

Falkland Islands
Government

Policy Unit



[A LIVING WAGE FOR THE FALKLAND ISLANDS]

1.0 Executive Summary

A living wage is the income that people feel they need in order to obtain a minimum socially acceptable standard of living – in essence, it is an estimation of the amount an individual needs to earn to cover the basic costs of living. This report presents the results of research undertaken by the Policy Unit to estimate a living wage for the Falkland Islands. The living wage is an informal benchmark, not a legally enforceable minimum level of pay (like the Minimum Wage).

The study was developed through consultation with members of the public from different family types and the use of data from previous studies such as the 2012 Census and the Household Expenditure Survey. For practical reasons the study was focussed on Stanley and no attempt has been made to estimate a living wage for Camp at this time.

The survey took place in August 2013. There were some difficulties finding enough volunteers for the study but 44 applicants met the criteria and were interviewed. Those surveyed were all volunteers chosen to represent six different family types:

- Single adults with no children
- Partnered adults with no children
- Partnered adults with children
- Lone parents
- Single pensioners
- Partnered pensioners

Based on the sample taken, the key findings are as follows:

- The weighted average living wage for the Falkland Islands is calculated at £7.18/hour, equivalent to an annual gross salary of c£14,000. The current statutory Minimum Wage for adults at £5.05/hour is approximately 70% of the estimated living wage.
- For those households with children, childcare is the largest expenditure item with costs totalling £300 per month, on average; 'Food' also represents a significant proportion of living wage costs, with a combined average of £279 per month.
- Many respondents felt that owning a second hand car was a minimum requirement for a reasonable standard of living in Stanley. However, the decision was made to omit owning a vehicle from the calculation - the relatively small geographical size of Stanley means a car (whilst desirable) is not essential for everyday living.
- Respondents also felt that having internet was now also a minimum requirement for a reasonable standard of living and this has been included in the estimates.

2.0 Introduction

In 2013 the Falkland Islands adopted a statutory minimum wage for the first time. The Minimum Wage rates chosen were based on international standard definitions of poverty (60% of the median income¹). This resulted in an adult Minimum Wage rate of £5.05/hour being set. It became illegal for employers to pay less than the minimum wage from 1st December 2013.

The methods used and the final minimum wage figure have raised questions as to whether £5.05/hour is too much or too little for the average family to meet their basic needs in the Falkland Islands. These are valid questions and for this reason the Policy Unit undertook a study to establish what a 'living wage' in the Falkland Islands might be.

Therefore this paper seeks to answer the question: "What level of income is needed to allow a minimum acceptable standard of living in the Falkland Islands?" This is what would be defined as a "living wage" meaning: the level of income which is the minimum an individual or family group require, to support a decent standard of living in the Falkland Islands. After researching the definition of standard of living from several countries around the world it was decided that the British definition was a good example to follow. Therefore the definition of standard of living in the Falkland Islands is as follows:

"A minimum standard of living in the Falkland Islands today includes, but is more than just, food, clothes, and shelter. It is about what you need in order to have opportunities and choices necessary to participate in society"

A number of methodologies for developing a living wage were researched to provide direction in choosing an approach suitable for application in the Falkland Islands. This included studies from the UK, Crown Dependencies such as Guernsey, and other Overseas Territories (including St. Helena and Tristan De Cuhna).

In examining these approaches none were considered to be instantly transposable to the Falkland Islands. Therefore these approaches were adapted to develop a methodology more suitable for the current day Falkland Islands; for example stages of the process which were more applicable to larger populations were removed or adapted to a smaller population size; and budget categories were aligned with the Falkland Islands Household Expenditure Survey as this provided a good dataset on actual spending patterns and costs of goods and services within Stanley.

¹ Based on median income detailed in the Falkland Islands Census 2012 = £17,500

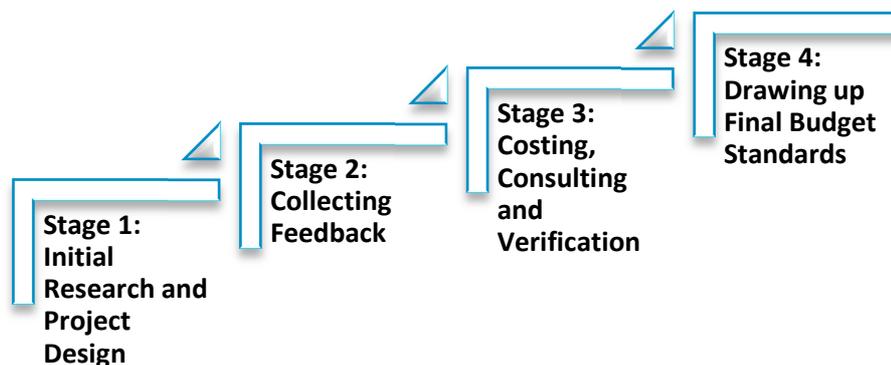
The full methodology is discussed in Section 3 of this report. It has been designed to be suitable for replication in the future so that updates can be performed.

This first attempt at estimating a living wage for the Falkland Islands has focussed only on Stanley – largely for practical reasons and the absence of comprehensive data on spending patterns and prices of goods available across Camp. It is recognised that the cost of living in Camp could potentially be quite different to that in Stanley, but it will be considerably more complex to calculate. No attempt has been made to do so at this stage. Hence whilst the report refers to a Falkland Islands Living Wage, the results are really an estimate of a living wage for Stanley.

3.0 Methodology

The methodology was broken down into four stages as shown in Figure 1. The entire methodology was carried out by personnel at the Policy Unit. The project was driven by the hard work and enthusiasm of the former FIG graduate trainee, Tiphonie May, to whom special thanks are extended.

Figure 1



3.1. Stage 1 - Initial Research and Project Design

Stage 1 was mostly a research stage involving the collation of information and data regarding the consumption of goods and services in Stanley. A number of basic assumptions were made before beginning the calculations. First, it was assumed that all families would attempt to have a relatively healthy diet. Second, it was assumed that everyone would try and be efficient and waste as little as possible. Another assumption made was that households would try to save money wherever possible through bulk buying, energy saving regimes and preserving of extra meals. Stage 1 also involved preparation for stage two where members of the public would be consulted.

Key tasks included:

- a) Defining the meaning of “acceptable minimum”.
- b) Calculating average fuel and electricity expenditure.
- c) Calculating average rent costs.
- d) Organising budgets to discuss in questionnaires.
- e) Creating meal plans based on a healthy diet.
- f) Identifying experts to verify research tools and assumptions (e.g. a nutritionist to verify the nutritional value of the diet plans which form the basis of estimates of food expenditure needed to maintain a healthy diet in the Islands).
- g) Creating questionnaires for collecting public feedback.
- h) Advertising the project through various media outlets.

Data from the Household Expenditure Survey 2011 was used to estimate average fuel and electricity expenditure per annum depending on size and type of house. As mentioned previously the budget categories set out in the Household Expenditure Survey were used to allow some continuity from other projects. Budgets for different items were estimated in a number of different categories:

- Food & Non Alcoholic Drink²
- Clothing & Footwear
- Housing
- Fuel & Power
- Household Goods & Services
- Health
- Transport
- Communication
- Recreation & Culture
- Education
- Restaurants & Hotels
- Miscellaneous Goods & Services
- Other Expenditure Items

A meal plan was also developed to represent the average amount spent on food for different sizes of family unit. A representative menu from the King Edward Memorial Hospital (K.E.M.H) was chosen, checked for nutritional value and adjustments were made to make the meals balanced and healthy according to current dietary guidelines. The Policy Unit made slight adaptations to the menus to make them more suitable for the Falkland Islands (i.e. in terms of typical availability of certain ingredients).

Once all the preparations were completed, an advertising campaign to make the intent of the project known to the public was launched. The study targeted a mix of household types in order that different costs and requirements of different family units could be reflected in the analysis.

The six types of family unit targeted were:

- Single adults with no children
- Partnered adults with no children

² Alcoholic drinks and tobacco were excluded as they are not essential items in maintaining an acceptable standard of living.

- Partnered adults with children
- Lone parents
- Single pensioners
- Partnered pensioners

It was hoped that by advertising through various media outlets and through a poster campaign, enough volunteers would participate to represent each of the six family unit types. Volunteers were subject to a filtering questionnaire before being selected for the study to make sure they met all the required criteria.

3.2. Stage 2 – Collecting Feedback

Stage 2 mostly involved the collection of public opinion and included the following tasks:

- Arranging interviews with volunteers
- Interviewing volunteers over a 3 week consultation period
- Collating data and separating by family unit type
- Using data to decide minimum spending requirements.

Stage 2 entailed all the primary research including collecting feedback from questionnaires, 1-2-1 interviews with the volunteers, and in some cases focus group discussions with several participants (though in most cases volunteers preferred to engage on a 1-2-1 basis with the research team rather than reveal their opinions in a group setting).

The data collected was then analysed to decide what items the sample deemed were essential or not; essential items were largely determined on the principles of an outright majority, though the discussions did involve an element of challenge as to what was actually essential and what items were merely desirable. In most cases, if over 60% of the volunteers in each family unit type considered that an item was essential then it was included as an essential item for that family unit type. If the votes for an item fell below 60% then they were removed and deemed non-essential items. Using this data the minimum requirements for each family type were defined, with a small number of exceptions. The most significant being the exclusion of a car as an essential item. Whilst the majority of respondents felt that a car was essential, due to the expensive nature of owning a car and the relatively small geographical size of Stanley, the decision was made to omit the owning of a car and related maintenance costs from the living wage calculation.

3.3. Stage 3 – Costing, Consulting and Verification

Stage 3 consisted mostly of analysing the feedback from the volunteers and preparing detailed estimates of minimum incomes needed to maintain an acceptable standard of living. This mainly involved costing the minimum requirements detailed in the surveys and verifying and validating the data collected using existing data sources.

Once a list had been compiled of the items deemed essential by each family type the items were then costed using an average of the estimated costs submitted by the volunteers. They were then included with all the other goods and services deemed as a requirement to give a minimum income estimate for each group. Once these figures had been reached, budgets per family unit type were reviewed and verified using existing data sources.

As well as costs and expenditure, taxes, pensions and working tax credits had to be factored into the calculation of the living wage. Therefore, adjustments to the figure were made to ensure it reflected the amount a person would need to earn including tax, and to reflect any tax credits or benefits that available to certain individuals i.e. the final estimate of the living wage has factored in deductions from salary and any additional income received in tax credits and allowances.

Example:

	Hourly expenditure needed	Annual expenditure needed	Taxes and pensions etc. (+)			Benefits (-)		Total Living Wage needed	Hourly living wage needed
			Tax	MST	Pension Contribution	Working Credits			
Single adults	£5.15	£10,753	N/A	N/A	£754	-£252	£11,255	£5.39	

3.4. Stage 4 – Drawing up Final Budgets

Stage 4 involved the Policy Unit making final amendments to the budgets and the calculation of the final estimates of minimum income standards for the Falkland Islands including:

- Final amendments to budget
- Costs calculated
- Anomalies/differences identified
- Further expert validation

4.0 Final Results

The total number of people interviewed was 44; the composition of our samples is shown in Table 4.1. The number of households surveyed, represented 6% of all households³ in Stanley. The household type which was most well represented proportionate to the number of households of that type in Stanley was lone parents, with 15% of that household type being captured in the sample. However, other household types were not as well represented, with the sample only capturing around 4% of the total population in some cases. The aim was to at least capture around 10% of each household type but unfortunately this was not achieved.

Table 4.1

Household Type	Count (n)	% of all households surveyed	% of all households in Stanley	Sample size as a % of all households in Stanley
Lone parents	6	14%	5%	15%
Partnered pensioners	6	14%	10%	8%
Partnered adults with no children	8	18%	25%	4%
Single adults	12	27%	24%	7%
Partnered adults with children	8	18%	24%	4%
Single pensioner	4	9%	12%	4%
Total	44	100%	100%	6%

Due to the small sample size, the variation in data was high which means there is a relatively high margin of error associated with the results. Three different wages have been calculated based on a 95% confidence level; a lower estimate, average estimate (based on actual figures submitted) and a higher estimate. The final three figures are listed in Table 4.2 and it also shows how the figure was calculated based on household size; weighted proportionally.

³ Based on the households types used for this study, listed in the 'Household Type' column in Table 4.1

The living wage, based on the actual figures submitted during the survey/focus groups is **£7.18/hour** but due to the small sample size the living wage could range from £5.18 to £10.85, based on the variance of the data collected and sample size.

By way of comparison, the estimated living wage for the Falkland Islands at £7.18 is slightly lower than the estimated UK living wage of £7.85. To some this may initially seem counter-intuitive given higher costs of essential goods such as food and clothing, however this effect is offset by the Islands' lower tax burden, lower domestic energy costs and lower housing (rental) costs compared to the UK.

Table 4.2

Household Type	Weight	Lower Estimate		Actual Estimate		Higher Estimate	
		Hourly	Weighted	Hourly	Weighted	Hourly	Weighted
Single adults	0.24	£3.92	£0.93	£5.15	£1.23	£6.69	£1.59
Partnered adults no children	0.25	£5.12	£1.30	£7.13	£1.81	£9.64	£2.45
Partnered adults with 1 child	0.12	£5.88	£0.69	£9.82	£1.15	£20.08	£2.35
Partnered adults with 2 Children	0.10	£6.57	£0.65	£10.78	£1.06	£21.04	£2.08
Partnered adults with 3 Children	0.02	£13.61	£0.32	£13.61	£0.32	£13.61	£0.32
Lone parents +1	0.03	£5.06	£0.15	£8.04	£0.23	£13.84	£0.40
Lone Parents +2	0.02	£10.95	£0.24	£10.95	£0.24	£10.95	£0.24
Lone pensioners	0.12	£3.59	£0.42	£4.04	£0.47	£4.84	£0.57
Coupled pensioners	0.10	£4.78	£0.48	£6.51	£0.65	£8.45	£0.85
		Hourly rate	£ 5.18	Hourly rate	£ 7.18	Hourly rate	£ 10.85

Based on arithmetic averages, the highest expenditure items for all households (except those with children) were food (£1.61 per hour) and rent (£1.66 per hour), for households with children, childcare was the highest expenditure item (£1.74 per hour).