Measuring Living Wages Globally: Decent Living, Minimum Wages, Material Deprivation

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Joint work with Martin Kahanec (CEU, CELSI, EUBA, GLO) Martin Guzi (Masaryk University and CELSI), and Nii Ashia Amanquarnor (WageIndicator Foundation)

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A Global Living Wage Mission

Goal:

- **Ensure workers earn a sufficient wage for a *decent standard of living* of their households.**

Significance:

- **Addresses in-work poverty, a key target of Sustainable Development Goals and universal social rights principles.**

How do we contribute?

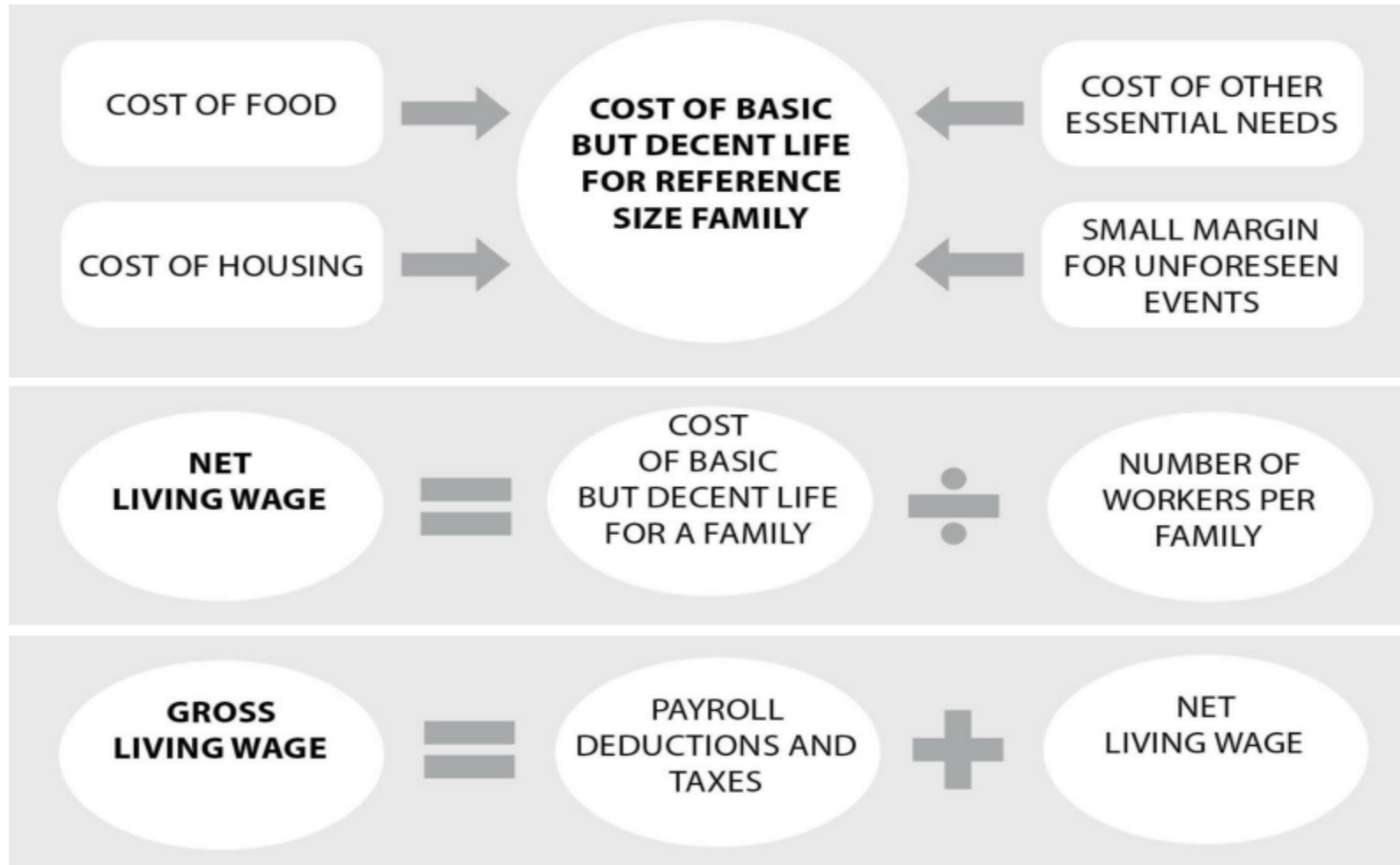A Global Harmonized Methodology for LW Calculation

A Test of Its Validity
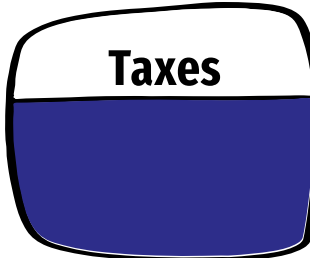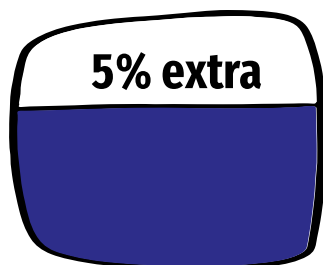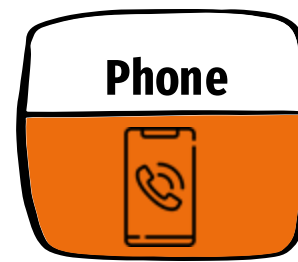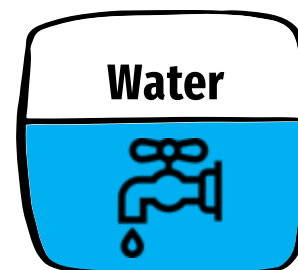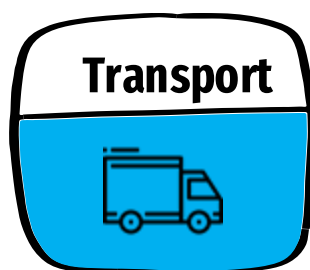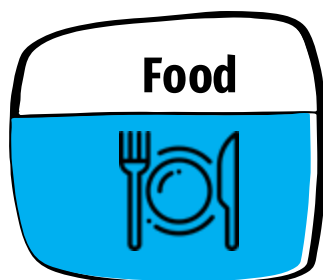
WageIndicator Living Wage Methodology:

- **Rooted in state-of-the-art methods and concepts outlined in literature (e.g. Anker and Anker, 2017).**

- **Harmonized methodology enables reliable international comparisons of living wages.**

- **Account for diversity**
    - **Geographic (166 countries, 2700+ regions)**
    - **Household (1, 2+2, 2+n)**
    - **Over time (regular updating)**
    - **Shopping preferences (25th percentile and the median)**
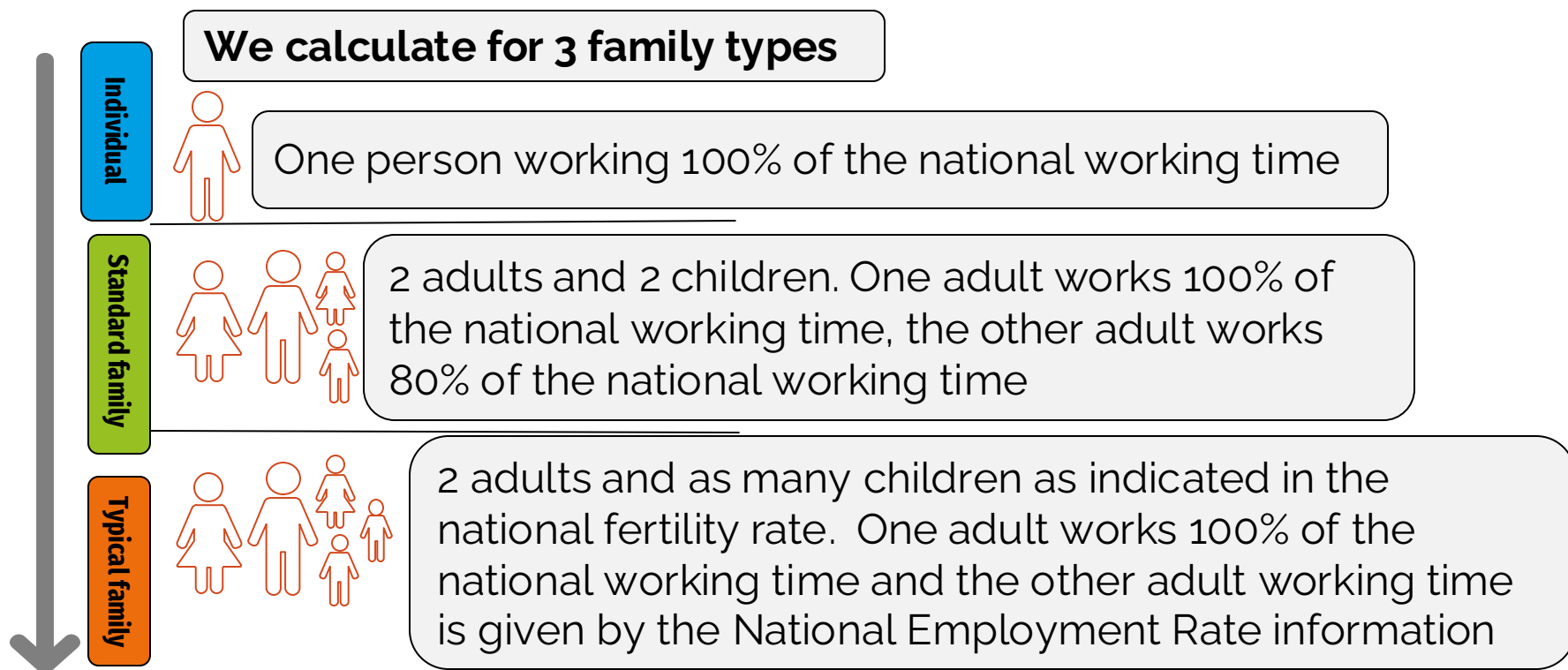   - **Institutional and policy variation (taxes etc)**
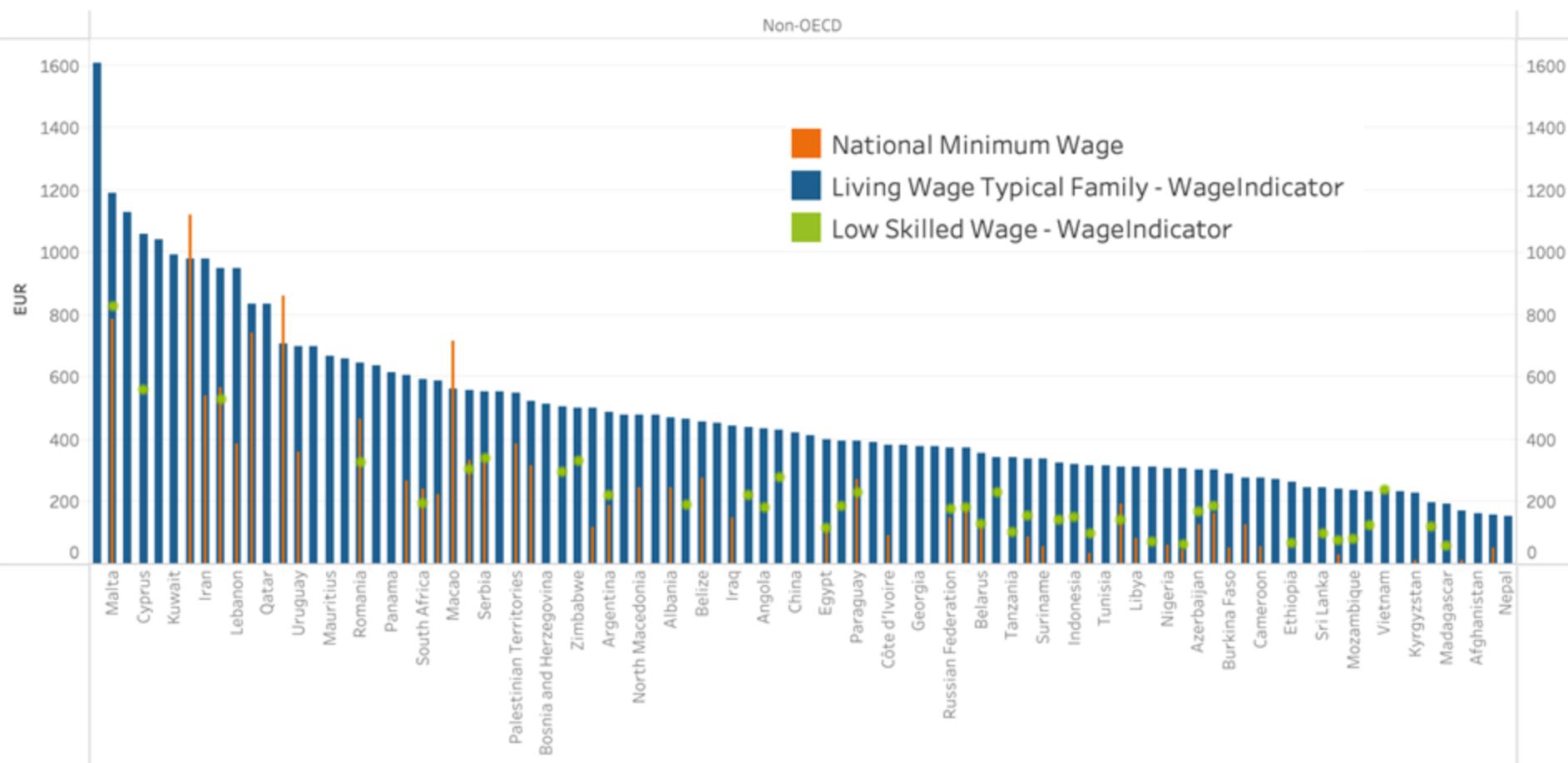
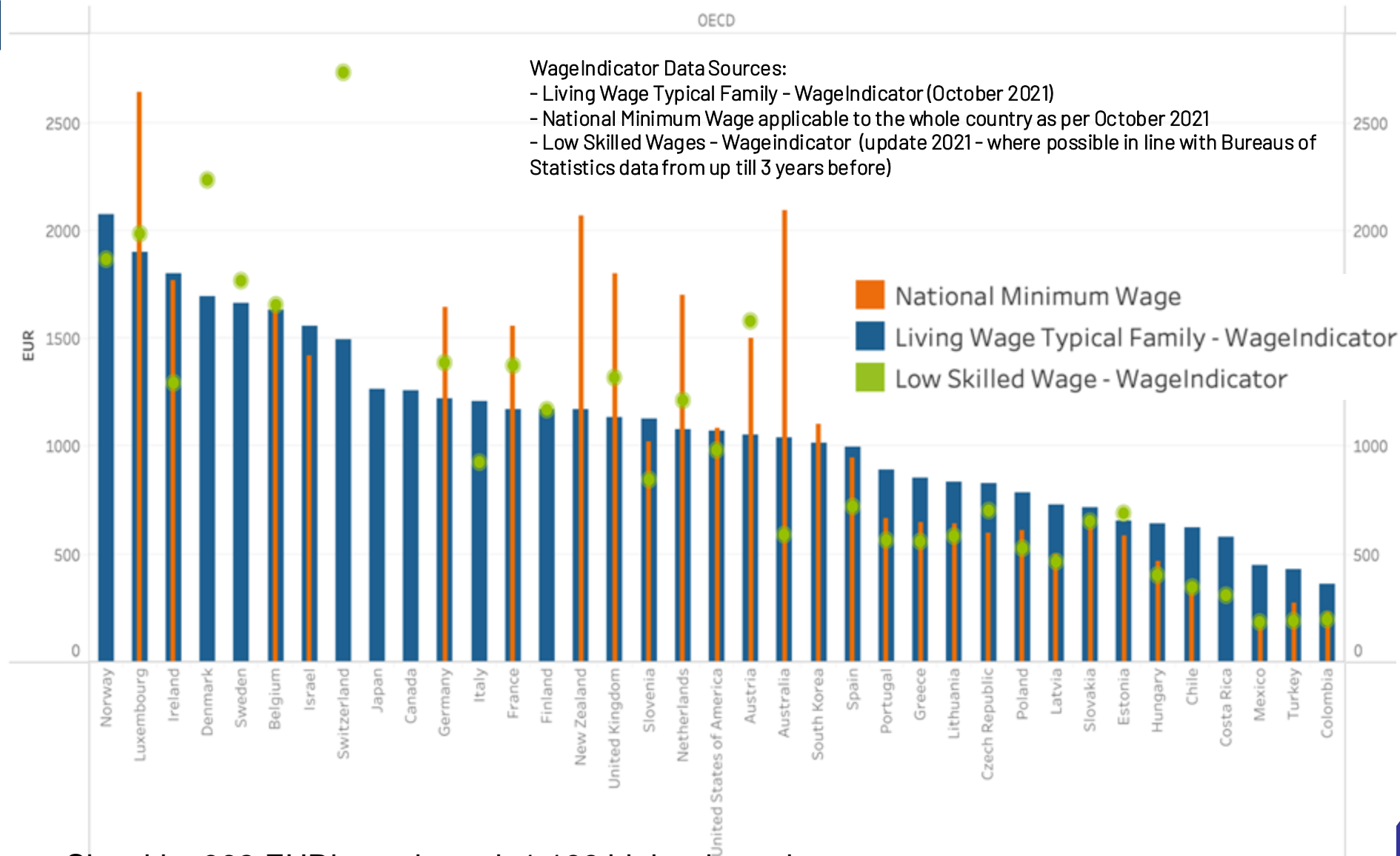# Living Wage estimation

What is included

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Food	Transport	Housing	Water
Clothing	Health	Education	Phone
5% extra	Taxes		

Living Wage calculation for different household types

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We calculate for 3 family types

Individual

One person working 100% of the national working time

Standard family

2 adults and 2 children. One adult works 100% of the national working time, the other adult works 80% of the national working time

Typical family

2 adults and as many children as indicated in the national fertility rate. One adult works 100% of the national working time and the other adult working time is given by the National Employment Rate information

Living Wages versus Minimum and Low-Skilled Wages: 92 non-OECD countries

Living Wages versus Minimum and Low-Skilled Wages: OECD countries

WageIndicator Data Sources:
- Living Wage Typical Family – WageIndicator (October 2021)
- National Minimum Wage applicable to the whole country as per October 2021
- Low Skilled Wages – Wageindicator (update 2021 – where possible in line with Bureaus of Statistics data from up till 3 years before)

Legend:
- National Minimum Wage
- Living Wage Typical Family – WageIndicator
- Low Skilled Wage – WageIndicator

Slovakia: 962 EURlower bound, 1,188 higher bound

Living Wage Impacts

- **The EU Reporting Guidelines and UN Global Compact refer to our methodology as a source for Living Wage data.**

- **Our methodology is recognized by IDH in its benchmark finders and used in B-Lab criteria for its B-Corp Certification**

- **Social partners, workers, employers: Benchmark for wage bargaining**

- **Leading corporations (over 500) use our LW data**

- **WageIndicator living wage data is used on the ground by wage negotiators and social partners**

Much Responsibility.

But Do Our Living Wages Measure What We Claim?

Do LW measure what we claim?

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Research:
- **Do workers that can afford more LW baskets face lower risk of material deprivation, hardship, or are they more satisfied with their lives?**
- **Is there a structural break in this relationship at the level of living wage? (i.e. an extra Euro below LW reduces the risk of material deprivation more than the extra Euro above the LW)**

Methods:
- Combine our LW data with World Values Survey, ILO wage data
- Unit of analysis: occupation (ISCO 1-digit)
- 44 countries, 7 occupation groups, mostly 2018.
- Statistical analysis to measure this relationship
  - Controls for countries

Results:
- YES IT WORKS!

Proxies for decent living:

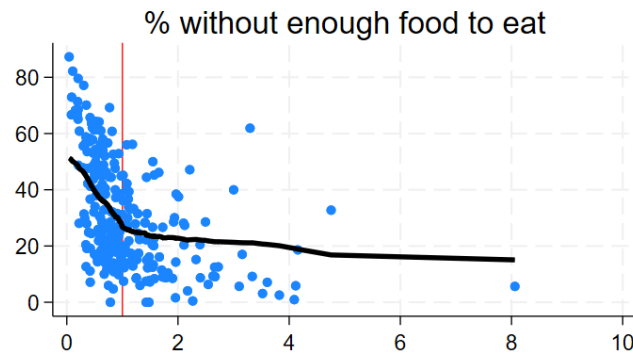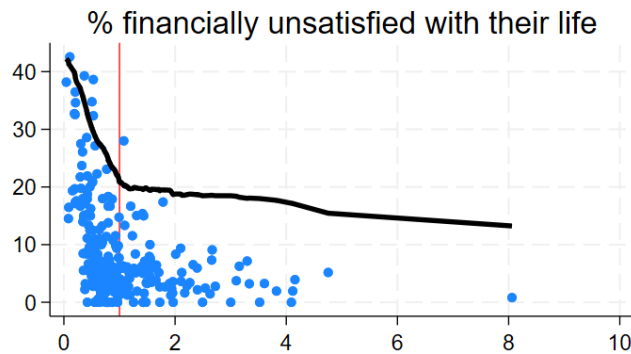## Material deprivation (1-4 scale)

- **In the last 12 months, how often have you or your family:**

    - **Gone without enough food to eat**

    - **Gone without needed medicine or treatment that you needed**

    - **Gone without a cash income**

Subjective satisfaction (1-10 scale)

- **All things considered, how satisfied are you with your life as a whole these days?**

- **How satisfied are you with the financial situation of your household?**

Preliminary results

Deprivation and LIVING WAGE baskets (25th percentile)

Source: WVS 2017-2022, WIF Living wage, ILO wage dataset
Note: Each circle represents one of seven occupation groups in 37 countries

Individual Deprivation indicators:

Family stayed without **enough food** to eat in the last 12 months (Often/Sometimes/Rarely)

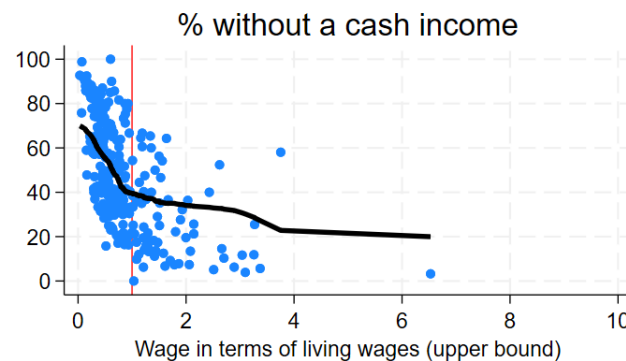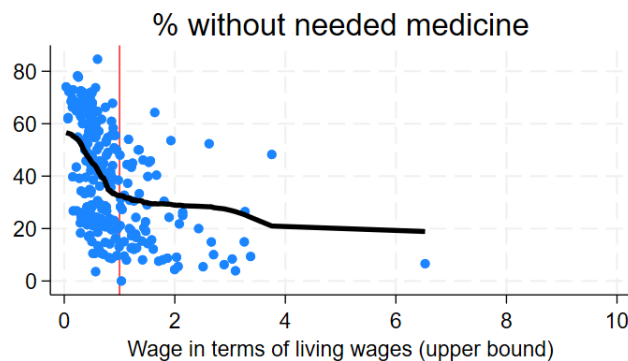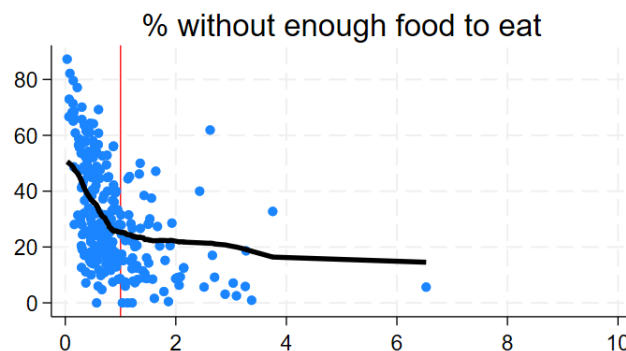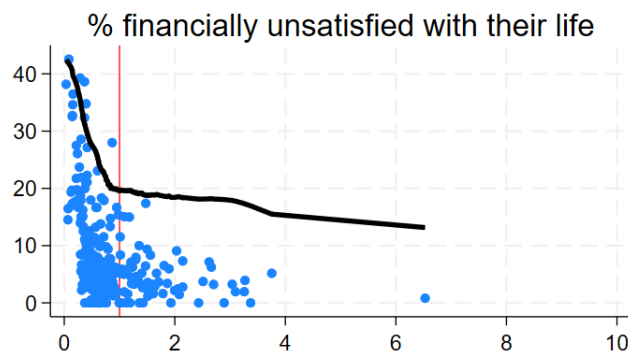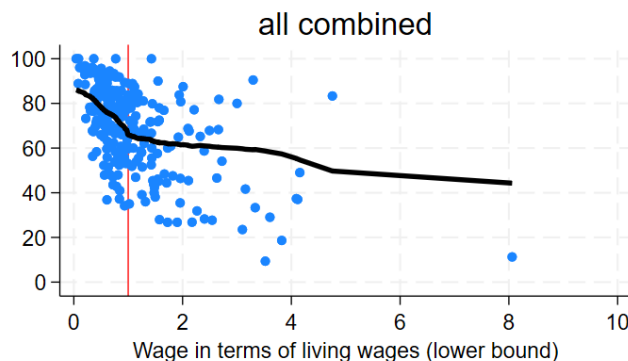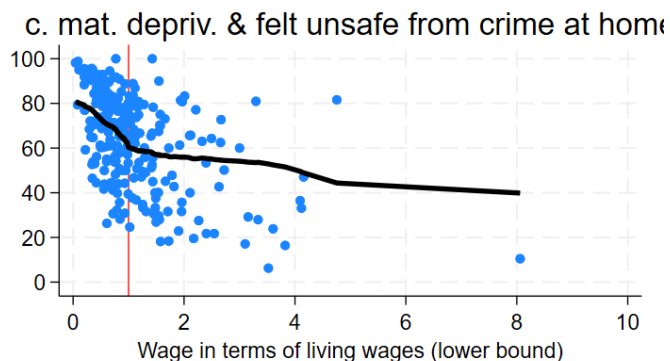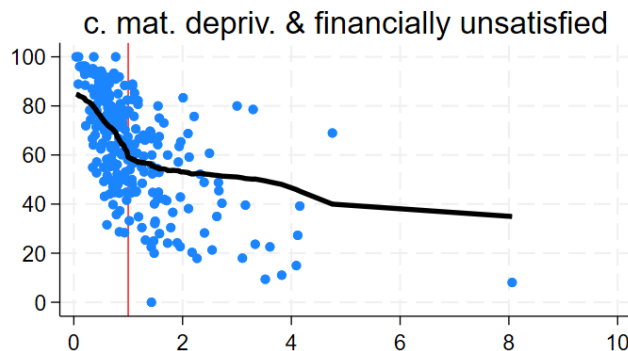Family stayed without needed **medicine** or treatment in the last 12 months (Often/Sometimes/ Rarely)

Family stayed without **cash income** in the last 12 months (Often/Sometimes/ Rarely)

Financial dissatisfaction with life measured on the scale 1-10 (1-5)

Deprivation and LIVING WAGE baskets (50th percentile)

% financially unsatisfied with their life

% without enough food to eat

% without needed medicine

% without a cash income

Wage in terms of living wages (upper bound)

Source: WVS 2017-2022, WIF Living wage, ILO wage dataset
Note: Each circle represents one of seven occupation groups in 37 countries

Individual Deprivation indicators:

Family stayed without **enough food** to eat in the last 12 months (Often/Sometimes/Rarely)
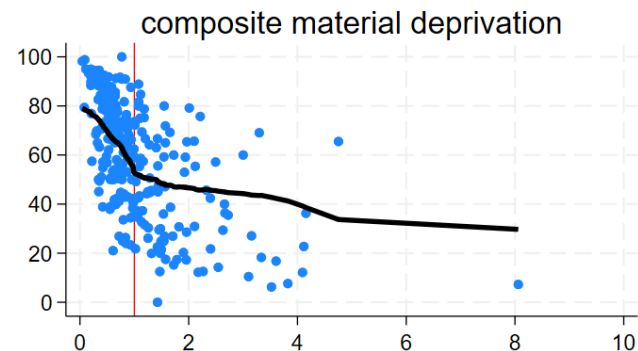
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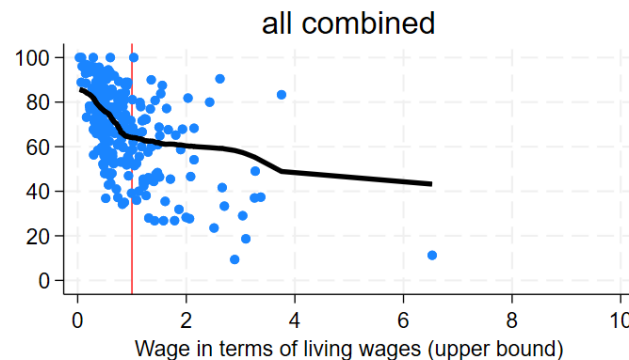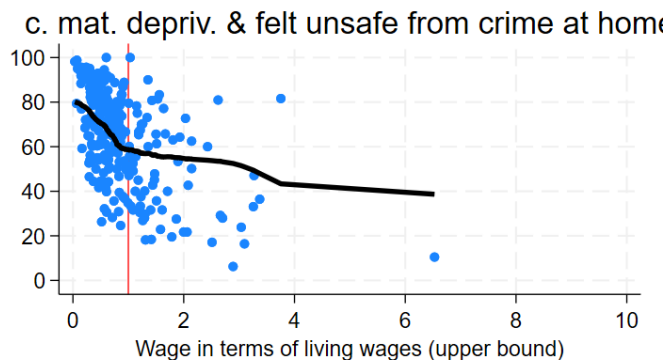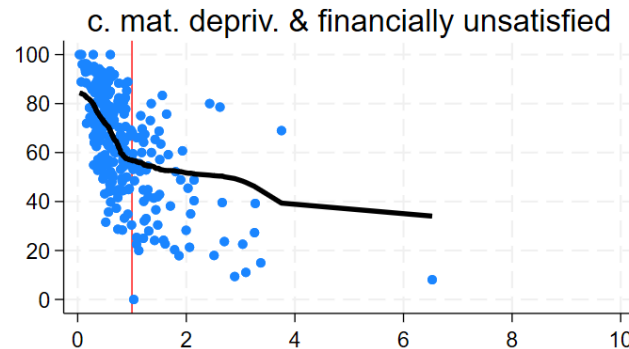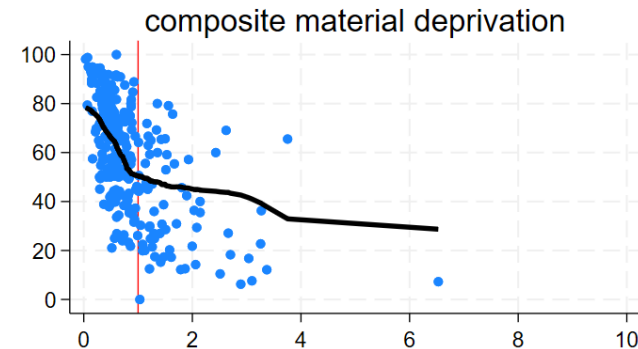# Overall Deprivation and LIVING WAGE baskets (25th percentile)

Composite Deprivation indicators:

A person is deprived if they or their family experienced AT LEAST ONE of the four primary material deprivations (stayed without shelter, food, needed medicine, or cash income) in the last 12 months (Often/Sometimes/Rarely)

Source: WVS 2017-2022, WIF Living wage, ILO wage dataset
Note: Each circle represents one of seven occupation groups in 37 countries

Overall Deprivation and LIVING WAGE baskets (50ᵗʰ percentile)

composite material deprivation

c. mat. depriv. & financially unsatisfied

c. mat. depriv. & felt unsafe from crime at home

all combined
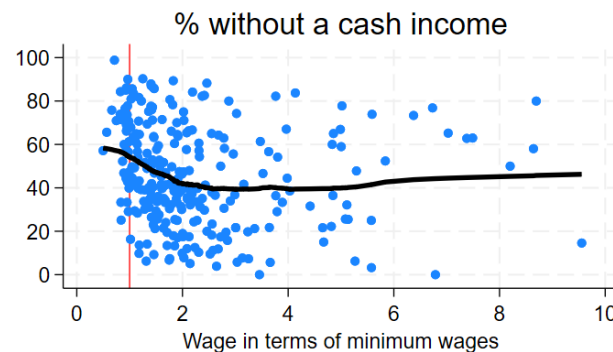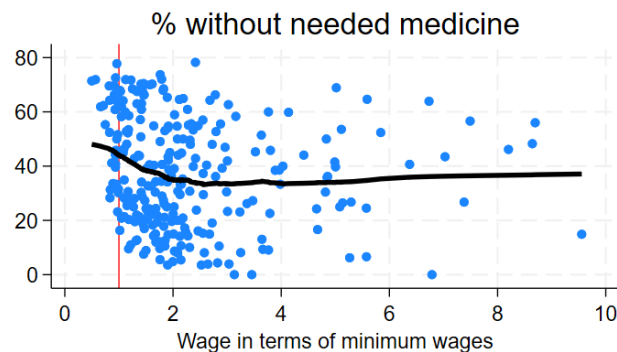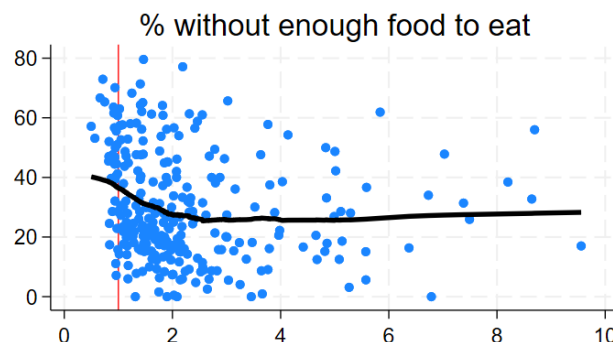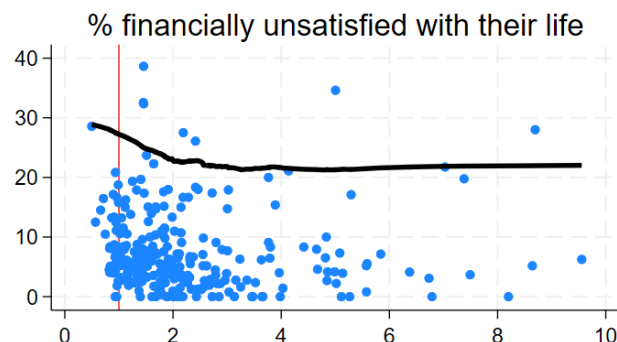
Wage in terms of living wages (upper bound)

Composite Deprivation indicators:

A person is deprived if they or their family experienced AT LEAST ONE of the four primary material deprivations (stayed without shelter, food, needed medicine, or cash income) in the last 12 months (Often/Sometimes/Rarely)

Source: WVS 2017-2022, WIF Living wage, ILO wage dataset
Note: Each circle represents one of seven occupation groups in 37 countries

Deprivation and MINIMUM wage

% financially unsatisfied with their life

% without enough food to eat

% without needed medicine

% without a cash income

Wage in terms of minimum wages

Source: WVS 2017-2022, WIF Living wage, ILO wage dataset
Note: Each circle represents one of seven occupation groups in 37 countries
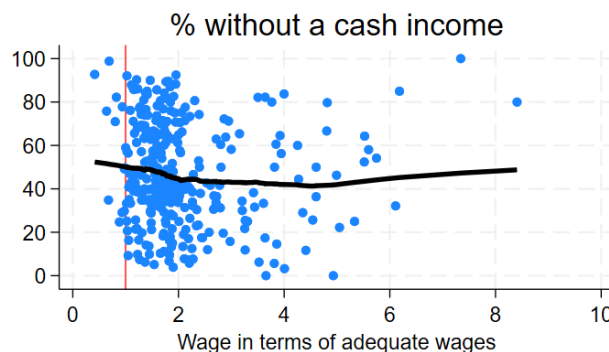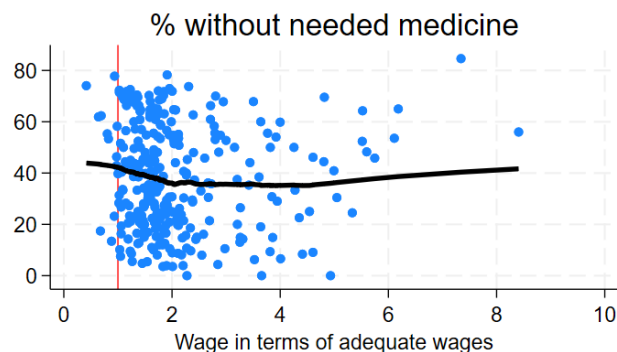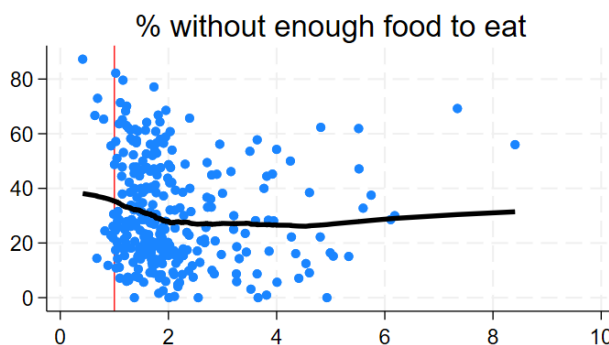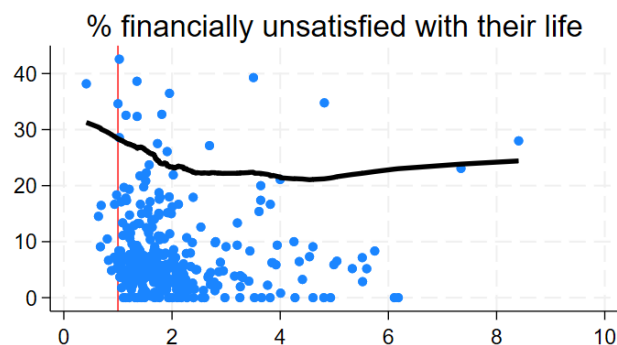
Individual Deprivation indicators:

Family stayed without **enough food** to eat in the last 12 months (Often/Sometimes/Rarely)

Family stayed without needed **medicine** or treatment in the last 12 months (Often/Sometimes/Rarely)

Family stayed without **cash income** in the last 12 months (Often/Sometimes/Rarely)

Financial dissatisfaction with life measured on the scale 1-10 (1-5)

Deprivation and ADEQUATE WAGE

% financially unsatisfied with their life

% without enough food to eat

% without needed medicine

% without a cash income

Wage in terms of adequate wages

Source: WVS 2017-2022, WIF Living wage, ILO wage dataset
Note: Each circle represents one of seven occupation groups in 37 countries

Individual Deprivation indicators:

Family stayed without **enough food** to eat in the last 12 months (Often/Sometimes/Rarely)

Family stayed without needed **medicine** or treatment in the last 12 months (Often/Sometimes/Rarely)
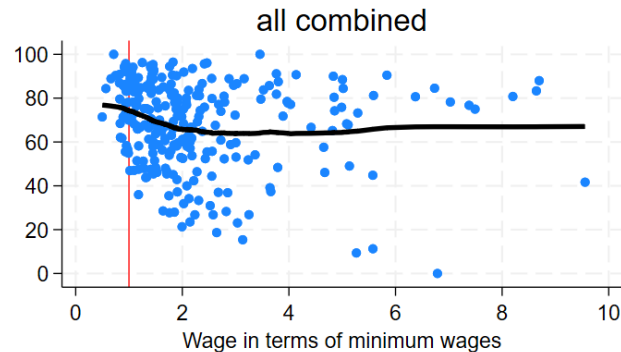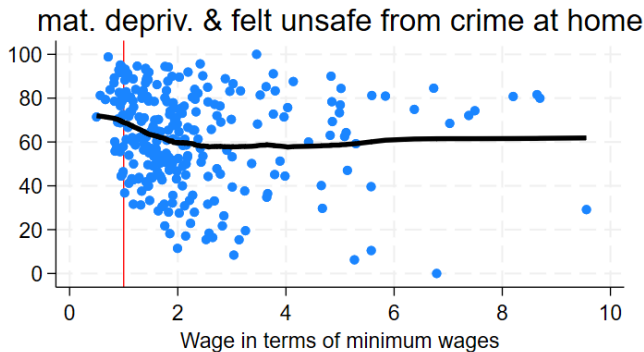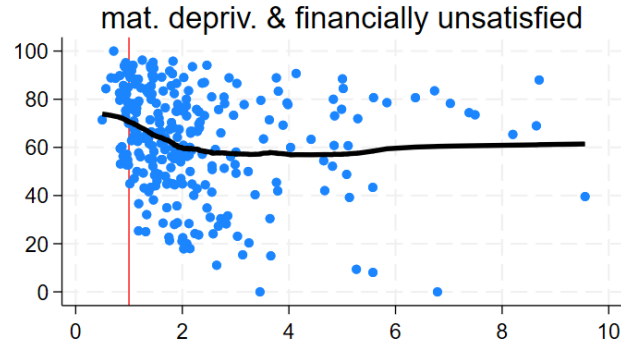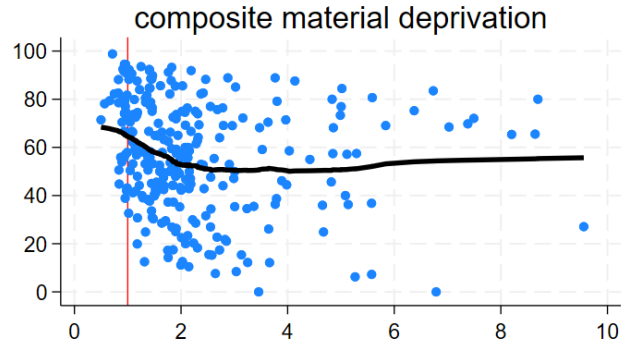
Family stayed without **cash income** in the last 12 months (Often/Sometimes/Rarely)

Financial dissatisfaction with life measured on the scale 1-10 (1-5)

Overall Deprivation and MINIMUM WAGE baskets

composite material deprivation

mat. depriv. & financially unsatisfied

mat. depriv. & felt unsafe from crime at home

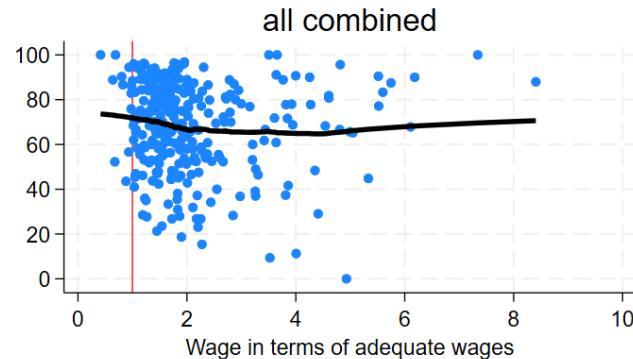all combined

Wage in terms of minimum wages

Composite Deprivation indicators:

A person is deprived if they or their family experienced AT LEAST ONE of the four primary material deprivations (stayed without shelter, food, needed medicine, or cash income) in the last 12 months (Often/Sometimes/Rarely)

Source: WVS 2017-2022, WIF Living wage, ILO wage dataset
Note: Each circle represents one of seven occupation groups in 37 countries

Overall Deprivation and ADEQUATE wage

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composite material deprivation

c. mat. depriv. & financially unsatisfied

c. mat. depriv. & felt unsafe from crime at home
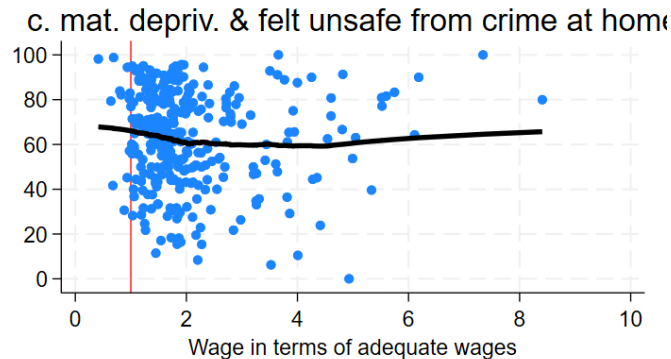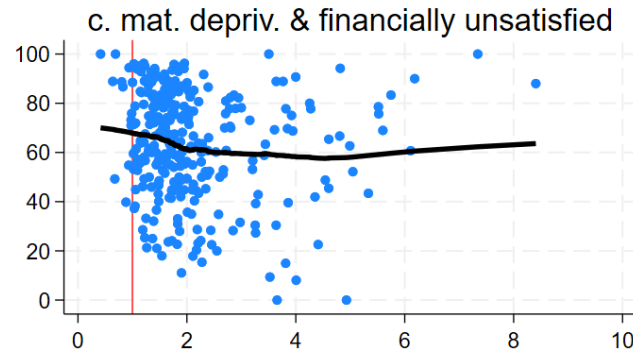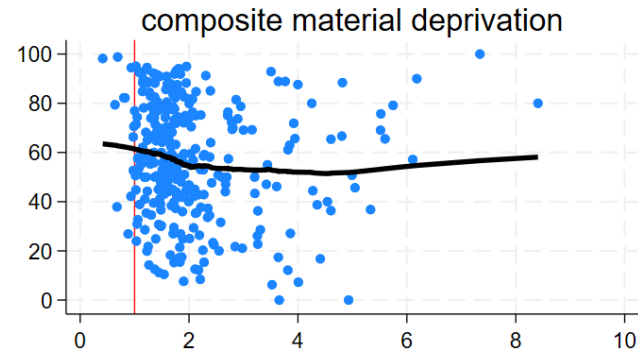
all combined

Wage in terms of adequate wages

Composite Deprivation indicators:

A person is deprived if they or their family experienced AT LEAST ONE of the four primary material deprivations (stayed without shelter, food, needed medicine, or cash income) in the last 12 months (Often/Sometimes/Rarely)
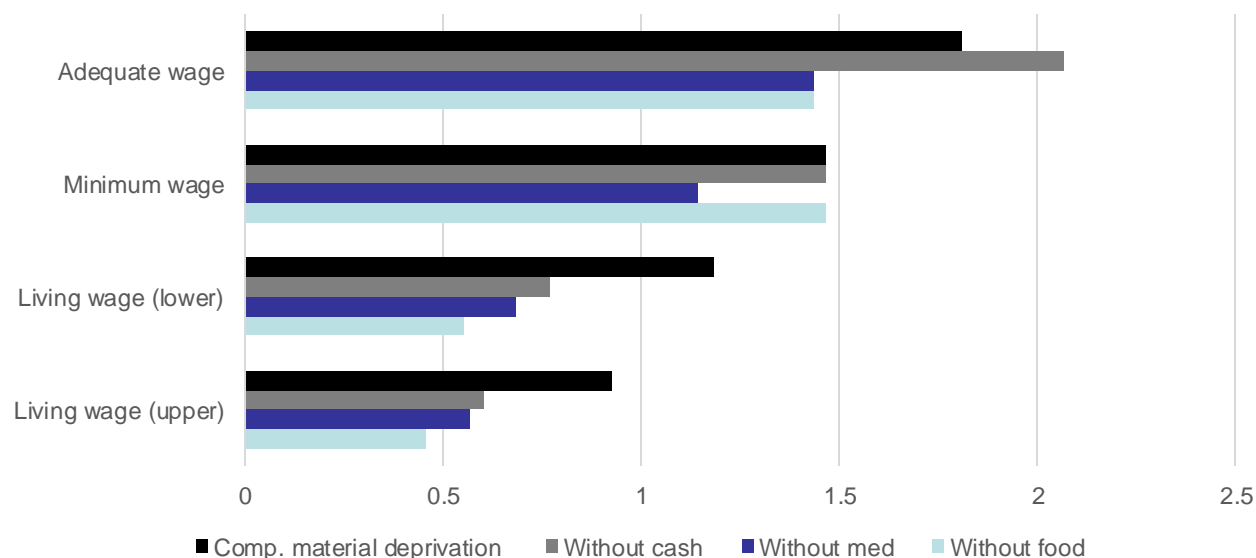
Threshold estimates

Wage variables	Without food	Without medication	Without cash	Composite material deprivation
Living wage (upper)	0.46	0.57	0.60	**0.92**
Living wage (lower)	0.56	0.68	0.77	**1.18**
Minimum wage	1.47	1.14	1.47	**1.47**
Adequate wage	1.43	1.43	2.07	**1.81**

Threshold estimates

Legend: ■ Comp. material deprivation ■ Without cash ■ Without med ■ Without food

Our results

- **Our research identifies a structural break at the calculated Living Wage threshold, where income reduces deprivation and boosts satisfaction most effectively below the LW level, but once above it, the marginal benefits decrease significantly.**

- **Living Wages mark that threshold more effectively than current minimum wages or adequate wages**

- **This validates the Living Wage concept and its calculation**

- **Policy implication: Bring minimum wages to living wages**

THANK YOU FOR YOUR ATTENTION!

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