

The Living Income Community of Practice

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Calculation, analysis and reporting

How do you calculate the living income gap?

How do you visualize the living income gap?

What should you consider when reporting the living income data?

FAQ v.2.0 April 2025

To suggest corrections or ideas for improving the FAQ: please contact livingincome@isealalliance.org

This Calculation, analysis and reporting FAQ is part of a 3-part series.

[Click here to access the Benchmarking FAQ](#)

[Click here to access the Actual income measurement FAQ](#)

Purpose of this FAQ

This FAQ is designed to help LI CoP members understand how to approach measuring smallholder household incomes and the living income gap.

- Measurement of smallholder incomes and the living income gap is key to understanding and taking action to improve livelihoods. However, smallholder incomes can be multifaceted and complex, and for many reasons, it is unlikely that any two measurement approaches will be the same.
- When working towards living income however, aligning around measurement is important wherever possible. Alignment can support collective understanding, warrant comparability across actors and contexts, and ensure credible claims and well-informed decisions around income improvement.
- Recognizing that it is difficult for a single actor to shift incomes in dynamic smallholder environments; alignment around measurement can open opportunities for partnerships and collaboration to scale up interventions.
- This FAQ aims to support users identify an approach to measuring incomes and the income gap, orienting to relevant income measurement concepts and principles and providing direction to appropriate guidance.

2025 update to the FAQ

- Since the initial publication of this FAQ guide in 2021, the living income movement and methodology has evolved and more guidance resources have been developed. The 2025 update sought to ensure this FAQ document incorporates the most current methodologies and recommendations for living income measurement and answers common questions that have been posed to the TAC.
- This FAQ update incorporated guidance and agreed upon input from members of the LICOP Technical Advisory Committee.
- This FAQ update included learnings from a review the following recent methodological publications:
 - [DIASCA Farmer Income & Cost of Production Indicator and Methods Guidance](#)
 - [Aligned Inclusive Living Income Narrative and Indicators](#)
 - [Cocoa household income study approach](#)
 - [Aligning Living Income Methodologies in the Cocoa Sector](#)
 - [Towards a living income for cocoa producers in Indonesia](#)

Acknowledgements

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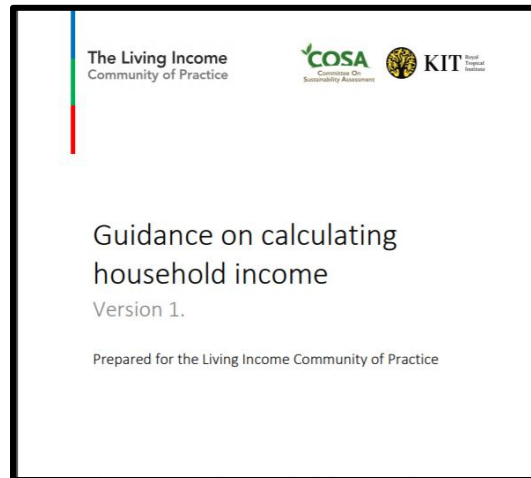


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Guidance resources underpinning this FAQ

For full details on everything covered in this FAQ see the following guidance documents:

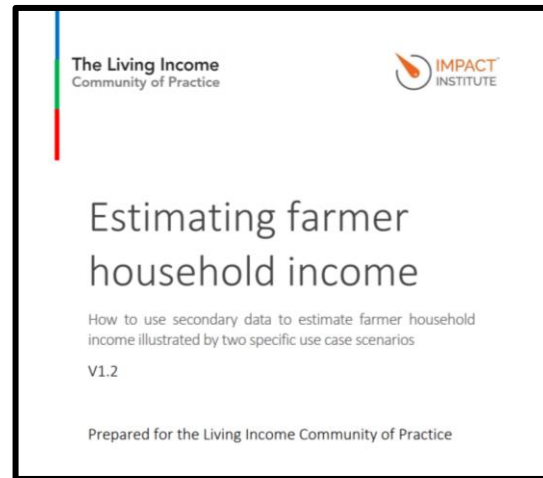
1. Income measurement



Key principles, elements and considerations for measuring actual incomes of farming households.

(incl. sample context and field collection surveys)

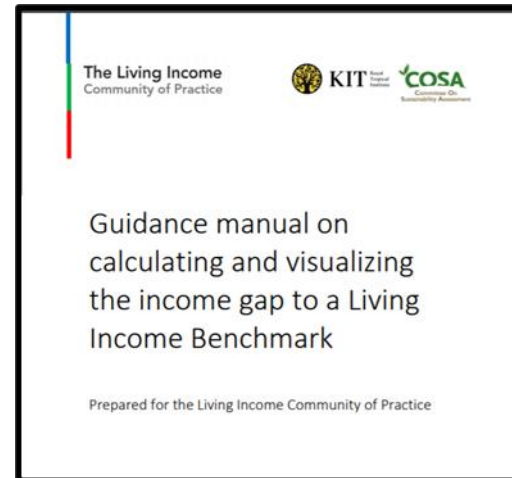
2. Income estimation



How to use secondary data to estimate incomes for use cases when field data is absent.

(incl. framework for data sourcing and calc. models)

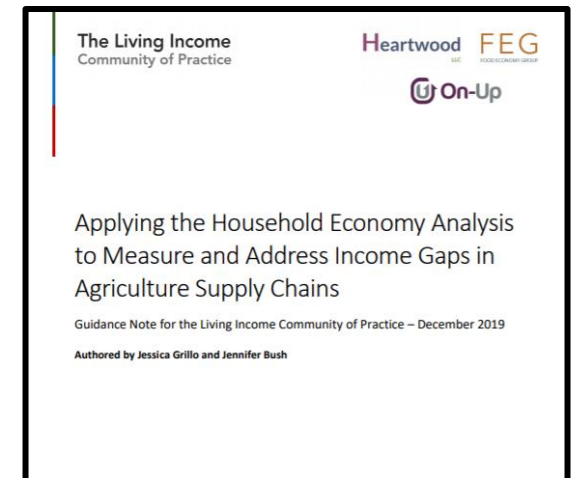
3. Gap calculation



How to adjust data and calculate, report and visualise the living income gap.

(incl. calculation and visualisation models)

4. HEA framework



A useful framework for gap measurement and potential bank of existing data sources.

(incl. example data collection tables)

*Developed with invaluable support from the Technical Advisory Committee.

Structure of the FAQ

[Part 1: Calculating the income gap](#)

[Part 2: Visualizing the income gap](#)

[Part 3: Reporting progress on living income metrics](#)

Part 1: Calculating the income gap

Questions covered:

- [How do I calculate the income gap?](#)
- [How do I make sure my data is comparable?](#)
- [Can I calculate the gap for different farmer segments?](#)
- [What indicators can I use to calculate and report progress on living income?](#)
- [What tools are available to calculate and visualize the living income gap?](#)
- [How can I use 'gap of the mean income' to calculate the gap?](#)
- [How can I use 'gap of the median income' to calculate the gap?](#)
- [How can I use 'share below the benchmark' to calculate the gap?](#)
- [How can I incorporate value of food crops consumed?](#)

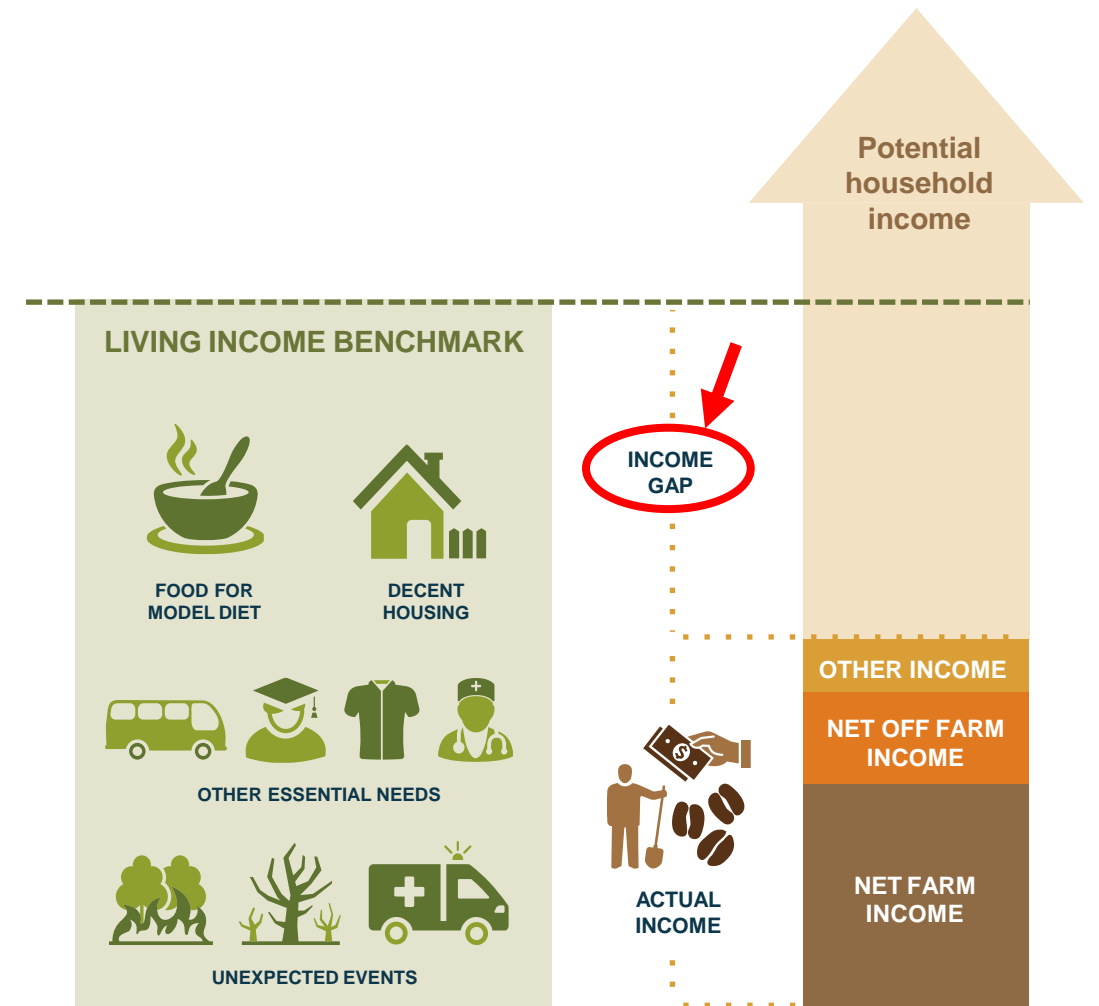
***Points covered in this section of the FAQ can be explored in more detail in ['Guidance manual on calculating and visualizing the income gap to a Living Income Benchmark'](#)**

How do I calculate the income gap? (1)

Your specific approach will depend on your use case and what income data you have available (influenced by your data sourcing approach). More generally:

To calculate the gap to the Living Income Benchmark, two essential variables are required:

- **Total household (net) income:** estimate of the total actual household income, including all members of the household and all sources of income, net of agricultural production costs (inputs and paid labour).
- **Living Income Benchmark value:** this must be at a minimum a single value. It can be further detailed by [groups/segments](#) or adjusted for each household.

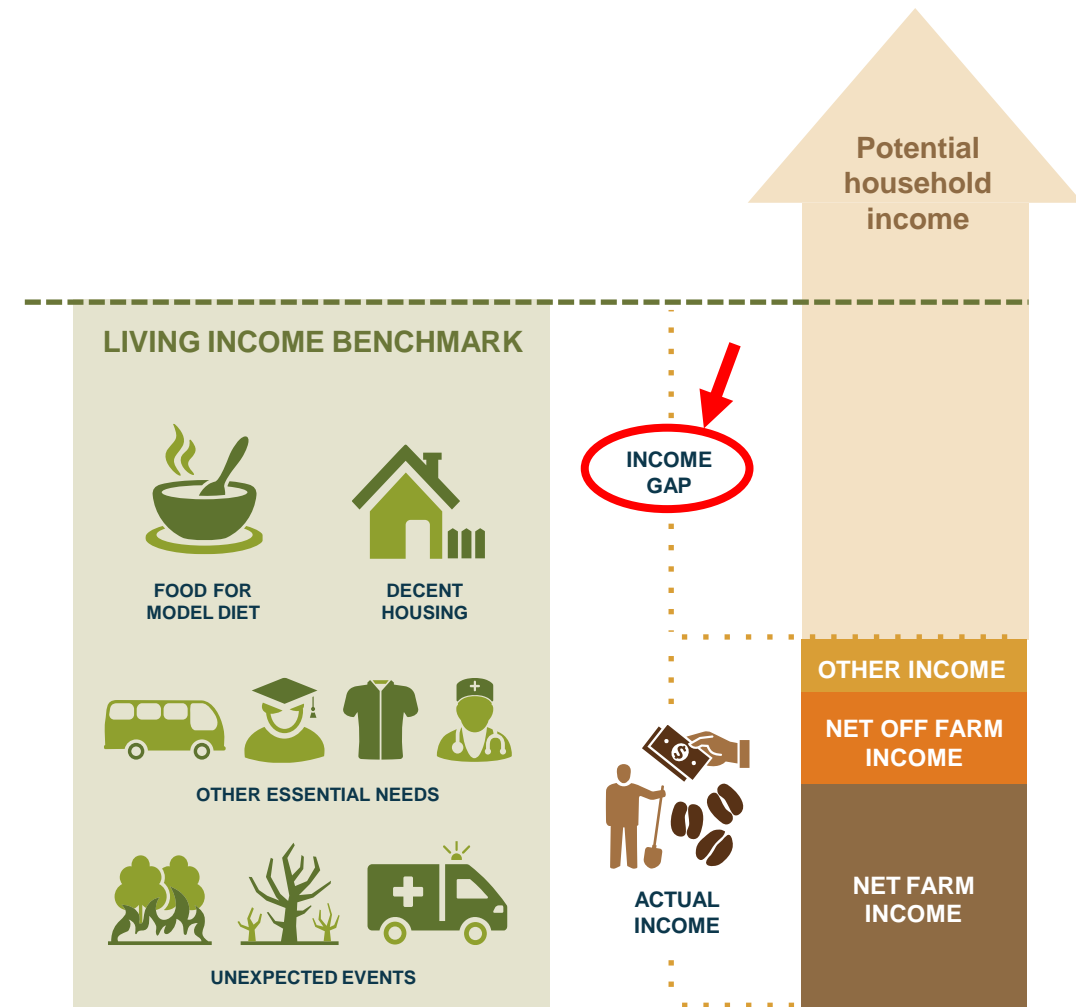


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How do I calculate the income gap? (2)

Highly recommended variables to include in a gap calculation are:

- **Total household (net) income from the main income source:** estimate of the total income from the main source, net of agricultural production costs (inputs and paid labour) if this is an agriculture related income source.
- **Value of off-farm income***
- **Value of other on-farm income (i.e., non-target crop)***
- **Value of food produced and consumed by the household***



*If not included in income assessment, note this in the study and note why not included

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How do I make sure my data is comparable?

To calculate gaps of actual income to a LI Benchmark, data needs to be comparable. Consider:

- **Timeframe** – Do the timeframes of the benchmark and the income data match? (E.g. Daily, monthly, and yearly values). *We advise adjusting both values to a yearly timeframe to account for seasonality.*
- **Time period & currency** – Are the values in the same currency and referring to the same moment in time (e.g. this year vs. last year)? *See [what currency should I use for LI analysis?](#) See the benchmarking FAQ document for information on adjusting benchmarks for inflation.*
- **Geographic region** – Are the income data and the benchmark referring to the same or similar region? *If mismatched, you may need push for, or measure a, new benchmark for the reference region. Conversions of benchmarks across space are possible, but have several caveats and limitations. See benchmarking FAQ document for more information.*
- **Household size and composition** – Are the household/family size and compositions comparable? *See benchmarking FAQ document for information on adjusting benchmarks for household size. The greater the difference in household size, the more caution we advise in making adjustments.*

For more on when and how to make data adjustments to ensure comparability see page 8 of '[Guidance manual on calculating and visualizing the income gap](#)'. This guidance includes how to approach comparison across countries and with other benchmarks (e.g. World Bank Poverty Lines)

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Can I calculate the gap for different farmer segments?

- For greater insight, you may wish to **calculate the gap for different farmer segments**; especially if looking to prioritise and **cater income improvement strategies** to different farmer groups.
- Farming households can be segmented around features like **household compositions** or participation in **different programs**.
- **Cluster analyses** can also be undertaken that **segment farmers based on common household characteristics** ([click here for an example](#) – p.11).
- When groups are created, the **same data comparability considerations should be accounted for** between the benchmark and the income data for each identified group.
- It is **especially important to consider how different household compositions of the different groups affect the comparison with the benchmark**, and **what benchmark adjustments** might be needed to account for that (see benchmark FAQ document).



For more details see page 20 of [‘Guidance manual on calculating and visualizing the income gap’](#).

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What indicators can I use to calculate and report living income progress?

LICoP published the following three sets of inclusive and aligned indicators in [Aligned Inclusive Living Income Narrative and Indicators](#) for understanding and illustrating living income and progress toward closing the living income gap for smallholder farmers. We recommend these indicators to be used within and across living income programs in a supply chain, landscape or geographical focus area.

- Key Indicators for Actual Income Measurement: Basic key indicators to understand current farming household income and the gap to a living income. *Examples: Focus Crop Net Income, Total Volume Produced, Revenue from Other Farm Activities.*
- Progress Indicators: Understand and report *progress* on key *income drivers* within and/or across geographic focus areas or supply chains. *Examples: Change in Total Volume Sold, Change in Farm Economic Efficiency, Change in Stable Contracting.*
- High Level Progress Indicators: Understand and report progress on living income within and/or across a living income initiative. *Examples: Farming Households in Living Income Program, Change in Living Income Gap*

What tools are available to calculate and visualize the living income gap?

- IDH had developed an [Income Driver Calculator](#)
- Calculation and visualisation options are available for the following four indicators using [STATA](#) and [Excel](#):
 - Gap of the mean income
 - Gap of the median income
 - Share of those below the Living Income Benchmark
 - Foster-Greer-Thorbecke (FGT) index

How can I use 'gap of the mean income' to calculate the gap?

A simple but powerful indicator, which allows a quick indication of the magnitude of the LI gap in a region. Can be calculated in level values or as a share of the benchmark.

In level value:

$$\text{Gap} = \text{mean}(\text{Living income Benchmark}) - \text{mean}(\text{total household income})$$

As a share:

$$\text{Gap}(\%) = \frac{\text{mean}(\text{Living income Benchmark}) - \text{mean}(\text{total household income})}{\text{mean}(\text{Living income Benchmark})} * 100$$

Benefits: Simple, easy to calculate, communicate and explain.

Limitations: Sensitive to outliers (i.e. extreme low or high values). Equal weighting of household incomes can hide household's far below the benchmark.

For more details see page 13 of ['Guidance manual on calculating and visualizing the income gap'](#).

How can I use 'gap of the median income' to calculate the gap?

A slightly more sophisticated indicator, which provides a very good indication of the magnitude of the LI gap for a typical farming household. Again, can be calculated in level values or as a share of the benchmark.

In line value:

$$\text{Gap} = \text{Median}(\text{Living income Benchmark}) - \text{Median}(\text{total household income})$$

As a share:

$$\text{Gap}(\%) = \frac{\text{Median}(\text{Living income Benchmark}) - \text{Median}(\text{total household income})}{\text{Median}(\text{Living income Benchmark})} * 100$$

Benefits: Simple, powerful, easy to communicate. Less effected by outliers. Accounts for income distributions that are often skewed in reality. Avoids the need for benchmark value per household.

Limitations: Can still hide existence of poor households (although better than using mean values).

For more details see page 15 of ['Guidance manual on calculating and visualizing the income gap'](#).

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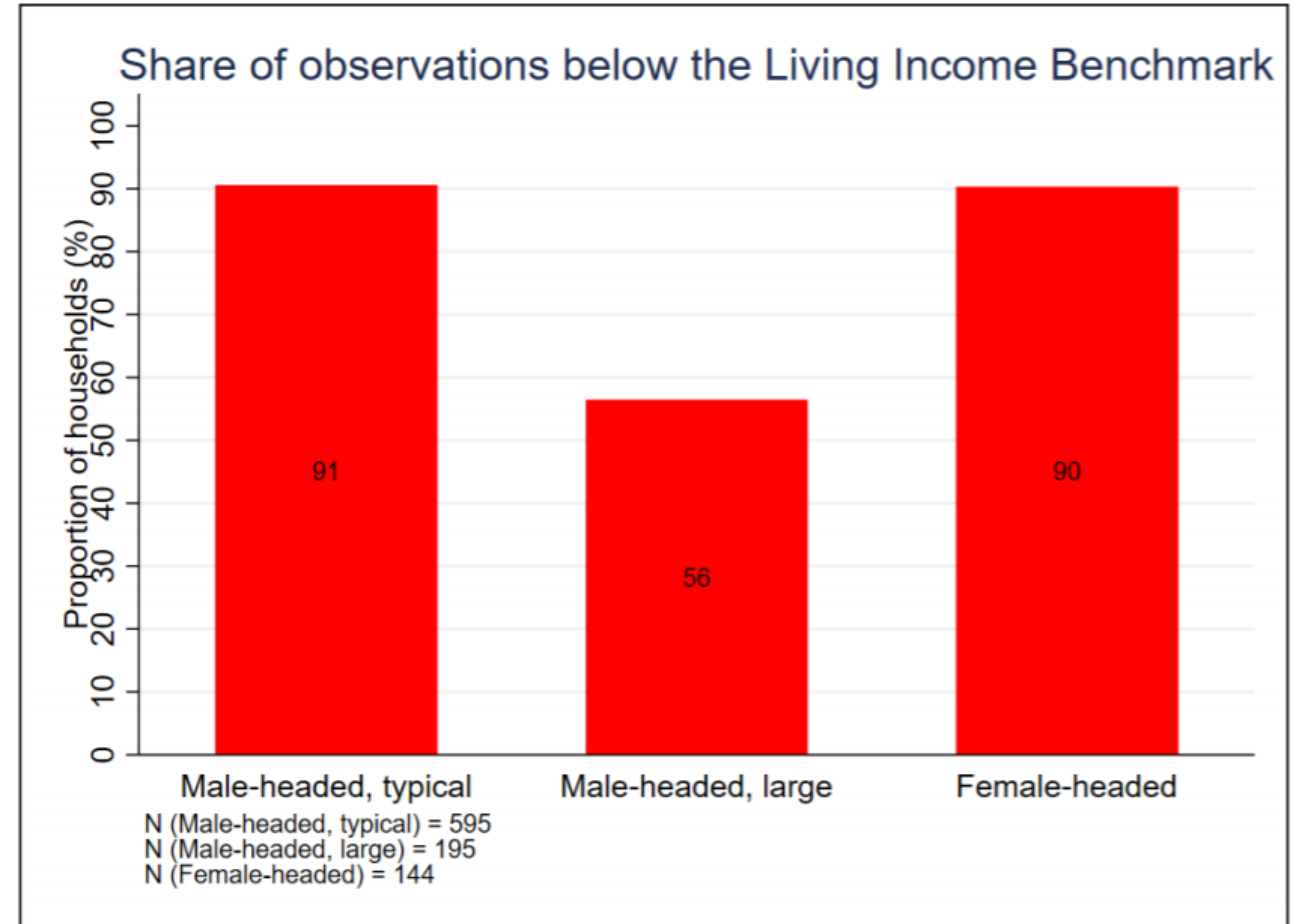
How can I use 'share below the benchmark' to calculate the gap?

Provides insights into how many are directly affected by not earning a living income.

Requires a benchmark per household – which involves either adapting the benchmark value per observation or using a common value of the benchmark per observation and assuming this is a valid approximation.

Benefits: Simple, very informative, reflects the size of the population of interest failing to reach a basic but decent standard of living.

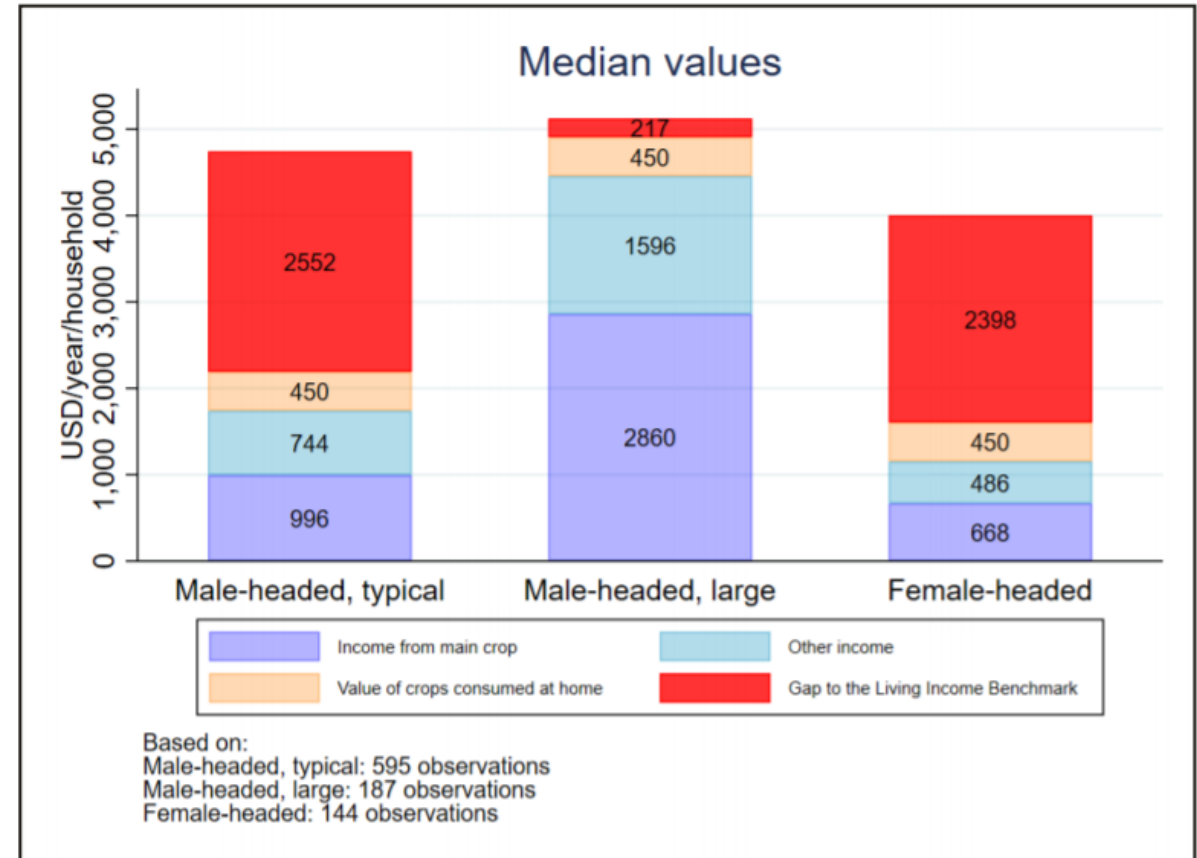
Limitations: Can only be calculated if total household income per observation is available (rather than aggregated data). Limitations associated with benchmark adjustments.



For more details see page 17 of ['Guidance manual on calculating and visualizing the income gap'](#).

How can I incorporate value of food crops consumed?

- Food costs are an important component of the Living Income Benchmark and the intrinsic value of food produced and consumed at home can be an **important source of non-cash income**.
- **Including value of crops consumed** in the calculation of indicators will **reduce the gap**.
- To include in the calculation, they need to be added to the total net household income as any other source of income, ensuring any necessary data adjustments are made for comparability.
- **We advise this be reported separately** to allow readers to understand what is actual cash income and cash-valued income is.



Gap of the median income including value of crops consumed at home

For more details see pages 19 and 25 of '[Guidance manual on calculating and visualizing the income gap](#)'.

Part 2:

Visualizing the income gap

Questions covered:

[How can I use 'gap of the mean income' to visualise the gap?](#)

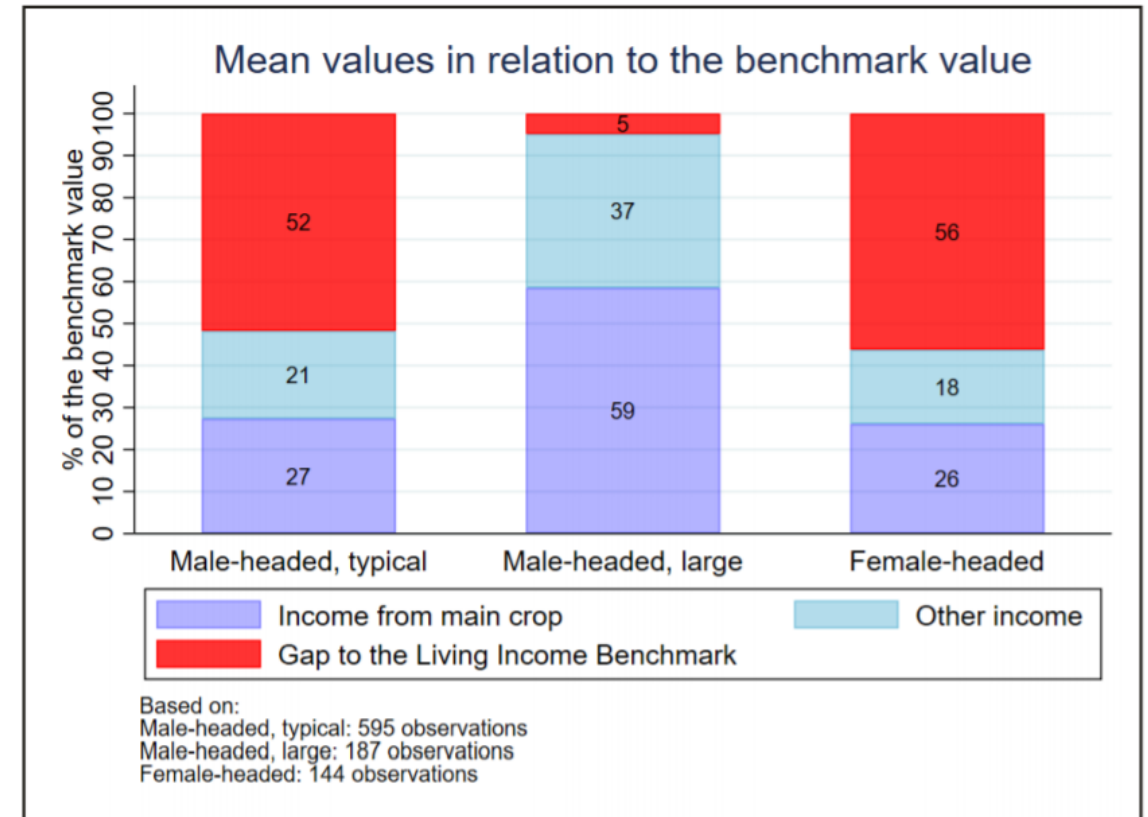
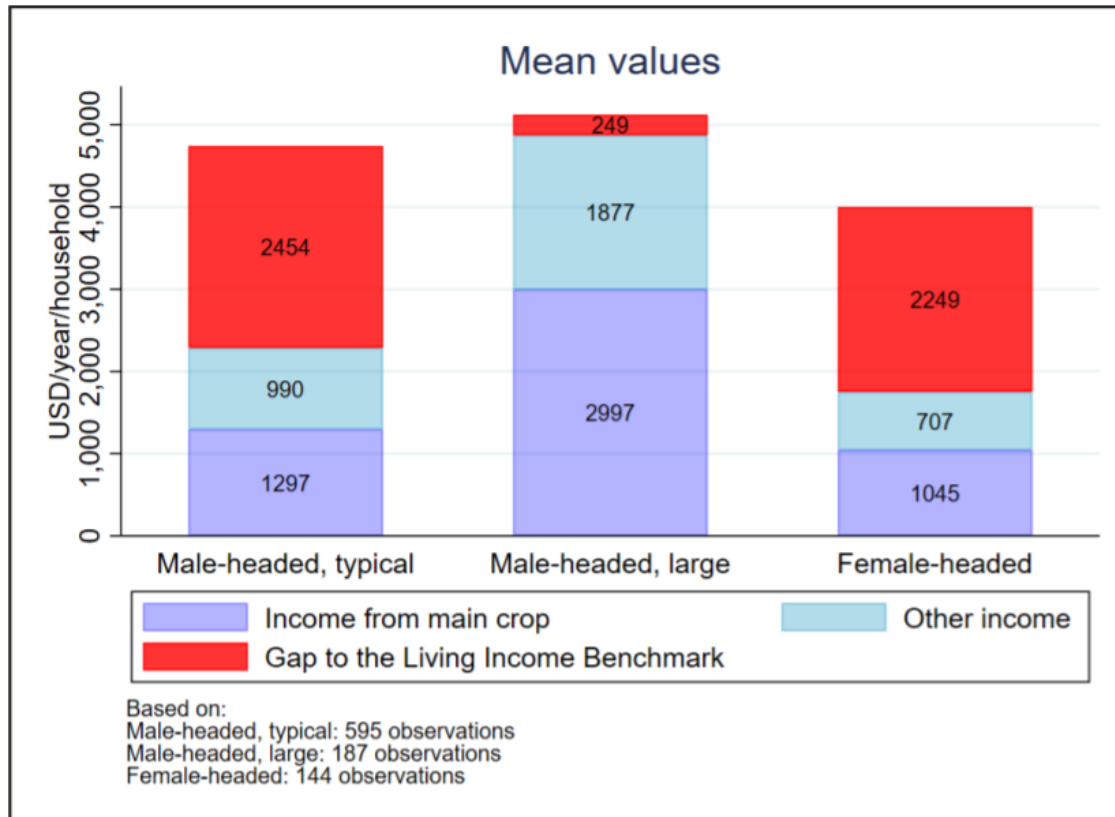
[How can I use 'gap of the median income' to visualise the gap?](#)

[How can I use 'share below the benchmark' to visualise the gap?](#)

*Points covered in this section of the FAQ can be explored in more detail in ['Guidance manual on calculating and visualizing the income gap to a Living Income Benchmark'](#)

How can I use 'gap of the mean income' to visualise the gap?

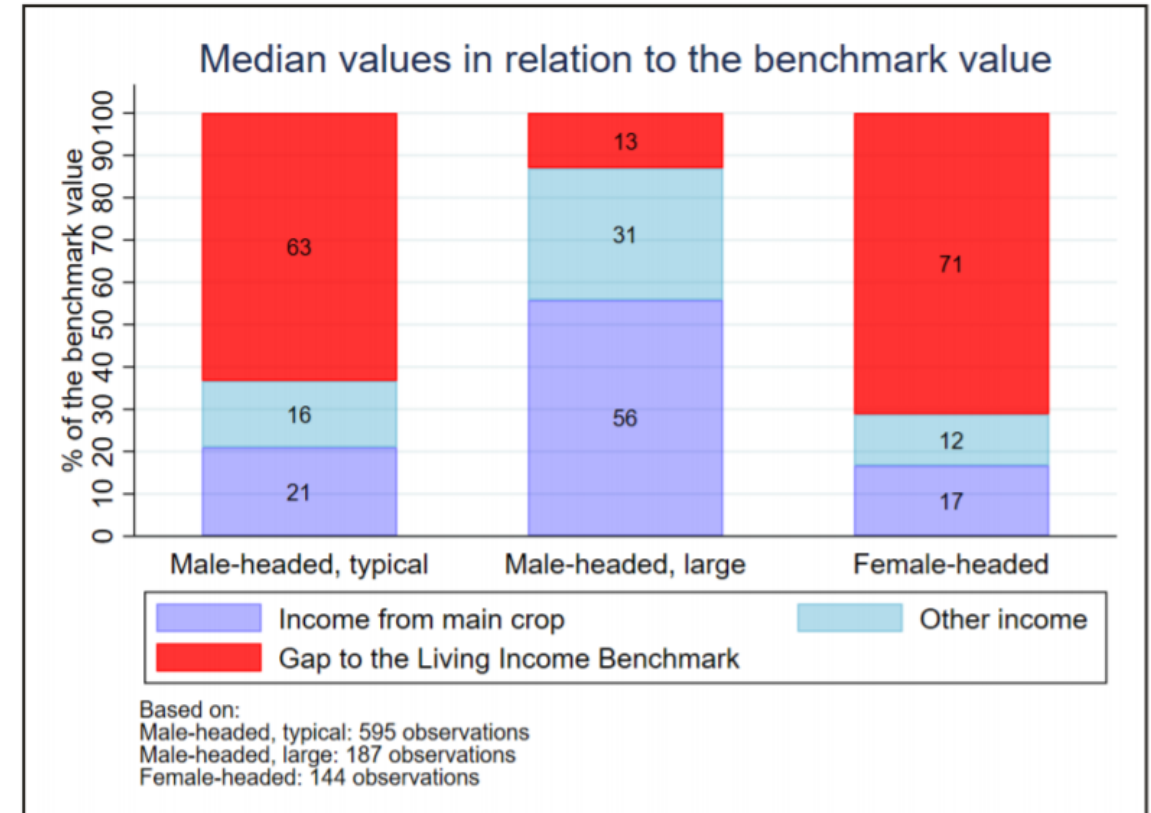
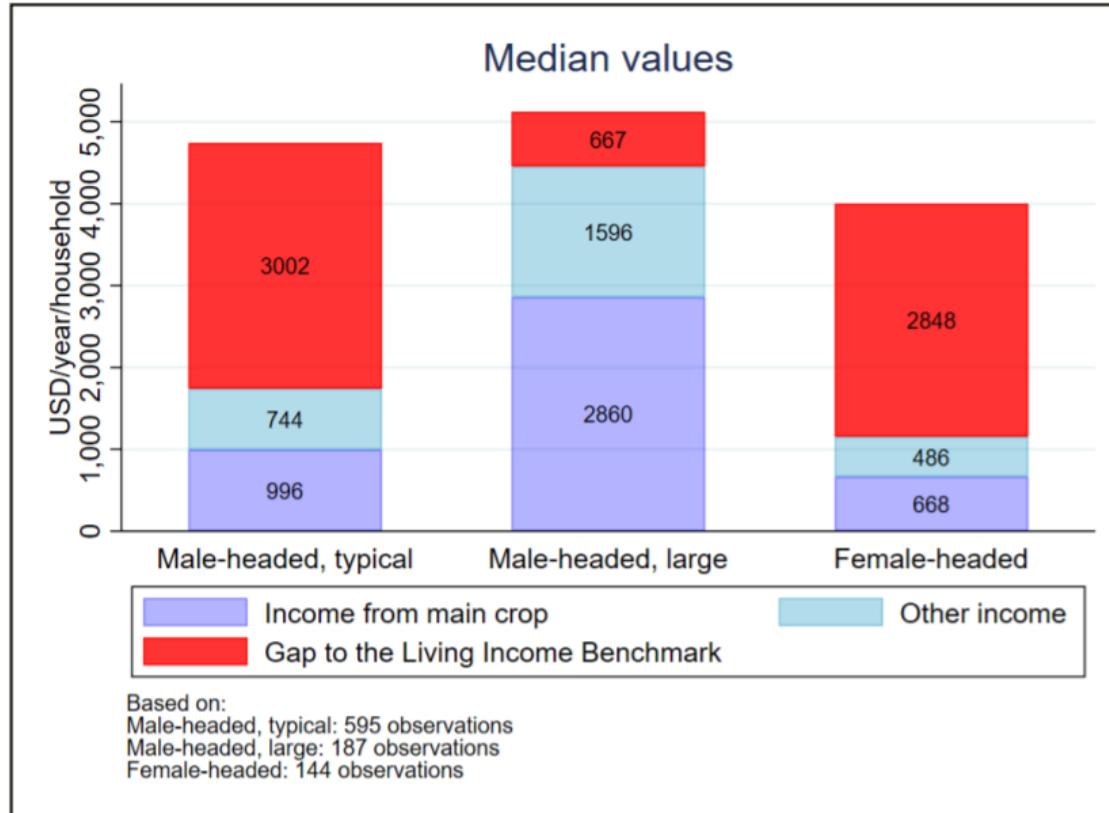
Example of gap of the mean income visualised across different farmer segments:



For more details see page 22 of ['Guidance manual on calculating and visualizing the income gap'](#).

How can I use 'gap of the median income' to visualise the gap?

Example of gap of the median income visualised across different farmer segments:

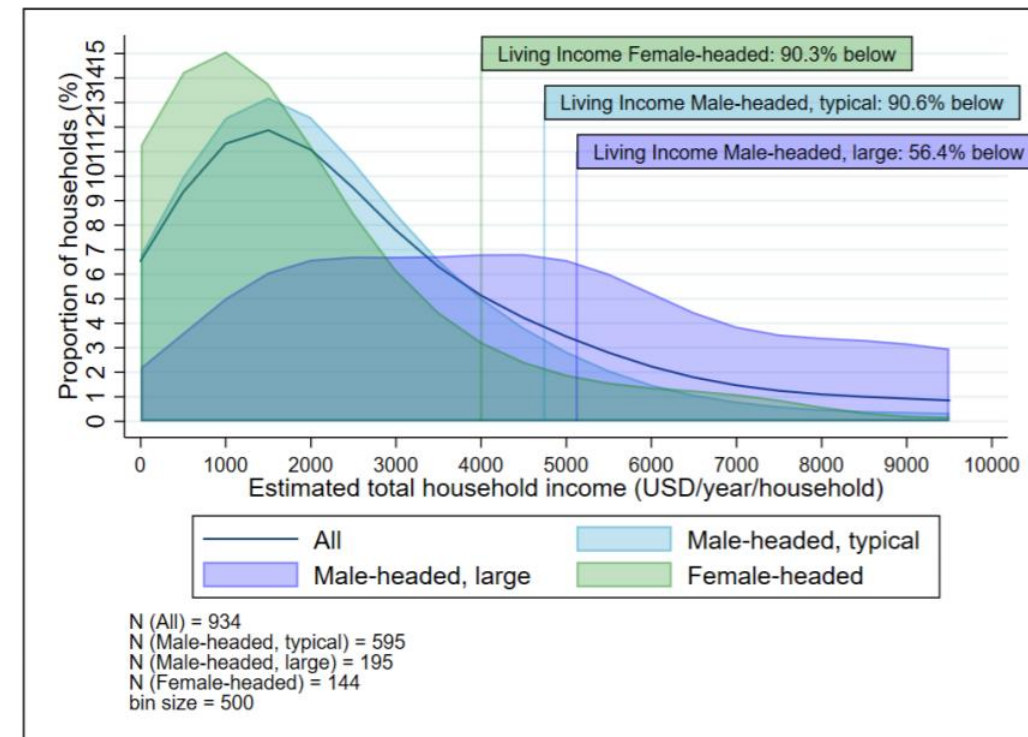
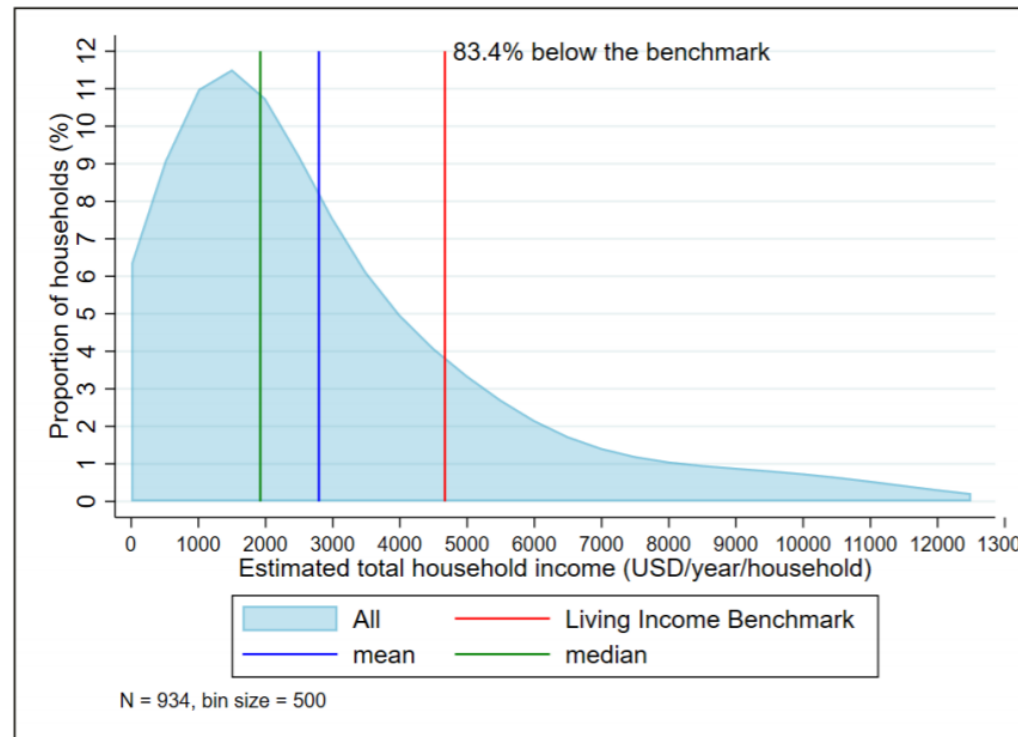


For more details see page 24 of ['Guidance manual on calculating and visualizing the income gap'](#).

How can I use 'share below the benchmark' to visualise the gap?

Share below the benchmark can also be visualised in more detail using distribution graphs. This can be done for your entire population, or for [different farmer segments](#) with adjusted benchmarks relative to their household compositions.

Using these it is possible to assess how the incomes are distributed, how concentrated they are and what the potential effects are of the extremes of the distribution.



For more details see page 26 of ['Guidance manual on calculating and visualizing the income gap'](#).

Part 3:

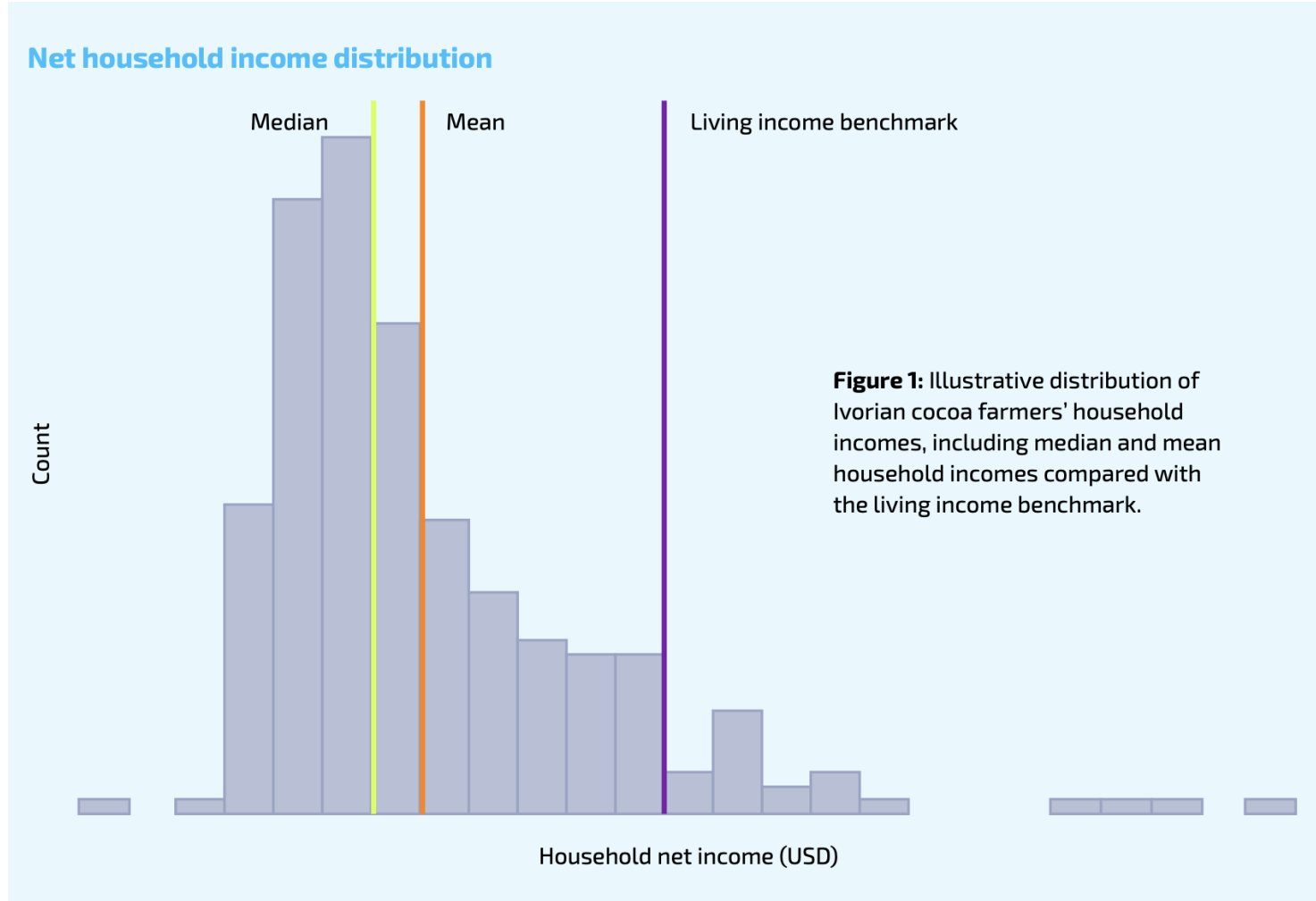
Reporting the income gap

Questions covered:

- [Should I report income and other variables as a median or a mean?](#)
- [How should I label methodological choices for data collection?](#)
- [What land sizes constitute a smallholder farmer?](#)
- [Should I include land under renovation in yield measurements?](#)
- [What currency should I use for LI analysis?](#)

***Points covered in this section of the FAQ can be explored in more detail in ['Guidance manual on calculating and visualizing the income gap to a Living Income Benchmark'](#)**

Should I report income and other variables as a median or a mean?



You should report and communicate income, yield, and farm size as means *and* medians. These variables most often have right skew in which most farmers have low yields and incomes, but a few farmers have higher ones (see figure to the left). As a result, the median more accurately represents the ‘typical’ farmer than the mean. Where possible, we recommend also reporting the full distribution of income along with the benchmark.

Figure 1 above from [Aligning Living Income Methodologies in the Cocoa Sector](#)

How should I label methodological choices for data collection?

LICOP Study Template for Alignment	Fill in boxes below with study information
Study Parameter	
Name of study	
Geographic area	
Study population description (i.e., part of program, general sourcing area, etc.)	
Study Period (period of time covered by the study)	
Data collection period	
Sampling method (e.g., cluster sampling, stratified sampling, etc.)	
Number of farming households in the sample and total population	
Range of land sizes (total farm)	
Range of land sizes (focus crop)	
Household size (median & average). If # adults and # children known, please note here.	
Living Income Benchmark (LIB) Information (use TABLE A below)	
LIB study name and reference Link	
LIB year conducted	
Original LIB living income value (local currency per household per year)	
LIB value adjusted for study household size and inflation (local currency per household per year)	
Method used for household size adjustment (<i>see table A</i>)	
Inflation rate used	
If converted to other currency (USD, Euro, etc.) list currency and exchange rate used	
Benchmark application (single adjustment for all households or benchmark adjusted to each household) (<i>see table A</i>)	
Living Income Analysis Information (use TABLE B below)	
Cost of Production for Focus Crop: is actual cost of production or sustainable cost of production used?	
Cost of Production for Focus Crop (<i>see table B</i>)	
Total Volume Sold (<i>see table B</i>)	
Price Received at Farmgate (<i>see table B</i>)	
Premium Received by Household (<i>see table B</i>)	
Land in Focus Crop (<i>see table B</i>)	
Net Other on- and off Farm Income (<i>see table B</i>)	
Value of Food Produced at Home (<i>see table B</i>)	

You should use the **LICOP Study Template for Alignment** (see to the left). You can [download an editable version of this table](#), in addition to the tables outlining the methodological choice points. This template is a simple way to show methodological decisions for easier comparison across studies.

What land sizes constitute a smallholder farmer?

The land size of a "smallholder" farmer will differ depending on crop and country. LICOP therefore does not rigidly define what constitutes a smallholder farmer.

Most important is that studies and programs targeted at smallholders clearly define and document land-size parameters of the study or program (i.e., 0-7 ha is considered a "smallholder farmer").

Should I include land under renovation in yield measurements?

Yes, you should include land under renovation in yield measurements. In other words, you should divide total production of the target crop by the total area dedicated to the target crop. If renovation is a significant component of an intervention, then measuring the yield of the renovated and unrenovated plots separately can offer insight into impact.

What currency should I use for LI analysis?

You should do all analysis in **local currency** and then convert to other currency (USD, Euro, etc.) as a reference.

WHY? This keeps the local context as the focal point (how does income in the local currency compare to the cost of a basic but decent living in the local currency). It also avoids exchange rate changes distorting the local context.

Conversion to other currencies remains as a reference for better comprehension by a global audience.

END

For more information and access to all guidance materials visit:

www.living-income.com

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Email specific questions to:

livingincome@isealalliance.org