



TOWARDS LIVING WAGES AND LIVING INCOMES: ANKER REFERENCE VALUES

Photo: Siddarth Selvaraj

WHY LIVING WAGES AND LIVING INCOMES MATTER

A decent standard of living – one that covers basic needs and supports an existence worthy of human dignity – is a **human right**. But Fairtrade’s experience shows clearly that small-scale farmers and agricultural workers – despite growing the crops that drive supply chains worth billions on the global market – too often live in poverty.

Fairtrade is fully committed to **Sustainable Development Goal (SDG) 8** - to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. One of the targets of SDG8 is to achieve full and productive employment and decent work for all women and men, and equal pay for work of equal value.

A living wage is:

“Remuneration received for a standard workweek 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, transportation, clothing, and other essential needs including provision for unexpected events.”

- Global Living Wage Coalition

A living income is:

“Net annual income required for a household in a particular place to afford a decent standard of living for all members of that household.”

- Living Income Community of Practice

As the concepts of living wages and living incomes have become increasingly mainstream, the need for high-quality estimates for countries around the world has increased significantly. However, determining how much money a family needs in order to enjoy a decent standard of living can be complicated - it varies between regions and countries, and even within the same country. It takes often months to compile locally relevant data on typical family size, number of wage earners, the price of food, fuel, housing, education and transport; payments-in-kind such as subsidised accommodation; and wage deductions and taxes. To add to the rigour of the research process, meetings with local stakeholders, including employers and trade unions, producers and local official, are carried out before an accurate and legitimate benchmark can be established.

There are more than **1.7 million Fairtrade producers and workers operating in 73 countries worldwide**. Clearly, it would be prohibitively costly and time-consuming to produce fully-fledged benchmark studies for every location in every country. Now, however, Fairtrade - along with other members of the **Global Living Wage Coalition (GLWC)** and the **Living Income Community of Practice (LICO P)** - has partnered with the global leaders in living income and living wage benchmarking, **Richard and Martha Anker**, to develop a faster, cheaper and more scalable way to establish reference values.

OUR VISION: A WORLD IN WHICH ALL PRODUCERS CAN ENJOY SECURE, SUSTAINABLE LIVELIHOODS, FULFIL THEIR POTENTIAL AND DECIDE ON THEIR FUTURE.



FAIRTRADE



Photo: Didier Gentilhomme

MEASURING GAPS AND GLOBAL HOT SPOTS

The demand for living wage and living income estimates has surged in recent years as more and more companies and organisations recognise the importance of living wages and living income for sustainability. Fairtrade believes that measuring the gaps between what people receive in return for their labour and what they need for a decent standard of living is important to trigger action by local actors and along supply chains. Still, despite significant achievements by the Ankers and their research network in measuring local values for decent living, reliable benchmark studies are still lacking in many places.

Anker reference values are expected to be especially useful in identifying 'hot spot' countries where prevailing wages and incomes are very low compared to the needs of farmers and workers.

Based on 40 existing Anker studies (11 in Africa, 20 in Asia and nine in Latin America), the new reference values calculate the average living wage and living income for rural and urban areas within each country, rather than for one specific location. By analysing past data the reference values predict how much the net living wage (or take home pay) and living income for any given developing country should be, accurate to within a ten percent margin of error.

The new methodology makes it possible to establish reference values which distinguish between rural and urban areas - a major improvement on other approaches which are mostly limited to poverty lines and minimum wages. This will help to significantly increase the number of countries for which credible and internationally comparable living wage and living income estimates are available. Mandatory payroll deductions and income taxes will be included in the estimated living wage, and the values can easily be updated

each year by factoring in inflation, economic development and changes to income tax levels.

The new reference values are an important next step in Fairtrade's work to **measure and improve living wages and living incomes** for small-scale farmers and agricultural workers around the world. They are not intended to replace extensively documented benchmark studies for particular locations - rather, they can provide a global overview of low income and low wage hotspots, which will then enable Fairtrade to prioritise action to tackle them.

Reference values enable risk assessments and prioritisation on a global scale, while full Anker benchmark studies remain the 'gold standard' for highly localised measurement of living income and living wage.

The first Anker living wage and living income reference values and country profiles feature Burkina Faso, Ivory Coast, Peru, and Rwanda. An additional 16 reference values and country profiles will be released over the remainder of 2020.

The Anker Reference Values are endorsed by the Global Living Wage Coalition. Development of the methodology was initiated and supported by Fairtrade International, with the valuable support of GIZ and others.

For further information and updates, including a full technical briefing on the Anker methodology, check out our work on **decent livelihoods**.

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