



Forest Stewardship Council®



Living Wage Auditor Guidance

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Living Wage Auditor Guidance

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The guide is a product of the Global Living Wage Coalition, to which FSC is a permanent member.

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Living Wage Auditor Guidance

Introduction

The Living Wage Coalition is a collaboration of six standards systems that operate under the ISEAL Alliance, including Fairtrade International, Forest Stewardship Council, GoodWeave International, Social Accountability International, Sustainable Agriculture Network, and UTZ Certified. The aim of the coalition is to facilitate improvement in wage levels for workers by advancing the process of calculating and adopting living wages at the farms, factories and organizations within their certification systems.¹ To this end, the coalition has supported the development of the Anker Methodology, a state-of-the-art approach for calculating living wages, and continues to expand the number of country-specific living wage estimates available.²

This guidance document is intended for use by certification bodies of these social standards systems in order to aid in the verification of payment of living wages where country-specific estimates have been prepared under the Anker Methodology. This document is intended to be complementary to the Anker's Manual for Estimating Living Wage and references several chapters of the manual. In the absence of a country-specific estimate using the Anker Methodology, please defer to the approach specified for use by each individual standard system; this guidance should be used in conjunction with individual standard system specifications to assist in assessing remuneration.

Definitions

The Living Wage Coalition defines **living wage** as:

“Remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs including provision for unexpected events.”

Remuneration is the compensation one receives in exchange for work or services performed and can include such items as: basic pay, cost of living adjustment, in-kind benefits, cash allowances, and more. Not all types of remuneration will be counted toward the living wage and this document will reference the Anker Manual guidance on this issue.

¹ <http://www.isealalliance.org/our-work/improving-effectiveness/global-living-wage-coalition>

² Anker, Richard and Martha. April 2015. The Anker Manual for Estimating Living Wage. This publication is a primary reference for this auditor guidance and will be referred to throughout this document both as the "Anker Manual" and the "Anker Methodology."

In-kind benefits are “goods and services furnished to employees free of charge or at markedly reduced cost that are clearly and primarily of benefit to the employee as consumers. They comprise food, drink, fuel and other payments in kind; and cost, other than capital cost, of workers’ housing borne by employers (cost for employer owned dwellings, cost of dwellings not employer owned, other housing costs.)”³

Common Methodology

In preparing this guidance document, the wage standards and guidance of the six standards systems were reviewed. While these standards may be subject to amendment or revision, at the time of publication, they were as shown in this table below. The main elements of each standard and its related guidance are also listed, indicating the commonalities between them.

Organization	Standard	Additional Guidance	Elements
GoodWeave	GoodWeave International Generic International Standard for Rug Producers Version 3.0, January 2016 B.3.b. All practices should conform with the relevant ILO standards (C95 and C131) and national law at a minimum. Wages and benefits paid should meet, at a minimum, national legal standards or industry benchmarks, whichever is higher. In any event, wages should also be enough to meet basic needs and to provide some discretionary income. Wages and benefits should be paid and in full compliance with all applicable laws, regularly and in a manner acceptable to both producer and worker.	B.3.b.1. If locally applicable minimum wages are less than a living wage calculated for this locality and/or industry, wages should at a minimum meet this living wage level. This is in accordance with guidance provided by GoodWeave on regularly reviewed and updated living wage benchmarks.	Basic needs and discretionary income Meet living wage benchmarks for locality or industry
Fairtrade / FLOCERT	Fairtrade Standard for Hired Labour, Current version 15.01.2014_v1.1 3.5.1 Your company sets wages for workers and other conditions of employment according to legal or CBA regulations where they exist, or at regional average wages or at official minimum wages for similar occupations,	HL standard_main changes_auditors_FI+CERT_02.pdf (Companies will calculate level of remuneration and gap with LW, and auditors will check accuracy of these calculations.) Negotiations on annual wage increases do not have to take	Meet living wage benchmarks as determined by Fairtrade

³ OECD. Glossary of Statistical Terms. In kind payments.
<http://stats.oecd.org/glossary/detail.asp?ID=2026>.

Organization	Standard	Additional Guidance	Elements
	<p>whichever is the highest, with the intention of continually increasing salaries.</p> <p>3.5.4. Wages and benefits must reach the living wage benchmarks as determined by Fairtrade International by annually increasing the real wages with increments negotiated with elected workers' representatives.</p>	<p>place every year, as long as real wages increase every year. [...] If wages are set at a regional or sector level in such a way that the gap with living wage is not closed by regular increments, the employer can satisfy this requirement by increasing other forms of remuneration as long as this is agreed by trade union/elected worker representatives.</p> <p>** Specific standard on housing as well.</p>	
FSC	<p>Principles & Criteria V5: 2.4 <i>The Organization*</i> shall pay wages that meet or exceed minimum forest industry standards or other recognized forest industry wage agreements or <i>living wages*</i>, where these are higher than the legal minimum wages. When none of these exist, The Organization shall through <i>engagement*</i> with <i>workers*</i> develop mechanisms for determining living wages.</p>	<p>Living wage: The level of wages sufficient to meet the basic living needs of an average-sized family in a particular economy</p>	<p>Meet industry standard or living wages, whatever is higher</p>
SAI	<p>SA8000 Standard 8.1 The organisation shall respect the right of personnel to a living wage and ensure that wages for a normal work week, not including overtime, shall always meet at least legal or industry minimum standards, or collective bargaining agreements (where applicable). Wages shall be sufficient to meet the basic needs of personnel and to provide some discretionary income.</p>	<p>SA8000 Guidance 2014 1. Although the standard's intent is the payment of a living wage, it recognizes that not all SA8000 certification applicants are able to immediately revise their wage structures. Consequently, a step-by-step approach is permitted as long as all of the following conditions are met by the time of initial certification: minimum wage laws are complied with; an analysis of workers' wage needs has been completed; and a target and strategy are in place to advance wages and show progress over time. The SA8000 certified facility must reach payment of a living wage by 18-24 months into their certification cycle depending upon its size and the gap between its current wages and the living wage.</p>	<p>Living wage</p> <p>Requires time-bound wage plan for ongoing wage increase if living wage not yet met.</p>

Organization	Standard	Additional Guidance	Elements
		** Additional Auditor Guidance provided.	
SAN	Sustainable Agriculture Standard, July 2010, V3 All employees working on certified farms, and the families that live on these farms, benefit from the rights and conditions established in the United Nations' Universal Declaration of Human Rights and Children's Rights Convention, and in the International Labor Organization's (ILO) conventions and recommendations. Farms pay salaries and benefits equal or more than the legal minimum, and the workweek and working hours must not exceed the legal maximums or those established by the ILO.	5.5 Critical Criterion. Workers must receive pay in legal remuneration greater than or equal to the regional average or the legally established minimum wage, whichever is greater, according to their specific job. In cases where the salary is negotiated through collective bargaining or other pact, the worker must have access to a copy of this document during the hiring process. For production, quota or piecework, the established pay rate must allow workers to earn a minimum wage based on an eight-hour workday under average working conditions, or in cases where these conditions cannot be met. ** Additional criteria for housing, potable water, medical services, and education.	Equal or greater than legal minimum.
UTZ	Core Code of Conduct Version 1.1, I.C.83 If there is a CBA in place, workers receive at least the agreed upon wage and/or in-kind benefits. If there is no CBA in place, the total remuneration (wages plus in-kind benefits) is assessed against the Living Wage. If the remuneration is below the Living Wage, actions are taken to increase it towards the Living Wage within a reasonable period of time.	The LW is defined per country and/or per region, to be found in the Cost of Living Wage Benchmarks. The actions to be taken if the LW has not yet been reached must be the result of consultation with workers' representatives and/or workers' organizations. The actions ensure that real wages gradually increase . ** Additional LW guidance document for sites.	Assessed to CBA or living wage benchmark. Requires wage plan for ongoing wage increase LW applied for individual farms, not smallholder groups

This table shows the broad similarities among wage standards as well as introducing the concept of wage improvement plans, addressed later in this guidance.

In addition to standards, it is important for the purposes of audit methodology to consider whether there are common site visits protocols. According to a review of the social standard systems' literature and existing auditor guidance documents, where available, no detailed auditor protocols for conducting a

payroll audit were identified that specified such things as sample size, months of payroll to review, or types of records to review. Instead, each certification body conducting audits for the standards systems will apply their own audit protocol, normally documented within internal training materials and tools.

In order to promote convergence around how wage standards verify wages, this guidance document suggests a common wage assessment methodology. The foundation of this methodology is derived from the customary assessment activities of worker and management interviews, document review, and observation.

It is expected that this methodology would complement existing audit protocols used by certification bodies and further their ability to assess living wages. Auditors should also reference any particular instructions from their standard system to take into account any variation in protocols.

Audit Preparation

The following information should be gathered and reviewed prior to the site visit.

Living Wage Estimate

For the purposes of this guidance document, auditors should have access to a living wage estimate conducted using the Anker Methodology and made available by the Global Living Wage Coalition.⁴ The living wage report should provide the following information that the auditor should flag for reference during wage verification activities:

- gross living wage estimate
- net living wage estimate
- discussion of common cash allowances and common in-kind benefits (meals, housing, transport) and their estimates
- discussion of common housing conditions for workers, to assist an auditor in comparing facility housing to that commonly available

These living wage estimates are specific to the region for which they were conducted and are not specific to any commodity or product being produced.

Auditee Data

In advance of the site visit, the auditee should be requested to prepare 12 months⁵ of payroll and timecard records for review, including all wage records, overtime and production records, and a list of cash allowances and in-kind benefits provided to workers. In addition, any collective agreements that are in place should be provided for review.

⁴ At the time of publication, these living wage benchmarks were available online at this address: <http://www.isealalliance.org/our-work/improving-effectiveness/global-living-wage-coalition>

⁵ If a longer or shorter span of records is required by the standard system, their protocol should be followed. 12 months is a generic recommendation in case other timeframes are not specified.

The auditee should be requested to make available all requested documentation on the day(s) of the audit visit, with relevant personnel present to review documentation and procedures with the auditor.

The following list of documents may be included in pre-audit communications from the certification body to the auditee with the aim of requesting that these documents be ready at the time of the field visit, and not necessarily sent in advance for review:

- Payroll and work hour records for 12 months, or the period defined by the audit, including:
 - Regular and overtime wage payment records
 - Time keeping records, including timecards, overtime registers and benefit registers (showing time taken for sick leave, maternity leave, vacation, etc.)
- Piece rate or piece work records, if applicable, for the past 12 months, or the period defined by the audit
- List of cash allowances, bonuses and in kind benefits offered
- Calculation of cost to employer for each of the in kind benefits
- Supporting proof of the cost to employer for provision of in kind benefit
- Evidence of payment of wages
- Collective Bargaining Agreements in force or under negotiation.

Legal Framework

In addition to the Living Wage Estimate report, auditors should prepare for the wage assessment by reviewing the following legal requirements for the country, region and sector of the auditee:

1. Legal minimum wage
2. Sector wage agreements, if any.
3. Legal limitations on in kind benefits, including:
 - a. Does the law place a limit on % of earnings that can be paid in kind?
 - b. Does the law require workers to agree to receiving in kind payment as partial payment of wages?
 - c. Are there other limits in the law, such as not allowing any part of minimum wage to be paid in kind, or limiting to specific occupations or industries?
 - d. Do laws require in kind benefits to meet a minimum standard, such as quality of housing or type of food?
4. Legally required bonus payments such as 13-month payments.

Audit Planning

Assuming that a payroll audit is already occurring as part of a certification system, given the additional requirements of assessing payment of a living wage, it is estimated that these activities will increase the payroll audit time by an additional $\frac{1}{4}$ to $\frac{1}{2}$ day, depending on availability of documentation and complexity of payroll system, among other factors. Time estimates for the purposes of audit planning will be improved as this guidance is field-tested. This is a recommendation and auditors should refer back to the certification

scheme audited for specific requirements, as they will vary based on the current auditing processes of each standard system using this guidance.

Audit Execution

During the site visit to the auditee, the auditor will carry out a range of verification activities including (i) management interviews, to understand payroll processes and how benefits and incentives are offered and awarded, (ii) document review, to assess remuneration, and (iii) worker interviews, to validate payroll records.

Management Interviews

It's important to have appropriate management personnel available during the audit to explain the payroll systems and answer questions regarding remuneration. This may be someone from accounting, human resources, or administration, depending on how the company is organized. It may be useful for the auditor to pick a sample worker and walk through their entire pay and hours worked record as an introduction to the payment systems.

Worker Interviews

In the context of wage analysis, worker interviews are used to validate information provided in the payroll records. Auditors conducting worker interviews should ensure that they are prepared to ask questions that will support payroll analysis, including adding appropriate questions to interview guidance or questionnaires.

As always, worker interviews should be conducted privately, without management present, and in a confidential manner. Because these interview questions focus on wages, individual interviews are preferable to group interviews.

The following questions and topics are examples of additional questions to incorporate into existing worker interview guidance or questionnaires to better understand worker remuneration in the context of living wages.

Wage knowledge

Ask about most recent payday. Ask for total amount received by worker and type of deductions made. Gauge whether worker understands payment method.

- Reported wages can be compared to wages recorded in payroll data to check for accuracy of pay records. Also, it provides insight into overall awareness of workers regarding wage payments; if they are transparent and understandable to workers. *Note: compare worker's reported gross pay with gross wages shown in payroll or compare net take-home with net pay, after deductions.*

If there is a Collective Bargaining Agreement (CBA) or wage improvement plan, gauge worker awareness of these agreements or plans.

Incentives and bonuses

If there are *production bonuses* offered, ask each worker how much they are typically able to produce during normal working hours at normal speed and skill.

- If representative sample workers can earn the production bonus on a regular basis, it will be appropriate to include it in the wage analysis.
- If representative sample workers cannot earn the bonus on a regular basis, it should not be included.

If *holiday or annual bonuses* are offered, ask workers whether they received it in the prior year, or when was the last time they received it. Determine whether they are linked to production performance, business performance or are given regardless of performance.

- If the representative sample received the bonuses and they are offered regardless of business performance, it may be included.
- If the representative sample of workers do not receive it or it is dependent on whether the company performed well, it should not be included.

Use of Benefits Offered

Ask workers which of the benefits offered they actually use. For example, do they use the on-site clinic? Does their family use the clinic? If so, how often? When was the last time the benefit was used?

- Simply making a benefit available to workers is not enough for it to be included in remuneration. The benefit should be used by the majority of the representative sample of workers in order to be included as part of remuneration for the purposes of living wage.

Document Review

Payroll Sampling

As requested prior to the audit, the auditee should have available 12 months of payroll records. From the 12 month sample, the auditor should select 3 months including one peak season month, one average and one low season for a total of 3 months of payroll.

For each of the three months of the sample, the auditor should complete the payroll analysis tool, including a sample of workers based on the following sample size unless otherwise instructed specifically on sample size by the standard system for which the audit is being conducted:

Size of Workforce	Payroll Sample Size
1 - 1000	30
1001 - 2000	40
2001 - 3000	50
3001 and over	60

A representative sample should be created with absolute inclusion of the *most important type of production workers in terms of number of workers*, in other

words, it should be checked that the production activity with the highest number of workers is proportionally represented in the sample group.

DOs and DON'Ts: What to include in the wage analysis⁶

- ✓ Include 13-month and other cash bonuses if they are guaranteed to all workers in the sample. They must be prorated over a 12-month period to be included in the monthly wage calculation.
 - Only count allowances received within one year; eventual payment of pensions or provident funds should not be considered.
- ✓ Include only the remuneration, inclusive of in-kind benefits that is received and used by the majority of the representative sample, and thus, most production workers in the organization.
 - Review company list of cash allowances and in-kind benefits to ensure that they can be included based on this requirement.
- ✓ Include only the remuneration that is received on a regular basis. If it is an irregular or one-off payment, it should not be included.
- X Do not include bonuses earned in overtime hours or payment for overtime work, as a living wage should be earning during regular work hours.
- X Do not include management or supervisor wages in the analysis. Limit the sample to production workers.
- X Do not include paid time off for holidays, annual leave, sick leave or maternity or paternity benefits. These do not add to the disposable income of workers.
- X Do not count voluntary deductions, such as savings accounts, as part of wage deductions. These are considered as similar to disposable income.
- X If production bonuses are awarded on an irregular basis, earned by only some workers, and require overtime hours to achieve, they should not be counted toward the living wage.

In kind benefits:

As explained in the Anker Manual, in kind benefits can often be an important part of remuneration received by workers:

“In kind benefits reduce the cash wage that workers require for living expenses. When workers receive essential goods and services such as free meals, free housing, or free transport to work, their need for cash income to support a basic but decent living standard is reduced. This means that it is appropriate to take into consideration a fair and reasonable monetary value for in kind benefits when determining if an employer pays a living wage.”

The Anker Manual provides a three-step process to estimate the value of in kind benefits as partial payment of living wage:

⁶ This list is derived from chapters 13-16 of the Anker Manual.

Step 1: Decide if the benefit qualifies

Should the in kind benefit be considered as partial payment of a living wage? To answer this question, review this list of acceptable in kind benefits and compare it to the list of in kind benefits offered by the facility. Only those deemed acceptable, with very few exceptions, would be able to be considered as partial payment of living wage.

In kind benefit as partial living wage payment

Acceptable	Not Acceptable
Meals at work	Visas/work permits for migrants
Food sold at concession rates	Clothing, equipment for work
Housing (including power, water, fuel)	Work related supplies
Transport to/from work	Dorms or housing for seasonal workers
Child care	Drinking water provided at work
School	Contributions to insurance req'd by law
Medical clinic/care not req'd by law	Paid leave: vacation, illness, maternity
Medical insurance not req'd by law	Charity not exclusive to workers

In addition to being acceptable as an in kind benefit, auditors should determine whether the following criteria are met for each in kind benefit under review:

Criteria for in kind benefits:	Yes	No
Does employer deliver the benefit at cost (or free) to worker?	<input type="checkbox"/>	<input type="checkbox"/>
Is this benefit received by workers on a regular basis?	<input type="checkbox"/>	<input type="checkbox"/>
Does this benefit meet minimum standards, if applicable? *	<input type="checkbox"/>	<input type="checkbox"/>
Is it of benefit and value to workers or their families and for personal use?	<input type="checkbox"/>	<input type="checkbox"/>
Does the benefit meet any legal restrictions in place?	<input type="checkbox"/>	<input type="checkbox"/>

** Where a standard body has provided criteria for determining the suitability of a benefit, such as a healthy housing standard, safe transportation requirements, or nutritious food guidance, these criteria should be used to assess whether the benefit meets a minimum standard. In the absence of such criteria, minimum legal standards should be referenced, where they exist.*

Step 2: Estimate monetary value

Each acceptable in kind benefit must have an estimated monetary value. There are several ways to estimate this value, including

1. the cost to the employer,
2. the cost to replace the item on the market), and
3. the maximum limit allowed by law.

The value used should be the LOWEST of these three valuations and should take into account these guidelines:

- The value assigned to the benefit cannot exceed the cost to the employer.
- It cannot exceed the replacement cost to a worker if they purchased on the market.
- Value cannot exceed the maximum limit allowed by law for that benefit.

Cost to Employer: In order to determine the cost to the employer, the auditor should review with the employer the methodology used to calculate the cost for each of the in kind benefits. Supporting evidence of the costs should be requested to validate the approach used in the calculation.

For example, if meals are catered by a third party, there may be a flat per person fee paid by the facility. This can be verified by reviewing the catering contract and receipts or cancelled checks to the catering company. However, if the facility employs kitchen staff directly and purchases food and kitchen supplies themselves, then those line item costs may be pulled from various sources, including payroll and operating statements.

Similarly, housing and transport may be managed by third parties or directly by the company. Auditors should refer back to the Living Wage Estimate report for research data on average costs for such benefits that may help to check alignment of costs for the facility in question. If appropriate, auditors should adjust the estimate to more accurately reflect the cost to employers based on the evidence provided.

Replacement Cost: Auditors may also use the data in the Living Wage Estimate report to understand the replacement cost to the worker if they were to purchase the item or benefit on the market. If the replacement cost is lower than the estimated cost to the employer, then this should be the number that is referenced by the auditor.

Legal Limits: Any legal limits for the value of the benefit should be reviewed but the lowest value of these three options should always be used.

Step 3: Ensure total benefits are within limits

The total estimated monetary value for all in kind benefits combined cannot exceed the maximum percentage limits allowed by law. In addition, the Anker methodology sets the following limits:

- All in kind benefits combined should not exceed 30% of the living wage.
 - An exception of 50% may be made in special situations, where employers are required by law or by circumstances (in the case of remote work locations) to provide workers and their families with all or most of their basic needs.
- This includes a maximum of 15% of living wage allowed for housing and a maximum of 10% for other benefits such as food and transport.

- The total value of in kind benefits counted toward partial payment of living wage should not bring the cash wage below the minimum wage where prohibited by local law.

Wage Improvement Plans

At the conclusion of the payroll analysis, the auditor should be able to determine whether all workers in the sample are earning a living wage and if not, the proportion that are earning less than or more than that amount. This information should be recorded as a baseline for creating a Wage Improvement Plan (WIP).

Where relevant, the facility should prepare a WIP as part of a corrective action in order to plan a timeline for reaching the living wage. At a minimum, this WIP should include annual increases in wages as agreed upon with workers, or their elected representatives, where applicable.

Wage Analysis Case Study

Kenya Flower Farm

This case study is a fictionalized payroll scenario based on benefits in the Collective Bargaining Agreement (CBA) between the Agricultural Employer's Association and the Kenya Plantation and Agricultural Workers' Union in 2013-2015, as reported in the Anker 2014 Living Wage report for Kenya with Focus on a Fresh Flower Farm area near Lake Naivasha.

The pay journal, record of employee benefits, and CBA for the Kenya Flower Company reveal the following information on the bonuses and in-kind benefits provided by the company:

- The legal minimum wage is Ksh 4,854 for agricultural workers.
- The CBA sets a higher wage rate of Ksh. 5,401 – 5,900 for new workers, depending on their job role.
- Housing allowance is provided to all workers: Ksh 1,700 per month.
- Farm provides transport bus for workers in lieu of cash allowance.
- Meals are provided from the canteen.
- Annual paid leave of 24 days is provided.

The auditor must now determine whether the benefits provided can be considered as partial payment of living wage for the purposes of verifying payment of living wage. To do this, the auditor must proceed with the 3-step process of the Anker methodology:

1. Decide if the benefit qualifies
2. Estimate the monetary value
3. Ensure total benefits are within limits.

First, to determine if the benefit qualifies, the auditor looks at the four benefits of housing, transport, meals and annual leave and makes the following determination:

- **Housing allowance** of 1,700 per month is provided to all employees, as required by the CBA. Because it is given to all employees on a regular basis and it is one of the eight approved types of in-kind benefits, it may qualify for inclusion in the wage analysis. But auditor must also consider whether the benefit meets minimum standards, if any are in place. After visiting the housing, the auditor doesn't note any sanitary concerns or apparent issues such as leakage or population crowding. With no flags raised around housing, the auditor decides it can be included in the wage analysis.
- **Transport** is made available by the company to all workers, but not all workers use it. The company has access to a bus usage report from the transportation service where it rents the buses. This report provides an average population of company workers that use the bus on a regular basis. The auditor concludes that approximately 70% of employees use the transportation. Having seen the transport buses dropping workers off, the auditor noted the vehicles appear similar to other transportation commonly on the road in the area. The company owns the buses and the auditor is able to review maintenance records for the vehicles showing they receive regular upkeep. With no flags raised around housing, the auditor decides it can be included in the wage analysis.
- **Meals** are provided in the company canteen by a hired catering service. The catering service is able to report the number of employees who eat meals in the canteen. The auditor concludes that 95% of employees use the canteen on a regular basis. The canteen has a sanitation certificate and visiting the kitchen during meal preparation shows staff wearing gloves and hairnets. The food being prepared appears to represent standard meals for the region. Because the majority of employees use the benefit and it is one of the eight approved in-kind benefits, the auditor decides it qualifies for inclusion in the wage analysis.
- **Annual leave** is provided as required by the CBA. However, the auditor cannot include this in the wage analysis because it is not one of the approved in-kind benefits, as it does not increase cash available to employees.

Having determined that 3 of the 4 benefits can be considered in the wage verification, the auditor can move to the next step.

Second, the auditor must estimate the monetary value of each benefit.

- The amount of the **housing allowance** is set by the CBA. Because this benefit is provided in cash, the value is assessed at the amount shown in payroll records as being distributed to employees, **Ksh 1,700 per month.**

- The amount of **transport** is not as clear. Because the company provides the service rather than an allowance the auditor will need to determine the lowest value of the following three cost estimates:
 - o the cost to the employer,
 - o the cost to replace the item on the market, and
 - o the maximum limit allowed by law.

Prior to the audit, the auditor requested that information on cost of providing benefits be prepared for the audit visit. Therefore, the auditor is able to review with the employer an estimated cost for the buses that the company owns, which is reported as Ksh 1,076 per month.

The auditor then looks at the replacement cost of this service to the worker. To get more insight on this topic, the auditor reference the Anker Living Wage Report for Kenya. It discusses the average cost of local transport for a worker and cites “around KSh30-50 one way from nearby townships and KSh60-100 one way to Naivasha city.” For 26 days of work per month, that would represent Ksh 1,560-2,600 from nearby townships and Ksh 3,120-5,200 from Naivasha city.

Finally, the auditor consider the maximum limit allowed for this benefit to be given in-kind under the law. There does not appear to be any such limit in Kenya.

Therefore, the auditor looks at the three cost estimates and the lowest is the cost reported by the company of **Ksh 1,076 per month**. This is the value the auditor will use in the wage analysis.

- For meals, the auditor again relies on documents prepared by the company in advance to demonstrate the costs they incur in providing meals. The company estimates their cost at Ksh 30 per day, per worker. Referencing the Anker Living Wage Report for Kenya, the auditor sees that the average replacement cost for a meal brought from home would be Ksh 35 per day. (Another alternative would be to check for cost of purchasing at a local vendor if any are present, but the meal should be similar to that available at the company canteen.) Seeing no legal limits, the auditor takes the lowest of the cost estimates at Ksh 30 per day, per worker. Based on 26 work days per month, this would be **Ksh 780 per month**.

The auditor is now prepared to complete the wage analysis spreadsheet using a sample of workers and completing the benefits section with this data.

ANNEX

Table: Maximum percentage allowed for in-kind benefits as partial payment of wage, 44 countries with a maximum percentage

Note: This is an index of laws, however, in alignment with this guidance and in accordance with the Anker Methodology, Value of in kind cannot exceed cost to employer or market value as counted toward a living wage.

Country	Maximum % allowed	Notes
Africa		
Angola	50%	Cannot exceed market value. Food, clothing & accommodation mentioned.
Botswana	40%	
Cape Verde	50%	
Chad	38% (see comment)	2 MW hours for daily rations & 1 MW hour for meal. Implies 3/8 of MW for one meal & rations for 8 hour workday.
Equatorial Guinea	50%	
Eritrea	20%	
Guinea Bissau	50%	
Mali	38% (see comment)	2.5 MW hours for food & 0.5 MW hour for lodging. Implies 3/8 of MW for 8 hour workday.
Mozambique	25%	
Sao Tome and Principe	50%	
Senegal	38% (see comment)	2 MW hours for daily rations & 1 MW hour per meal. Implies 3/8 for one meal & rations for 8 hour workday.
South Africa	20% (agriculture)	10% for food; 10% for accommodation. For agricultural workers.
Tanzania	68% (domestics)	For domestic workers
<i>Average (N=13)</i>	<i>41% (40% median)</i>	
Arab States		
Bahrein	25%	For housing. Only housing allowed.
<i>Average (N=1)</i>	<i>25%</i>	
Americas		
Argentina	20%	
Brazil	70% (of MW)	
Canada (Manitoba)	20% (see comment)	Meal valued at \$1; lodging valued at \$7 per week. 20% assumes lodging & 1 meal pd. MW was C\$10 then.
Chile	50%	
Colombia	30% (of MW)	Food, clothing and lodging mentioned for all workers. Fuel,

Country	Maximum % allowed	Notes
		crops also mentioned for agricultural workers.
Costa Rica	33%	Food, clothing and housing mentioned
Dominican Republic	50%	
Ecuador	25%	
Guatemala	30%	Cannot be more than cost to employer. Food mentioned.
Honduras	30%	Cannot be more than cost to employer. Food and housing mentioned.
Mexico	50% (domestics)	
Nicaragua	50%	
Panama	20%	
Paraguay	30%	Also 60% for domestics
<i>Average (N=14)</i>	<i>36% (30% median)</i>	
Asia		
Cambodia	20% (see comment)	Varies with distance from MW: 0% if MW or less; 20% for 1-3 MW; 30% for 3-10 MW; 50% for >10 MW. Health care not allowed.
Fiji	15%	5% for housing; 5% for food; 15% for board, fuel, light and accommodation.
Indonesia	25%	
New Zealand	20%	15% board; 5% lodging. Cannot be more than cost to employer.
Papua New Guinea	50%	
<i>Average (N=5)</i>	<i>26% (20% median)</i>	
Europe		
Azerbaijan	50%	
Belgium	40%	
Greece	10-15%	
Hungary	20%	
Netherlands	30% (domestics)	
Portugal	50%	Cannot be more than market value
Romania	30%	
Serbia	50% (domestics)	
Spain	30%	
Russian Federation	20%	
Ukraine	30%	
<i>Average (N=11)</i>	<i>33% (30% median)</i>	
WORLD (N=44)	35.5% mean 30.0% median	Only 2 countries <20% & 2 countries >50%

Notes: MW indicates minimum wage.

In addition, 16 countries (approximately 10% of countries for which we have information) do not allow in kind benefits to reduce wage received in cash to below MW. This has the effect of limiting the amount wages paid in of in kind benefits for many workers.

In addition, specific monetary values for in kind benefits are indicated in statutes in some countries (e.g. Burkina Faso, Comoros, Mali, Cameroon, Canada (Manitoba), United States (California, Connecticut, New York), Pakistan, Seychelles, Netherlands, United Kingdom).

Setting specific amounts for different in kind benefits limits the total value of in kind benefits. For example in Connecticut, full meals are valued at \$0.85 and light meals are valued at \$0.55; in California, breakfast is valued \$3.26, lunch at \$4.47, and dinner at \$6.01. Value of in kind cannot exceed cost to employer in some countries (e.g. Guatemala, Honduras, Maryland in United States, New Zealand, and Seychelles). Value of in kind cannot exceed market price in some countries (e.g. Afghanistan, Portugal, Angola, California in USA, Fiji).

Sources: Anker and Anker, 2015a.