

## **THE LIVING WAGE – WE DO NEED IT IN RUSSIA**

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**Abstract:** In the article a new social category for Russia – the living wage – is being analyzed. We study theoretical, methodological and practical aspects of it, compare it with such categories as minimum wage and poverty threshold. We study the latest statistics data about the rates of living wage and minimum wage and poverty threshold in the USA, the United Kingdom and some other countries. We make similar calculations for our country and propose using the category “living wage” in Russia. In our country we are used to use such categories as minimal wage, customer basket, poverty line, etc., pretty much estimating what does the individual needs to survive and not to die or get sick tomorrow, what would be enough to cover his/her basic living necessities; but in many developed countries an adequate wage that guarantees a decent level of living is taken into consideration. We all understand that every person, every family, every child do have their needs, expenses and the right for an adequate level of income according to the environment where they grow up, live their working life or retire, that why we do need a “living wage” category in Russia.

**Key words:** living wage, poverty threshold, minimum wage, basic needs, long-term financial security.

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We use several terms to characterize social standards in Russia – poverty threshold, minimum or average wage and several others. But we have not used the term “living wage” yet. What does it really mean and do we need it?

The *living wage* is the amount of income needed to provide a decent standard of living. It should compensate the cost of living in any location.

The purpose of a living wage is to make sure than anyone who works full-time should have enough money to live above the federal poverty level and avoid homelessness.

It doesn't provide enough income to eat at restaurants, save for a rainy day or pay for education loans. It doesn't include medical, auto or renters/homeowners insurance. In other words, it's enough to keep you out of a homeless shelter, but you'd still have to live paycheck-to-paycheck. If you can't afford insurance, and you get sick, you could still wind up homeless [1].

According to the Global living wages coalition the elements of decent standard of living include food, water, housing, education, health care, transport, clothing and other essential needs including provision for unexpected events [2].

Establishing a living wage, an approximate income needed to meet a family's basic needs, would enables the working poor to achieve financial independence while maintaining housing

and food security. When coupled with lowered expenses, for childcare and housing in particular, the living wage might also free up resources for savings, investment, and/or for the purchase of capital assets (e.g. provisions for retirement or home purchases) that build wealth and ensure long-term financial security [7].

The living wage is often confused with the minimum wage. In fact, the terms are often used interchangeably. That's because the intent of the minimum wage is to provide a living wage. However, the minimum wage is an amount set by law, whereas the living wage is determined by costs [1].

The living wage in the United States in 2016 was \$15.84 per hour, before taxes for a family of four (two working adults, two children), compared to \$15.12 in 2015.

Across all family sizes, the living wage exceeds the poverty threshold, often used to identify need. State minimum wages provide for only a portion of the living wage. For two adults, two children families, the minimum wage covers 62.4% of the living wage at best in South Dakota and 41.5% at worst in Hawaii. This means that families earning between the poverty threshold (\$24,491 for two working adults, two children on average in 2016) and the living wage (\$65,860 on average for two working adults, two children per year before taxes), may fall short of the income and assistance they require to meet their basic needs [7].

The living wage shown in table 1 is the hourly rate that an individual must earn to support their family, if they are the sole provider and are working full-time (2080 hours per year). All values are per adult in a family. The state minimum wage is the same for all individuals, regardless of how many dependents they may have. For New York in 2018 it is \$10.40 per an hour, for New Jersey \$8.60, for California – \$11.00. By monthly calculations we shall get subsequently \$1830,40, \$1513,60 and \$1936,00 a month.

In our country the minimum wage in 2018 is ₰ 9489 (\$166.47). From May 1, 2018 it should be raised to be in line with the minimum cost of living, which now stands at ₰ 11163 (nearly \$185), almost ten times less than a similar value in the US.

The poverty rate is typically quoted as a gross annual income. It has been converted to an hourly wage for the sake of comparison.

**Table. 1.** Poverty threshold and living wage hourly rates in some states of the USA in 2016

Type of family	Poverty threshold	Living wage		
		New York	New Jersey	California
1 adult	\$5.00	\$13.56	\$12.99	\$13.21
1 adult 1 child	\$7.00	\$28.01	\$26.22	\$27.45
1 adult 2 children	\$9.00	\$35.89	\$31.08	\$32.26
1 adult 3 children	\$11.00	\$46.10	\$38.41	\$40.81
2 adults (1 working)	\$7.00	\$20.51	\$19.81	\$20.79
2 adults (1 working) 1 child	\$9.00	\$25.35	\$24.75	\$26.46
2 adults (1 working) 2 children	\$11.00	\$27.88	\$27.26	\$29.21
2 adults (1 working) 3 children	\$13.00	\$31.44	\$30.95	\$34.16
2 adults	\$3.00	\$10.26	\$9.90	\$10.40
2 adults 1 child	\$4.00	\$15.55	\$14.65	\$15.40
2 adults 2 children	\$5.00	\$19.28	\$16.86	\$17.59
2 adults 3 children	\$6.00	\$23.52	\$19.66	\$20.87

**Source:** [7]

The table shows that the cheapest standard of life have families without children where both husband and wife are working people. That is because they use common housing and share the payments for it. The most expensive cost of living have families with many children or those where only one family member works.

For comparison we have to mention that employer costs for employee compensation averaged \$35.28 per hour worked in March 2017. Wages and salaries averaged \$24.10 per hour worked and accounted for 68.3 percent of these costs, while benefits averaged \$11.18 and accounted for the remaining 31.7 percent. Total employer compensation costs for private industry workers averaged \$33.11 per hour worked. Total employer compensation costs for state and local government workers averaged \$48.24 per hour worked [8].

In Russia we usually use monthly rates of wages and poverty threshold, so for the sake of comparison we converted hourly wage to monthly wage. The results of our calculations are given in table 2<sup>1</sup>.

**Table 2.** Poverty threshold and living wage monthly rates in some states of the USA in 2016 in US dollars

Type of family	Poverty threshold	Living wage		
		New York	New Jersey	California
1 adult	880	2386,56	2286,24	2324,96
1 adult 1 child	1232	4929,76	4614,72	4831,2
1 adult 2 children	1584	6316,64	5470,08	5677,76
1 adult 3 children	1936	8113,6	6760,16	7182,56
2 adults (1 working)	1232	3609,76	3486,56	3659,04
2 adults (1 working) 1 child	1584	4461,6	4356	4656,96
2 adults (1 working) 2 children	1936	4906,88	4797,76	5140,96
2 adults (1 working) 3 children	2288	5533,44	5447,2	6012,16
2 adults	528	1805,76	1742,4	1830,4
2 adults 1 child	704	2736,8	2578,4	2710,4
2 adults 2 children	880	3393,28	2967,36	3095,84
2 adults 3 children	1056	4139,52	3460,16	3673,12

**Source:** [7]

Figures in table 3 show the individual expenses that are included into the living wage estimate. Their values vary by family size, composition, and the current location.

It can be seen from the table 3 that the most expensive items of expenditure are housing (including rent, mortgage and utilities) and child care. A lot of money is being spent on transportation, almost as much as on foods. When we calculate the cost of living in Russia we use only utilities, meaning that the most people of the country are owners of their apartments and houses. But this situation might change quickly. We don't calculate medical or child care expenditures as we used to count them affordable, because of the state support. On our opinion this situation might not last long either. Therefore we must include these expenditures to our calculations in order to introduce the living wage conception in our country.

<sup>1</sup> We used 8-hour working day and 22 working days in a month

**Table 3.** Typical expenses of the family in some states of the USA in 2016

Annual Expenses	New York		New Jersey		California	
	2 adults (1 work- ing) 1 child	2 adults 2 children	2 adults (1 working) 1 child	2 adults 2 children	2 adults (1 working) 1 child	2 adults 2 children
Food	\$8,037	\$10,321	\$8,037	\$10,321	\$8,260	\$10,608
Child Care	\$0	\$18,475	\$0	\$11,274	\$0	\$10,111
Medical	\$6,706	\$6,867	\$6,427	\$6,587	\$6,152	\$6,313
Housing	\$15,931	\$15,931	\$16,471	\$16,471	\$17,501	\$17,501
Transportation	\$8,850	\$9,655	\$9,655	\$10,196	\$9,346	\$10,196
Other	\$4,625	\$5,760	\$4,625	\$5,760	\$5,497	\$6,845
Required annual income after taxes	\$44,149	\$67,008	\$44,410	\$60,068	\$46,756	\$61,574
Annual taxes	\$8,577	\$13,193	\$7,063	\$10,080	\$8,273	\$11,610
Required annual in- come before taxes	\$52,726	\$80,200	\$51,473	\$70,148	\$55,029	\$73,184

**Source:** [7]

The most of the employers in the developed countries support the living wage at the enterprises (from 2/3 to 3/4), but there are some branches of economy where employers have some difficulties. In the table 4 we present the typical annual salaries for various branches in some states of the USA.

We can conclude from the table 4, that working people in some branches of economy don't make enough to meet standards of the living wage, for example, those in production, transportation & material moving, food preparation & serving related, building & grounds cleaning & maintenance, personal care & service, sales & related, farming, fishing, & forestry, healthcare support. Such people have to rely on working spouse and do not have more than one child in the family in order to meet the living wage standards. Otherwise they have a risk of living under the poverty threshold.

It is necessary to mention that all states do all their best in order to rise minimum wage. In 2017 the minimum wage increased in 21 states and the District of Columbia [18]. In 2018, the highest state minimum wage is \$11.50/hour, in Washington State, followed by Massachusetts and California at \$11/hour. Many cities also increased the minimum wage rate as well — as of January 1, 2018, it's \$14/hour in Seattle, Washington (or \$11.50/hour, plus at least \$2.50/hour in tips and benefits) and \$15/hour in Sunnyvale, California [5]. Since 2018 minimum wages to go up in 18 states. Later in 2018, 3 more states and 18 cities and counties will follow with more minimum wage increases, bringing the 2018 totals to 21 states and 35 cities and counties [9].

The minimum wage in New York is \$10.40 per hour effective December 31, 2017. In New York City, it is \$12.00 per hour for businesses with 10 or fewer employees, and \$13.00 per hour for businesses with 11 or more employees. In Nassau, Suffolk and Westchester counties, it is \$11.00 per hour. In the remainder of the state, it is \$10.40 per hour. There are different hourly rates for workers in the fast food industry and those who receive tips. These rates remain in effect until December 30, 2018 [6].

**Table 4.** Annual salaries by branches of economy in some states of the USA in 2016

Occupational Area	New Jersey	California	New York
Management	\$126,030	\$110,430	\$122,520
Business & Financial Operations	\$73,970	\$73,010	\$75,950
Computer & Mathematical	\$89,160	\$98,840	\$84,260
Architecture & Engineering	\$83,780	\$92,660	\$75,990
Life, Physical, & Social Science	\$74,880	\$74,330	\$64,200
Community & Social Service	\$50,380	\$47,430	\$46,680
Legal	\$94,130	\$101,640	\$101,700
Education, Training, & Library	\$55,760	\$52,960	\$54,410
Arts, Design, Entertainment, Sports, & Media	\$51,530	\$55,960	\$61,170
Healthcare Practitioners & Technical	\$76,540	\$84,300	\$72,900
Healthcare Support	\$28,090	\$32,350	\$27,050
Protective Service	\$42,060	\$42,050	\$43,940
Food Preparation & Serving Related	\$21,480	\$21,820	\$20,760
Building & Grounds Cleaning & Maintenance	\$26,660	\$26,410	\$29,220
Personal Care & Service	\$25,310	\$23,300	\$23,940
Sales & Related	\$27,610	\$28,410	\$27,950
Office & Administrative Support	\$36,590	\$36,940	\$36,990
Farming, Fishing, & Forestry	\$24,550	\$19,790	\$28,430
Construction & Extraction	\$54,670	\$51,160	\$54,820
Installation, Maintenance, & Repair	\$49,780	\$46,970	\$46,610
Production	\$32,520	\$29,960	\$32,860
Transportation & Material Moving	\$29,650	\$29,540	\$33,560

**Source:** [7]

Annual increases for the rest of the state will continue until the rate reaches \$15 minimum wage (and \$10 tipped wage). Starting 2021, the annual increases will be published by the Commissioner of Labor on or before October 1. They will be based on percentage increases, based on economic indices, including the Consumer Price Index.

The minimum wage rates are scheduled to increase each year on 12/31 until they reach \$15.00 per hour.

**Table 5.** General Minimum Wage Rate Schedule for the New York State

Location	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20	2021*
NYC – Large Employers (of 11 or more)	\$11.00	\$13.00	\$15.00			
NYC – Small Employers (10 or less)	\$10.50	\$12.00	\$13.50	\$15.00		
Long Island & Westchester	\$10.00	\$11.00	\$12.00	\$13.00	\$14.00	\$15.00
Remainder of New York State	\$9.70	\$10.40	\$11.10	\$11.80	\$12.50	*

**Source:** [10]

The minimum wage in California is \$11.00 per hour from the January 1, 2018. Then it will be indexed for annual increases between 1/1/2019 to 1/1/2022 in \$1.00 to \$15.00 per hour [4].

In New Jersey the minimum wage for 2018 is \$8.60 and will be further also indexed.

Not only are such states as New York and California aiming to push the minimum wage to \$15.00 per hour. Campaigns to raise the minimum wage are underway in at least 14 states and 3 cities. All are pushing for the minimum wage increases of \$12 to \$15 an hour. Leading campaigns include:

Massachusetts, where the Raise Up Massachusetts coalition submitted over 139,000 signatures to put a \$15 minimum wage before voters on the 2018 ballot and similar legislation will be introduced in the legislature.

New Jersey, where Governor-Elect Phil Murphy has made a \$15 minimum wage a top priority for his incoming administration.

Vermont, where state Senate President Tim Ashe recently announced that a \$15 minimum wage is a "personal priority" for him in 2018.

Maryland, where, after Montgomery county approved the state's first \$15 minimum wage in November, a campaign is underway for a statewide \$15 increase.

Illinois, where the legislature this year passed the first \$15 state minimum wage in the Midwest, only to be blocked by Gov. Bruce Rauner's veto.

Michigan where advocates are campaigning to place a \$12 minimum wage for all workers, including tipped workers, on the 2018 ballot.

St. Paul, Minnesota, where, after Minneapolis approved the first \$15 city minimum wage in the Midwest which takes effect on January 1, advocates are campaigning to expand it to St. Paul.

Several Silicon Valley cities, including Sunnyvale and Mountain View, raised their minimum wages to \$15 on January 1, joining Seattle and SeaTac, Washington. Later this year, San Francisco, Berkeley, and Emeryville, CA will join them with \$15 minimum wages, and New York City will follow on December 31, 2018 [9].

The current federal minimum wage is \$7.25 per hour, and has not increased since July 2009. On September 15, 2017, the Department of Labor published a notice in the Federal Register to announce that, beginning January 1, 2018, the Executive Order 13658 minimum wage rate is increased to \$10.35 per hour. This Executive Order minimum wage rate generally must be paid to workers performing work on or in connection with covered federal contracts [6].

If the minimum wage reaches \$15.00 per hour it factually becomes the living wage for such categories of working people according to table 1 as 1 adult, 2 adults, 2 adults 1 child.

Taking into account that almost 60 millions of working people in the USA have wage near it's minimum level, the movement towards raising it up to \$15.00 per hour will push many of them out of poverty.

A living wage in some nations such as the UK, New Zealand and Canada generally means that a person working 40 hours a week, with no additional income, should be able to afford the basics for a modest but decent life, such as, food, shelter, utilities, transport, health care and child care. Education is not included because high schools are free of charge. Higher education is not included in any countries.

In Canada the 2018 living wage rate in Waterloo region is \$16.10 per hour [13].

The New Zealand Family Centre Social Policy Unit calculated the living wage rate for 2017 to be \$20.20 per hour, \$4.45 more than the minimum wage set by the Government [15].

In the UK the compulsory national minimum wage is not linked to living costs; by 2020 the aim is that it should be 60% of average wages for over 25s. Here are a number of important differences between the Chancellor's 'national living wage' and the independently calculated,

voluntary living wage rate of pay. The 'national living wage' is a statutory minimum and all employers have to pay it to employees over 25 years of age. Workers must be at least school leaving age to get the National minimum wage. They must be 25 or over to get the National living wage. There is one rate (£7.50 per hour as of April 2017 and £7.83 as of April 2018 [11]) for the whole country. The living wage, on the other hand, is independently calculated, voluntary and based on the costs of living. The London living wage rate is £10.20 per hour and the rate for the rest of the UK is £8.75 per hour.

The poverty measure is being in a household with an income below 60% of the median. This is adjusted for household size and is after taxes. For example, a working age couple with an income below £288 a week before removing housing costs (or £248 after) is considered to be in poverty. On an annual basis, this is equivalent to around £14,980 for this family type before housing costs, or £12,890 after housing costs.

In the UK there exists one more category, related to the decent living – the minimum income standard (MIS). It is used not only for working people, but for all the people, including those receiving pensions. Results of its calculations are represented in the Table 5.

**Table 5.** Minimum income standard inner and outer London before and after housing costs in 2017, £ per week

	Before housing costs			After housing costs		
	UK pov- erty line	MIS Inner London	MIS Outer London	UK pov- erty line	MIS In- ner London	MIS Outer London
Single, working age	£193	£432	£384	£144	£203	£216
Couple, working age	£288	£652	£593	£248	£351	£379
Single, pensioner	£193	£318	£297	£144	£196	£175
Couple, pensioner	£288	£437	£391	£248	£299	£253
Lone parent, one child (aged one)	£251	£400	£411	£193	£263	£274
Couple with two children (aged three and seven)	£403	£607	£627	£347	£456	£476

**Source:** [14]

The gap between the poverty line (which is the highest income someone can have but still be in poverty) and the socially acceptable minimum income standard is large, around £103 a week in inner London.

The calculation of living wage for London we can see in Table 6.

More thorough calculation of poverty threshold is of great importance for Russia, because it causes to more salary fairness especially for the minimum wage and to more objective evaluation of the poverty level. Such aspects are examined by Russian scientists, in particular of the Department of Labor Economics and Personnel management of the Academy of Labor and Social Relations. A joint monograph [18] and some articles by professors of the Department such as Shapiro S [19], Dolzenkova Yu. [17] and others are devoted to these problems.

Using the methodology of the poverty threshold and living wage calculations for USA and UK we can make such calculations for Russia. Recently in our article [16] we had calculated the real rate of poverty threshold for the working population of Russia for 2017, meaning that existing methodology of it's calculation doesn't reflect it's economical essence. We had got the value



of 17000 rubles for a single adult sharing spending for utilities with a partner and 15000 for a child. If a person paid for housing by himself his poverty threshold was 20000 a month in 2017.

**Table 6:** Breakdown of London Living Wage calculation for 2017, £ per week

Family type	«Core» basket	Rent	Council tax	Travel	Child-care	Total
Single	149.38	141.80	9.67	26.96	-	327.80
Couple	261.14	228.00	20.14	53.91	-	563.19
Single parent with one child (age 3-4)	228.20	119.04	17.26	26.96	124.08	515.53
Single parent with one child (age 5-11)	250.60	119.04	17.26	26.96	73.49	487.34
Single parent with two children (age under 3 & 3-4)	264.10	133.36	19.42	26.96	334.39	778.22
Single parent with two children (age 3-4 & 5-11)	292.98	133.36	19.42	26.96	197.56	670.28
Single parent with two children (age 5-11 & 12-16)	340.50	133.36	19.42	32.84	73.49	599.61
Single parent with three children (age 3-4 & 5-11 & 12-16)	382.64	133.36	19.42	32.84	197.56	765.82
Couple parent with one child (age 3-4)	289.58	119.04	23.01	53.91	124.08	609.63
Couple parent with one child (age 5-11)	312.08	119.04	23.01	53.91	73.49	581.54
Couple parent with two children (age under 3 & 3-4)	324.97	133.36	25.89	53.91	334.39	872.52
Couple parent with two children (age 3-4 & 5-11)	353.95	133.36	25.89	53.91	197.56	764.68
Couple parent with two children (age 5-11 & 12-16)	401.58	133.36	25.89	59.80	73.49	694.11
Couple parent with three children	407.12	133.36	25.89	53.91	407.88	1,028.16
Couple parent with three children (age 3-4 & 5-11 & 12-16)	461.12	133.36	25.89	59.80	197.56	877.73
Couple parent with three children (age 5-11, 5-11 & 12-16)	510.00	133.36	25.89	65.69	73.49	808.43
Couple parent with four children (age under 3, 3-4, 5-11 & 12-16)	498.32	133.36	25.89	59.80	407.88	1125.25

**Source:** [3]

Then using proportions for providing dependants as in the USA we can make calculations for different types of families in Russia for 2018. A working couple shares spending for housing, child care, medicine and clothing for children (table.7).

The living wage calculation includes not only utilities, but partially a rent or a mortgage. We also increased food spending up to 600 rubles a day and 500 for a child, as well as raised medical, child care, transportation and clothing spending.

It's necessary to point out, that living wage and poverty threshold are calculated after taxes. So we must increase the results for a personal tax of 13%.



**Table. 7.** Calculated monthly poverty threshold for different types of families in Russia in 2018, rubles

Type of family	Food	Child Care	Medical	Housing	Transportation	Clothing and other	Required annual income after taxes
1 adult	10500	-	1000	6000	2000	2500	22000
1 adult 1 child	20000	11000	2000	6000	2000	5000	46000
1 adult 2 children	29500	22000	3000	6000	2000	7500	70000
1 adult 3 children	39000	33000	4000	6000	2000	10000	94000
2 adults (1 working)	21000	-	2000	6000	2000	4500	35500
2 adults (1 working) 1 child	22500	-	3000	6000	2000	7000	40500
2 adults (1 working) 2 children	32000	-	4000	6000	2000	9500	53500
2 adults (1 working) 3 children	41500	-	5000	6000	2000	12000	66500
2 adults	10500	-	1000	3000	2000	2500	19000
2 adults 1 child	15250	5500	1500	3000	2000	3750	31000
2 adults 2 children	20000	11000	2000	3000	2000	5000	43000
2 adults 3 children	24750	16500	2500	3000	2000	6250	55000

**Table. 8.** Calculated monthly living wage for different types of families in Russia in 2018, P

Type of family	Food	Child Care	Medical	Housing	Transportation	Clothing and other	Required annual income after taxes
1 adult	18000	-	2000	15000	3000	5000	43000
1 adult 1 child	33000	20000	4000	15000	3000	10000	85000
1 adult 2 children	48000	40000	6000	15000	3000	15000	127000
1 adult 3 children	63000	60000	8000	15000	3000	20000	196000
2 adults (1 working)	36000	-	4000	15000	3000	10000	68000
2 adults (1 working) 1 child	51000	-	6000	15000	3000	15000	90000
2 adults (1 working) 2 children	66000	-	8000	15000	3000	20000	112000
2 adults (1 working) 3 children	81000	-	10000	15000	3000	25000	134000
2 adults	18000	-	2000	7500	3000	5000	35500
2 adults 1 child	25500	10000	3000	7500	3000	7500	56500
2 adults 2 children	33000	20000	4000	7500	3000	10000	77500
2 adults 3 children	40500	30000	5000	7500	3000	12500	98500

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## Адекватный прожиточный минимум – он нужен в России

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**Аннотация:** В статье анализируется новая социальная категория для России – адекватный прожиточный минимум. Мы изучаем ее теоретические, методологические и практические аспекты, сравниваем ее с такими категориями, как минимальная заработная плата и порог бедности. Мы изучаем последние статистические данные о показателях адекватного прожиточного минимума и минимального уровня заработной платы и бедности в США, Великобритании и некоторых других странах. Мы делаем подобные расчеты для нашей страны и предлагаем использовать категорию «адекватный прожиточный минимум» в России. В нашей стране мы привыкли использовать такие категории, как минимальная

заработная плата, потребительская корзина, черта бедности и т. п., в значительной степени оценивая, что нужно человеку, чтобы выжить, и не умереть или заболеть завтра, чего будет достаточно, чтобы покрыть его / ее основные жизненные потребности; но во многих развитых странах учитывается адекватная заработная плата, гарантирующая достойный уровень жизни. Мы все понимаем, что каждый человек, каждая семья, каждый ребенок имеет свои потребности, расходы и право на достаточный уровень дохода в зависимости от окружающей среды, в которой они растут, живут своей трудовой жизнью или уходят на пенсию, поэтому нам нужен «адекватный прожиточный минимум» в России.

**Ключевые слова:** прожиточный минимум, порог бедности, минимальная заработная плата, основные потребности, долгосрочная финансовая безопасность.

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