Towards a Living Wage Reference Standard

Agenda

1. Introductions
2. Reference Standard Components and Overarching Frameworks
3. Comparative Analysis Process, Informing the Standard, and Finding Consensus
4. Examples of Consult Where We have WageMap Consensus
5. Examples of Consult Where We do not yet have WageMap Consensus

Reference Standard Components – FOCUS of First Round

Going Deeper

The Standard Itself

- Categories of Cost
- Influential Variables
- Data Collection
- Local Specificity
- Stakeholder Engagement
- Industry Specific Deviations

Going Deeper

Standard Guidance

- Presentation of Data
- Assessing Total Remuneration
- Local Ownership
- Use Cases by Various Stakeholders
- Relation to Living Income and Usage
- Consideration of Policy Changes and Influence on Living Wage

Making it Easier

Dataset

- Most Aligned Figures – Scoring and Continual Improvement Standard
- Cancellation of Geographic Overlap
- Notes on Non-compliances Present
- Objective Comparisons
- Public Data

WAGE MAP

Reference Standard Overarching Frameworks

Don't Reinvent the Wheel

Alignment

ILO Guidelines

Clarifying Meaning to Guide Standard Creation

Alignment

IDH Roadmap

Step 1: Identify the Living Wage - Recognition Process

Alignment

Living Income Community of Practice

Constant Communication on New Guidelines Alignment with GIZ and LICoP

Alignment

ISEAL

Codes of Good Practice in Standard Setting

Providing Value to Local Efforts

- USA
- New Zealand
- United Kingdom
- South Africa
- Philippines
- Hong Kong
- Jersey
- Ireland
- India
- Singapore
- Bermuda
- Canada

Comparative Analysis Process, Informing the Standard, and Finding Consensus

WAGE MAP

Comparative Analysis – Informing the Standard Discussions

Methodologies Assessed

Compare Methodology Documents and Descriptions	Compare Data from Specific Benchmarks in Overlapping Geographies	Present Consensus and Areas of Difference for Stakeholder Feedback to Inform Standard Design
Step 1 - WageMap Assesses Methodology Documents and Records Major Differences in Approach	**Step 2** – WageMap assesses where methodological differences are producing equivalencies in results, allowing for flexibility in approaches **Step 3** – WageMap Assesses benchmarks from different methodologies overlapping the same geographic area to determine which elements of the calculations are showing the greatest level of consistency or variability in results	**Step 4** – WageMap examines the differences against the framework of ILO, IDH, and LICoP guidance on living wage estimations to inform best path forward **Step 5** - WageMap discusses identified differences and similarities in technical committee meetings establishing where consensus exists **Step 6** – WageMap presents consensus and the choices where consensus does not yet exist within WageMap for stakeholder feedback to inform the standard choices

WAGE MAP

Methodologies and Estimates Reviewed in Comparative Analysis – Using Publicly Available or Shared Data and Details

Alberta Living Wage Network	Living Wage Ireland
Anker Methodology	Living Wage Movement Aotearoa New Zealand
Anker Reference Values	Loughborough University
Area Metropolitana de Barcelona	MIT Living Wage Calculator
Asia Floor Wage Alliance	National University of Singapore
Canadian Centre for Policy Alternatives	NewForesight
ILO Methodology	Ontario Living Wage Network
Institut de recherche et d'informations socio-economiques	Seoul Metropolitan Council
Living Wage for Families BC	UK Living Wage Foundation
Living Wage For Us	WageIndicator Foundation

Reference Standard Components – Consensus Issues

Opinions Aligned for the Standard

Consensus Among WageMap

- Geographic Specificity
- Transport Costs
- Healthcare Costs
- Provision for Unexpected Events
- Family Size and Number of Workers per Family
- Childcare/Elder Care Costs (Additional Research Underway)

Opinions NOT YET Aligned for the Standard

Consensus Not Yet Achieved Among WageMap

- Housing Costs
- Education Costs
- Social Participation and "Other" Costs E.g. clothing, household goods, soaps, etc.
- Accounting for Public Benefits
- Mandatory Deductions from Pay
- Food Costs (Additional Research Underway – Primarily Aligned)

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Where We have WageMap Consensus

Geographic Specificity

Family Size and # of Workers

Transportation

Healthcare

Housing

Unexpected Events

WAGE MAP

For this consultation:

We will first show you the results of our comparative analysis, followed by our suggested consensus approach → and that is where we need your inputs on!

WAGE MAP

Influential Variables – Geographic Specificity

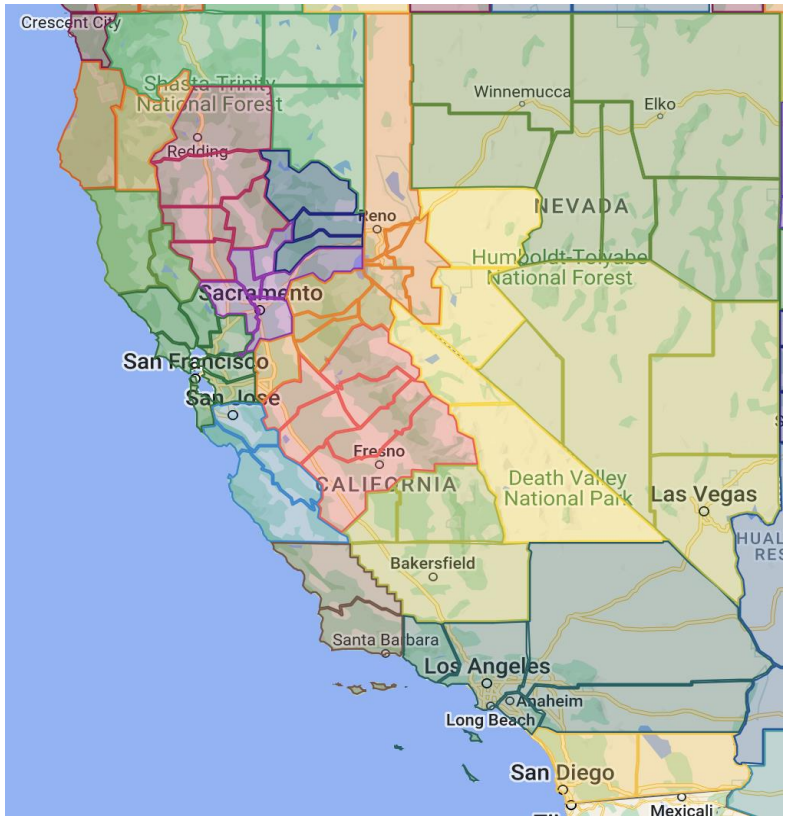
Comparative Analysis

Reflective of Political Boundaries

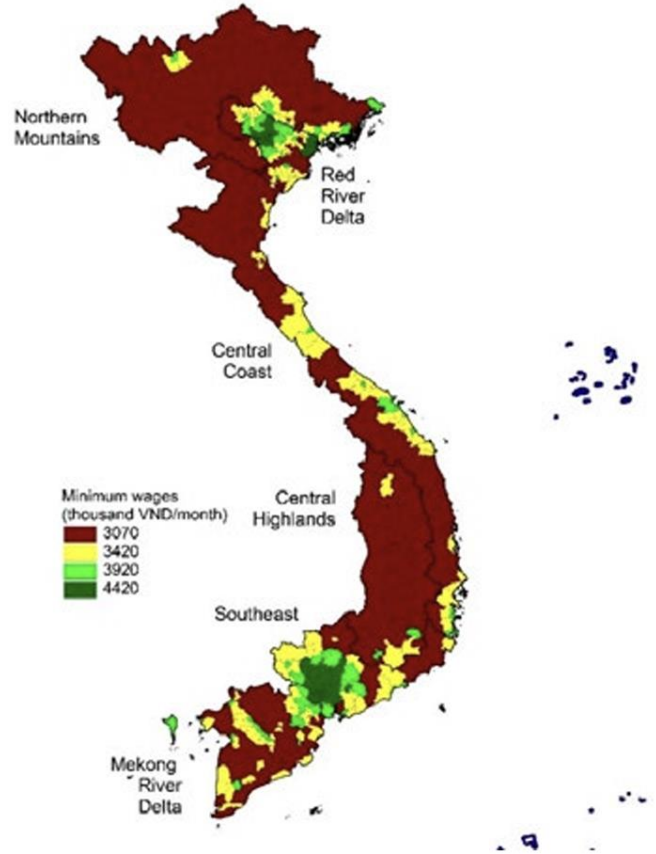
Regardless of Whether This Reflects Differences in Cost of Living

WAGE MAP

Reflective of Political Boundaries and Economic Boundaries Including Rural/Urban/Peri Urban/Etc. or Commuting Divisions



Reflective of Economic Boundaries/Minimum Wage Zones



Nguyen, V. C. (2021). Impacts of Minimum Wage Adjustments on Employment. ILO Vietnam Technical Report. ILO Vietnam, Hanoi.

Living Wage Standard– Proposed Potential Structure

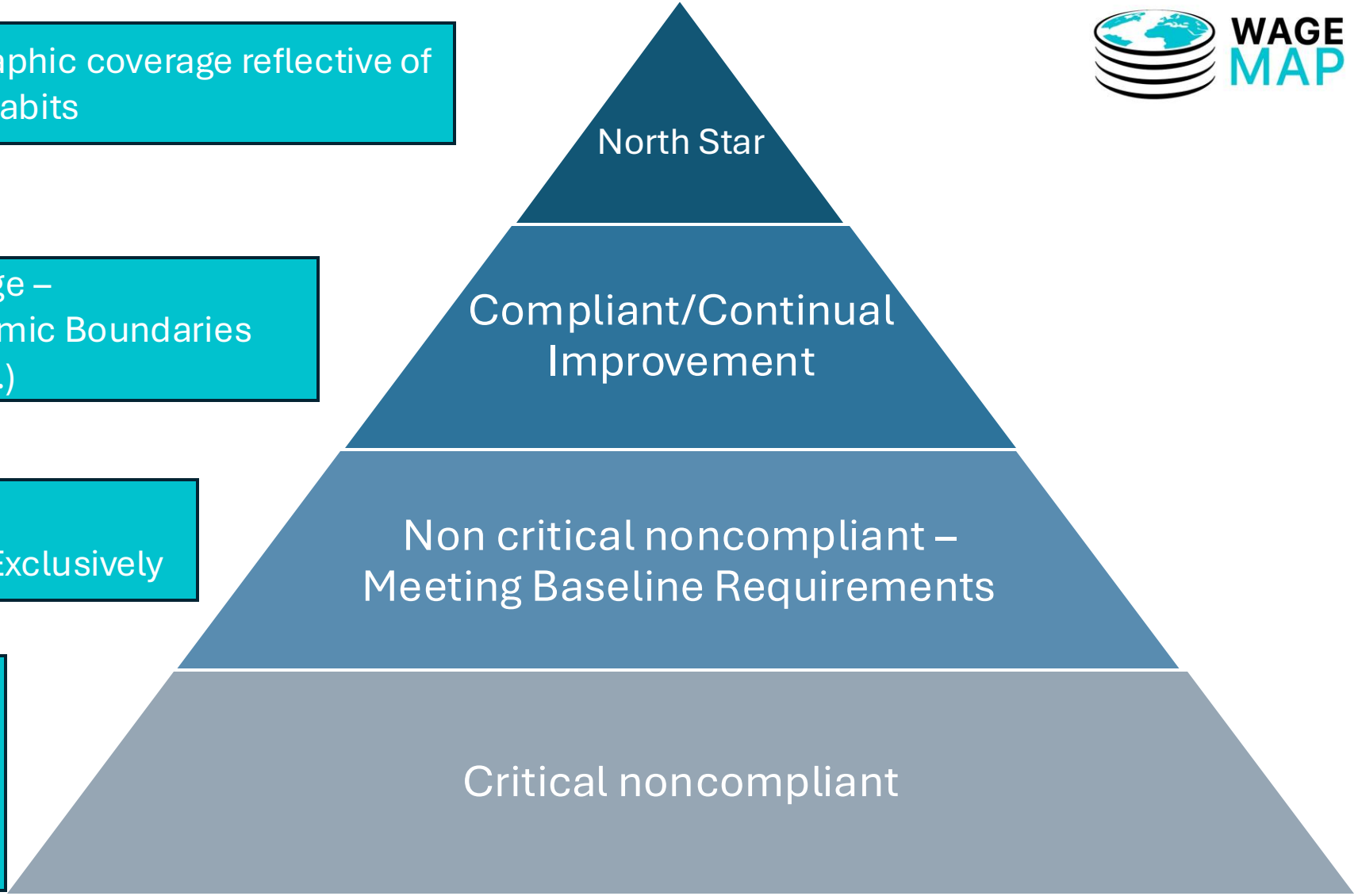
Complex Categories e.g. Geographic Specificity – Consensus approach:

Geographic Coverage - local geographic coverage reflective of commuting habits

Geographic Coverage –
Reflective of Political and Economic Boundaries
(Urban, Rural, etc.)

Geographic Coverage –
Reflective of Political Boundaries Exclusively

Geographic Coverage –
Regional living wage expanding beyond national borders or with one figure covering a large diverse country



Influential Variables – Family Size and Number of Workers Per Family

Potential Macro Level Impacts In Estimate Differences – The Advantages on Both Sides

ILO and IDH – Living Wage is a Family Concept. Individual Cost of Living is **NOT** a Living Wage.
IDH – Family Size should be based on "total fertility rate adjusted by the mortality rate of children under 5".
IDH - Factor in the expected number of working adults in a family by dividing the total cost of living by 1+ the employment rate.
LICoP – "Estimates are calculated at a family / household level and need to include all members of that family / household."

Reflective of Real Typical Scenario

- Purely Reflective of Actual Typical Family Size
  - Acknowledges local prevalences of single parent homes and accounts for that increased burden in the family size and number of workers per family
  - Allows local cultural acknowledgement without placing judgement on families that are "too large" or "too small"
  - Means that statistical analysis on typical number of workers per family using labor force participation rates, part-time employment rates, unemployment rates would only need to be applied to applicable partial worker in the family, 1 worker would still be assumed as full-time
  - Would create greater comparability between methodologies that estimate cost of living for every family size and create a weighted average based on prevalence of every family type and those only assessing costs for one type of family

Comparative Analysis

Reflective of Boundaries Applied to Typical Family Scenario

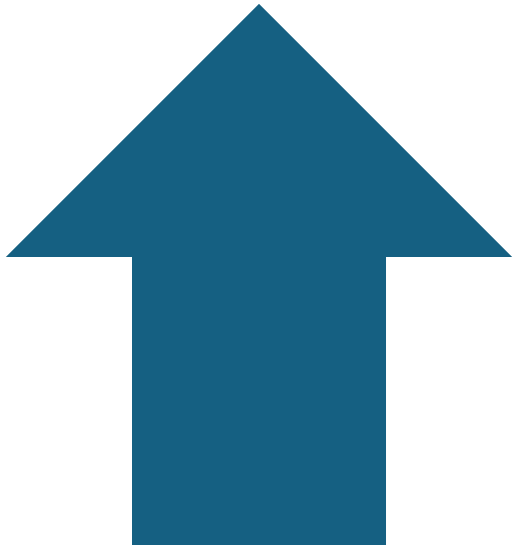
- Minimum and/or Maximum Family Size Considered or Boundary Applied
  - Protection for population replacement rate ensures poverty not perpetuated e.g unaffordability = low fertility
  - Assumes that people cannot have a partial child, funds available to cover costs of each whole child or half child in a family e.g. Palau, Hong Kong, Puerto Rico <1 fertility
  - Creates a cap to prevent atypically large family sizes

  Assumption of Two Parent Household
  - Impacts number of workers per family as likelihood of second worker in the family would have to be applied and one full-time worker is assumed
  - Presents economies of scale
- Families Supported by One Income Earner Exclusively
  - Eliminates need for inclusion of childcare costs
  - Does not require BOTH workers to earn a living wage

WAGE MAP

Influential Variables – Family Size and Number of Workers Per Family

Consensus Approach - WageMap



Will Likely Decrease Number of Workers Per Family By Accounting for Single Parent Households – **Applying Upwards Pressure on Living Wage Estimates**

Will Likely Decrease Number of Children Per Family in Locations with Fertility Rate Beneath 2 Children – **Creating Downward Pressure on Living Wage Estimates**

Consensus Approach –

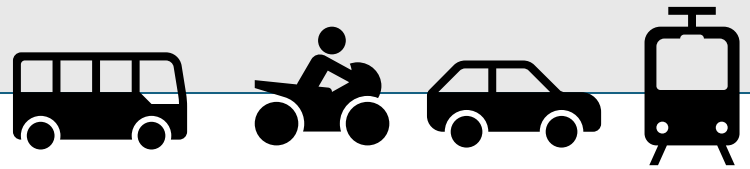
- Reflective of Actual Typical Family Size Without Boundaries but using Rounding to Approach Nearest Whole Child Afforded (Rounding up when in question e.g. 1.5 children would be accounted for as 2 children)
- Reflective of Actual Family Size and Number of Workers Per Family Without Assumptions that there are two adults in Every Household
- Implementing Fertility Rates to Assess Family Size – Not Accounting for Childhood Mortality Rates as Often Children that Pass Early Also Involve Expensive Costs of Care Including Medical Costs and Poverty Often Leads to Higher Mortality Rates in Infants

Categories of Cost – Transport

Comparative Analysis and WageMap Consensus Path Forward

Reflective of Local Practices

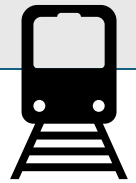
- Based on Type of Transportation Typically Used and Readily Available in a Location and Accounting for Legal Requirements of the Specific Locality



Comparative Analysis

Reflective of a Universal Mode of Transport

- Assumes that the same level of allowance should be considered in all countries e.g. if motorbikes are accounted for in one country, cars should not be accounted for in another or if public transport is the only means of transport considered in on location, it should be the only means in all locations around the world.



Consensus Approach –

- Where public transport is widely available, affordable, and accessible/adequate, public transport costs used e.g. Hong Kong, Singapore, Zurich
- Where public transport is not sufficient and thus seldom used, private transport should be considered and chosen based on local practice and law. If for example, it is common in one country/location to use a motorbike for family transport, those will be the costs included e.g. Vietnam. But if in another country such means of transport are not common and in fact might be illegal in some places (children are not allowed on backs of motorbikes at young ages in U.S.) the locally appropriate mode of transportation must be included in a living wage. In those case, a car for the U.S. outside of cities like New York with strong public transport systems.
- Private transport costs must include cost of vehicle (amortized across life of vehicle), cost of fuel for necessary trips (school, work, doctor visits, groceries, places of worship, etc.), cost of insurance or regulatory fees where applicable and required by law.

WAGE MAP

Categories of Cost – Healthcare

Comparative Analysis and WageMap Consensus Path Forward

Reflective of Both Out-of Pocket & Access Costs	Comparative Analysis	Reflective of an Assumption of Public Care
• Reflects Actual Conditions Where Government Does not Provide Free Care or Free Care Provided by Government is Inaccessible at a Living Wage Level of Earnings • Reflects Costs to Access Care as Well as Out-of-Pocket Costs e.g. Health Insurance Premiums as Well as healthcare Out-of-Pocket Expenditures in the United States, Acceptance of Public Healthcare in the UK		• Assumes Access to Healthcare is Provided by Governments as a Human Right and Only Out of Pocket Costs Should be Considered Without Consideration of Private Insurance Schemes • Often Only Assesses Typical Out of Pocket Costs Based on Current Expenditures or with {Post Checks

Consensus Approach –

- Health insurance costs must be included in a living wage where care is not available without insurance, based on costs at market – employer provided health insurance can be credited according to savings to worker off open market rates
- Health insurance costs should be included where it is typical for a population at a living wage level of income to purchase private insurance due to quality or availability of government provided care – local stakeholder consultations justify choices
- Additional health care costs for medications, procedures, physician visits, etc. must be included separate from any insurance costs or expectation of government health care provision where there is a burden of this cost on workers. This should be assessed in each living wage estimate geography.

WAGE MAP

Categories of Cost – Housing

Comparative Analysis and WageMap Potential Path Forward

IDH – Living should include "Housing (including rental costs, maintenance and furnishing)"

Housing Size Variability - Smaller	Comparative Analysis	Housing Size Variability - Larger
• Primary differences in housing costs were related to the size of housing chosen – in some locations a 3-bedroom apartment was necessary for a family of 4		• In some locations where international norms rather than local specificity was adhered to, housing needed to provide ample sq. footage for the family size as well

Consensus Approach –

- Housing must be safe from elements and provide a healthy environment e.g. well-ventilated kitchen, proper sewage, no dirt floors, no holes in walls and roof
- Housing should provide a separate sleeping space for adults and children
- Not more than 3 people share the same bedroom
- Sq. footage should be adequate according to international norms
- Local Cultural variations should be accounted for e.g. pit toilet OK in India but not in Canada
- Utilities should be included as part of housing or as a separate category to be afforded with housing
- Necessary taxes associated with housing must be included

WAGE MAP

Categories of Cost – Provision for Unexpected Events

Comparative Analysis and WageMap Consensus Path Forward

IDH – Estimates should include "A small margin for unexpected events"
LICoP – "A percentage of costs should always be attributed to the provision for unexpected events. This percentage needs to be determined based on the country context. We recommend using at least a margin of 5-10%. The percentage should be chosen based on the level of social protection provided and risk assessment of the specific region."

No Margin Added for Unexpected Events

- In these cases, only typical expenses are included in living wage estimations

Comparative Analysis

5% Typical and up to 10% in Special Circumstances

- In most cases a 5% margin is applied for unexpected events, with up to a 10% margin applied in situations where a methodology feels there is a specific case for such an action

Consensus Approach –

- A 5% margin should be applied at minimum in all living wage estimates to cover costs of unexpected events
- Where local stakeholders have identified and justified a need for a higher margin for unexpected events (up to 10%) that margin may be applied as preferable
- Margins for unexpected events should be applied prior to payroll tax calculations

WAGE MAP

Examples of Where More Research is Needed

Care

Food

Mandatory Deductions from Pay

Social Participation and “Other” Costs

WAGE MAP

Categories of Cost – Care

Comparative Analysis – No Perfect Approach Yet

Forms of care:

- Childcare
- Elder care
- Care for other family components

WAGE MAP

Categories of Cost – Childcare

Aligning with the ILO and World Bank

GENDER EQUITY

In 2018, 606 million women of working age declared themselves to be either unavailable for employment or not looking for work due to care responsibilities, compared to only 41 million men (ILO 2018b).

WAGE MAP

Categories of Cost – Childcare

Aligning with the ILO and World Bank

Cost is frequently cited as one of the biggest barriers to using childcare.

For the poorest families, affordable childcare options are extremely limited

Better Jobs and Brighter Futures:

Investing in Childcare to Build Human Capital

Amanda E. Devercelli and Frances Beaton-Day

DECEMBER 2020

TABLE 2.3 PERCENTAGE OF THE TOTAL NEED, ENROLLMENT AND GAP ACROSS DIFFERENT LEVELS OF COUNTRY INCOME (FOR CHILDREN AGE 0 TO PRIMARY-SCHOOL-ENTRY AGE)

	LEVEL OF COUNTRY INCOME				
	High	Upper middle	Lower middle	Low	Total
Percentage of the total need	10%	28%	42%	20%	100%
Percentage of the total enrollment	19%	43%	31%	8%	100%
Percentage of the total gap in access	4%	18%	50%	28%	100%

Worldwide, 7 out of 10 children need childcare but 4 of out 10 do not have access.

3 out of 10 children do not need childcare

7 out of 10 children need childcare

4 of them do not have access (this is 43% of all children - 349 million - who are below primary-school-entry age worldwide)

8 out of 10 children that need childcare but do not have access live in low- and lower-middle-income countries.

2 out of 10 children without access live in HICs and UMICs

8 out of 10 children without access live in LICs and LMICs

WAGE MAP

Categories of Cost – Childcare

Comparative Analysis – No Perfect Approach Yet

ILO – Living Wage estimates must consider gender equity
IDH – Childcare should be provided or an explanation that clearly asserts why not must be available

No Childcare Included	• Creates gender equity issues as women are disproportionally impacted by not being able to afford childcare e.g. gender wage gap, opportunity cost, etc. • Creates fundamental issues with calculations where more than one income is expected. This is mitigated where one worker is used to estimate a living wage
Included - Amortized Based on Current Expenditures	• Where lack of affordability leads to lack of availability, childcare expenditure data will not cover actual costs of childcare • Since childcare is an early life expense, amortizing childcare costs across the entire work-life will not allow workers to afford childcare
Included -Full Cost Based on Actual Market Prices	• Assumes a specific age for children based on the typical difference in given geography and includes care costs at that age, e.g. in U.S. - 2 children - 1 full-time (age 4) and 1 summer and before and after school care (age 8) – But this does not allow for accounting of free preschool where provided by government and higher cost infant care • Data often lacking for actual costs where lack of affordability leads to lack of availability, driving need for proxy estimates for this path

WAGE MAP

Categories of Cost – Childcare/Eldercare

Potential Solutions for Feedback – NOT FINAL – Being Researched and Reviewed

Gather Cost of Childcare	Amortize the Cost of Childcare Across the Specific Years Where it is Paid Ensuring Care When Needed	What About After Childcare Duties are Over
Step 1 - Gather data on childcare costs for all ages where a country requires children to have care or where international norms state it is necessary E.g. In the U.S. children need care until age 12 when they are legally allowed to be left home alone in all states. With the Following Distribution - 2 years of infant care - 1 year of Toddler Care - 2 Years of Pre-School - 7 Years of School – Aged Care (before and after school and summer care) **Step 2** – Multiply care costs by number of children in family	**Step 2** – Assess number of years typical between children in a given location. **Step 3** – Calculate total years childcare is necessary and amortize total childcare costs across those years. E.g. Using the U.S. example, families have two children that are typically 4 years apart and need care for 12 years each. The years for amortizing the total cost of care for the two children would be 16.	**Step 5 –** Additional research is necessary to assess whether years outside of childcare years would have sufficient funds to allow for eldercare/retirement. In this case when a family is finished paying for childcare, those funds would move to retirement savings or to care for elders as locally and culturally appropriate. Additional funds could be added for retirement savings where needed and adequate. But the value of childcare funds in the living wage should be assumed to apply toward elder care/retirement for work years not included in childcare calculation.

When Care Data is Not Available Due to Lack of Availability of Local Childcare Options

1. Use international norms or local laws to assess the proper ratio between caregiver and children watched
2. If actual costs are not easily collected due to lack of availability, assume the caregiver must earn a living wage and divide by number of children expected to be cared for by 1 adult
3. Assess total care costs across lifetime of child up to age wherein children can be left home alone (local laws or international norms)
4. Multiply by number of children in family size
5. Assess number of years between fertility that is typical and add to total years of childcare for amortization purposes

WAGE MAP

Categories of Cost – Elder Care/Retirement

Comparative Analysis and WageMap Potential Path Forward

Elder Care and/or Retirement Considered	Comparative Analysis	Elder Care and/or Retirement Excluded
• In some cases, elder care is not considered at a methodological level, but specific benchmarks might include the cost due to stakeholder feedback stating it is a typical cultural necessity in a given area. • In other cases, retirement is used as a proxy for elder care where typically workers are expected to save for their own care. In methodologies including retirement we have not yet seen any assessment that ensures sufficient funds for years where workers can no longer work but have rather assessed current savings rates or small amounts to supports elders in home.		• Vast majority of methodologies exclude any care for elders altogether – this likely has gender equity impacts.

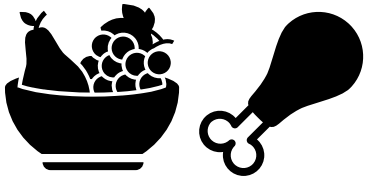
Potential Approach –

- Eldercare must be included, or an equivalent of retirement based on typical approach to paying for elders in a society
- As it is difficult to assess appropriate retirement savings to ensure a living income in years past working ages, research is necessary to understand the buffer provided by factored childcare expenses to cover the later stages of care as eldercare/retirement. In this way, the living wage represents the entire cycle of caregiving with one figure from childcare to eldercare
- When additional eldercare costs or retirement savings costs are needed, these should be added in living wage estimates

WAGE MAP

Categories of Cost – Food

Potential Impacts In Estimate Differences – The Advantages on Both Sides



IDH – Nutritious Food Required (Macro and Micro-Nutrients and Caloric Requirements)
LICoP - Food costs should be calculated based on a low-cost nutritious diet that meets the World Health Organization's (WHO) / Food & Agricultural Organization's (FAO) recommendations as internationally agreed standards for a healthy nutritious diet.

Reflective of a Hyper Local and Hyper Specific Diet

- Based on Ideal Diets Published in Country and Checked to Ensure Nutritionally Sound
  - Creates robust, accurate diet for costing with greater diversity and divided to appropriate low-cost foods e.g. USDA Thrifty, **low-cost**, medium cost, high-cost diets
  - Reflective of local purchasing practices e.g. open-air markets rather than grocery stores where applicable
  - Inclusive of foods that satisfy local cultural preferences even if not the most affordable e.g. Teff in Ethiopia
  - Excludes foods not appropriate for local cultural preferences e.g. Pork exclusion in Islamic centered locations
  - Adjusted for typical activity, age, and gender in terms of caloric requirements
  - Accounts for edible and nonedible portions of purchased food e.g. eggshells or banana peels
  - Accounts for Seasonality
  - Assesses caloric requirements including gender, age, and expected activity level for geography
  - Industry specific caloric requirements in some cases

Comparative Analysis

Reflective of International Norms

- Based on WHO Caloric and Macro/Micronutrient Requirements using FAO Food Balance Sheets
  - Large Degree of International Comparability
  - Built based on availability of food as seen through imports and production rather than preferences and practices of low wage workers, creating easier scalability
- Assumes Same Caloric Requirements for all Family Members

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Categories of Cost – Mandatory Deductions from Pay

Comparative Analysis and Additional research Considerations and Questions

Detailed Mandatory Deductions from Pay Assessed	Comparative Analysis	Only Country Level Taxes Assessed
• Taxes at various levels of implementation from federal to State or regional, to city level considered differently by different methodologies • Additional deductions from pay e.g. pension or social savings or healthcare that are mandatory deductions are accounted for • Industry specific considerations are used for union fees, etc.		• Income taxes or deductions from pay that are necessary at the national level are accounted for in all estimates that provide gross and net living wage • Broad percentages are applied – not specific to family type, etc.

Additional Research and Questions –

How can we account for mandatory deductions from pay that might be industry specific? – Need an assessment of these cases to inform choices e.g. union fees

How specific do we need to be and when should we acknowledge that increases in the living wage may move into a higher tax bracket? How often does this occur and what monitoring is necessary?

WAGE MAP

Living Wage Standard– Proposed Potential Structure

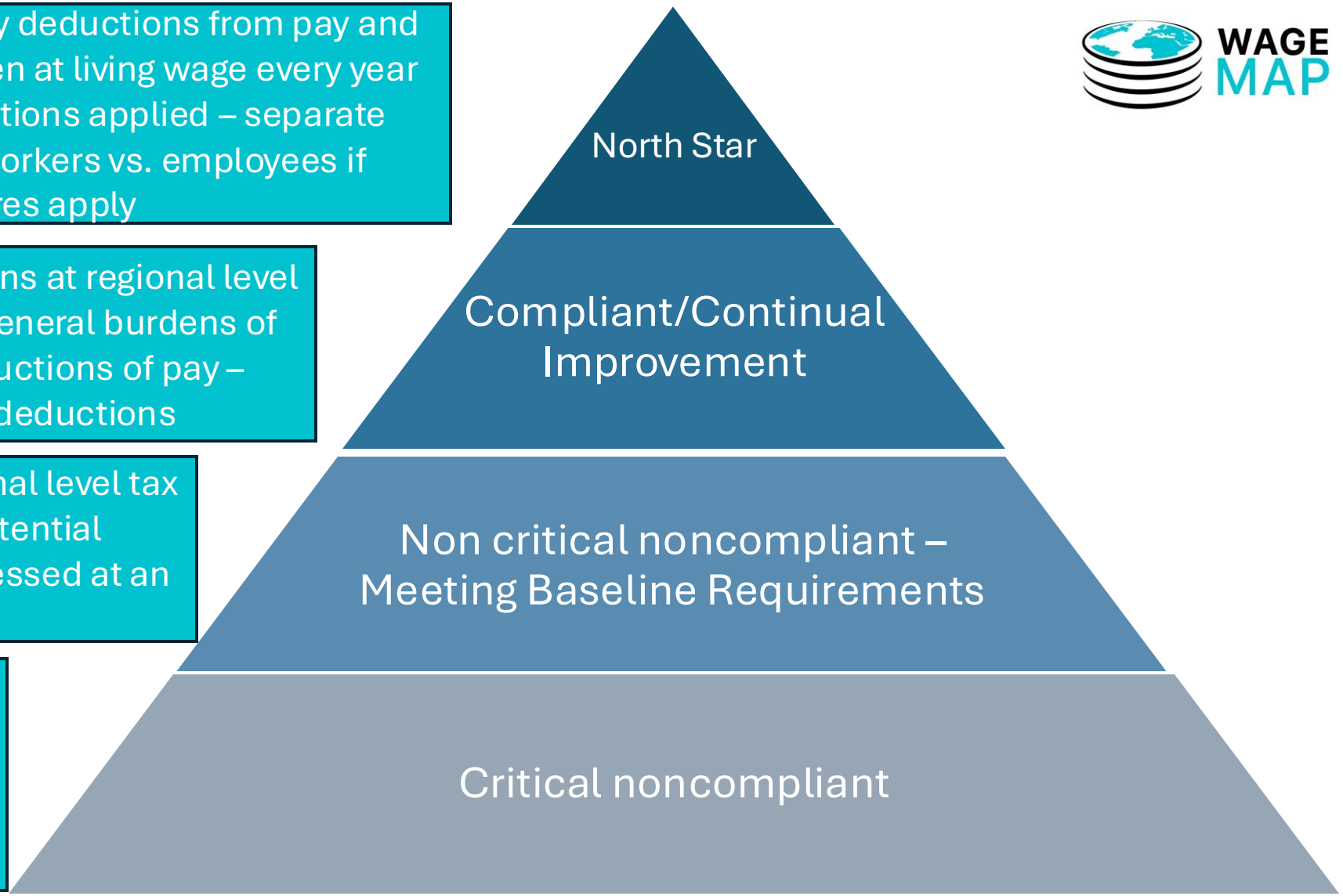
Mandatory Deductions from Pay

Hyper local inclusion of mandatory deductions from pay and in-depth review of actual tax burden at living wage every year with changes in rates and deductions applied – separate categorization for contracted workers vs. employees if different structures apply

Inclusive of all mandatory deductions at regional level of specificity and accounting for general burdens of taxes and other mandatory deductions of pay – excluding industry specific deductions

Inclusive solely of regional or national level tax burden and not inclusive of potential deductions that are not easily accessed at an international level

Does not include any mandatory deductions from pay and only provides a net living wage without guidance on gross earnings for implementation



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Categories of Cost –Other Components

Comparative Analysis

1.IDH – Social Participation and "Other Costs" should include the following categories not previously named - Information and Communication, Recreation, Sport and culture, Education services, Restaurants and accommodation services, Insurance and financial services, Personal care and other gender aspects (e.g. sanitary products), Other typical costs

Research Needed–

1. Does Proxy Methodology Using HES align with results of full study on needs and individually named items necessary?
2. Which items must be included in all cases, how do we account for local relevance if providing an extended list?
3. How much does COICOP provide in guidance for how this category can be compared?
4. Where in the world would we need data in addition to what a national HES collects?

WAGE MAP