AN URBAN HOUSEHOLD LIVING WAGE: AN EMPIRICAL OVERVIEW

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Abstract. As Malaysia is rapidly progressing towards the status of a high-income nation, it is imperative that all of its residents strive for at least a minimally decent standard of living. Keeping a comfortable standard of living is becoming increasingly challenging for many families as the cost of living continues to rise. The goal of this research is to learn how much is the living wage for the household residing in Kota Kinabalu need to get by. In this research, a "household" is a person or a group of people, whether they are related or not, who live in the same house and make financial decisions together. This research used the Anker Formula to determine a fair living wage. This research adopts a quantitative approach for data collecting by distributing self-designed questionnaires to respondents in and around Kota Kinabalu. The results of the study reveal that the total living wage required by households with varied numbers of full-time workers varies modestly. Overall, a worker in the Kota Kinabalu area needs RM 2393.06 a month as a living wage to maintain a minimum acceptable standard of living. Literature demonstrates that the cost of housing, food, transportation, communication, healthcare, education, household size, the number of full-time workers, and savings all play important roles in determining a family's ability to make ends meet. Authorities should place greater weight on these considerations when determining the minimum wage legislation, especially in densely populated areas like Kota Kinabalu, Sabah.

Keywords: standard of living, cost of living, living wage, household, Anker Formula

Introduction

Urbanization is essential for the economic success of a nation. Since urbanisation rapidly transforms people's lives, urban policymakers and planners play a vital role in ensuring that urban expansion and the economic growth it provides are both efficient and inclusive, allowing all citizens to take advantage of the opportunities that cities provide (The World Bank, 2015). Malaysia is one of the most urbanised countries in East Asia and one of the most quickly urbanising regions in the globe (Pletcher, 2020). The majority of Malaysians, especially city dwellers, are confronted with a range of problems, such as growing living expenses, fluctuating market and fuel prices, and criminality. In the past decade, Malaysia's urban population has increased from 70.91% in 2010 to 76.66% in 2019 (DOSM, 2020a). People from rural areas are actively migrating to urban areas in quest of a better quality of life and greater employment possibilities, causing the urban population to increase annually. Significant rural-urban migration forced by industrialization and fast urbanisation gave rise to a new socioeconomic stratum-the "new poor" or "urban poor" (Leng et al., 2018). While the evident fact that urbanisation creates improved prospects for money accumulation, it also results in the "urban poor" scenario for city people. These challenges are of
importance to urban residents, especially those from low-income groups. Even if they are able to obtain employment in urban regions, many struggle to make ends meet due to the high cost of living in the city.

According on the 2019 Poverty Line Income (PLI) methodology, the DOSM (2020b) has adjusted the national PLI from RM 2,141 in 2016 to RM 2,208 in 2020. Sabah's PLI surpasses Malaysia's, which was RM 2,514 in 2016 and RM 2,514 in 2019. An adequate living wage may prevent a family from falling into poverty, particularly in urban settings. Obtaining a pay sufficient to support oneself can reduce financial strain. This can result in greater health, better work ethics, enhanced child growth and development, and less barriers to community interaction. A person is in a comfortable financial condition when they can save money at the end of the month and do not need to borrow money to make ends meet (Agensi Kaunseling dan Pengurusan Kredit, 2018). The government has taken steps to assist individuals in escaping poverty. Sabah, for instance, has a long-term strategic development plan titled Sabah Land Empowerment Animals People (LEAP) 2016-2035 that aims to abolish poverty by 2035 (Asadullah and Joseph, 2018). In addition, the Bank Negara Malaysia (BNM) has created the notion of a living wage, which is used to determine the amount of income required to provide an acceptable level of living in any region of the country. A living wage is more than the minimum income required to cover basic needs such as housing, food, and transportation; it also enables a person to participate in society. Participation in society necessitates the means to finance a trip to see family and friends over the holiday season, as well as the ability to buy gifts for important occasions such as birthdays and marriages (Chong and Khong, 2018).

The rising cost of living is one of the reasons individuals struggle to afford a reasonable standard of living in the cities (Yao et al., 2017). Personal choices and geographic location have a significant impact on the cost of living. Costs for products and services vary for households depending on where they reside (Bourne, 2018). Kota Kinabalu, the capital city of Sabah, has a higher cost of living than smaller towns. A living wage is an estimate of how much a household must earn to meet its basic necessities and maintain a decent level of living. Kota Kinabalu has not yet conducted an assessment of living wages, unlike other cities in Peninsular Malaysia. Consequently, it is necessary to undertake this study in order to investigate the living wage for households in Kota Kinabalu. Kota Kinabalu, the state capital of Sabah, including Sepanggar, Menggatal, Likas, Inanam, Luyang, Kepayan, and Tanjung Aru, is the centre of this study. The conceptual structure of this study is depicted in the diagram below.

**Literature review**

This study uses the phrases living wage, basic needs, and cost of living extensively. There is no commonly acknowledged definition of a living wage or agreed-upon methodology for calculating it (Addo et al., 2020; Anker, 2011). A living wage is a wage sufficient to allow a worker to avoid poverty, satisfy their basic necessities, and maintain an acceptable level of living. According to research by Yao et al. (2017), a living wage is generally described as allowing meaningful engagement in society beyond sustenance, such as through recreation, family assistance, and savings. These are supported by Parker et al. (2016) and Anker (2011), who define a living wage as a basic income that not only enables workers and their families to survive above the poverty line, but also permits workers to participate in society and prepare for
unanticipated events. The living wage is calculated by the average cost of living, which includes housing, food, transportation, communication, healthcare, and education. Costs are rising primarily because of inflation (Driscoll and Saulnier, 2020). A living wage should be increased to account for inflation and be sufficient to cover living expenses in any area. Mair et al. (2018) emphasised that the estimation of living wages represents a quantified measure of fairness based on normative judgements about what constitutes a 'decent' life, and Driscoll and Saulnier (2020) stated that the living wage is calculated to demonstrate how much a worker must earn in order to cover all basic needs and allow families to live with dignity and a decent quality of life.

The word "basic needs" refers to a list of necessities for humans to live a decent life and meet their basic requirements (Michalos, 2014). According to Michalos (2014), the list of basic needs includes basics such as food, clothing, and housing, as well as access to some critical services such as sanitation, education, healthcare facilities, and public transportation. Bahari and Ismail (2018), on the other hand, suggest that the five categories of household expenditures that constitute fundamental requirements are: (1) food, (2) housing, water, electricity, gas and other fuels (later known as electricity and housing), (3) transportation, (4) communication, and (5) education. In addition, according to Allegretto (2006), Fisher and French (2014), the basic necessities of households can be categorised into six groups: (1) health, (2) housing, (3) food, (4) child care, (5) transportation, and (6) clothes. According to Allegretto (2006), the ability of families to meet their most fundamental requirements is a crucial indicator of well-being and economic stability. According to Feng (2014), the majority of nations measure poverty based on predefined criteria of what households should be able to achieve in order to meet their fundamental necessities. In addition, Watson (2014) claimed that fundamental requirements are most likely to be promoted as a measure of absolute poverty because a person is considered poor if they cannot meet their essential needs. This remark is reinforced by Touray (2016), who emphasised that an individual or family is living in absolute poverty when they are severely unable to meet their basic necessities and enjoy a minimal standard of living. Due to budget limits, Rashid et al. (2018) emphasised that households should plan and prioritise their essential consumption demands. Consequently, it is essential to create a budget for essentials.

Workers must work diligently to earn enough money to meet their basic needs. Fisher and French (2014) define the basic needs budget as the number of hours a family must work in order to earn sufficient money to cover basic requirements. This is confirmed by Emmerij (2010), who argued that the purpose of job creation was to address basic necessities and not as an end in itself. Rashid et al. (2018) discovered that an increase in spending on basic requirements will lead to an increase in overall household expenditures. According to Lam (2016), a substantial amount of low-income households' expenditure goes towards essential needs, such as shelter and food, whereas high-income households typically spend more on needless items. This is corroborated by Drakopoulos and Grimani (2013), who found that the satisfying of non-basic requirements becomes essential at higher income levels, whereas a large amount of the income is spent on food at low-income levels, since food is a basic need. The cost of living is proportional to wages and represents the amount of money required to cover fundamental living expenses. Costs are rising mostly due to inflationary increases (Driscoll and Saulnier, 2020). The cost of living is influenced by a person's income and location, as well as his or her way of life. Aside from that, Chien and Mistry (2013) stated that the cost of living intersects with income for the well-being of families and
children and should be included in the poverty measure. Church (2011) remarked that there is a legitimate concern that employee wages are not keeping pace with the rise in the cost of living. According to the location of the employee's residence, earnings should be sufficient to support their basic needs. In addition, Church (2011) asserts that the community is concerned about the international increase in the cost of living, as an increasing number of households worry about the inability to afford higher costs for necessary commodities. This conclusion is corroborated by Bahari and Ismail (2018), who noted that the higher and rising cost of living in cities over time makes it more difficult for middle-income households to plan their basic requirements budget and maintain a modest or even the same standard of living as before. According to Boskin et al. (1998), economists are attempting to characterise the change in the cost of living by answering the question of how much additional money each household will require to maintain the same standard of living under the new price structure.

A liveable wage should be updated for inflation so that it can pay living expenses in any location. According to Driscoll and Saulnier (2020), the living wage is an estimate of how much an individual should earn to meet all of their essential needs and provide their family with a decent level of living. In this study, the Anker formulas serve as a guide for determining the living wage. This assertion is confirmed by Rainforest Alliance Official Portal (2018), which states that the Anker technique has been utilised to calculate living wages in rural, urban, and peri-urban areas of the world, resulting in global living wage action. The key characteristic of the Anker approach is that it determines the amount of money required to sustain a minimally adequate standard of living in a specific region and time frame (Dawani et al., 2019). The concept of a liveable wage is that employment should generate sufficient money to cover the costs of a home and its members' fundamental necessities. Previous scholars concurred, based on an assessment of the relevant literature, that a living wage can prevent households from sliding into poverty since it defines the quality of life, not just economic subsistence. Appropriate wages are an essential component of an individual's and their household's well-being. Higher wages result in a higher standard of living for employees and their families. A living wage ensures that employees have sufficient income to meet their basic requirements and actively participate in society. The living wage varies by location. As of now, there has been no calculation of living wages in Kota Kinabalu, Malaysia. However, other cities in Peninsular Malaysia, such Kuala Lumpur and Klang Valley, have calculated their living wages. Consequently, it is crucial that this study investigates the necessary living wage for households in Kota Kinabalu and identifies the elements affecting the living wage in Kota Kinabalu.

Materials and Methods

This study employs a quantitative method by distributing self-designed questionnaires to respondents in and around Kota Kinabalu. Kota Kinabalu Town Centre, Sepanggar, Menggatal, Likas, Inanam, Luyang, Tanjung Aru, and Kepayan are the locations studied in this study. Each home received only one questionnaire. This study's data were analysed using version 26 of the Statistical Package for the Social Sciences (SPSS) software. In this study, questionnaires and a Google form were chosen for collecting data since they have the highest response rate and are able to collect information from vast audiences. In addition, questionnaires and Google forms are dependable and efficient data collection methods. Using questionnaires to obtain
information can also guarantee anonymity. According to Sarantakos (2013), when anonymity is provided, the respondent's name does not appear on the research instrument or in the data, which maximises respondent comfort when answering. In addition, questionnaires are the most cost-effective method for collecting quantitative data (Lindemann, 2023). No follow-up data are necessary for this research.

The Anker formula is utilised to achieve the purpose of the study, which is to determine the Kota Kinabalu living wage. The first component of the Anker formula determines the cost of providing a household or worker with a basic but adequate standard of living. The overall cost of living and savings for each home are then split by its number of full-time workers. This is to determine whether or not workers are paid the estimated liveable wage. The total tax paid by households is then added to ensure that workers are compensated adequately to maintain a minimal but acceptable level of living. The formula for calculating a living wage utilised in this study is depicted in Figure 1.

\[ \text{Living Wage} = \text{Cost of living and savings of household} + \text{Tax paid} \]

\[ \text{Full-time workers per household} \]

\[ \text{Source: Anker & Anker (2017).} \]

**Results and Discussion**

This survey involved a total of 266 respondents. The demographic profile of respondents who participated in the actual survey was reported in Table 1. 66.5% of the 266 responders are female, while 33.5% are male. 23.7% of respondents are between the ages of 21 and 25, followed by 26-30 years old with 19.5%, 36-40 years old with 13.2%. Most respondents reside in Kota Kinabalu Town Centre with a total of 21.1%, followed by Inanam with a total of 16.9%, Sepanggar with a total of 16.5%. In addition, the demographic analysis reveals that most respondents have a solid educational background, as 58.3% possessed a bachelor's degree, 21.1% finished SPM or has Certificate, 16.2% have completed STPM or obtained their Diploma. In addition, more than half of the respondents are married at 54.5%, while 41.4% are single and 4.1% are divorced, widowed, or widowers. The number of full-time workers in the home comes next. 40.6% have only one full-time worker in their household, indicating that there is only one breadwinner. 38.7% have two full-time workers, whereas 20.7% have three full-time workers.

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency (N=266)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>89</td>
<td>33.5</td>
</tr>
<tr>
<td>Female</td>
<td>177</td>
<td>66.5</td>
</tr>
</tbody>
</table>

**Table 1. Demographic profile of respondents.**
The purpose of this study is to investigate the living wage of Kota Kinabalu households. The liveable wage computation was reported in Table 2. A household with one full-time worker (1FW) need a monthly wage of RM 2,398.71 to survive. The priority expenditure for the 1FW household was housing, followed by transportation and food costs. For a household with two full-time workers, the monthly living wage that each full-time worker must earn is RM 2,428.49 per month. Like the 1FW household, the 2FW household's largest expense is housing, followed by transportation and food costs. For a household with three full-time workers, the monthly living wage that each full-time worker must earn is RM 2,315.61 per month. It is acceptable to expect multiple members of a household to work and financially support the household. On average, a worker residing in the Kota Kinabalu region must earn RM 2393.06 per month to support a minimally adequate level of living. The housing cost is the greatest monthly expense of all household categories. The result is similar with the recent household spending survey report by DOSM (2019), which found that housing costs were the highest of the 12 major categories.
second highest monthly expense is the cost of transportation. As Malaysia progresses towards becoming a developing nation, transportation demand has increased, especially in metropolitan areas, as more individuals migrate to cities in quest of better opportunities (binti Inchiem et al., 2020). The conclusion is also consistent with Rashid et al. (2018), who found that transportation is one of the three largest expenses across all income groups. According to the findings of this study, food costs are the third greatest household expense. According to DOSM (2019), food costs are one of the three top household expenditures in Sabah.

### Table 2. Living wage calculation.

<table>
<thead>
<tr>
<th>Items</th>
<th>1FW</th>
<th>2FW</th>
<th>3FW</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>HS</td>
<td>2.37</td>
<td>4.20</td>
<td>5.16</td>
<td>3.66</td>
</tr>
<tr>
<td>COL</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HC</td>
<td>796.73</td>
<td>1632.17</td>
<td>2292.29</td>
<td>1429.46</td>
</tr>
<tr>
<td>FC</td>
<td>349.78</td>
<td>692.35</td>
<td>986.47</td>
<td>614.08</td>
</tr>
<tr>
<td>TC</td>
<td>456.19</td>
<td>820.52</td>
<td>1157.24</td>
<td>742.22</td>
</tr>
<tr>
<td>CC</td>
<td>187.32</td>
<td>385.74</td>
<td>665.29</td>
<td>362.98</td>
</tr>
<tr>
<td>HCC</td>
<td>177.49</td>
<td>391.28</td>
<td>548.22</td>
<td>336.93</td>
</tr>
<tr>
<td>EC</td>
<td>226.28</td>
<td>523.50</td>
<td>584.67</td>
<td>415.47</td>
</tr>
<tr>
<td>COL (RM)</td>
<td>2193.79</td>
<td>4445.56</td>
<td>6234.18</td>
<td>3901.14</td>
</tr>
<tr>
<td>(+) S</td>
<td>175.46</td>
<td>329.71</td>
<td>444.36</td>
<td>290.79</td>
</tr>
<tr>
<td>COLS (RM)</td>
<td>2369.25</td>
<td>4775.27</td>
<td>6678.54</td>
<td>4191.93</td>
</tr>
<tr>
<td>(/) FW</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>1.80</td>
</tr>
<tr>
<td>Total (RM)</td>
<td>2369.25</td>
<td>2387.64</td>
<td>2226.18</td>
<td>2328.85</td>
</tr>
<tr>
<td>(+) Tax</td>
<td>29.46</td>
<td>40.86</td>
<td>89.43</td>
<td>46.27</td>
</tr>
<tr>
<td>LW (RM)</td>
<td>2398.71</td>
<td>2428.49</td>
<td>2315.61</td>
<td>2393.06</td>
</tr>
</tbody>
</table>

### Conclusion

This paper has achieved its objectives of study which is to investigate the living wage of household in Kota Kinabalu. Using the Anker Formula, the monthly living wage required for a full-time worker with a household size of 3.66 in Kota Kinabalu is RM2,393.06 per month. This amount is far greater than the government-mandated minimum salary of RM1,500 per month. This suggests that workers earning the minimum wage of RM1,500 per month continue to experience financial hardship, as their monthly income is insufficient to at least cover their monthly living expenses. However, this study does not define the overall living wage in whole Sabah. This research take place solely in the Kota Kinabalu area, which only includes the city centre, Sepanggar, Menggatal, Likas, Inanam, Luyang, Kepayan, and Tanjung Aru. Based on the result, housing cost, transportation cost, and food cost are the three largest household expenditure. Thus, it is believed that this study would assist society in gaining a better knowledge of the effects of urbanisation and increasing awareness of Kota Kinabalu's urban poor. Aside from that, this study is also useful for promoting awareness of the living wage notion. A living wage can only be practical and efficient if it is set at a level that is both accessible and sustainable. In addition, the findings of this study can assist urban policymakers and planners in designing or revising programmes and policies that will assist Kota Kinabalu in overcoming urban poverty and enhancing the quality of life in Sabah. This research can also aid in the development of financial programmes or poverty alleviation initiatives that will lighten the load of city dwellers.
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Conflict of interest

The authors confirm that there is no conflict of interest involve with any parties in this research study.

REFERENCES


