



CREA

## THE PURCHASING POWER INDEX AND THE SUSTAINABLE LIVING WAGE

Ruth Rosenbaum, PhD  
Executive Director

*Center for Reflection, Education and Action, Inc.*

Analysis of economic globalization and work for corporate responsibility can be carried out from various starting points. However, one major issue that cuts across industries is wages. The purpose of this paper is to assist in developing effective public conversation about wages and the conditions in which workers live and work around the world.

### FRAMEWORK FOR THE PAPER

This paper uses six frameworks in its consideration of wages:

- wages as a legal issue,
- wages as an ethical issue,
- wages as a moral issue,
- wages as a justice issue,
- wages as a corporate responsibility issue,
- wages as social justice issue.

1. Legal. In conversations with corporations, the question of legal minimum wage is often part of the dialogue. Legal minimum wage means no more than what companies can pay without violating the law of the country. Legal minimum wages are not predicated on nutritional needs, or any other needs workers have on an on-going basis. Often, they are based on the need to attract businesses to a country or a region within a country in order to create jobs. When this happens, workers' wages become a competitive advantage or disadvantage, depending upon one's viewpoint. Corporations seek production sites where wages are kept as low as possible by the legal standards, so that the corporation itself may become more "profitable." We see this reflected in the numerous codes of conduct which individual corporations and industries are producing. These public corporate standards assert that what the company is doing is legal, that the company adheres to the minimum wage laws of the countries in which it operates. The legal minimum wage then becomes normative, despite the negative effect on workers.

Unions and legislative bodies are also actors in the establishment of minimum wage laws. Where workers are able to organize independently and effectively, they can be positive agents of change in their negotiations with companies. Where legislative bodies are responsive to the needs of citizens, they can create laws that raise the minimum wage.

---

CREA House  
72-74 Greenfield Street  
Hartford CT 06112  
TEL: 860-527-0455  
FAX: 860-216-1072

Mailing  
PO Box 2507  
Hartford CT 06146-2507  
e-mail: [crea-inc@crea-inc.org](mailto:crea-inc@crea-inc.org)  
[www.crea-inc.org](http://www.crea-inc.org)

Business Office  
85 New Park Avenue  
Hartford CT 06106  
TEL: 860-586-0705  
FAX: 860-233-4673

2. Ethical. Leaving aside the philosophical discussion of the meaning of ethics, it is important to recognize that business ethics, medical ethics, etc., have become colloquially understood as behavior which is acceptable within a particular group or industry. This is also the dictionary definition of ethics. Therefore, business ethics, or the ethics within a particular business segment, can be understood as the self-defined and self-accepted standard of practice of that industry or business segment. In other words, what the industry says about itself as acceptable practice becomes the accepted public standard. We also see this reflected in codes of conduct in which the company states that its wages are "the prevailing industry wage." This ethical standard for workers' wages is, then, based on the wages that keep the corporation competitive.

At the opposite poles of corporate organization, we see CEO salaries increasing at incredible rates while workers at the bottom of the corporate structure are often forced by the system to compete in a race to the bottom. The CEO and top management salaries are also determined within the industry to be ethical, since the Boards of Directors in the industry say they are necessary to attract the best talent and the best management for the company.

3. Moral. The moral dimension of actions pertains to the established standards of goodness and badness of behavior. It implies that the standards arise from human conscience. When we raise moral questions about wages, we are immediately forced to raise the question as to the purpose of wages. As a moral standard, the wages of the workers should reflect the contributions they make to the corporations in which they are employed. Likewise, workers should be able to meet their own needs and the needs of their dependents. It is important in this context to define need, not as "bare minimum" but as those needs which allow the worker and his/her family to be productive, contributing members of their communities.

From a religious perspective, moral questions regarding wages proceed from the belief that each and all human beings are made in the image and likeness of their God. Human beings are not to be seen as machines, which need a minimum of fuel and maintenance in order to produce. From a humanistic perspective, to be a human being means to be both an individual person and a person in relationship. Therefore, the demands of work for the wages should take into consideration the time needed for these relationships, such as significant time to spend with one's family, and a work -day short enough for people to serve their communities. Wage levels themselves should be sufficient to contribute not only to the needs of the individual and his/her family, but also to the sustainable growth of human communities.

4. Just. When we raise questions about wages in terms of justice, we need to raise the question of the distribution of benefits resulting from the production and sale of products and services by any corporation. Justice requires that we raise the issue of the ongoing concentration of wealth throughout the world in the hands of the few within each country, and in the hands of some countries more than others. The unequal concentration of wealth in the hands of a few deprives the vast majority of persons the benefit of those resources. Within faith communities, part of our role is to move conversation regarding corporate responsibility and wages from standards of legality and corporate ethics to the standards of moral and just wages.

5. Corporate Responsibility. In public conversation about corporate responsibility regarding wages, we need to be very careful to define our terminology and to use terms that accurately reflect what we are trying to say and to accomplish. Are we asking that corporations do what is legal? What is ethical?

What is moral? Or what is just? Often, the various participants in a dialogue about corporate responsibility have different meanings for the term "corporate responsibility", especially in the area of wages.

6. Social Justice. When the dimension of social justice is added to the standard of corporate responsibility, wages are examined not only as a measure of compensation for individual workers, but also as a measure of the goods and services coming into and leaving a community because of corporate activity. Will the community be sustainable because the ripple effect of the worker's wages benefits other community members and contributes to the development of the community? Is there a spreading out of the benefits resulting from the production and sale of products and services by the corporation rather than a concentration of wealth in the hands of the few? Or will the community suffer as diminished wages result in diminished resources for other community activities and development, and increasing concentration of wealth?

In this age of concern regarding sustainability, economic sustainability requires that we look at wages and the benefits of the use of those wages as key elements within both our discussions and our operations. In discussions regarding sustainability, again it is important to examine the perspective from which the discussion starts and the related impact on wages that that starting place has.

## **WORKING DEFINITIONS OF WAGE LEVELS**

The following are the working definitions of wage levels that CREA uses to describe the purchasing power that workers are able to earn. Agreement on these definitions could be helpful to discussions about wages.

### *Level 1: Marginal Survival Wage*

Wage level does not provide for adequate nutritional needs. Starvation is prevented, but malnutrition, illnesses, and early deaths are the result.

### *Level 2: Basic Survival Wage*

Wage level allows for meeting immediate survival needs including basic food, used clothing, minimal shelter, fuel for cooking.

### *Level 3: Short Range Planning Wage*

Wage level meets basic survival needs.

Possibility of small amount of discretionary income allows for minimal planning beyond living from paycheck to paycheck.

Allows for occasional purchase of needed item(s) as small amounts can be set aside after meeting basic survival needs

#### *Level 4: Sustainable Living Wage*

Wage level meets basic needs including food, clothing, housing, energy, transportation, health care, and education.

Ability to participate in culturally required activities (including births and related celebrations, weddings, funerals and related activities).

Also allows for the setting aside of small amounts of money (savings) to allow planning for the future purchase of items and the meeting of needs.

In addition to meeting basic needs and allowing the worker to set aside money for future purchases, allows for the availability of enough discretionary income to allow the worker to support the development of small businesses in a local community, including the support of cultural and civic needs of the community. Wage levels allow for long range planning and participation.

### **THE PURCHASING POWER INDEX METHODOLOGY**

The creation of the Purchasing Power Index starts with a standard market basket survey similar to the standard tool used in the formation of the Consumer Price Index (CPI) each month, quarter and year in the United States by the Department of Labor. The CPI is calculated after the prices for a given set of items (the “market basket”) are researched throughout set locations in the United States on a regular basis. The increase/decrease in the price of the items in the market basket is what determines the Consumer Price Index increase/decrease.

Taking the market basket survey concept a few steps further, the Purchasing Power Index calculates the intersection of wages and prices documented through actual pricing, while evidencing the effects of inflation as experienced in different geographic areas within a country.

The pricing lists used for the actual pricing contain extensive lists of commodities, both consumable and non-consumable. These pricing lists are created in collaboration with workers, worker organizations, and other NGOs working with workers. The lists are not minimalist in nature, that is, they do not contain the bare minimum that a worker might need in order to survive. The Purchasing Power Index is based upon the belief that all workers, along with their families and dependents, are entitled to a living standard that reflects the basic dignity accorded to all human beings.

The standards set forth in the Purchasing Power Index incorporate the following:

1. Nutrition rather than mere calories
2. Social, cultural and religious norms appropriate to a given country, region and group of people
3. Educational needs

In addition, the Purchasing Power Index (PPI) methodology and use assists those who use it to move beyond the questions of “Isn’t any job better than no job?” and/or “Isn’t this living standard better than

what workers had before?” Neither of the questions should be used as an excuse to make acceptable low wage standards and/or the exploitation of workers. While it is true that any job (with some notable exceptions) is better than no job, that should not be used as a reason to dignify low wage levels as appropriate, acceptable or just. Those who work expect that one of the results of that work should be the ability to better one’s own standard of living and those of one’s family and dependents.

The calculations of the PPI start with the legal minimum wage (pro-rated for wage per hour) and then increase incrementally. For each item priced, the cost in the local currency is translated into the cost in minutes of Purchasing Power (minPP) required for the purchase. Since each week contains a limited amount of minutes, the calculations reveal both the type and quantity of items that are affordable for a worker. In this way the purchasing power generated by actual wage levels can be determined. In addition, the effects of any specific wage scale upon the life of the worker, his/her family unit as well as the community can be clarified in an objective manner. The emphasis is on affordability with choice left to the worker.

The next stage calculates what would be a sustainable living wage in a specific geographic area. CREA does not use the expression “living wage” since a corporate official in one country stated that the wage paid had to be a “living wage” since the worker was living. In the past, CREA has used the expression “sustainable wage.” This has now been amended to “sustainable living wages” to signify a wage standard that reflects the needs of workers, a dignified living standard, and the ability to move beyond only immediate necessity to planning for the future. While many higher wage levels exist, CREA has found that these levels are the most helpful at the present time.

The Purchasing Power Index provides data regarding the ability of workers anywhere in the world to meet their own needs and those of their families. It accurately measures the intersection of prices, wages, and inflation, while providing data that allows for comparison:

- a) Trans-temporally: Purchasing power can be compared over time for a given group of workers;
- b) Trans-culturally: Purchasing power can be compared for different groups of workers within a given area, region or country; and
- c) Trans-nationally: Purchasing power can be compared for workers doing the same work in different countries.

### **ADVANTAGE OF THE PURCHASING POWER INDEX**

Advantage 1: The PPI methodology provides easily understood data. Anyone who has ever worked and saved for something understands the concept of “How long do I have to work to be able to afford something”.

Advantage 2: The PPI methodology is a transparent methodology as a whole process. In addition, each step in the methodology is transparent. Both the methodology and the results are easily understood.

Advantage 3: The PPI methodology automatically factors in the effects of inflation as well as the effects of changes in wages and/or prices. It also allows for the inclusion of the benefit of wage additions such as subsidies, benefits, bonuses and any other additions to a worker’s income. When these additions

supply the items noted in any of the different wage levels, the cost of those items can be deducted from the total required for a worker to meet that given wage level standard. In calculating the benefit of any of these subsidies, etc., care must be given to not presume that a specific wage addition item takes the place of income needed to meet other needs. Employers, not employees, decide upon wage addition items. Certainly wage addition items add to the lifestyle of the workers and their families. However, the presence of the items may or may not supply life essentials for workers and their families.

Advantage 4: The PPI methodology allows for specificity in each geographic “focus area” while providing data that establishes a basis of comparison between one geographic location and another. Because costs differ from area to area, the wages required to meet those costs will also differ. The PPI provides a clear methodology for comparison.

A comparison of the cost of self-sufficiency in rural, suburban and urban regions within a country is also possible. These different locations can be as varied as comparisons between urban and suburban locations within a state, between different cities in a country or between different countries, such as on different sides of a border.

The ability to compare purchasing power from one geographic area to another means that the PPI provides the data to track the effects of jobs being moved from one country to another. Chief among these effects is the purchasing power that may or may not be transferred from the old group of workers to a new group of workers in another country.

Advantage 5: The PPI methodology allows for both specificity and comparison over time. Any future follow-up studies provide the data in the same form: minutes of purchasing power required (minPP). It is therefore relatively simple to see what progress has been made by workers in their struggle to meet basic needs.

For example, the PPI can determine how many minutes of work were necessary to purchase a kilo of rice at a particular time in a particular geographic location and then at three or six month intervals after that. This allows us to determine the effects of inflation, currency devaluation, new contracts, and/or wage increases.

Advantage 6: The PPI methodology is based on affordability. It totally avoids the distracting discussions about whether or not persons make prudent use of their financial resources. It removes the whole question of judgment of values normally involved in decisions as to how one spends one’s money. The PPI states what is possible in terms of the purchasing power accruing as the result of a normal workweek. At different wage levels, what changes are the “prices in purchasing power minutes” or the “cost in work minutes” according to the various wage levels. Questions as to whether a person is spending money in a manner which another person might consider “frivolous” is no longer part of the discussion. The emphasis is on what is affordable, not what is chosen for purchase.

Advantage 7: The PPI methodology allows for the items chosen for pricing to be culturally sensitive. By doing actual pricing, the PPI pricing lists can be inclusive of foods and other items particular to any group within any local population.

In addition, the PPI allows for the cost of the community or cultural demands in a worker's life to which he/she is required to contribute. Another way of saying this is that wage levels need to be culturally honorable. For example, the contributions required of a person when there is a wedding, or a birth or a death in the community need to be financially possible.

Advantage 8: The PPI creates a means of comparing the purchasing power earned by workers/employees at different wage levels, including management wage levels. It also allows comparison of the effects of wages paid by different employers whose workers do the same work.

Advantage 9: The PPI changes the context of the expression "minimum wage". There are questions that then can be asked:

- Minimum in terms of what context?
- Is a minimum wage the minimum amount that a person needs to survive?
- Is it the minimum established by the local governing power as the least amount that the employer is obliged to pay the employee?

Advantage 10: The PPI methodology provides precise calculations accepted by corporations, non-governmental organizations (NGOs,) religious investors and other members of the socially responsible investing community. The variety of groups that have commissioned the prior studies undertaken by CREA testify to its acceptance and relevance. The response of numerous public groups that have read public reports of the past studies has been overwhelmingly positive.

## **THE STANDARDS FOR THE PURCHASING POWER INDEX STUDY**

### 1. Purchasing Power Index Standards for Housing and Related Costs

For the PPI, the housing standard includes many of the ordinary requirements for housing that are taken for granted in other parts of the world.

A house should provide:

- Shelter from the elements. This includes walls, roof and a floor.
- Protection from public exposure. This includes a door that locks as well as solid walls.
- Ventilation. This includes windows that can open and shut.
- Running water for laundry, sanitary needs and general washing of household items.
- Adequate space to provide sleeping spaces for all members of the family as well as sufficient living space to be sheltered from rain and/or extreme heat when necessary.
- Space for cooking.
- Space for bathing.
- Space for meeting sanitary needs so that there is no risk of contamination.

While many workers live in homes that do not provide all of these items, that is from financial necessity rather than choice. Therefore, the standard for rent will be for rent of living spaces able to meet the above listed characteristics.

*Light* Prior to electricity being available in an area, lighting must come from other sources. Candles are commonly used along with oil lamps when they are available. Because electricity is the preferred source for lighting, the cost of electricity is used as the PPI standard for lighting cost.

### *Cooking Fuel*

*Water* is necessary in two forms: potable or drinkable water as well as non-potable water.

*Transportation.* Transportation is required for two major activities: transportation to work and transportation for shopping. The number of family members who work determines transportation needs for the family. Transportation to and from work is often by bus, although some workers will pool together and take a shared taxi. Since the normal workweek is 45-48 hours, not counting overtime, transportation is needed for 6 days, roundtrip, or 12 bus fares. In addition, at least one trip per week to a supermarket or other large shopping area, such as the open-air market, is part of the budgeted transportation needs.

*Non-Consumables.* The transformation of a house into a home requires more than just walls, floor and roof. There are basic articles needed for bedding, personal cleanliness, cooking, eating, cleaning and laundry which transform any space into a home. We recognize that these are not items that are purchased all at once. However, anyone who has set up an apartment for the first time knows the myriad items that are needed to be "at home" in a given space. We also recognize that these items, once bought, do not have to be replaced on a frequent basis. However, this list is presented as a relatively minimal list of items needed. There are many other items that, when funds are available, help to enrich the lives of workers and their families. These include simple tools such as hammers, screwdrivers, nails, etc. that assist the worker and the worker's family in the gradual transformation of the house.

*Bedding.* For the purpose of a PPI study, the following assumptions are made.

- 1) Sleeping should not normally be done on the floor or the ground.
- 2) Sleeping requires some sort of bed and bedding. The bedding includes the following: pillow, sheets, pillowcase and blankets. While the weather in Mexico is quite hot during the summer months, the temperature can be quite cold in the winter months. The lack of insulation or protection from the cold provided by the houses requires additional blankets or other items to provide warmth.
- 3) A bed requires more than one set of sheets to allow for washing. If there is more than one bed in a home, the extra set of sheets can be rotated as each bed's sheets are washed, but the extra set is necessary.
- 4) Children should sleep separately from their parents. This requires separate bed(s) for children.

*Personal Cleanliness.* For the purpose of personal cleanliness, towels are necessary for bathing. As a standard, one towel and washcloth should be available for each person in the family.

*Cooking.* Basic cooking items include the following: large cooking pot, clay pot, frying pan, large knife, spatula and cooking spoon. In addition, bowls to mix and prepare foods are necessary. There are other items of varying sizes that families use, but the items listed are basic necessities.

*Laundry.* Laundry is most often done by hand. It requires personal energy, time, a container for soapy water and for rinsing, and lines or other places to hang out the laundry to dry. A bucket can be used for laundry although larger items such as jeans do not fit easily into the bucket for washing or rinsing. Laundry tubs are most often used. These come in a variety of sizes and are usually chosen for a combination of need and affordability.

*Cleaning.* Items used for cleaning are considered basic necessities. The following are considered items of necessity for any household: broom, dustpan and brush, mop, bucket, dishpan, fibre or other similar item such as a sponge used to clean dishes and scrub pots.

*Basic tools.* Among the basic tools that assist in the on-going transformation of the house are hammer, screwdriver, and nails. Other items that are used for the transformation of the living space into a more permanent structure include cement, rebar rods and their reinforcement squares, as well as cement blocks and other similar items.

## 2. Purchasing Power Index Standards for Clothing

For adults, the following standard was used for amounts of clothing: One set of clothing for good wear. Which needs to be replaced completely every second year. This means that some item might be replaced one year with another item the next year.

- 7 shirts or blouses
- 3 pairs of pants or skirts
- 7 sets of underwear
- 1 pair of everyday shoes
- 1 pair of dress shoes
- 1 jacket
- 2 sweaters, sweatshirts or other light over garment.
- 7 sets of socks

The following was used as a replacement per year standard:

- The set of clothing for “good wear” was replaced each year with the older set moving into everyday wear.
- Underwear needs to be replaced each year
- Everyday shoes need to be replaced at least each year
- Two blouses or shirts need to be replaced each year.
- One pair of pants or shirt needs to be replaced each year.

For children, the following clothing standards were used:

- One set of clothing for good wear
- 7 sets of everyday clothing
- 7 sets of underwear
- 7 pairs of socks
- 1 pair of sneakers
- 1 jacket
- 2 sweaters, sweatshirts or other light over garment
- 1 pair of shoes

Because children grow so fast and continually, and because they are much harder on clothes than adults, all of the above need to be replaced each year, although not necessarily at the same time.

In addition, school age children need school uniforms. For boys, the uniform is usually a white or other light colored shirt, a tie and a pair of dress slacks and shoes. In addition, there are knit shirts and shorts that are worn for gym along with sneakers. For girls, there is a white or light colored blouse, a skirt or jumper, knee-high socks and shoes. For gym, there are also knit shirts and shorts along with sneakers. A minimum of 2 uniform skirts or pairs of pants needs to be paired with 3 school shirts or blouses to allow for the reality of soiling clothes through normal child behavior.

For small children and babies, there are other needs in addition to clothing. Diapers are an on-going cost. If a child needs, on average, 6 diapers per day, the weekly requirement is a minimum of 42 diapers. The rapid growth of babies means that baby clothes are quickly outgrown and need to be replaced.

Based on the available time standard, a minimum of 7 sets of baby clothes would be needed. It is possible to argue that this is a lower amount than is practical simply because of the number of times that a baby messes him/herself. However to keep the amount of baby clothes on par with the amounts determined above, the amount of 7 sets will be used as a minimum.

The balance between buying new and used clothing seems to be determined by a number of factors:

- 1) Price – For the most part, prices for used clothing items are approximately 10% of the prices of new clothing items. Because of the low purchasing power accruing because of the present minimum wage standard, many families are forced to buy used clothing. Used clothing is in many countries sold with equal dignity and care accorded new clothing.

### 3. Purchasing Power Index Standards for Food

It is essential within the context of the PPI to work from a standard that will look at the cost of food from the perspective of meeting the nutritional needs of workers and their families. In order to do this, it is necessary to distinguish the roles that food plays in preventing hunger, in providing adequate calories and/or in providing good nutrition. The caloric intake standards used for the PPI are taken from the standards created by the US Department of Agriculture Center for Nutrition and Promotion in their Dietary Guidelines for Americans 2000.

The PPI uses the standard of nutrition rather than calories. This is an important distinction. A person can achieve appropriate caloric intake through the consumption of carbohydrates. This food group is usually the cheapest form of food, it is usually the most readily available anywhere, and oftentimes what is termed “junk food” or “quick food” is high in carbohydrate content. To meet caloric needs in this way is NOT a health appropriate form of consumption and does not meet the nutritional standards described by the WHO or the other international covenants and agreements set forth above. The standard of nutrition assumes an appropriate balance of protein, fruits and vegetables, carbohydrates, potable water as well as sources of vitamins and minerals necessary for good health for anyone, anywhere.

Some might raise the question of the appropriateness of using nutrition standards from the US for persons and families from another country. Let us be very clear that what we are saying is that healthy nutrition standards are just that, healthy nutrition standards, and that the same standards of health need

to be applied to all peoples. What will differ are the foods that are used to meet those standards. Those foods will be culturally appropriate both in terms of form and content. But the need for adequate protein, fruits and vegetables, carbohydrates, unsaturated fats, etc. remains the same for all.

### The PPI Standard of One Worker per Family

The PPI determination of the sustainable living wage is based upon the wage and benefits earned by one worker per family. The decision to use one worker per family as the standard is based upon the following reasoning:

1. Many families are dependent upon the wages of one wage earner. Therefore the wages of that wage earner need to be of a sustainable wage level in order for the family to meet its needs.
2. If the family has more than one wage earner, that is to the benefit of the family, not the factory. To argue otherwise is to use an argument similar to that that has been used for decades in the US in determining the wages of women. Men had to be paid enough to support a family but women had someone else as the primary breadwinner and therefore could be paid less. That argument has been both faulty and unjust in the US and is faulty and unjust in any other country.
3. Wages need to be determined in relationship to the value of work for which the worker is being paid. To define wages in terms of what a factory, company or corporation is willing to pay rather than in terms of just compensation for work done is to make everything subservient to the corporation, company or factory.

### The Issue of Family Size

The issue of how many people should one wage earner expect to be able to support with his/her take-home wage is one that needs to be carefully examined for underlying assumptions. Some argue that many workers are not married and that a worker's take home wage needs to support only the worker. Others present the argument that the worker is married and therefore the take home wage should be half of what is needed to support the family. Still others argue that since many workers have migrated from the interior of Mexico to the regions where there are factories, they only have to care for themselves, even if they have family in the region from which they came.

The following are the basic principles upon which the PPI bases its decision regarding family size:

1. All persons exist in some sort of family relationship in which they have responsibility for other persons. These persons may be a spouse and/or children who live with the worker or parents and other members of extended family for whom the worker has at least partial responsibility.

As stated in the previous section, the family unit should be able to be supported on the take-home wage and benefits of the single worker. Additional workers benefit the family; they are not an excuse to pay any member of a family less.

2. Children, really teenagers, who are old enough usually begin working, often at one of the factories.

There are many families of differing sizes. Persons are not paid according to family size. For the sake of the PPI, we will use the standard of 2 adults and 2 children for the core size. It is true that some workers live alone and that some couples do not have children. It is also true that some couples have more than two children. There are also many single parents, mostly women, struggling to raise children alone. It is possible to calculate a sustainable living wage for each of these situations. However, it is not productive to think that those sorts of wage adjustments will be made in the near future. It is simply more practical to base the PPI calculation of sustainable living wage on the family as stated above: 2 adults and 2 children.

## BENEFITS

It is true that some employers provide a system of bonuses and subsidies to assist workers. But the truth is that not all employers do this and even the ones that do, do not provide enough assistance to allow workers to meet this basic standard of a sustainable living wage.

It is also true that some factories pay more than the minimum wage. There are attendance bonuses, production bonuses, etc. Each of these wage additions is an incentive to work harder, work better, produce more, etc. The question is whether all of these additions enable a worker to meet the needed wage levels.

During a PPI study, interviews are conducted with workers, usually in or near the workers' homes. The purpose of the study is explained to the workers and their family members that were present. Absolute confidentiality in regard to workers' names, cities of residence or particular factory is promised. All interviews were conducted in the local language with translation, when necessary, provided by the project team members. No one else is present. In the course of the interviews, workers are asked to share pay receipts (from which all identification is removed.)

Experience has shown that numerous factors affect the actual take-home wage and resulting purchasing power:

- 1) Some companies paid with direct deposit to a local bank. This was done to protect the workers from theft. However, workers were charged for using the ATM to remove their wages. Workers were often not given a choice about whether or not to use the direct deposit system.
- 2) Some companies paid the worker bonuses in the form of a credited (pre-paid) card at a specific supermarket. This locked the worker into purchasing at that supermarket. This is a disadvantage to the workers because a) the best food prices can be found in the open markets. b) The availability of a specific supermarket chain close to where the worker's home was located was simply chance. The worker benefited but not as much as he/she would have if the choice of where to shop remained with the worker.

- 3) Some companies provide meals for workers. This decreases the amount that needs to be spent on meals by the worker and the worker's family.
- 4) Some companies provide transportation for workers. Sometimes this transportation is paid for in full by the specific factory; other times it is subsidized with the worker paying a reduced amount. When either of these two situations exists, transportation costs for the worker would be lower. They would not be eliminated totally because of the need for transportation for shopping.

While wage receipts collected in previous studies demonstrate that often workers receive wages and benefits that are above the minimum wage level, they also demonstrate that even with the benefits, the meals provided, etc., the purchasing power earned by workers is insufficient to meet the needs that should be accessible by a sustainable living wage.

Each Purchasing Power Index Study is based in reality...real people, real needs, real costs, real take-home wages. It is objective. It is replicable. It is a tool that is available to corporations seeking an objective methodology to determine a sustainable living wage for their workers.

Ruth A. Rosenbaum, TC, PhD  
Executive Director

@2003 CREA Inc.