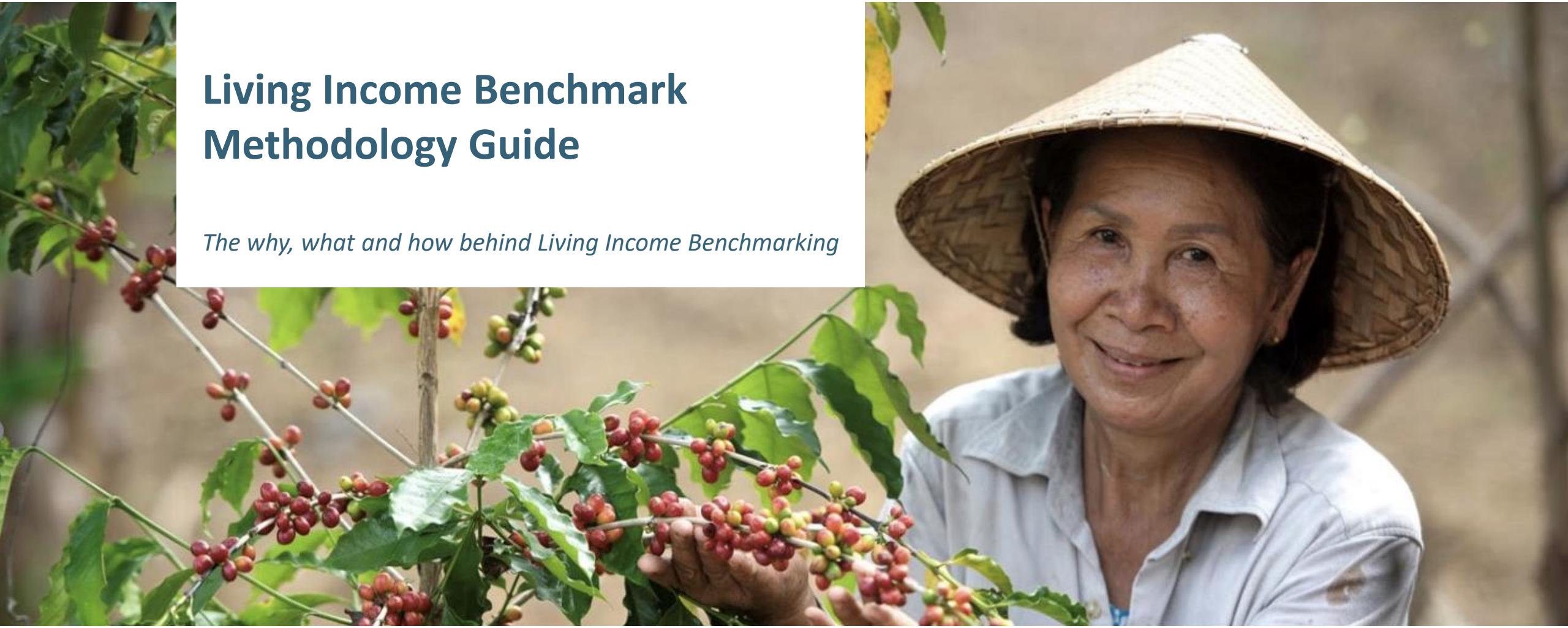
NEWFORESIGHT

CREATING SHARED OPPORTUNITIES

Living Income Benchmark Methodology Guide

The why, what and how behind Living Income Benchmarking



INTERNATIONAL COFFEE ORGANIZATION | COFFEE PUBLIC-PRIVATE TASK FORCE

Context: About the ICO Coffee Public-Private Task Force

- In 2019, the International Coffee Organization set up the Coffee Public-Private Task Force (CCPTF) to ensure a sustainable & prosperous future for coffee producers & the sector as a whole.
- CCPTF Members agreed on a joint ROADMAP with a 2030 vision.
- To support the Roadmap's implementation, Working Groups have been operating, including the TECHNICAL WORKSTREAM ON LIVING AND PROSPEROUS INCOME which aims to:
  - ✓ Reach & supersede the income benchmarks through a continuous improvement process in all ICO producing countries;
  - ✓ Close the income gap for target producers in at least 50% of the ICO producing countries by 2030 (with commitment subject to revision in 2026).

As part of this work, NewForesight has been commissioned to conduct the Living Income Benchmark studies in four countries. This Guide was developed to highlight the steps and methodology employed by NewForesight and to be shared with CPPTF stakeholders and coffee sector.

Visit: https://icocoffee.org/the-coffee-public-private-task-force/

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The Guide is structured around a set of key questions on the why, what and how of Living Income Benchmarking

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This Guide helps you answer key questions on living income: what is it, why is it relevant, and how can it be calculated

About this Guide

Purpose of this Guide

This Guide helps the reader to understand key elements of the living income concept: what is it, why is it relevant, and how can it be calculated. The Guide sets out the Living Income Benchmarking Methodology as designed by NewForesight, recognized by the IDH Living Wage Recognition Process and B Corp, and based upon the principles of the Anker methodology.

Context of this Guide

In 2019 the International Coffee Organization – ICO set up a Coffee Public-Private Task Force (CPPTF) with a 2030 vision that aims to ensure a sustainable and prosperous future for coffee producers and the sector as a whole. A joint Roadmap was agreed between the members of the CPPTF and to realise these ambitions different Working Groups have been operating to support the implementation of the Roadmap. Among these is the Technical Workstream on Living and Prosperous Income to deliver on the following time-bound commitments:

- Reach and supersede the Living Income Benchmarks through a continuous improvement process in all ICO producing countries.
- Close the Living Income gap for target producers in at least 50% of the ICO producing countries by 2030 (with commitment subject to revision in 2026).

As part of this work, NewForesight has been commissioned to conduct Living Income Benchmark studies in four countries. This Guide was developed to highlight the steps and methodology being employed by NewForesight and to be shared with CPPTF stakeholders and coffee sector. Read more about the CPPTF context and current work, here.

Questions about this Guide? Reach out to Daniel Viviers-Rasmussen (daniel.viviers-rasmussen@newforesight.com) or Joost Backer (joost.backer@newforesight.com).

Throughout the Guide, you will find the following symbols:

Read more

This symbol directs you to external sources where you can read more about a certain topic

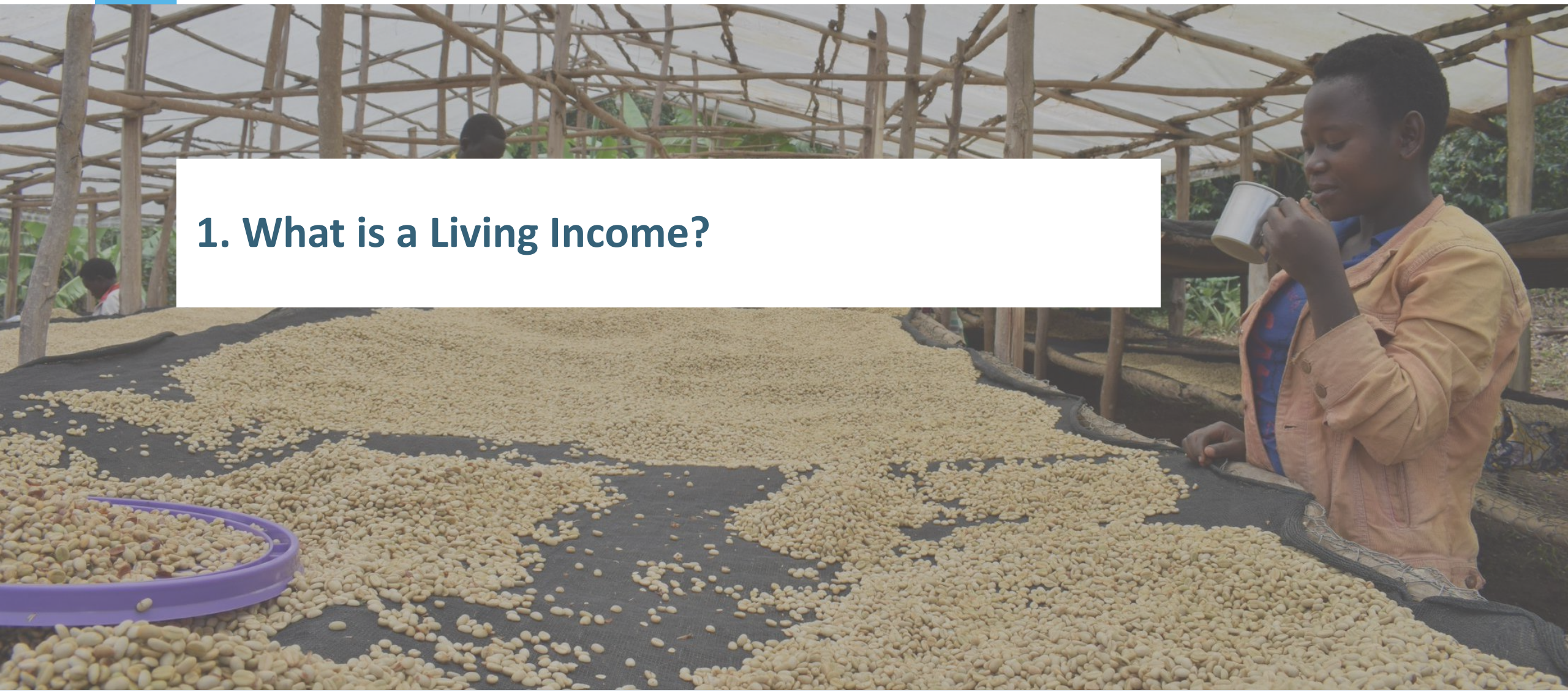
Back to slide

This symbol is only found in the Annex slides, and directs you back to the slide that explains the high-level methodology

Deep-dive

This symbol directs you to the Annex, in which certain elements of the methodology are described in detail

About the methodology:
The NewForesight Living Income Benchmarking Methodology is recognized by the IDH Living Wage Recognition Process and B Corp, and based on the principles of the Anker methodology.



1. What is a Living Income?

A ‘Living Income’ enables a household at a specific location to afford a decent standard of living, and forms a steppingstone towards a prosperous income

What is a Living Income?

According to the Living Income Community of Practice (LICOP) definition, a living income is the net annual income required for a household in a particular place to afford a decent standard of living for all members of that household.

How does a living income differ from other income-concepts:

In most cases, a living income is higher than the national or international (extreme) poverty line (see image on the right). By reaching a living income, Sustainable Development Goal 1 ‘End poverty in all its forms everywhere’ is also fulfilled.

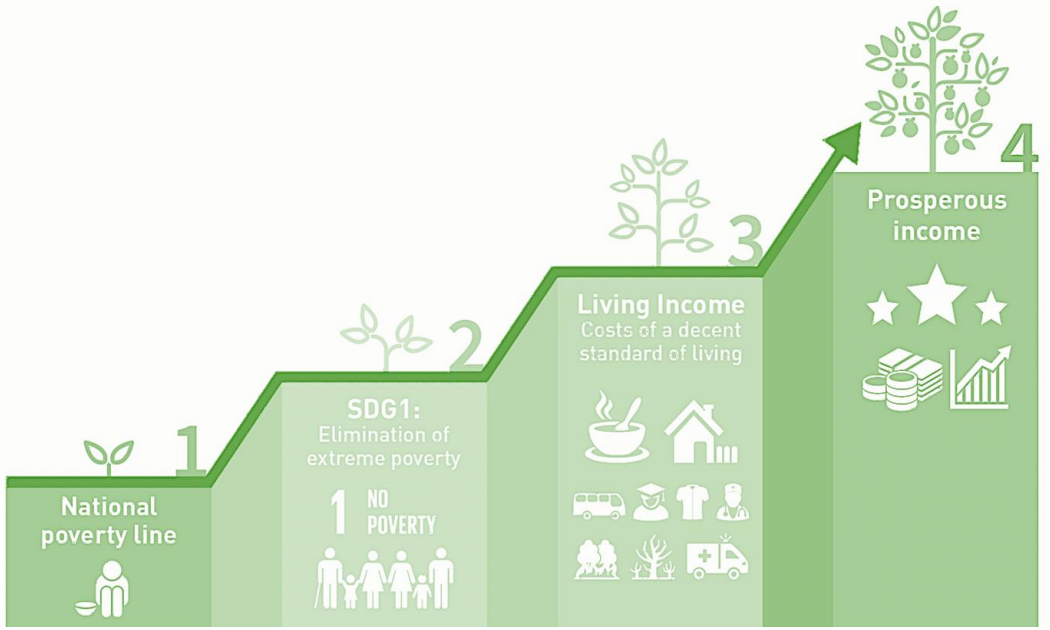
A living income is a steppingstone towards a prosperous income, in which (coffee) households can thrive and flourish economically, socially, and health-wise.

A living income is not the same as a minimum wage. Whereas a minimum wage constitutes the lowest wage in a country permitted by law or by a special agreement, a living income:

- Refers to an ‘income’ (earned by a household on a yearly basis), and not a ‘wage’ (earned by an individual worker on an hourly or monthly basis) (see ‘Read more’ box)
- Is always based on decent living standards, whereas a minimum wage focuses on protecting workers from unduly low wages.
- Can therefore be equal to, higher than, or lower than, a minimum wage.

Read more: Living Wage

While a Living Income applies to smallholder producers, a Living Wage applies to employed workers active in a factory, farm or other place. Both benchmarks are estimated based on the same principles, cost categories and standards needed to afford a decent living. Read more about a Living Wage **here**.



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Establishing a Living Income 'Benchmark' helps to quantify the income any coffee household should earn to afford a decent standard of living

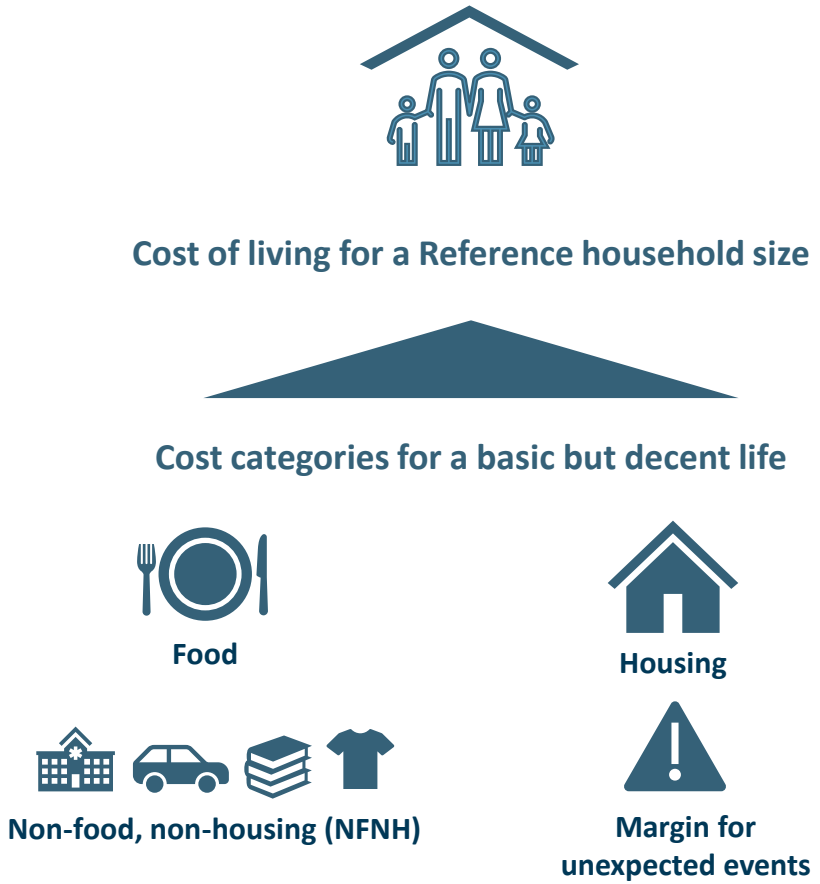
What is a Living Income Benchmark?

A Living Income Benchmark is an estimate of the cost of a basic but decent standard of living for a household. The Benchmark is always time- and place-specific, depending on the cost of living and household reference size of a region or sector in a specific country, at a specific point in time.

The cost of a decent standard of living is determined by quantifying the costs of four main categories:

- **Cost of food**: this is estimated for a low-cost, nutritious and varied diet accounting for local food availability and preferences.
- **Cost of housing**: this includes the costs of owning or renting a house and paying utility costs that meets a standard for local decent housing
- **Non-food, non-housing costs**: this includes other essential needs including education, healthcare, transportation, or clothing.
- **Margin for unexpected events**: this includes a cost to account for potential unexpected events for the households (e.g., emergencies)

The costs of these items are multiplied by the number of persons in a household, and their respective needs. This accounts for the fact that larger households generally incur higher costs than smaller households.



2. Why is a Living Income Benchmark important?

Achieving a Living Income for coffee farmers delivers on several development goals and contributes to a thriving domestic and international coffee sector

Why is the Living Income Benchmark important?

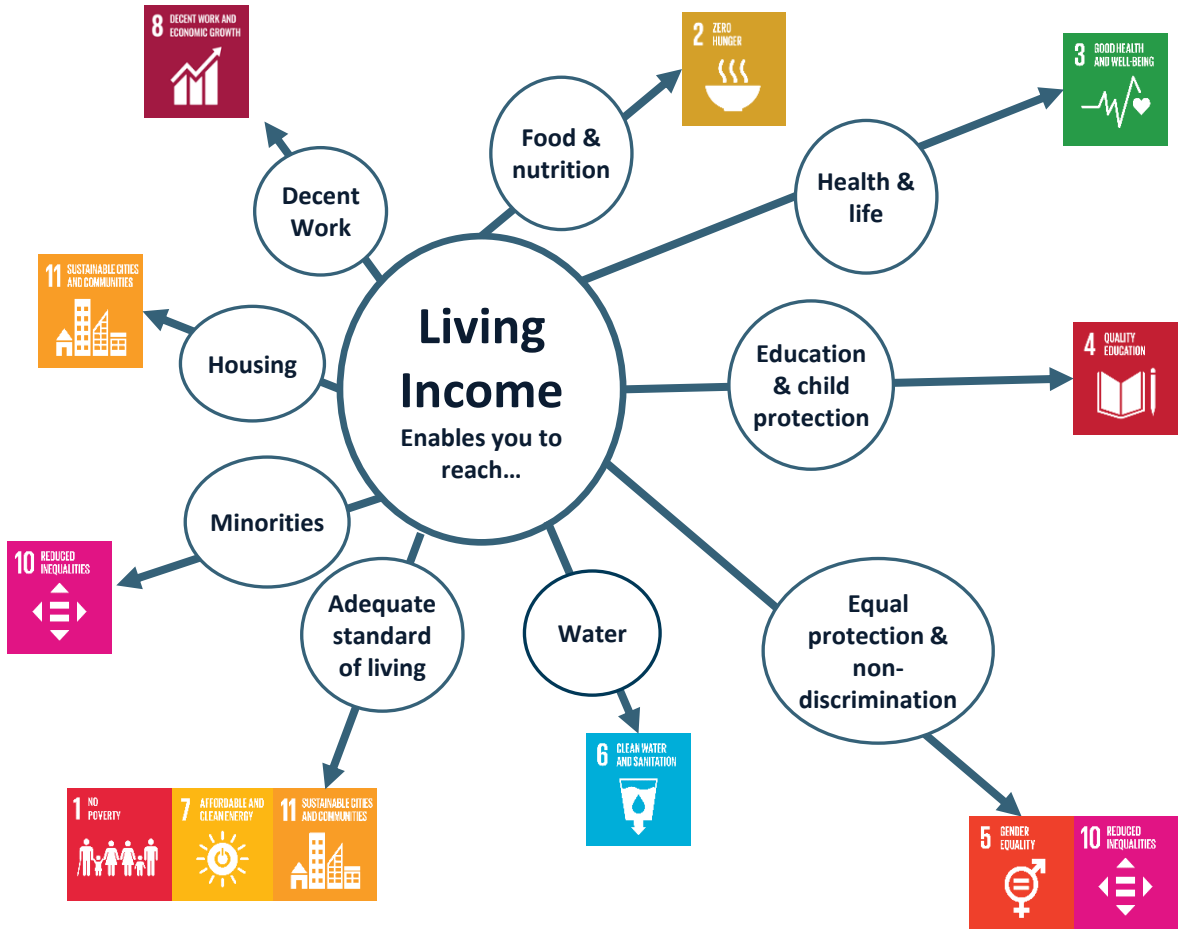
Living Income Benchmarks are used to identify the income gap. Time- and place-specific benchmarks help to better understand the severity of the problem and develop effective strategies to achieve a Living Income.

Households that can afford a Living Income can contribute to:

- Advocating for fair and sustainable supply chains
- Developing farm and supply chain improvement strategies to promote more sustainable agriculture practices in the coffee sector.
- Identifying and promoting enabling policy and investment throughout the sector to support closing the income gap.

Closing the income gap supports the achievement of other development goals (see the image of related SDGs on the right) led by governments, companies, NGOs, and other stakeholders:

- Families can afford nutritious diverse diets contributing to their health (SDG1, SDG2 and SDG3)
- Households can afford for their children to attend school which contributes to higher education levels (SDG 4)
- Families can increment their consumption levels given the possibility to afford more products and services (SDG1, SDG2, SDG3 and others)



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Establishing a Living Income Benchmark provides the right, credible knowledge required to inform actions to close the living income gap

What can you do with a Living Income Benchmark?

1 Determine the Living Income Benchmark

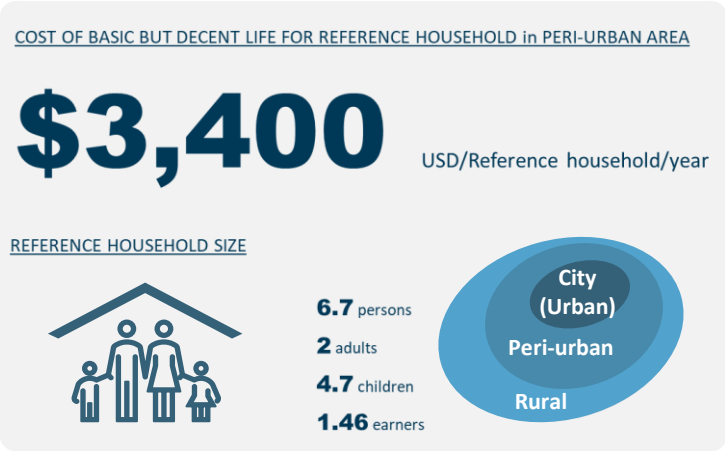
By determining, understanding, and agreeing on a Living Income Benchmark, coffee stakeholders reach a common target to work towards.

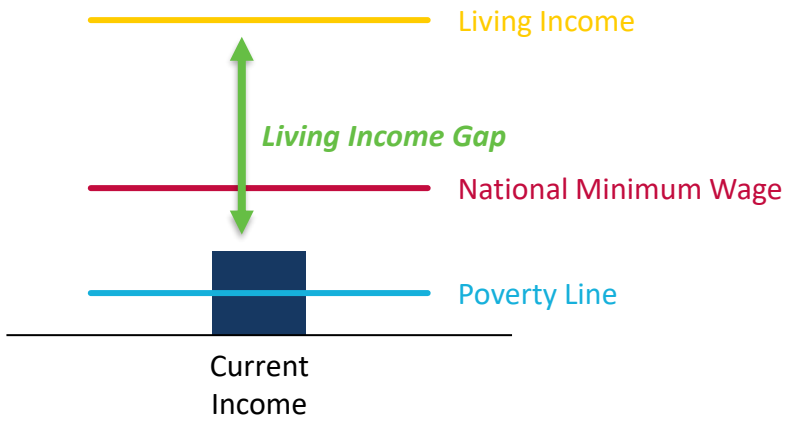
2 Determine the Living Income *Gap*

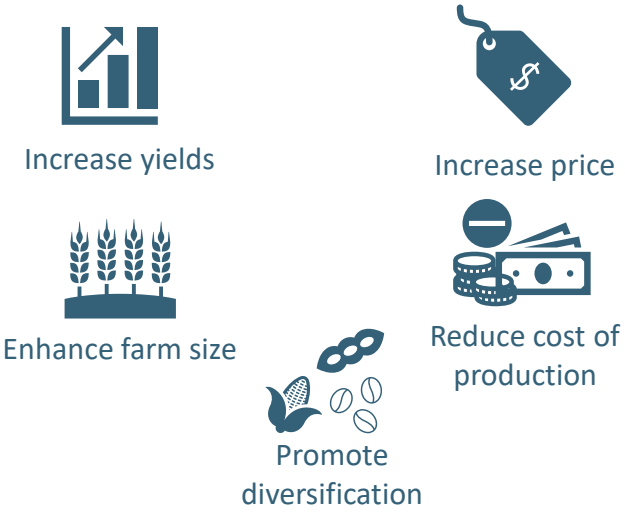
By measuring the gap between a Living Income benchmark and current incomes, coffee stakeholders know by what level incomes need to increase to reach a Living Income.

3 Take action to close the Living Income gap

By determining interventions at farm-, supply-chain- and sector-level, coffee stakeholders can take collective action to increase current incomes and reach a Living Income – thereby paving the way towards a Prosperous Income.







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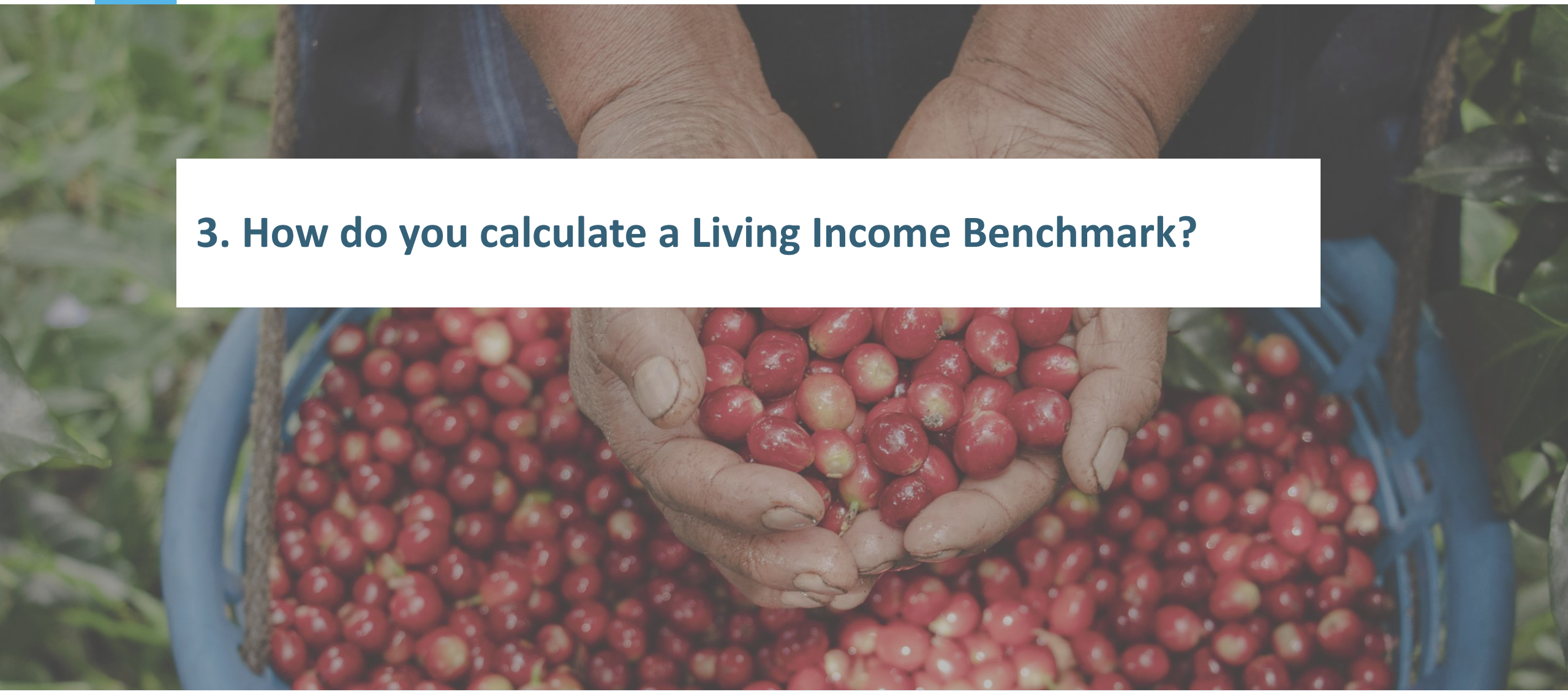


3. How do you calculate a Living Income Benchmark?

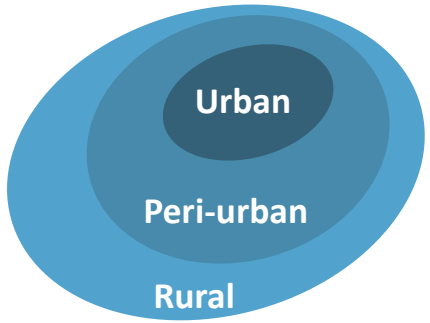
A comprehensive stepwise approach is followed to ensure that the Living Income estimate is standard, comparable and location-specific.

How can I calculate a Living Income Benchmark?

Step 1: Define the boundaries of the study

Step 2: Estimate the cost of decent life

Step 3: Final considerations to estimate Living Income



1.1 Define geographical scope

1.2 Estimate the *reference household size*

- 2.1 Cost of food
- 2.2 Cost of housing
- 2.3 Non-food, non-housing costs
- 2.4 Margin for unexpected events

\+

3. Cost of basic but decent standard of living for a household

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Step 1: Define the boundaries of the study

How can I calculate a Living Income Benchmark?

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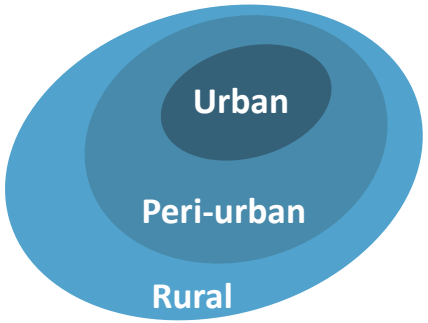

1.1 Define geographical scope

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- 2.1 Cost of food
- 2.2 Cost of housing
- 2.3 Non-food, non-housing costs
- 2.4 Margin for unexpected events

→ 3. Cost of basic but decent standard of living for a household

Defining the geographical scope to calculate a Living Income Benchmark that is accurate, and time- and place-specific

1.1 Define geographical scope

Purpose of this step

The Living Income Benchmark is location- and time-specific and should reflect the living conditions of the target population in that location. Countries with considerably different demographic characteristics, incomes, and living conditions across different regions will require more than one Living Income Benchmark for their regions. This is to ensure that the Living Income Benchmark correctly represents the income required by a reference household in that location to afford decent living standards. Separate Living Income benchmarks can be estimated for ***urban, peri-urban or rural*** areas.

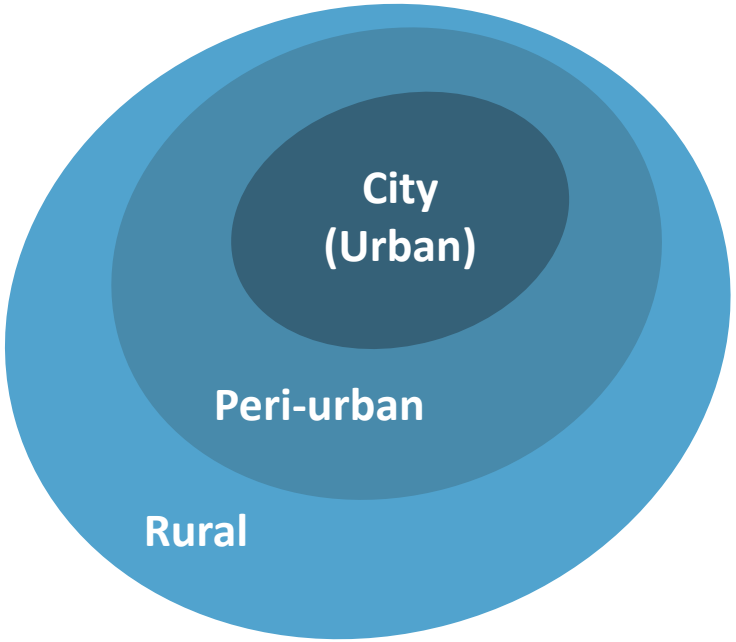
What does it entail

Distinguishing between the zones as urban, peri-urban and rural is key to determining the representativeness of the Living Income Benchmark. An area that best represents the cost of living, household size, wealth, inequality, and other socio-cultural factors of the target farmers should be selected. The study areas can also be selected based on the number of farmers (of the dedicated crop), the volume of crop output of the area and the productivity of farmers (see *Deep-dive* box on the right).

How to get the data

See *Deep-dive* (right side of this slide).

Geographical zones



Deep-dive

For a full overview of relevant indicators per zone, see here

Establishing the appropriate household size is important in the Living Income Benchmark estimation process

1.2 Establish Reference household size

Purpose of this step

The farmer/producer should be able to support a family on a Living Income. This implies that farmers with larger family sizes will require relatively higher living incomes. Thus, establishing the typical (average) family size (the 'Reference Household Size') in that particular location is important. Reference Household Size serves as the reference basis for all calculations regarding costs of living.

What does it entail

- It is assumed that the reference household size consists of 2 adults and their children. No additional adults are considered in the reference household size.
- The estimated number of children is calculated using Total Fertility Rate and child (under 5 year) mortality rate.

How to get the data

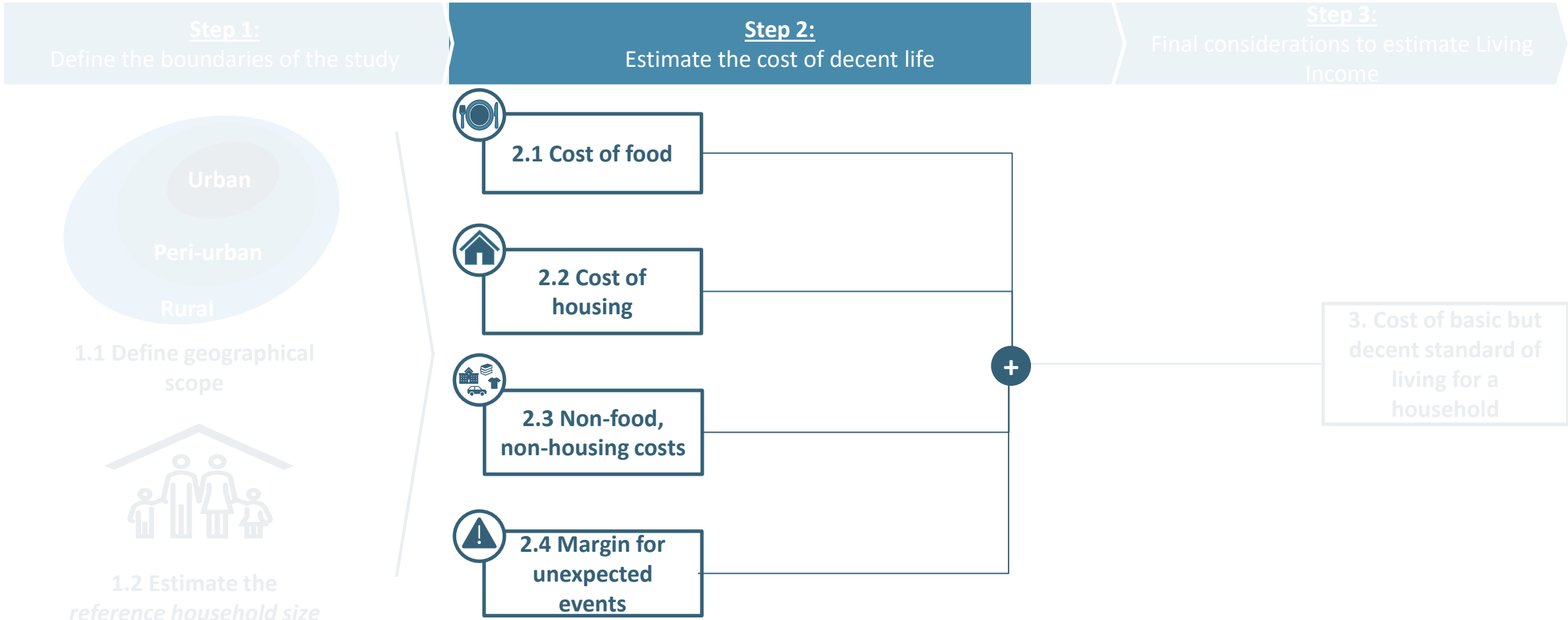
- Retrieve rates from Global Data Labs database (Institute for Management Research of Radboud University), which is an aggregation of household survey datasets at national and regional levels.
- NewForesight's Living Income Benchmarking Methodology can adjust to estimate the Living Income for other accepted household configurations, such as the typical (average) family size of 2 adults and 2 children.

Reference Household:

2 Adults + Estimated number of children

Step 2: Estimate the cost of decent life

How can I calculate a Living Income Benchmark?



A Living Income should enable the household to afford nutritious food for all members of the household

2.1: Cost of food

Purpose of this step

The objective of this step is to collect data to be used for the estimation of the cost of a low-cost nutritious diet for your region of focus. A Living Income should enable the expenditures for a low-cost nutritious diet (local model diet) that considers local food availability and preferences that meet six criteria (see below), whilst recognizing the impact of cultural, social and religious elements on food consumption.

What does it entail

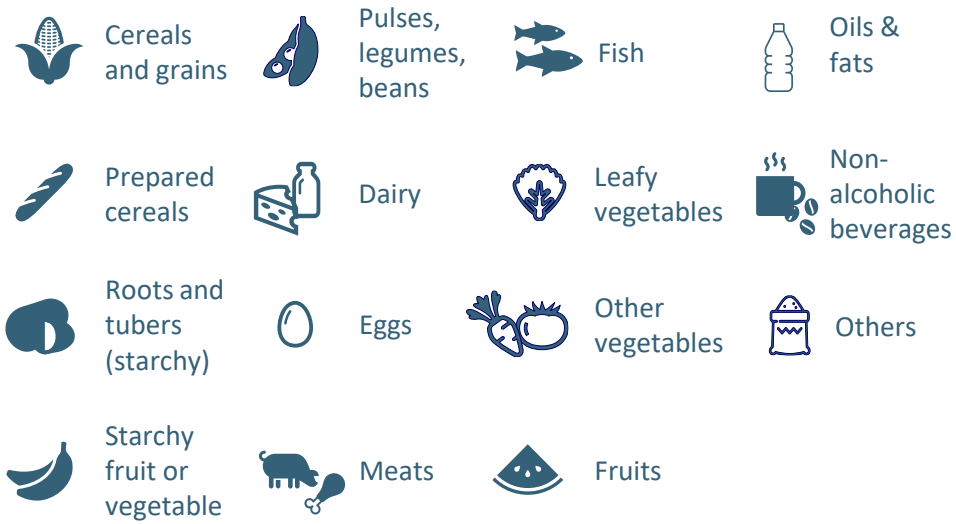
A local model diet meets six criteria: (1) it meets the WHO recommendations on nutrition; (2) it is consistent with local food preferences & food availability; (3) it is relatively low-cost; (4) it is varied; (5) it covers all recommended food groups (see image on the right), and; (6) and considers multiple food items per category (simulates free choice of food products)

How to get the data

Our approach to estimate a low-cost nutritious model diet consists of five steps (see *Deep-dive* for an elaborate overview of the steps):

1. **Consult with local nutritional expert to collect long-list of food items**
2. **Build a 'cost framework' of food items based on national datasets on food items**
3. **Consult with households the types of venues where they purchase food**
4. **Visit 3 food venues and for each food item, collect 3 prices in each venue**
5. **Define model diet based on low-cost items**

A local model diet covers the basic food groups



Deep-dive

For a full overview of the necessary steps to estimate a low-cost nutritious model diet, see Annex

A Living Income should enable a producer to afford decent and yet affordable housing for all members of the household

2.2: Cost of housing

Purpose of this step

Producers and their families should live in decent conditions, protected from environmental elements and other hazards. The housing costs must be representative for the region and enough for a family to afford decent living conditions.

What does it entail

Housing must be in line with (international) minimum housing standards as defined by the UN, ILO, and WHO. Taking the former into consideration NewForesight has developed a short document providing guidelines for Local Decent Housing Standards (see *Deep Dive* box on the right). The guidelines for housing standard are contextualized based on the setting of each study. Housing costs include cost of dwellings (or equivalent rent costs) and costs of essential services such as water, fuel and electricity.

How to get the data

There are 4 steps to estimate cost of housing:

1. **With support of local partners and relevant organizations, identify participants to interview (using a recommended sample of 15 households per area of study – this number is based on the Anker methodology)**
2. **Primary data collection, utilizing NewForesight cost of living survey template**
3. **Assess conditions of households to determine if minimum decency standards are met**
4. **Estimate the cost of decent housing**

Example of acceptable and unacceptable roofing structures that meet the standard of decent housing

Acceptable



Unacceptable



Deep-dive

For a full overview housing cost, see here

A Living Income enables a reference household to afford other non-food, non-housing costs that are essential for a decent standard of living

2.3 Non-food, non-housing (NFNH) costs

Purpose of this step

This step provides cost estimate for all essential needs for decent living besides food and housing for the referenced household in a particular region. The use of secondary and primary data allow for validation and correction to ensure that non-food, non-housing costs are representative of the living conditions of the study location.

What does it entail

Non-food, non-housing costs entail the following household expenditure categories:

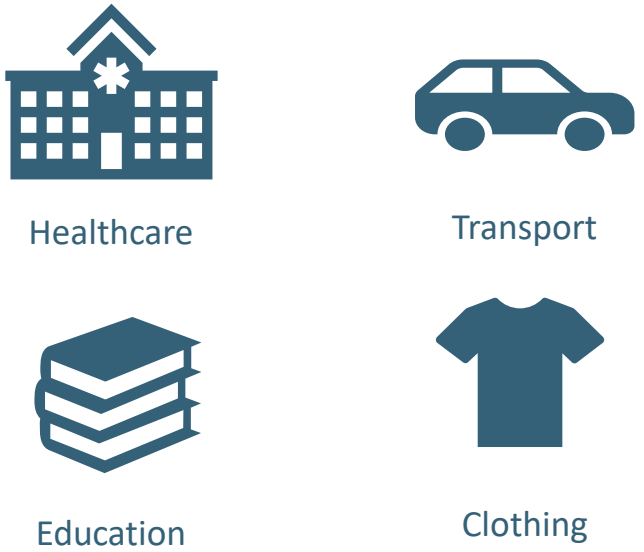
- **Health**
- **Transport**
- **Communication**
- **Education**
- **Recreation and culture**
- **Clothing and footwear**
- **Miscellaneous goods, services and others**
- **Restaurants and hotels**

How to get the data

There are 3 steps to estimate the non-food, non-housing costs of a household (see *Deep-dive* for a full overview):

1. **Collect data on the share of household expenditure**
2. **Estimate NFNH costs**
3. **Cross-check secondary and primary data**

Non-food, non-housing (NFNH) expenditure cover essential needs for the household



Deep-dive

For a full overview of NFNH costs, see here

A Living Income enables a household to have a buffer for unexpected/unforeseen events and expenses.

2.4 Margin for unexpected events

Purpose of this step

A margin of the Living Income is provided to enable households to set money aside and cater for unexpected occurrences such as death, accidents or illness. A margin is provided as part of the Living Income to enable producers to cover unforeseen expenses.

What does it entail

An additional 5% margin is added to all other costs.

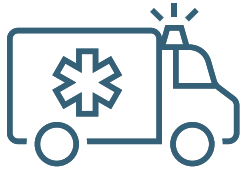
How to get the data

Margin for unexpected events is calculated based on the estimated amount for all other cost categories. To determine the margin for unexpected events

1. **Aggregate all other cost components that constitute the cost of living for the reference household size.**
2. **Apply an additional 5% margin to the total cost of living**

Margin for unexpected events is provided to serve as a buffer for households

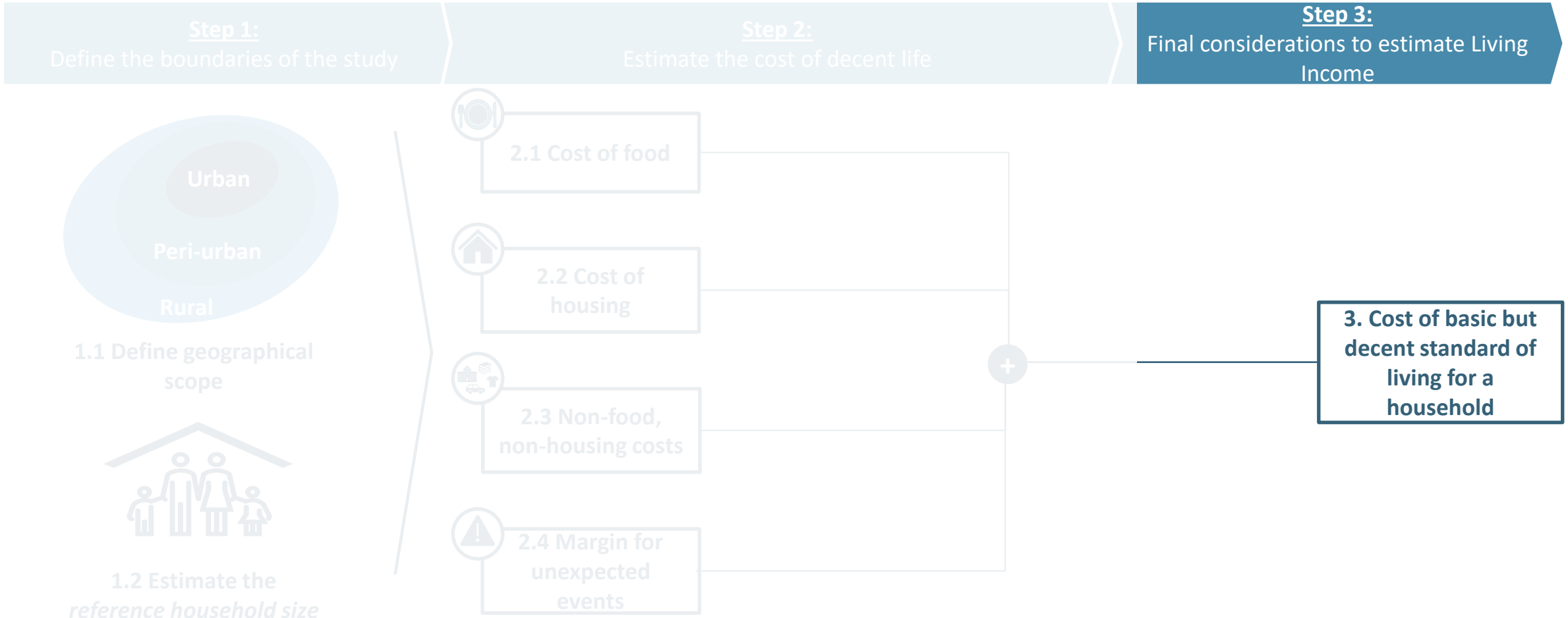
Risks



Accidents

Step 3: Final considerations to estimate a Living Income

How can I calculate a Living Income Benchmark?



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The Living Income Benchmark is the reference value of the cost of decent living for a household

3.1 Calculate Living Income Benchmark

Purpose of this step

This step enables the estimation of a benchmark value which can be compared to the current incomes to understand the Living Income gaps.

What does it entail

The cost of decent living for a reference household size for the focus region in selected countries is estimated. This entails the aggregation of the various components of the cost of living. Thus, cost of a model diet, cost of decent housing, non-food, non-housing cost and the cost required to cover for unexpected events.

How is the Living Income Benchmark validated?

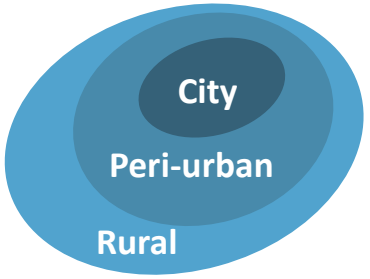
To ensure validation of the Living Income Benchmark, it is advisable to coordinate with stakeholders such as governments, regional and local platforms and other relevant stakeholders early in the Living Income study process. Involve relevant stakeholders in identifying the relevant regions and households to survey as well as organizing a validation workshop with the key private, public and civil society stakeholders after a reference value is estimated.

Sample output of NewForesight's Living Income/Wage tool

Reference household size

6.7 persons
2 adults
4.7 children
1.46 earners

Geographical Focus

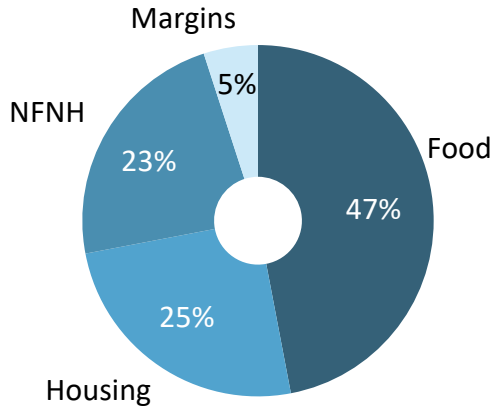


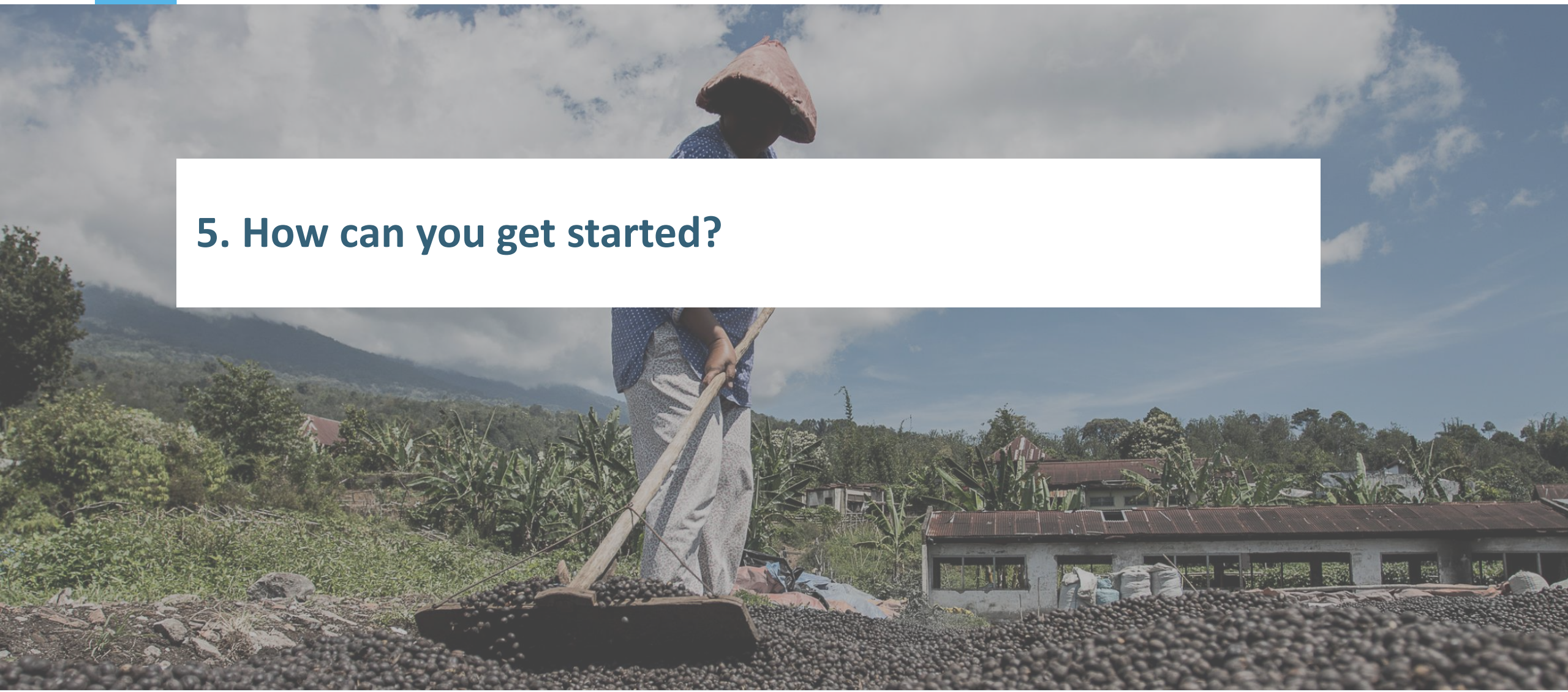
Living income Benchmark

Cost of a basic but decent standard of living for a reference household in a sample region per month

$354

Living Income distribution





5. How can you get started?

Having read this Guide, you may be left with some questions – for each question, there is a suitable next action. You are welcome to contact us for additional support.

How to get started

	Your question	Next action
1	"I want to learn more about the relevance of a Living Income Benchmark to my own situation."	Investigate the implications of establishing a Living Income Benchmark for your own work – and the required resources.
2	"I want to assign a party to start conducting a Living Income Benchmarking trajectory."	Explore the available methodologies and select the methodology best suited to your situation. See this slide for a high-level overview.
3	"I want to start conducting a Living Income Benchmarking analysis myself."	Ensure you have the right resources and expertise in place to conduct the Benchmarking study – a call with the authors if this report is recommended.
4	"I have another question."	Contact the authors of this Guide: NewForesight Consultancy. See the box on the right for contact details.

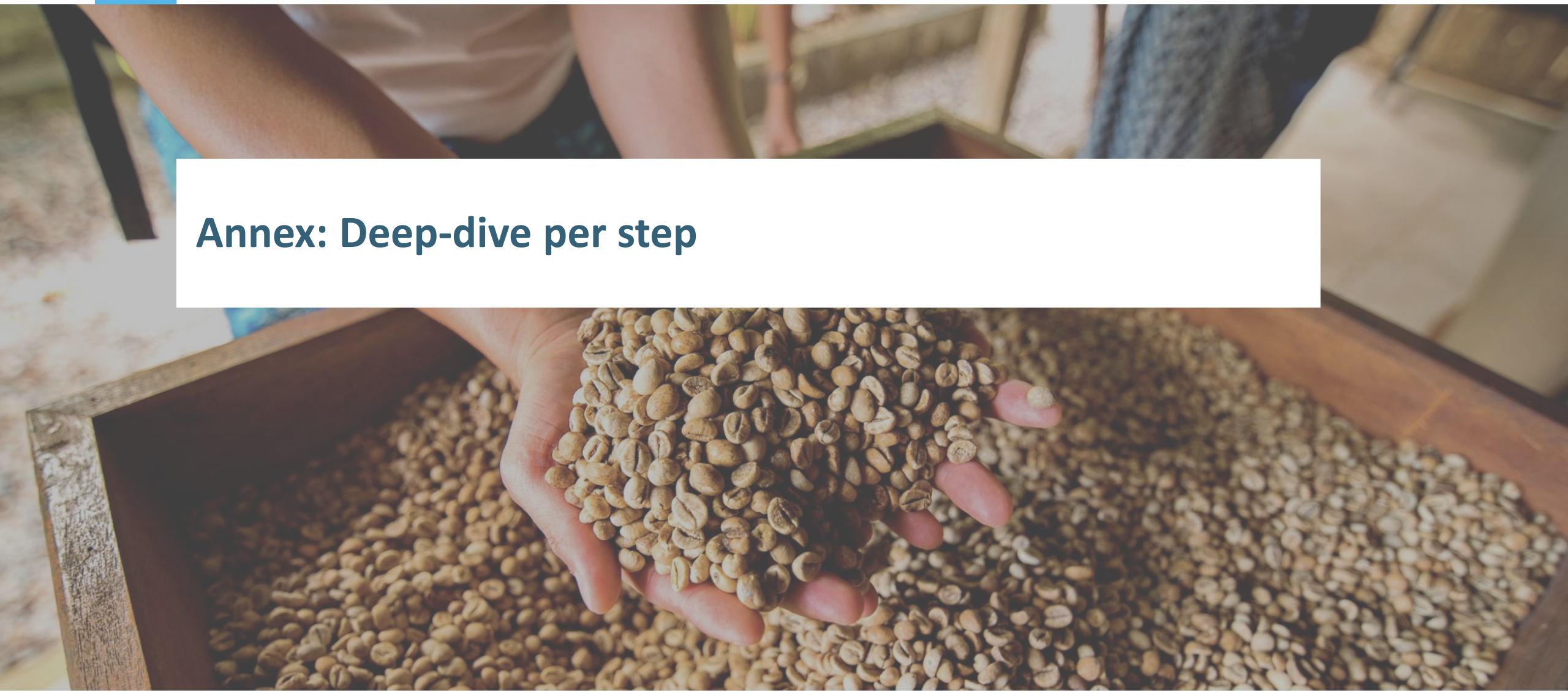
Contact us

We would be happy to support you, or brainstorm on the relevant options on a Living Income Benchmarking study for your situation.

Contact the Lead of our Living Income team, Daniel Viviers-Rasmussen, and we will set up a call with you – or take your question over email.

Daniel Viviers-Rasmussen
Lead Living Income work at NewForesight
Daniel.Viviers-Rasmussen@newforesight.com

Annex: Deep-dive per step



Several factors influence the choice of geographic location to conduct a Living Income Benchmark study

Deep-dive

Back to main step

1.1 Define geographical scope: Deep dive

Indicator	Explanation	Source
Region/Sub-region Population	This is the population of people living in the focus region including the target population. It provides general guidance on the size of the region in terms of people and helps one to probe further about potential differences of interest within the population.	The Global Data Lab
% of population in urban areas	This is the percentage of people living in urban areas of the focus region as compared to the total population. The estimate gives an indication of whether the focus region is rural, urban or peri-urban	The Global Data Lab
Household size	Household is the typical (average) number of people living in a household. In the focus region. It provides guidance on determining what the reference household size should be.	The Global Data Lab
International Wealth index (IWI)	The IWI is a stable and understandable yardstick for comparing the performance of societies with regard to wealth, inequality and poverty. It provides an indication of the standard of living of people living in the focus regions.	The Global Data Lab
Inequality score	This is measured by the Gini coefficient to express the level of inequality among residents of a particular place. It enables one to understand wealth distribution among a region.	The Global Data Lab
Number of target farmers	The is the number of target farmers in the focus region.	International agri-commodity organizations. National databases, Farmer associations and cooperatives
% of target farmers to residents	This is the proportion of target farmers as compared to the total number of residents in the focus region. It allows one to determine the extent to which the target crop is important in the region.	NA
Economic and cultural differences	Other information on factors such as culture, religion, gender and age distribution could influence the choice of a region to conduct a Living Income Benchmark	The Global Data Lab, National databases

A comprehensive stepwise approach is used to establish the cost of a low-cost but nutritious model diet for the focus region (1/4)

Deep-dive

Back to main step

What are the steps one needs to take in estimating a low-cost nutritious model diet?

5 steps to establishing a low-cost nutritious model diet:

1. **Establish the local diet with the help of a local nutrition expert**: Schedule an interview with a local nutrition expert (1-hour interview). The expert needs to be aware of national nutrition guidelines and knowledgeable of the food availability and preferences in the area of the study. You can use the Local Nutrition Expert Interview Template & Manual document to carry out the interview. Based on the information gathered from the interview, tailor the Food Price data collection form with the food items that are relevant for the field data collection. For each of the food groups, there is a minimum and maximum amount of food items.

2. **Build a 'cost framework' of food items based on national datasets on nutrition:** Collect the latest available data on commonly tracked food items (i.e. a 'basic' food basket) and their prices from national datasets.

3. **Consult with households the types of venues where they purchase food:** Establish which type of venues are to be surveyed. This is based on the geographical focus and the type of markets that are accessible to the target-group of the study. The latter information is gathered through the Cost-of-living survey.

4. **Collect food prices from 3 market venues:** A local consultant/local team is assigned with collecting prices for the defined food items in the relevant markets.

5. **Define model diet based on low-cost items :** Collect secondary data on the average adult male (or female) height for a country (links to the sources are provided in the tool). Collect secondary data on the nutritional values of the food items included in the calculations. Specifically, % protein, % fat, % carbohydrates, and percentage of edible part (links to the sources are provided in the tool). To normalize collected data, convert all food prices into $/kg.

A comprehensive stepwise approach is used to establish low-cost but nutritious model diet for the focus region (2/4)

Deep-dive

What constitutes a model diet?

NewForesight follows recommendations from the World Health Organization (WHO) and the Food and Agriculture Organization in defining the composition of a low-cost nutritious diet. However, the model diet must be consistent with local food preferences & food availability in the focus region where the Living Income Benchmark study will be conducted. According to the WHO/FAO, a nutritious model diet covers all food groups as outlined on slide . It should contain:

- 55%-75% energy from carbohydrates.
- 10-15% energy from high-quality proteins (animal-based proteins, pulses, legumes).
- 15-30% energy from fats.
- It includes cheapest foods in each food groups.
- At least 400 grams of vegetables & fruits per day (excluding starchy fruits and tubers).
- At least 56 grams/day for pulses, legumes & beans.
- Includes local preferences and takes into account local availability.
- Includes 15% additional cost to account for variability.

- A model diet does not include foods that are not in line with nutrition guidelines for healthy foods. These include alcohol, cookies, cakes, and soft drinks, as they are not commonly recommended in healthy diets.
- NewForesight's Living Income Benchmark tool does not require a user to carry out any analysis on the nutritional value of the diet. All the calculations are already built in the tool. The user will have an easy-to-read interface that will allow him/her to check if the diet meets the criteria.

There is a recommended number of food items selected to form a final model diet (3/4)

Deep-dive

What is the number of food items selected from the food groups?

Food group (with examples)	Number of food items included in the data collection form	Number of food items in the final model diet	Notes
Cereals and grains	2	1	Choose acceptable but inexpensive qualities on which to collect prices. Exclude grains that need grinding (wheat or maize) or husking (rice)
Prepared cereals	2	1	Depends on local food habits. Sometimes not included
Roots and tubers (starchy)	3	1	E.g. Cassava, potatoes
Starchy fruit or vegetable	2	1	Important in some countries only
Pulses, legumes, beans	4	2	Cheap source of quality protein (potential substitution for meat). Choose 1 or 2 inexpensive but common varieties
Dairy	1+1	1+1	Of which 1 is milk and the other is either cheese or yoghurt
Eggs	1	1	Cheapest variety
Meats	3	1	Most consumed varieties. Exclude if you are creating a vegetarian diet
Fish	2	1	Most consumed varieties. Exclude if you are creating a vegetarian diet
Green leafy vegetables (GLV)	4	1	E.g. kale, spinach
Other vegetables	5	3	In this food group, include also those vegetables that are used daily for cooking other meals (e.g. onion, garlic, tomato, peppers etc)
Fruits	4	1	Choose less expensive types (often seasonal)
Oils & fats	2	1	Most of the time cooking oil
Nonalcoholic beverages	1	1	Coffee or tea
Sugar	1	1	
TOTAL	38	19	

Considerable preparation is required to conduct an effective food price survey (4/4)

Deep-dive

Important considerations before a food price survey is conducted

Steps (for local consultant/local team):

1. Create a schedule to visit local food markets. The selection (& prioritization) of the venues to visit should be based on the information gathered from the *Cost-of-Living Survey* (regarding food buying patterns). (*see below the type of venues*)*

2. Commonly, allocating 2 full days is required to collect data from the identified venues. Expectation is to cover 2 or 3 open-air markets, 1 or 2 supermarkets, 1 small grocery store and 3 street vendors (or a similar mix of food venues). **IMPORTANT:** the venues to visit must be within the focus area of the study (urban, peri-urban, rural).

3. Not all data will be normalized to one common unit and ready to use. Hence, the last step is to ensure the collected data is provided in comparable units (e.g. LCU/kg).

Type of venues to collect data*

Read more

For a complete guide on how to conduct the Food Price Survey, please click here

Houses selected for a Living Income Benchmark study must follow the minimum international housing and local standards of decency (1/2)

Back to main step

What does a decent house consist of?

Adequate housing standards may vary depending on the region and setting. However, there are mandatory criteria that must be followed to select a house for a Living Income Benchmark study. In the attached link (see *Read More* below this slide), NewForesight presents the most common decent housing standard across the world in a tabular form summarized from the Anker Methodology Guidebook-Living Wages Around the World, Manual for Measurement (2017). In the table we categorize the criteria into two; (i) Mandatory and (ii) Additional to provide a guidance on the standards to choose considering the differences between urban, sub or peri urban and rural settings.

1. **Mandatory criteria** includes the standard that have to be met regardless of the place, setting, or context that a household inhabits. These are internationally recognized standards that aim to protect the health, safety and well being of families. The mandatory criteria focuses on overcrowding (having an adequate living space) and the protection from natural elements (having a permanent and durable structure).

2. **Additional criteria** are standards that are expected to be present, but the required minimum may not be met (to meet the decent housing standard a participant needs to meet 3 out of 4 of the additional criteria).

Read more

For a complete guide on Local decent housing guideline, please click here

Estimating the cost of decent housing constitute an important step in the Living Income Benchmark study (2/2)

Deep-dive

Important considerations before cost of housing survey is conducted

1. **With support of local partners and relevant organizations, identify participants to interview:** Via consultation and training of local consultants NewForesight can identify participants under the conditions that are relevant to the area and sector of the of study. In total, 15 households are surveyed to establish 1 Living Income Benchmark.

2. **Collect primary data:** NewForesight has developed a cost-of-living survey that guides interviewers on collecting on variables that constitute the cost of housing. These will generally include monthly cost of rent, electricity, water, cooking fuel, heating. In cases where the house is owned by the household and for which rent is not paid, data on the estimated cost of the building as well as the estimated useful life of the building are collected to determine the monthly cost of *ownership*.

3. **Assess condition of the house:** Based on the mandatory international and local standards, determine if interviewed participants meet the minimum standards of decency. This include verifying the wall materials, roofing materials, number of rooms, the household size, amenities, etc. To increase the number of participants that meets the minimum housing standards, NewForesight does this by verifying and validating data in real-time while the household survey is being performed (daily touch points).

4. **Estimate the cost of decent housing:** The cost of housing is calculated as the equivalent monthly cost to own or rent a house. To estimate the monthly cost of house *ownership*, different options are considered: (Option 1) What would it cost to rent a similar house in the area? ; (Option 2) What would it cost to rent a room in the area (multiplied by the number of rooms in the house)?; (Option 3) What was the cost to build the house? Adjusted for inflation and divided by the total expected years of service of the house (30 years).

The cost of living for a referenced household include family expenditure on essential needs besides food and housing

Deep-dive

Back to main step

What is the process for estimating Non-food, Non-housing (NFNH) costs?

Non-food, non-housing costs for a *Reference Household* include expenditure on health, transportation, education, clothing and on other essential needs depending on the focus region. For this estimation, a mix of methods of data collection is used:

1. **Collect data on the share of household expenditure:** National level data can be collected from the International Monetary Fund (IMF) global database on the share of household expenditure in the country of the study. If available, the share of household expenditure at a regional level is retrieved from national household surveys from the country of the study.

2. **Estimate NFNH costs:** NFNH are estimated using the food to NFNH ratio and the estimated cost of food for the reference family:

$$\text{NFNH costs} = \frac{\text{share of NFNH expenditure categories}}{\text{share of food expense}} \times \text{estimated cost of food for the reference family}$$

3. **Cross-check secondary and primary data:** Cross-checks are done against primary data collection, key NFNH data points are included in the cost of living survey. If necessary, adjustments may be included to contextualize NFNH costs.

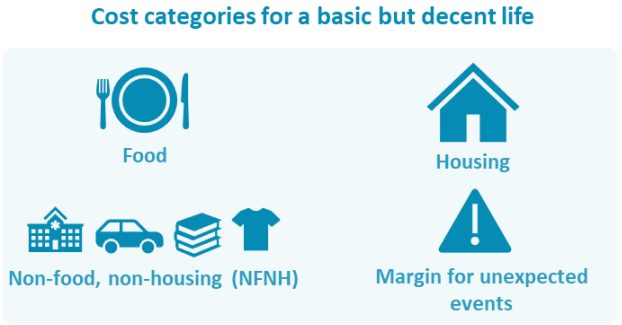
Annex: Living Income and Living Wage

While both living incomes and living wages benchmarks evaluate the same cost required for a family to afford a decent standard of living, there are some fundamental differences:

Living Income vs Living Wage

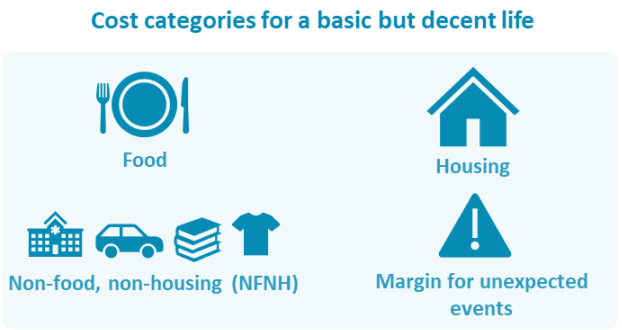
Back to main slide

Living Income =



The **Living Income Benchmark** is equivalent to the cost of living of a family

Living Wage =



÷ **Number of workers in a family** + **Taxes, fees and other deductions**

The **Living Wage Benchmark** accounts for contributions of all earners in a family. It is the gross remuneration workers should receive to afford a decent living standard.