

# Living Wages in the Paradigm Transition – The Imperative Challenge of Transcending the Market

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*The living wage is a human right even though most governments do not recognise it as such. Most workers in the world still earn less than a living wage for their labour. Living on an unliveable wage is a global challenge of immense proportions, affecting the wellbeing of billions worldwide and dragging on the prospects for achieving just and sustainable*

*societies. Although we must work to transform the system and transcend the market, through a systemic transition, the right to a living wage must be recognised in its own right irrespective of the prevailing system. Transcending the dominant marketocratic paradigm is essential not only because of its incompatibility with basic human rights but because the market cannot sustain limitless growth without violating ecological limits. Achieving this requires building a new truly democratic ethos, rooted in harmonious coexistence for people and the planet.*



## Framing the Living Wage

The premise of this paper is that the living wage is a prerequisite to a life with dignity and security. A remuneration for labour must be enough to fulfil basic household needs for food, housing, clothing, healthcare, education, transportation, and leisure. Both the living wage and environmental preservation are essential components of a just and sustainable future. The current market-driven system, where poverty, inequality, and environmental degradation are deemed acceptable and inevitable, cannot be compatible with the equity and inter-generation tenets that lie at the heart of sustainable development.

**“Both the living wage and environmental preservation are essential components of a just and sustainable future.”**

The living wage is an essential element of true democratic practice to uphold the rights and responsibilities inherent to the social contract. The primordial responsibility of a truly democratic government is to procure and protect the economic and social welfare of all members of society. Citizens consent to delegate certain powers to government in return for the government’s provision for basic needs, public goods and the respect and protection of all citizen rights. Conversely, citizens have the responsibility and vested interest to actively participate in the democratic process and engage in the public matter to protect and enhance the general welfare of the community. Yet if workers are not remunerated with the income necessary to fulfil all the basic needs of their families, they are excluded from participating as citizens in the democratic life of their countries. Because, every day they must struggle to scrape a living they are automatically disenfranchised from the sphere of citizenship, the agora. Thus, truly democratic governments, more than anything, have the fundamental responsibility

to guarantee an ethos that provides wage remunerations worthy of human dignity. Without such agreement, democratic institutions cannot flourish, and trust and accountability, the underpinnings of the social contract, will not exist. Today, though a majority of countries enjoy at least nominally democratic governments, significant segments of workers in the Centre (the major economies of global capitalism) and the vast majority of workers in the Periphery (the so-called emerging markets and the rest of the developing world) still do not receive a living wage. Despite the historical recognition of the living wage as a human right in international law, it has yet to be realised in practice.<sup>1</sup>

<sup>1</sup> There are many local and national citizen initiatives to make the living wage a legally-binding standard or at least a voluntary one. There are also many municipal ordinances that have enacted the living wage as the local standard. However, until now countries consistently adhere to the minimum wage convention as the minimum standard and none have enacted a living wage as the minimum standard.

The Universal Declaration of Human Rights (UDHR) and the International Covenant on Economic, Social and Cultural Rights is clear on this matter: Article 23 of the UDHR, paragraph (2) “Everyone, without any discrimination, has the right to equal pay for equal work”; and paragraph (3) “Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity”.<sup>2</sup> Societies cannot be sustainable in a global system unless individuals are empowered to live a dignified life through the use of their abilities. Likewise, the Decent Work Agenda of the International Labour Organisation (ILO) identifies decent work as essential to eliminating poverty: “In a relatively short period of time, [decent work] has led to an international consensus that productive employment and decent work are key elements to achieving poverty reduction”.<sup>3</sup>

### What Makes a Wage a Living Wage?

To conceptualise the living wage, we should distinguish it from two related concepts of the minimum wage and the universal basic income. The minimum wage, as defined by the ILO, is the lowest legally permissible income that an employer can pay for work performed. The minimum wage varies from country to country according to national economic and social policy and often fails to meet living wage standards. In contrast to the living wage, the minimum wage has no foundation in international human rights conventions, for it is a concept of the market-driven era anchored on profit maximisation.

The universal basic income, on the other hand, is a cash allowance unconditionally granted to all on an individual basis, including children, without means test or work requirement to fulfil their basic needs for the simple reason of existing. The concept gradually evolved in the last decades of the previous century until it achieved some recognition in the last few years. The Basic Income Earth Network (BIEN) in Europe is the first citizen-based organisation promoting the concept internationally. The concept is not yet a right in international law covenants but is gaining ground. In January 2013, the European Commission accepted BIEN’s initiative for consideration, and in November 2013 thirty-four members of the European Parliament called for support for the EU Citizens Initiative for Unconditional Basic Income. The call on the European Commission is to assess the idea of reforming current national

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<sup>2</sup> United Nations Organization, Article 23 of the Universal Declaration of Human Rights of December 1948, and Article 7 of the International Covenant on Economic, Social and Cultural Rights of December 1996.

<sup>3</sup> Juan Somavía, Facts on Decent Work, International Labour Organization, June 2006.

social security arrangements towards an unconditional basic income.<sup>4</sup> At a national level, two basic income proposals are in progress for referendum. A Swiss coalition of citizen groups organised as “Generation Basic Income”<sup>5</sup> has submitted a basic income proposal for public referendum—leaving it up to Parliament as to how to implement the actual payment,<sup>6</sup> and another citizens’ coalition in Catalonia has submitted a “Popular Legislative Initiative” to discuss the issue in Parliament.<sup>7</sup> Worldwide, its proponents envision it as a human right of the 21<sup>st</sup> century<sup>8</sup> that all individuals should have to enjoy an income that fulfils all of their individual basic necessities, regardless of

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employment or economic means. Guy Standing, co-founder of BIEN, describes it as a principle where “every person, regardless of age, sex, marital status or work status, should have the right to a basic income, adequate to enable him or her to cover basic needs.”<sup>9</sup> The Draft Charter of Emerging Human Rights—a recent global initiative to reinforce existing rights formally recognised but commonly disregarded—includes the guaranteed minimum as part of the “right to an egalitarian democracy.”<sup>10</sup> In a related vein, some observers envision the guaranteed income as a tool to emancipate workers from the power of employers, for it would increase their bargaining power when negotiating with employers for the enhancement of their labour conditions. Having the security of a basic income provides workers with much greater leverage to demand wages worthy of human dignity and better labour conditions.

These three concepts are distinctive both in practice and in the end result. From the perspective of social justice and sustainability, the living wage obviates the need for a minimum wage because the lowest form of remuneration would become, by design, a living wage. The basic income and the living wage would then serve as two new human rights to be fully incorporated by governments in both international and national laws. They address two clearly distinct yet kindred and complimentary purposes. The living wage provides the wage remuneration, worthy of human dignity, appropriate for the work rendered to sustain a family. The basic income

<sup>4</sup> Stainislas Jourdan, 34 MEPs call for support for the EU Citizens Initiative for Unconditional Basic Income, 23 November 2013 <http://basicincome2013.eu/ubi/meps-support-citizens-initiative-basic-income/index.html>

<sup>5</sup> Generation basic income website is: <http://www.grundeinkommen.ch>

<sup>6</sup> Annie Lowrey, “Switzerland’s Proposal to Pay People for Being Alive,” *The New York Times*, November 12, 2013.

<sup>7</sup> Flor Ragucci, La ILP por una renta garantizada ciudadana entra al Parlamento catalán, Público, <http://www.publico.es/490520/la-ilp-por-una-renta-garantizada-ciudadana-entra-al-parlamento-catalan/version-imprimible>, accessed, December 19, 2013

<sup>8</sup> Bruce Ackerman et al., Redesigning Distribution: basic income and stakeholder grants as alternative cornerstones for a more egalitarian capitalism. The Real Utopias Project, Volume V, edited by Erik Olin Wright. Verso (February 17, 2006) 7 [Barcelona] Draft Charter of Emerging Human Rights: Human Rights in a Globalized World [2004]

<sup>9</sup> Guy Standing, “Basic Income: A 21<sup>st</sup> Century Economic Right,” Institut de Drets Humans de Catalunya, [http://www.idhc.org/engdocuments/CDHE/CDHE\\_Standing.pdf](http://www.idhc.org/engdocuments/CDHE/CDHE_Standing.pdf), accessed December 2, 2013.

<sup>10</sup> [Barcelona] Draft Charter of Emerging Human Rights: Human Rights in a Globalized World [2004], [http://www.idhc.org/cat/documents/CharterDHE\\_eng.pdf](http://www.idhc.org/cat/documents/CharterDHE_eng.pdf), accessed December 20, 2013.

guarantees every individual —and not families—the fulfilment of the basic needs to live with human dignity; it is a fixed sum paid irrespective of any income from other sources; and it is paid without requiring the performance of any work or the willingness to accept a job if offered. It is provided on an individual basis, but every member of the household would receive one. The basic income and the living wage would then complement each other as newly enshrined social rights. The living wage provides an income earned for work rendered, while the basic income provides a source of security and stability to both wage earners and everyone else.

Moreover, the inherent emancipatory power of the basic income provides workers with a powerful bargaining power to demand greater labour conditions or to the use of their right to strike that they could not enjoy in any other way.

### The Living Wage in a Marketocracy

In the market-driven societies of today, a larger share of the workers in the Centre—US, Europe, Japan—earn a living wage than those who reside in the Periphery. However, in all countries, workers have seen a consistent erosion of their real wages to the point that wages that once met a living wage standard no longer do. This trend is a result of the global capture of the “democratic” state by the forces of capital (particularly the institutional investors of financial markets and their transnational corporations), as the welfare of the market—anchored on the maximisation of shareholder value—takes precedence over the welfare of people and planet. By financing the campaigns of their favourite politicians and through hordes of lobbyists in the halls of government, “the market” gets to set the public agenda. As a result, the past three decades have seen a global increase in economic and social policies that privatise public goods and supplant national laws with private arbitration courts, all aimed at maximising private profit over, and often at the expense of, public welfare.

In the realm of labour, this capture of democracy explains why workers worldwide have seen their real incomes and labour rights systematically eroded for more than three decades now. In the US, for instance, up until the early 1980s, an annual minimum wage income (in real terms) was enough to keep a family of two above the poverty line. Today, at the federal minimum wage of \$7,25 per hour, a full-time annual income puts a family of two below the federal poverty line.<sup>11</sup> In 2010, 15,1% of the US population was officially below this threshold. The calculation of the poverty line, however, is widely accepted as being inadequate in capturing those who cannot make ends meet.

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<sup>11</sup> David Cooper, “The Minimum Wage Used to Be Enough to Keep Workers out of Poverty—It’s Not Anymore,” Economic Snapshot, Economic Policy Institute, December 4, 2013.

Contrary to historical recovery trends, the recovery following the 2001 recession saw poverty increase and then further explode during the Great Recession that began to unfold in 2007. This makes the official threshold highly inadequate. As a result, many analysts consider twice the threshold a more accurate benchmark. 33,9% of the population currently would fall below this line.<sup>12</sup> This loss of value is a result of the divergence of productivity and wage growth: since 1973, productivity grew roughly eighty percent while median hourly compensation improved by only eleven percent.<sup>13</sup> This trend is not unique to the US. In fact, an outpouring of literature has provided consistent new empirical evidence indicating a downward trend in the labour share in a majority of countries. Indeed, between 1990 and 2009, the share of labour compensation in national income declined in 26 out of 30 developed economies. In developing economies, the trend is much worse.<sup>14</sup>

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This erosion of democracy has resulted from the inherent incompatibility of capitalism and true democracy. The concept of a capitalist democracy or of a democratic capitalism is logically incoherent, for we can hardly find a more direct antagonism in their *raison d’être*. The aim of democracy is to reconcile the public interest (the social good) with the individual interest (the private good) so that the individual’s freedom does not allow the individual to seek his/her own private interest in detriment of the public interest. Capitalism, parting from our individual freedom to fulfil our needs, goes in pursuit of the individual’s private interest with no regard whatsoever for the impact that such activity has on the welfare—including prominently the living wage—of all other participants in the system.

Indeed, this market-centric ethos is intrinsically unstable and completely unsustainable economically, socially and environmentally given its unbridled profit-driven nature, which defeats any possibility of building a sustainable and balanced system. It is the nature of capitalism that destroys all possibilities of humankind and the environment from enjoying a long-term sustainable and balanced interdependence. From the perspective of social justice, marketocracy seeks to keep the maximum share of the income resulting from the economic activity generated by all participants. When the shareholders of an enterprise earn fabulous dividends in one year, they would never contemplate setting it as the limit for the future, taking into consideration the commonweal in their business’ sphere of influence, and that with such

<sup>12</sup> Economic Policy Institute, *The State of Working America*, Key numbers, Topic-specific fact sheets of key findings, 12<sup>th</sup> edition, <http://stateofworkingamerica.org/files/book/factsheets/poverty.pdf>, accessed December 18, 2013.

<sup>13</sup> *ibid*

<sup>14</sup> *Global Wage Report 2012/13: Wages and Equitable Growth* (Geneva: International Labour Office, 2013), 42-50.

a bountiful profit their families can enjoy a life of plentiful material wealth. They would never dwell on the idea of providing a greater share of income to their workers—by paying them a living wage—or of granting better prices to their supply chains. This is anathema to capitalism. Consequently, it always goes in pursuit of ever-greater profits with no consideration for what the system's "externalities" may cause: the negative impact of a company's business activity on its sphere of influence. From an environmental perspective, unless they are forced to, shareholders would never contemplate reducing the environmental impact of their manufacturing operations or of promoting a restraint in consumerism to be more environmentally conscientious to contribute to protect the planet by reducing humankind's environmental footprint. As a result, marketocracy has created insurmountable inequality in most countries, both in developed and developing economies, and unsustainable ecological footprints. Yet, beyond any social or environmental considerations, there is a physical factor of sustainability that no one can ignore. The market-centred paradigm is empirically unsustainable because to sustain itself it requires the unrelenting increase of consumption, and we all know that there cannot be an infinite extraction of resources in a planet with finite resources. Consequently, reforming the current paradigm to make it sustainable is impossible. The unrestrained need for the extraction of resources—physical and human—is ontological to capitalism's existence to fulfil its *raison d'être*: untrammelled profit accumulation. As a result, the concept of the living wage is at odds with marketocracy, for it requires a system of balanced interdependence of resources and of all participants in the economic activity, and such design is antithetical to the current system. Therefore, establishing an ethos of living wages is directly contingent on transcending the market through a paradigm transition.

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### Calculating the Living Wage

When translating the living wage principle of equal pay for equal work into reality, purchasing power parity (PPP) is the appropriate tool. This metric uses the US cost of living as an international benchmark and represents the rates of currency conversion necessary to eliminate the differences in price levels between countries. Assuming that the benchmark wage is a living wage, the PPP provides the equivalent wage that a worker in any given country should receive to have the same material quality of life enjoyed by the equivalent worker in the benchmark country. Periphery countries' workers generally earn a fraction of what they should be earning in real terms for equal work, and in almost all cases, their earnings are below subsistence level.

Exploitative wages in the developing world persist because of the dominance of market liberalisation and corporate transnationalism. Transnational corporations (TNCs) sell their products at roughly equal prices both at home and in host countries where they operate. Variations in prices are mostly due to tax related issues (sales tax, value added tax, etcetera) but manufacturing retail prices usually

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have only small variations. Moreover, the reason for using the PPP is precisely to eliminate the difference in price levels between countries at the end user level. Purchasing power parities are annually produced by multilateral organisations to allow analysts to make informed comparisons for both gross domestic product as well as private consumption metrics. The TNCs achieve maximum profitability when the manufacturing process of the end product in developing countries’ operations is on a par in quality and efficiency with those in home country operations while labour costs are dramatically lower. While the living standard of a worker in the Centre provides at least a significant, when not complete, contribution to achieving personal and family dignity, a worker in the Periphery, working for the same company or its supply chain, doing the exact same work with the same level of quality and efficiency, is often housed in a shanty town with no sewage, water, or legal electricity. Global competition and the relentless pressure to increase shareholder value fuel this continuous search for low-cost production sites.

However, given the fact that many wages in the metropolises of the Centre do not yet meet living wage standards, they cannot always serve as viable international benchmarks. As a case in point, in January 2014, the indispensable basket of goods (IBG) of forty items in Mexico cost approximately US\$1.730 (P\$22.500) monthly.<sup>15</sup> The IBG is a scholarly standard developed in Mexico to measure the purchasing power of wages to acquire forty basic goods (such as milk, bread, rice, corn tortillas, eggs, cooking oil, soap, laundry detergent, toothpaste, bulbs, domestic gas, metro or bus fares).<sup>16</sup> The standard is considered both the minimum required to enable a worker to satisfy the basic needs of his/her family (of five members) and the bare minimum necessary for the reproduction of the workforce. The current Mexican monthly minimum wage is \$155,28, which

<sup>15</sup> Author’s extrapolation to adjust for inflation using the cost of IBG in January 2012, according to Hoja Obrera 121 – Los mexicanos, de los peor remunerados del mundo— Universidad Obrera de México, December 2011.

<sup>16</sup> Laura Juárez Sánchez, La Acumulación del Capital y el Presupuesto Público financiados por el fondo de vida de los trabajadores (primera parte), Revista Trabajadores, No. 64, Enero-Febrero 2008, [http://www.uom.edu.mx/rev\\_trabajadores/numeros.php?var=64](http://www.uom.edu.mx/rev_trabajadores/numeros.php?var=64)

buys only nine percent of the IBG.<sup>17</sup> Yet, given that the US hourly minimum wage of \$7,25 would provide a gross monthly income for full-time workers of about \$1,256, only 73% of Mexico's IBG even before taxes, it is clearly a flawed benchmark for defining a liveable wage. By contrast, Mexico's hourly direct pay in manufacturing in 2012 was \$4,45 compared to \$27,15 for equivalent work in the US.<sup>18</sup> Thus, given that Mexico's PPP index was 68 in 2012, an equivalent wage should be \$18,46, enough to cover the cost of the IBG and of other goods and services. In this case, the US manufacturing wage does serve as a good international benchmark vis-à-vis manufacturing rates across the world.

To address this problem for the rest of jobs in other sectors, a good benchmark should be based on the realistic assessment of the US poverty line, which is twice the threshold officially used. This would be, according to the Economic Policy Institute, a gross of \$44,628 annually—not including benefits but including taxes and social security to be deducted—for a family of four.<sup>19</sup> Thus, the equivalent hourly rate, assuming a full-time 40-hour weekly shift, would be \$21,45. Therefore a reliable living wage in the US for all civilian workers—outside the manufacturing sector—must be about 10% above this line, to provide some cushion for unforeseen circumstances, which would round up the hourly wage rate to \$24.

This wage rate along with the \$27,15 rate in the manufacturing sector—which is 26% above the aforementioned poverty line threshold—do provide good international benchmarks for living wage equalisation.

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Addressing global inequality requires closing the wage gap through gradual wage equalisation. In practice, since the PPPs and the benchmark rates vary annually, due to economic dynamics, the pace of the gradual equalisation of wages, through small real-wage increases, needs to be adjusted annually. The gaps between many current wages and their corresponding living wage standards developed gradually over the years. They are now so wide that closing them requires increases that, given micro and macro economic impacts, employers can only realistically apply gradually as well. Research indicates that realistically closing them would require a gradual effort of approximately thirty years.<sup>20</sup> To fulfil the goal—in the maximum term of thirty years—most economies need to increase wages annually an average of 5% (+/-2%) above inflation. Once they achieve a living wage

<sup>17</sup> Comisión Nacional de Salarios Mínimos, STPS, Salarios Mínimos vigentes a partir de 1o. de enero de 2014, accessed on January 17, 2014.

<sup>18</sup> US Department of Labor, Bureau of Labor Statistics, International Hourly Compensation Costs for all employed in Manufacturing 2012 (34 Country Tables), updated on August 2013; Database of World Bank's World Development Indicators, 1975-2012, accessed on October 17, 2013.

<sup>19</sup> Economic Policy Institute, *The State of Working America*, Key numbers, Topic-specific fact sheets of key findings, 12<sup>th</sup> edition, <http://stateofworkingamerica.org/files/book/factsheets/poverty.pdf>, accessed December 18, 2013.

<sup>20</sup> The Jus Semper Global Alliance: The Living Wages North and South Initiative (TLWNSI). A Strategic Program to Socially Commit Multinational and Other Business Enterprises (Working draft 2006): <http://www.jussemer.org/TLWNSI/Resources/TLWNSING0303.pdf>

**“The difference is the wage gap retained by employers, which both enhances their profit margins and, concurrently, subsidises the wages of workers in the Centre economies.”**

condition, they must be automatically adjusted annually to account for inflation to maintain their living wage value. The table below illustrates this with examples of real wage gaps from a mix of advanced and emerging economies using real hourly direct pay wages for all employed in the manufacturing sector.<sup>21</sup> Equivalent manufacturing workers in Mexico and Brazil earn only 24% and 29%, respectively, of equivalent compensation to their US counterparts in PPP terms. US workers earn \$27,15/hour whilst Mexican and Brazilian workers earn \$4,45/hour and \$7,53/hour, respectively. Since PPP living costs in Mexico and Brazil are 68 and 96, respectively, for each US dollar, equivalent Mexican and Brazilian manufacturing workers should be earning \$18,46/hour and \$26,02/hour, respectively, to enjoy equal purchasing power compensation. The difference is the wage gap retained by employers, which both enhances their profit margins and, concurrently, subsidises the wages of workers in the Centre economies. Germany, in contrast, has a surplus with its US counterparts, since its nominal wage (\$36,07) is 124% of the equivalent wage (\$29,14) needed to be at par with a PPP of 107 per each US dollar.

**Nominal wage, real wage and wage equalisation for direct pay for all employed in the manufacturing sector in purchasing-power parity terms and US dollars**

2012	Nominal hourly wage	PPP Index 2012	PPP Real wage	Equalised nominal hourly wage	Equalisation index
United States	27,15 US\$	100	27,15 US\$	27,15 US\$	100
Germany	36,07 US\$	107	33,61 US\$	29,14 US\$	124
	133%		124%	107%	
Mexico	4,45 US\$	68	6,55 US\$	18,46 US\$	24
	16%		24%	68%	
Brazil	7,53 US\$	96	7,86 US\$	26,02 US\$	29
	28%		29%	96%	

<sup>21</sup> Author's computation using hourly wage data as reported by the US Department of Labor and purchasing power indices from the World Bank in 2012.

### Mobilising for Change under a Marketocratic Ethos

In the current marketocratic system fixed on shareholderism, financial markets and a dominant neoliberal mindset present staunch opposition to citizen advocacy for legally-binding living wage standards. The voluntary corporate responsibility initiatives that replace government action tend to regard the living wage as a taboo topic. Indeed, living wages are virtually absent in the debates and best practices associated with the mainstream corporate social responsibility (CSR) movement.

Nonetheless, there are some conspicuous examples of successful mobilisation and policy action. The most illustrative is Brazil's 2010 "Minimum Wage Appreciation Policy Act," which redefines the future of Brazil's wage policy by committing to reduce its wage gap through annual real wage increases until 2023. The act adopts a formula based on the sum of inflation of the ending year and GDP's variation for the year two years prior, if it is positive—a concept closely resembling the gradual approach advanced by The Living Wages North and South Initiative (TLWNSI).<sup>22</sup> The Argentine government has also shown a commitment to recovering the value of wages prior to its great economic debacle in 2002 and expanding their value even further.<sup>23</sup> Sheer social pressure, in reaction to decades of policies that consistently eroded living standards, put in power governments in both nations that would respond to their demand to apply policies to recover them. Brazilians—supportive of replacing the prevailing market-centric economic paradigm by one supportive of social and economical rights—were finally able to put in power Lula da Silva, the candidate of the Workers Party, for two consecutive terms. Thus, in partial compliance with his commitment to drastically reduce poverty, Lula was able to pass through Congress in his last year in power the Minimum Wage Appreciation Act. Similarly, Argentinians, fed up with the consistent erosion of their standards of living, mobilised in mass, in the midst of their economic bankruptcy, and toppled three presidents in a matter of weeks. Subsequently, they elected governments committed to demand-side economic policies that until now have applied labour policies that have fully recovered and clearly surpassed the value of their real wages before the crises. Needless to say, these cases are exceptions to the rule and have clear limitations as well.

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<sup>22</sup> Alvaro J. de Regil, Brazil: In Perfect Harmony with TLWNSI's concept, The Jus Semper Global Alliance, a TLWNSI Issue Brief, January 2010, accessed on January 8, 2014, [http://www.jussemp.org/Resources/Economic%20Data/Resources/Brazil\\_and\\_TLWNSI.pdf](http://www.jussemp.org/Resources/Economic%20Data/Resources/Brazil_and_TLWNSI.pdf), 5.

<sup>23</sup> Alvaro J. de Regil, Argentina's manufacturing living-wage gap: still a ways to go but steadily closing in, The Jus Semper Global Alliance, a TLWNSI Living Wage Assessment, September 2011, accessed on January 8, 2014, [http://www.jussemp.org/Resources/Economic%20Data/Resources/Argentina's\\_LW\\_assmnt.pdf](http://www.jussemp.org/Resources/Economic%20Data/Resources/Argentina's_LW_assmnt.pdf), 11.

Both Brazil and Argentina's economics are still subject to the logic of global markets that are structurally incapable of delivering just and sustainable outcomes.

### Transcending the Market

The achievement of a universal living wage is contingent on our capacity to transcend the contemporary market-centred paradigm by replacing it with a model that embodies the principles of social justice, true democracy, and ecological sustainability.

**“Transcending the market is contingent on building the new paradigm for the sustainability of people—in the context of social justice—and the planet—in the context of the balanced preservation of the environment.”**

Transcending the market in turn is contingent on building the new paradigm for the sustainability of people—in the context of social justice—and the planet—in the context of the balanced preservation of the environment. To transition to the new paradigm we must first build a new societal architecture of true democracy. In this way, establishing the living wage ethos as the future universal standard is anchored on two paramount premises: (1) building a new truly democratic ethos, and (2) building the new paradigm of people and planet, in which the living wage would be a core standard of its sustainability. Transcending the market provides the radical paradigmatic shift to build our new edifice of true democracy through a systemic transition, such as the vision depicted in the Great Transition Initiative.<sup>24</sup> This edifice entails a completely new conception of life and of our role as individual members of the new society. The living wage—as a core element of the new paradigm—would become the standard of all labour compensations, with a legally-binding stature recognised in national and international laws.

This implies that in the sphere of the living wage we must completely redefine the concept of wage remuneration anchored on the balanced use of resources. We cannot propose to close living wage gaps across the world aspiring to provide to all workers the same consumption power of today's well-off workers following the principle of equal pay for equal work. Consequently, the concept of the living wage must assess both its lowest and highest thresholds. On one hand, it should determine the lowest level of consumption power that ensures that all wages are worthy of human dignity. On the other hand it must assess the highest possible level of remuneration that remains in sync with previously and scientifically defined levels of consumption of resources that guarantee long-term sustainability. In the new transformative model, the living wage must be envisioned with a new lens anchored on sustainability criteria that will inevitably cut drastically the materialistic expectations of

<sup>24</sup> Paul Raskin et al., *Great Transition: The Promise and the Lure of the Times Ahead*. Boston, MA: Tellus Institute, 2002, accessed on December 2, 2013, [http://gtinitiative.org/documents/Great\\_Transitions.pdf](http://gtinitiative.org/documents/Great_Transitions.pdf)

all wage earners, both in Centre and Periphery economies. To be sure, Periphery workers will increase their consumption power to enjoy a good life standard but not nearly within the present unsustainable levels of consumption generated by Centre workers. As could be expected, these workers must cut their consumption patterns as much as necessary to put them in sync with predefined sustainable levels of resource use.

Similarly, in any transformative scenario, markets will certainly continue to exist, but their flaws as an agent of equity—wages or otherwise—would be recognised by all parties as intrinsically inadequate. A new rights-based paradigm would inherently redefine the purpose of business. Once we transcend the market, its role must be completely deprived of any pre-eminence and of its untrammelled, undemocratic and unsustainable capitalistic essence. Markets will be strictly limited to becoming vehicles of commerce to provide the material quality of life that can be sustained by new predefined ecological footprints. Today's capitalistic logic of the market—anchored on supply and demand and sheer speculation—would be cancelled. Financial markets and their amoral casino-like mindset would no longer have a role in the new paradigm. The commoditisation and privatisation of every aspect of life, including public goods would cease to continue. In lieu, the new paradigm would guarantee them as rights. In the sphere of labour, a shift from treatment of workers as commodities to workers as human beings would emerge as the prevailing norm. The purpose of business would shift from shareholder value and profit maximisation toward public service.

Competition, innovation and efficiency would remain core business attributes, but democratic control, transparency, and long-term horizons would direct enterprises toward creating and sharing wealth within a framework of justice and ecological limits. The six principles of corporate redesign advanced by the Corporation 20/20 initiative provide a solid foundation for such a vision.<sup>25</sup>

Two scenarios embody this transformation. The first scenario is the organisation of the common citizenry as a global movement. This is the party most interested in reconstituting markets to serve the higher purposes of justice, democratic control and ecological resilience. A peaceful, transnational mobilisation of citizens would serve as the catalyst for repurposing business, including the creation of an enforceable—legally-binding—international regime focused on advancing the living wage concept in all enterprise.

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<sup>25</sup> <http://www.corporation2020.org/>, accessed on February 6, 2014.

The second possible scenario is crisis. In many regions of the world, societies are already struggling against the dominant system with varying degrees of intensity and with outcomes still nebulous. Neoliberal orthodoxy sees these struggles as recurring cyclical crisis endemic to the dominant system.<sup>26</sup> However, the degree of intensity and the clarity of the demands are exponentially increasing globally to levels that appear unprecedented. The Indignados Movement in Spain, the Arab Spring and the Occupy Movement in the US attest to the disenfranchisement of large sectors of the population and the shared sense of grievance over issues such as income disparities and corruption. Recent evidence attests to the viral nature of such movements when timing, leadership and shared grievance converge to threaten prevailing power structures.

**“Economic growth by itself is deemed nonsensical, and a balanced approach to sustainability, which includes rational growth, when and where necessary, becomes the vehicle to achieving the wellbeing of all ranks of society.”**

How would the living wage evolve in the paradigm? A living wage could serve as one rallying point to turn a crisis toward concrete, equitable outcomes. The living wage provides the purchasing power necessary to meet the basic needs for food, housing, clothing, healthcare, education, transportation, and leisure. Yet, this perception is greatly influenced by the expectations of a consumerist culture by contemporary commercialism. To transcend the market and build the new paradigm such perception must be transformed in sync with the sustainable standards of the new paradigm. In this new ethos, development entails the democratically-balanced development of all members of society, establishing a culture of use of all natural and man-made resources to provide a high quality of life standard without the excesses associated with consumerism. Economic development and wealth lack a utilitarian meaning. Efficiency and productivity will no longer have meaning in terms of reproducing wealth but will be fundamental in consuming resources in the most efficient, balanced and sustainable way. Increments in the level of sustainability of systems and the reduction of our footprint in all aspects on the life of people and planet would be the new indicators and the true measure of development and progress. They mean the development of human capacities anchored on the premise of solidarity and true sustainability. As a consequence, economic growth by itself is deemed nonsensical, and a balanced approach to sustainability, which includes rational growth, when and where necessary,

becomes the vehicle to achieving the wellbeing of all ranks of society. The vision with greater

<sup>26</sup> The Economist, Economic Debates: World Economy – Will the world economy be in better shape in 2013 than in 2012? originally published on January 8, 2013, accessed February 10, 2014.

emphasis on the sustainability of a future global society is embodied by the concept of progress without more consumption or, as some have defined it, a de-growth economy.<sup>27</sup> This is about a post-capitalist economy that only consumes what is necessary to sustain a high level of welfare for all, where GDP growth becomes a moot point. True progress is then weighed through indicators that assess the quality of human life and the size of the footprint of human activity on the environment. The measure of high progress is a high human development standard with an environmental footprint far below the current one, just enough to have a dignified level of comfort, not consumerist, not hedonist, not individualist, but with ideal health, nutrition, education, clothing, housing and leisure standards and anchored on the consumption of renewable energy sources instead of fossil energy. Human work is driven by the generation of welfare for people instead of the growth of shareholder value. Inevitably, capitalism must be replaced for its aforementioned antithetical nature in the material, psychosocial and humanistic sense. Fortunately, a values shift toward social and environmental responsibility that is slowly emerging could favourably intersect with a universal living wage to reduce the current trajectory of a growing ecological footprint that threatens to overshoot nature's regenerative capacity.

**“True progress is then weighed through indicators that assess the quality of human life and the size of the footprint of human activity on the environment.”**

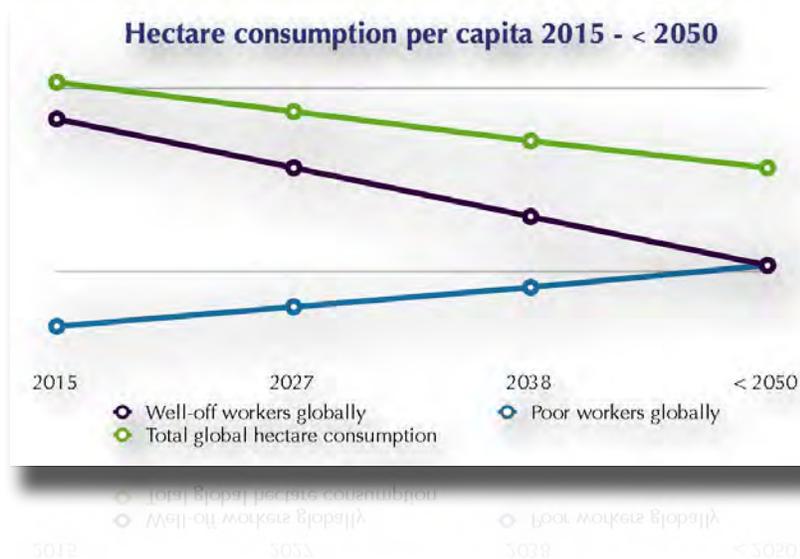
Steven Stoll, a proponent of drastic reduction of consumption as the basis of sustainability, summarises his vision of US society on the level of awareness about the need to drastically reduce our ecological footprint: “They are heading in two directions at once. They have accepted efficiency as the soul of what it means to be green, but they have not yet recognised a biophysical limit on the scale of their consumption.”<sup>28</sup> Many observers believe that we must cut our ecological footprint by one-third by 2050 at the latest, if not much earlier.<sup>29</sup> A universal living wage, if accompanied by reduced consumption by the affluent, would bend the curve of unsustainable consumption toward a sustainable trajectory. The figure below illustrates—paralleling the rapid reduction scenario of the Global Footprint Network that advocates the need to cut our energy consumption by about one third by 2050—how this trend might diminish our global footprint while achieving the equity outcome a living wage represents.<sup>30</sup> To accomplish this, the affluent would need to cut their per capita hectare consumption by about three-fifths whilst poor people would increase it by about threefold.

<sup>27</sup> Serge Latouche, Degrowth economics. Why less should be so much more?, *Le Monde Diplomatique*, November 2004, and Jean Marie Harribey, Do we really want development? Growth, the world's hard drug, *Le Monde Diplomatique*, August 2004.

<sup>28</sup> Steven Stoll, “Fear of Falling: The Specter of a No-Growth world,” *Harper's Magazine*, March 2008.

<sup>29</sup> Many environmental scientists consider that our footprint needs to be reduced substantially at a faster pace than by 2050. See David S. Wood and Margaret Pennoc, *Journey to Planet Earth – Plan B: Mobilising to Save Civilisation, Educators Guide*. (Washington, DC: Screenscope, 2010).

<sup>30</sup> Global Footprint Network, World Footprint, accessed on January 9, 2014, [http://www.footprintnetwork.org/en/index.php/GFNpage/world\\_footprint/](http://www.footprintnetwork.org/en/index.php/GFNpage/world_footprint/).



In short, gradual wage equalisation is an ecological imperative as well as a moral responsibility. However, establishing a sustainable living wage ethos is contingent on transcending the market with all the social, democratic and ecological implications previously addressed. To be sure, there would not be one living wage level of remuneration for all workers. Human nature will always produce

**“In short, gradual wage equalisation is an ecological imperative as well as a moral responsibility.”**

different levels of compensation for varying degrees of intellectual capacity and physical dexterity. However, the dramatic differences in pay between the top and the lowest echelons of workers, often exceeding ratios of 200 to 1, would give way to greater wage equity and wealth sharing. Living wages will never equate to equal wages. But the chasm between highest and lowest would be dramatically reduced, such that all wages are at least sustainable living wages, a far cry from current conditions. In this way, the lowest wage, will always guarantee a sustainable standard of living worthy of human dignity, making the minimum wage always a sustainable living wage—with the basic income complementing it by guaranteeing to all individuals their basic needs. Anything less portends a future of increasing strife

between the haves and have-nots, expressions of which are emerging worldwide with increasing, and ominous, frequency. If we succeed, we would be tackling two cornerstones of true sustainability: drastic reductions of poverty and of our environmental footprint. If we fail, workers will continue to have the right to demand a living wage under the same unsustainable structures of energy use and production of waste, even if we provoke our own demise. Evidently, we must continue to transcend the market by building the new paradigm in which the living wage would become the universally recognised standard.

**Useful links:**

- <http://www.jussemper.org>
- <http://ratesustainability.org>
- <http://www.corporation2020.org/>
- <http://www.footprintnetwork.org/>

❖ **About Jus Semper:** The Living Wages North and South Initiative (TLWNSI) constitutes the sole program of The Jus Semper Global Alliance (TJSGA). TLWNSI is a long-term program developed to contribute to social justice in the world by achieving fair labour endowments for the workers of all the countries immersed in the global market system. It is applied through its program of Corporate Social Responsibility (CSR) and it focuses on gradual wage equalisation, for real democracy, the rule of law and living wages are the three fundamental elements in a community's quest for social justice.

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