

PROVIDING DIGNIFIED WORK

LIVING WAGE BENCHMARK

sama SOURCE

LIVING WAGE BENCHMARKS & METHODOLOGY

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What is a Living Wage?

A [living wage](#) is defined as the income required to meet basic necessities and a safe standard of living for an individual. Basic necessities include food, clean water, clothing, safe housing, education and discretionary income. The exact definition of a living wage varies from country to country- although activists push to define a living wage as the wage equivalent to the poverty line for a family of four. Minimum wage floors set by governments often do not reflect the true cost of living. Minimum wage standards in many developing countries often force individuals to work excessive hours in unsafe conditions (often in multiple jobs) and render them unable to mitigate risks such as health emergencies or natural disasters.

Living Wage: Current Standards & Challenges

Companies and NGOs often use the lack of a generally agreed definition and methodology for measuring living wage as a justification for not paying a living wage. **Research on corporate social responsibility (CSR) arms of multinational corporations (MNRs) highlights the challenges of identifying wage floors that accurately reflect local costs of living:**

- 1. No brand or retailer is paying its workers a living wage or has put together a systematic program of work that is likely to raise wages to an acceptable level in the near future,** according to Labour Behind the Label (2009). Skeptics might not be surprised by this, since higher wage payments might affect profitability- unless productivity increases when workers receive higher wages.
- 2. Companies proffer various reasons why they do not pay a living wage in practice.** A common reason, and perhaps excuse, for not paying a living wage relates to difficulties in measuring a living wage – such as lack of a universally accepted definition, lack of an accepted formula and subjectivity. For example: “There is no clear universal definition of the living wage and therefore the [Ethical Trade Initiative \(ETI\) Base Code](#) cannot be applied.” (asda/Walmart). “We do not endorse artificial wage targets or increases based on arbitrary living wage definitions.” (Nike)
- 3. Several companies point out that they pay the legal minimum wage as a substitute for a living wage.** They say that it is the responsibility of government (and in some instances workers’ groups) to ensure that the legal minimum wage is set at a living wage level. This implies that these companies would support an increase in the minimum wage, as this would help workers without putting companies that comply with minimum wage legal laws at a competitive disadvantage. For example: “Levi Strauss & Co. believes in the principle that wages and benefits for a standard work week should be sufficient to meet workers’ basic needs and provide some discretionary income. Markets set wage rates. Where wages fail to keep workers above the poverty line, governments should set minimum wages consistent with the cost of living, in consultation with representatives of workers and employers.”

Objective

To review and re-calibrate our thinking and methodology behind the living wage standard. This is a nominal amount we have used as a wage floor for our delivery centers- and thus our workers. Comparing our wages against a living wage floor ensures that workers are being paid in a way that they can make ends meet and sustainably move out of poverty.

Initially, we relied on Fair Wage Guide (FWG) country wage floors as our basic benchmark. Based on feedback from our field teams, we realized that the Fair Wage guide country wage floors may not accurately reflect the cost of living in our geographies. This exercise aims to highlight the differences between minimum wage, fair wage, and living wage (as calculated by the food-cost methodology). We hope to use this research to start a conversation around living wage standards and how to provide dignified work opportunities to vulnerable populations.

Rationale: Why Compare Salaries Against the Local Living Wage?

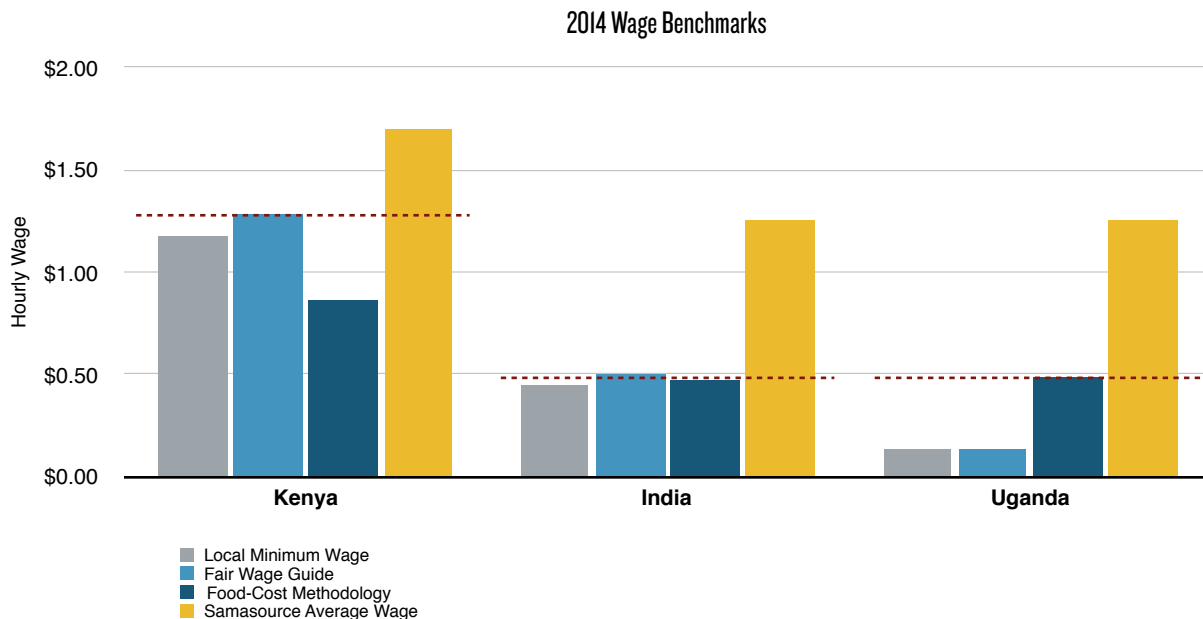
The following are the major reasons we decided to scope alternate methodologies:

- Fair Wage Guide's (FWG) methodology is driven by local minimum wage only. In many countries, minimum wage does not reflect cost of living.
- Fair Wage Guide explicitly states that they do not account for differences in cost of living across countries.
- Local minimum wage is driven more by labor laws/politics than poverty concerns. Experts do not view minimum wage as a credible living wage- especially in a few of our major geographies.
- Important piece of our impact model that has the potential to nontrivially affect both development as well as business.

Methodology

We reviewed all existing methodology and standards, discussed with FWG, and had talks with a living wage expert from the ILO. We looked at common standards besides just minimum wage, such as the \$2/day PPP measures. Ultimately we decided that the most practical but credible step was to construct our own living wage, with data from food prices/diets on the ground.

Using food prices faced by our workers, common diets, and staples—and their associated “adequate/nutritious” caloric intake)— we calculated an average per-day cost of food. This methodology exactly mirrors the assumptions used by the Asia Floor Wage to arrive at per day living wage. We deviate in only one respect--the Asian Floor Wage takes the per day living wage and multiples by 3 to arrive at a wage to directly support an entire family. We decided that for our model of impact--and the associated worker profile, it makes more sense to look at this as a range, with the amount required to directly support 1 person as the floor wage we want to work with.



Summary of Findings

In partnership with both Fair Wage Guide and our teams on the ground, we used Food Cost Methodology to determine a living wage for our 3 largest geographies (Kenya, Uganda, and India).

- The exercise highlighted how and where we should establish wage floors/living wage for our work in Kenya, India and Uganda.
 - **Kenya:** The Fair Wage Guide number holds as the highest standard amongst the 3 wage floors. This number will be used as living wage standards in Kenya.
 - **India:** The Fair Wage Guide number aligns with the food cost methodology standards. This number will be used as living wage standards in India.
 - **Uganda:** The Fair Wage Guide and national minimum wage do not reflect the cost of living as calculated by the Food Cost Methodology. The Food Cost Methodology number will be used as living wage standards in Uganda.

Recommendations

On average, we remain above all three wage floor standards (National Minimum Wage, Fair Wage Guide and Food Cost Methodology) in terms of the average hourly wages we provide. Samasource workers earn well above a basic living wage.

To sustain our impact and remain well above the living wage floor, we recommend officially moving towards setting our current hourly wage average as a base wage -both internally and with our delivery center partners- so that future contracts and practices will continue to serve our mission. Regular pay audits should ensure that workers are making above the basic living wage standard and aligned with our average salary ranges.