

1. Introduction

1 BACKGROUND

1.1 Living Wage is a Decent Wage

Decent work is not possible without decent wages.¹ Indeed, one of the first things, if not the first thing, workers want to know about a job is how much it pays – and with good reason since wages are the main determinant of the standard of living for the vast majority of people in paid employment in the world. It must never be forgotten that ‘Necessitous men are not free men’ (Roosevelt, 1944).

Living wage has become the accepted term in English for describing decent wages. Its translations in French (*‘salaire decent’*) and Spanish (*‘salario digno’*) according to Google Translate clearly express the fact that a living wage is a decent wage.

1.2 Recent Upsurge of Interest in and Acceptance of Living Wage

Living wage has captured the attention of workers, governments, employers, NGOs, international organizations and the body politic around the world in recent years. Minimum wage must equal *‘salario digno’* in Ecuador because of its 2008 Constitution (Ecuador Ministry of Labor, 2015), and minimum wage in Vietnam must ‘ensure minimal living needs of the employees and their families’ because of the 2012 labor code (ILO, 2014a). The former Prime Minister of the United Kingdom David Cameron declared that a national living wage would become the law of the land for workers aged 25 and over, and more than 2,000 companies and organizations in the United Kingdom have become living wage companies (Living Wage Foundation, 2016). There are now well over 100 municipalities in the United States with living wage ordinances for government employees and contractors (Center on Wisconsin Strategy, 2013). Many corporations include living wage in their corporate codes of conduct for their worldwide supply chains. Many sustainability standard and certification organizations now include living wage in their codes of practice such as Fairtrade International (Fairtrade), Social Accountability International

(SAI), UTZ, Sustainable Agriculture Network (SAN), Rainforest Alliance (RA), Forestry Stewardship Council (FSC), and GoodWeave International (GoodWeave). Many trade unions call for payment of a living wage and use living wage as an organizing and public awareness tool such as IndustriALL and the International Textile, Garment and Leather Workers' Federation. Multi-stakeholder initiatives and government sponsored public-private partnership initiatives are underway on living wages such as the Ethical Trading Initiative (ETI), the Dutch Sustainable Trade Initiative (IDH), and the Ethical Tea Partnership (ETP).

1.3 Historical Background and Wide Acceptance of Idea of Living Wage

Living wage – the idea that workers should be paid a decent wage and not have to live in poverty – has such a long and distinguished history that it should be considered a mainstream idea, and in any case very far from a radical idea. Well-respected individuals, institutions and organizations have advocated payment of a living wage for hundreds of years. This includes Declarations of Human Rights; popes; presidents of countries; constitutions of countries; the International Labor Organization Constitution; academics famous for championing free market economics; industrialists; and codes of conduct of companies and certifying organizations. The following quotes give a flavor of the distinguished history of living wage. Many more quotes can be found in Anker (2011).

Adam Smith (1776):

No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, clothe and lodge the whole body of the people should have such a share of the produce of their own labour as to be themselves tolerably well fed, clothed and lodged. . . . These necessaries and conveniences are: not only commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without. (Anker, 2011, p. 80)

Pope Leo XIII (1891):

Remuneration must be enough to support the wage earner in reasonable and frugal comfort. If through necessity, or fear of a worse evil, the workman accepts harder conditions because an employer or contractor will give him no better, he is the victim of fraud and injustice. (Anker, 2011, p. 82)

ILO Constitution Preamble (1919):

Whereas universal and lasting peace can be established only if it is based upon social justice; And whereas conditions of labour exist involving such injustice, hardship and privation to large numbers of people as to produce unrest so great that the peace and harmony of the world are imperilled; and an improvement of those conditions is urgently required; as, for example, by . . . the provision of an adequate living wage. (Anker, 2011, p. 69)

And ILO Philadelphia Declaration Annex to ILO Constitution (1944):

Policies in regard to wages and earnings, hours and other conditions of work calculated to ensure a just share of the fruits of progress to all, and a minimum living wage to all employed and in need of protection. (Anker, 2011, p. 69)

John D. Rockefeller, twentieth-century industrialist cum robber baron (1921):

The purpose of industry is quite as much to advance social well-being as material progress. . . . Every man is entitled to an opportunity to earn a living, to fair wage, to reasonable hours of work and proper working conditions, to decent home, to opportunity to play, to learn, to worship, and to love, as well as to toil, and that responsibility rests as heavily upon industry as upon government or society, to see that these conditions and opportunities prevail. (Anker, 2011, p. 80)

United Nations' Universal Declaration of Human Rights (1948):

Everyone who works has the right to just and favorable remuneration ensuring for himself and his family an existence worthy of human dignity. (Anker, 2011, p. 67)

1.4 Need for Methodology and Manual to Measure Living Wages

Developing a methodology for measuring credible living wages/decent wages, especially for locations in developing countries, has motivated our work now for over a decade. See the next section for an indication of some of this work. We have dubbed the methodology we have developed the Anker methodology.

In doing this work, it became apparent that a manual was needed on how to measure credible living wages especially for developing countries and to write informative living wage reports that could lead to action on wages. We came to realize that our work on living wages was sufficiently innovative and useful that we needed to put our ideas and approaches down on paper so that others could use them. Although technical notes exist that describe other living wage methodologies, they are not comprehensive manuals. They are generally cryptic, provide weak justification for

their methodology, and do not consider how to measure prevailing wages and so determine if workers receive a living wage. Hence this book.

There are, of course, other methodologies that have been used to measure living wage. Indeed, we reviewed and critically analyzed 26 living wage methodologies for ILO in 2011 (Anker, 2011). One conclusion of this review was that there was as yet no standard methodology for measuring living wage that could be recommended.

In our review, we found that methodologies for developing countries fell into three main types according to the type of data used. The most common methodology for developing countries uses country-specific data on household expenditures to measure living costs for two expense groups (food and all other costs) in the same way that national poverty lines are estimated by the World Bank (Ravaillon, 1998).² The use of only two expense groups and reliance on household expenditure survey data creates a number of serious problems for measuring a living wage. It means that: (i) transparency is lost because most living costs are included in an opaque black box (since the food share of household expenditure is usually less than 50% in developing countries and often well below 50% in urban areas); (ii) living cost estimates are often insufficient for decency in many developing countries (since they are based on current living conditions according to household survey data and these are less than decent in many developing countries); and (iii) it is very difficult to estimate separate credible living wages for rural and urban areas or different cities within countries (because housing costs are the important reason for differences in living costs within countries and they are subsumed within the very large non-food black box). Our living wage methodology improves on other common methodologies by estimating housing costs separately from other non-food costs. This allows us to ensure that workers can afford decent housing on a living wage as well as to estimate credible living wages for different areas and cities within countries. Common living wage methodologies for developing countries almost always assume that there are either one or two workers per family. Since neither assumption is realistic, our methodology estimates the number of workers per couple in a country and location that is appropriate for that country and location based on local male and female labor force participation rates, unemployment rates, and part-time employment rates of men and women.

Our 2011 ILO review found that living wage methodologies for developed countries are quite different, and generally better, than those for developing countries. Developed country methodologies tend to be better documented and more transparent regarding the living standard that could be afforded on a living wage. They use more expense groups (typically five or six), which is a big improvement over the two expense groups typically

used in developing country methodologies. Costs of different expenses (e.g. model diet, two- or three-bedroom house, second-hand car, institutional child care, and health care) by city and state are generally taken from published data series.³ A major problem with this approach for developing countries is that representative data series of different living expenses are not available for developing countries.⁴ Our conclusion is that high income country living wage methodologies cannot be easily transported to developing countries. Credible living wage estimates for developing countries, we feel, require collection of primary data on prices and living costs in areas where workers live. It is for this reason that our methodology requires that new data be collected on local food prices, housing costs, health care costs, and education costs.

Our methodology was designed to correct for many of the problems of other living wage methodologies while keeping in mind data availability on living costs in developing countries. It was also designed so that living wage studies and estimates would be transparent and sufficiently descriptive to form the basis for stakeholder dialogue and action on wages. New and innovative aspects of our methodology are described in greater detail in Chapter 2. Some key principles of our methodology include:

- **Transparency**

Our methodology clearly sets out its principles and assumptions and strongly recommends that these are indicated in living wage reports. This transparency enables stakeholders and others to understand, and have the possibility to question, the local standards and methods used to estimate the living wage and so what workers and their families could and could not afford if they earned a living wage.

- **Normative basis**

Our methodology estimates living wage based on normative standards for nutritious food, healthy housing, adequate health care, and education of children through secondary school. Other methodologies for developing countries typically calculate a living wage based on cost of a model diet that only ensures sufficient calories and do not consider whether other aspects of proper nutrition are met nor do they consider whether workers can afford healthy housing, adequate health care, and education for their children.

- **Time and place-specific estimates**

Our methodology calls for separate living wage estimates for rural and urban areas in all countries and for separate living wage estimates in major cities and regions in large countries. And living wages increase with economic development and rising incomes,

which makes them time and place-sensitive. This contrasts with other common methodologies for developing countries that typically estimate one living wage for each country.⁵

- **International comparability**

Our living wage estimates are comparable between countries, because they are based on the same principles everywhere.

- **Practical and modest cost**

Our methodology uses a judicious mix of secondary data analysis and primary data collection and analysis. This is because some relevant secondary data on living costs of workers in developing countries are not available. This approach is both practical and has modest cost while remaining sufficiently rigorous. Methods based exclusively on published data do not yield credible estimates for developing countries.

- **Prevailing wages and determining if workers receive a living wage**

Our methodology develops principles and guidelines for measuring prevailing wages so that it is possible to compare them with a living wage and determine gaps between prevailing wages and a living wage. All forms of remuneration including in kind benefits and cash allowances are considered.

- **Living wage reports more than only a number**

Living wage reports that use our methodology are expected to be much more than simply a number – the living wage estimate. They are expected to paint a picture of what it means to live on less than a living wage as well as how basic the living standard would be for workers who would earn a living wage. This type of report is important in our experience to starting and facilitating effective stakeholder dialogue and value chain dialogue and so to getting action on raising wages. Other typical living wage methodologies for developing countries are not clear about what it means to live on less than a living wage.

1.5 Extensive Acceptance and Experience with Anker Methodology

There is a good deal of experience in using our methodology in a wide range of locations. It was first developed to help a multinational corporation, Tiffany, with factories in urban areas in developing countries set wages, since it has a policy of paying its workers a living wage. This resulted in living wage estimates for nine countries. This work built on in particular the work we had done on estimating national living wages for countries using data from international databases (Anker, 2005) and our 30 years of experience in measuring poverty (e.g. Van der Hoeven and Anker, 1994;

Bilsborrow et al., 1998) and socio-economic, demographic and health phenomena (e.g. Anker and Anker, 1989; Anker, 1991). Our methodology was further extended and improved through work for members of the Global Living Wage Coalition (GLWC) who needed living wage estimates to audit their living wage standards (see Section 1.13). This meant that our methodology needed to be extended to rural areas since a number of GLWC members certify agricultural products, and that we needed to develop principles for measuring prevailing wages so that gaps between prevailing wages and a living wage could be measured.

To begin with, we undertook four living wage studies in agricultural areas of four developing countries (Dominican Republic, Kenya, Malawi, and South Africa) (see Anker and Anker, 2013a, 2013b, 2014 and 2014a).⁶ The study that focused on the tea growing area of rural southern Malawi became a catalyst, following earlier work by Ethical Tea Partnership (ETP) and Oxfam (2013), for a large multi-stakeholder project whose aim is ‘to achieve a competitive, profitable Malawi tea industry where workers earn a living wage and small holders are thriving by 2020’ (ETP, 2015). This project brings together major multinational corporations (such as Unilever, Tata, Twinings, and Marks and Spencer), Tea Association of Malawi (TAML) and local tea estates, NGOs (such as Oxfam, ETP, Fairtrade International, Rainforest Alliance, and UTZ), and IDH public-private partnership sustainability trade initiative. We are on the wages committee for this project with the task of measuring and monitoring progress on wages. Currently, our methodology is being used by other researchers under our supervision for the GLWC to estimate living wages in 20 locations in 13 countries in Africa (Ethiopia, Tanzania), Asia (Bangladesh, China – six cities, India – rural Uttar Pradesh and urban Tamil Nadu, Pakistan, Sri Lanka, Vietnam – rural and urban), and Latin America (Brazil, Ecuador, Guatemala, Nicaragua, Mexico). Funders of these studies include GLWC members, major multinational corporations in garments, outdoor wear, supermarkets, seafood, and electronics (including EILEEN FISHER, Lidl, Superunie, Foppen, and a number of others that want to keep their names confidential) and the Dutch and German governments. Living wage estimates from these studies will be used by members of the GLWC to help implement their living wage standard and multinational corporations to evaluate wages in their supply chain. All of these studies will be made publically available in the hope that studies will lead to improvement of wages. It is with the above backdrop that we have written this manual, so that other researchers and the GLWC will be able to use our methodology to undertake living wage studies and estimate living wages for their country and location.

1.6 Consensus on the Definition of a Living Wage

Our 2011 ILO review of living wage descriptions, definitions and methodologies (Anker 2011) found a consensus about what constitutes a living wage. This review concluded that there is general agreement that a living wage: (i) is a right according to the international community; (ii) needs to be sufficient to support a basic but decent standard of living that is appropriate for a particular time and place and that improves with economic development; (iii) needs to be sufficient to support a family; (iv) needs to be increased to take into consideration payroll and income taxes to ensure sufficient take home pay and so sufficient disposable income; and (v) needs to be earned in normal working time and not require overtime.

This consensus is reflected in the definition of a living wage agreed to by the GLWC and is the definition used in this manual.

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. (Global Living Wage Coalition, 2016)

It is worth noting that there has been a change in the four years since our 2011 review of living wage methodologies in the extent of agreement on the definition of a living wage. In 2011 despite the fact we found that there was a consensus of what is a living wage based on the more than 60 descriptions of living wages that we looked at, we also found many examples of companies that said that they would not consider doing anything about raising wages because there was no agreed definition of a living wage. Now, several years later, one does not hear this excuse for inaction on living wages very often, and there now appears to be a broad consensus on the definition of a living wage.

1.7 Living Wage and Subjectivity/Judgment

One oft-mentioned criticism of living wage estimates is that they require judgment (i.e. are partly subjective) and therefore cannot be definitively measured, since reasonable people can differ about what living standard they think a living wage should be able to support. While it is important to recognize that measurement of a living wage does require judgment and that a living wage cannot be measured with precision down to the dollar or peso, we believe that living wages can be measured with sufficient precision to be useful. This view was expressed well more than 100 years

ago in a book entitled *A Living Wage* (Ryan, 1906, quoted in Anker, 2011, pp. 11–12) (bold added for emphasis):

The question naturally arises, what precisely does this [living wage] imply in terms of goods and money? Unless an attempt is made to answer it, the whole discussion of wage-rights and obligations remains too abstract, too vague to be of practical value. . . . **Evidently the question before us cannot be answered with absolute precision. . . . There remains the supreme difficulty of translating 'reasonable comfort' into more concrete terms.** In all probability the individual estimates of no body of men no matter how competent and well-meaning, would be in entire agreement. And no prudent person would assert that a slight deduction from the amount that he regards as certainly sufficient for a decent livelihood would render the remainder certainly insufficient. . . . Nevertheless, the question [what is a living wage] **can be answered with sufficient definiteness to safeguard the human dignity of the laborer and his family, and that is all that anyone cares to know.** We can distinguish twilight from darkness, although we cannot identify the precise moment when one merges into the other. Though we cannot say just when artificial light becomes more effective than that of the waning day, we usually call it into service before the approaching darkness proves inconvenient. Thus it is with the living wage. Some rates of remuneration we know to be certainly adequate and others to be no less certainly inadequate. While we may not be able to put our finger on the precise point of the descending scale at which the rate ceases to be sufficient, we can approximate it in such a way that the resulting inaccuracy will not produce notable inconvenience.

Subjectivity is not an obstacle to acceptance of economic concepts. Many widely accepted and useful economic concepts are based in part on subjectivity including Gross Domestic Product (GDP), unemployment, and poverty. GDP per capita is a widely accepted measure of economic wellbeing of a country. GDP is the sum of the value of all goods and services produced by 'economic activity' in a country. Yet the definition of economic activity is subjective (Anker and Anker, 1989). Unpaid work on a family farm is included, but unpaid housework, child care, care for the elderly and voluntary work are excluded. It has been estimated that unpaid household work is worth close to one-half of measured GDP (Goldschmidt-Clermont, 1982 and 1987). This definition of economic activity, and so GDP and GDP per capita, clearly represents a male-oriented view of work. Also, GDP does not distinguish between 'good' outputs and 'bad' outputs, so that in a strange twist, GDP per capita is increased by pollution even though it reduces welfare.

Unemployment rate is also partly subjective. It is based on responses to survey questions about economic activity, availability for work, and whether actively looking for work in the past week. The definition of economic activity is subjective (see above), and someone without work who would like to work but stopped actively looking for work because

the job market is very poor would not be considered to be unemployed. S/he would be considered a so-called discouraged worker who had exited the labor force. Despite substantial subjectivity, changes in unemployment rates move financial markets and topple governments.

The above discussion demonstrates that subjectivity and judgment are not insurmountable obstacles to acceptance of economic concepts and their measurement. At the same time, it is also clear that for economic concepts to be widely accepted and used, clear rules and transparency are required. This manual is intended to help provide clear standards, rules and transparency for measuring a living wage.

1.8 Minimum Wage and Living Wage are Not the Same

Minimum wage and living wage have similar objectives – ensure that full-time workers do not live in poverty. Therefore, it is not surprising that many people think of minimum wage and living wage as similar or the same thing. This confusion is reinforced when governments use the term living wage to describe their minimum wage such as the United Kingdom, and the ILO in its Philadelphia Declaration Annex to the ILO Constitution uses both ‘minimum’ and ‘living’ when it states that workers should receive ‘a minimum living wage.’

Minimum wages and living wages are, however, quite different in practice. First of all, minimum wage is a legal construct with the force of law. Employers must pay at least the minimum wage or be subject to fines and other legal enforcement measures. Living wage, in contrast, is almost always voluntary. Employers are not forced to pay a living wage by government excepting in the few countries and cities where the distinction between minimum wage and living wage has become blurred.⁷ Second, minimum wage and living wage are set or estimated in different ways. Minimum wage is set by government that balances two competing objectives – a desire to reduce poverty and provide for the needs of workers and their families through work (aka living wage) and a desire to stimulate employment and economic growth. As indicated in Article 3 of ILO Convention 131 (Minimum Wage Fixing) (1970), two factors should ‘be taken into consideration in determining the level of minimum wages’ (although the ILO Committee of Experts for the International Labour Conference in 1992 stated that ‘the fundamental and ultimate objective is to ensure to workers a minimum wage that will provide a satisfactory standard of living for them and their families’ (ILO, 1992, p. 162)):

- (a) the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups; and
- (b) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.

This means that a minimum wage is set in a political process and so can be set at any level with the relative power of employers and workers playing an important role.⁸ A minimum wage could be set at so low a level that minimum wage workers live in poverty. Or, a minimum wage could be set at such a high level that many employers evade the law and consequently many workers have no choice but to work in the informal sector. We do not address how high countries should set their minimum wage, or whether minimum wages should equal a living wage.

Living wage, in contrast, is typically estimated based on research to estimate the cost of a basic acceptable living standard. Since this living standard should be normative-based, it is theoretically insulated from political considerations and the relative power of workers and employers. Living wage is only concerned with worker needs, that is, only with part (a) of the ILO minimum wage convention.

One objective of this manual is help ensure that governments, stakeholders, and the public have credible living wage estimates available so that discussions and the ultimate decision on where to set a minimum wage take into consideration element (a) in the ILO Minimum Wage Convention.

1.9 Manual Goes Beyond Estimating Living Wage to Developing Principles for Estimating Prevailing Wages and Determining Gaps between Prevailing Wages and a Living Wage

Living wages need to be looked at in context relative to prevailing wages to understand what raising current wages to a living wage might mean for workers and employers. The situation is obviously not the same when a living wage is 10% higher than prevailing wages compared with when it is 100% higher. It is also important to know whether prevailing wages have increased or decreased in the past decade taking inflation into account and so if workers are under increasing pressure to make ends meet. The situation for workers is quite different when workers' real wages have been falling compared with when they have been increasing. To address these issues, this manual develops principles and guidelines for measuring prevailing wages so that they can be compared to a living wage. This includes guidelines on how to treat and value all forms of remuneration (e.g. in kind benefits, cash allowances, and overtime pay). The intention is for

researchers to use these guidelines to determine typical prevailing wages in an industry and therefore gaps to a living wage in order to inform discussions with companies, workers, and the value chain and develop action plans to raise wages in the industry. Auditors can also use these guidelines to compare wages in specific establishments to a living wage.

1.10 Manual is More than Only a How to Do It Document

This manual is a comprehensive document. It covers all aspects of estimating a living wage, determining prevailing wages and gaps to a living wage, and writing of a living wage report. It also provides background information and provides documentation on national and international standards, and justifies why a particular approach is used. How to estimate each component of a living wage is explained. This is followed by illustrative examples of how to do this. In short, this manual is more than simply a how to do it document.

1.11 Living Wage Reports should be More than Simply a Number

We believe that it is important for living wage reports to be more than simply a detailed description and reporting of a number – the living wage estimate. Our feeling is that living wage reports should tell a story and paint a picture of what it means for workers and their families to live on less than a living wage as well as how basic is the standard of living afforded by a living wage. This includes embedding photos of local housing and local markets as they are quite effective in illustrating what the situation is in a location, especially for international readers without much knowledge of the local situation. Although the main reason for this manual and purpose of living wage studies and reports is to estimate credible living wages and indicate gaps from prevailing wages, we feel that it is important for living wage reports to bring readers on a journey of understanding of workers' lives and their possible need for higher wages. In this way, it is more likely that employers, governments and others will be convinced of the need for higher wages and perhaps earning of at least a living wage.

1.12 Multinational Companies need Widely Accepted and Credible Living Wage Methodology and Estimates

Many multinational companies are interested in the wages and living conditions of workers in their global supply chain. This includes multinationals with their own factories, farms or offices; multinationals that subcontract from factories, farms or offices where they influence how products

are made; and multinationals that procure products and services without being involved in their production.⁹ To implement a living wage policy or a policy of increasing wages in their supply chain, such companies need credible living wage estimates so that they have an idea of the dimensions of possible wage problems and so financial implications of committing to payment of a living wage. This is how the world works today – numeric targets are needed. This means that a credible methodology and credible living wage estimates are important for progress to be made with the involvement of multinationals.

1.13 Commitment to Living Wage of Eight Organizations Involved with Certification and Standard Setting for Corporate Social Responsibility

Work on living wage was significantly moved forward when eight organizations involved with certification and standard setting for corporate responsibility came together in 2013 to work on living wage (Fairtrade International, Forest Stewardship Council, GoodWeave International, ISEAL Alliance, Sustainable Agriculture Network, Rainforest Alliance, Social Accountability International, and UTZ). We have been closely collaborating with this group since its inception. ‘The long term goal and shared mission of our organizations is to seek improvements in workers’ conditions, including wage levels, in the farms, factories and supply chains participating in our respective certification systems and beyond’ (Global Living Wage Coalition, 2016). The group is now known as the Global Living Wage Coalition (GLWC). This collaboration enabled these organizations to agree to include a living wage clause in their codes of practice with a common living wage definition (see above); to use the Anker living wage methodology described in this manual to measure living wage; and to jointly sponsor living wage studies in many countries.

1.14 Living Wage and Living Income

There is a growing interest in livelihoods of small farmers and so in the measurement of living income of small holder households. This interest is similar in many ways to the interest in living wage. Both are concerned with living standards of workers and whether earnings from work are sufficient for workers and their families to be able to afford a decent standard of living – in one case for small farmers and small business owners (living income) and in the other case for employees (living wage). This means that measurement of living income and living wage have in common the need to know the cost of a basic but acceptable living standard for a family. Since

this cost is the same for all families in a location regardless of employment status, living wage studies based on our methodology can be used by living income studies to measure the cost of a decent living standard for families. This is currently being done for a living income study in Malawi. Indeed, partly for this reason, this manual has been structured so that a living wage study (Section I of this manual) can be used for a living income study and estimate.

1.15 Many Other Uses of a Living Wage Manual and Credible Living Wage Estimates

This manual is intended for researchers to enable them to estimate a credible living wage for their country and write an informative report about the life and living conditions of typical workers. There are many uses for credible living wage estimates and this manual in addition to those discussed above such as for multinational companies and standard setting organizations.

- Governments interested in setting appropriate minimum wages; estimating realistic poverty lines; formulating policies for reducing poverty, income inequality, and improving livelihoods of small producers and businesses; and improving labor clauses in international trade agreements.
- Trade unions interested in improved wage negotiations and collective bargaining agreements; and public awareness raising campaigns on wages and needs of workers.
- International organizations such as United Nations, UNDP, ILO, FAO, UNICEF, and the World Bank interested in improving advice to governments, trade unions, employers, NGOs, and the public; improving measurement of decent work to better monitor Millennium Development Goals; improving measurement of poverty; and improving setting of minimum wages and programs for poverty alleviation, trade union development, and livelihoods.
- Third World factories, offices and farms interested in attracting business from multinational companies; increasing productivity and reducing production cost by reducing labor turnover, recruiting better quality workers, reducing rejection rates, and increasing worker commitment and effort; and reducing number of strikes, work slowdowns, and labor unrest.
- Researchers, NGOs, and others interested in issues related to wages, livelihoods, poverty, labor markets, inequality, and trade unions and worker rights.

- The public interested in information on differences in living costs of different cities and areas.

1.16 Manual Outline

This manual is presented in four sections. Section I describes how to estimate the cost of a basic but acceptable living standard for a worker and his or her family in a particular location. Section II describes how to estimate a living wage once cost of a basic but decent living standard is known. Section III describes how to estimate prevailing wages and gaps to a living wage. Section IV provides suggestions on how to write a living wage report and update a living wage estimate in the future.

We have developed various tools to assist researchers in estimating a living wage. This includes an Excel program to determine required number of calories, and an Excel program to develop an appropriate model diet for a location. These are described in this manual and are available at <https://www.e-elgar.com/living-wages-around-the-world-companion-site>. The manual also contains data collection forms and dummy tables.

NOTES

1. 'Decent work for all' became the organizing framework and principal objective of the ILO in 1999. In 2008, decent work became part of the United Nations Millennium Development Goal Target 1B. In 2015, decent work and the four pillars of the Decent Work Agenda became integral elements of the 2030 Agenda for Sustainable Development of the United Nations.
2. One other type of methodology for developing countries estimates living wage using information on the spending and demographics of workers in specific factories. This type of methodology is not acceptable because there cannot be a different living wage for every factory and have that depend on the spending and demographic composition of employees in the factory, since this could lead to discrimination based on age, sex, marital status, family size, and work participation of spouses. This could set in motion a race to the bottom as regards wages. An additional problem of this type of methodology is that its living wage estimates would replicate current living conditions of factory workers, which are very often very poor at present. Another type of methodology for developing countries estimates a living wage for one country and uses this estimate to extrapolate to living wage estimates for all countries. This type of methodology is not acceptable, because living conditions, prices, spending patterns, labor markets, and demographics differ greatly across countries.
3. Accuracy of these data sets is not questioned. When a secondary data series does not exist for a variable, methodologies such as EPI and MIT living wage calculators for the United States use the same value for every city and area in the United States. For example, both assume that food costs are identical in every city and area in the United States.
4. Wage Indicator Foundation tries to get around this problem by generating its own data series of living expenses for each country and city by asking visitors to their website to fill in an online questionnaire about the cost of food, housing, transport, etc. But since visitors to their website are typically higher income persons (and not often typical workers),

the prices and living cost data collected are generally too high and not representative for typical workers in these countries.

5. The Asian Floor Wage goes further and uses one living wage for all of Asia in terms of purchasing power.
6. This has also included background papers that looked at Engel's Law for 207 countries (Anker, 2011a) and at in kind benefits as partial payment of living wages in national laws for 162 countries (Anker and Anker, 2015).
7. For example, the United Kingdom is expected to call its minimum wage a living wage even though it is not really a living wage. Many municipal living wage ordinances in the United States were set in a political process. (Luce, 2004).
8. Arbitrariness of minimum wages is illustrated by the fact that the ratio of minimum wage to average wage in Asia ranged from 23% in India to 91% in Philippines and in Latin America this ratio ranged from 27% in Mexico and Nicaragua to 97% in Paraguay according to ILO (2008a). In Bangladesh, the minimum wage for garment workers nearly doubled overnight in 2010 going from Taka1,662 to Taka3,000 (BBC News, 2010).
9. There are, in addition, many others (such as governments, airlines, universities) that procure products without getting involved in how products are produced.