

## 8. Post checks of non-food non-housing costs: Introduction

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### 8.1 Background

One hallmark of a living wage is that a worker and her/his family should be able to afford a decent standard of living and not have to live in poverty. For this reason, the preliminary estimate of non-food non-housing (NFNH) costs, which is based largely on spending patterns from secondary data, is checked to make sure that NFNH includes sufficient funds for health care and children's education because both of these are considered human rights around the world. A check for transportation expenditures is recommended when it is a major expense and the sum of percentages of household expenditures for food, housing, education, and health care is less than 60–70% according to secondary data and so NFNH expenditures (that are not based on normative standards) are greater than 30–40% of all household expenditures. Chapter 9 discusses health care post checks and Chapter 10 discusses education post checks. Appendix 8.1 provides a brief description of how to do a transportation post check.

We call these post checks, because they are done after a preliminary NFNH cost estimate has been made. These post checks use rapid assessment methods to collect primary data to estimate amounts needed for health care and education. When the amount from a post check is substantially more than the amount included for this in the preliminary NFNH estimate, NFNH is increased to make sure that there are sufficient funds for this. Adjustments are most likely to be necessary in countries and locations where school enrollment rates are low and public health care is poor and so locations where many people are too poor at present to exercise in practice their human rights as regards health care and education.

### 8.2 How Post Checks Are Done

**STEP 1:** Calculate the amounts implicitly included in the preliminary estimate of NFNH for health care and education.

The following equations are used to calculate the amounts for health care

*Table 8.1 Calculation of implicit amounts for health care and education in preliminary NFNH estimate. Used for post check*

| Expenditure group | % of expenditures for health care & education from household expenditure survey<br>(1) | % of all expenditure for NFNH after adjustments discussed in chapter 7<br>(2) | Proportion of NFNH for health care & education<br>$(1) \div (2) = (3)$ | Amount implicitly included in preliminary NFNH estimate for health care or education<br>$(4) = (3) \times$<br>Preliminary NFNH estimate |
|-------------------|--|---|--|---|
| Health care       |  |   |  |   |
| Education         |  |   |  |   |

and children's education included in the preliminary estimate of NFNH costs. Table 8.1 provides a dummy table for making these calculations.

*Implicit amount for health care in preliminary NFNH estimate = Preliminary NFNH estimate  $\times$  (% of expenditure for health care expenditure/total % for NFNH expenditure from secondary data after adjustments discussed in chapter 7)*

*Implicit amount for education in preliminary NFNH estimate = Preliminary NFNH estimate  $\times$  (% of expenditure for education/total % for NFNH expenditure from secondary data after adjustments discussed in chapter 7)*

**STEP 2:** Rapid assessment estimate of cost for decent health care and children's education through secondary school.

### 8.2.1 Health care

Information on typical health care needs such as frequency of illness and use of different health care providers should be based on secondary data and discussions with key informants, while information on the costs of visits to health care practitioners and pharmacies for fees, tests, and medicines for common illnesses should be based on primary data collected in the location. Rough estimates of the cost of typical health care needs of workers and families are made based on this information (see Chapter 9).

### 8.2.2 Education

Information on costs of educating children through secondary school is obtained from discussions with workers and key informants. Based on

this information, rough estimates of the cost of education are made (see Chapter 10).

**STEP 3:** Compare amount from rapid assessment to amount included in preliminary NFNH estimate and adjust NFNH when needed.

In step 3, results of the rapid assessments of typical health care costs for a reference size family and typical cost of children's education are compared with the amounts implicitly included for health care and education in the preliminary estimate of NFNH. When the amount implicitly included for health care or education in the preliminary NFNH is much less than the amount found in the post checks, adjustments are made to the preliminary estimate of NFNH. Note that adjustments to the preliminary NFNH estimate should be made only when reasonably large discrepancies are found because post checks are rapid assessments and so provide only approximate estimates of typical health care and education costs.

## APPENDIX 8.1 POSSIBLE RAPID POST CHECK FOR TRANSPORTATION

As discussed earlier, a rapid post check for transportation is recommended when transportation is a major expense for families, and the preliminary estimate of NFNH expenses are above 40% of all expenses.

To estimate approximate transport costs for a worker and her/his family, it is necessary to understand the transportation needs of workers and their families in terms of where they typically travel, how often they travel, and how they typically get there. Before doing this, it is necessary to decide whether workers need to own a private vehicle such as a motorbike – or it is acceptable/decent for a worker's family to rely exclusively on passenger transport. This decision should be based on the availability and cost of passenger transport, the cost of owning and operating a motorbike, and the extent of private vehicle ownership in the location. Passenger transport is usually assumed to be acceptable/decent for a living wage in developing countries.

### 1. Steps in Transportation Post Check

**STEP 1.** Gather information from socio-economic household surveys on ownership of motorbikes and typical means of transport in the area. Gather information from household expenditure surveys on expenditures for private vehicle transport and passenger transport.

**STEP 2.** Gather information from workers and key informants on frequency, cost, and most common means of transport to various places. Gather information from workers and key informants on what they consider to be basic travel needs for workers and families. Table 8A.1 is an example of a table that can be used as a basis for discussions with workers and key informants.

**STEP 3.** Set a standard as regards basic but acceptable means of transport based on steps 1 and 2. In most locations, workers earning a living wage would be expected to walk or use passenger transportation. However, in countries like Vietnam where motorbike ownership is common (87% of urban households and 76% of rural households own a motorbike), workers would expect to use a private motorbike for transportation.

**STEP 4.** Set a standard for how much travel a worker and his/her family needs for decency to different locations (see step 2).

**STEP 5.** Gather information on cost of passenger transport (and cost of owning and operating a private vehicle when necessary).

**STEP 6.** Calculate average monthly cost of transport for a worker and family based on steps 1–5.

**STEP 7.** Compare estimated cost per month for transportation from step 6 with amount included for transportation in preliminary NFNH estimate and make adjustments to NFNH estimate when necessary.

## **2. Discussions with Workers and Key Informants**

Discussions with workers and key informants are essential to determining local transport needs, expectations, and costs. They help in deciding on appropriate transportation needs and costs for workers and their families.

Discussions should identify places where workers and their families typically travel, distances from home to each location, frequency of travel to each location, type of transport typically used, and cost of round trip for passenger transport. Table 8A.1 provides a dummy table to help record this type of information.

## **3. Deciding on Appropriate Type of Transport**

Secondary data on ownership of motor vehicles and percentage of household expenditures for owning and operating private vehicles and passenger transport along with information from key informants and workers should provide a good sense of whether relying exclusively on passenger transport is acceptable in the local area. It is also useful to observe the type of transport workers use to go home from work at the end of the workday as well as the number of motorbikes parked at workplaces. Unless there is a strong reason to assume that it is appropriate for workers and family to use private vehicles, use of passenger transport should be assumed.

## **4. Calculating Transport Cost When Workers and Family Members Rely on Passenger Transport**

Cost of transport per month for a worker and his/her family using passenger transport can be calculated by summing up the cost of different types of travel (i.e. commute to work, visits to town, etc.) with the cost for each type of travel calculated by multiplying number of trips per month needed by cost per trip (Table 8A.2). The cost of round trip fares to various destinations should be determined independently.

## **5. How to Estimate Cost of Owning and Operating a Private Vehicle**

When the standard for transport set in step 3 is owning a vehicle, the cost of owning and operating a second-hand low-cost vehicle needs to

*Table 8A.1 Table for recording information on typical transport needs and typical passenger transport costs – based on focus group discussions with workers and other discussions with workers and key informants*

| Place<br>(nearest or most common)    | Distance<br>one way<br>(km) | Type of<br>transport<br>typically used <sup>a</sup> | Typical frequency<br>of adult travel<br>per month <sup>b</sup> | Typical frequency<br>of child travel<br>per month <sup>b</sup> | Cost per round<br>trip per person for<br>passenger transport | Comments |
|--------------------------------------|-----------------------------|---|--|--|--|----------|
| Work (e.g. plantation, EPZ)          |                             |   |  |  |  |          |
| Town or city                         |                             |   |  |  |  |          |
| Open air food market                 |                             |   |  |  |  |          |
| Grocery store                        |                             |   |  |  |  |          |
| Supermarket                          |                             |   |  |  |  |          |
| Primary school                       |                             |   |  |  |  |          |
| Secondary school                     |                             |   |  |  |  |          |
| Health facility                      |                             |   |  |  |  |          |
| Hospital                             |                             |   |  |  |  |          |
| Family in another 'home'<br>location |                             |   |  |  |  |          |

*Notes:*

<sup>a</sup> Indicate if most people walk, or use passenger transport (and which type such as minibus, bus, or train), or use own vehicle (and if so which type such as bicycle, motorbike, or car).

<sup>b</sup> Convert frequency into number of times per month when required.

Table 8A.2 Table for tabulating cost of passenger transport

| Reason for travel<br>(1)                       | Form of<br>transport<br>(2) | Number<br>of trips per<br>month per<br>adult <sup>a</sup><br>(3) | Number<br>of trips per<br>month per<br>child <sup>a</sup><br>(4) | Cost per<br>round trip<br>(5) | Total cost per month.<br>(6)<br>= # adults × (3) × (5)<br>+ # children × (4) × (5) |
|--|-----------------------------|--|--|-------------------------------|--|
| Commute to work                                |                             |  |  |                               |  |
| Shopping and other errands                     |                             |  |  |                               |  |
| Visits to family living elsewhere for holidays |                             |  |  |                               |  |
| Visits to nearby town for recreation           |                             |  |  |                               |  |
| Visits to health facility                      |                             |  |  |                               |  |
| Other typical transport needs (specify: _____) |                             |  |  |                               |  |
| Total  | X                           | X  | X  | X                             |  |

Note: <sup>a</sup> For frequency of travel, values should be prorated to number of times per month. For example, if there are three visits per year to family, this should be recorded as 0.25 visits per month.

be estimated. Information should be collected from local garages, vehicle salespersons, and drivers (see Table 8A.3). Life expectancies and maintenance costs should be estimated for a second-hand vehicle in good condition.

## **6. Possible Adjustment to NFNH**

The cost of transport needed by a worker and his/her family for a basic but decent life style based on rapid assessment should be compared to the amount for transport included in the preliminary estimate of NFNH costs. When the amount from the transport post check is much larger than amount for transport included in the preliminary NFNH estimate, NFNH should be adjusted. No increase should be made unless the difference is reasonably large, since the post check estimate of transport costs was approximate being based on a rapid assessment.



Table 8A.3 Monthly cost of owning and operating a common low-cost private vehicle

| Item                                  | Cost per event             | Frequency       | Estimated cost per month                     | Comments   |
|---------------------------------------|----------------------------|-----------------|--|--|
| Purchase price                        |                            | Once            | Cost/life expectancy/12                      | Use common acceptable inexpensive second-hand vehicle. Second-hand vehicles have lower life expectancy and higher maintenance costs than new vehicles. |
| Registration fees & taxes on purchase |                            | Once            | Cost/life expectancy/12                      |  |
| Helmet                                |                            | Once            | Cost/life expectancy/12                      | Use basic acceptable quality   |
| Annual insurance                      |                            | Annual          | Cost/12                                      | Often free in warranty period for new vehicle  |
| Checkup                               |                            | Every __km      | Cost × distance pm / # km per checkup        |  |
| Tires, front wheels                   |                            | Every __km      | Cost × distance pm / # km per tire           | Frequency of tire changes depends on distance driven   |
| Tires, front wheels                   |                            | Every __km      | Cost × distance pm / # km per tire           | Front tire often different than rear tire in # km before replacement and cost  |
| Oil change                            |                            | Every __km      | Cost × distance pm / # km per oil change     | More frequent for used vehicle   |
| Brakes                                |                            | Every __km      | Cost × distance pm / # km for brakes         | More frequent for used vehicle   |
| Chain                                 |                            | Every __km      | Cost × distance pm / # km for chains         | More frequent for used vehicle   |
| Springs/shock absorbers               |                            | Every __km      | Cost × distance pm / # km for spring         | More frequent for used vehicle   |
| Annual fees and taxes                 |                            | Annual          | Cost/12                                      |  |
| Other (specify)                       |                            |                 |  |  |
| Petrol                                | ___ per liter <sup>a</sup> | ___km per liter | Price per liter × distance pm / km per liter | Major expense. Use least expensive acceptable octane. Obtain average price over last 6–12 months   |
| Total                                 | X                          | X               |  | X  |

Note: <sup>a</sup> It is best to use an average price of petrol over the past year or over the past several months, because its price is volatile in nature.