

# The Living Income Community of Practice



## Looking for a Living Income Benchmark?

What is a living income benchmark?  
Where can you find one?  
What to do if no benchmark exists?

FAQ v.1.0 May 2020

To suggest corrections or ideas for improving the FAQ:  
please contact [Rita@isealliance.org](mailto:Rita@isealliance.org).

# Purpose of this *Frequently Asked Questions*

**This FAQ is designed to help LI CoP members understand, find and use living income benchmarks and alternative intermediary income targets.**

- In an ideal world, we would have robust living income benchmarks for each of our specific sourcing areas or project sites. While we are building the ideal world, we want to share some guidance to get started.
- How do I find out what is available? What are my options if the perfect benchmark is not available? What other measures can I use to move my living income strategy forward? Living Income CoP members are asking these questions; we explore these questions and others in this FAQ.
- For those new to living income benchmarks, we also provide a set of introductory questions to guide you in understanding what living income benchmarks are and how they are used.

# Structure of the FAQ

## Part 1: Benchmark basics

Living income benchmarks, how to use them, living income vs. living wage, the Anker methodology

## Part 2: Finding living income benchmarks

Where to go, using living wage estimates to derive living income, using existing estimates for your specific site

## Part 3: What if there are no benchmarks?

Alternatives, income ladders, how to think about what options would work for you

Part 4: *To be developed based on your questions... Let us know if there are questions you would like to see added ([livingincome@isealalliance.org](mailto:livingincome@isealalliance.org))*

# SECTION 1:

## Benchmark basics

What are living income benchmarks? how is that different from living wage? how can I use a living income benchmark? and more...

# What is a 'living income'?

## What is the Living Income Concept?

Living income is about households affording a decent standard of living.

This is a more inspiring and ambitious concept than poverty reduction or meeting basic needs. Living income could be one element of sustainable livelihood goal.

## What does it mean to be able to afford a decent standard of living?

The net annual income of a household, which comes from a variety of sources, is sufficient to cover the cost of a decent standard of living for a typical household in a particular place.

This does not mean that any one income source (e.g. one cash crop) provides all the income that a typical household needs to afford a decent standard of living.

## What does decency mean in this context?

Elements of a basic decent standard of living include access to food, water, housing, education, healthcare, transport, clothing, and other essential needs including provision for unexpected events.

This definition of a decent standard of living is aligned with the Anker living wage methodology (Richard Anker and Martha Anker, [Living Wages Around the World: Manual for Measurement](#), 2017)

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# What is a Living Income Benchmark?



Cost of a basic, decent standard  
of living for a household



FOOD FOR  
MODEL DIET



DECENT  
HOUSING



OTHER ESSENTIAL NEEDS



UNEXPECTED EVENTS

A living income benchmark is an estimate of the **cost of a basic and decent standard of living** for a household.

It answers the question: ‘how much does a typical household in a particular place need to earn, from all income sources, in order to live a decent standard of living?’

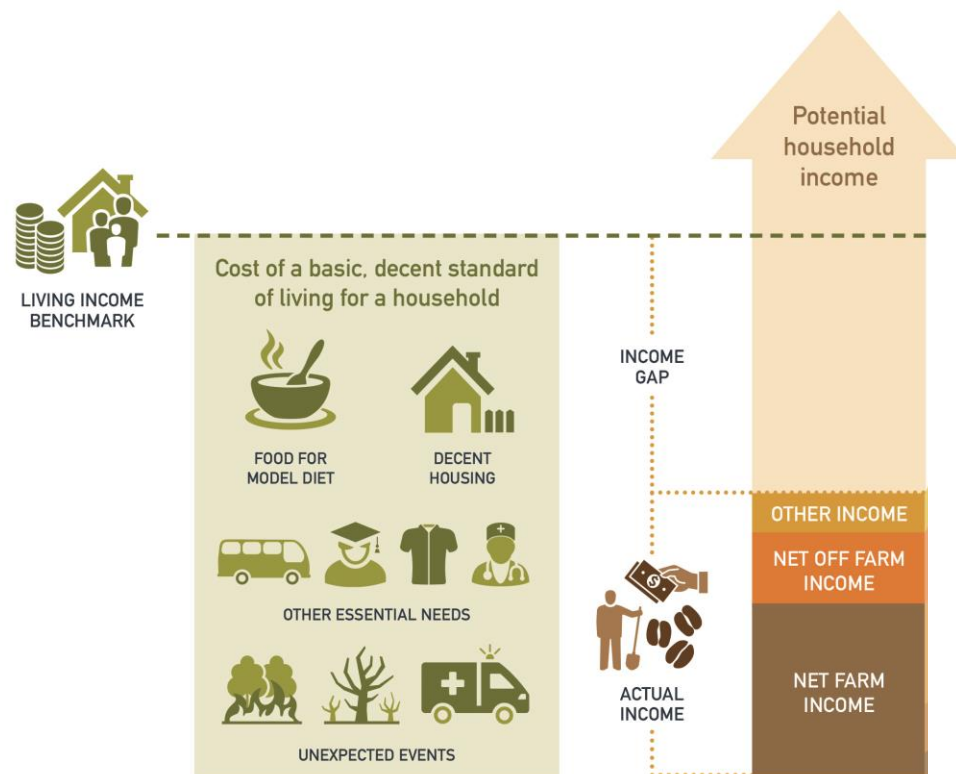
# What costs are considered in the calculation of a living income benchmark?

## Cost Categories in a Living Income Benchmark

A benchmark calculates the local costs of a healthy diet, water, housing, education, healthcare, transport, clothing, and other essential needs including provision for unexpected events.

- Living income is a household concept. Therefore, the calculation of a living income benchmark considers what these costs are for a typical household (i.e. typical in size and household composition).
- Cost of living varies by location. Living income benchmarks take into account these cost differences by estimating the cost of living for a specified geographic area.
  - Costs of living in urban areas will typically be higher than rural areas, for example, and there can be cost differences from region to region and from sub-region to sub-region. Living income benchmarks can be calculated at different levels of granularity. Living income benchmark estimates should specify the geographic area to which an estimate applies.

# What is an 'income gap', and how does it relate to the living income benchmark?



An income gap is the difference between the living income benchmark and current income of a typical farming household.

# How can I use a living income benchmark?

- **Raise awareness about income needs of farming households** – e.g. how much do farming families need to earn to enable a decent standard of living? , is getting out of poverty enough?
- **Provide a goal for strategies and collective efforts to raise farmer incomes** -- e.g. all farming households should be earning a living income
- **Understand the income gap** – e.g. how far are current farmer incomes away from earning a living income?, how much more would the average farming household need to earn to earn a living income?
- **Inform intervention strategies**— e.g. how much would a price increase or productivity gain reduce the gap?
- **Inform the calculation of other normative benchmarks** – e.g. what price should buyers pay (e.g. living income reference price)?

# What is the difference between living income and living wage?

GLOBAL  
LIVING WAGE  
COALITION

## Living Wage

**A worker** earns enough in a standard work week to enable his/her family to afford a decent standard of living.



Both are derived from the idea of achieving a decent standard of living.

Living wage applies to an individual worker. Living income applies to a household.

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## Living Income

**Farming households** earn enough in a year from all income sources to afford a decent standard of living.



# The LiCoP's definition of living income is aligned with the Anker methodology. What is that?

The Anker methodology is a methodology developed by Richard Anker and Martha Anker for calculating living wage. The Global Living Wage Coalition uses this methodology to estimate living wage benchmarks. It can also be used for living income estimates (see FAQ section 2).

The Global Living Wage Coalition website describes the methodology as follows:

‘The living wage methodology has two main components. The first component estimates cost of a basic but decent lifestyle for a worker and his/her family in a particular place. The second component determines if the estimated living wage is being paid to workers.

Several aspects of this methodology are new and groundbreaking.

- First, the methodology emphasizes participation of local people and organisations in order to increase its credibility and acceptance by stakeholders.
- Second, housing costs are estimated using international and national standards for decent housing. By estimating the cost of decent housing, the methodology enables different living wage estimates within countries and helps ensure that workers can afford decent housing.
- Third, the methodology requires transparency and detailed documentation and analysis to ensure that the living wage estimate is solid and credible. This includes critical appraisal of available secondary data and adjustments to these data when required.
- Fourth, a judicious combination of new local data collection and available secondary data is used to make the methodology simultaneously practical and credible. Thus, local food prices and housing costs are collected as are education, health care, and transportation costs to make sure that workers are paid enough to afford these necessities.’

**The methodology manual (Living Wages Around the World) and accompanying resources are available for download on the publisher's website: [e-elgar.com](http://e-elgar.com).**

# SECTION 2: Where can I find a living income benchmark?

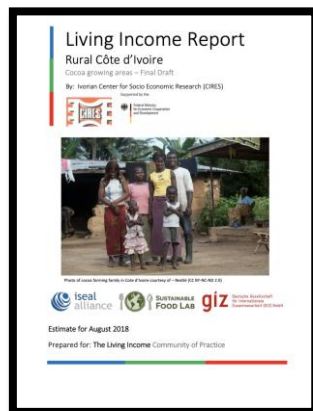
# Where can I go to look for living income benchmarks ?

Visit the following locations:

## The Living Income Community of Practice



[www.living-income.com](http://www.living-income.com)

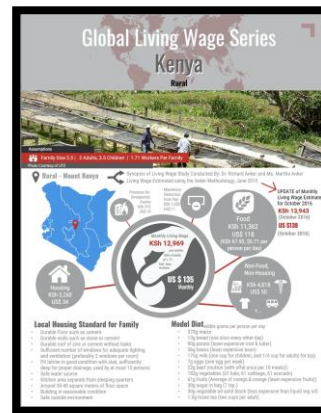


Living income benchmarks available for the cocoa industry in Ghana & Cote d'Ivoire.

Also Excel database with summary of living income benchmarks published in other locations.

## GLOBAL LIVING WAGE COALITION

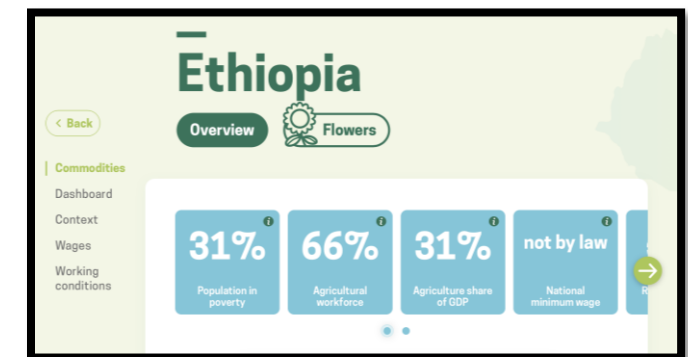
[www.globallivingwage.org](http://www.globallivingwage.org)



Living wage estimates available in 26 countries, with application in multiple industries

## ALIGN

[www.align-tool.com](http://www.align-tool.com)



Website with ambition to eventually host information on all available living income and living wage benchmarks.

# How can I derive a living income estimate from a living wage report? (1)

First, understand the relationship between living wage and living income, according to the Anker methodology endorsed by the Global Living Wage Coalition.

$$\text{Living wage} = \frac{\text{Cost of decent standard of living for family}}{\text{Number of workers per family}} + \text{Payroll deductions and taxes}$$

The diagram illustrates the formula for deriving a living income estimate from a living wage report. It features the text "Living wage" on the left, followed by an equals sign. To the right of the equals sign is a fraction. The numerator of the fraction is an icon representing a family (a house with a chimney and two figures) and stacks of coins, with the text "Cost of decent standard of living for family" above it. The denominator of the fraction is an icon representing three people, with the text "Number of workers per family" below it. To the right of the fraction is a plus sign, followed by an icon representing a payroll deduction (a hand pointing to a dollar sign on a document) and the text "Payroll deductions and taxes".

Adapted from Richard Anker and Martha Anker (2019)

# How can I derive a living income estimate from a living wage report? (2)

Next, find the summary table presented in each GLWC living wage report.

The first part of the table explains the calculation of the monthly living cost for a family.

The total living cost estimate is the basis for a living income calculation.

	Local currency (C\$)	USD <sup>a</sup>
<b>PART I: FAMILY EXPENSES</b>		
<b>Food cost per month for reference family<sup>b</sup> (1)</b>	<b>7,277</b>	<b>216</b>
Average food cost per person per day (adjusted for free school meals)	59.81	1.78
<b>Housing costs per month (2)</b>	<b>5,023</b>	<b>149</b>
Rent per month for acceptable housing	4,125	123
Utility costs per month	898	27
<b>Non-food non-housing costs per month (3)</b>	<b>4,803</b>	<b>143</b>
Preliminary estimate of NFNH costs <sup>c</sup>	4,803	143
Health care post check adjustment	0	0
Education post check adjustment	0	0
<b>Additional amount (5%) for sustainability and emergencies (4)</b>	<b>855</b>	<b>25</b>
<b>Total living costs per month for basic but decent living standard for reference family (5) [(5)=(1)+(2)+(3)+(4)]</b>	<b>17,958</b>	<b>534</b>

Remember to turn this reported monthly estimate into an annual living cost estimate. Also decide whether the family size used in the living wage study is acceptable for your purposes. (See the LiCoP's guidance on actual income measurement for more information on how to adjust a benchmark for a different household size if needed.)

# I found a benchmark for the country I am interested in. Is it relevant for my study site?

Be sure to look at the specifics of the particular benchmark to determine whether the benchmark will meet your needs as is or could be adjusted.

Look at....	Consider...
The geographic area of the estimate	Was the study cover your geographic area of specific interest? If not, do you have any evidence that the cost of living, diets and housing in the study area are similar to your area of interest?
The date of the data collection for the study, or of the last update	If the study (or study update) is more than a year old, you will want to adjust for inflation. Richard Anker and Martha Anker manage updates of GLWC benchmarks. For more information contact: <a href="mailto:marthaandr Richard@gmail.com">marthaandr Richard@gmail.com</a>
The typical household size	What is the household or family sized used for the estimate? Will this be considered a reasonable approximation of a ‘typical’ household in your study area? (For more information on this point, see LiCoP guidance on actual income measurement)

# SECTION 3: What if no benchmark exists for my area of interest?

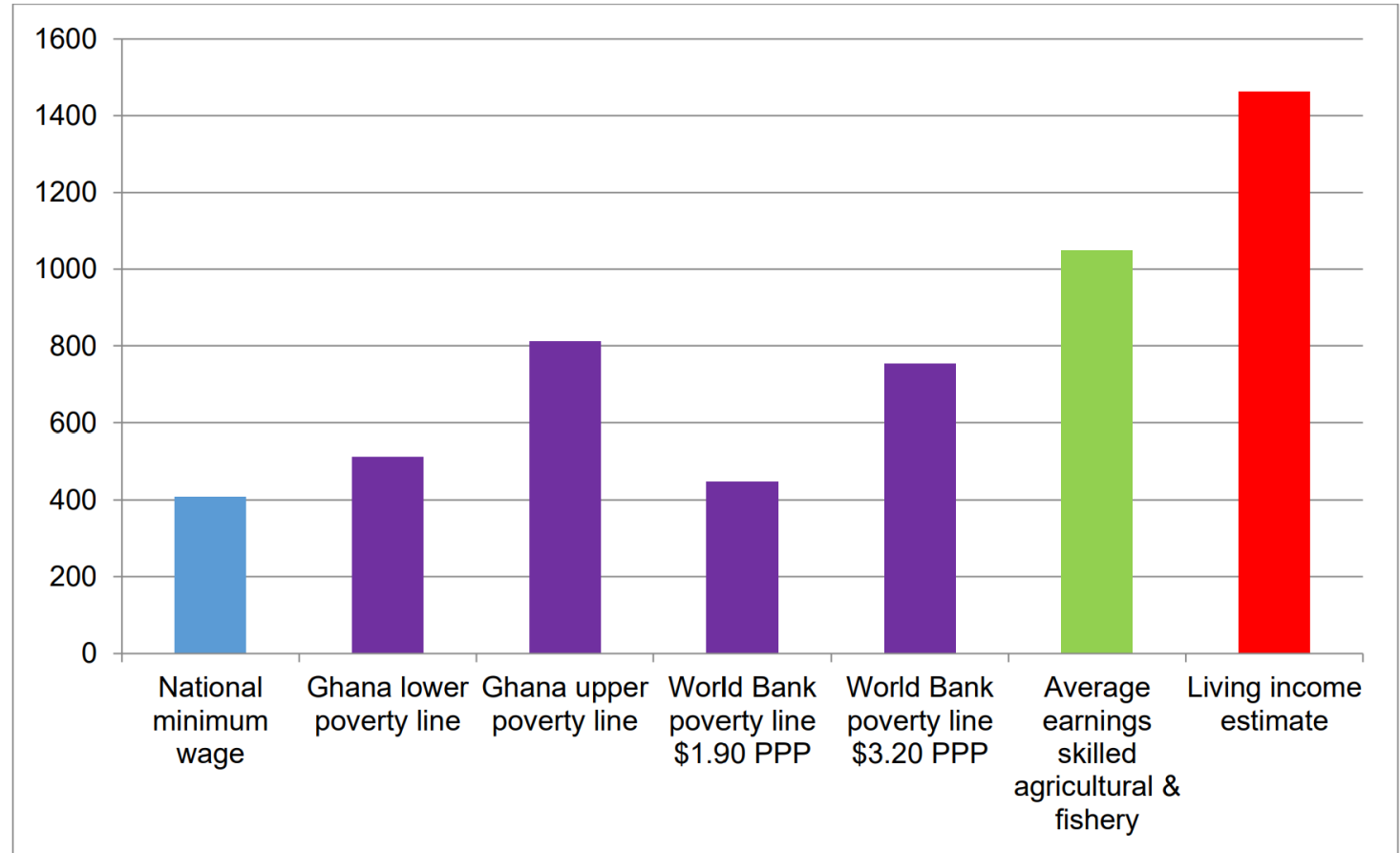
# If I don't find the benchmark I need, are there alternatives?



There are many income benchmarks that could be used as an alternative to a living income benchmark... but each alternative is different (geographic specificity, income level, availability, methodology).

# What is the difference between a poverty line and a living income benchmark?

Poverty lines are generally lower than living income estimates, though this could vary depending on methodologies used for poverty estimation. In general, poverty lines focus on basic needs baskets while living income estimates are about a basic but decent standard of living.



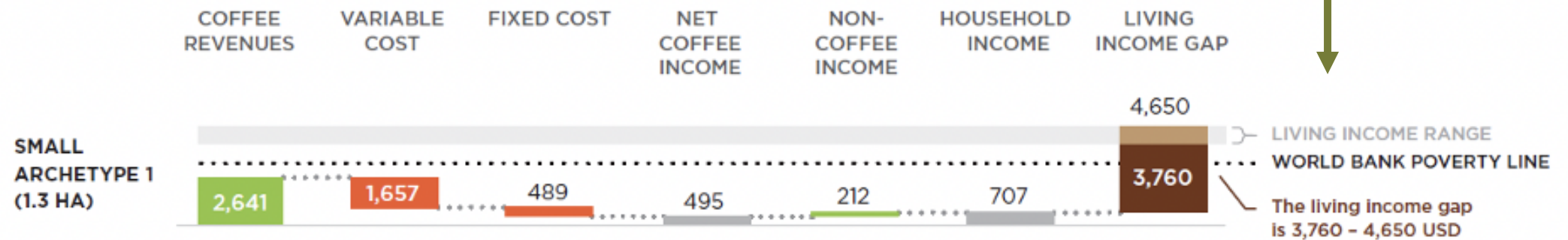
An income ladder is a good way to visualize the various benchmarks for a particular location. This example is from Sally Smith with Daniel Sarpong, Living Income Benchmark Report: Ghana, 2018.

# Do I have to choose just one income benchmark?



*Source: Task Force Coffee  
Living Income*

No, here's an example with a visualization of both the WB Poverty Line and a living income benchmark



Understanding living income and the income gap should help inform and support action. Lack of a living income benchmark should not hold up action.

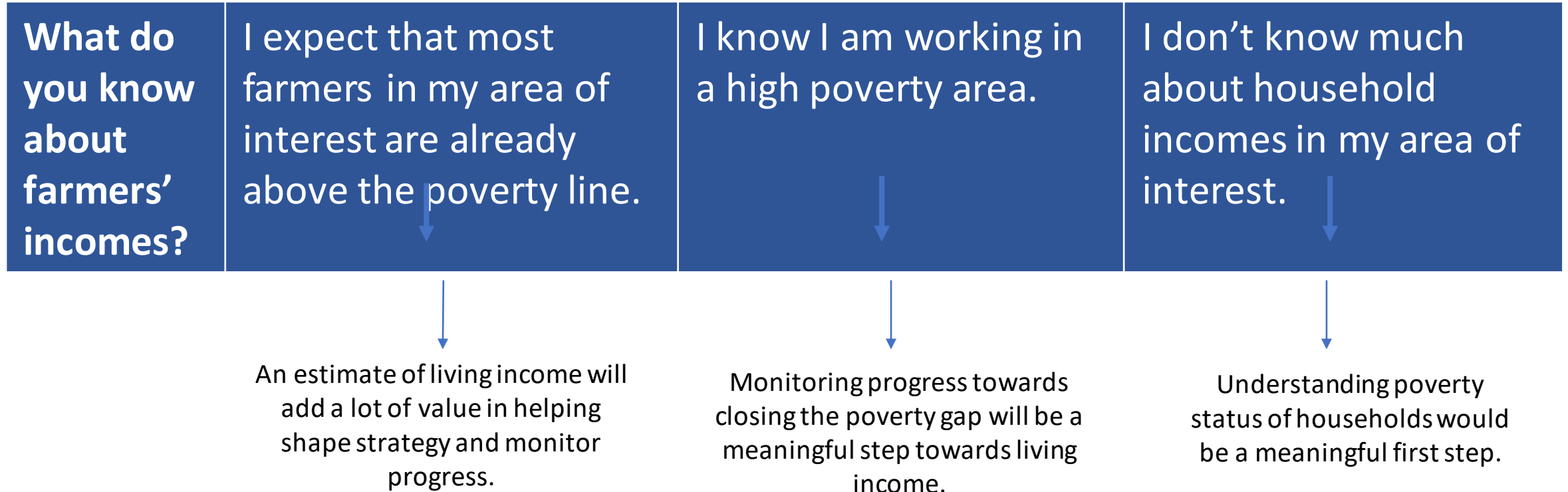


We recommend that you ask yourself key questions – in three steps - before deciding which alternative(s) would make sense in your case. See following slides.

Living Income Community of Practice –  
measurement to inform strategy

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# 1: How important is it to know exactly what a living income is in your area of interest?



# Use your answer to identify options to get you started

What do you know about farmers' incomes?	I expect that most farmers in my area of interest are already above the poverty line.	I know I am working in a high poverty area.	I don't know much about household incomes in my area of interest.
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Options  
to get you  
started

Living income benchmarks for your area of interest

Urban/rural or regional living income estimates

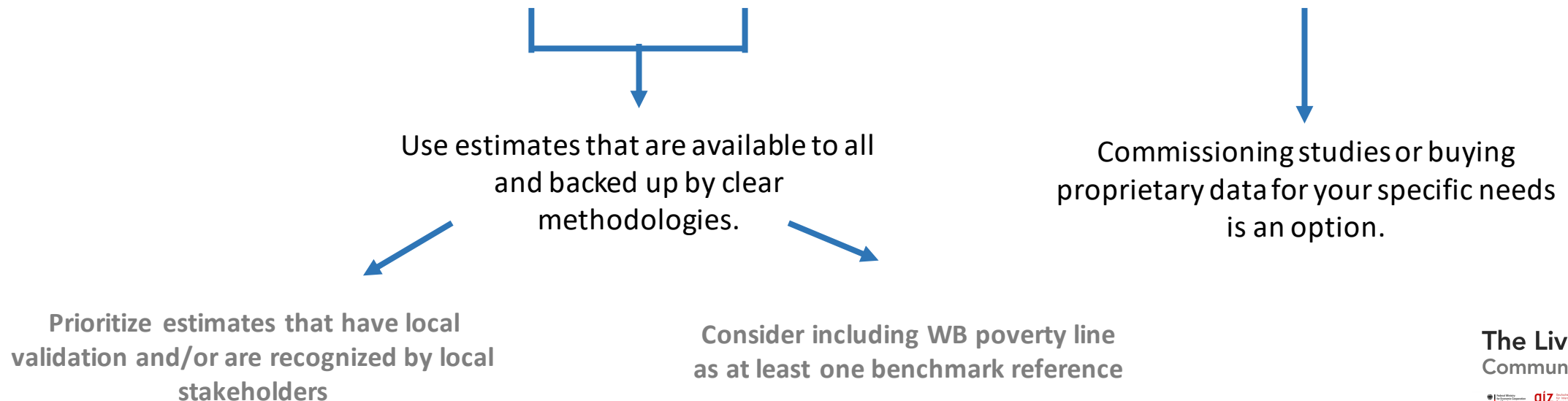
Urban/rural or regional poverty lines

National poverty lines

World Bank poverty line

## 2: What's your use case?

Will the benchmark need to be public?	I need a robust publicly available benchmark for <b>public reporting or commitments.</b>		I need a solid benchmark for <b>internal monitoring or program design.</b>
What stakeholder support do I need?	I need a benchmark that has <b>local stakeholder</b> support and will make sense to local stakeholders.	I need a benchmark that will have <b>global stakeholder</b> support and make sense to global stakeholders.	I need a benchmark that will make sense to <b>internal stakeholders.</b>



### 3: How important is cross-country consistency?

**Do you need multiple estimates? Do they need to be consistent?**

It is critical that I treat all cases equally from the start. I cannot work with benchmarks unless I have consistent estimates for all cases.

I can work with the best available estimate for each location.



(Collaborate to) commission new benchmarks for missing locations.

Use less precise estimates that are available for all your locations of interest.



Create income ladders for each location with any available estimates that satisfy your needs (see questions 1 and 2)

(Collaborate to) gradually improve available estimates over time

# How can I find others who want to collaborate on a benchmark study?

Multiple members of the Living Income Community of Practice are working on benchmarks. We highly recommend collaborate work to develop transparent, credible, public benchmarks.

Please email [livingincome@isealalliance.org](mailto:livingincome@isealalliance.org) with your countries and crops of interest.

We will connect you with partners and/or offer support on understanding the timeline for forthcoming benchmarks.

# Who can I contact for more information about Anker benchmarks or to express interest in commissioning an Anker methodology benchmark or benchmark update?

Contact the Global Living Wage Coalition or the Anker Research Network

<https://www.globallivingwage.org/contact/>  
Marthaandrichard@gmail.com

# SECTION 4:

Coming soon -- to be designed  
based on what you want to know!