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•• WageIndicator.org

CELSI

Estimating Living Wage Globally

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A Living Wage = A Human Right

- Human right (since 1919 defined by ILO)
“...ultimate objective is to ensure to workers a minimum wage that will provide a satisfactory standard of living to them and their families.”
- The Living Wage is based on the concept that work should provide an adequate income to cover the necessary living costs of a family.
- However there is no accepted definition of what a Living Wage is and no agreed methodology on how to measure it.

- **The Mexican Constitution (1917)** states: *the general minimum wage must be sufficient to satisfy the normal necessities of a head of family in the material, social and cultural order and to provide for the mandatory education of his children.*
- **The Brazilian Constitution (1988)** stipulates: *national minimum wage be capable of satisfying their basic living needs and those of their families with housing, food, education, health, leisure, clothing, hygiene, transportation and social security, with periodical adjustments to maintain its purchasing power.*



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Definitions of Living Wage

- **Global Living Wage Coalition:** “A remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs, including provision for unexpected events”.
- **Asia Floor Wage** “proposes a wage for garment workers across Asia that would be enough for workers to live on”.
- **New Zealand** defines a living wage “as the income necessary to provide workers and their families with the basic necessities of life”.
- Campaign in **Vancouver** defines living wage “on the principle that full-time work should provide families with a basic level of economic security, not keep them in poverty”.

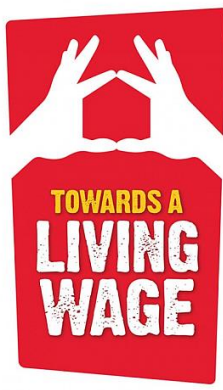
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Durham
LIVING WAGE
PROJECT



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**GLOBAL
LIVING WAGE
COALITION**



living wage
for families campaign



Living Wage vs Minimum Wage, 2017

	Minimum Wage	Living Wage	Gap
	per hour	per hour	
Ireland	9.25	11.70	26%
New Zealand	15.75	20.20	28%
United Kingdom	7.50	8.45	13%
London	7.50	9.75	30%
University of Reading	5.60	8.45	51%
Vancouver, CA	11.35	20.62	82%
City of Durham, US	7.25	13.35	84%

- Note: Rates are stated in national currency.



Living Wage estimation (Engel's law)

- Households budget divided to food and non-food spending.
- *Ernst Engel* (1857) was the first to notice that poorer families spend a higher share of their budget on food.

Living Wage calculation:

1. Estimate the food expenditure for a family
2. Estimate non-food spending using Engel's law
3. The cost of living is the sum of food and non-food spending
4. Living Wage is determined such that total income earned by family members is equal to the cost of living.

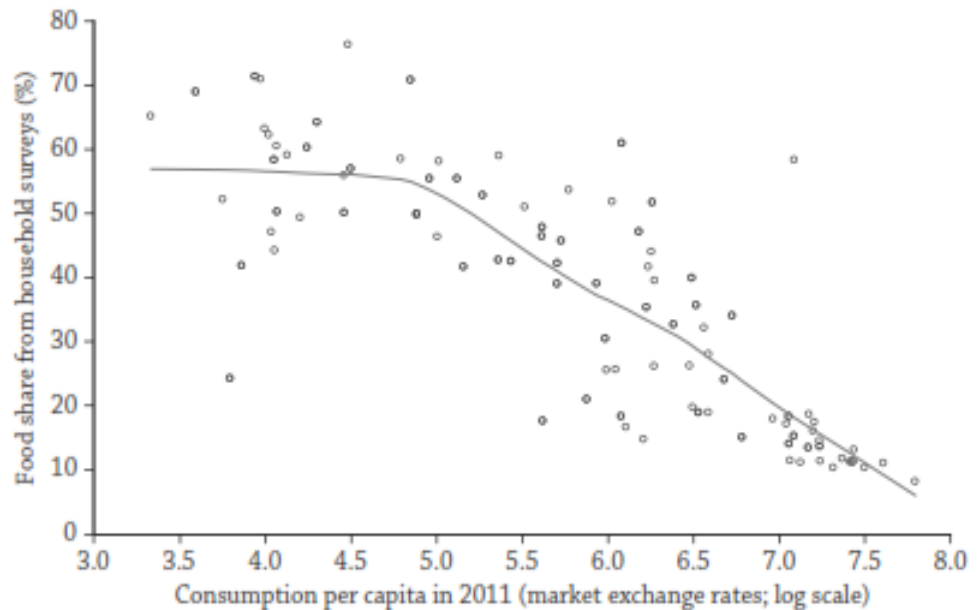


Figure B1.16.2 Empirical Engel Curve for Food across Countries. Source: Ravallion and Chen (2015).

Living Wage estimation (Engel's law)

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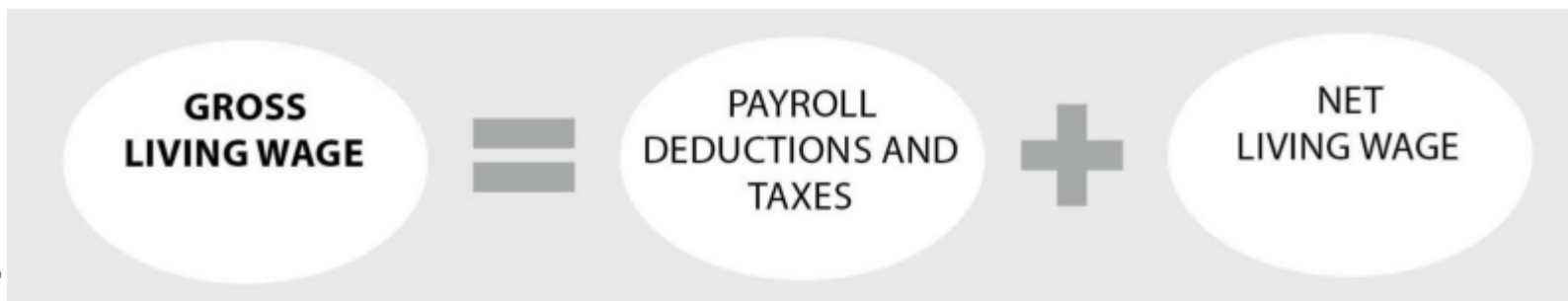


Estimates the cost of living for a family of 2+2

1. Estimate the cost of food basket (3,000 kcal) in markets around capital cities in Asia.
2. Multiply monthly food cost by three 'consumption units'.
3. Double the amount to cover non-food costs.
4. In 2015 the estimated cost of living was 1021 PPP USD.



Living Wage estimation method developed by Richard Anker



WageIndicator Living Wage

- The Living Wage is composed of seven parts: food, housing, transport, health, education, tax and other costs.
- Living wage is calculated for different household types and under different assumptions about working hours
- Based on transparent principles and assumptions
- Easy to update regularly (prices are collected continuously)
- Estimates published online at



LivingWageIndicator.org

Data used in the calculation

WageIndicator Cost-of-Living survey started in January 2014.

- Prices are reported by web visitors, via Cost-of-living app, via offline surveys.
- Prices on 50 food items, rental prices, public transport, education and health expenditure
- Today we have sufficient data to calculate living wage for 57 countries (almost 2 million prices)
- Employ external databases (e.g. Numbeo, national surveys)

FAO food balance sheets are used to construct a food basket in every country.

World Bank data on fertility and employment rates.

Example of food basket in Brazil

- Food basket is scaled to 2,100 cal/person/day
- Adults and children have same consumption

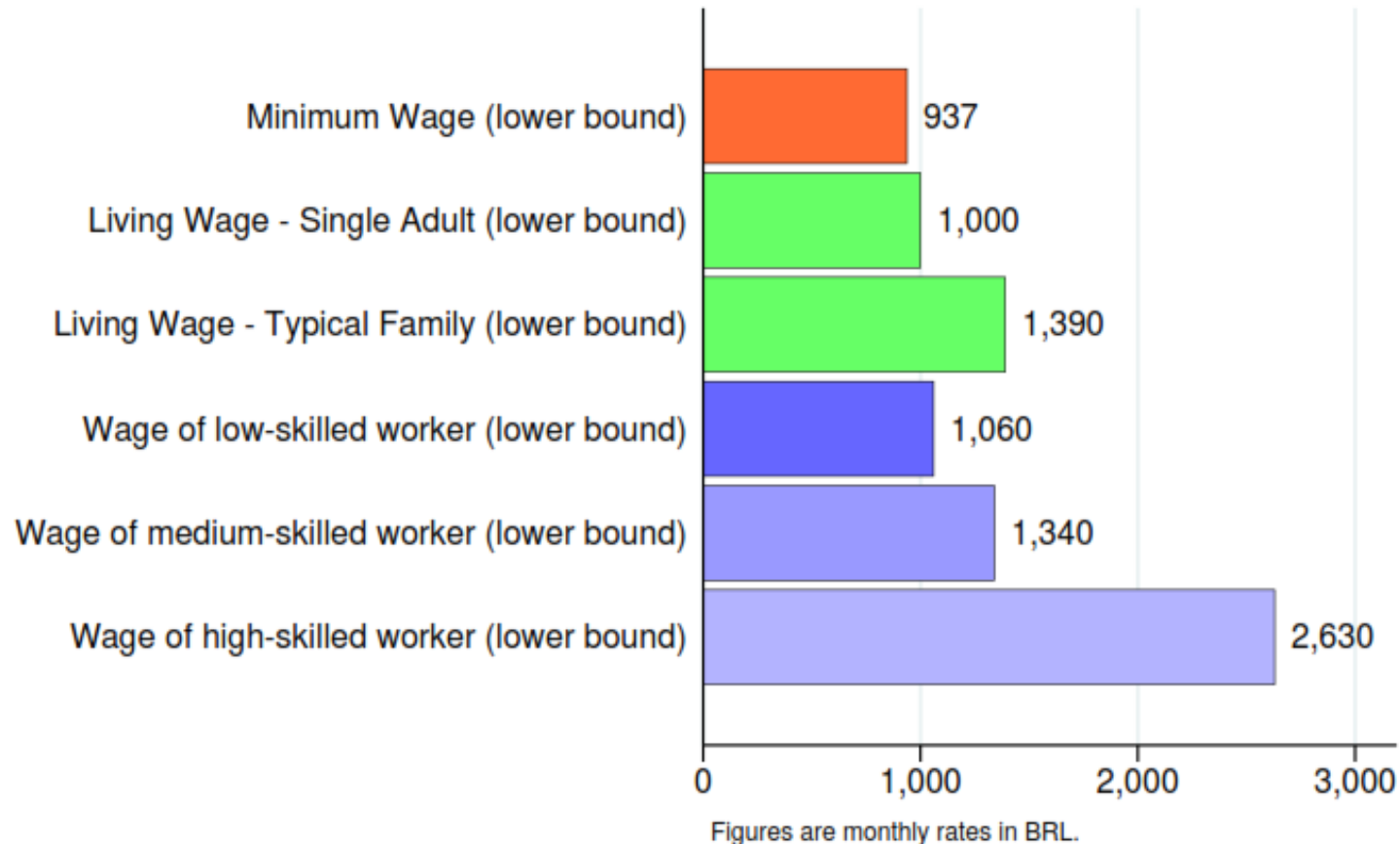
Food group	Food costs per month		Grams per day	Food kcal per day	Price per kilo	
	from	to			from	to
Beer	25.1	35.8	119.4	42.7	7.0	10.0
Meat (pigmeat, poultry, bovine, others)	50.1	65.8	168.8	279.7	9.9	13.0
Seeds and kernels	0.0	0.0	0.0	0.6	5.0	8.0
Roots, Other	0.0	0.0	0.0	0.0	3.0	5.0
Sugar (Raw Equivalent)	11.9	18.8	104.3	273.8	3.8	6.0
Sunflowerseed Oil	0.1	0.1	0.5	5.2	4.0	5.0
Cassava and products	4.6	6.9	76.4	64.7	2.0	3.0
Oranges, Mandarines	6.2	9.3	103.0	27.8	2.0	3.0
Onions	0.7	1.1	12.4	5.2	2.0	3.0
Groundnuts (Shelled Eq)	4.1	5.7	27.1	42.1	5.0	7.0
Grapefruit and products	0.0	0.1	0.5	0.0	3.0	4.1
Citrus, Other	0.0	0.0	0.0	0.0	2.5	3.5
Rice (Milled Equivalent)	4.5	5.5	60.7	224.6	2.5	3.0
Cream	0.0	0.0	0.0	0.0	3.0	8.0
Milk - Excluding Butter	16.7	20.1	267.5	164.4	2.1	2.5
Lemons, Limes and products	0.4	0.7	7.3	1.3	2.0	3.0
Yams	0.1	0.2	1.1	1.3	4.0	5.2
Peas	0.0	0.0	0.4	1.3	3.0	4.0
Pulses, Other and products	0.0	0.0	0.4	1.3	2.6	4.0
Butter, Ghee	0.7	0.9	6.0	42.7	4.0	5.0
Apples and products	1.0	1.3	9.9	5.2	3.5	4.5
Plantains	0.0	0.0	0.0	0.0	2.0	3.0
Olives (including preserved)	0.1	0.2	0.9	0.6	5.0	9.0
Wine	1.8	2.7	3.7	2.6	16.0	24.0
Sweeteners, Other	0.0	0.1	0.7	2.6	2.0	3.0
Bananas	4.1	5.0	55.2	35.0	2.5	3.0
Maize and products	4.1	5.2	43.1	134.6	3.2	4.0
Coffee and products	1.0	1.2	5.5	2.6	6.0	7.5
Wheat, barley and cereals	11.9	22.9	99.1	258.3	4.0	7.7
Beans	3.1	3.8	29.1	97.7	3.6	4.4
Oils (soyabean, olive, palm, other)	2.7	3.6	30.3	269.9	3.0	4.0
Sweet potatoes	0.2	0.3	2.1	1.9	3.0	4.0
Tomatoes and products	3.8	4.6	36.2	7.8	3.5	4.2
Eggs	0.1	0.2	15.6	20.7	0.3	0.3
Soyabeans	1.0	1.4	6.7	12.3	5.0	7.0
Honey	0.1	0.1	0.2	0.6	10.0	15.0
Potatoes and products	2.6	3.4	34.1	22.7	2.5	3.3
Vegetables, Other	4.2	5.6	47.0	11.7	3.0	4.0
Fish products	8.5	11.3	18.8	10.4	15.0	20.0
Tea (including mate)	0.4	0.6	3.5	1.3	4.0	6.0
Total	176	244	1461	2100	169	243

Expenditure and Living Wage calculation, in Brazil (BRL)

	Typical family		Standard family		Single-adult	
	from	to	from	to	from	to
Food	650	915	680	960	170	240
Housing	750	900	750	900	500	715
Transport	240	290	240	290	120	145
Health	150	300	150	300	38	75
Education	165	500	165	500	0	0
Other costs	98	145	99	150	41	59
Total Expenditure	2053	3050	2084	3100	868	1234
Net Living Wage	1210	1800	1160	1720	870	1240
Gross Living Wage	1390	2070	1330	1980	1000	1420

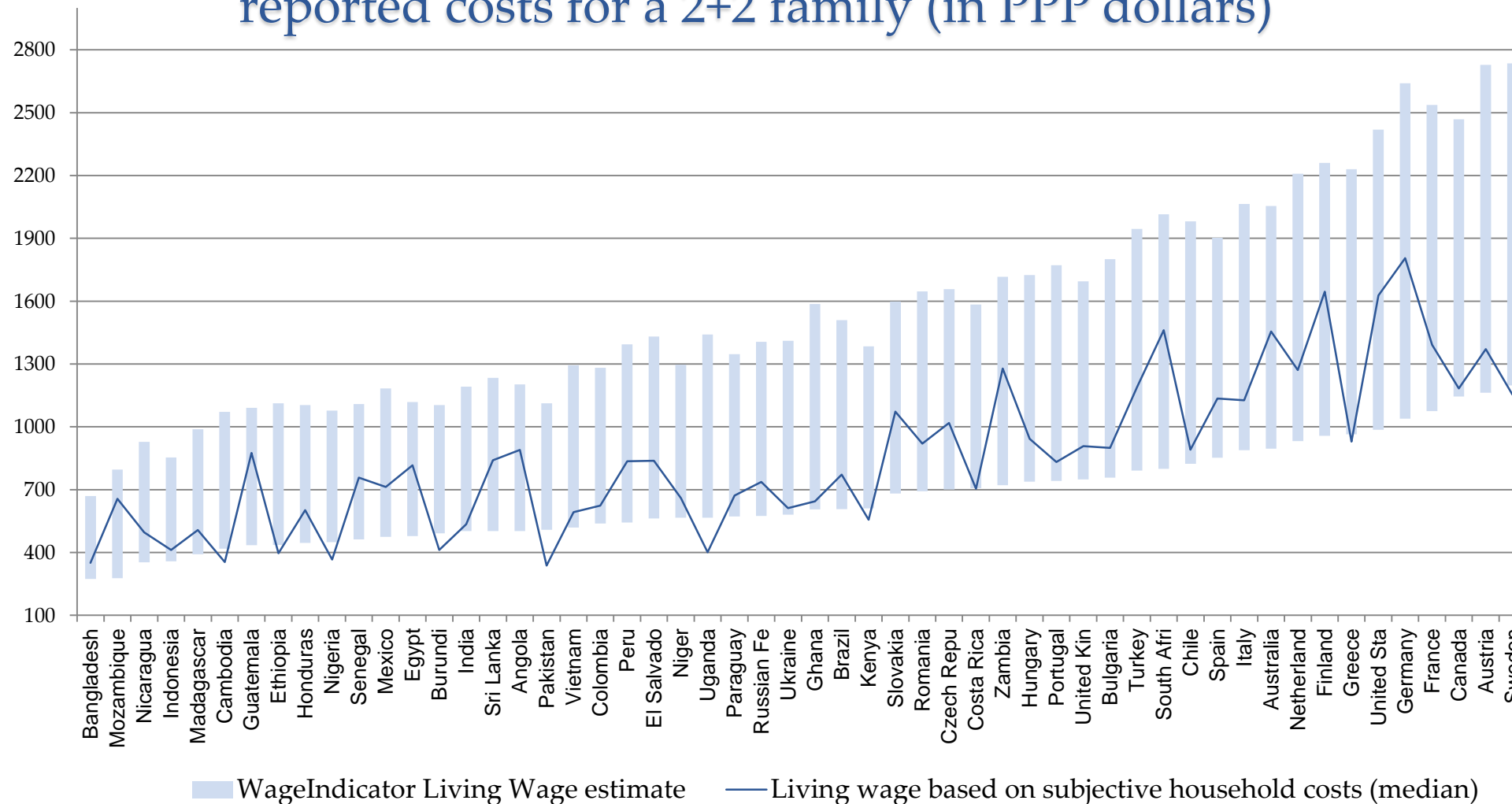
Typical family Living Wage is estimated for two adults and the 1.8 children (fertility rate in Brazil). One parent is working full-time and the working hours of second parent are approximated by national employment rate (69% in 2017). **Standard family Living Wage** is estimated for a family composed of two adults and two children. One parent is employed full-time and the second parent works 4 days a week it means family employment rate is 1.8. **Single-adult Living Wage** represents an acceptable standard of living for a single individual working full-time with no dependents.

Living Wages in context, Brazil 2017



Note: Prevailing wages of workers are taken from WageIndicator global dataset on work and wages.

Living Wage estimate in comparison with (subjectively) reported costs for a 2+2 family (in PPP dollars)



Note: Respondents report average monthly minimum living expenditure for family of 2 adults and 2 children.

● Calculation of living wage assumes family employment rate of 1.8. Rates are converted to PPP dollars. ●

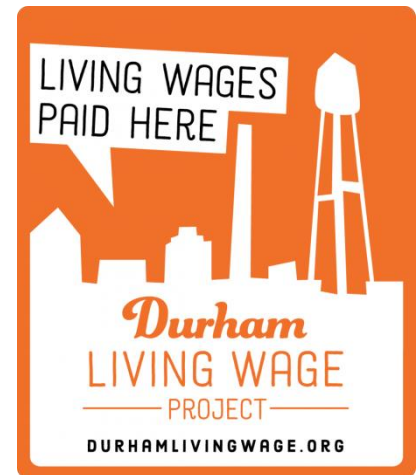
Conclusions

- We proposed the method to calculate the Living Wage for the large number of countries (currently 57 countries).
- All estimates are published at *www.wageindicator.org*.
- The calculation is sensitive to country characteristics (e.g. food consumption, price variations, family composition, labor market conditions)
- Living Wage could serve as an indicator of economic adequacy and a practical basis to set minimum wages.
- When information on prices is sufficient we can also calculate Living Wage at the regional level (currently 220 regions).





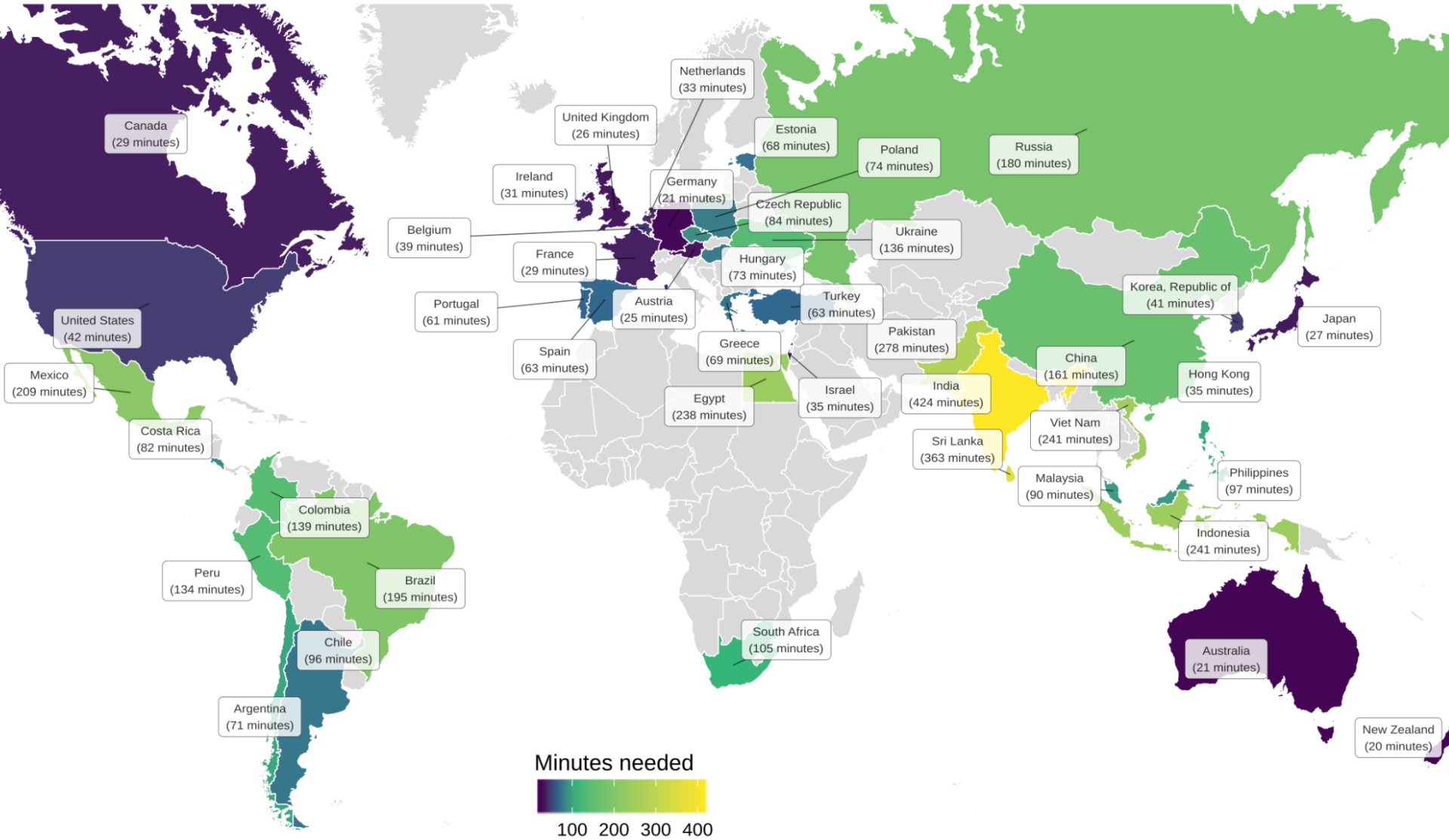
Comments are welcome:
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living wage
employer

Minutes Of Minimum-Wage Work To Buy A BIG MAC

How many minutes a minimum-wage worker would have to work to earn enough money to buy a Big Mac burger?



Notes: Big Mac prices are taken from The Economists and minimum wages are collected by Wage Indicator. The calculation assumes 173 working hours in the month.