



A CORNERSTONE FOR DECENT LIVES

EAPN has always defended quality and sustainable work and employment, as a durable route out of poverty for those who can work. In defining quality, the role of decent wages, able to provide for a life in dignity for the worker (and their families), is crucial.

What is the Living Wage?

The term *Living Wage* is an English language definition, which arose in Australia over a century ago, but which is still used to define the minimum salary necessary to **provide a worker with a basic, but acceptable, standard of living**. In other languages, this concept will be captured in different ways (e.g. decent wage).

Is it different than the Minimum Wage?

A Living Wage level will be distinct from a subsistence level, because it goes beyond a biological minimum and calculates an acceptable standard of living, in recognition of a worker's effort and labour, which will cover housing and other essentials, such as clothing and food. **A Living Wage is often distinct from a National Minimum Wage, because the latter is often fails to meet the requirements to have a decent, quality of life**, leaving the employee to rely on Government programs for additional income support. However, some countries are now mainstreaming the concept into their approach to minimum wage (e.g. UK), which is obviously a welcome tendency.

How does it impact on collective bargaining?

Negotiations between trade unions and employers, and in some cases public bodies, will continue to set wage rates for particular professions and sectors. In many cases, rates agreed will be higher than the Living Wage, reflecting economic value, skills, and other factors. In sectors where some or all employees are paid less than the Living Wage, **trade unions may wish to use the set Living Wage figure as a minimum bargaining demand**, or to identify it as a future goal to be achieved incrementally.

10 Arguments for a Living Wage

The Living Wage is promoted as being:

- A **human rights approach**, which should be undertaken by all players in a civilised society,
- A means for tackling social problems fostered by **low income**, such as in-work poverty,
- Part of a wider response to the problems caused to the macro-economy of wages reducing as a proportion of company profits,
- A means to tackle the undervaluing of **specific types of work** – particularly in the case of gender segregation, discrimination against migrant workers and against young people,
- A specific approach to support workers not covered by collective bargaining agreements,
- A means to improve the viability of **local communities**,
- A way in which the state can reduce its **income support payments** because of low wages by increasing employer responsibilities,
- Of international value, as a means to improve **supply chain activities of companies** selling in one country but manufacturing in others,
- Of **positive reputational advantage to employers**, in relation to Corporate Social Responsibility and other PR outcomes,
- Of **significant business benefit to employers**, in relation to creating a stable, well-motivated and skilled work force.

How to calculate the Living Wage?

A key element of a Living Wage campaign involves **calculating the rate of pay**. In most cases, the focus is on calculating an hourly rate, but this is worked out based on the weekly, monthly or annual rate and then divided by the number of hours worked.

The most common method used to establish the rate is **Reference Budgets**, either alone or mixed with other methods. Reference Budgets have been developed in different ways in many countries to establish a **minimum essential standard of living**. Reference Budgets are also being proposed as a method for establishing levels of minimum income¹ and as the minimum required for providing people with a dignified life. Therefore, the question of **creating a positive hierarchy** between the income levels required to provide a minimum income and the levels required for someone who is working should be considered.

Other methods:

- Minimum wage, plus an agreed additional amount;
- A rate designated which is above the poverty threshold level;
- Minimum unemployment benefit x 2 (or a slightly higher ratio). This provides that incentives to work for pay remain, at least for uninsured unemployed people;
- Median income x an agreed percentage (or a slightly higher ratio). This acts as a check and balance for low paid work in general;
- Average income x an agreed percentage. This could produce an even stronger balance on keeping a check on rising income inequality.

Should the Living Wage be calculated at a national level?

Given that **costs vary significantly within a country**, particularly in relation to housing and travel, the Living Wage may operate using different geographical boundaries, reflecting a **trade-off between accuracy and the need to establish a universally recognizable figure**.

¹ Minimum income refers to a state's non-contributory means tested income supports provided to people who do not qualify for unemployment or certain insurance-based benefits.

Why are Living Wage campaigns important?

The novelty of the Living Wage campaign approaches consists in the fact that they are not aimed directly at changing legislation, but rather, at **changing employer behaviour**. Campaigners take their figures directly to employers, in the private, public, and third sector, convincing them to start paying all their staff a previously calculated hourly amount which constitutes a living wage as calculated by campaigners.

Employers are then rewarded with a **Living Wage accreditation**, which is based not only on the payment of a certain hourly wage, but also on the employer's commitment to fulfil certain other basic criteria, such as permitting trade union activity, and in the treatment of their workers in areas such as minimum holidays, training and other conditions.

The development of Living Wage campaigns (for instance, in the UK and the US) has been associated with 'community organizing', involving the direct participation of workers and a network of local actors. It is a **collaborative approach**, building alliances between trade unions, community organizations, faith-based organizations, and others. The extent of grassroots mobilization varies, but is an important element in **garnering broad-based support**.

*
* *

JOIN US NOW!

- Follow us on [Facebook](#) 
- Tweet with us: [#EAPNWage](#) 
- Read more on the [European action](#) 
- Contact us to [find out more](#) 