

Living wage

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A living wage is defined as the minimum amount of money required by a worker to meet their basic needs. This is not to be confused with a subsistence wage, which refers to a biological minimum. Food, shelter, and other essential needs such as clothing are included in the definition of needs. The goal of a living wage is to enable a worker to afford a basic but decent standard of living through employment without the assistance of the government. Because of the ambiguity of the term "needs," there is no universally accepted measure of what constitutes a living wage. As a result, it varies by location and household type. A family wage is a related concept – one that is sufficient to support oneself and raise a family.

A living wage is a theoretical income level that allows individuals or families to afford adequate necessities. A living wage is intended to provide employees with enough income to maintain a decent [standard of living](#) while preventing them from falling into poverty. According to economists, this should be sufficient to ensure that no more than 30% of this income is spent on housing. As a result, living wages are frequently far above the legal [minimum wage](#).

A living wage is a socially acceptable level of income that covers basic needs like food, shelter, child care, and health care. The living wage standard allows for no more than 30 percent of income to be spent on rent or mortgage payments and is sufficiently higher than the poverty line.

The concept of living wages is not new and can be traced back to [early Africa](#), when workers demanded higher pay. The living wage is not confused with the minimum wage, which is the legal minimum wage. Living wage supporters argue that they increase productivity and employee morale, while detractors argue they harm the economy and force corporations to cut costs.

Food, water, housing, education, health care, transportation, clothing, and other necessities, as well as provision for unexpected events, are all components of a decent standard of living.

A living wage is similar to a minimum wage in theory. Both establish a salary "floor" below which no employee can be paid (legally). However, there are numerous discrepancies in practice's value, aim, and adjustment of minimum and living wages. On the other hand, a living wage is set higher than the

minimum wage in an ideal society and maybe "pegged" to (fixed as a percentage of) some other measure of living standards, such as average weekly wages. This ensures that the living wage's relative worth remains constant throughout time.

This is usually seen as the minimum wage that keeps workers out of poverty. In light of Zimbabwe's current economic instability and the large informal sector, the author believes that the legislature should gradually move away from the minimum wage base approach and toward a living wage base approach to protecting employees (both in the public and private sectors) from exploitation and perpetual poverty.

Living wage calculator

An Overview of the Living Wage Model

Analysts and policymakers frequently compare income to the federal poverty line to determine an individual's ability to maintain a certain standard of living. However, poverty thresholds do not take into account living expenses beyond a very basic food budget. The federal poverty measure does not account for costs such as childcare and health care, which not only deplete one's income but are also determining factors in one's ability to work and endure the potential hardships associated with balancing employment and other aspects of daily life.

Furthermore, poverty thresholds do not account for geographic variation in the cost of essential household expenses.

The living wage model is a different way to calculate basic needs. It is a market-based approach that uses geographically specific expenditure data to estimate a family's likely minimum food, childcare, health insurance, housing, transportation, and other necessities (e.g., clothing, personal care items, etc.) costs. The living wage calculates the minimum employment earnings required to meet a family's basic needs while maintaining self-sufficiency using these cost elements and the harsh effects of income and payroll taxes.

The living wage model is a 'step up from poverty defined by poverty thresholds, but it is a small 'step up' accounting for only a family's basic needs. The living wage model excludes what many Africans consider to be basic necessities. It does not budget for pre-prepared or restaurant meals. It does not include money for entertainment or times off for unpaid vacations or holidays.

Finally, it does not provide a financial means for future planning through savings and investment, nor does it provide a financial means to purchase capital assets (such as provisions for retirement or home purchases).

The living wage is a minimum income standard that, if met, draws a very fine line between the working poor's financial independence and the need to seek public assistance or suffer from chronic and severe housing and food insecurity.

Family Structures

The living wage calculator calculates the living wage required to support a family of twelve different compositions: one adult family with zero, one, two, or three dependent children, two adult families with both adults in the labor force, and zero, one, two, or three dependent children, and two adult families with one adult not in the labor force and zero, one, two, or three dependent children.

In the case of single adult families, the adult is assumed to be employed full-time. Both adults are assumed to be employed full-time in two adult families where both adults are in the labor force. For two-adult families where one adult is not in the labor force, one of the adults is assumed to be employed full-time while the other non-wage-earning adult provides full-time childcare for the family's children. Full-time work is assumed to be year-round, 40 hours per week for 52 weeks per adult.

Families with a single child are presumed to have a 'young child' (4 years old). Families with two children are presumed to have a "young child" and a "child" (9 years old). Families with three children are assumed to have a "young child," a "child," and a "teenager" (15 years old).

Geographic Definitions

The county, metropolitan area, state, regional, and national living wages are all calculated.

Sources of Information and Calculations

The living wage is defined as the amount of money required to cover basic family expenses (basic needs budget) plus all applicable taxes. A work year of 2,080 hours (40 hours per week for 52 weeks) per adult is assumed to convert values from annual to hourly. The following is how the basic needs budget and a living wage are determined:

Basic needs budget = Food cost + childcare cost + (insurance premiums + health care costs) + housing cost + transportation cost + other necessities cost

Living wage = Basic needs budget + (basic needs budget * tax rate)

Or you can calculate the living wage as:

Living wage = Annual Family Expenses + Taxes and Premiums – Government Transfers

The living wage is determined by how much a family spends on necessities (annual family expenses), plus how much they pay in taxes and premiums (employment insurance and pension plan), less eligible tax credits, and other subsidies (government transfers). Every year, the living wage is determined.

What is the significance of paying a Living Wage?

Employers who have achieved the status of [Certified Living Wage](#) recognise that paying a living wage is an investment in a healthy community and a strong local economy. Certified Living Wage Employers help to build a committed, skilled, and healthy workforce.

For the Employers:

Paying a living wage may increase productivity, increase employee loyalty, and reduce costs associated with absent employees, training, and recruitment. Employers can demonstrate their appreciation for their employees by paying a living wage. Paying a living wage sends a strong message to our community about your company.

For the Employees:

Earning a living wage provides enough money to cover basic living expenses and can alleviate financial stress. This can result in better health, higher job morale, more support for healthy child growth and development, fewer barriers to social inclusion, and an overall improvement in the worker's and their family's quality of life.

For the Community:

A living wage can help local residents be healthier, happier, and more involved in society. A living wage can increase consumer purchasing power, which can help the local economy grow.

The Advantages of Living Wage Statutes

A living wage improves worker morale

When employees are unsure whether they will pay their bills or provide for their families, this becomes their primary focus. Suppose you can pay that person enough to cover their basic needs. In that case, they will be able to focus their efforts on productivity, personal development, and educational opportunities to continue raising their standard of living. Even though the higher wages are an expense for the company, they are offset by higher productivity levels from each employee.

Earning a living wage can spur economic growth

Raising wages to a living wage increases earnings in each neighborhood affected by this outcome. When families spend their money at local stores, the community's economic value nearly doubles compared to money spent at businesses located outside of the city. As the money is spent, additional merchants further down the purchasing chain benefit from a living wage as well.

A living wage mandate has the potential to increase employment opportunities

Although critics will argue that a higher living wage raises unemployment rates, this is almost always a negligible effect. The regions with the highest wage minimums have a median unemployment rate that is [only 1% higher](#) than the national average.

Employers benefit from lower turnover rates when wages are raised

Businesses recognise the need to compensate employees as their experience levels increase adequately. If that outcome does not occur, qualified workers will look for new job opportunities that pay more. This reaction forces employers to invest in costly training programs to replace those who leave.

With a living wage that extends to all employment opportunities, a company has a real chance of keeping its skilled workers happy. Because everyone earns the same amount, there is less employee movement between jobs. This outcome can reduce hiring costs over time, thereby mitigating the negative effects of high worker turnover rates.

It enables minorities to thrive in local economies

The wage disparity between men and minorities or women has gradually narrowed over time, but it remains a problem in many communities. Some industries pay their employees equally, but the majority still prefer white men over any other demographic. When the minimum living wage rises, it begins to equalize wages for all by mandate rather than through market theory.

The Drawbacks of Living Wage Laws

Small businesses are under more pressure than any other group as a result of living wage laws

A living wage law may provide income benefits to workers, but it is also an unfunded mandate that businesses must meet to comply with local regulations. As a result, small businesses and individual employers will bear the lion's share of this cost. The only way to address this issue without laying off workers is to raise the consumer price of goods or services.

A higher minimum wage means that business labour costs will rise

For the majority of businesses, labour is the most expensive line item on the budget. It may account for more than half of a company's annual outgoing payments. If the government imposes a living wage requirement that raises this amount, hiring fewer people to balance the budgetary scales is typical. As a result of this disadvantage, the unemployment rate may eventually rise, making it more difficult for low-wage workers to find work.

Some small businesses may be unable to function with fewer employees. If they are unable to change their spending habits, they may be forced to declare bankruptcy. As a result, the local community's unemployment rate rises while job diversity decreases.

Laws mandating a living wage do not guarantee that poverty will be reduced

A higher pay requirement combined with living wage laws can benefit workers who can keep their jobs. Unemployed people will have fewer opportunities to find work, and some may receive layoff notices as costs rise. More people may end up on social assistance programs because experienced workers are paid more, while those with less experience are laid off

It has the potential to expand the underground economy

Because it encourages the underground economy, a high living wage can reduce the government's tax revenue each year. Workers who cannot find work will be compensated in cash for odd jobs performed under the table. Tax laws require that this income be documented and reported, but proving a cash payment can be difficult. When labour costs become unmanageable for sole proprietors and small businesses, this disadvantage appears to be a reasonable way to make ends meet.

Businesses may experience internal conflict as a result of the implementation of living wage laws

When new living wage standards become law, businesses frequently comply without regard for their experienced workers. That means someone who just got off the street could earn the same amount as someone who worked for ten years. That is not the employer's fault because the government mandates the change, but this will not prevent internal conflicts.

In this situation, some businesses lay off their least experienced employees in order to pay others more. It is also possible for the opposite to happen. When the most experienced workers leave, a company is forced to pay the same labour cost for a lower quality workforce.

The living wage in Africa

Mozambique, Tanzania, Kenya, Uganda, Rwanda, Burundi, South Sudan, Ethiopia, and Egypt are among the nations in East Africa where Living Wage is addressing income and food security. Several groups backed by the Dutch government are working in Kenya and Tanzania to achieve a living wage in the agricultural industry. Hivos East Africa and IDH, the Sustainable Trade Initiative, are two examples. They are assisting businesses in addressing wage inequalities in their supply chains. For instance, determining procedures for estimating living wage values, often known as living wage standards.

[According to Trading Economics global macro models and analysts, the Living Wage for an Individual in South Africa](#) was predicted to reach 6700.00 ZAR/Month by the end of 2020.

Living wage around the world

Working poverty impacts millions of people worldwide, regardless of whether they reside in a high-income or low-income country. Most countries, rich or poor, have struggled to raise workers to pay that matches the true cost of living. The COVID-19 epidemic has highlighted the vulnerability of low-wage employees and highlighted the negative effects of economic instability on human capital development. While much progress has been achieved in ensuring that all workers are paid a decent wage, more has to be done to ensure that no one is left behind.

[In the United Kingdom and New Zealand, advocates describe a living wage as being able to afford the basics for a modest but decent life](#), such as food, shelter, utilities, transportation, health care, and child care, for someone working 40 hours a week with no additional income. A living wage, according to proponents, is the pay that equates to the poverty threshold for a family of four. The family's income would need to cover 'food, shelter, clothing, health care, transportation, and other essentials of modern civilization.' The Greater London Authority (GLA) uses the threshold wage as a definition of a living wage, which is defined as an income of 60% of the median income in the city.

[In the United States, the living wage varies by state](#). Hawaii, with a living income of \$61,000 in 2021, has the highest livable wage. Kentucky has the lowest livable wage, at \$43,000 per year. To give a few instances, the livable wage in New York is \$59,000, California is \$57,000, Texas is \$48,000, and Wisconsin is \$51,000.

Conclusion

Living wages provide minor benefits to certain workers while incurring modest costs for others, and they may also result in modest poverty reductions. We should also point out that the latter result applies only to business assistance living wage laws, not contractor-only laws.

Updating the evidence has resulted in some modifications in the point estimates and a bit more uncertainty because estimates might vary based on which data is used and during what timeframe. Living wages do have an effect on employment among the low-wage people they are supposed to benefit from.

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