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Abstract

As Malaysia steps closer to become a high-income nation, it is time for all citizens to aspire to at least a minimum acceptable standard of living. The rising cost of living poses difficulties for households to maintain an adequate standard of living. This study aims to investigate the living wage of household in Kota Kinabalu. In this context, a household refers to an individual or a group of individuals, whether related or not, who live together in the same house and make economic decisions together. The living wage calculation in this study applied the Anker Formula. For data collection, this study employs a quantitative approach strategy in which self-developed questionnaires are distributed to respondents around Kota Kinabalu. The study results indicates that the total living wage needed for the household with different number of full-time workers is slightly different. Overall, the living wage needed for a worker living in Kota Kinabalu area are RM 2541.36 per month to be able to afford a minimum satisfactory living standard. Previous literature shows that housing cost, food cost, transportation cost, communication cost, healthcare cost, education cost, household size, number of full-time workers and savings are the factors that significantly influenced the living wage. On this basis, the authorities should emphasize more on these factors when setting the minimum wage policy particularly in the urban area such as Kota Kinabalu, Sabah.

Keywords: Cost of Living, Households, Standard of Living, Living Wage, Anker Formula.

Introduction

Urbanization is important for a country's economic performance. As urbanization rapidly transform people's lives, urban policymakers and planners play an essential part in ensuring that urban expansion and the economic growth it brings are both efficient and inclusive, allowing all residents to benefit from the opportunities that cities offer (World Bank, 2015). Malaysia is currently one of the most urbanized countries in East Asia, as well as one of the world's most rapidly urbanizing regions (Pletcher, 2020). Most Malaysians, especially those living in cities, face a variety of issues, including the rising of living costs, market and fuel price fluctuations, and crime. Over the last ten years, the urban population in Malaysia has increased from 70.91% in 2010 to 76.61% in 2019 (Department of Statistics Malaysia, 2020). The population in the urban areas is predicted to grow every year as people from the rural

areas are actively migrating to the urban areas in search of a better life and to obtain more employment opportunities.

Massive rural-urban migration necessitated by industrialization and rapid urbanization caused the emergence of a new social class – the “new poor” or “urban poor” (Leng et al., 2018). Although it is undeniable that urbanization aids in the creation of better opportunities for income accumulation, it also leads to the “urban poor” scenario that affects the city dwellers. These issues concern city dwellers, particularly those from lower-income groups. Even if they can find work in the urban areas, they are still struggling to make ends meet because surviving in the city requires a lot of money.

The DOSM (2020) has changed the national PLI from RM 2,141 in 2016 to RM 2,208 in 2020 based on the 2019 Poverty Line Income (PLI) methodology. However, Sabah's PLI is greater than Malaysia's, which was RM 2,514 in 2016 and RM 2,537 in 2019.

Table 1.1

Poverty Line Income (PLI) for Malaysia and in Sabah

Items	National PLI	
	2016	2019
Malaysia	RM 2,141	RM 2,208
Sabah	RM 2,514	RM 2,537

Source: Department of Statistics Malaysia, 2020

Having a sufficient living wage may keep a family out of poverty, especially in urban areas. Earning a living wage can help to alleviate financial stress. This can lead to improved health, better work values, better child growth and development, and reduced barriers to socialize with the community. A person is said to be in a comfortable financial situation when they do not need to borrow money to make ends meet and can save some money at the end of the month (Agensi Kaunseling dan Pengurusan Kredit, 2018).

The government has taken initiatives to help people get out of poverty. The government of Sabah, for example, has a long-term strategic development strategy called Sabah Land Empowerment Animals People (LEAP) 2016-2035, which aspires to eradicate poverty by 2035 (Asadullah & Joseph, 2018). Aside from that, the Bank Negara Malaysia (BNM) has introduced the living wage concept, which is used to assess the amount of income necessary to provide people with a decent standard of living in any part of the country.

A living wage is more than just about a minimum income necessary that allows a person to meet basic needs like housing, food, transportation, and other essential necessities; it also allows them to participate in society. Participation in society implies being able to finance a journey to visit relatives and friends over the holiday season, as well as the ability to purchase gifts for family members on special occasions such as birthdays and weddings (Chong & Khong, 2018).

One of the reasons individuals are struggling to afford a decent level of living in the cities is the rising expense of living (Yao et al., 2017). Personal preferences and location play a big role in determining the cost of living. Households need to pay different costs for the goods and services depending on where they live (Bourne, 2018). Living in Kota Kinabalu, Sabah's capital city, for example, is more expensive than in smaller towns. The living wage is an estimate of how much a household would need to earn to cover all their basic needs and maintain a good standard of living.

There has been no assessment of living wages in Kota Kinabalu yet, even though some cities in Peninsular Malaysia have done so. Therefore, it is essential to conduct this study to investigate the living wage for household in Kota Kinabalu and to determine the factors that influence the living wage. The research focus for this study is Kota Kinabalu, the state capital of Sabah, which includes Sepanggar, Menggatal, Likas, Inanam, Luyang, Kepayan, and Tanjung Aru. Figure below is the conceptual framework of this study.

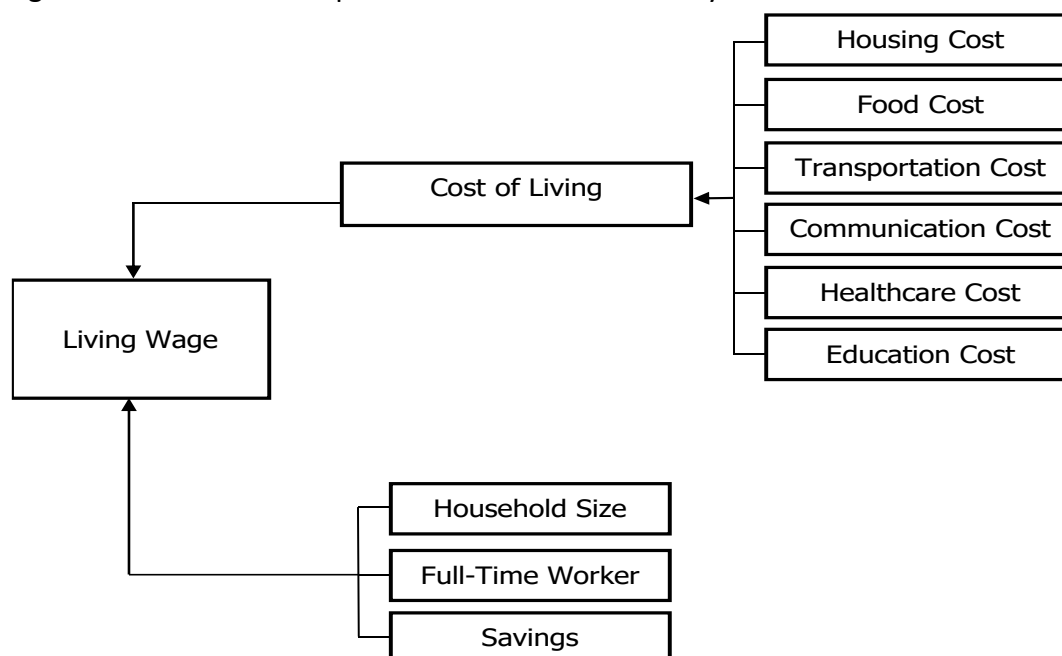


Figure 1.1: Factors influencing the living wage

Source: Modified from (Anker, 2011)

Literature Review

The terms living wage, basic needs and cost of living are broadly used in this study. A living wage is a theoretical level of income that allows a household to meet basic needs such as decent housing, food, and other essentials. The term "basic needs" refers to a list of items that humans require to meet basic requirements and live a decent life (Chiappero-Martinetti, 2014). The cost of living is linked to wages, and it is the amount of money required to meet basic essential expenses. Expenses are rising mostly because of inflationary rises (Driscoll & Saulnier, 2020). A living wage should be adjusted for inflation so that it can cover the cost of living in any area. Driscoll and Saulnier (2020) stated that the living wage is estimated to show how much an individual should earn to meet all their essential needs and allow their families to live in dignity and with an acceptable standard of living.

In this study, the Anker formulae are used as a guideline in assessing the living wage. The Anker approach, developed by Richard and Anker (2017) to compute a living wage, has gained widespread acceptance, and is now used to estimate living wages all around the world. This claim is supported by Alliance (2018) which stated that the Anker methodology has been used to compute living wages in rural, urban, and peri-urban locations around the world, resulting in global living wage action. The primary feature of the Anker methodology is that it calculates the amount of money needed to maintain a basic but decent standard of living in a given area and period (Dawani et al., 2019).

This study suggests that housing costs, food costs, transportation costs, communication costs, healthcare costs, education costs, household size, number of full-time workers in the

household, and savings for unforeseen catastrophes are all factors that may influence living wage.

Housing Cost

One of the most important factors in determining a living wage is the cost of housing. This statement is supported by (Anker, 2011; Glasmeier, 2017; Inchiem et al., 2020), where they include housing costs in their living wage estimates. Additionally, Hong Kong emphasised that the most significant cost of living was accommodation or housing (Living Wage Foundation & ACCA, 2017). According to Bourne (2018), housing costs are the single largest expense for most households (rent or owner-occupied housing costs), and they are anticipated to be especially significant for urban households. Based on the HES report in Malaysia, housing expenses are the greatest household expenditure with a proportion of 23.6 percent, or RM 1,068 per month in 2019 (Department of Statistic Malaysia, 2019). According to Anker & Anker (2017), utility expenditures such as water, electricity, and gas are included into the estimation of housing costs.

Poor households often spend a larger amount of money on housing and are more likely to value lower housing costs over better amenities (Bourne, 2018). According to Inchiem *et al* (2020), the ideal kind of housing would provide enough space for all members of a household to live comfortably. In addition, according to a BNM report published in 2016 in Kuala Lumpur, Malaysia, single people would rent a room, married couples without children would rent a one-bedroom apartment, and married couples with two children would rent a three-bedroom apartment (Chong & Khong, 2018).

As Malaysia moves closer to becoming an urbanised country, more people are migrating from rural to urban areas in search for a better job opportunity, resulting in a greater demand for housing in the city. Therefore, the cost of housing is an important factor in calculating the living wage.

Food Cost

Food expenditures are certainly one of the components in determining a basic standard of living in any assessment of living wages around the world (Inchiem et al., 2020). According to Anker & Anker (2017), food is nearly always the highest expenditure for a worker and his or her family in a developing country. This claim is reinforced by Chong and Khong (2018), who assessed the living wage in Kuala Lumpur based on the assumption that food is one of the greatest expenditures.

According to a report by The Edge Malaysia (2020), the average monthly grocery expenses for a person is RM 469. Furthermore, according to DOSM, food expenses are the second greatest household expenditure, accounting for 17.3% of total family spending, or RM 784 per month in 2019 (Department of Statistic Malaysia, 2019). Food away from home (FAFH) should also be considered when determining the cost of food. This is because, rather than eating at home, people in urban areas are more likely to eat out more often due to a busy life (Chong & Khong, 2018). Therefore, the cost of food plays an important role in determining a living wage.

Transportation Cost

Transportation is an essential everyday need since it allows a person to move from one location to another. These includes daily work and school journeys, market visits, trips to the

bank and healthcare centre, travel required to complete other vital chores, transportation connected to leisure activities, and visiting relatives (Telkki, 2015).

Access to a good transportation system is a key feature in the era of urbanisation (Inchiam et al., 2020). Transportation is one of the top three most expensive commodities for people of all income levels (Rashid et al., 2018). As Malaysia advances towards urbanization, demand for transportation has increased, particularly in urban areas (Inchiam et al., 2020). Borhan et al (2019) supported this claim by stating that increased in transportation demand is proportionate to the rapid migration of people from rural to urban areas.

Despite the availability of numerous public transportation options in Malaysia, such as public buses, taxis, light rapid transit (LRT), rapid mass transit (MRT), and the latest trend of e-hailing, most Malaysians tend to rely more on private vehicles to travel from one location to another (Inchiam et al., 2020). With the increase in private vehicle ownership and car loans, households are paying at least five times more than they would if they used public transportation on a regular basis (The World Bank, 2019). According to the HES report in Malaysia, 13.5 percent of household income, or RM 611, is spent on transportation monthly (Department of Statistic Malaysia, 2019). Thus, to calculate the living wage, the cost of transportation is a significant factor to consider.

Communication Cost

Communication is a very important human need as well as a basic human right (Sen, 2015). The importance of 'technological requirements,' such as mobile phones or network connectivity, has been considered as 'essential for employment,' but has occasionally been overlooked in living wage estimations (Living Wage Foundation & ACCA, 2017). The cost of communication should be included into the living wage calculation. This allegation is supported by (King & Waldegrave, 2012; Telkki, 2015), who consider communication costs in their living wage calculations for New Zealand and Finland, respectively. In comparison to rural areas, the cost of communication is usually higher in urban areas (Anker & Anker, 2017).

According to King and Waldegrave (2018), communication costs include mail and phone/mobile expenses, landline rental plus toll calls for family contact in the free calling area, call costs for required calls near or distant from home, and internet expenses. Furthermore, because of the internet's global relevance as a source of information and a communication tool, internet subscription expenses, such as broadband connections, should be included in the calculation of basic needs (Telkki, 2015). Thus, the communication cost should be included into the living wage calculation in order to allow households to participate fully in cultural and social life, whether online or offline, as a fully involved members of society.

Healthcare Cost

Healthcare is regarded as a human right around the world (Anker & Anker, 2017). In calculating the living wage in Klang Valley, the Social Wellbeing Research Centre (2019) includes essential healthcare costs such as minor illnesses and injuries, dental treatment, and basic first aid supplies. Households seek health because it helps them feel better and allows them to go to work and earn money (Koris et al., 2019).

In most nations, healthcare services are provided free of charge or for a minor administrative or other fee; but, in developing countries, free public services may be of poor quality or difficult to obtain (Telkki, 2015). Inchiam *et al* (2020) emphasised that the main

difference between private health service and public health service is that the public sector is fully funded by the government, while the private sector charge fees for their services.

Furthermore, as the number of children in the household grows, so does the amount of money spend on healthcare (Lin & Bernstein, 2008). The Social Wellbeing Research Centre (2019) agrees that the cost of healthcare for households in Klang Valley rises as they start to have children. Thus, healthcare costs are included into the living wage calculation to ensure that households receive adequate healthcare.

Education Cost

Education is a must to ensure one's ability to compete and prosper in today's globalised labour market (Tiessen, 2015). According to Telkki (2015), education is an important component of poverty alleviation in developing countries. Most governments generally provide free primary and secondary education (Telkki, 2015; Anker & Anker, 2017). Even though primary and secondary education are generally free, households would still spend money on education. For instance, extra classes such as tuition is often charged, as are the costs of exercise books and writing supplies; all costs associated with education should be appropriately included in the estimation of living wage (Telkki, 2015). Costs for higher education institutions, private schools, and other fees such as music and dancing lessons should also be included (Hamid et al., 2019).

Individuals' ability to generate income may be limited by their level of education, according to Hamid et al. (2019). Individuals who possess only a secondary education earned slightly less than those with a higher education, with only a slight increase over time (The World Bank, 2019). According to Inchiem *et al* (2020), someone with a bachelor's degree earns 3.6 times more than someone without a bachelor's degree. Moreover, according to BNM, 73% of individuals earning less than the living wage have completed secondary, primary, or no education at all, and 72% of those earning more than the living wage have completed tertiary education (The World Bank, 2019).

Since the job market in Malaysia especially in the urban areas has become so competitive, it is necessary to have a good education (Agensi Kaunseling dan Pengurusan Kredit, 2018). Individuals who reside in urban areas are shown to spend more on education than those who live in rural areas (Inchiem *et al.*, 2020). Households or children that have not received appropriate education are forced to live in miserable circumstances (Telkki, 2015). According to DOSM, parents nowadays emphasize the value of their children's education and budget monthly out-of-school spending for education, such as tuition classes (Department of Statistics Malaysia, 2020). Thus, while evaluating the appropriate value of living wages, the cost of education should be included.

Household Size

The size of the household or family is one of the most important factors in determining household expenditures (Latimaha et al., 2018). According to Inchiem *et al* (2020), since every household has a different family size, there will be a different cost of living for every household or individual. This claim is backed up by Anker and Anker (2017), who suggest that household size has a considerable impact on spending because more children require more accommodation, food, healthcare, and education.

Since a living wage is a household wage, determining the household size to be supported by a living wage is important (Anker & Anker, 2017). There is still no consensus on the ideal household size in calculating the living wage, however four persons in a household

is a general assumption (Inchiam et al., 2020). Similarly, according to Anker and Anker (2017), the standard household size used to calculate the living wage is two adults and two dependents. The larger the size of the household, the higher the living wage estimate (Anker & Anker, 2017). Therefore, household size must be considered as one of the factors that may influence living wage.

Full-Time Worker

The number of income recipients influenced household income and where the households are located in the allocation (Hamid et al., 2019). The number of full-time workers per household is anticipated to provide support for members of the household; in large countries, it must be country or region specific, and it usually varies between rural and urban areas (Anker & Anker, 2017).

According to Anker and Anker (2017), most developing countries' living wage approaches presume that the number of full-time workers per household is either one or two workers per family. In New Zealand, for example, the living wage level for a household is determined based on the assumption that there are two income earners, one working full-time and the other part-time (King & Waldegrave, 2012). In 2016, the average American household with two working adults and two children needed to work nearly four full-time minimum wage jobs to make ends meet (Chong & Khong, 2018). Furthermore, to ensure that they can make ends meet, the majority of Malaysia's lower-income group take on additional part-time job or work overtime.

According to the Khazanah Research Institute, in 2014, 50% of low-income households in Malaysia had only one income earner, 59% of middle-income households had at least two income earners, and roughly 75% of high-income households had at least two income workers (Inchiam et al., 2020). This study suggested that the number of full-time workers in a household influence the household income.

Savings

Savings is important in the event of any unanticipated incident, such as illness, accidents, unemployment, or emergency expenditures, as it serves as a safety net and ensures that individuals make a decent wage and are not easily thrown into debt and poverty (Telkki, 2015; Anker & Anker, 2017; Chong & Khong, 2018; Inchiam et al., 2020). The United Kingdom proposed that a living wage should include some emergency savings (Chong & Khong, 2018).

According to Anker and Anker (2017), the Global Living Wage Coalition's (GLWC) definition of a living wage necessitates a "provision for unexpected events." As evidence, in the New Zealand living wage estimation, savings are required for emergencies and retirement (King & Waldegrave, 2012). Similarly, according to Telkki (2015), employees should be paid enough so that they can save some amount of money, which can be added into wage estimates as a 10% extra component. Furthermore, savings are considered into the assessment of a living wage in Toronto because they are required for any unexpected costs, such as maintenance, healthcare expenses, and even unemployment (Mackenzie & Stanford, 2008). Aside from that, the estimated living wage in Kuala Lumpur also includes a small emergency fund to cover any unforeseen expenses (Chong & Khong, 2018). Therefore, savings is considered as one of the predictor variables in this study.

Data and Method

This study makes use of quantitative approaches strategy in which self-developed questionnaires are distributed to respondents around Kota Kinabalu. Due to the corona virus outbreak, a google form survey was designed to aid in data collection for this study. Kota Kinabalu Town Centre, Sepanggar, Menggatal, Likas, Inanam, Luyang, Tanjung Aru, and Kepayan are the areas studied in this study. A single questionnaire was sent to each household. The data for this study was analyzed using the Statistical Package for Social Science (SPSS) version 26 software.

The Anker formula is used to achieve the objective of the study, which is to investigate the living wage in Kota Kinabalu. The first component of the Anker formula determines the cost of providing a basic but decent lifestyle for a household or a worker. The households' total cost of living and savings are then divided by the number of full-time workers in each household. This is to see if the workers are getting paid the estimated living wage or not. The entire tax paid by households is then added to ensure that workers earn enough to maintain a basic but acceptable living standard. Figure 3.1 illustrates the formula for calculating a living wage that are adopted in this study.

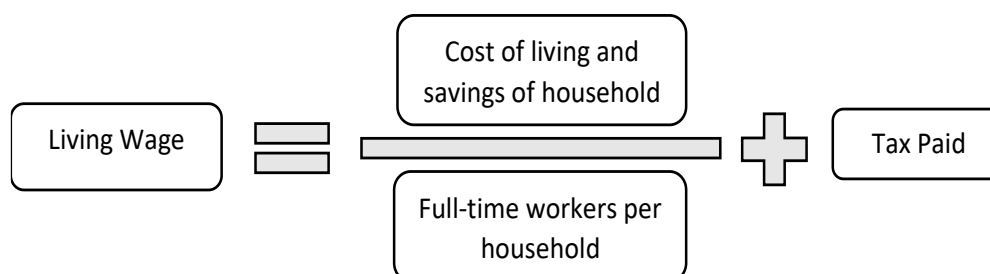


Figure 3.1: Living Wage Formula

Source: Modified from (Anker & Anker, 2017)

Results

There are a total of 123 respondents participated in this study. Table 4.1 below presented the demographic profile of the respondents participated in the study. From 123 respondents, 73.2% of the respondents are female and 26.8% are male. Most of the respondents are between 21 – 25 years old with a total of 32.5%, followed by 26 – 30 years old with a total of 25.2%.

Besides that, most of the respondent are residing in Kota Kinabalu Town Centre with a total of 23% (32 respondents), followed by Inanam with a total of 21.1% (26 respondents), Sepanggar with a total of 15.4% (19 respondents), 8.9% (11 respondents) in Menggatal, 8.1% (10 respondents) in Kepayan, 7.3% (9 respondents) in both Likas and Tanjung Aru, and Luyang with a total of 5.7% (7 respondents).

Apart from that, from 123 respondents, 84 respondents (68.3%) possessed a bachelor's degree, 25 respondents (20.3%) have completed STPM or obtained Diploma, 10 respondents (8.1%) finished SPM or has Certificate, and 4 respondents (3.3%) completed SRP or PMR or PT3.

Moreover, more than half of the respondents are single with a total of 58.5% (72 respondents), 37.4% (46 respondents) are married, and 4.1% (5 respondents) are divorce, a widow, or a widower. Majority of the respondents have household size of five people with a total of 19.5% (24 respondents), followed by household size of one person with a total of

17.9% (22 respondents), and 13.8% (17 respondents) for both household size of three and four people.

Furthermore, out of 123 respondents, 79 respondents which is 64.2% have more than two full-time workers in their household, and 44 respondents which is 35.8% have only one full-time worker in their household.

Table 4.1

Demographic Profile of Respondents

Demographic Variables	Categories	Frequency	Percentage (%)
Gender	Male	33	26.8
	Female	90	73.2
	Total	123	100.0
Age	16 – 20	2	1.6
	21 – 25	40	32.5
	26 – 30	31	25.2
	31 – 35	3	2.4
	36 – 40	10	8.1
	41 – 45	7	5.7
	46 – 50	12	9.8
	51 – 55	10	8.1
	56 – 60	6	4.9
	61 and above	2	1.6
Total	123	100.0	
Residential Area	Kota Kinabalu Town Centre	32	26.0
	Sepanggar	19	15.4
	Menggatal	11	8.9
	Likas	9	7.3
	Inanam	26	21.1
	Kepayan	10	8.1
	Tanjung Aru	9	7.3
	Total	123	100.0
Education Level	SRP / PMR / PT3	4	3.3
	SPM / Certificate	10	8.1
	STPM / Diploma	25	20.3
	Bachelor's Degree	84	68.3
	Total	123	100.0
Marital Status	Married	46	37.4
	Single	72	58.5
	Divorce / Widow / Widower	5	4.1
	Total	123	100.0
Household Size	1	22	17.9
	2	13	10.6
	3	17	13.8
	4	17	13.8
	5	24	19.5
	6	15	12.2
	7	8	6.5
	8	3	2.4
	9	4	3.3
	Total	123	100.0
Full-time worker in the household	1	44	35.8
	> 2	79	64.2
	Total	123	100.0

The objective of this study is to investigate the living wage of households who live in Kota Kinabalu. Table 4.2 below presented the living wage calculation. It is found that the household with one full-time worker (1FW) with a household size of two people would need a living wage of RM 2260.01 monthly. The housing cost were the priority expenditure for the 1FW household followed by transportation cost and food cost.

For the household with more than two full-time workers' (> 2FW) with a household size of four people, the monthly living wage needed to be earned by each of the full-time worker are RM 2698.07 monthly. Same as the 1FW household, the highest expenditure for the > 2FW household is the housing cost followed by transportation cost and food cost.

It is reasonable to expect more than one individual in a household to work and support the household financially. Overall, the living wage needed for a worker living in Kota Kinabalu area are RM 2541.36 per month to be able to afford a minimum satisfactory living standard. The largest monthly expenditure for all household categories is the housing cost. The result is consistent with the previous household expenditure survey report by DOSM (2019) where housing cost is the highest household expenditure among 12 main groups.

Next, the second largest monthly expenditure is the transportation cost. As Malaysia evolves toward becoming a developing country, transportation demand has increased, particularly in urban areas, as more people migrate to urban areas in search of better opportunities (Inchiem et al., 2020). The result also in line with Rashid et al., (2018) whereby transportation is among the three highest expenditure items across all income group.

Food cost is the third highest household expenditure according to the result of this study. This claim can also be supported by DOSM (2019) which reported that food cost is among the three highest household expenditure in Sabah.

Table 4.2

Living Wage Calculation

Items	1FW	%	> 2FW	%	Average	%
HS	2.36		4.92		4.01	
COL:						
HC	677.25	34.83	1548.52	34.41	1236.85	34.49
FC	400.89	20.62	844.52	18.77	685.82	19.13
TC	423.77	21.80	1018.97	22.64	806.06	22.48
CC	161.05	8.28	301.11	6.69	251.01	7.00
HCC	160.91	8.28	404.70	8.99	317.49	8.85
EC	120.09	6.18	382.39	8.50	288.56	8.05
COL (RM)	1943.96		4500.21		3585.79	
(+) S	260.23		1158.86		837.40	
COLS (RM)	2204.19		5659.07		4423.19	
(/) FW	1		2.54		1.99	
Total (RM)	2204.19		2227.98		2222.71	
(+) Tax	55.82		408.23		282.16	
LW (RM)	2260.01		2698.07		2541.36	

Conclusion

This paper has achieved its objectives of study which is to investigate the living wage of household in Kota Kinabalu. 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 expenditures.

Thus, it is hoped that this study would aid society in developing a better understanding on the effects of urbanization and raising awareness of the urban poor in Kota Kinabalu. Aside from that, this study is also relevant in raising awareness about the concept of a living wage. A living wage can only be useful and effective if it is established at a level that is both attainable and sustainable.

Furthermore, the findings of this study can aid urban policymakers or planners in developing programmes or reviewing policies that will help Kota Kinabalu to overcome urban poverty concerns and improve the quality of life in Sabah. This research can also help authorities to come up with financial schemes or poverty-eradication initiatives that will ease the burden on those living in cities.

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