

Calculating the Cost of a Decent Standard of Living

Exploring the options

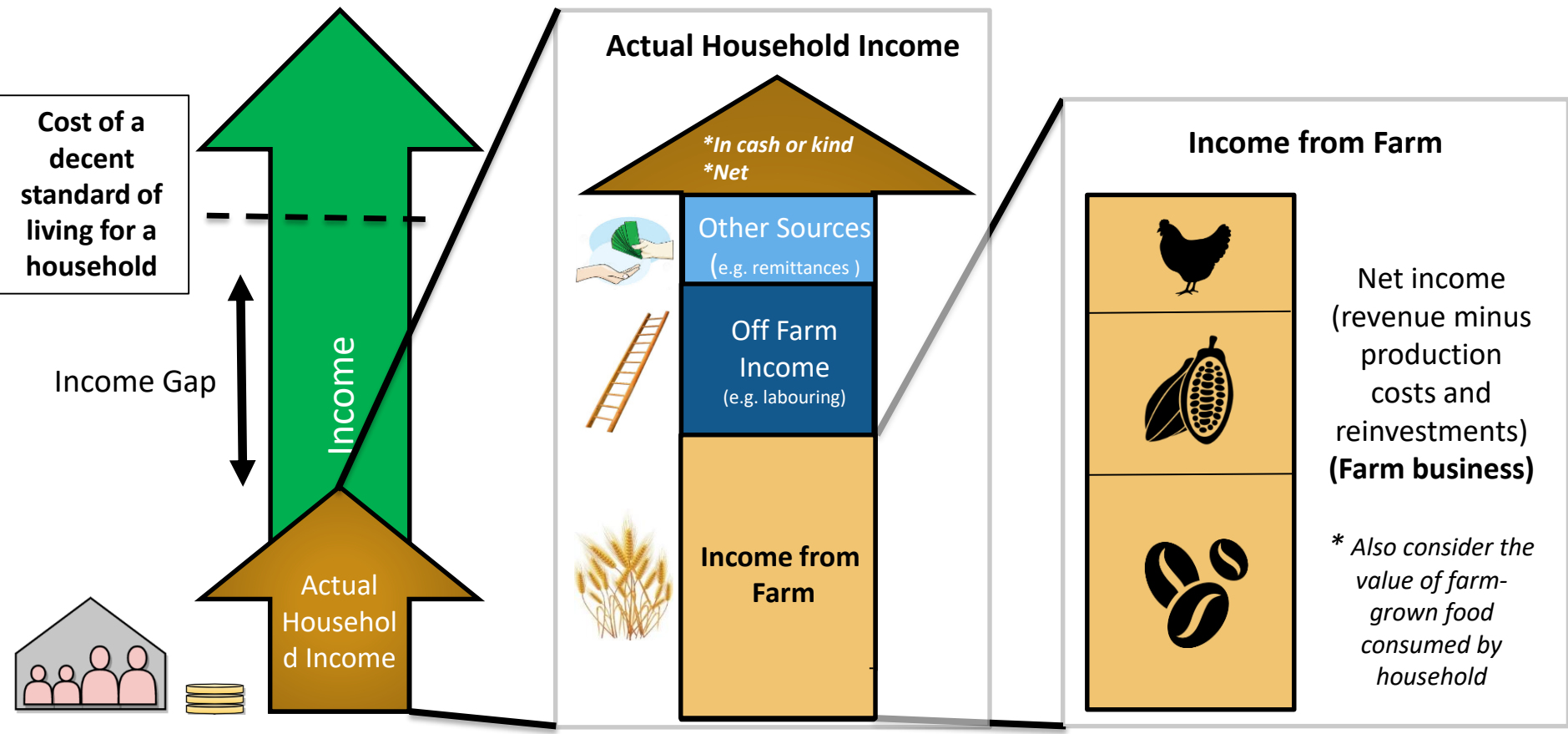
Living Income Community of Practice
December 2017



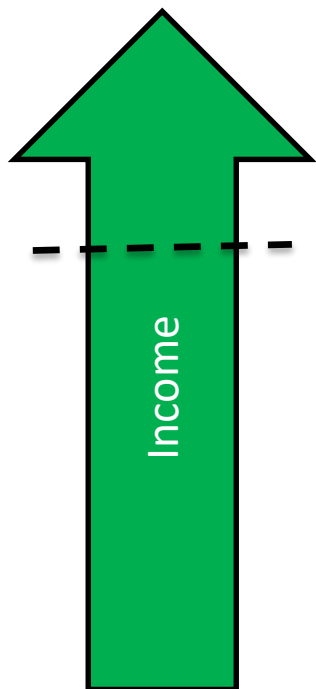
Dr. Kristin Komives

Dr. Dimitrios Minos

The logo for King's College London, consisting of the text "KING'S College LONDON" in a white serif font on a red rectangular background. The word "KING'S" is the largest, "College" is smaller and in italics, and "LONDON" is at the bottom with two horizontal lines underneath.



Focus of this session



Estimating a the **cost of a decent standard of living**

Guiding questions for the session:

What is the value of calculating this benchmark?

What approaches are available to do so?

Which approach is appropriate in what circumstances?

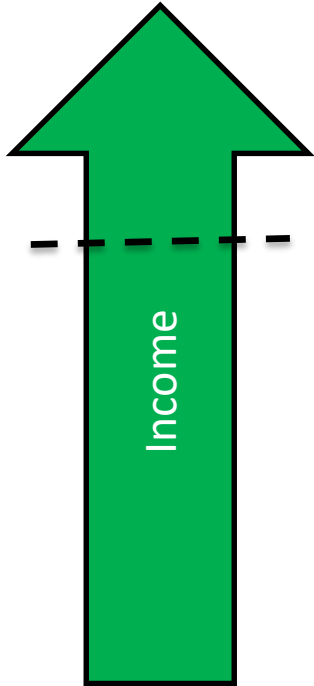
What is the experience of CoP participants in calculating these benchmarks and putting them to use?

Two approaches discussed in today's session

Approach
developed by
Richard Anker
and Martha
Anker

Approach based
on existing
poverty lines

Two general points



‘Decency’ is a normative concept, as is ‘household needs.’

There are national and international norms and guidelines to help inform the operationalization of this concept.

Any approach to measurement involves choices... about how to define ‘decency’ and how to measure it in practice.

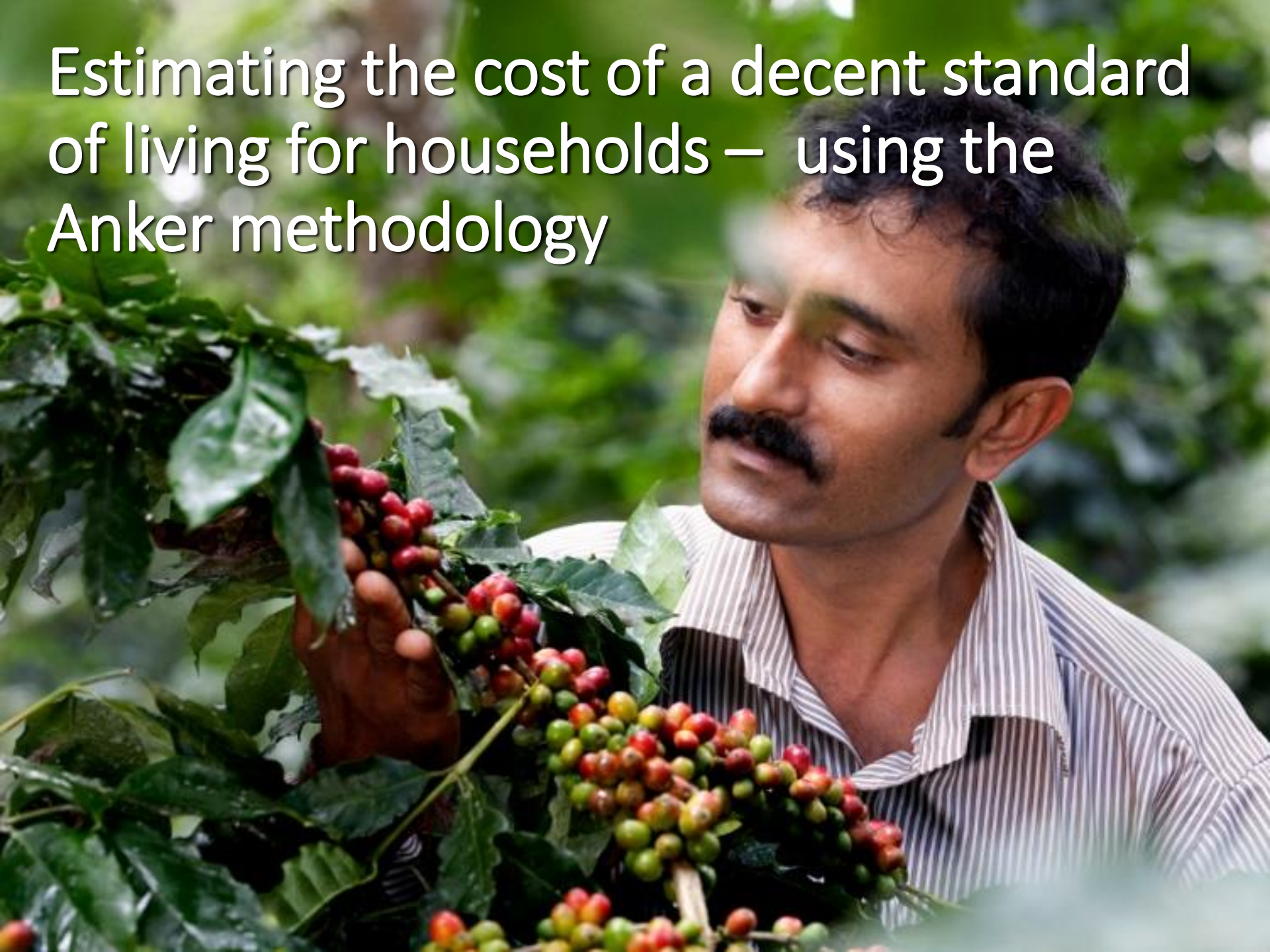
There is no one ‘right’ approach, but methodological choices do matter, and alignment on concepts and measurement has some advantages.

Session outline

- › Anker methodology
- › Approach using poverty lines
- › Questions on approaches
- › Broader discussion



Estimating the cost of a decent standard of living for households – using the Anker methodology



Global Living Wage Coalition:



A coalition of seven sustainability standards covering multiple sectors and products, with the ISEAL Alliance

Working together to measure, promote, and implement a living wage in the sectors in which they are active

As a first step, the Coalition agreed on one approach to defining and measuring living wage – a methodology developed by Richard Anker and Martha Anker

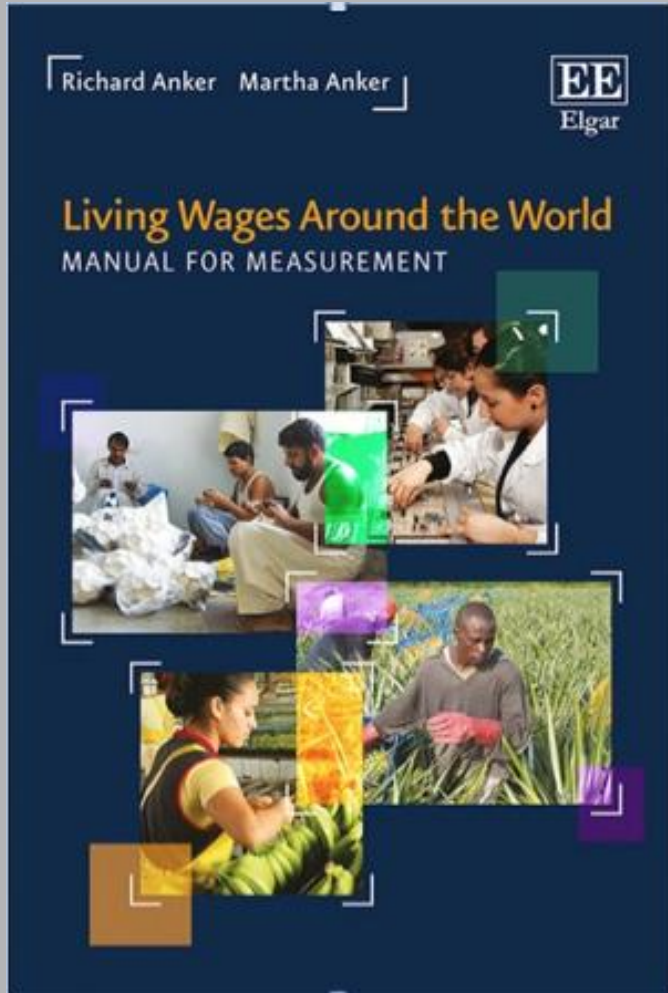
A living wage is...

“The 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.”



Frames the concept of a decent standard of living



GLOBAL LIVING WAGE COALITION

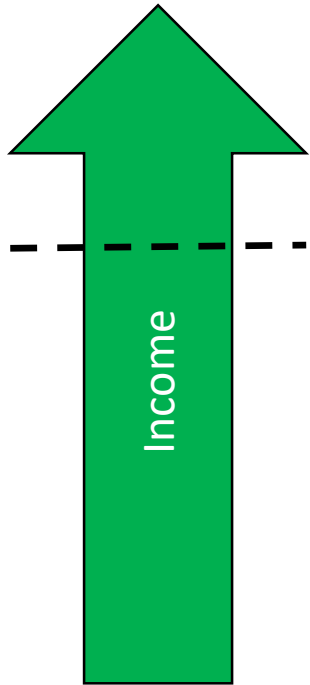
The Anker Methodology: Manual Release

LIVING WAGES AROUND THE WORLD

A way to
measure
that
concept...

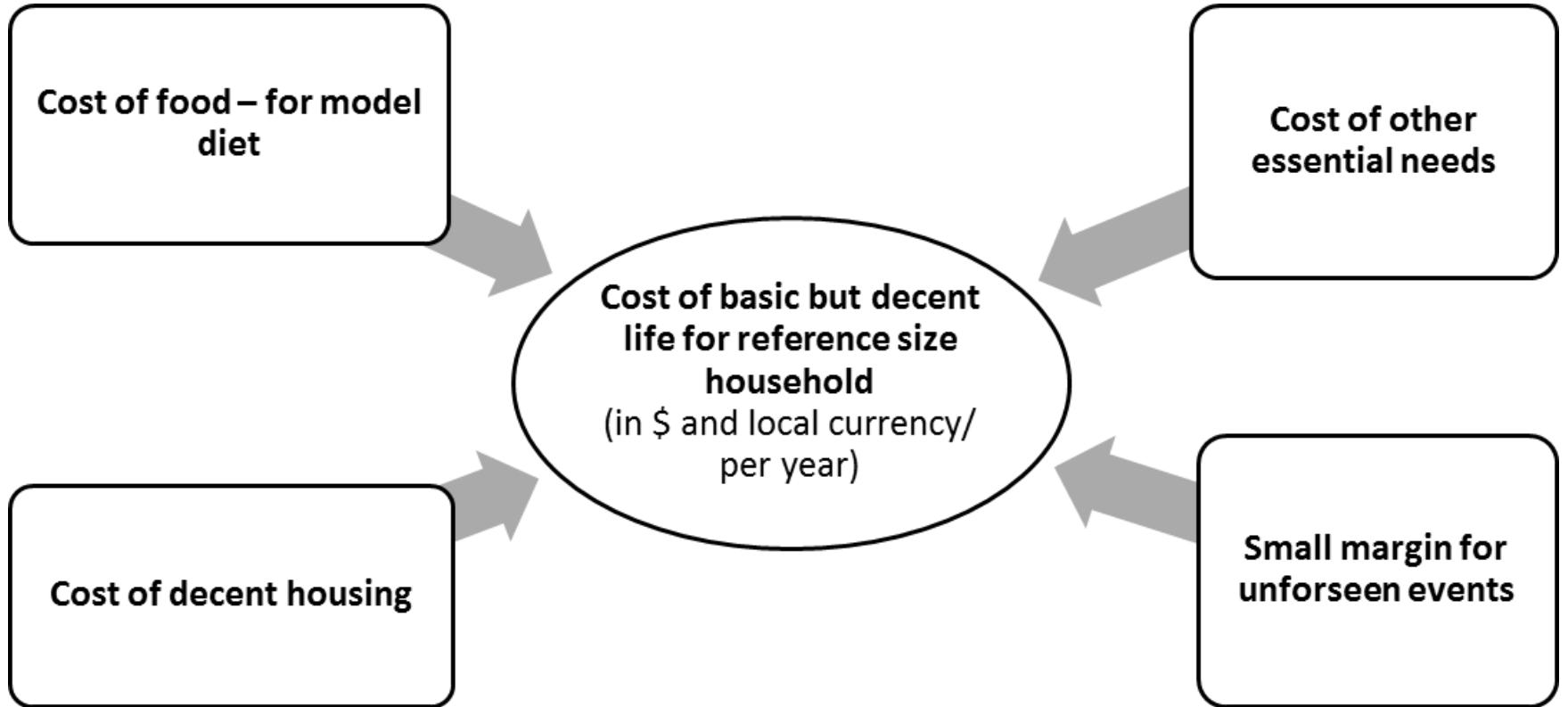
and apply
it to the
calculation
of a living
wage

Available for free download at <https://www.elgaronline.com/>



The first step in the Anker & Anker living wage methodology is to estimate the **cost of a decent standard of living** for a typical household in a particular place

That is what we want for our living income measurement efforts too



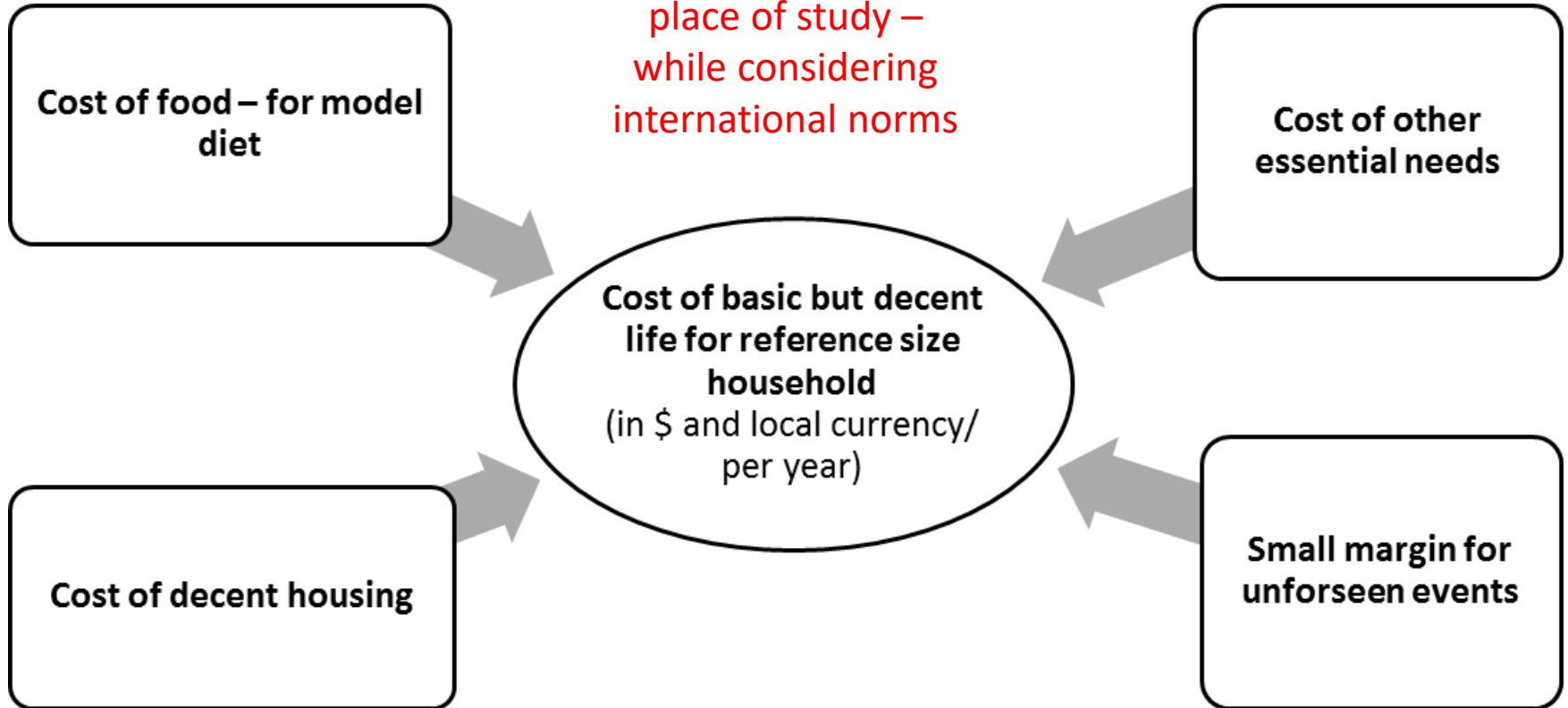
**Model diet (locally relevant, FAO and WHO standards)*

**Field data collection*

Goal is an estimate that makes sense to those living in the place of study – while considering international norms

**Other needs of decent quality*

**Use of secondary survey data + sense check*



**Decent housing (local norms, Intl standards ILO, WHO, UN Habitat, other)*

**Field data collection*

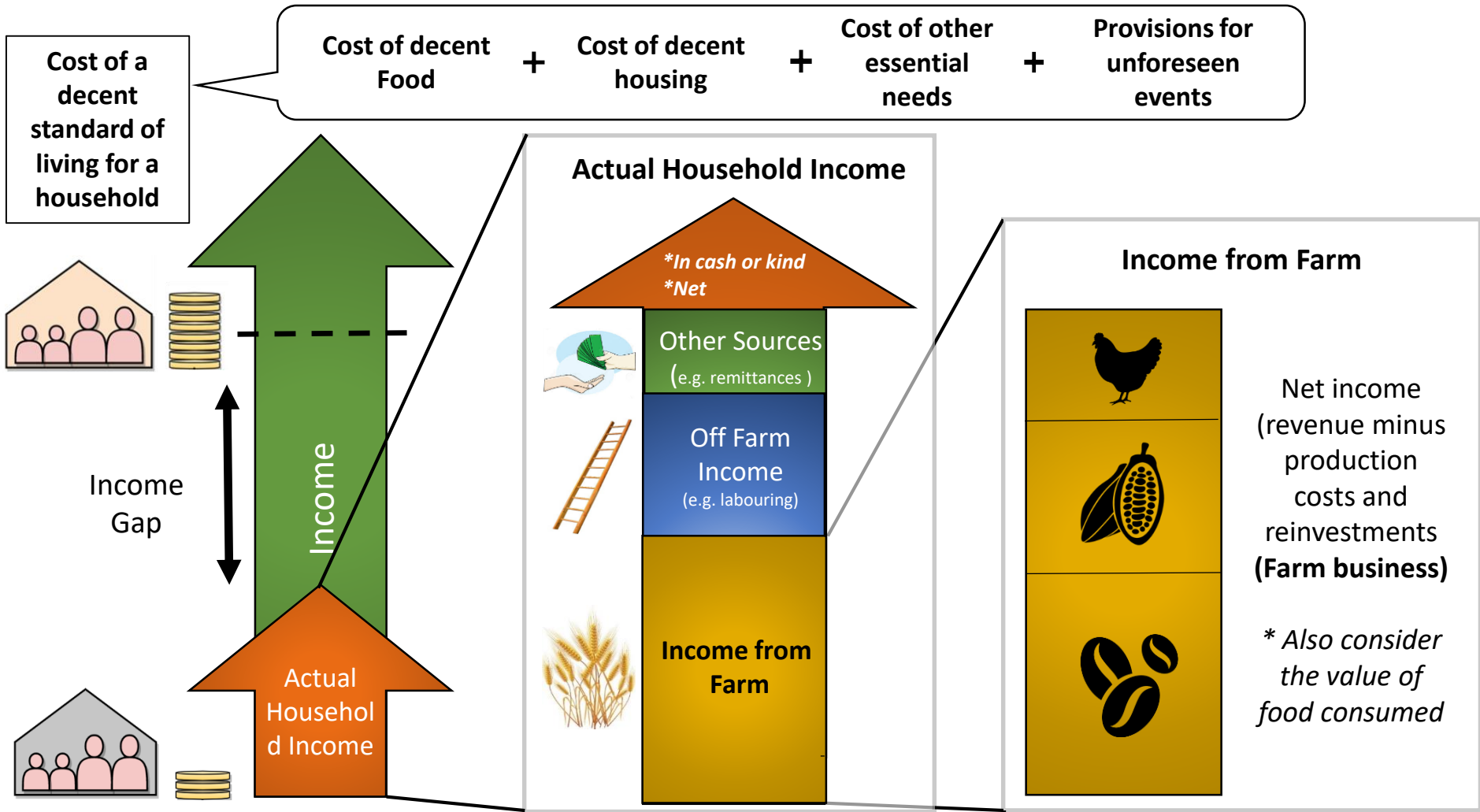
Generally 5% - can vary

Is this approach
equally applicable
to farming
households?



Yes!

The estimate of the cost of a decent standard of living for a household of a certain size is the **same for all households of that size in that particular place** irrespective of what their livelihood activities look like.



Can we apply the estimates produced in living wage studies that use the Anker & Anker approach to farming households?

A group of us are currently working on this question

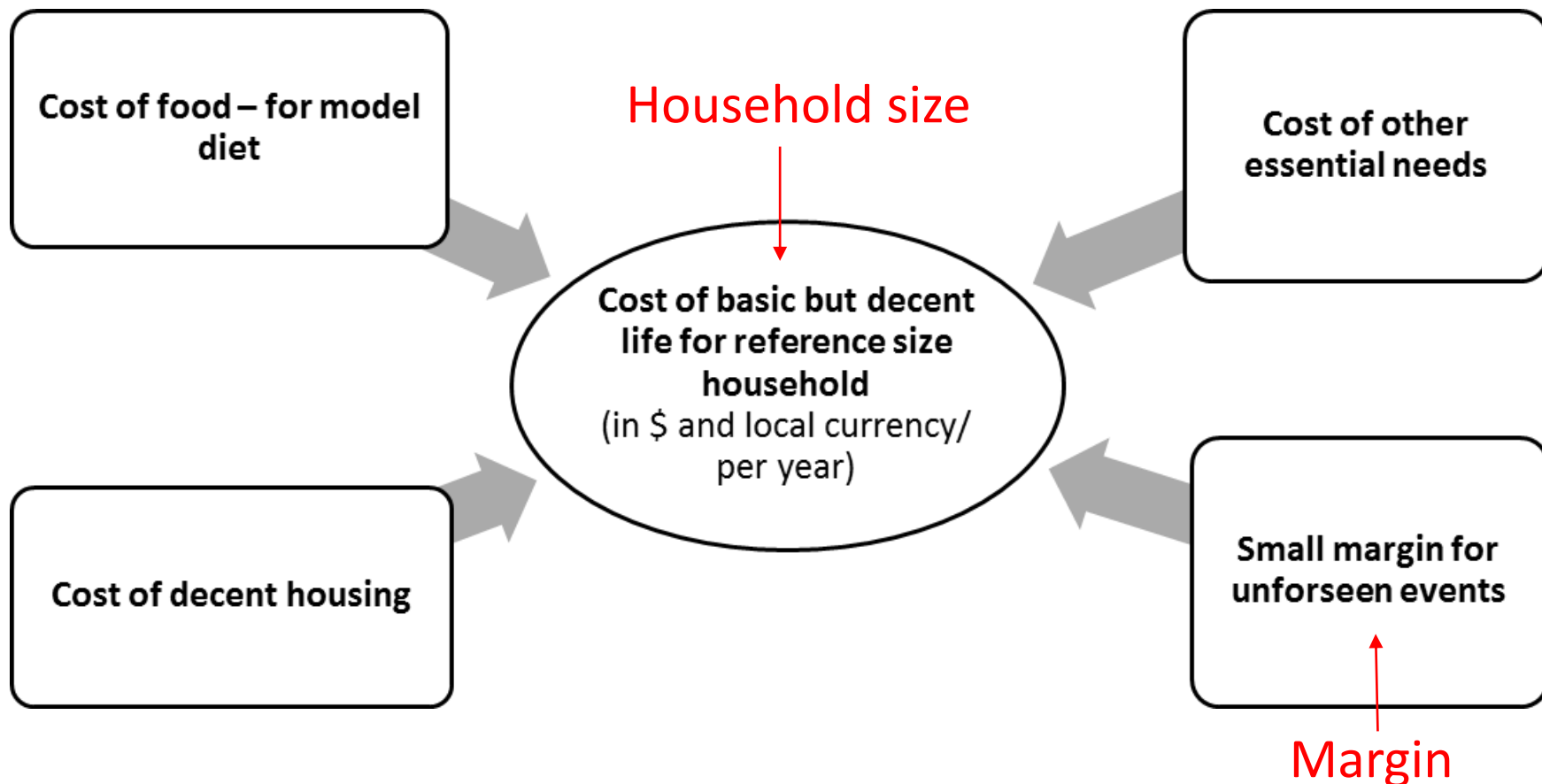
30 Benchmark studies are finished or under way by the GLWC

Studies clearly report cost of decent standard of living and its component parts



Important considerations

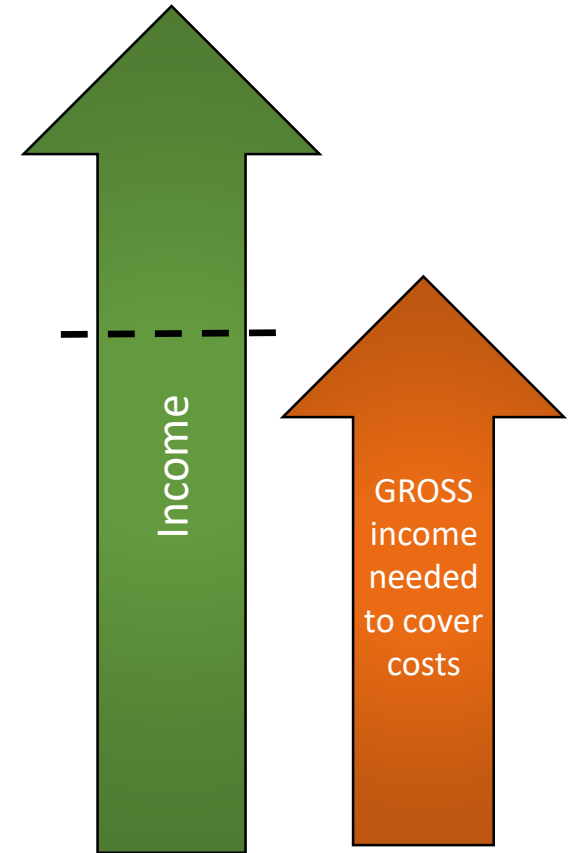
Geographic scope of the estimate: always sub-national; may be rural, peri-urban, urban



Final methodological point

From cost of a decent standard of living to the income need to cover those costs....

Earning a living income means having the *net annual income* required to afford a decent standard of living



Taxes may vary by livelihood activity

Value of using this methodology -- beyond the calculation

› Building understanding and buy-in through:

- Field data collection for some components
- Stakeholder engagement
- Verification workshops

› Synergies from alignment on a concept and an approach



Ask: when are these points especially valuable?



iseal
alliance

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Oil palm fruit © Jonathan Perugia for Roundtable for Sustainable Palm Oil