



# IDH Recommendations for Quality Assurance

Living Wage Estimate Methodologies



# IDH Recommendation for Living Wage Estimates Quality Assurance

Following the advice of the ILO report dated March 2024, the revised IDH recognition process of living wage estimation methodologies includes a criterion concerning the methodology's Quality Assurance (QA) process. During the IDH recognition process, the need to provide guidance on what it is an acceptable QA process has been identified. This document provides a suggestion for such guidance.

## Current QA requirements

### IDH Criterion 12

**Quality assurance:** The benchmark organisation shall ensure that the methodology is verified by an independent party with no conflict of interest (based on the ILO principle, chapter 3 of the report from March 2024). The benchmark organisation shall describe its quality assurance process during the recognition process.

### ILO report from March 2024, Chapter 3

Living wage methodologies should follow a number of principles:

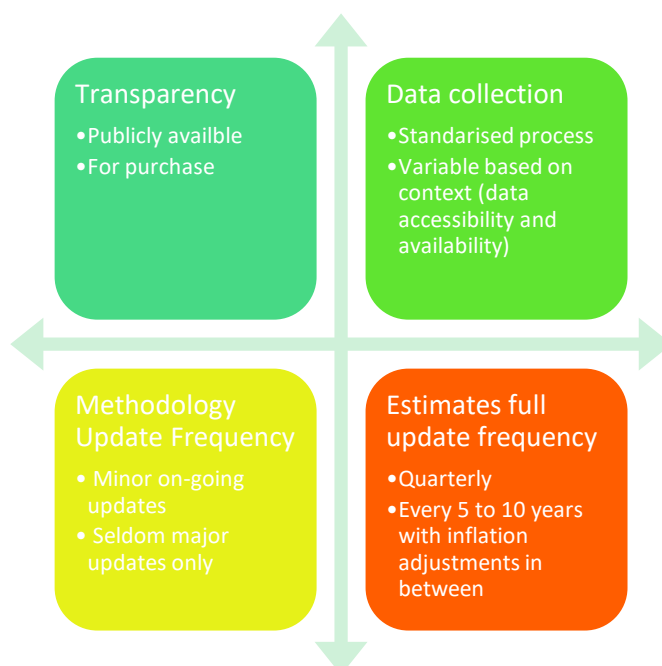
- (a) estimation of the needs of workers and their families through evidence-based methodologies;
- (b) consultation with representative employers' and workers' organizations on living wage estimates and involvement of social partners throughout their development, with a view to ensuring national and/or local ownership;
- (c) transparency, including details with regard to data sources and methods of processing, that are open to scrutiny, are comprehensive and replicable;
- (d) robustness of the data in terms of representativeness and transparent data collection methods;
- (e) timely public availability of the estimates, data and methodologies;
- (f) specification on whether estimates are gross or net, namely whether items such as social security contributions are included or not;
- (g) regular adjustments to consider changes in the cost of living and the patterns of consumption;
- (h) quality control, including sound technical review, validation, as well as periodic review for continuous improvements;**
- (i) promotion of gender equality and non-discrimination.



## Guidance Premises

The four variables below, to be taken into consideration for the QA process of living wage estimation methodologies, have been identified during the IDH recognition process:

1. **Estimates transparency:** estimates can be available for free, or only after purchase.
2. **Data collection:** the same process for data collection for all estimates can be used, disregarding of regional conditions, or data collection can be adjusted to the context and data accessibility and availability.
3. **Methodology update frequency:** methodology updates can be made on an on-going basis based on stakeholder feedback, or methodologies can only be reviewed after several years in order to ensure comparability between estimates.
4. **Estimate update frequency:** estimates can be updated on an on-going basis, or updated every few years with inflation updates in between.



## Recommended Guidance

### Quality Assurance of the methodology:

The QA process of the methodology shall at least:

1. Require the review and validation of the methodology by one or more independent parties after any changes on the methodology, including adaptations to a local context. For minor changes that do not include then modification of the calculation formulas, the scope of this validation can be restricted to the changes. This review shall include a validation of the methodological decisions made.
2. Include a process ensuring that the independent parties performing the methodological review have no conflict of interest.



3. Include the review of the adequacy of data collection, data analysis, stakeholder involvement and the quality and content of the estimate reports.

#### **3.1. Quality Assurance process of data collection:**

The QA of the data collection process shall ensure the quality and consistency of the data collection process including at least the verification of:

- The reliability of the secondary data sources, including the verification of the sample size
- The adequacy of the sampling methodology for the collection of primary data
- The proper selection of data collectors to ensure the absence of conflict of interest
- The availability and adequacy of data collection templates and tools to ensure data collection consistency
- The adequate training of data collectors to ensure data quality and reliability
- The verification of the consistency of the data collection process (area and sources of data collection)

#### **3.2. Quality Assurance process of data analysis and calculations**

The QA of the data analysis process shall ensure the quality and consistency of the data analysis process including at least:

##### For publicly accessible estimates:

- The internal review before publication of the data sources, the calculations and the results. This review shall include a comparison of the obtained values against values from previous years and adjacent regions (consistency) and with other available estimates in the region (comparability).

The review and validation of the estimates by an independent party after each estimate update cycle is recommended. This review can be performed on a representative sample of estimates. The review sample shall be decided based on the number of estimates, the nature of the update (inflation adjustment vs re-calculation) and the level of adjustments to local context of the methodology.

##### For estimates available for purchase:

- The internal review of estimates before publication of the data sources, the calculations and the results.
- The review and validation of the estimates by an independent party after each estimate update cycle. This review shall include a comparison of the obtained values against values from previous years and adjacent regions (consistency) and with other available estimates in the region (comparability). This review can be performed on a representative sample of estimates. The review sample shall be decided based on the number of estimates, the nature of the update (inflation adjustment vs re-calculation) and the level of flexibility of the data collection process.

#### **3.3. Quality Assurance process of the stakeholder involvement**

The QA of the stakeholder involvement process shall ensure a sufficient engagement of the stakeholders including at least:

- The review of the identification process of the relevant stakeholders.
- The review of the processes and systems used for stakeholder engagement.



- A process to continuously receive, review and respond to feedback from stakeholders. The review shall be performed at least quarterly and the feedback used in methodology updates.

#### ***3.4. Quality Assurance process of the estimate reports***

The QA of the estimate reports shall ensure that the estimate reports are complete, clear, consistent and timely and easily available to the users.