

# Living Wage for a Decent Life Global Estimates

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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”.

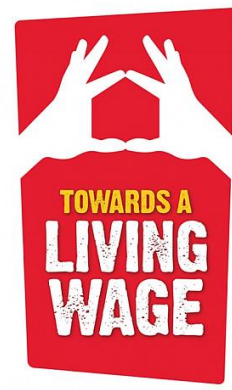
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*Durham*  
LIVING WAGE  
PROJECT



**Clean  
Clothes  
Campaign**



**GLOBAL  
LIVING WAGE  
COALITION**



**living wage**  
for families campaign



# Living Wage vs Minimum Wage

	Minimum wage		Living wage		Gap between LW and MW		
	2021	2017	2021	2017	2021	2019	2017
Ireland	10.2	9.25	12.9	11.7	15%	21%	26%
New Zealand	20	15.75	22.75	20.2	14%	16%	28%
United Kingdom	8.91	7.5	9.5	8.45	7%	10%	13%
London, United Kingdom	8.91	7.5	10.85	9.75	22%	29%	30%
Vancouver, Canada,	14.6	11.35	19.5	20.62	34%	106%	

Note: Hourly rates in national currency.

# Calculating Living Wage

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# Reference budgets

- Reference budgets are baskets of goods and services that are considered necessary to reach an acceptable standard of living for an individual household within a given country, region or city.
- This method requires information about social needs and prices of many goods and services.
- Fully developed and used in Belgium, the UK and Ireland.
- *EU platform on reference budgets* is a project funded by the European Commission that aims to develop comparable reference budgets in all EU Member States





# Do you earn enough for a decent standard of living in London?

Answer three short questions and find out the minimum income for your family type.

I live in **INNER LONDON**

I live in **OUTER LONDON**

Your household

# For a decent standard of living, you and your partner each need

# £32,876

(£65,752 per year between you), giving a net income of **£1021.66 per week**

Calculator  
Switch  
Unit

### Show outgoings/income breakdown

#### Weekly outgoings ?

## £1021.66

Food	£105.59
Alcohol	£9.49
Clothing	£43.09
Water rates	£6.98
Council Tax	£24.42
Household Insurances	£4.02
Gas, electricity, etc	£23.34
Other housing costs	£2.02
Household goods	£25.96
Household services	£14.96
Childcare	£376.86
Personal goods and services	£44.56
Travel costs and motoring	£93.03
Social and cultural activities	£105.84
Rent	£141.50
Mortgage	£0.00

#### Weekly income ?

## £1021.66

Your Pre-tax Earnings	£630.50
Your Income Tax	£80.65
Your National Insurance	£56.22
Partner's Pre-tax Earnings	£630.50
Partner's Income Tax	£80.65
Partner's National Insurance	£56.22
After Tax Earnings	£987.26
Working Tax Credits	£0.00
Child Benefit	£34.40
Child Tax Credit	£0.00
Childcare Tax Credit	£0.00
Housing Benefit	£0.00
Council Tax Support	£0.00
Income Support / Jobseeker's Allowance	£0.00





## Living expenses for a family of four

 food	 clothing + footwear	 shelter	 transportation
 child care	 household expenses	 social participation	
 Medical Services Plan	 extended healthcare	 parents' education	 contingency fund <i>2 weeks pay per adult</i>

## benefits

living expenses decrease when benefits are paid for by the employer

 Medical Services Plan	 extended healthcare	 professional development	 paid sick leave + vacation
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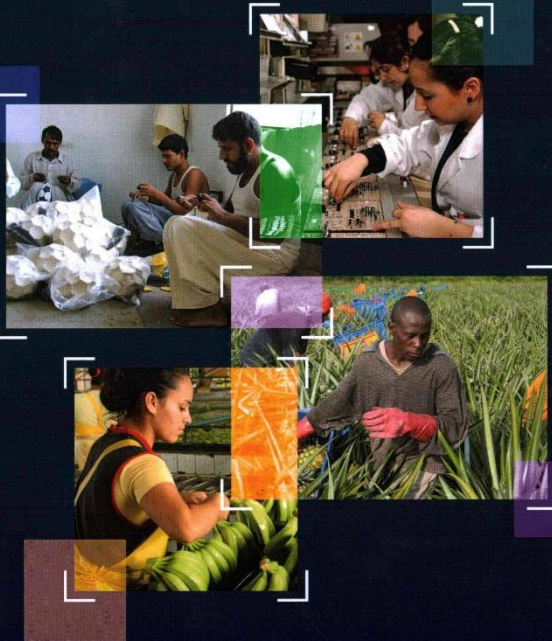


Richard Anker Martha Anker



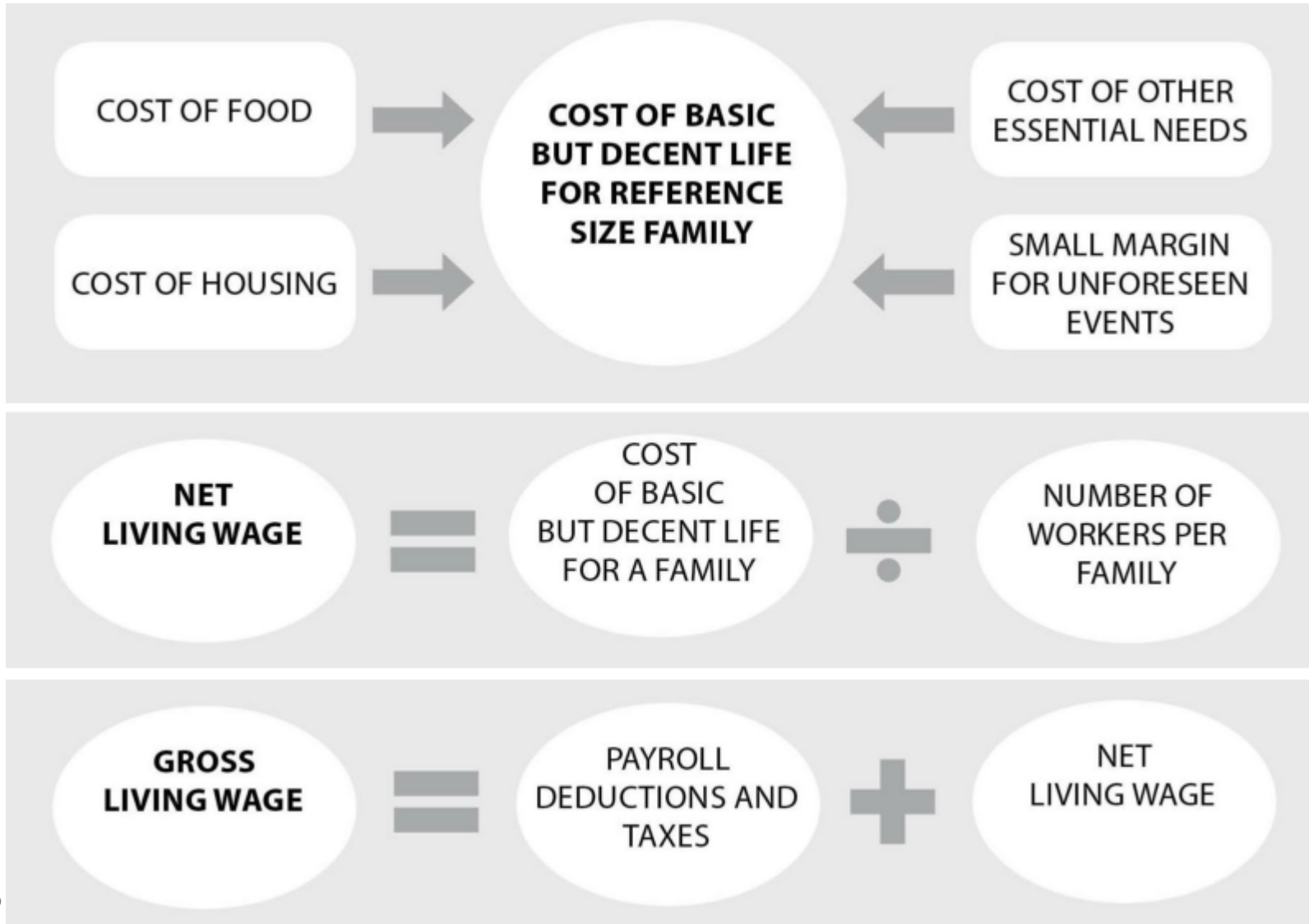
## Living Wages Around the World

MANUAL FOR MEASUREMENT



Dr. Richard Anker, former ILO Senior Economist and Martha Anker, former WHO Senior Statistician in Kenya after a day of work on the Living Wage Benchmark for Naivasha

# Living Wage estimation method developed by Richard Anker



# WageIndicator Living Wage

- Calculated Living Wage for more than 100 countries globally
- Seven budgets: food, housing, transport, health, education, tax and other costs.
- Calculated for different household types and under different assumptions about family employment rate
- Methodology based on transparent principles
- Easy to update regularly (prices are collected continuously)
- Estimates published online at



# Data used in the calculation

**Cost-of-Living price survey** started in January 2014.

- Prices are reported by web visitors, via offline surveys and from webshops
- Prices on 60 food items, rental prices, education and health expenditure, public transport
- Use other price data (e.g. Numbeo.com, national surveys)
- Six million prices gathered in 220 countries

**FAO food balance sheets** to construct a food basket

**World Bank data** on fertility and employment rates

# Price cleaning

- Use prices collected over the last five years
- Adjust older prices for inflation
- Filter extreme prices :
  - Convert prices to USD and drop visibly high/low prices
  - Determine median price for each item, and drop prices below  $1/3 * \text{median}$  and above  $3 * \text{median}$
- Take price at 25th and 50th percentile for each item
- Produce interval estimates of living costs
  - More realistic approach relative to point estimates
  - Accounts for the (regional) variation of prices at which different products are accessible
  - In highly developed countries the upper estimate based on the median prices is preferred.

# Example of food basket in Slovakia

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

Food item	Grams per day	Energy (kcal)	Price per kilo
Wheat, barley and cereals products	275	728	1.4-2
Rice	6	22	.9-1
Meat (beef, pork, poultry)	113	169	4.5-6
Oils (soyabean, olive, palm)	19	172	1-1.3
Sugar (Raw Equivalent)	69	245	.6-.7
Maize and products	0	0	1.6-2
Milk - Excluding Butter	292	135	.5-.6
Vegetables, Other	95	25	1.2-1.5
Potatoes and products	106	69	.4-.6
Butter, Ghee	31	201	4.6-5.2
Groundnuts (Shelled Eq)	9	27	2-2.4
Pulses, Other and products	1	4	.8-1
Egg (price per 10 eggs)	33	45	1.1-1.4
Sunflowerseed Oil	4	37	1.3-1.8
Fish products	18	12	5-7
Beer (0.5 liter/pint)	145	71	1.2-1.6
Sweeteners, Other	30	66	.7-1
Beans	1	2	1-1.6
Sweet potatoes	0	0	1-2
Bananas	13	8	1-1.3
Soyabeans	0	0	2-4
Apples and products	21	9	.7-1
Tomatoes and products	16	3	1-1.2
Onions	12	4	.5-.8
Oranges, Mandarines	33	7	1-1.5
Plantains	3	2	1-1.6
Peas	1	4	.8-1
Roots, Other	0	0	1-1
Seeds and kernels	2	5	2-4.1
Wine (bottle)	8	6	4-4
Pineapples and products	2	1	-
Cream	3	6	1.6-4
Olives (including preserved)	1	2	4.9-6
Honey	2	7	4.9-6
Citrus, Other	1	0	1-1.2
Lemons, Limes and products	5	1	1-1.2
Tea (including mate)	0	0	2-4
Grapefruit and products	2	0	1-1.2
Coffee and products	10	4	5-10

# Housing cost

- The housing cost for a family (an individual) is then a typical rent for a 2-bedroom apartment (1-bedroom apartment) in an average urban area, outside the city center.
- Cost of Living Survey asks about the rental price of apartment with 1 and 2 bedrooms, the location and utilities included in the rent (electricity, water, garbage collection, Internet, and taxes).
- Add housing prices from Numbeo.com (wisdom of the crowd)
- Drop outlier prices



# Education and health

- Subjectively reported costs.
- We asks respondents about the **minimal monthly expenses on personal and health care** for a 2+2 family.
- Health expenses for an individual are taken at one quarter of expenses reported for a 2+2 family.
- We ask respondents about the **minimal monthly expenses on education** (assuming that children attend public school) for a 2+2 family.
- We take reported costs at 25<sup>th</sup> and 50<sup>th</sup> percentile.

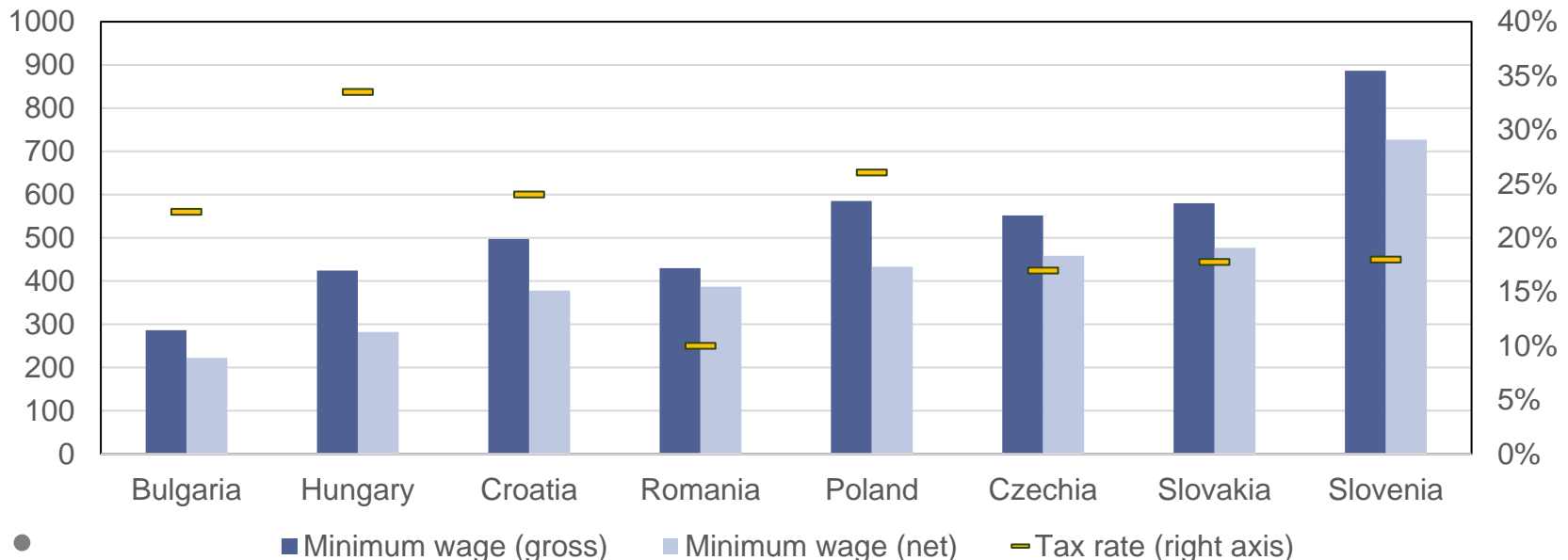


# Transport

- Most people commute for work or travel for their daily activities (e.g. shopping).
- The price of a [regular monthly public transportation pass](#) is taken as the cost of transport.
- Children are assumed to travel for free.
- We complement prices on public transportation from [Numbeo.com](#).

# Taxes and mandatory deduction

- In the WageIndicator wage survey we ask respondents about their gross and net earnings. Using the **ratio of gross/net income** we calculate the share of earnings spent on taxes and mandatory deductions of low-earning workers.
- Gross living wage is constructed using this information.



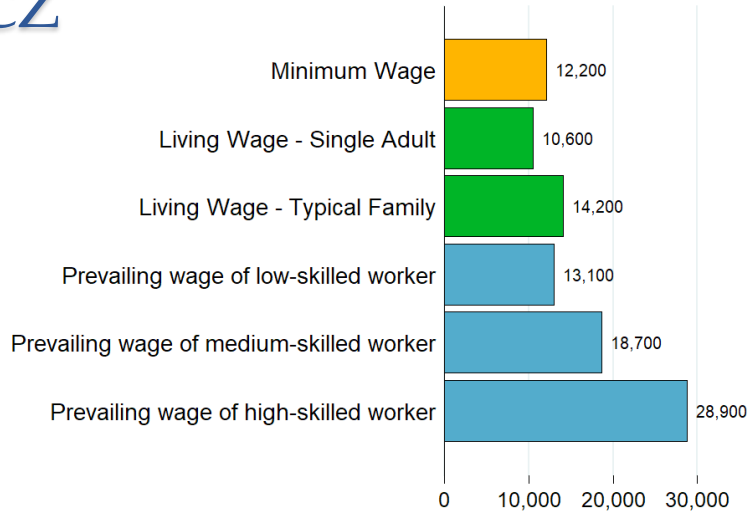
# Expenditure and Living Wage calculation, in EUR

	Total living costs		Food		Housing		Living wage		Minimum
	from	to	from	to	from	to	from	to	wage 2018
Bulgaria	524	733	248	299	141	245	371	516	261
Czech Rep	737	1066	232	309	368	546	511	741	476
Hungary	563	792	207	266	183	310	463	651	436
Poland	580	1079	232	281	186	418	446	827	488
Romania	400	566	195	257	113	172	306	432	400
Russian Fed	351	494	179	245	60	93	224	316	127
Slovakia	565	828	240	320	200	320	395	580	480
Ukraine	214	313	107	142	60	102	146	214	122

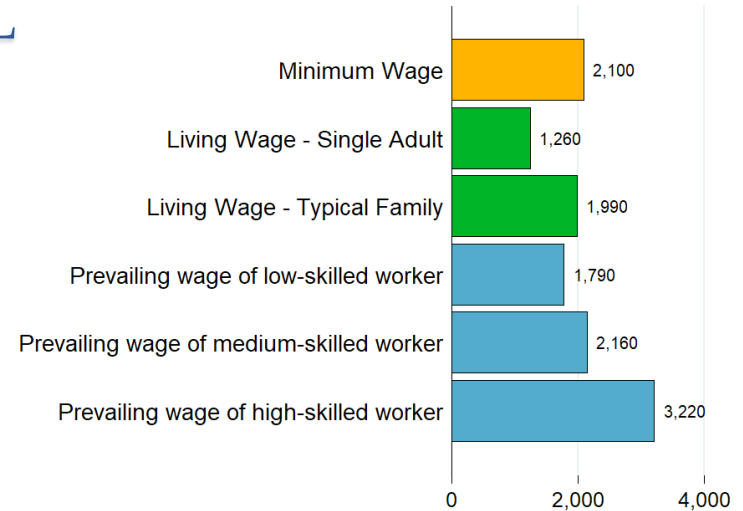
Living Wage is calculated for a 2+2 family. The family employment rate is 1.8 (one adult is a full-time worker and the second adult works 4 days per week). The total living costs are obtained by summing the costs of food, housing, travel, health and education. The 5% margin is added on top. Housing cost is the rent of a two-bedroom home. EUR exchange rate is taken on March 1, 2019.

# Presentation of Living wages in context

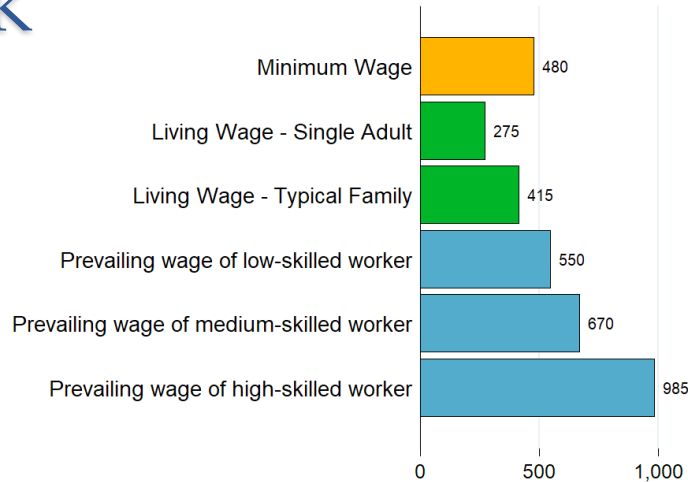
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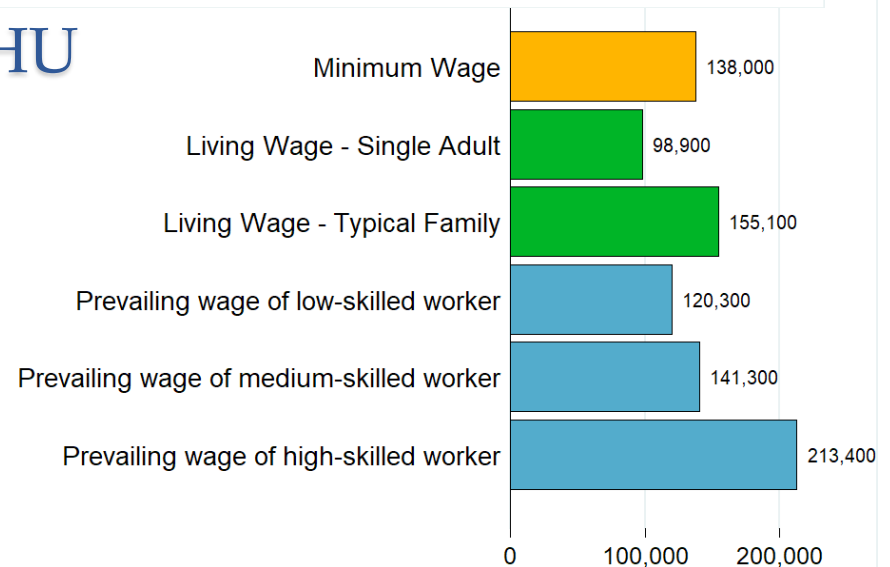
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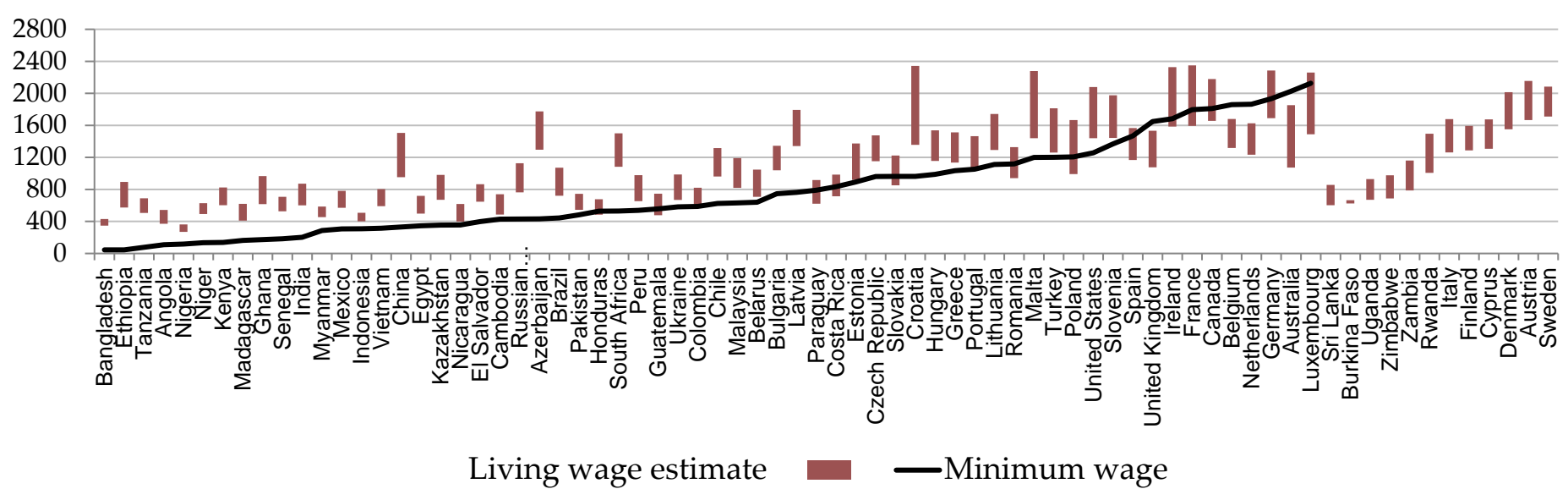


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● Note: Prevailing wages of workers are taken from WageIndicator global dataset on work and wages.

# Living wage vs minimum wage



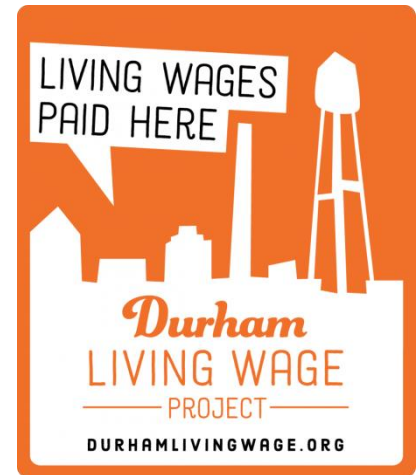
Note: The figure compares the calculated Living Wage based on living standards with the legislated minimum wage. All rates are expressed in PPP USD dollars.

# Living wage summary

- Using prices from different sources Living Wage can be estimated for the large number of countries.
- ~~All~~ Some 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 Living Wage can be estimated at the regional level.



Comments are welcome:  
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**living wage  
employer**



# International companies demanding living wages

accenture



KERING

H&M



# What is living wage?

- A. Wage that allows decent living standard for a worker and their family.
- B. Monthly wage higher than twice the minimum wages
- C. Fair wage above the poverty line.
- D. Living wage is set at 60% of median wage in a country



# What is not true about living wage?

- A. Living wage accounts for the family needs
- B. Living wage is voluntarily paid by employers
- C. Living wage campaigns are organized in rich and poor countries
- D. There is approved methodology on how to calculate Living wage