

Implementing a living wage

File No.:

Purpose

1. The purpose of this report is to recommend to the Mayor that his Annual Plan 2017/18 mayoral proposal include that the Finance & Performance Committee recommend to the Governing Body that the Auckland Council group implement a living wage policy over the council term to October 2019. The report provides information, outlines key issues for consideration, a broad policy approach and cost estimate.

Executive summary

2. The proposal was described in the Annual Budget (Annual Plan) 2017/2018 consultation document and included in the public consultation process. Feedback, collated from the responses, was discussed at the Finance and Performance Committee on 26 April 2017.

The feedback gathered through the public consultation process was positive with 71% of feedback supporting the implementation of a living wage at Auckland Council. The majority of businesses also supported its implementation.

Staff recommend that the proposal as outlined in the consultation document be adopted along with the additions discussed below. Auckland Council would implement the policy over three years, commencing in late 2017 through to the end of the council term in October 2019.

The target hourly living wage rate for October 2019 is currently \$21.00 based on the \$20.20 starting rate and using council projected inflation over the next two years.

Recommendations for the Mayor

3. Staff recommend to the Mayor that his proposal include:
 - a) The Finance & Performance Committee recommend to the Governing Body that the Auckland Council group implement a living wage policy over the council term to October 2019.
 - b) The Finance & Performance Committee recommend to the Governing Body that the Living Wage policy includes the following parameters:
 - I. The rate will initially be based on the reference living wage published by the Living Wage Movement Aotearoa New Zealand for 2017 being \$20.20, and thereafter will be calculated using council projected inflation rates.
 - II. The coverage will be Auckland Council and its substantive council-controlled organisations and excludes contractors and volunteers.
 - III. A phased implementation approach be employed to ensure the greatest benefit is received by people earning lower than a living wage in priority to addressing relativity issues.
 - IV. A complementary Trainee, Cadet, Intern and Apprenticeship rate is developed.

Comments

4. The number of impacted staff currently earning less than \$20.20 per hour at 1 May 2017 was approximately 2,064 across the Council family:

Auckland Council – Leisure (Active Recreation)	708
Auckland Council – Libraries and Information	415
Auckland Council – Others (incl. Customer Services and Regulatory Services)	225
Auckland Council – City Park Services	108
CCOs	
Regional Facilities Auckland – Auckland Live	325
Regional Facilities Auckland – Others (incl. the Zoo and Art Gallery)	144
Auckland Transport	88
Watercare Services	45
ATEED	8
Panuku Development Auckland	8
TOTAL	2064

4.1 Council group feedback:

Key impacted business areas, including five CCOs (Regional Facilities Auckland, Auckland Transport, ATEED, Panuku Development Auckland, Watercare Services) as well as Leisure, Libraries and City Parks Services have been consulted on key considerations for their business. The key considerations highlighted were:

- a) A need to enable the business to continue to invest in youth and programmes with social outcomes.
- b) A need to establish guidelines for trainee, cadet, apprenticeship and intern programmes.
- c) The management of pay relativity issues and social equity during the implementation.
- d) RFA, Leisure and City Park Services have also considered the need to remain market competitive when implementing a living wage.

The recommendations in this report address these considerations.

4.2 Public consultation comments

82% of the comments received through the public consultation process were in support of a living wage. The top themes were that it is a fair wage given the high cost of living in Auckland, and that it supports people's ability to live with dignity, to buy necessities and provide for their family.

Other comments received included the following:

- a) 9% of respondents said that the implementation should be extended Auckland or nation-wide. Auckland Council is taking a key leadership role in implementing a living wage because it believes the benefits will outweigh the investment.
- b) 6% of respondents said that council should cut the salaries of higher earners to fund a living wage. Auckland Council will find efficiencies from across the organisation to fund the implementation of a living wage.
- c) 2% of respondents said that contractors working for council should also be paid a living wage. The cost of including contractors is considered prohibitive at this time. Following implementation of the initial scope, analysis will be required before consideration can be given to extending the living wage to contractors.

Consideration

Local board views and implications

5. The majority of respondents to the public consultation in every local board area agreed with the proposal to implement a living wage. 19 Local boards supported the implementation with 2 still undecided.

Māori impact statement

6. Maori staff working for the council and earning below a living wage will receive increments in line with the living wage implementation approach ensuring better equity outcomes for the impacted roles. The overall aims and objectives of the Living Wage policy align with Council's strategic commitments to contribute to Maori economic and social wellbeing.

Implementation

7. The Local Government Act 2002 (Schedule 7 clause 36A) says that the local authority (i.e. governing body) may adopt policy in relation to remuneration of employees. It also says (section 42) that the Chief Executive is responsible for employing, on behalf of the local authority, the staff of the local authority (in accordance with any remuneration and employment policy).
8. If the decision is made to support a living wage policy staff recommend that the living wage policy includes the following implementation parameters:
 - a) The rate will initially be based on the reference living wage published by the Living Wage Movement Aotearoa New Zealand for 2017 being \$20.20, and thereafter will be calculated using council projected inflation rates.
 - b) The coverage will be Auckland Council and its substantive council-controlled organisations and excludes contractors and volunteers.
 - c) A phased implementation approach will be employed to ensure the greatest benefit is received by people earning lower than a living wage in priority to addressing relativity issues.
 - d) A complementary Trainee, Cadet, Intern and Apprenticeship rate will be developed.
9. If the decision is made to support a living wage policy, staff advice is that:
 - a) a set of clear guiding principles should be agreed to support fair and consistent practice to guide the implementation of a living wage. These are being developed with the PSA and Living Wage Aotearoa.
 - b) a minimum rate of \$18.00 per hour be established effective 1 September 2017. This would be applicable to all employees above the age of 16 who do not form part of programmes like Trainees, Cadets, Interns and Apprentices. All CCOs have agreed to the implementation of the minimum rate of \$18.00 in year one. The minimum rate should be lifted each year until it reaches the currently estimated \$21.00 per hour.
 - c) living wage payments are made over and above annual salary increase and social equity payments budgeted over the implementation period.
 - d) in relation to a complementary Trainee, Cadet, Intern and Apprenticeship rate; a minimum rate of \$16.16 per hour (80% of \$20.20) be established effective 1 September 2017. This would align with the recommendation of the Living Wage Advisory Group and the current practice of the minimum wage. The estimated rate would be \$16.80 per hour (80% of \$21.00) in September 2019. Guidelines should be developed to define Trainees, Cadets, Interns and Apprentices.
10. Based on the above, the cost of implementation in year one is up to \$1.9 million. These costs are subject to change, dependant on the final annual salary increases and social equity payments which are currently being determined.

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11. In year one of the implementation, over 90% of the salary costs would go to employees earning below \$20.20 per hour with the rest to adjust for relativity issues. In addition to salary costs, year one implementation costs for collective employment agreement negotiations, change management, and remuneration and payroll system changes, are included at an estimated \$0.37 million.
 12. The implementation timeframes will allow for appropriate consideration of necessary changes to council's workforce strategies, business models and collective employment agreements. A set of indicators will be developed, covering both workforce and performance measures, to measure and track the impact of implementing a living wage including engagement, workforce profile and customer satisfaction.
 13. If the decision is made to support a living wage policy, the additional cost will be added to the overall costs of running the Council group. The additional cost is included alongside other budget pressures for 2017/2018 and the Council Group is charged with finding savings to offset the total cost increases. Savings targets are allocated across the group and will be met through improved procurement, systems and more efficient operations. This includes optimising our motor vehicle fleet and negotiating better supplier contracts in areas such as legal services.

Attachments

14. There are no attachments to this report

Signatories

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