

Book review

Living wages around the world: Manual for measurement, by Richard and Martha Anker, Edward Elgar Publishing, Cheltenham, UK and Northampton MA, USA, 2017

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Living wages belong to the family of poverty indices that include statutory minimum wages and national poverty lines. This normative instrument defines how much money a full-time wage worker should earn to support the typical family in a given location in a basic but decent way. The method's ambition is to yield estimates that can be compared across different times and places. It is typically used to claim that a statutory minimum wage delivers say 80% or 100% of what is necessary for a decent living. Living wages are constructed bottom up, starting with a sensible diet and then adding to it the numerous other components of consumption in a modern society. I am not a fan of bottom-up constructs, as they usually unravel quickly in the face of the minute detail of local custom and/or market constraints. In the case of living wages, this problem is traditionally avoided by using national income and expenditure data to scale up the cost of an exogenously determined adequate diet to include all other consumer items. The problem with this strategy is Engel's law and a lack of disaggregated data in developing countries.

The main innovation of the Anker method, which is described in detail in "Living wages around the world: Manual for measurement", treats housing in the same way as diet, in other words by locally costing housing of an exogenously determined standard. The argument is that, after food, housing (expanded to include access to safe drinking water, proper sanitation and electricity, where appropriate) is the most important requirement for or indicator of decent living. Therefore, by taking housing out of non-food expenditure, the size of the black-box portion of the calculation is substantially reduced, thereby increasing our confidence in this component. In practice, the reduction varies from at least 15% to 17% (Vietnam and the Dominican Republic), to as much as 44% to 56% (urban India and Cambodia) (see Table 7.2 on pages 176–7 for a summary).

The Anker diet spreadsheet is based on the Scofield equations, which relate daily calorie requirements to age, sex, body weight and physical activity level. These are all pre-programmed in the spreadsheet, which can be obtained from the publisher. Total calories are divided according to the standard protein, carbohydrate, fat, dairy and fruit and vegetable requirements stipulated in the WHO/FAO guidelines for nutritional diets, and the manual contains handy details on the nutritional content and weight of common foods. It is up to the practitioners to select from this list the most preferred examples for their location, and then to look for the cheapest options in local shops and markets. For example, Category 2A, roots and tubers, lists potatoes, cassava and sweet potatoes (Table 3.2, pages 52–3). In rural Uganda, the most common item from this set will be cassava, while in South Africa it will be potatoes. Category 2B, starchy fruits and vegetables, which contains green bananas and plantains, is optional; it might be appropriate in rural Uganda but will not be listed in the basic decent South African diet. The manual overrides the normal five-a-day fruit and vegetable requirement stipulated in the WHO/FAO guidelines on the grounds that this is not the common practice in, for example, Sub-Saharan Africa, where people in most cases consume less than 200 grams of fruit and vegetables

per day. While this refinement should be admired for its acknowledgement of the real world, it is also the point at which one must begin questioning the method's success as a normative guideline.

Chapter 4, which deals with how to survey food prices, abounds with practical advice, for example that the best way to obtain minimum food prices from local markets – where bargaining is customary – might be to send out field workers with a small budget and instructions to purchase a list of food items. By allowing them to keep the money that they do not spend, it is ensured that they bargain effectively. Care is taken to restrict products to items of acceptable quality. The calculation adds, on top of the basic requirement, 10% for variety and 3% to 5% for waste and spoilage. This is all a great help to inexperienced field workers.

Chapter 5 describes how to determine the housing standard for a living wage. While there are some general guidelines for acceptability (e.g. separation from animal quarters, protection from the elements, adequate ventilation, lighting, food storage, access to sanitation and safe drinking water, sufficient living space), what is acceptable is determined with reference to local conditions, although the manual is adamant that slums, unsafe areas and the lack of refuse disposal and emergency services can never be considered adequate. With the physical structure described, the cost of living is recovered from the rental market, which could be small, and arguably too small to obtain reasonably accurate estimates. Procedures are described in Chapter 6. Since housing costs are inversely proportional to the cost of the commute, it is recommended that this step is accompanied by a map of the study area. Where there is not a lively rental market, it is recommended that rental prices are regressed on floor space as a way to infer the non-existing rental price for a minimum-sized dwelling, which is often considered to be in the region of 30 m². As a last resort, the cost of housing can be inferred from the capital costs of owned dwellings. It is recommended that government, NGOs and private employers who provide housing of the acceptable local standard are surveyed for construction costs, which are then spread in a linear fashion across the expected service life of the building.

I found the manual relatively easy to use and rich in illustrative examples. The diet spreadsheet was helpful, although it took a while to figure out. It would be useful to have a similar pre-programmed spreadsheet for housing. The report-writing guidelines provided in chapters 18 to 20 go a long way to make the method accessible to practitioners. The manual could serve as the basis for an applied master's course in Development Economics. It belongs on the shelf of every development practitioner, where it would sit confidently alongside classics like Gittinger's (1982) "Economic Analysis of Agricultural Projects".