Introducing the Living Wage at Westpac NZ.

A how-to guide for other organisations

An improving economy and rising house prices over the past decade have left many New Zealanders better off. However, the benefits of the boom have not been shared equally and many people continue to endure rising living costs while scraping by on a basic wage. In fact, more than 200,000 workers are paid the minimum wage - $16.50 an hour as at 1 February, 2019. That’s $4.05 an hour short of the Living Wage – the amount Living Wage Aotearoa estimates is needed to cover life’s basic essentials and participate actively in the community.

Many of these low-paid workers regularly work inside New Zealand’s largest companies, but are not directly employed by those companies. Instead they are employed by the company contracted to provide the service, such as a cleaning or security company. Conscious of the financial pressure facing many workers, we decided to look at how a Living Wage might be paid to our contractors and suppliers to bring their pay rates into line with those of Westpac staff.

We know many other businesses and organisations are having the same conversations but may be unsure about the practical realities of introducing a Living Wage policy and the cost impacts on their supply chain.

Therefore, we decided to put this document together to help answer questions and provide some insight into the types of decisions and issues that arise on the way to Living Wage accreditation. We hope you’ll join us in offering the Living Wage if your organisation is in a position to do so, and encourage you to get in touch if you’d like to know more about our Living Wage experience.

What is the living wage?

- It is defined by Living Wage Aotearoa as “the hourly wage a worker needs to pay for the necessities of life and participate as an active citizen in the community”.
- It reflects the basic expenses of workers and their families including food, transport, housing and healthcare.
- It covers not only “directly employed workers”, but also “all indirectly paid workers” employed by contractors, delivering a service to the business/organisation on a regular and on-going basis.
- At the time of Westpac’s accreditation in December 2018, the Living Wage was calculated by Living Wage Aotearoa to be $20.55 per hour.
- At this time, the minimum wage set by the government was $16.50.
Our journey to living wage compliance

We first discussed accreditation with Living Wage Aotearoa in mid-2018. Once we had completed a cost impact analysis and compared this against the benefits, the idea was enthusiastically embraced by our executive team.

From there, our commercial services team began looking through our list of thousands of suppliers to determine which were “in-scope” for the accreditation process.

Although there’s no hard-and-fast rule, in-scope suppliers are defined by a series of criteria set by Living Wage Aotearoa. Is their service being provided in New Zealand? Is it contracted? Are the suppliers performing work on a regular and ongoing basis? Are they working solely for Westpac during the course of their shift?

For example, mobile security guards who patrol multiple sites for different organisations during their shift were considered “out-of-scope”, but static guards on a Westpac site were considered in-scope. Taxi drivers and couriers were other examples of “out-of-scope” suppliers.

This required a very methodical approach, and proved to be the most difficult and time-consuming part of the application process. If there was any doubt, we checked in with Living Wage Aotearoa to ensure we were following best practice. The team reviewed more than 3,000 suppliers and eventually whittled that number down to 30 we considered to be in-scope with Living Wage requirements.

One pleasing aspect of the process for us was that so many of our suppliers were already compliant. Of those 30 in-scope suppliers, we established that only eight were not already paying their staff the Living Wage. Positions filled by these suppliers included cleaners, caterers and tradespeople.

Speaking to suppliers

For a few of those companies, this was their very first involvement in the Living Wage process, but they were generally very supportive.

Disagreements arose where suppliers tried to take an increased management fee. Some of our contracts are structured in such a way that an “administration fee” is paid to the supplier based on a percentage of their invoice. Increasing an individual’s pay to match the Living Wage naturally increases the invoice value – and results in the supplier receiving more money for only the small added cost of increased ACC and Kiwisaver contributions.

We felt this was against the spirit of Living Wage, which is all about increasing the worker’s pay. This is an ongoing point of discussion with some suppliers, but we have been firm in our intent not to pay an increased fee. Instead, we’ve asked suppliers to absorb some of the increased administration costs. This was met with a mixed reaction.

We were eventually able to secure an understanding with the eight suppliers that will see them become compliant when their contracts with Westpac are renewed at various times between 2019 and 2021. Living Wage compliance is not as simple as paying an annual fee – it’s a commitment to achieving these “milestones” with our contractors, as well as ensuring all suppliers remain compliant every year.

With our non-compliant suppliers on board, we were able to submit our application for Living Wage accreditation in late 2018. This meant providing evidence of our current employee and supplier arrangements, and collating proof via supplier attestations that our 22 other in-scope suppliers were already compliant.

The living wage at Westpac

- 480 contractors will be positively affected.
- They include cleaners, caterers, security guards, tradespeople and call centre workers.
- Contractors’ pay will be brought in line with the Living Wage over the next three years, with the bulk of that happening in 2019.
- All Westpac staff are already paid at or above Living Wage.

The cost and benefit

The increased cost to businesses paying the Living Wage goes beyond just the hourly rate increase for the individual. There are increased supplier ACC and Kiwisaver contributions, plus potential adjustments to salaries already paid.

Future costs will depend on the rate at which the Living Wage continues to rise. It is calculated independently each year by the New Zealand Family Centre Social Policy Unit (which is not part of the Living Wage movement) and will be up for a full review again in 2023. Until then, we understand the annual Living Wage uplift will be in line with average wage increases nationally.

We expect our commitment to Living Wage compliance to cost Westpac several million dollars over the next few years. However we expect this to have several benefits, including less-stressed and more-motivated workers, and a more stable workforce. Importantly, it also aligns our practises with our values and our purpose – to grow a better New Zealand.
Living wage workers: Their stories

“I’ll have more stability with a better wage. When you’re living in New Zealand permanently, you have a lot of expensive bills. Every bit of extra money is good.”

– Estefany, 33, café worker

“I’ll definitely be able to save more money but also do things that interest me, like travel more, and buy things that I want. You don’t have to keep yourself from doing things because you’re worried about paying your bills, so you’re more comfortable.”

– Felipe, 26, café worker

Growing Kiwis’ financial wellbeing

As a business, we have a huge opportunity to be a positive force in society. That means helping people become financially independent and empowering them to make spending decisions that are positive for them and their community.

People on a Living Wage are less reliant on government help. According to Living Wage Aotearoa, they’re more active within their community, which helps that community and the country to thrive.

Paying workers a fair wage is part of our vision of growing New Zealanders’ financial wellbeing.

How to become living wage accredited

The Living Wage movement is gathering momentum, with 110 new organisations added in 2018 – including education providers, councils, charities and dozens of small businesses.

If you’re keen to get accredited your first point of contact should be Living Wage Aotearoa, to discuss what your organisation has to do to be considered compliant.

The criteria for living wage employment

1. All employees, whether directly employed or contractors, must be paid the Living Wage.
2. No changes to conditions of employment or working hours.
3. All workers to be provided with access to a union in their place of work.

Source: livingwage.org.nz

Let us help you

If your organisation is thinking about getting Living Wage accredited, Westpac is happy to talk to you further about the process and answer questions about our experience.

Living Wage enquiries:

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