

Falkland Islands Living Wage 2019 Update



Acknowledgments

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EXECUTIVE SUMMARY

A living wage is the income that people feel they need to earn in order to obtain a minimum socially acceptable standard of living. The living wage is an informal benchmark, not a legally enforceable minimum level of pay (like the minimum wage).

The report “*A Living Wage for the Falkland Islands*”, based on the results of a survey carried out in August 2013, was published in 2015. At that time, the living wage was estimated at FKP7.18 / hour. Living wage estimates have since been updated on an annual basis to adjust for changes in prices. Following the last update (conducted in 2018 and providing for an adjustment for inflation between 2013 and 2017), the living wage was estimated at FKP7.41 / hour. The methodological approach, however, was not reviewed.

A number of issues have been identified with the methodology used to calculate the living wage in the “*A Living Wage for the Falkland Islands*” report, including incorrect treatment of pension contributions and benefits, questionable assumptions on the average number of workers per household, inclusion of pensioners as a relevant family configuration, and exclusion of certain expenditure items (e.g. owning a vehicle).

The approach of the original questionnaire raised a number of difficulties as well, leading to some expenditure categories to be overestimated, while other to be underestimated. Given the small sample size (44 households, which were categorised into nine separate household types), it probably was not wise to adopt a mechanistic approach to interpreting the results of the questionnaire. While a living wage calculation does benefit from a measure of public consultation, we believe a greater use of “expert” judgment should be made while reviewing each expense item.

In January 2019, the F.I.G. Policy and Economic Development Unit undertook a review of the methodology applied to estimate the living wage in 2015 and in subsequent updates. To that end, a workshop has been held on February 21st 2019 to discuss potential methodological changes with a small panel of experts and stakeholders including social service and education professionals, parents, low income earners and retailers. Findings from the workshop have been integrated with answers to an online questionnaire which has been circulated on February 25th 2019.

Based on findings from the workshop and questionnaire, a preliminary review of the current model used to estimate the Falkland Islands living wage has been undertaken, results of which are presented in the Appendix to this paper (“*Falkland Islands Living Wage – 2019 Update – Appendix, Methodology review and analysis*”, April 11th, 2019).

On April 11th, 2019, a meeting has been held with the Honourable MLAs to discuss the suggested methodological changes. The Honourable MLAs were found to be in favour of all suggested methodological changes; the Policy and Economic Development Unit proceeded in amending the living wage model accordingly.

This paper provides a description of the new methodology and assumptions, and a comparison with the ones previously adopted. Based on the methodological changes and new assumptions adopted, the hourly living wage is now estimated at FKP7.03.

INTRODUCTION

A living wage is the income that people feel they need to earn in order to obtain a minimum socially acceptable standard of living. The living wage is an informal benchmark, not a legally enforceable minimum level of pay (like the Minimum Wage).

The definition of standard of living assumed for 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.”

The report “*A Living Wage for the Falkland Islands*”, based on the results of a survey carried out in August 2013, was published in 2015. At that time, the living wage was estimated at FKP7.18 / hour.

Living wage estimates have since been updated on an annual basis to adjust for changes in prices:

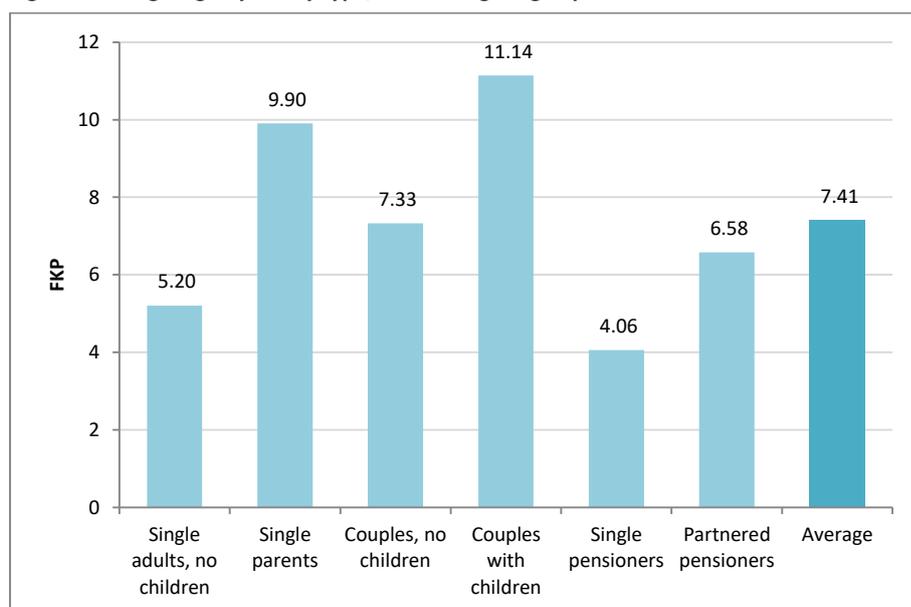
- 2016 Living Wage update (adjusting for inflation between 2013 and 2015): FKP7.26 / hour;
- 2017 Living Wage update (adjusting for inflation between 2015 and 2016): FKP7.31 / hour;
- 2018 Living Wage update (adjusting for inflation between 2016 and 2017): FKP7.41 / hour.

Those surveyed in 2013 were all volunteers chosen to represent six different family types:

- Single adults with no children;
- Single parents (including single parents with one child or two children);
- Couples with no children;
- Couples with children (including couples with one, two, and three children);
- Single pensioners;
- Partnered pensioners.

The living wage rate was calculated as a weighted average of the values estimated for each category (please see Figure 1).

Figure 1: Living wage by family type, 2018 Living Wage update



Source: 2018 Living Wage update

In January 2019, the F.I.G. Policy and Economic Development Unit undertook a review of the methodology applied to estimate the living wage in 2015 and in subsequent updates. To that end, a workshop has been held on February 21st 2019 to discuss potential methodological changes with a small panel of experts and stakeholders including social service and education professionals, parents, low income earners and retailers. Findings from the workshop have been integrated with answers to an online questionnaire which has been circulated on February 25th 2019.

Based on findings from the workshop and questionnaire, a preliminary review of the current model used to estimate the Falkland Islands living wage has been undertaken, results of which are presented in the Appendix to this paper (*“Falkland Islands Living Wage – 2019 Update – Appendix, Methodology review and analysis”*, April 11th, 2019). For each suggested methodological change, the Appendix provides:

- A discussion of reasons for and against change;
- A summary of key findings from the workshop and questionnaire;
- A description of the proposed methodological approach;
- A suggestion on which assumptions to adopt;
- An estimate of the impact on the hourly living wage.

The paper concluded that, if all suggested methodological changes were to be adopted, the living wage would decrease by about FKPO.38 (from FKP7.41 to a provisional estimate of FKP7.03 per hour).

On April 11th, 2019, a meeting has been held with the Honourable MLAs to discuss the suggested methodological changes. The Honourable MLAs were found to be in favour of all suggested methodological changes; the Policy and Economic Development Unit proceeded in amending the living wage model accordingly.

This paper provides a description of the new methodology and assumptions, and a comparison with the ones previously adopted. This paper concludes with bringing a new estimate of the Falkland Islands living wage.

1 METHODOLOGICAL ISSUES

A number of issues have been identified with the methodology used to calculate the living wage that was initially published in 2015 in the “A Living Wage for the Falkland Islands” report. These include incorrect treatment of pension contributions and benefits, questionable assumptions on the average number of workers per household, inclusion of pensioners as a relevant family configuration, and exclusion of certain expenditure items (e.g. owning a vehicle, and holidays).

This chapter will discuss each of these issues and the methodological changes applied to address them, as well as describe the new assumptions adopted.

1.1 Treatment of pension contributions and benefits

Old methodology

The living wage model did not include any calculations to adjust the hourly wage estimates for deductions (e.g. tax, compulsory pension contributions) and public benefits, in order to get to a required minimum income.

Rationale for change

In principle, a living wage should be the gross wage required to meet the minimum income standard after deductions and benefits. While people earning a living wage in the Falklands are unlikely to pay much if any income tax, they may have to make RPC contributions, and they may also receive financial assistance from FIG.

New methodology

The living wage model has been rectified to properly take into account pension contributions and benefits. The next table details the assumptions adopted for properly adjusting the living wage estimates for taxes, pension contributions, and benefits.

Table 1: Treatment of pension contributions and benefits; new assumptions

Tax / benefit	Income bracket	Value
Personal tax	< FKP15,000	0
	> FKP15,000 and <FKP27,000	21%
	> FKP27,000	26%
Pension contribution	> FKP9,360	FKP15.75 per week
Working Credit benefit	Individuals with net household incomes less than personal tax allowance, savings less than £16,336, and in employment for at least 25 hours per week, are eligible for the supplement.	Income support dependent upon combined household income, with a maximum payment of £1,771 per annum available. The annual value of the payment decreases by £21 for every £100 increase in household income.

1.2 Pensioners

Old methodology

The overall living wage is calculated by taking a weighted average of living wages for various household types, including single and coupled pensioners.

Rational for change

While understanding the minimum income standard for pensioners is important in its own right, including pensioners in a living wage calculation makes little sense, since they don't earn a wage.

New methodology

The living wage model has been amended in order to exclude pensioners from the calculation.

1.3 Number of workers per household

Old methodology

The 2015 Living Wage report calculated the living wage on the basis of one person in each household working a full-time job. This pushed up the hourly wage required for that person, as their earnings would need to support their partner and children as well as themselves.

Rational for change

This assumption is not coherent with the reality of the Falkland Islands. The labour force participation rate in the Falklands is high by international standards, at 89%, with unemployment very low at 1%. A very large proportion of people of working age are in work (and a large

number of working age people who do not participate in the labour force are students, rather than stay at home parents).

Therefore, even whilst some people may consider it a worthy aspiration for wages to be at a level where one worker can support their partner and children, the evidence suggests that this view is not shared by the wider population, given that both partners tend to work even if one or both earns well above the living wage.

New methodology

The living wage model has been amended in order to assume that, in households with more than one adult, more than one person work a full-time job. Based on the latest available Census data (2016), the average number of workers¹ per household in Stanley has been estimated in 1.78.

Table 2: Number of workers per household, new assumptions

Family configuration	Number of full-time workers
Single adults with no children	1.00
Single parents	1.00
Couples with no children	1.78
Couples with children	1.78

1.4 Vehicle ownership

Old methodology

In 2015, a political decision was made to omit owning a vehicle from the calculation, based on the assumption that the relatively small size of Stanley means a car (whilst desirable) is not essential for everyday living.

Rational for change

According to Census 2016 data, around 70% of households in which the household reference person does not earn the living wage own a vehicle, compared with 90% where they do. So, even low earners appear to consider owning a vehicle as being worth the cost involved.

Except for taxis, there is no provision of public transportation in Stanley.

While it would be possible for many people to get to work and run their errands without access to a vehicle, a vehicle is essential to accessing many of the recreational activities available in the Falkland Islands.

Owning a vehicle is particularly important for working parents.

New methodology

The living wage model has been amended in order to include the cost of owning a vehicle into the calculations. The following assumptions have been adopted to estimate the cost of owning a vehicle.

¹ In terms of full-time equivalent.

Table 3: Vehicle ownership, assumptions

Assumption	Value
Car life expectancy	6 years
Cost (2nd hand car)	FKP5,000*
Repairs and service	FKP500 / year
Vehicle tax	FKP120 / year
Insurance	FKP120 / year
Fuel	FKP50 / month

* This assumption is based on an informal survey of Facebook car sales post.

New estimates

Based on the assumptions listed above, each household would need to budget FKP181 monthly to afford owning a vehicle.

1.5 Domestic holidays

Old methodology

Holidays were excluded from the living wage; this option was not even put to the public in the 2013 living wage questionnaire.

Rational for change

The UK living wage calculation includes an annual domestic holiday. Moreover, it could be argued that travelling periodically to Camp (camping or self-catering) is essential to a basic standard of living.

New methodology

The living wage model has been amended in order to include a domestic holiday in the calculations. The following assumptions have been adopted to estimate the cost of a domestic holiday, assuming one week of holiday on West Falkland.

Table 4: Domestic holiday, assumptions

Assumption	Value
Frequency of holiday	One holiday every year
Number of nights	7 nights
Accommodation cost per adult per night	FKP30*
Mileage	400 miles
Miles / fuel litre	6.5 miles / litre
Diesel price	FKP0.6 / litre
Ferry fare, car (return)	FKP50
Ferry fare, adult (return)	FKP20
Ferry fare, child <16yo (return)	FKP10
Ferry fare, child <5yo (return)	FKP 5

* This is based on a review of the current rates charged by a number of self-catering accommodations in West Falkland.

New estimates

Based on the assumptions listed above, the following table details which sum each family configuration would need to budget monthly to afford an annual domestic holiday.

Table 5: Monthly expenditure on domestic holiday

Figures are in FKP

Family configuration	2019 Update
Single adults, no children	26
Single parents	27
Couples, no children	46
Couples with children	47
Weighted average	39

2 EXPENDITURE CATEGORIES

For most items, the 2013 questionnaire listed a number of goods/services in a category and asked the person filling it in to: “Put a cross (X) next to the categories in the essential column to identify the items you feel are absolutely essential. Also indicate in the next column how much per month you would budget to spend on your essential items”.

Items which 60% of households of a given type identified as essential were deemed to be so, and essential expenditure on those items was calculated as the average of what the households in a given category (e.g. couple with one child, single adult etc.) had said they would budget on it. This raises a number of difficulties:

- In some cases households have entered a very high budget for some items, which may suggest they have answered on the basis of what they spend on a given item or category, not what spending would be essential.
- The concept of the monthly cost of durable items (such as washing machines) is not necessarily very clear, and may not have been fully understood by participants.
- A similar issue applies to the treatment of recreational expenditure. Survey participants were presented with a list of 31 recreational items (including club fees, DVD hire, fishing equipment and so on) and asked which of these they considered essential. The variation in tastes among participants probably meant that few of these achieved sufficient consensus to be deemed essential, possibly resulting in an understatement of essential recreation expenditure.

More generally, given the small sample size (44 households categorised into 9 separate household types), it probably was not wise to adopt a mechanistic approach to interpreting the results of the questionnaire. While a living wage calculation does benefit from a measure of public consultation, we believe a greater use of “expert” judgment should be made in order to estimate essential spending levels in each expenditure category with a greater accuracy.

This chapter will discuss the methodological changes and the new assumptions adopted for each expenditure category.

2.1 Accommodation

Old methodology

In the 2015 report, accommodation expense was based on average rent for FIG properties of the appropriate size and type for the household.

Rational for change

It is not realistic to assume that all low income households live into a FIG property.

New methodology

Data from the Falkland Islands Census 2016 on accommodation cost by tenure have been used to estimate average accommodation cost levels by family configuration. The following tenure categories have been included into the calculation: home owners; home owners with a mortgage; FIG rents; and private sector rents.²

² Households living free of rent have not been included, as we don’t believe this category is relevant when estimating the living wage (some households may be living rent free as the result of FIG housing subsidies; moreover, others may be living rent free as a contribution from their families, but the accommodation would not be their choice if they could earn enough to choose an alternative one).

The following tables detail the figures that have been inputted in the model in order to estimate the monthly accommodation expense. Table 6 shows the breakdown of low-income Stanley households by family configuration and tenure, in 2016; Table 7 details monthly accommodation expenditure stated by low-income households³ in 2016 (data on rent levels refer both to FIG and private sector rental accommodation).

Table 6: Percentage of household by tenure, low income households

Stanley, 2016

Family configuration	House owners	Mortgage	Rent
Single adults, no children	23%	10%	68%
Single parents	17%	17%	67%
Couples, no children	54%	8%	38%
Couples with children	22%	28%	50%
Weighted average	31%	14%	55%

Source: Falkland Islands Census 2016

Table 7: Monthly accommodation expenditure, low income households

Stanley, 2016; figures are in FKP

Family configuration	Mortgage	Rent
Single adults, no children	283	283
Single parents	188	384
Couples, no children	400	520
Couples with children	385	458
Weighted average	329	382

Source: Falkland Islands Census 2016

Comparison of estimates

The following table shows a comparison between the estimates of monthly accommodation expenditure in the Living Wage 2018 update and in the update presented in this paper, by family configuration.

Table 8: Monthly expenditure on accommodation, comparison of estimates

Figures are in FKP. Figures include service charge.

Family configuration	2018 Update	2019 Update
Single adults, no children	280	256
Single parents	443	325
Couples, no children	280	268
Couples with children	455	373
Pensioners	288	–
Weighted average	332	300

2.2 Utilities

Old methodology

It was not possible to determine the methodology used in 2015 to estimate expenditure on heating fuel, electricity, and cooking gas.

³ Households with income below FKP14,000 (for households with one adult only) or below FKP28,000 (for households with 2 adults).

Rationale for change

Figures assumed in 2015 seem to be underestimated, with the overall weighted average spend being about FKP150 per month when adjusted for inflation between 2013 and 2017 (i.e. 2018 Living Wage update), which compares to about FKP210 per month according to the 2011 Household Expenditure Survey, and about FKP220 per month according to the 2012 Census.

New methodology

Data from the Falkland Islands Census 2016 on monthly expenditure on utilities by family configuration, adjusted for inflation between 2016 and 2018, have been inputted into the living wage model (please see Table 9).

Table 9: Monthly expenditure on utilities, total population⁴

Stanley, 2018; figures are in FKP

Family configuration	Utilities
Single adults, no children	186
Single parents	261
Couples, no children	242
Couples with children	280

Source: Falkland Islands Census 2016 and RPI database

Comparison of estimates

The following table shows a comparison between the estimates of monthly expenditure on utilities in the Living Wage 2018 update and in the update presented in this paper, by family configuration.

Table 10: Monthly expenditure on utilities, comparison of estimates

Figures are in FKP

Family configuration	2018 Update	2019 Update
Single adults, no children	119	186
Single parents	165	261
Couples, no children	146	242
Couples with children	190	280
Pensioners	126	–
Weighted average	147	238

2.3 Consumer durables

This category includes household appliances (fridge, freezer, washing machine) and electronic devices (audio/video equipment, computer and related consumables, camera and camera accessories, telephone, mobile).

Old methodology

Assumptions on essential monthly spending on consumer durables were based on findings from the 2013 survey, adjusted for inflation between 2013 and 2017.

Rationale for change

The concept of monthly cost of durable items is not necessarily very clear, and may not have been fully understood by participants to the

⁴ According to the Census, average spend on utilities by low-income households is not dissimilar from the averages based on total population, so the latter figures have been used.

2013 survey.

New methodology

Respondents to the questionnaire (January 2019) were asked to comment on a number of consumer durables being essential or not, as well as their expected lifespan and average price (considering an inexpensive model). Table 11 summarizes answers to these questions.

Table 11: Consumer durables, answers to the questionnaire

Item	% of respondents considering item essential	Suggested lifespan (average of responses)	Suggested price (average of responses)
Fridge	100%	8 years	FKP270
Freezer	100%	8 years	FKP270
Washing machine	100%	6 years	FKP260
Tumble dryer	45%	6 years	FKP230
Audio/video equipment	70%	6 years	FKP250
Computer	85%	5 years	FKP375
Camera and accessories	30%	5 years	FKP225
Telephone	85%	6 years	< FKP100
Mobile	85%	4 years	FKP290

Table 12 summarizes the new assumptions adopted.

Table 12: Consumer durables, new assumptions

Assumption	Value
Essential items	All items listed in Table 11 are essential, except tumble dryer and camera (since less than 50% of respondents considered these item essential)
Lifespan	Values in Table 11
Price	Values in Table 11
Number of items per households	1 essential item per households, except for mobile phones (one mobile per each adult and child > 14 years old has been assumed)

Comparison of estimates

The following table shows a comparison between the estimates of monthly expenditure on consumer durables in the Living Wage 2018 update and in the update presented in this paper, by family configuration.

Table 13: Monthly expenditure on consumer durables, comparison of estimates

Figures are in FKP

Family configuration	2018 Update	2019 Update
Single adults, no children	49	26
Single parents	37	28
Couples, no children	44	32
Couples with children	33	34
Pensioners	23	–
Weighted average	37	31

2.4 Household goods & services

This category includes:

- Furniture and furnishings, including textiles;
- Materials for maintenance, including paint supplies;
- Cleaning goods and consumables: vacuum cleaner, household cleaners, and laundry products;
- Hardware and tools, including electrical consumables;
- Kitchen items: cooking pan and trays, and kitchen utensils;
- Gardening: garden equipment, plants and seeds, and outdoor tools.

Old methodology

Assumptions on essential monthly spending on household goods & services were based on findings from the 2013 survey, adjusted for inflation between 2013 and 2017.

Rationale for change

Just above half of respondents to the questionnaire (January 2019) commented that the figures assumed based on the 2013 survey were reasonable. Moreover, amounts assumed for one family configuration (couples with children) were disproportionately low.

New methodology

Tailored assumptions on monthly expenditure on household goods & services have been adopted, in order to broadly reflect the numbers from the 2013 survey (adjusted for inflation between 2013 and 2018), whilst aligning the assumed expenditure for couples with children with the other family configurations. Table 14 summarizes the new assumptions adopted. These assumptions are based on the idea that some expenses are borne by each household as a whole (e.g. purchase of a vacuum cleaner and kitchen utensils), while some others are proportional to the number of adults and children in a household (e.g. textiles and laundry products).

Table 14: Household goods & services, new assumptions

Assumption	Value
Monthly expenditure per household	FKP40
Additional monthly expenditure per adult	FKP20
Additional monthly expenditure per child	FKP7.50

Comparison of estimates

The following table shows a comparison between the estimates of monthly expenditure on household goods & services in the Living Wage 2018 update and in the update presented in this paper, by family configuration.

Table 15: Monthly expenditure on household goods & services, comparison of estimates

Figures are in FKP

Family configuration	2018 Update	2019 Update
Single adults, no children	96	60
Single parents	135	71
Couples, no children	148	80
Couples with children	60	92
Pensioners	90	–
Weighted average	101	77

2.5 Food & non-alcoholic beverages

Old methodology Assumptions on essential monthly spending on food & non-alcoholic beverages were based on findings from the 2013 survey, adjusted for inflation between 2013 and 2017. In the 2013 Survey, food & beverage costs were estimated based on vegetarians and non-vegetarians healthy menus selected by KEMH.

Rationale for change Menus used for costing need to be regularly reviewed to ensure they continue to meet UK recommendations for healthy eating.

New methodology The Public Health Advisor has confirmed the average energy intake for the menus used for costing in 2013 are still on target for an average adult according to the current UK recommendations for healthy eating. She has also advised that on the whole the menu sample adequately meets recommendations, and there are a few areas only which require adjustment to meet current recommendations, with the inclusion of a few items and the removal of a few others.⁵

Overall, it appears that suggested changes would compensate each other to a large extent and would not have a significant impact on the cost of the menus. Therefore, a change in the methodology has not been carried out. Values from the 2018 Living Wage update have only been adjusted for inflation between 2017 and 2018.

Comparison of estimates The following table shows a comparison between the estimates of monthly expenditure on food & non-alcoholic beverages in the Living Wage 2018 update and in the update presented in this paper, by family configuration.

Table 16: Monthly expenditure on food & non-alcoholic beverages; comparison of estimates

Figures are in FKP

Family configuration	2018 Update	2019 Update
Single adults, no children	186	194
Single parents	314	328
Couples, no children	325	340
Couples with children	450	470
Pensioners	250	–
Weighted average	305	335

⁵ Areas which require adjustment are:

- Free sugars and saturated fat could be reduced by removing biscuits / ice cream;
- Omega 3 could be improved by including flax seeds / walnut / salmon;
- Protein could be improved by increasing portion size of lentils / pulses / fish or including yoghurt as a mid-morning snack instead of biscuits;
- Replacing white bread / white rice for wholemeal would improve nutrient density in sample menu;
- Sodium reduction/control may be improved by replacing with homemade bread over shop bought.

2.6 Meals out, cafes & bars, takeaways

Old methodology

Assumptions on essential monthly spending on meals out, cafes & bars, takeaways were based on findings from the 2013 survey, adjusted for inflation between 2013 and 2017.

Rationale for change

Based on results of the 2013 survey, the modelling underlying the “A Living Wage for the Falkland Islands” report assumed that meals out, cafes & bars, and takeaways, are essential only for two family configurations: single parents with one child, and couples with no children. This led to a weighted average monthly expense for these items of FKP12 per household only (in the 2018 Living Wage update).

The approach adopted in 2015 does not seem to be realistic. The result that meals out, cafes & bars, and takeaways, should be considered essential for some family configurations but not for others is questionable. The resulting average figure seems underestimated.

New methodology

Respondents to the questionnaire were asked to comment on whether meals out, cafes & bars, and takeaways should be considered essential or not, and if so, which frequency should be assumed as essential to guarantee a minimum standard of living. Table 17 summarizes answers to these questions.

Table 17: Meals out, cafes & bars, takeaways; answers to the questionnaire

Item	% of respondents considering item essential	Suggested frequency (average)
Meals out	30%	Once a month
Cafes & bars	30%	Twice a month
Takeaways	55%	Twice a month

The living wage model has been amended so that the same assumptions on whether meals out, cafes & bars, and takeaways are essential are adopted for all family configurations.

All the three items listed in Table 17 are assumed as being essential; however, a lower frequency than what suggested by the panel is assumed, to take into account the low percentage of respondents that considered each item essential. We adopt the following assumptions.

Table 18: Meals out, cafes & bars, takeaways; new assumptions

Item	Frequency	Cost
Meals out	Every 2 months	FKP25 per adult FKP15 per child >5yo
Cafes & bars	Once a month	FKP5 per adult and child >5yo
Takeaways	Once a month	FKP10 per adult and child >5yo

Comparison of estimates

The following table shows a comparison between the estimates of monthly expenditure on meals out, cafes & bars, takeaways in the Living Wage 2018 update and in the update presented in this paper, by family configuration.

Table 19: Monthly expenditure on meals out, cafes & bars, takeaways; comparison of estimates

Figures are in FKP

Family configuration	2018 Update	2019 Update
Single adults, no children	–	28
Single parents	29	50
Couples, no children	42	55
Couples with children	–	81
Pensioners	–	–
Weighted average	12	54

2.7 Clothing and footwear

Old methodology

Assumptions on essential monthly spending on clothing and footwear were based on findings from the 2013 survey, adjusted for inflation between 2013 and 2017.

Rationale for change

Overall, figures assumed based on the 2013 survey seem consistent with household expenditure levels for low-income households as reported in the 2012 Household Expenditure Survey (when adjusted for inflation between 2012 and 2018).

However, just above half of respondents to the questionnaire (January 2019) commented that these figures were reasonable. Respondents also noted that:

- these figures seemed to be overestimated;
- the assumed amount for couples with children was disproportionately low compared to the other family configurations;
- since new clothes' prices is too high, charity shops and second hand purchase are the only options for most low income households.

New methodology

Tailored assumptions on monthly expenditure on clothing and footwear have been adopted, in order to broadly reflect the numbers from the 2013 survey (adjusted for inflation between 2013 and 2018), whilst taking into account comments from the workshop and questionnaire (January 2019).

Table 20 summarizes the new assumptions adopted.

Table 20: Clothing and footwear, new assumptions

Assumption	Value
Monthly expenditure per adult	FKP30
Monthly expenditure per child	FKP15

Comparison of estimates

The following table shows a comparison between the estimates of monthly expenditure on clothing and footwear in the Living Wage 2018 update and in the update presented in this paper, by family configuration.

Table 21: Monthly expenditure on clothing and footwear; comparison of estimates

Figures are in FKP

Family configuration	2018 Update	2019 Update
Single adults, no children	68	35
Single parents	132	60
Couples, no children	80	69
Couples with children	113	97
Pensioners	27	–
Weighted average	76	67

2.8 Personal care

This category includes: hairdressing and beauty treatments; hair products and cosmetics; toiletries; over the counter medicines; contact lenses.

Old methodology

Assumptions on essential monthly spending on personal care were based on findings from the 2013 survey, adjusted for inflation between 2013 and 2017.

Rationale for change

We feel it useful aligning this expenditure category with other ones (e.g. “Household goods and services”, “Personal care”) with respect to the methodological approach adopted, i.e. making assumptions on monthly expenditure based on the number of adults and children in each family configuration.

New methodology

Tailored assumptions on monthly expenditure on personal care have been adopted, in order to reflect the numbers from the 2013 survey (adjusted for inflation between 2013 and 2018). Table 22 summarizes the new assumptions adopted.

Table 22: Personal care, new assumptions

Assumption	Value
Monthly expenditure per household	FKP10
Additional monthly expenditure per adult	FKP15
Additional monthly expenditure per child	FKP5

Comparison of estimates

The following table shows a comparison between the estimates of monthly expenditure on personal care in the Living Wage 2018 update and in the update presented in this paper, by family configuration.

Table 23: Monthly expenditure on personal care; comparison of estimates

Figures are in FKP

Family configuration	2018 Update	2019 Update
Single adults, no children	29	30
Single parents	56	38
Couples, no children	39	48
Couples with children	58	57
Pensioners	19	–
Weighted average	38	44

2.9 Childcare

Old methodology Assumptions on essential monthly spending on childcare were based on findings from the 2013 survey (adjusted for inflation between 2013 and 2017).

Rationale for change We believe a more accurate estimate of monthly spending on childcare, per child age bracket, can be obtained adopting robust assumptions on childcare rates, frequency, and usage. An estimate of the average monthly spending per child can be then derived based on Census data regarding the proportion of children in each age bracket.

New methodology While some households with children currently report relying on unpaid childcare (such as grandparents), we believe that this is likely to change. With the implementation of government-mandated minimum standards for childcare providers, we assume that most households will choose to place their children in nursery care. In addition, we believe that it is inappropriate to build assumptions about access to unpaid childcare into the living wage calculation.

After consulting the Childcare Advisory Teacher, we have adopted the following assumptions.

Table 24: Childcare, new assumptions

Assumption	<3 years old	3-7 years old	7-11 years old
% of children going to the nursery	100%	80%	40%
Number of hours / day at the nursery	7.5	5.0	5.0
Hourly rate	FKP2.75	FKP2.75	FKP2.75
% of children in age bracket (over total number of children)	17%	22%	23%

Source: Consultation with the Childcare Advisory Teache, and Census 2016

Comparison of estimates The following table shows a comparison between the estimates of monthly expenditure on childcare in the Living Wage 2018 update and in the update presented in this paper, by family configuration.

Table 25: Monthly expenditure on childcare; comparison of estimates

Figures are in FKP

Family configuration	2018 Update	2019 Update
Single adults, no children	–	–
Single parents	306	191
Couples, no children	–	–
Couples with children	365	214
Pensioners	–	–
Weighted average	103	78

2.10 Other child-related expenses

This category includes diapers and baby toiletries, infant formula, equipment and furniture (e.g. car seats, strollers, cribs), toys, school trips.

Old methodology

Assumptions on essential monthly spending on other child-related expenses were based on findings from the 2013 survey (adjusted for inflation between 2013 and 2017).

Rationale for change

Figures assumed in the “A Living Wage for the Falkland Islands” report for child-related expenses (excluding childcare), and subsequently updated to adjust for inflation, appeared to be unrealistic. On average, a monthly average expenditure of only FKP10 per child was assumed, a figure which seemed to be significantly underestimated.

New methodology

Respondents to the questionnaire were also asked to comment on what level of monthly expenditure they would you assume for a child less than 3 years old, and for a child of more than 3 years. Answers are summarized in the following table.

Table 26: Suggested monthly child-related expenses (excluding childcare)

Item	Min	Max	Average
< 3 years old	FKP100	FKP450	FKP285
> 3 years old	FKP50	FKP250	FKP185

Table 27 summarizes the new assumptions adopted. The last two assumptions are based on the idea that, in case of households with more than one child, some expenses (e.g. some equipment and furniture, or some toys) are not borne twice / three times, as they have already been borne for the first child.

Table 27: Child-related expenses (excluding childcare), new assumptions

Assumption	Value
Monthly expenditure, < 3 years old	FKP250
Monthly expenditure, > 3 years old	FKP125
Households with 2 children	Expenditure is 1.5 times what would have been with 1 child only
Households with 3 children	Expenditure is 2 times what would have been with 1 child only

Comparison of estimates

The following table shows a comparison between the estimates of monthly expenditure on other child-related expenses in the Living Wage 2018 update and in the update presented in this paper, by family configuration.

Table 28: Monthly expenditure on child-related expenses (excluding childcare); comparison of estimates

Figures are in FKP

Family configuration	2018 Update	2019 Update
Single adults, no children	–	–
Single parents	4	179
Couples, no children	–	–
Couples with children	20	192
Pensioners	–	–
Weighted average	5	70

2.11 Communication

This category includes telephone landline, mobile packages or top-up card, and broadband internet packages.

Old methodology

Assumptions on essential monthly spending on communication were based on findings from the 2013 survey (adjusted for inflation between 2013 and 2017).

Rationale for change

Figures seem to be underestimated.

New methodology

Respondents to the questionnaire were asked to comment on which expenditures should be considered essential and, in the case of mobile and broadband packages, which package should be assumed as essential to guarantee a minimum standard of living. Table 29 summarizes answers to these questions.

Table 29: Communication, answers to the questionnaire

Item	% of respondents considering item essential	Most appropriate package
Telephone landline	70%	
Mobile package or top-up cards	55%	SML (70% of answers)
Internet broadband package	100%	Bronze (55% of answers) Lite (45% of answers)

We adopt the following assumptions.

Table 30: Communication, new assumptions

Item	Essential item	Most appropriate package
Telephone landline	Yes	
Mobile package or top-up cards	Yes	SML for each adult in household
Internet broadband package	Yes	Single adults: Lite Couples and single parents: Bronze

Comparison of estimates

The following table shows a comparison between the estimates of monthly expenditure on communication in the Living Wage 2018 update and in the update presented in this paper, by family configuration.

Table 31: Monthly expenditure on communication; comparison of estimates

Figures are in FKP

Family configuration	2018 Update	2019 Update
Single adults, no children	71	75
Single parents	61	113
Couples, no children	77	143
Couples with children	67	143
Pensioners	60	–
Weighted average	69	120

2.12 Recreational expenditure and miscellaneous goods

The 2013 questionnaire listed 31 separate goods and services under the heading of recreation, including BBQ, fishing, and sport accessories, pet services and food, club and membership fees, cinema and museum, DVD hire and KTV, gifts, books, newspapers and magazines. Miscellaneous goods included household, life, and travel insurance, as well as passport services.

Old methodology

Assumptions on essential monthly spending on recreational expenditure and miscellaneous goods were based on findings from the 2013 survey (adjusted for inflation between 2013 and 2017).

Rationale for change

As tastes for recreation will vary across households, it makes little sense to ask households which particular goods and services in this category are necessary to achieve a minimum standard of living. Instead, it seems more reasonable to assume a total monthly spend on recreation and miscellaneous goods.

Expenditure seemed to be underestimated for some family category (e.g. single adults with no children, FKP8 per month).

New methodology

New assumptions on monthly recreational expenditure and expenditure on miscellaneous goods have been adopted, in order to reflect the average of numbers from the 2013 survey (adjusted for inflation between 2013 and 2018) after excluding single adults without children and single parents, two categories with respect to which budgets seem to be underestimated.

We have adopted the following assumptions.

Table 32: Recreational expenditure and miscellaneous goods, new assumptions

Assumption	Value
Monthly expenditure, adults	FKP40
Monthly expenditure, children	FKP25

Comparison of estimates

The following table shows a comparison between the estimates of monthly recreational expenditure and expenditure on miscellaneous goods in the Living Wage 2018 update and in the update presented in this paper, by family configuration.

Table 33: Monthly recreational expenditure and expenditure on miscellaneous goods; comparison of estimates

Figures are in FKP

Family configuration	2018 Update	2019 Update
Single adults, no children	8	40
Single parents	41	77
Couples, no children	94	81
Couples with children	122	121
Pensioners	27	–
Weighted average	63	81

3 CONCLUSIONS

The next tables list the expenditure categories that make up the hourly living wage, by family configuration, according to the 2018 Living Wage update and the update presented in this paper.

Based on the methodological changes and new assumptions adopted, the hourly living wage stands now at FKP7.03.

Table 34: Expenditure item making up the hourly living wage, by family configuration; 2018 Living Wage update

Expenditure item	Single adults with no children	Single parents	Couples with no children	Couples with children	Pensioners	Average
Accommodation	1.61	2.55	1.61	2.61	1.66	1.91
Utilities	0.69	0.95	0.84	1.09	0.72	0.84
Consumer durables	0.28	0.21	0.25	0.19	0.13	0.22
Household goods & services	0.55	0.78	0.85	0.34	0.52	0.58
Food & non-alcoholic beverages	1.07	1.80	1.87	2.58	1.44	1.75
Meals out, cafes & bars, takeaways	–	0.17	0.24	–	–	0.07
Clothing and footwear	0.39	0.76	0.46	0.65	0.16	0.44
Personal care	0.17	0.32	0.22	0.33	0.11	0.22
Childcare	–	1.76	–	2.10	–	0.59
Other child-related expenses	–	0.02	–	0.11	–	0.03
Communication	0.41	0.35	0.45	0.38	0.34	0.39
Miscellaneous goods	0.04	0.23	0.54	0.70	0.15	0.37
Vehicle	–	–	–	–	–	–
Holiday	–	–	–	–	–	–
Total	5.20	9.91	7.33	11.10	5.22	7.41

Source: 2018 Living Wage update

Table 35: Expenditure item making up the hourly living wage, by family configuration; 2019 Living Wage update

Expenditure item	Single adults with no children	Single parents	Couples with no children	Couples with children	Average
Accommodation	1.47	1.87	0.87	1.21	1.22
Utilities	1.07	1.50	0.78	0.91	0.96
Consumer durables	0.15	0.16	0.10	0.11	0.12
Household goods & services	0.34	0.41	0.26	0.30	0.31
Food & non-alcoholic beverages	1.12	1.89	1.10	1.52	1.28
Meals out, cafes & bars, takeaways	0.16	0.29	0.18	0.26	0.20
Clothing and footwear	0.20	0.34	0.22	0.32	0.25
Personal care	0.17	0.22	0.15	0.18	0.17
Childcare	-	1.10	-	0.69	0.28
Other child-related expenses	-	1.03	-	0.62	0.26
Communication	0.43	0.65	0.46	0.46	0.47
Miscellaneous goods	0.23	0.44	0.26	0.39	0.30
Vehicle	1.04	1.04	0.59	0.59	0.75
Holiday	0.15	0.16	0.15	0.15	0.15
Total	6.54	11.09	5.12	7.71	6.74
Total, after taxes and benefits	6.74	12.30	5.34	7.96	7.03

Source: 2019 Living Wage update