



INVESTMENTS IN EDUCATION DEVELOPMENT

Estimating Living Wage Globally

Martin Guzi
Masaryk University, Czech Republic

WTO Public Forum 2014

What is living wage?

- 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”
- However there is no accepted definition of what a living wage is and no agreed methodology on how to measure it.
- Instead there are many definitions and different methodologies.





Good World Solutions Fair Wage Guide

A LIVING
WAGE IS
A MORAL
VALUE



Make
Minimum Wage
A Living
Wage!



A Living Wage
for Families

Work should lift you out of poverty, not keep you there

Global Living Wage

We propose a global living wage that can be estimated for a large number of countries with these characteristics:

1. Normatively based
2. Estimates sensitive to national conditions
3. Based on transparent principles and assumptions
4. Easy to update regularly
5. Estimates published online at



LivingWageIndicator.org

Calculation

The formula to calculate Living Wage is consistent with other approaches reviewed in Anker (2011)

Living wage =
cost of food +
housing cost +
transportation cost +
10% margin

Estimation for different family types on a monthly basis.



Database of prices

The prices are taken from the **Cost of Living survey** initiated by WageIndicator in January 2014.

- Prices are provided by web visitors
- We collect prices on 50 food items, rental prices and the cost of public transportation
- Today we have sufficient data for 50 countries

How much does this cost in your area:
Chicken Breasts (Boneless, Skinless), (1kg)

Cost of Living Survey

Region

Cheltenham x

Feel free to skip the items for which you don't know the price

Chicken Breasts (Boneless, Skinless), (1kg)

Bovine Meat (1kg)

Mutton & Goat Meat (1kg)

Pork meat (1kg)

Poultry Meat (1kg)

SAVE

Cost of Living Survey

Region

East Midlands
East of England
London
North East
North West
South East

Sc

W

Yc

Hu

Nc

Sc

W

At

Cost of Living Survey

Region

Bath
Bournemouth
Bristol
Cheltenham
Exeter
Gloucester
Plymouth
Poole
Swindon
Another town (100,000 and more)
A small city (10,000 - 100,000)
A village (less than 10,000)

Cost of Living Survey

Thank you!

Find out what prices are in your neighbourhood and we will tell you your living wage.

Food expenses

- Food expenses are determined by the cost of a food basket that reflects actual food consumption in the country, valued at current prices.
- The composition of the food basket for each country is taken from the national food balance sheet published by FAO, together with the recommended food calorie intake per day for an adult person.
- The prices on 50 food items from the Cost of Living data base are used to calculate the cost of the food basket.

Food basket in South Africa

Food group and products	FAO database		COL survey - prices per unit		
	g/day	kcal/day	average	min	max
Food expenses per day		2999	36	28	53
Wheat, barley and cereals	173.2	517	13	11	23
Maize and products	274.8	859	15	10	30
Potatoes and products	90.7	65	12	10	20
Cassava and products	0.0	0	12	10	20
Sweet potatoes	2.5	2	15	14	20
Roots, Other	0.0	0	12	10	25
Sugar (Raw Equivalent)	90.4	300	19	15	25
Sweeteners, Other	5.2	17	15	12	20
Beans	6.0	20	13	11	15
Peas	0.8	3	18	14	30
Pulses, Other and products	0.8	2	20	10	20
Soyabeans	3.0	10	33	10	50

Housing cost

- The cost of housing for a one-member household is approximated by the monthly rental rate for a 1-room apartment outside urban centres.
- The housing cost for a family is derived from the rental rate for a 3-room apartment outside urban centres.
- These prices are collected in the COL survey.

Transportation costs

- The living wage includes the cost of transportation because most people commute for work or travel for their daily activities (e.g. shopping).
- Public transport services are usually available in most places, so the price of a regular monthly public transportation pass is taken as the cost of transportation for an adult.
- The challenge remains on how to estimate transportation costs in the detached rural areas.



Living wage in Africa

Country	Currency	Living wage	Food costs	Housing cost	Transportation
Angola	AOA	27900	14800	10000	500
Botswana	BWR		930	1900	
Egypt	EGP	820	320	400	20
Ethiopia	ETB	3850	500	2500	500
Ghana	GHS	400	200	120	40
Kenya	KES	19200	3440	11000	3000
Madagascar	Ar	131400	47500	60000	12000
Mozambique	MZM	3530	1110	2000	100
Niger	CFA		22700		
Rwanda	RWF	78300	31200	30000	10000
Senegal	CFA		20900	25000	
South Africa	ZAR	4030	860	2500	300
Zambia	ZMK	1060	310	500	150

Source: WageIndicator

Note: Living wage is calculated for a one-person household on a monthly basis.



Wages in context

Country	Currency	Living wage	Minimum wage		Low skill wages		Medium skill wages	
Angola	AOA	27900	15000-22000		N/A		42500-90000	
Botswana	BWR		842		N/A		N/A	
Egypt	EGP	820	700		N/A		1000-1300	
Ethiopia	ETB	3850	420-4300		900-1600		1580-2500	
Ghana	GHS	400	162		230-400		250-500	
Kenya	KES	19200	5200-22000		6200-8900		12000-23000	
Madagascar	Ar	131400	126000-250000		147000-250000		180000-300000	
Mozambique	MZM	3530	3000-7400		3500-5910		4500-7500	
Niger	CFA		30047		40000-65000		50000-71000	
Rwanda	RWF	78300	N/A		55000-126000		90000-151500	
Senegal	CFA		N/A		60000-95000		75000-130000	
South Africa	ZAR	4030	2420		1800-2600		5500-9000	
Zambia	ZMK	1060	700-1400		N/A		1800-2960	

Source: WageIndicator

Note: Low-skill jobs include elementary occupations. Medium-skill jobs include occupations in categories 3-8 by ISCO-08.

Family living wage

Country	Currency	Living wage	Food costs	Housing cost	Transportation	Fertility	Earners
Angola	AOA	91700	14800	65000	500	5.98	1.68
Botswana	BWR		930	2500		2.67	1.81
Ethiopia	ETB	3590	500	2850	500	4.64	1.84
Ghana	GHS	740	200	300	40	3.92	1.75
Kenya	KES	26300	3440	20000	3000	4.46	1.70
Madagascar	Ar	232500	47500	180000	12000	4.53	1.92
Mozambique	MZM	5880	1110	5000	100	5.26	1.94
Niger	CFA		22700			7.57	1.43
Rwanda	RWF	116800	31200	50000	10000	4.62	1.92
Senegal	CFA		20900	100000		4.98	1.74
South Africa	ZAR	6000	860	4500	300	2.41	1.44
Egypt	EGP	2030	320	1200	20	2.81	1.27
Zambia	ZMK	2060	310	1500	150	5.73	1.77

Source: WageIndicator, ILO, World Bank.

Note: The typical family in the country includes a couple with number of children approximated by the current fertility rate. The family living wage is adjusted for the number of full-time workers in the household and the household economies of scale.

Conclusions

- We developed a concept that provides global estimates of living wage for the large number of countries.
- The calculation is country specific (e.g. food consumption, family composition, labor market)
- Living wage could serve as an indicator of economic adequacy and a practical basis to set minimum wages.



Comments are welcome:
Martin.Guzi@econ.muni.cz