



Measurement Approaches in Living Income
Monday 7 April - 2:00 pm UTC

Agenda

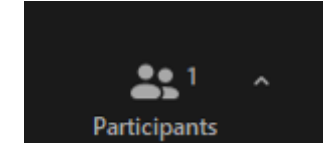
- › Welcome / Housekeeping
- › Intro to measurement decisions, LICOP
Frequently Asked Questions (FAQ) and Aligned Inclusive Living Income Narrative and Indicators
- › Focus on three topics
 - Cost of production
 - Non-focus crop/source income
 - Illustration of results
- › Q&A
- › Close



Session Guidelines

RECORDING

- This session is being recorded and this will be shared with all participants on the Living Income webpage in the upcoming days .



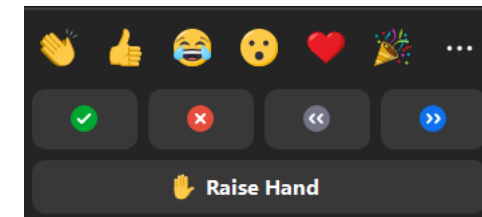
INTRODUCE YOURSELF

- Edit your name and add your organisation in brackets; e.g., [Carla \(ISEAL\)](#)
- To do this, simply click on the “Participant button”
- Next, in the Participant list, next to your name click on “Rename”



HOW CAN I ASK A QUESTION/COMMENT?

- Attendees will remain muted during this session
- Please use the Q&A box to ask your questions
- If you see a question you are interested in, you can ‘vote’ for it rather than asking it again
- There is a dedicated Q&As slot after the panel discussion



TECHNICAL DIFFICULTIES?

Reach out to [Mariana Bastos](#) in the chat box or to livingincome@isealalliance.org

Supported by the



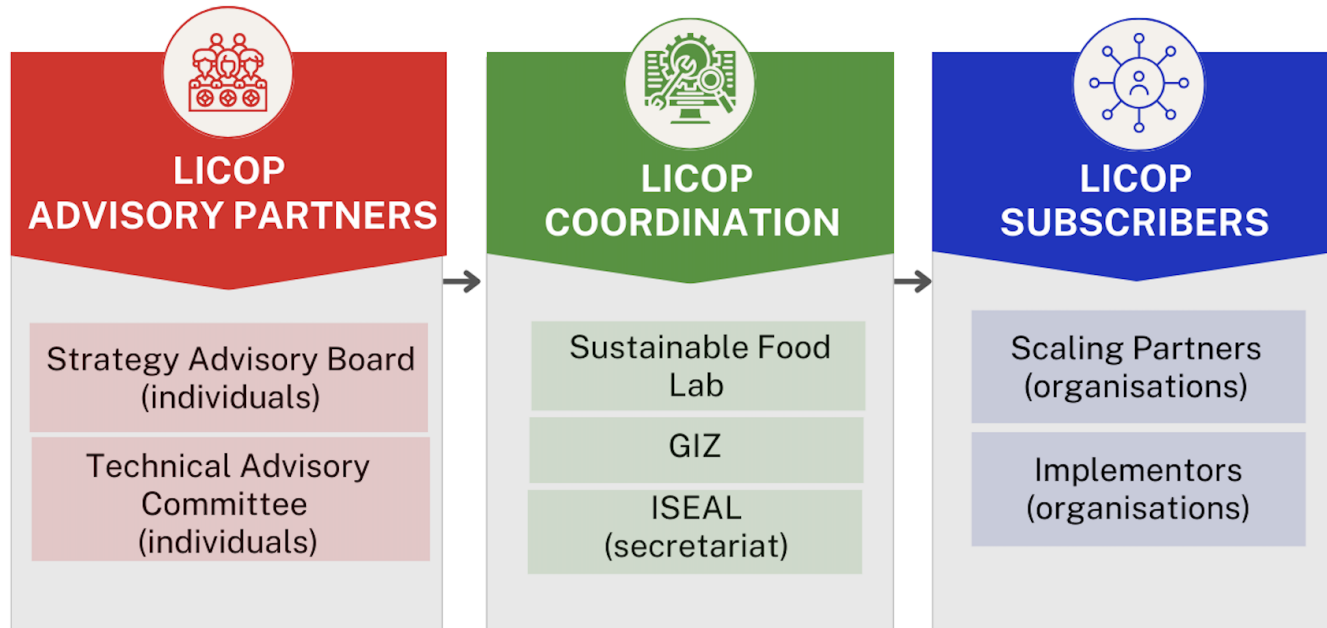
Implemented by



Role of the Technical Advisory Committee (TAC)

Identify the direction, priorities, and components of LICOP's technical work, providing a backstop for the technical guidance and resources we produce.

LIVING INCOME COMMUNITY OF PRACTICE



Key activities

- Review and provide input on guidance documents / tools for living income measurement
- Produce and publish guidance documents / tools for living income measurement

TAC philosophy

We aim to meet organizations and individuals where they are in their living income journey, capacity and role.

LICOP creates firm guidelines around the concept within which we provide guidance on a range of methodological choices to fit the range of needs of LICOP members.

Two key resource documents

Income Measurement Frequently Asked Questions (FAQ)

Supports users to identify an approach to measuring incomes and the income gap based on use case and resources



Aligned Inclusive Living Income Narrative and Indicators

Provides aligned indicators for living income measurement and reporting as well as a template to label methodological decisions for publication with the study



Study design reflects use case

Use Case: Your use case is your **intended purpose** for measurement, or in other words your **objectives and key intended uses** for the data

Within these broad categories, specifically, what data do you need for decision-making?

Purpose



Type of Study

- | | | |
|--|--------|--|
| › Assess needs and prioritize interventions | -----› | › Living income gap hotspot analysis |
| › Understand current state and key challenges | -----› | › Baseline assessment and diagnostic |
| › Understand how interventions are moving income drivers | -----› | › Progress toward narrowing the income gap |

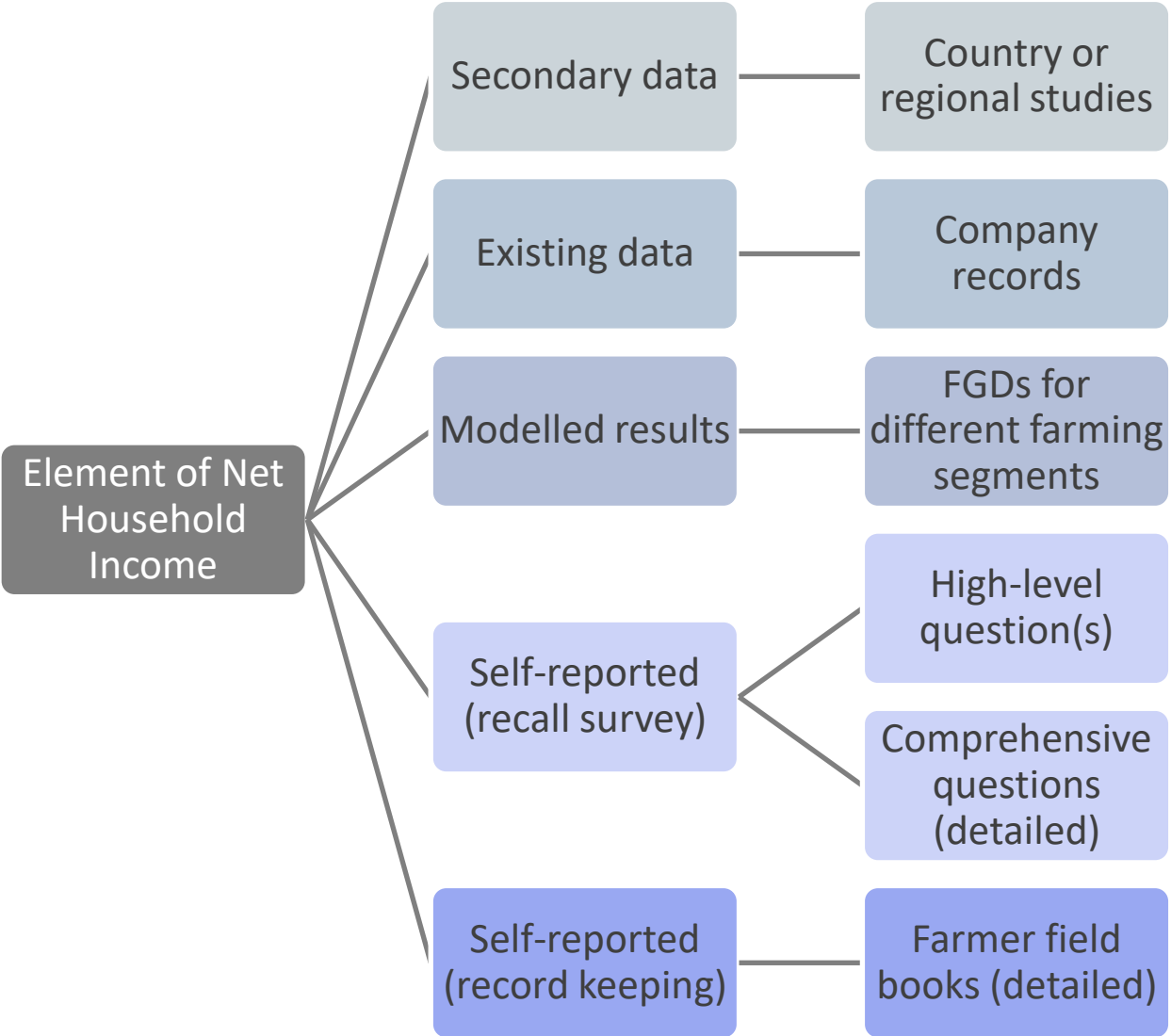
Study design reflects capacity

Capacity: elements that affect the ability to conduct the study

- › Budget
- › Time constraints
- › Access to and relationship with target households
- › Existing data

Methodological decisions fulfill the use case within the study capacity

Different decisions can be made for different elements based on how the data will be used



Our Speakers



Adrian de Groot Ruiz
CEO & Co-founder
Impact Institute



Vaibhav Panpaliya
Better Income, Senior
Innovations Manager
IDH



Anna Laven
Associate, Senior
Researcher and Advisor
KIT

Cost of Production

CoP is a critical input to understanding income from the target crop / target income source.



Key Challenges:

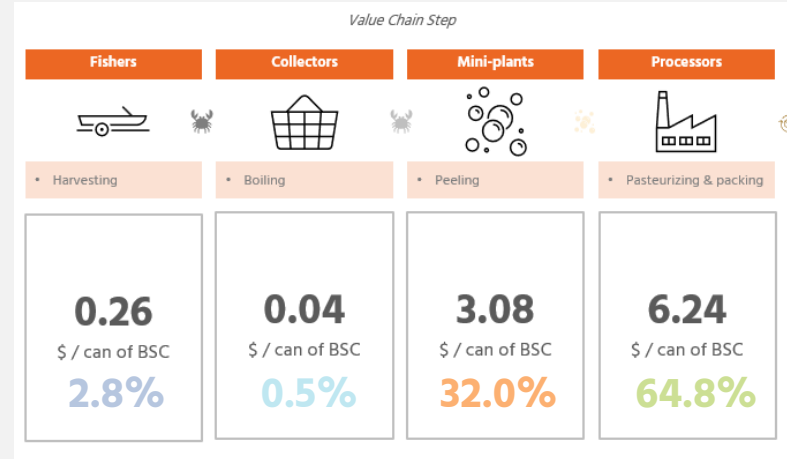
- Time consuming
- Farmer recall can lead to inaccurate data
- Actual cost of production may not reflect sustainable cost of production

Value Distribution across Fish Supply Chains



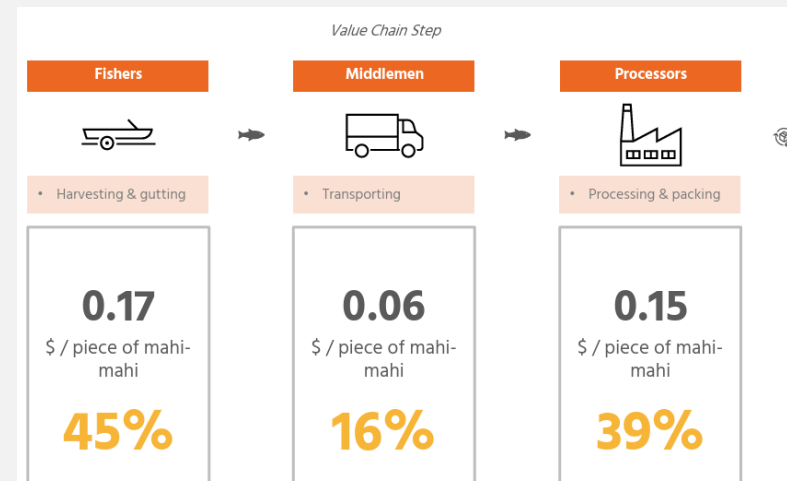
Blue Swimming Crab (BSC) from Indonesia

Fishers earn less than 3% of the value of a can of BSC



Mahi-Mahi from Peru

Fishers earn 45% of the value of a frozen mahi-mahi filet



Calculating cost of production





Cost Calculation BSC

- Fixed cost; trap or gillnet
 - Depreciation costs (based on lifetime of traps/gillnets/buckets) and maintenance costs
- Variable cost; boat, personnel, bait and fuel
 - Dependent on number of trips; Peak season, medium season, famine season

Main statistics per gear type

All provinces (average)

	Fixed costs	Variable costs
Trap		
 76%	324 \$/ year	1,301 \$/ year
Gillnet		
 24%	549 \$/ year	685 \$/ year



Cost Calculation Mahi-Mahi

- Cost per trip; fishing gear, fuel and bait
- Number of trips per year

Main descriptive per port

	Paíta	Ilo	Pucusana
<u>Number of trips per boat per year (#)</u>	12	8	8
<u>Crew members per boat per trip (#)</u>	8	5	5
<u>Trip costs (\$ per trip)^d</u>	7,954	1,693	3,500
<u>Yield (kg landings per trip)</u>	6,878	2,676	1,978
<u>Average yearly net income (\$)</u>	4,314	3,974	2,025

Main limitations:

- No primary data available; cost figures based on secondary data sources and case studies
- Strong assumptions made to use available data points to fill data gaps; e.g. assumption of similar values for different regions





Thinking in key income drivers...

Actual HH income measurement based on 5 income drivers and sub variables



LAND

Farm Size of Focus
commodity

Total Farm size



VOLUME

Quantity produced

Quantity sold

Quantity consumed

Quantity lost



PRICE

Price of focus crop



COST OF PRODUCTION

Labour cost

Input cost

Other costs
(Transportation, Storage,
Marketing etc)



DIVERSIFIED INCOME

Income from other crops
(Secondary, Tertiary &
Others)

Livestock income

Other off-farm income

General farm costs



Cost of Production – Focus crop (Cotton)



Input

Seeds

Fertilizer

Chemicals



Nutrient Management

- Soil-based nutrient application
- FYM
- Biofertilizers

Pest Management

- Pest and Disease
- Herbicides
- Traps



Labour

Permanent / Seasonal

Activity-wise (sowing)

Labour for harvesting



Labour and other costs for:

- Land preparation
- Seeds sowing
- Intercultural operations



Other costs

Irrigation

Energy

Storage & Transportation

Drying and Marketing

Equipment & Loan cost



Transportation and other costs like :

- Gunny bags/plastic sheets
- Maintenance and operation of equipment
- Cost of leased/rent of land and
- Soil & water testing
- Loan for inputs

Equipment Costs (Rent)

- Mini-tractors
- Hand-weeders
- Bio-input preparation equipment

Cost of production

- Recall of production costs
 - Labour and material costs
- To mitigate inaccuracies, we ask for details
 - Type of labour (household labour, versus hired, communal labour)
 - Days of labour per activity (e.g. harvesting)
 - Material costs: tools, equipment, inputs, transport, land, loan, insurance and taxes
- Cost of production serves two purposes
 - Calculate incomes and living income gap
 - Generate data on cocoa investments
- Lesson for methodology: simplify and ask labour in days only



Non-focus crop / target source income

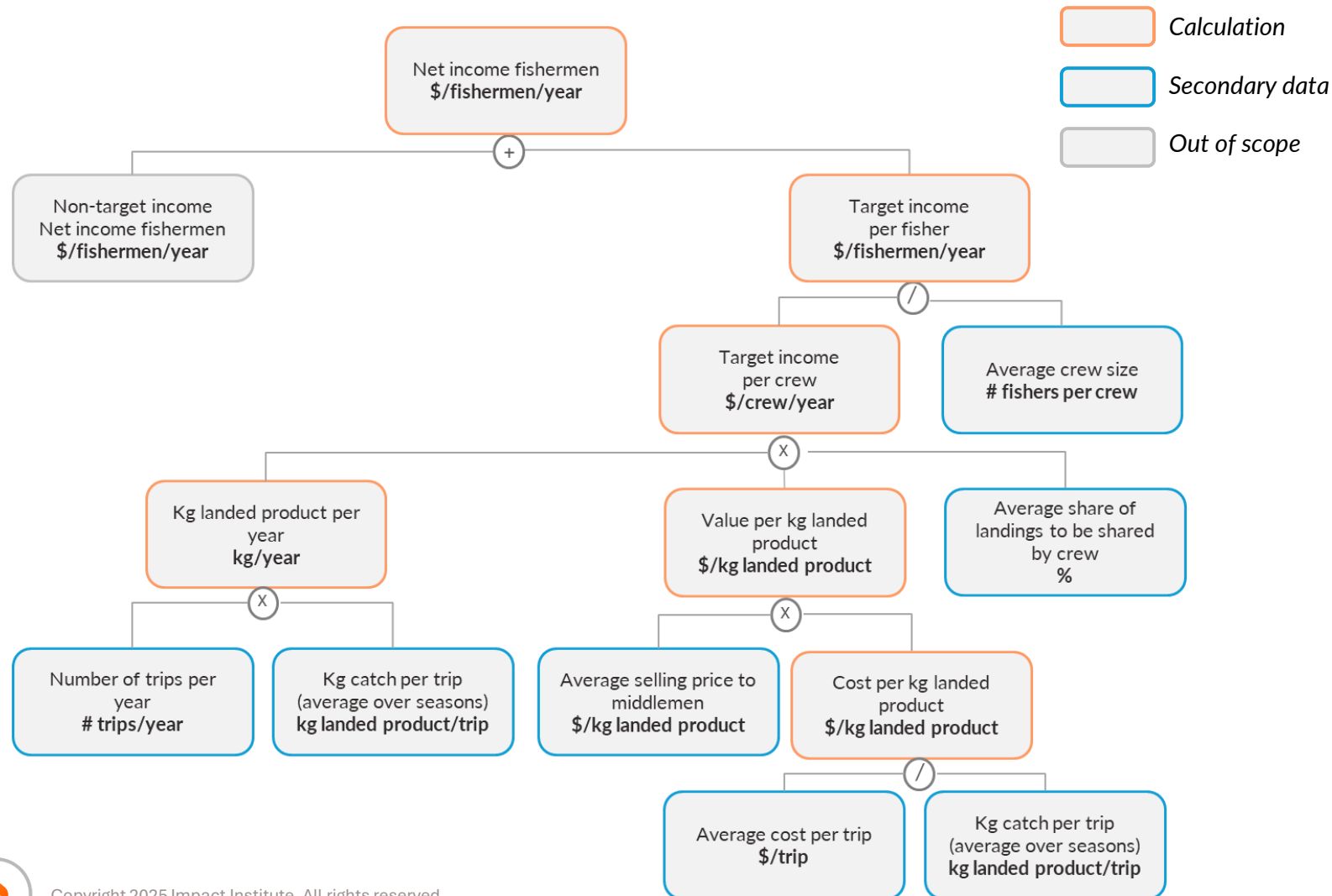
Non-focus income is critical to building to net household income and comparison to the living income benchmark. It can help us to understand the household reliance on the target income source and options/opportunities to improve household income.



Key Challenges

- Can be very detailed
- Can make a survey exceptionally long
- Farmer recall may lead to inaccurate data
- Data may not be used in the detail it is collected

Methodology



This study:

- Primary income: target income is calculated based on total catch, selling price and costs. Income is divided between the fishers within one crew.
- Non-target income: out of scope due to insufficient data available
- Seasonality: taken into account in the calculation of number of trips and catch per trip

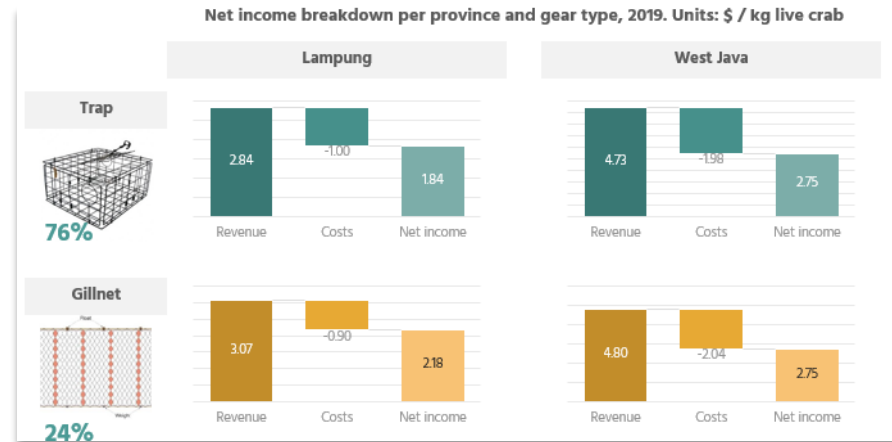


Calculating income values



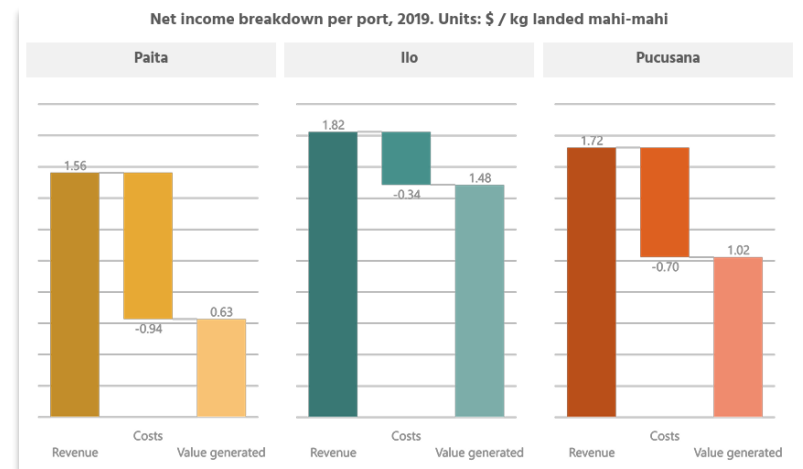
Income calculation BSC

- Yield per year (kg live crab)
- Profit per kg (\$ per kg live crab)
- Other income sources are out of scope due to limited data



Income calculation Mahi-Mahi

- Yield per year: average kg per trip x number of trips a year
- Profit per kg landed mahi-mahi; It is assumed that boat owners receive 50% of the profits and fishermen share the other 50% of the profits equally among the crew
- Other income sources are out of scope due to limited data



Main limitations:

- No primary data available; income figures based on selling prices and cost estimates
- Non-target income sources are out of scope due to lack of data. E.g. Mahi-mahi fishermen fish for jumbo flying squid, shark, and skipjack tuna in other months of the year, but this is currently not included in the income assessment





Diversified Income / Non-focus crop income (for Cotton)



Income from other crops

Income from first other crop (Secondary crop)

Income from second other crop (Tertiary crop)

Income from all other crops



Income from intercrops

- Soybeans, Maize, and Oilseeds

Income from other crops

- Paddy, Red gram, Chilli
- Wheat, Jowar, Pearl millet
- Papaya, Banana, Sugarcane



Livestock Income

- Cow / Buffalo (Milk production)
- Goat / Sheep (Rearing)
- Bullock cart (Transportation)
- Poultry



Off-farm incomes sources like:

- Business
- Salary job
- Wage
- Renting farming equipment
- Other income sources (land rent, Govt. transfers & schemes, TA services and remittances)



Livestock

Revenue from Livestock (all categories)

Labour cost

Other costs (input, medicine, etc)



Other off-farm income & costs

Non-farm enterprises, off-farm labour, others

Equipment & Loan cost*

Non-cocoa income

Minimum: base non-cocoa income on estimated share of cocoa income (%)

Take into account

- Type of landscape
- External factors that affected production

Recommended

Include two main crops sold

- Total incomes
- Total costs

Two respondents, of which one more informed about other income

Lesson:

- It remains important to also ask for the share of cocoa income as part of total income (triangulation)
- We gave respondents the option to answer questions in their preferred unit (e.g. days/months/year). There was a lot of variation in answers. The different units of analysis make it more difficult to filter out errors
- To improve: incorporate calculations in survey, so the enumerator can double check.
- Cleaning of raw data is key and training of data collection partners

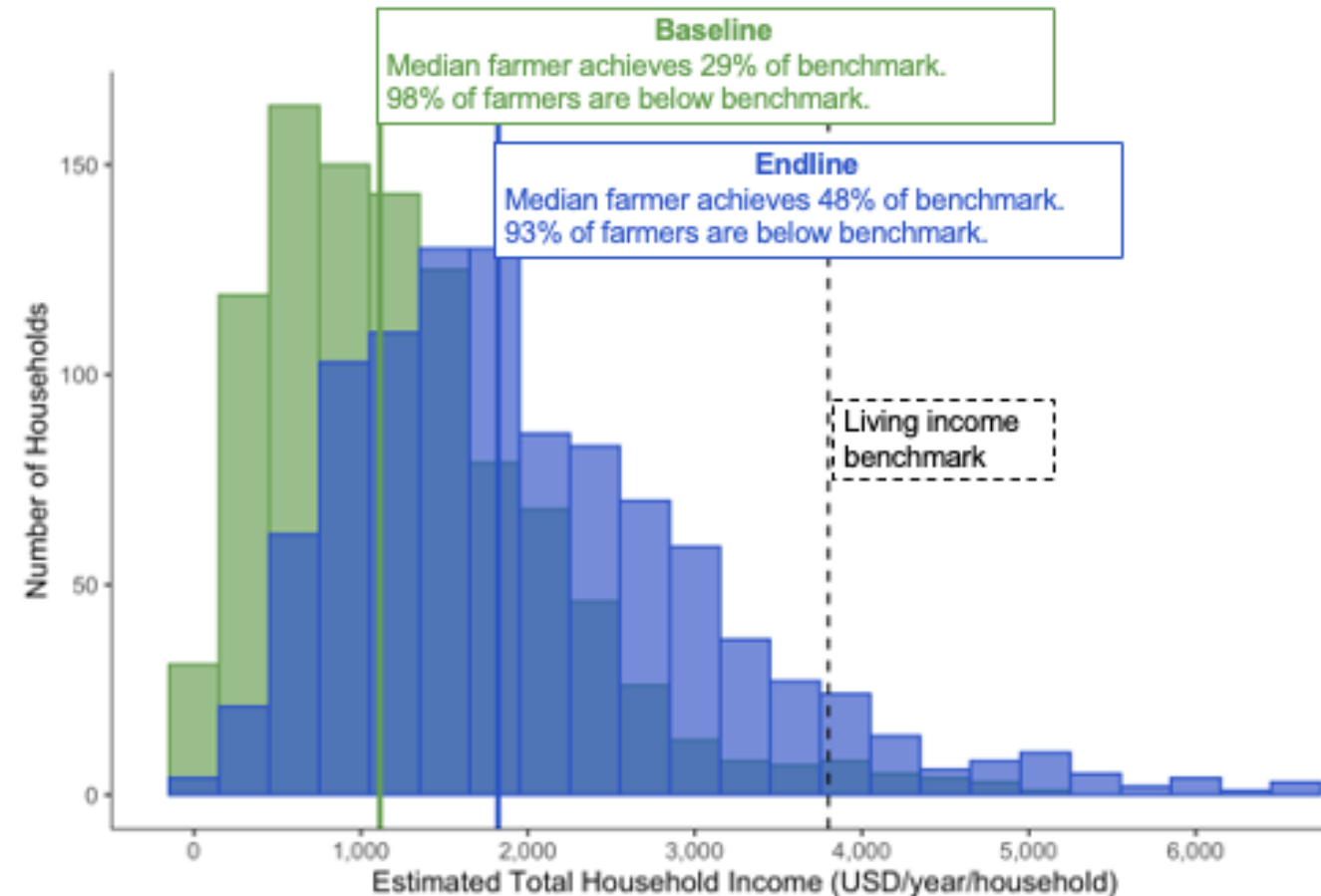


Illustration of Results

How the story is told is often just as important as the data collected and the actual results.

Key Challenges

- **Highlighting the % of households above the LI benchmark** can incentivize a shift away from farmers who may not reach a living income b/c of external factors
 - **Instead:** focus on progress in the share of the benchmark earned
- **Using the mean often presents a skewed picture**
 - **Instead:** use the median to show the baseline and progress for the “typical” or median farming household
- **Increasing net household income is a long-term goal:**
 - **Instead:** Also highlight progress in key income drivers that are intended to be affected by the program as a path toward narrowing the living income gap

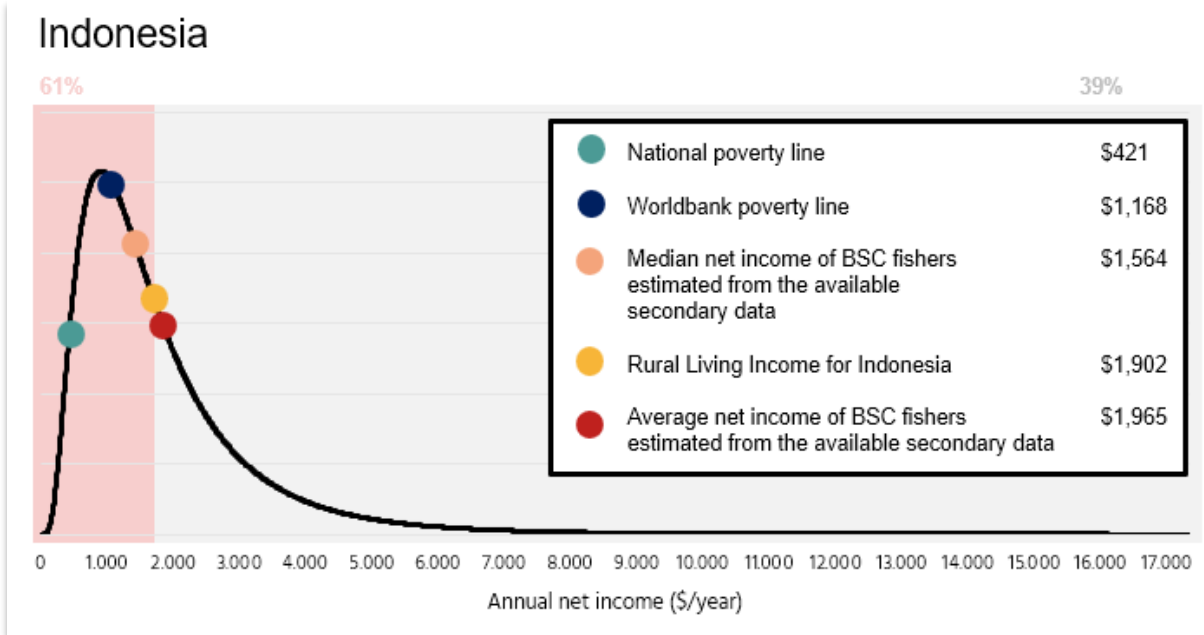


Results: income distribution of fishers



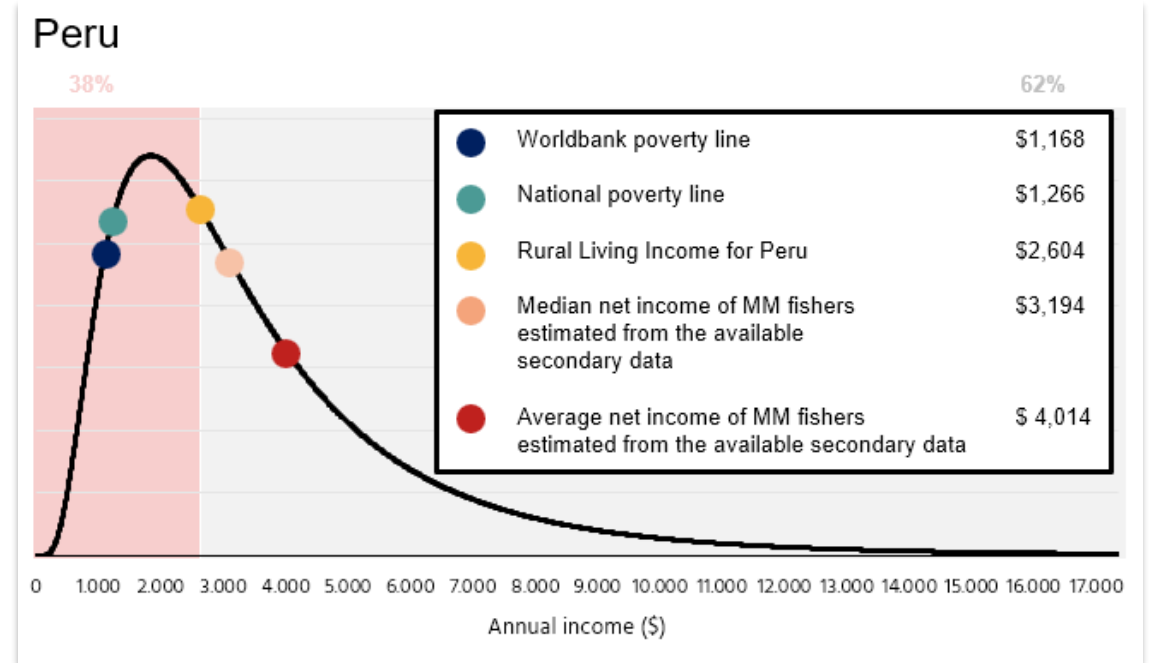
Income distribution fishers BSC

BSC fishers in Indonesia earn on average 31% more than the national living income. However, most fishers (61%) earn below national living income for a rural family.



Income distribution fishers Mahi-Mahi

38% of Mahi-Mahi fishers earn below a rural living income



Ensuring information leads to intended improvements

- Measurement of living income
 - Distribution of income and living income gap
 - Total living income gap vs % on living income
- Measurement of impact intervention/business
 - Use reference scenario so that also marginal impact can be seen
 - Use non-linear well-being functions
- Design of interventions
 - Designs that channel funding to households in largest need
 - Take realistic minimum productivity levels into account





Illustration of Results



The
Com

Go back to
overview

Calculation sheet

In this tab, you can view the calculations for the income indicators based on survey data. Use the first set of tables (Part 1 & 2) to calculate and which is also needed for further calculations is presented in Column D. Refer to the third table (Part 3) to perform the final

Income driver calculation

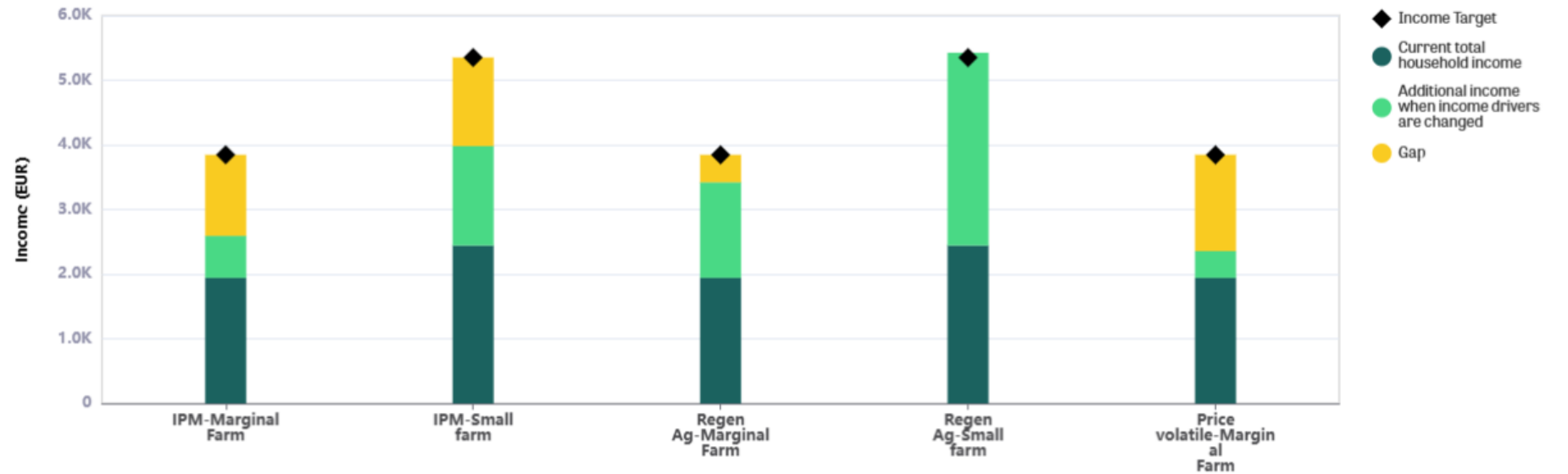
Income gap across scenario ⓘ

Show Label

Download chart

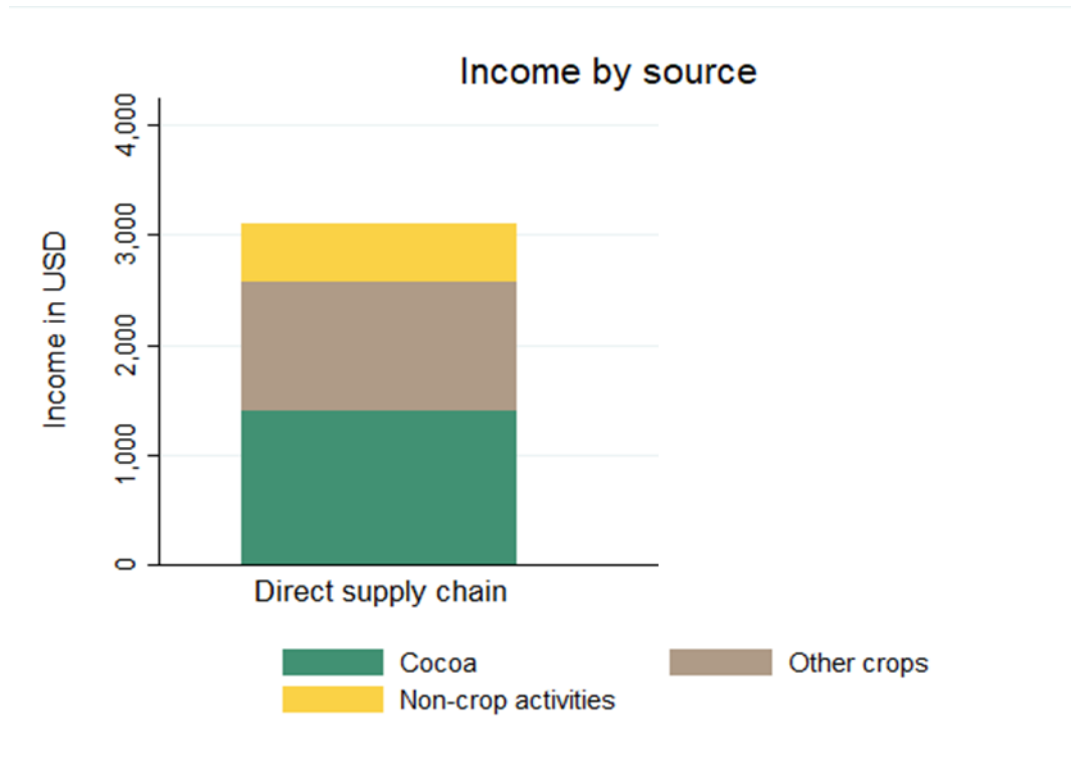
Align
Income
Indi
Techni
Living

Part 2: Non-
focus
commodity
related
indicators



Results: Sources and drivers of household income*

Where does their income come from?



Main drivers of total household income

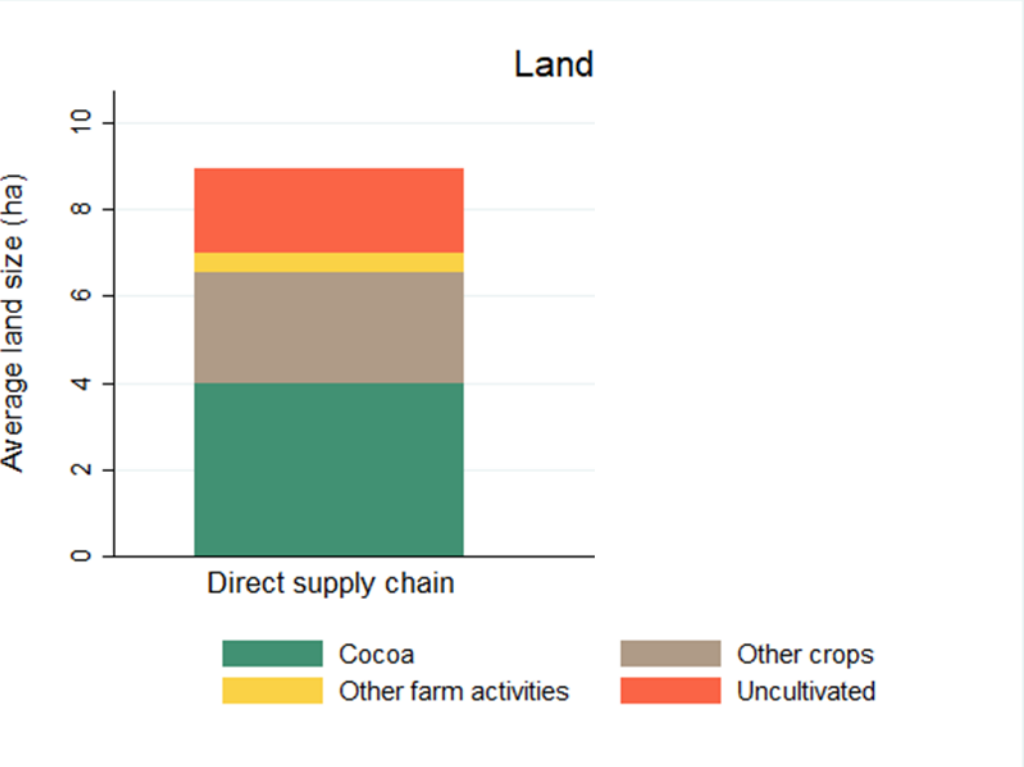
- Land size (ha, cocoa and non-cocoa)
- Productivity (kg/ha)
- Non-cocoa cash crops (rubber)
- Other income sources (trade/business)
- Receiving interventions

* Cocoa production season: Sept 2023 - Aug 2024



Results: Land sizes and productivity

How much land do they have?



How productive are their cocoa farms?



Average living income gap



Do they earn a living income?

	Total sample			
	N	Mean	Median	s.d.
Achieving a living income	1208	0.14	0.00	0.35
Living income gap (USD)	1208	2955	3154	3291
Net actual (total) household income (USD)	1208	3533	2833	2772
Share of total income from cocoa	1167	0.52	0.50	0.29
Share of total income from other crop activities	1186	0.35	0.31	0.28
Share of total income from non-crop activities	1195	0.13	0.02	0.20
Net cocoa income (USD)	1208	1591	1159	1591
Net non-cocoa crop income (USD)	1208	1469	828	1965
Net non-crop income (USD)	1208	473.1	33.1	750.1



Questions?

Thank you

The Living Income Community of Practice

Implemented by



Supported by the



This content was made possible thanks to the support of our financial partners.






















Implemented by



Supported by the



LICOP Events

	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
 Webinar Series: Building a Strong Foundation		 20 March Living Income 101	 7 April Living Income Measurement Approaches	 28 May Concept Application & Sector Work			 7 Aug Living Income 101	 September Living Income Measurement Approaches	 October Living Income Approaches to Close the Gap		
 Webinar Series: Strengthening Due Diligence	 27 Feb Due Diligence for Living Income					 July Responsible Business Contracts & Purchasing practices for Living Income		 September Stakeholder Engagement: Due Diligence in Living Income			
 Webinars Series: Right Conditions				 May Strategies on Producer Empowerment	 June Gender Inclusive Living Income Strategies				 October Retailers Work on Living Income		 11 December Linking Environment & Livelihoods Resilience
 Workshops					 11 June Virtual Workshop					 3-7 November In-Person Workshop	