Global Benchmarks for Decent Living: Validating Living Wages Against Global Income Adequacy Standards

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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 Living Wage 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 regular updating and international comparisons of living wages.**

- **Account for diversity**
  - **Geographic (175 countries, 3000+ regions)**
  - **Household type**
  - **Over time (regular updating)**
  - **Shopping preferences (25th percentile and the median)**
  - **Institutional and policy variation (taxes)**

Living Wage estimation for typical household

Estimates are based on 10 baskets of goods

Typical Households

Two earning adults No. of children is determined by national fertility rate

One works 100% of permissible hour, other's hours based on national employment rate

Food

Water

Education

Clothing

Healthcare

Housing and energy

Transport

Phone and internet

Taxes

Emergency expenses

All materials are available at https://wageindicator.org/

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 Living Wages measure what we claim?

Research:
- **We identify decent living threshold as an income where an extra Euro below threshold reduces the risk of material deprivation more than the extra Euro above the threshold.**
- **We test whether the structural break exists in deprivation occurs at the living wage or at the statutory minimum wage.**

Methods:
- Combine our Living wage data with World Values Survey (W6), and ILO wage data
- Unit of analysis: occupation (ISCO 1-digit)
- 37 countries, 7 occupation groups, mostly 2018-2020.
- Statistical analysis (threshold regression) to measure this relationship
    - Controls for countries

Results:
- YES IT WORKS! Living Wage predicts the decent living threshold.

Proxies for decent living:

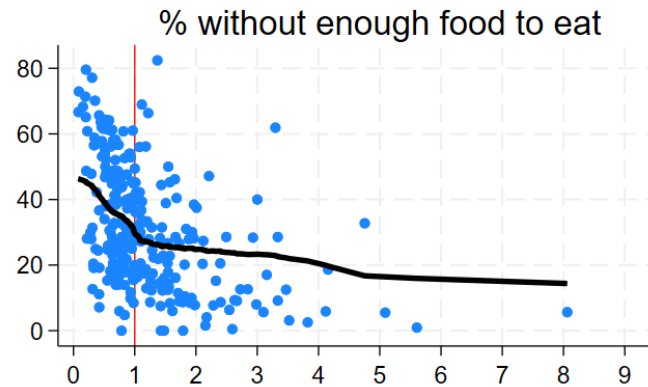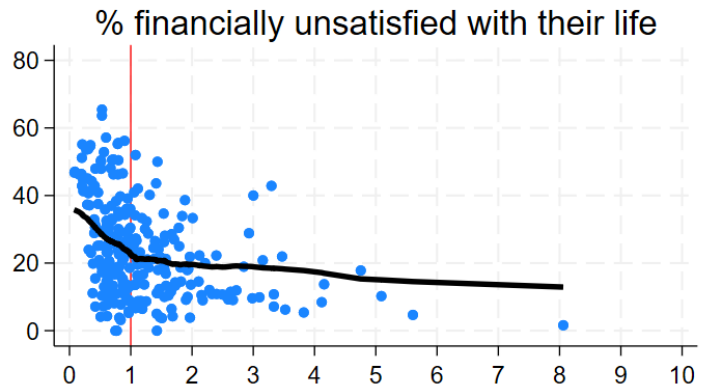**Material deprivation (1-4 scale)**

- **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?**

Results

Deprivation and LIVING WAGE baskets (lower bound)
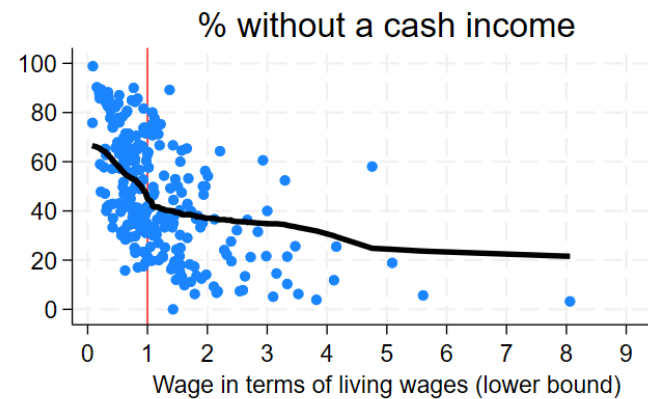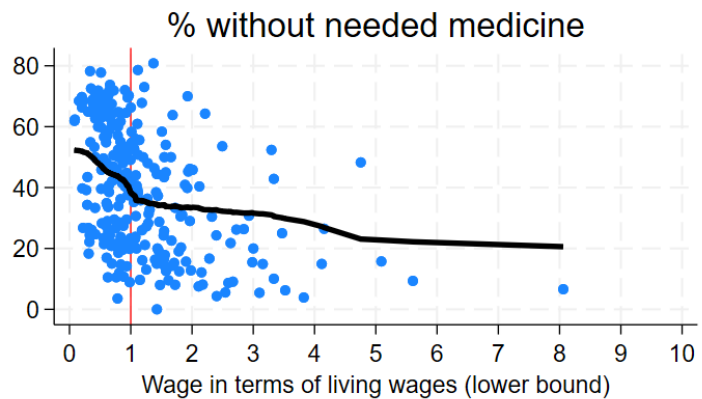
% financially unsatisfied with their life

% without enough food to eat

% without needed medicine

% without a cash income

Wage in terms of living wages (lower bound)

Individual Deprivation indicators:

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

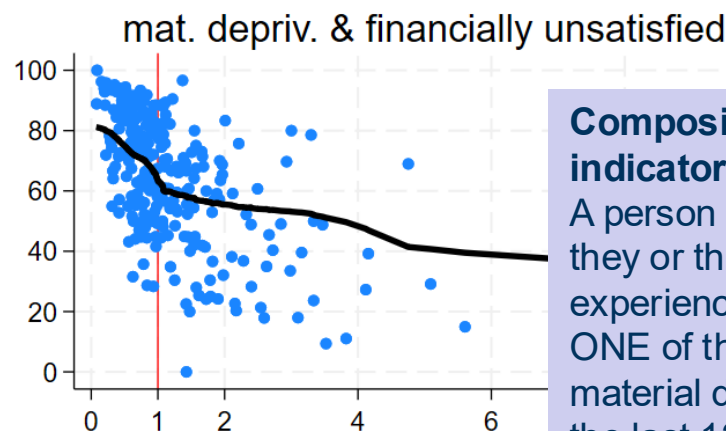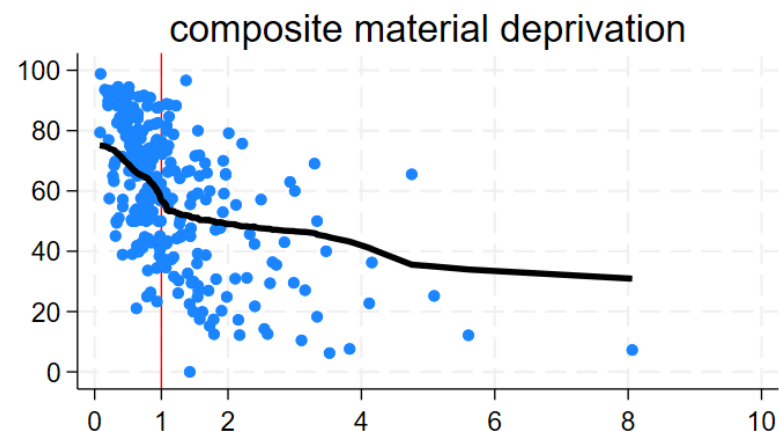Family stayed without needed **medicine** or treatment in the last 12 months (Often/Sometimes/ Rarely)

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

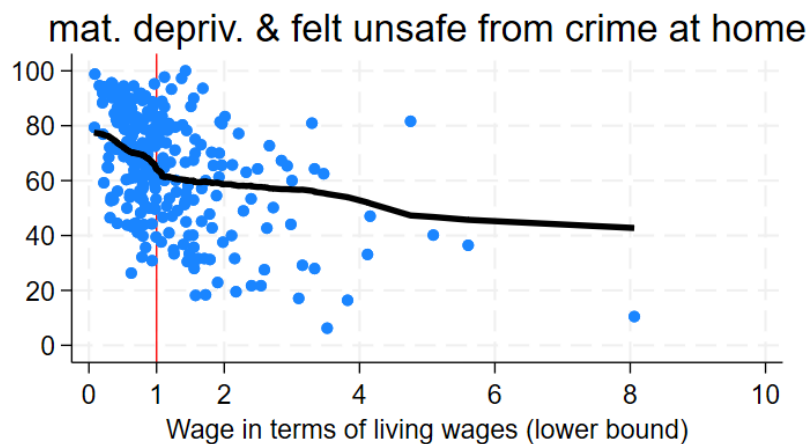**Financial dissatisfaction** with life measured on the scale 1-10 (1-5)

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 (lower bound)

Composite Deprivation indicators:
A person is deprived if they or their family experienced AT LEAST ONE of the four primary material deprivations in the last 12 months (Often/Sometimes/Rarely)
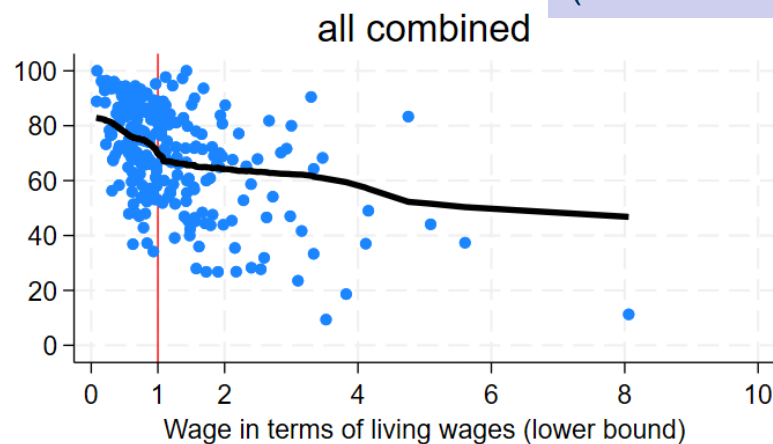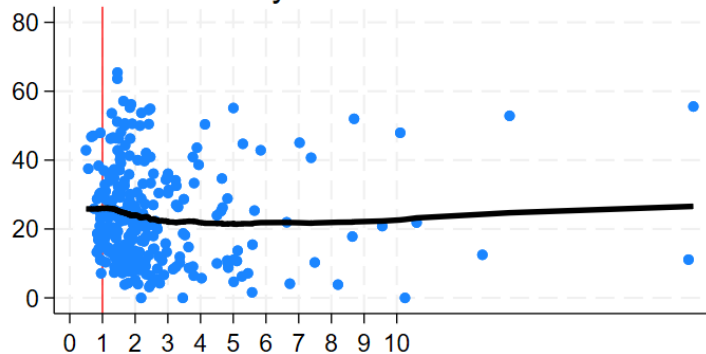
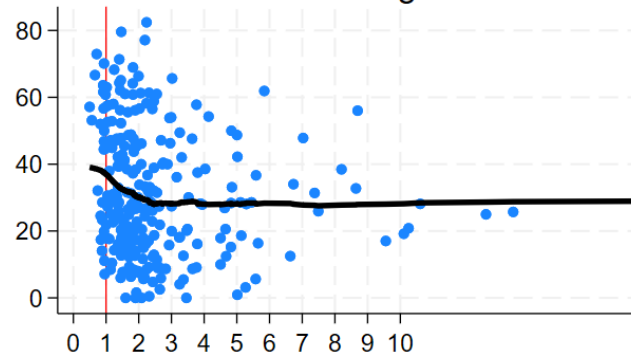Source: WVS 2017-2022, WIF Living wage, ILO wage dataset
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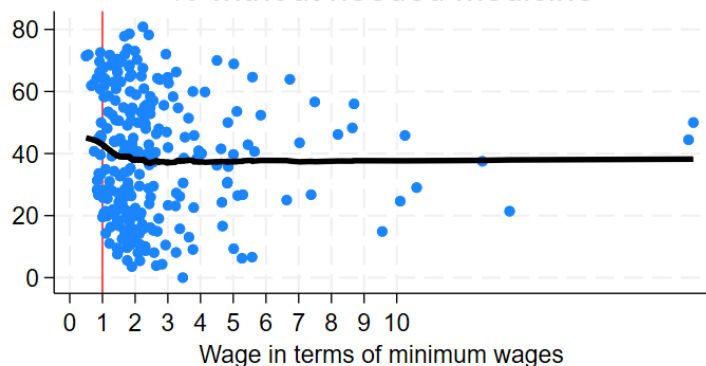
Deprivation and MINIMUM wage

% financially unsatisfied with their life

% without enough food to eat

% without needed medicine

% without a cash income

Wage in terms of minimum wages
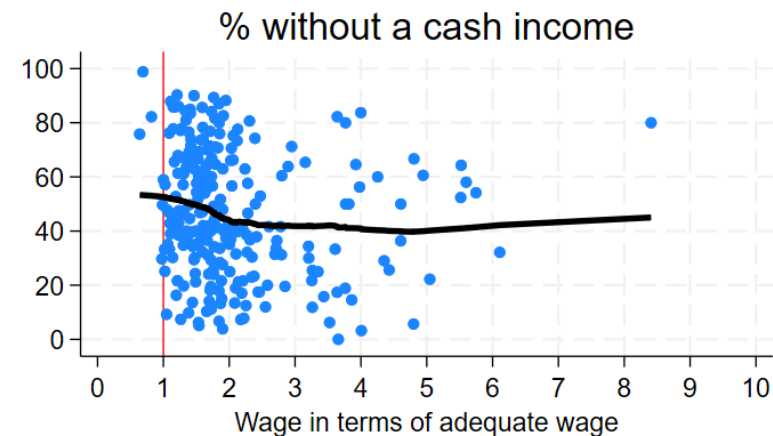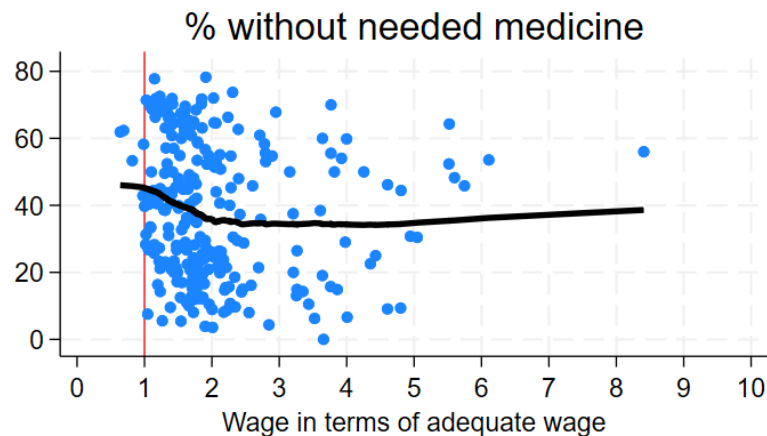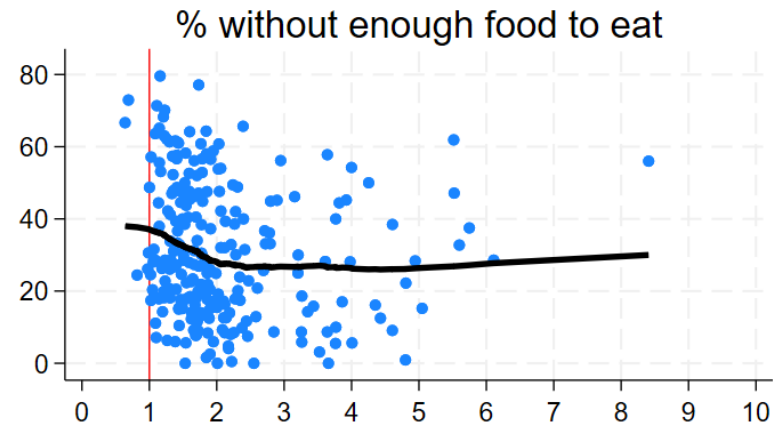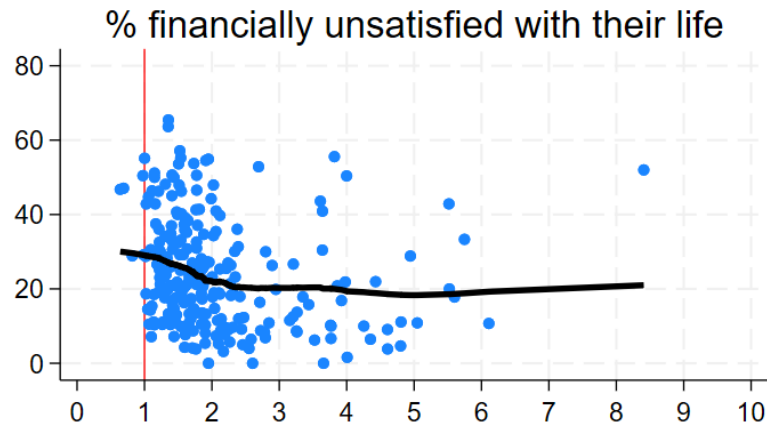
Individual Deprivation indicators:

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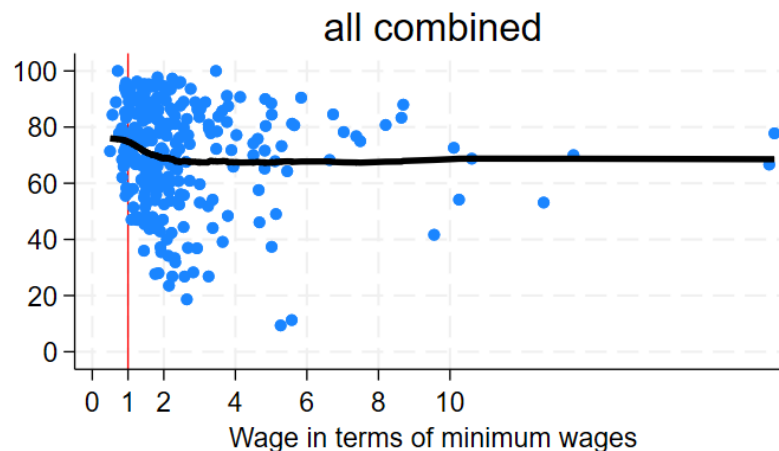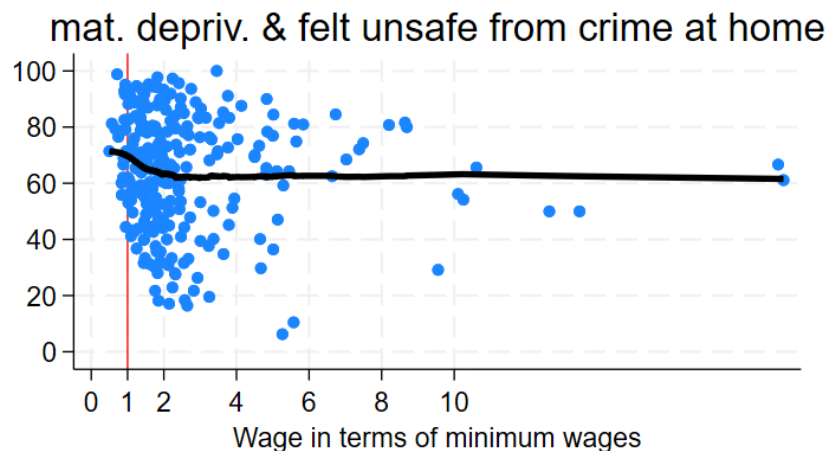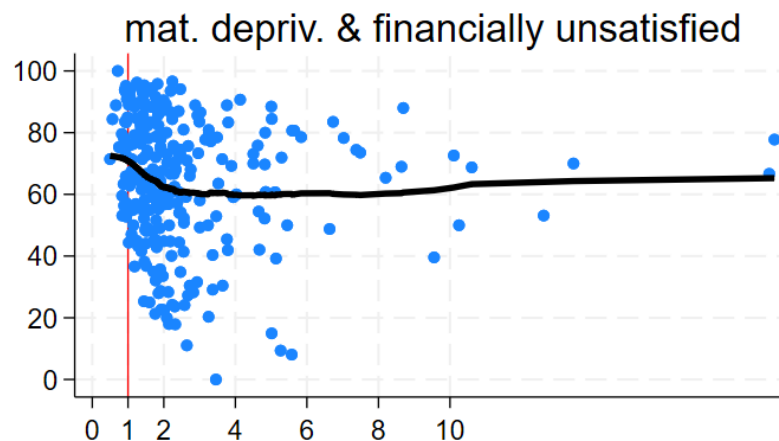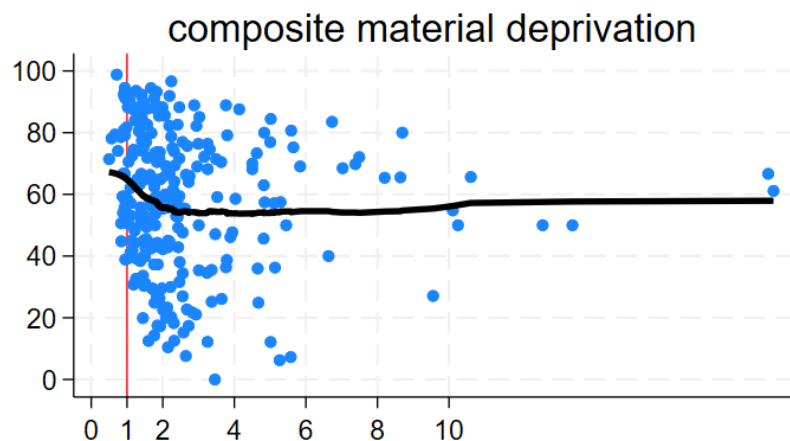
Family stayed without **cash income** in the last 12 months (Often/Sometimes/Rarely)

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

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

Deprivation and ADEQUATE WAGE

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 MINIMUM WAGE

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

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**
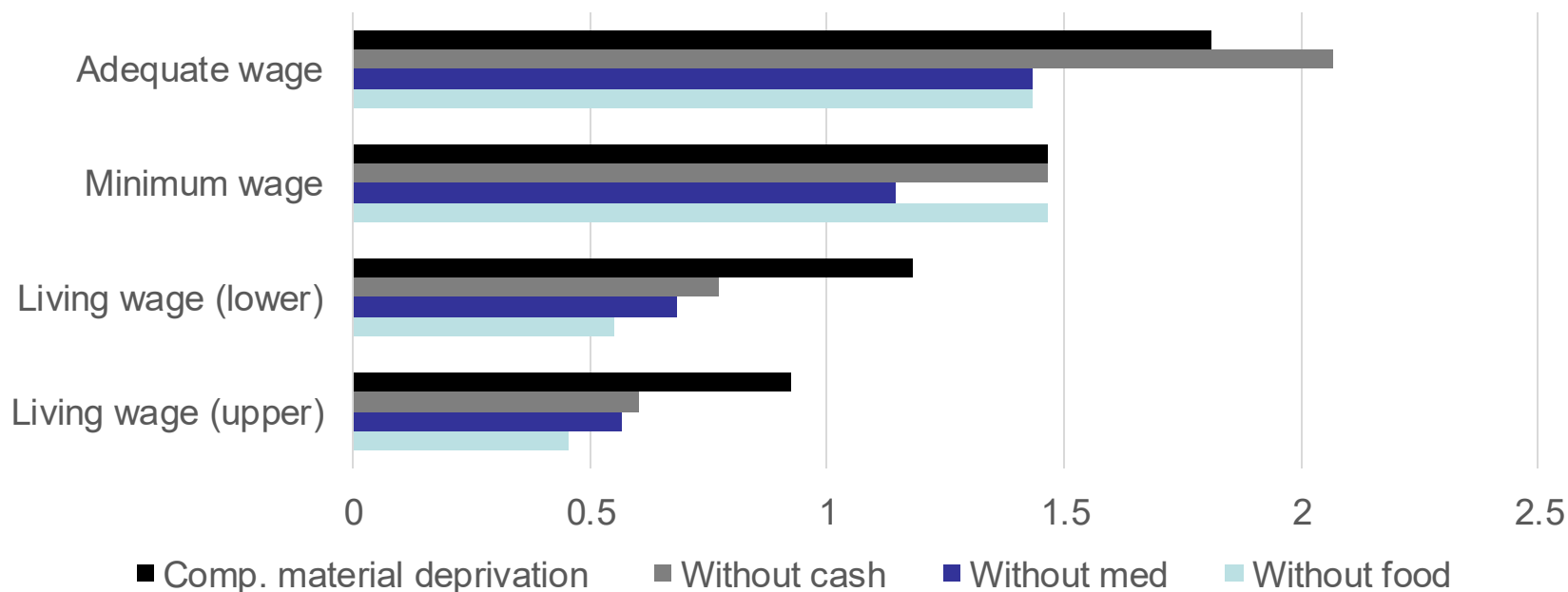
Our results

- **Our research identifies a structural break at the calculated Living Wage threshold, where income reduces deprivation and boosts satisfaction most effectively below the Living Wage 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 as a robust benchmark for income adequacy.**

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

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