – the last thing they expect is to be shackled (as they may well view it) once more to this large low paid workforce. Wellington City Council’s decision in May 2013 to endorse the principle of the living wage, and put in place a framework for delivering this across directly employed and contracted workers is a beacon of hope for the movement.

Moliati Fataua is a cleaner at Christchurch airport on \$13.85 per hour where she works from 12.30am until 9.00am, 40 hours a week, so she can be at home with her children during the day. She is the sole income earner, with four children, and at the end of the week, they live on rice or noodles “because the money has run out.” Moliati cannot remember the last time she bought new clothes for her children.

This story illustrates part of the organising challenge for unions. Real power to deliver a decent wage for contracted cleaners lies with the agency, the institution, or the multi-national company and not the employer (as defined by law). Employment agreement negotiations with employers will be limited at best and futile at worst unless leverage is applied where the real decisions are made about money. The other aspect of the organising challenge is the workforce itself, recently articulated as the “precariat” (Standing, 2011). The “precariat” include contract workers, agency staff, part-time and casual workers, who are employed for irregular hours, for multiple employers, behind security walls, and on multiple locations.

Legislation does not support organising or collectivising this modern precarious workforce: union membership is voluntary, relationships are individualised, and union access is restricted. The collapse of private sector unionism since the deregulation of the labour market in 1991 is testimony to this lack of support.

To organise people around the values and the issues that matter most to them, we must look beyond the confines of the workplace. Workers and their families come together and form bonds in communities, schools, churches and sports fields. It is here that workers and their families have the opportunity, the confidence, and the support to talk about what matters and what should be done about it. Living Wage Aotearoa is a social justice movement that steps outside the traditional domain of organising – the workplace – to build strength and power around the shared values expressed by workers through their communities, faith networks and unions. This is a project to empower workers, as Jane Wills says: “Justice...requires that people are able to organise themselves to represent their own interests, to find what is in common, and to secure the power to act” (Wills, 2011).

The US father of community organising, Saul Alinski, talks about building organisation upon the diverse loyalties to church, unions, and other institutions that make up our daily lives. It is these loyalties, Alinski says, that “combine to effect an abiding faith in, and profound loyalty to, the democratic way of life” (1969: 88). In its commitment to establishing new relationships across civil society, Living Wage Aotearoa is seeking a revitalisation of democracy by generating hope, injecting energy, and organising networks of people to win some dignity and respect for working people in this country.

A new movement gains momentum

One of the most active participants in our new movement from a mainstream faith group told me he was a management consultant before he retired, and would never have had anything to do with unions in the past. He said Living Wage Aotearoa was different from anything that had happened before: diverse groups of unions, faith-based religious groups and other non-government organisations were working together around their shared commitment to reduce poverty.

This partnership between community, union and faith groups was signalled very early in the development of Living Wage Aotearoa. In early 2012, SFWU representatives met with faith and community groups in Auckland and Wellington to talk about the concept of the living wage. The union had a direct interest in addressing the pay of its members, 80 percent of whom were on less than \$18.00 per hour. However, it resonated with many others – with those who were seeing waged workers collect food parcels because they could not make ends meet; with those supporting beneficiaries to navigate the complex maze of government support; and, among many others, with those health and community workers addressing the growing number of third world diseases among the poor. The living wage was seen as an achievable goal in a sea of demands, expectations and seemingly unending need. The early conversations were also laced with words of caution – that politicians should not be part of defining this landscape; unions should not be the sole drivers of it, and campaigns should not be national but rather able to emerge locally, built around local relationships and local issues.

While communities articulated their terms, international influences helped to strengthen the approach to the campaign to create a new and genuine community/union partnership that recognised important principles of community organising. Firstly, this means ensuring that political parties were not part of the community campaign. The role of the movement is to give politicians a mandate to deliver a living wage and to hold them to account for their commitments; politicians are targets rather than partners of the movement. This separation from party politics is challenging for many unions, but the wisdom of maintaining neutrality was born out early in the campaign when a city mayor would not continue a conversation with us if we were politically aligned. Secondly, organisation is built on the basis of group and not individual membership because, ultimately, groups mobilise numbers for power and not individuals. This was initially challenging for the many enthusiastic activists that were independent of organisations because it appeared to be excluding valuable support. Thirdly, local organisation takes precedence over any national structure. Community organisations said, at the start, that successful campaigns in a financially-stretched sector were built around local relationships and less vulnerable to collapse. Finally, organisation is underpinned by a genuine partnership of community, faith and union representatives around shared values (a structure now established in the rules of Living Wage Aotearoa).

Converging identities

Jane Wills talks about the effectiveness of the community alliance, London Citizens, in terms of its ability to create identity connections between individuals and “identity linking” between institutions that share common ground, so that ultimately the alliance is involved in the making of a new identity that enhances civic engagement (Wills, 2013). London Citizens facilitates connections between different aspects of people’s lives – as cleaners, migrants, Christians, parents and trade unionists. Connections are also formed at an institutional level, whereby different groups find common ground with each other, and each is strengthened as a result. It is what builds power to act. Rt Rev. Justin Duckworth, Anglican Bishop of Wellington, captures this convergence when he says:

on a simple level the living wage campaign is a no-brainer. If you’ve got two coats and somebody else hasn’t got one, you give them one of your coats. That’s what it says in scripture (McDonald, 2013).

There is a mutual self-interest for both unions and community organisations, for faith groups and institutions in this country to join together and use their collective power to build a decent society. The faith and community groups quickly identified the benefits of building unity beyond their own networks, such as the former-refugee and migrant groups that identified they need jobs but they also need well-paid jobs. Yet, trade unions also need these communities because this is where the non-union workforce (both current and future) come together and form bonds and create communities. The young educated Somali children of refugees have not come across traditional unions before; they do not know what they exist for; they do not see what the benefits of belonging will be. We do not yet understand each other, let alone know how to work together to strengthen our respective communities and unite to win improvements in our lives.

Conclusion

In 18 months, more than 160 organisations endorsed the call for a living wage and Living Wage Aotearoa New Zealand had a rapidly growing membership, comprised of unions, faith-base religious groups and community/secular organisations. These organisations joined together in key cities to call for local councils to pay a living wage to directly employed workers and to those employed by contractors. In Auckland, living wage communities campaigned in the local government elections by supporting each other’s issues, such as the need for social housing, employment opportunities for students of refugee background and the living wage. In this way, relationships across the movement are deepening, trust is being built and people, whose lives have previously not converged, are experiencing working together to mold a better future for New Zealand.

If we want to salvage our union movement for the future of a healthy democracy, we have to shift our focus to the communities in which workers live and shift our strategies and tactics accordingly. A community approach means creating common ground and a shared agenda with our diverse communities, not just calling on these communities to support the agenda of one advocacy group, such as unions. Living Wage Aotearoa aspires to have a society with decent living standards that our current labour market mechanisms cannot deliver for the most vulnerable and precarious workers. It aspires to building a collective voice comprising our diverse citizenry that strengthens

each of our organisations and our whole community, and that has the power to shape our lives for the better. For unions, the campaign for a living wage is a social justice project and one that requires focussed consideration and distinct resourcing because it is different from industrial advocacy in orientation and outcome. This is about building power through the collaboration of community, faith and union groups, giving vitality to our democracy, and delivering a decent society where workers can survive on the fruits of their labour.

References

Alinsky, S.D. (1969). *Reveille for radicals*. New York: Vintage Books.

Keynes, J.M. (1936). *The general theory of employment, interest and money*. New York: Harcourt, Brace.

McDonald, N. (2013, 22 June). Bishop Duckworth leading the charge. *The Dominion Post*. Retrieved from <http://www.stuff.co.nz/dominion-post/capital-life/8826469/Bishop-Duckworth-leading-the-charge>

Ministry of Business and Innovation. (2013). *Summary of the impacts of the minimum wage options for 2013*. Wellington: Author. Retrieved from: Official Information Act request, March 11, 2013

Our Voice. (2012). It's all about care. *Our Voice*. April(1): 1-31

Perry, B. (2013). *Household Incomes in New Zealand: trends in indicators of inequality and hardship 1982 to 2012*. Retrieved from <http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/monitoring/household-incomes/>

Rosenberg, B. (2011, August). Getting wages right: wages must rise faster than inflation – and be sustainable – if the well-being of New Zealand families is to be protected. *Kai Tiaki Nursing New Zealand*.

Standing, G. (2011). *The precariat: The new dangerous class*. New York: Bloomsbury Academic.

Wills, J. (2011). The geography of community and political organisation in London today. *Political Geography*. 31(2): 114-126

Wills, J. (2013). *Work, identity and new forms of political mobilisation: An assessment of broad-based organising and London's living wage campaign*. Identities. Retrieved from <http://www.geog.qmul.ac.uk/livingwage/pdf/Wills.pdf>

The living wage: an idea whose time has come

DEBORAH LITTMAN*

Introduction

Every weeknight, a steady stream of young people gather on a quiet side street in Vancouver, British Columbia, waiting for the local Sikh temple to open its doors. The free, nutritious food provided by this temple and others across the city has become a lifeline for a growing number of young people trying to earn enough to get by. One young man explained:

If you're on low income, it's a struggle to eat well, or sometimes to eat at all. Even when we are working full-time, our pay barely covers rent and bills, leaving food far down our list (Interview, July 9, 2013).

The young crowd that fills the dining room at Akali Singh Temple is just a symptom of a growing problem that plagues many supposedly prosperous countries. Over the past 30 years, the link between work and the ability to afford a decent life has been broken around the world.

The recently released New Zealand General Social Survey 2012 found that only 52 percent of New Zealanders felt that they had "more than enough" or "enough" money to meet their everyday need for accommodation, food, clothing, and other necessities (Statistics NZ, 2012: 5). Most telling, 43 percent of *employed* people felt they lacked the money to provide the basics (Statistics New Zealand, 2012). The growth in working poverty, however, is not confined to New Zealand or to Canada. In its most recent report on income inequality, the Organisation for Economic Co-operation and Development (OECD) warned that income inequality and the number of people below the poverty line have both grown over the past two decades. The increase is widespread, affecting three-quarters of the 34 countries in the OECD (OECD, 2013). According to the OECD (2011:6), "increases in household income inequality have been largely driven by changes in the distribution of wages and salaries, which account for 75% of household incomes among working-age adults". With very few exceptions, the wages of the 10 percent best-paid workers have risen while those of the bottom 10 percent have declined in real terms (OECD, 2013).

The human cost of the loss of real wages for those at the bottom was starkly illustrated by a recent Public Broadcasting Service (PBS) documentary which followed two ordinary working class American families over 20 years (PBS, 2013). When filming began, the Neumanns and Stanleys were working at well-paying industrial jobs in Milwaukee, Wisconsin. Their pay allowed them to support their children, buy homes and save for the future, but in the early 1990s, plants in older industrial cities like Milwaukee began closing and moving production overseas in search of cheaper labour, forcing families to start over. For the next 20 years, the Neumanns and Stanleys, and millions like them struggled to stay afloat, piecing together poorly paid jobs with longer hours and no benefits. Despite their hard work, they fell further into poverty. This took a toll on their families and local communities. Children with potential did

* Lead Organiser, Metro Vancouver Alliance

not go to college, homes were lost and marriages broke down. Their previously solid neighbourhoods crumbled under the threat of debt, homelessness and crime.

Along with living wage jobs, what these working families lost were the levers put in place by the post-war social contract that had once given them influence over conditions in their workplace and the decisions affecting their communities – strong unions, a local industrial base and a widely shared social and political commitment to the common good (Bruce, 2013). It is the need to rebuild this bargaining power, as part of a wider struggle for a decent society, that has made the living wage “an idea whose time has come” (Cameron as cited in Steward & Loweth, 2010). As Anglican Archbishop of York (UK), John Sentamu (2013) said in a recent debate on welfare reform and the church:

Paying the living wage is not about generosity or charity: it is about fairness and justice. [The road to recovery] is rooted in... the rediscovery of a vision to rebuild community in recognition of our duties to one another. Rediscovering the wellsprings of solidarity

Key elements in a living wage campaign

The idea of a living wage traces its roots to industrial heartlands of Britain, Australia and New Zealand during the 1870s. As trade unions built the capacity to bargain over pay, they began to demand a wage that would allow workers to adequately support themselves and their families. As early as 1899, industrialist Benjamin Seebohm Rowntree developed a method for calculating the living wage based on the cost of essentials in his city of York (Wills, 2009).

The modern incarnation of the living wage campaign was launched in Baltimore in 1992, when Baltimoreans United in Leadership Development (BUILD), a local affiliate of Saul Alinsky’s Industrial Areas Foundation teamed up with public service union AFSCME (American Federation of State, County and Municipal Employees) to persuade the city council to legislate a requirement that that all work done by agencies of the municipality pay a living wage to their workers. This campaign spread to 140 cities across the US and then to the UK in 2001, where it was led by another IAF affiliate, London Citizens. Living wage coalitions launched campaigns in Canada in 2008 (Ivanova & Klein, 2013) and New Zealand in 2012 (Newman, 2014).

While each local campaign has followed its own trajectory, there are certain principles that have become central to the movement’s success. Each campaign has made an effort to build a broad consensus around the need for a living wage by appealing to mutual self-interest of a diverse set of actors while holding politicians and employers accountable to the wider community. Most important, living wage campaigns have sought to reframe the debate around pay, moving from a strictly market-based analysis to one based on social justice and the common good.

Recognising that low pay hurts the whole community

Living wage campaigners have argued that pay which falls below a living wage level not only detracts from the quality of life of individual workers, but has a detrimental effect on the whole community and the public purse. Though the percentages vary by country, approximately 40-60 percent of poor children

across the UK, US, Canada and New Zealand live in households where at least one person is in paid employment (Perry, 2013; Aldridge, Kenway, MacInnes & Parekh, 2012). Poor children do less well in school, have reduced life chances and are more likely to be physically or mentally ill (UNISON, 2010).

When the adults in the family have to work long hours or work two or three jobs to pay the bills, they are unlikely to have time to spend with their family, much less to help out at their children's school, join a tenants' association or participate in community activities. Numerous studies have highlighted the connection between low pay and greater problems of crime and disorder, ill health, wasted skills, low levels of democracy, skyrocketing debt and an impoverished civil society. (The Marmot Review, 2010; Mishel & Shierholz, 2013). As Wilkinson and Pickett (2009) powerfully argue in their book *The Spirit Level*, all strata of society suffer the negative consequences of income inequality, not just those at the bottom.

Building coalition

If the whole community is damaged by low pay, it stands to reason that the whole community has a stake in securing a living wage for the lowest paid workers. By understanding the impact of low pay on different sectors of the community, living wage campaigns have built wide coalitions of union, faith and community groups. They have found allies amongst politicians, professionals and business leaders convinced by the benefits that a living wage can bring. Coalitions play an important role in overcoming the fragmentation that has separated different groups of workers – contract workers from in-house staff, migrants from indigenous workers, better paid workers from their lower paid colleagues. Working in coalition also helps to build links between unionised workers and those who benefit from their services. Too often union gains have been portrayed as being at the expense of the public good. Where trade unions can work alongside civil society organisations, they wield much stronger influence.

Coalitions can also bring a different kind of pressure to bear on recalcitrant employers, helping to rebuild the lost bargaining power discussed above. At the outset of the UK living wage campaign in 2003, the Trust Board at Homerton Hospital in East London refused to meet the union branch to discuss the pay of staff working for a private contractor because the Trust did not directly employ those workers. However, when more than 60 people from local churches, schools and mosques, organised under the banner of the East London Communities Organisation, asked for a meeting, the Board was compelled to agree. Instead of the 'usual suspects' addressing the Board, the workers' case was put forward by Sister Marie Mooney, a nun from a local Catholic church and hospital chaplain. Her powerful condemnation of the Trust for its shabby treatment of the cleaners carried weight because she represented both the moral authority of the church and local community the hospital was meant to serve. The meeting turned the tide and over the next two years the union was able to bring cleaners at Homerton and three other hospital trusts onto full National Health Service terms and conditions, with salaries above the living wage, as well as access to sick pay and pensions (Donne, Littman & Wakefield, 2010).

Making the primary employer responsible

Employment policies of privatisation and subcontracting have been major contributors to the low wage economy. The contracting out of a growing range of services, from cleaning to payroll has allowed the

primary employer – the school, hospital, local authority or private business – to avoid responsibility for the welfare of the people doing their work. This increasingly distant relationship between worker and employer has also weakened traditional forms of union organising and collective bargaining. As Prof. Jane Wills (2009: 41) put it:

The workers might be down the corridor cleaning the loo or they might be thousands of miles away at the end of a complex supply chain sewing jeans in a factory in a free trade zone, but they no longer feature in the consciousness of the people that benefit from their work.

Living wage campaigners have demanded that the ‘real employers’ take responsibility for all of those who work for them, whether directly or indirectly. Where employers have proved reluctant, campaigns have used creative actions – rallies, concerts, flash mobs, shareholder interventions and community hearings – to bring pressure to bear, often with great success.

Not just for the good times

Far from the post-2008 economic downturn being a time to retreat on low pay, campaigners argue that the living wage campaign is needed now more than ever. As lawyer Helena Kennedy (2009: 4) wrote:

The current recession could easily be appropriated to provide a smokescreen for legislators and employers to freeze the lowest wages of those in most need who have played no part in engendering the economic crisis that is hitting them and their families so badly. This would be beyond folly; it would be commercially dangerous and socially short-sighted.

Encouragingly, a growing number of public and private sector employers are heeding this warning, recognising that job cuts and low pay will further deepen the recession by taking demand out of the economy. A powerful business case has emerged from the experience of employers who have found that paying a living wage provides real, tangible benefits to their organisations. According to Guy Stallart, Facilities Manager for KPMG Europe, the decision to ensure that all of the company’s contract staff were paid a living wage led to a sharp reduction in turnover, raised staff morale and productivity and improved service (Stallart, 2009). Matt Sparkes, Global Head of Corporate Responsibility at Linklaters, a leading UK corporate law firm, asserts that paying the living wage is “not just the right thing to do, it makes absolute business sense. It ensures that we attract and retain the best and most motivated people, whether directly employed by us or by others” (Sparkes, 2013).

Figures compiled by Queen Mary University London estimate that, in the UK alone, over £100m has been added to the pay of almost 15,000 low paid workers between 2005 and 2012 as a direct result of living wage campaigns in local authorities, museums, universities, hospitals and voluntary organisations, as well as a growing and impressive number of high profile private companies. An additional 100,000 workers benefited from living wage jobs over the six weeks of the London Olympics in 2012 (Wills, 2013). One in five UK local authorities have now adopted living wage policies, even without the pressure of a campaign and in the face of reduced public funding. Much more will have been gained through upward pressure of the living wage on the ‘going rate’ in low paid sectors.

Focus on the social wage

The living wage calculation is based on the cost of all the items needed by a worker and their family to meet their basic needs. The figure includes both the money going into a worker's pocket and the 'social wage', the goods and services accessed as a public right, such as schools, healthcare, libraries and recreational facilities, and state transfer payments of various kinds. The more that is available through the social wage, the less is needed in cash terms to support a family. Thus, campaigns for the preservation or expansion of the social wage can be seen as part of a living wage campaign. For example, in British Columbia, childcare is the second most costly item in the living wage budget, making the campaign for a \$10 a day daycare programme a natural extension of the living wage movement (Ivanova & Klein, 2013). Focus on the social wage has the potential to expand the living wage coalition and provide smaller, interim victories to be achieved when a global living wage policy still seems a distant prospect.

Gaining public support

The idea of a living wage has overcome initial opposition to gain increasing traction from business leaders and politicians across the political spectrum (see, for example, Vancity Credit Union, 2011; Mullholland & Wintour, 2012). In 2010, UK Prime Minister David Cameron declared the living wage an idea "whose time has come." Both of London's elected Mayors, Ken Livingstone (Labour) and Boris Johnson (Conservative), have been vocal advocates, as has current UK Labour Party leader, Ed Miliband (Pennycott & Lawton, 2013). In 2012, Mayor of Wellington, New Zealand, Cecilia Wade-Brown (2013) explained her council's decision to adopt a living wage, saying, "we want a successful high-growth, high-value economy in Wellington. The Living Wage is the income necessary to enable more workers and their families to participate in society" (Wellington City Council, 2013).

What has shifted the political landscape has been the slow, painstaking work done in organising low-paid workers seeking a decent living standard. It meant building community support for the campaign and hammering on the doors of employers and politicians over and again, using powerful stories and imaginative actions. Not only does this get across the message that this is the right thing to do, but it shows that there is power – diverse, vocal and well organised – behind the demand for a living wage.

Conclusion

The living wage campaign has made enormous strides since its inception in Baltimore in 1992. Millions of dollars and pounds of additional income are now flowing into the pockets of workers in cities and businesses that have adopted living wage policies, and this money is taking thousands of families out of poverty and helping to boost fragile local economies. The campaign has gained strong backers in government, public authorities, and business who have seen the moral and practical benefits of paying a living wage.

The living wage campaign has also helped to forge powerful, sustainable coalitions of community organisations and unions who are willing to put themselves on the line in defence of low paid workers. Most important, it has begun rebuilding the bargaining power lost over the last three decades and

reframed the argument about pay. Instead of focusing on ‘what the market will bear?’, we are asking ‘what kind of communities do we want to live in?’

Philosopher Michael Sandell (2012: 203) sums it up when he says:

In the end, the question of markets is really a question about how we want to live together. Do we want a society where everything is up for sale? Or are there certain moral and civic goods that markets do not honor and money cannot buy?

References

Aldridge, H., Kenway, P., MacInnes, T. & Parekh, A. (2012). *Monitoring Poverty and Social Exclusion*. York: Joseph Rowntree Foundation.

Bruce, B. (Director). (2013). *Mind the Gap* [Documentary]. Retrieved from <http://www.tv3.co.nz/INSIDE-NEW-ZEALAND-Mind-The-Gap/tabid/3692/articleID/94816/MCat/3061/Default.aspx>

Donne, M., Littman, D. & Wakefield, B. (2010). *Unfinished Business: the quest for the living wage*. Fair Pay Network, London. Retrieved from <http://slw.povertyalliance.org/userfiles/files/living-wage-rep-sep-2010.pdf>

Ivanova, I. & Klein, S. (2013). *Working for a Living Wage: marking paid work meet basic family needs in metro Vancouver*. Canadian Centre for Policy Alternatives (CCPA), Vancouver. Retrieved from http://www.policyalternatives.ca/sites/default/files/uploads/publications/BC%20Office/2013/05/CCPA-BC_Living_Wage_Update_2013.pdf

Kennedy, H. (2009). *Not just for the good times*. London: Fair Pay Network. Retrieved from http://issuu.com/equanomics/docs/not_just_for_good_times

Marmot, (2010). *Fair Society, Healthy Lives: Strategic Review of health inequalities in England post 2010*. Retrieved from www.ucl.ac.uk/marmotreview

Mishel, L., & Shierholz, H. (2013). *A Decade of Flat Wages The Key Barrier to Shared Prosperity and a Rising Middle Class*. Economic Policy Institute. Retrieved from <http://www.epi.org/publication/a-decade-of-flat-wages-the-key-barrier-to-shared-prosperity-and-a-rising-middle-class/>

Mulholland, H. & Wintour, P. (2012, November 6). Living wage should be adopted by central government, says Boris Johnson. *The Guardian*. Retrieved from <http://www.theguardian.com/society/2012/nov/05/living-wage-adopted-government-boris>

Newman, A. (2014). An article for AUT following the symposium: Precarious work and a Living Wage in our communities. *New Zealand Journal of Employment Relations*. 38(2): 64-69

OECD. (2013). *Crisis squeezes income and puts pressure on inequality and poverty. Crisis squeezes income and puts pressure on inequality and poverty: New Results from the OECD Income Distribution Database*. Retrieved from <http://www.oecd.org/social/soc/OECD2013-Inequality-and-Poverty-8p.pdf>

OECD. (2011). *Divided We Stand: Why Income Inequality Keeps Rising*. Retrieved from <http://www.oecd.org/social/soc/dividedwestandwhyinequalitykeepsrising.htm>

PBS – Public Broadcasting System, Boston. (2013). *Two American Families*. Retrieved from <http://www.pbs.org/wgbh/pages/frontline/two-american-families/>

Pennycott, M. & Lawton, K. (2013). *Beyond the Bottom Line*. London: The Resolution Foundation.

Perry, B. (2013). *Household Incomes in New Zealand: trends in indicators of inequality and hardship 1982 to 2012*. Ministry for Social Development, Wellington. Retrieved from <http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/monitoring/household-incomes/>

Sandell, M.J. (2012). *What Money Can't Buy: The Moral Limits of Markets*. New York: Farrar, Straus & Giroux.

Sentanmu, J. (2013, July 7). *Archbishop speaks out on welfare reform*. Retrieved from <http://www.archbishopofyork.org/articles.php/2936/archbishop-speaks-out-on-welfare-reform>

Sparkes, M. (2013). *Living Wage Foundation*. Retrieved from <http://www.livingwage.org.uk/principal-partners>

Stallart, G. (2009). *Not just for the good times*. London: Fair Pay Network. Retrieved from http://issuu.com/equanomics/docs/not_just_for_good_times

Statistics New Zealand (2012). *New Zealand General Social Survey*. Retrieved from http://www.stats.govt.nz/browse_for_stats/people_and_communities/Households/nzgss_HOTP2012.aspx

Stewart, H. & Loweth, K. (2011, May 1). Living wage campaign marks 10 years of fighting for the poorest. *The Observer*. Retrieved from <http://www.theguardian.com/society/2011/may/01/living-wage-campaign-10-years>

UNISON. (2010). *Tackling Child Poverty and Improving Life Chances*. Retrieved from <http://www.unison-scotland.org.uk/stuc2013/12.html>

Vancity Credit Union. (2011, May 24). *Vancity becomes the largest organization in Canada to adopt living wage policy*. Retrieved from <https://www.vancity.com/AboutVancity/News/MediaReleases/May24/>

Wellington City Council. (2013). *Living wage endorsed for Capital*. Retrieved from <http://wellington.govt.nz/your-council/news/2013/06/living-wage-endorsed-for-capital>

Wilkinson, F. & Pickett, K. (2009). *The Spirit Level: Why More Equal Societies Almost Always Do Better*. London: Bloomsbury Press.

Wills, J. (2009). The Living Wage. *Sounding: a Journal of Politics and Culture*. 42: 33-46

Wills, J. (2013). *The London living wage: numbers and money (2013)*. Retrieved from <http://www.geog.qmul.ac.uk/livingwage/numbersandmoney.html>

Review Essay: Inequality and the Living Wage

PETER SKILLING*

Rashbrooke, Max. (2013). *Inequality: a New Zealand crisis*. (ed.). Wellington: Bridget William Books.

296 pages, \$39.99 per book
ISBN 9781927131718

Introduction

Living wage campaigns are situated within a broader context of increasing inequalities of wealth and income. Arguments for a living wage and for reducing inequality both point to the negative social consequences of high levels of inequality, and both appeal to fundamental principles of fairness, power and participation. Economic inequality is a broad and complex social issue, and it has developed into a similarly broad and complex field of academic inquiry.

Inequality: A New Zealand Crisis (Rashbrooke, 2013), hereafter, simply ‘the book’ is not designed to offer conceptual or empirical innovations in the field. Rather, it sets out to bring together many of the various aspects of inequality in New Zealand. The book succeeds admirably in this synthesising role. In its wide-ranging coverage (including two chapters dealing explicitly with the relationship between inequality and work), the book is designed to appeal to a wide readership. Chapters are short and engaging, and interspersed with short (two-three page) viewpoints from a range of non-academic voices, including workers, business-owners, and students.

The book, then, represents an important distillation of knowledge about inequality in New Zealand. It also serves as a more or less direct political intervention. From its polemical title to its concluding sections, the book presents current levels of inequality as a pressing social problem. “The contributors”, write Rashbrooke and Jonathon Boston, “share a common concern” about the consequences of inequality, and a “desire for the issue and policy options to be properly debated” (2013: xi). This desire has been supported by a series of debates at Te Papa in 2012, well-attended book launches this year in Auckland and Wellington, a speaking tour and media appearances by contributing author Robert Wade, a day-long symposium in Wellington and the website ‘Inequality: A New Zealand Conversation’ (www.inequality.org.nz).

Overview

The book is structured in four sections. The first (‘Introduction’) contains two chapters by Rashbrooke. In the first, he defends the book’s contention that inequality is, indeed, a national crisis. There is an emphasis here on the range of negative social consequences said to be associated with high levels of inequality, and an engagement with some prominent ways in which it might be denied that inequality is actually a problem. Then, in the following chapter, Rashbrooke summarises a vast amount of data on the increasing extent of wealth and income concentration in New Zealand.

* Senior Lecturer, Department of Management, AUT University

Part Two ('Issues and Debates') contains strikingly different chapters by Robert Wade, Ganesh Nana and Jonathon Boston. Wade's focus is on the share of income gains going to those at the top. His account focusses on the disproportionate ability of wealthy individuals and groups to influence the policy-making process to their own advantage (see also Hacker & Pierson, 2010). Nana's contribution frames inequality, in its erosion of the ability of all to contribute to economic growth, as an instance of market failure. He offers good reasons for an economics profession that, he complains, has "given way to narrow financial analysis" to take inequality as a central concern (Nana, 2013: 56). Boston's chapter is different again: a sober philosophical analysis of exactly *what* ought to be equalised, *why*, to *what extent*, and by *whom*, noting the particular appeal and the specific dangers of pursuing various kinds of equality.

The three middle chapters in Part Three ('Consequences') – on inequality and housing (by Philippa Howden-Chapman, Sarah Bierre and Chris Cunningham); inequality and imprisonment (Kim Workman and Tracey McIntosh), and inequality and education (Cathy Wylie) – work as a sort of triptych: they illustrate the ways in which inequality is simultaneously cause and effect of a variety of social outcomes, *and also* how these various social outcomes act as cause and effect on each other. Poor housing outcomes (including poor insulation and high levels of housing transience) are associated, for example, with educational disadvantage. In turn, poor housing and educational outcomes are associated with crime and imprisonment figures. Taken together, these chapters explicate some of the mechanisms by which inequalities become entrenched and self-reinforcing. These three chapters are bookended by important contributions on inequality and Pasifika peoples (Karlo Mila), and on inequality and Maori (Evan Poata-Smith).

Having established the extent and the complexity of the problem, the fourth and final section ('Looking Ahead') canvasses some responses (although the demarcation is somewhat arbitrary, with many of the previous contributors having already posited possible responses. These earlier prescriptions include investing properly and regulating smartly in areas, such as housing and education, and controlling the funding of political parties). In this last section, Paul Barber and Mike O'Brien make sound and sensible suggestions (around remaking social bonds of empathy and compassion and around designing a fairer welfare system, respectively) which might, perhaps, have wrestled more deeply with the difficulties likely to beset these proposals. Issues related to employment relations are addressed by Paul Dalziel (on the theme of ensuring that training and work systems reduce inequality, and in which some readers may well be left wanting more discussion of how official figures on skills shortages can be reconciled with current levels of unemployment); and Nigel Haworth (on making workplaces more democratic, utilising principles of empowerment, ownership and voice). These two chapters make a common call for institutional arrangements that give labour organisations a seat at decision-making tables. The book finishes with a chapter by Linda Tuhiwai Smith that takes a more radical view on the way forward, invoking Audre Lorde's dictum that "the master's tools will never dismantle the master's house" (p.231).

Review

The book is lucid, thorough, and strong, and it will stand as an important contribution to local debates. Some readers may find grounds for quibbles here and there in the details. For instance, the Gini coefficient is offered as ranging between 0 and 100 rather than between 0 and 1, and page 98 sees some confusion as to which deciles represent which end of the wealth distribution. More substantively, it is never quite clear why the book focusses (see page 3) on inequalities of income rather than of wealth, given the role of wealth in allowing individuals and families to plan for the

future and ride out tough times (Orton & Rowlingson, 2007), and given that wealth is “yet more unevenly distributed than income” (p. 154). On page 13, a much-debated aspect of *The Spirit Level* thesis (the claim that inequality makes everyone – including the wealthy – worse off) is accepted and repeated where a certain amount of qualification might have been in order. Given its scope and range, however, the book is relatively free of such question marks.

A great strength of the book lies precisely in this wide scope and range. Incorporating 15 chapters and 17 different authors (plus those who contribute the shorter viewpoints), it brings together many of the important aspects of inequality that are often viewed in isolation. Doing so allows salient themes to emerge organically. New Zealand’s political predilection for light-handed regulation is a key theme in the chapters on, for instance, housing policy, education policy, skills development and workplace organisation. All of these chapters (and many others besides) can be heard together as a chorus calling for a rethinking of how policy is made: a rejection of laissez-faire approaches and an embrace of a coordinated approach aimed at sustainable, widespread benefit.

There were times, however, where the book might itself have benefited from a touch more coordination. Given its range of authors and issues, a certain degree of divergence between the various contributions is inevitable (and healthy). It is useful, for instance, to read a nuanced but broadly positive account of the work of Maori tribal organisations by Anake Goodall (formerly the CEO of Te Runanga o Ngai Tahu) directly after Poata-Smith’s discussion of the growing inequality between tribal elites and Maori communities. It is also interesting to note Smith’s scepticism of evidence-based policy-making after the housing and education chapters’ call for policy to reflect evidence and best practice. To restate: these – and a few other – areas of tension are inevitable and healthy. I did wonder, however, whether future editions of this book might employ some editorial device (a brief introduction to each of the book’s four parts perhaps, or a separate conclusion chapter) that might engage them directly to turn the diversity of perspectives into a more conscious and productive dialogue.

Something similar might also be said where insights offered in one chapter might have shed important light on issues raised elsewhere, had they been linked more explicitly. For example, Michael Walzer’s notion of complex equality (raised in Boston’s chapter, pages 82-3) might have been deployed elsewhere as a standard against which to judge the realities of housing and educational outcomes, or the inequalities in political influence discussed by Wade.

In seeking to establish that inequality truly is “a crisis that affects us all” (back cover), the book focusses heavily on the range of negative social consequences associated with high levels of inequality. This is a sound move, aligning the book with a burgeoning international literature (see Wilkinson & Pickett, 2009; Stiglitz, 2012; and Lansley, 2011) and with the wide range of groups (including institutions not normally associated with the political left, such as the World Economic Forum, the IMF, the OECD, *Financial Times*, and the *Economist*), who have acknowledged inequality as a pressing social problem. While consequentialism is an important moral approach, I did wonder, at times, whether this focus sometimes left little room for other normative approaches to be developed.

More specifically (and at the risk of producing a slightly denser book), I wondered whether here might have been room for a fuller development of Michael Sandel’s communitarianism (discussed on page 15 and reflected in Barber’s chapter), or for a thorough-going neo-pluralist analysis (implicitly present in Wade’s argument) of the disproportionate political influence of wealthy and powerful groups. Or – especially – for a fuller examination of the constitutive power of elite discourse, which is not really covered until Smith’s closing chapter. These questions of power,

hegemony and public opinion seem – to me, at least – important, in light of the recent accounts of inequality (see especially Hacker & Pierson, 2010, and Stiglitz, 2012) that stress the extent to which those comfortable with the status quo have been able to influence the policy process.

In sum, the book is highly readable, and it succeeds admirably in bringing together a wide range of important aspects of contemporary inequality. It offers a clear defence of its central thesis and a range of proposals to reduce current levels of inequality. If, as an edited collection, it does not leave the reader with a clear and compelling conclusion, it remains an important marker in a crucial and on-going New Zealand conversation about inequality.

References

- Hacker, J. & Pierson, P. (2010). *Winner-take-all politics: how Washington made the rich richer-and turned its back on the middle class*. New York: Simon & Schuster.
- Lansley, S. (2011). *The cost of inequality: three decades of the super-rich and the economy*. London: Gibson House.
- Orton, M. & Rowlingson, K. (2007). A problem of riches: towards a new social policy research agenda on the distribution of economic resources. *Journal of Social Policy*, 36(1): 59-78
- Stiglitz, J. (2012). *The price of inequality: how today's divided society endangers our future*. New York: W.W. Norton & Co.
- Wilkinson, R. & Pickett, K. (2009). *The Spirit Level: Why More Equal Societies Almost Always do Better*. London: New York: Allen Lane.