

# Living income measurement

Where we stand and what's left to develop?

Feb 23, 2016



Personal reflections by  
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Starting proposition:

**We know how to calculate a living income.**

What we do not know is how we expect agriculture to contribute to a living income. This is where we are stuck.



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**A living income is the net income of a household, earned / generated under conditions of decent work, sufficient to enable all members of the (average) household to afford a decent standard of living.**

Proposed definition of living income from Feb 2015 workshop



**A living income is the net income of a household, earned / generated under conditions of decent work, sufficient to enable all members of the (average) household to afford a decent standard of living.**

It's about households – not agricultural households.

It's about affording a decent standard of living.

For conceptual clarity, let's drop 'earned under conditions of decent work for now'. That's about HOW, not about WHAT.

# What is a living income?

**It is a normative benchmark.**

- › Represents how much income an average family in a particular place would require to afford a 'decent' standard of living
- › Decency needs to be operationalized
  - Best done through an agreed methodology to ensure that we are talking about the same thing.

# Can we build on the work of the Global Living Wage Coalition?



A coalition of six sustainability standards and the ISEAL Alliance, covering multiple sectors and products

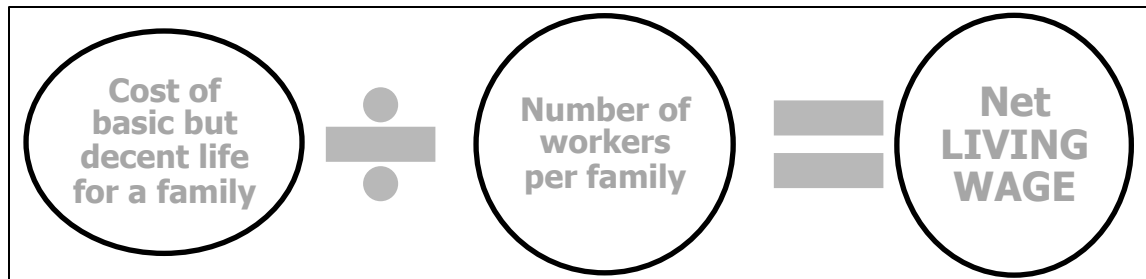
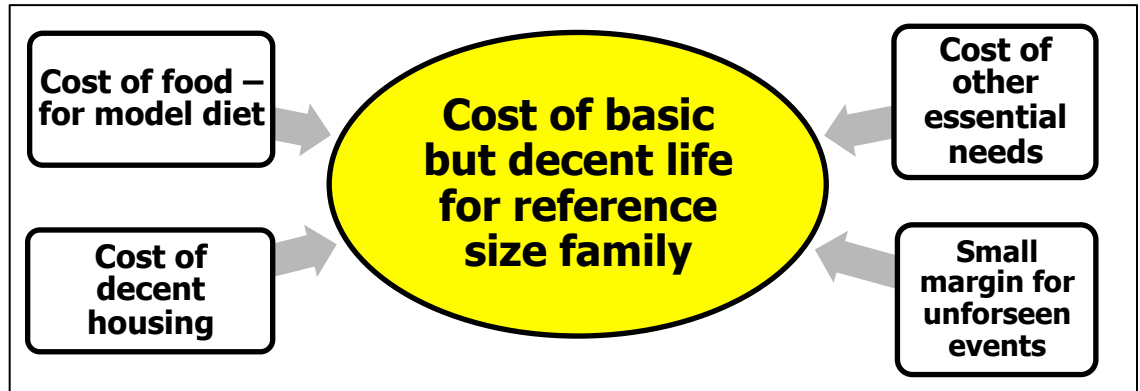
Working together to measure, promote, and implement a living wage in the sectors in which we are active

Working together to establish benchmarks using a shared definition of Living Wage and the **Anker Methodology for developing Living Wage Benchmarks**



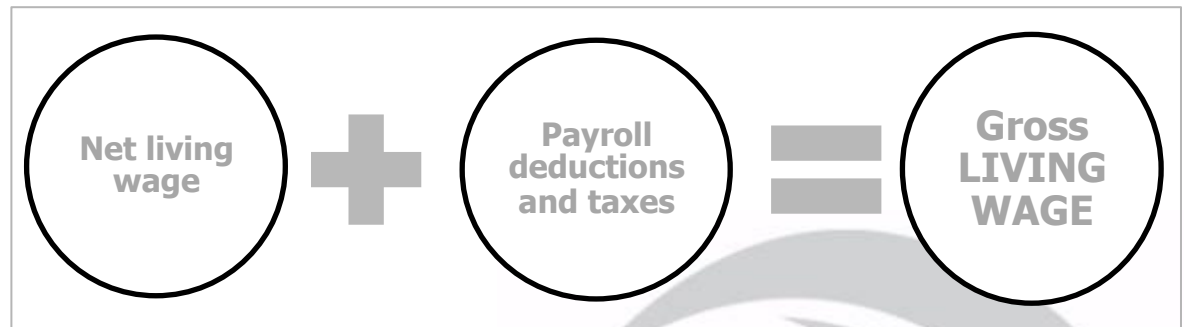
# A core strength of the Anker methodology is operationalizing 'decency'

## 1. Components of a basic but decent life for a family



## 2. From cost of basic but decent lifestyle to net living wage

## 3. From net living wage to gross living wage





# A decent standard of living includes:

## ›Food:

- › Model diet meeting **FAO** and **WHO** nutritional requirements and **local food preferences**.

## ›Housing

- › Meets common principles of adequate housing (Intl Cov on Econ, Social, and Cultural Rights; ILO recommendations, WHO, UN-Habitat)
- › E.g durable, sufficient living space, safe water, sanitary toilet, ventilation, food storage, protection from cold, damp, etc. Not in slum or unsafe area.

› Also education, health care, transport, clothing, and other essential needs including provision for unexpected events



Peruvian coffee farmer and wife © Rainforest Alliance



**The Anker methodology is well-grounded in international standards of ‘decency’.**

**Plus the Global Living Wage Coalition is already making this calculation in many areas around the world.**



We could argue over the methodology and exact benchmark calculation, but how far would that get us?

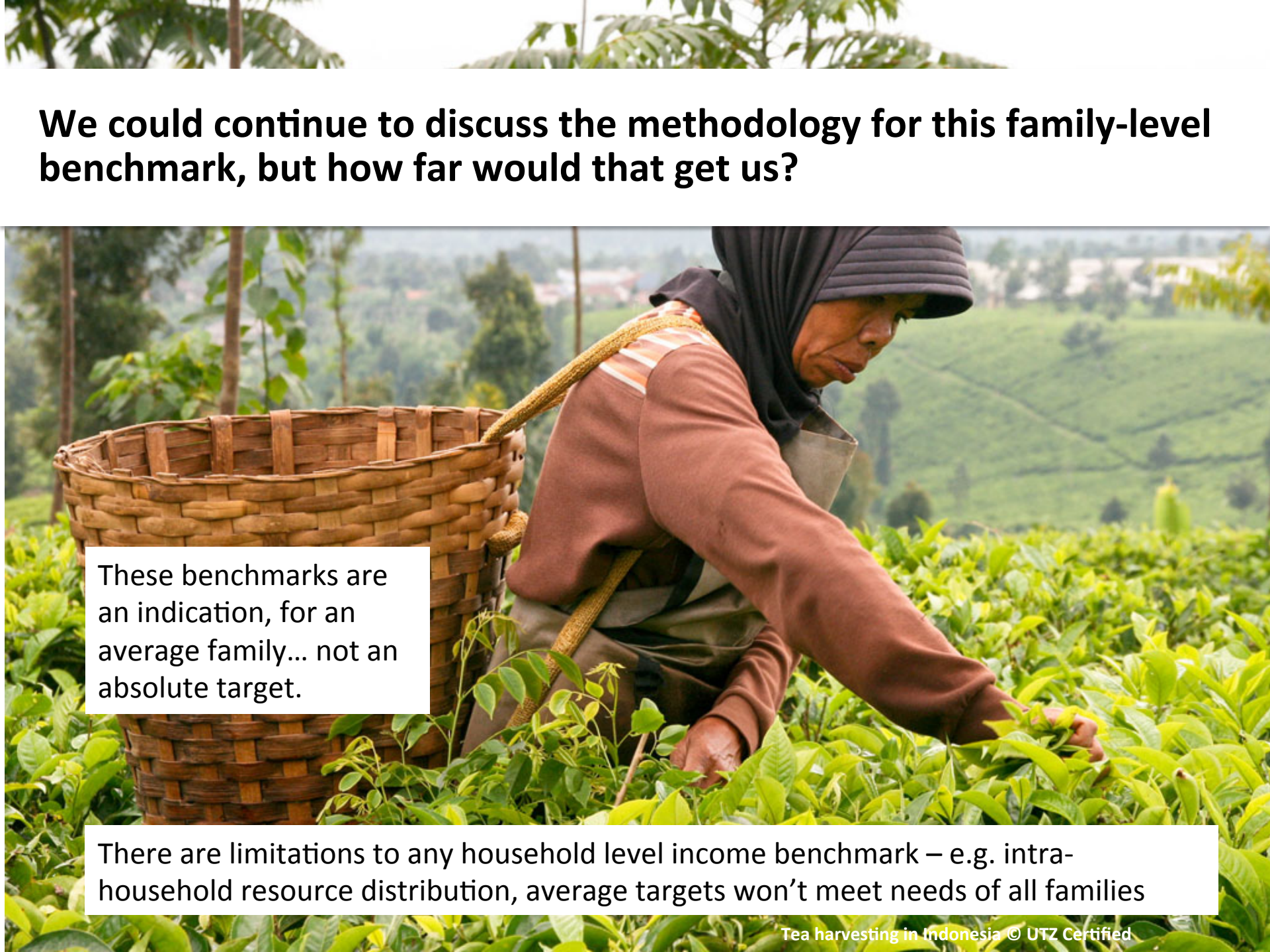
These benchmarks are an indication, for an average family, not an absolute target.

World map showing the locations of 15 study sites for the Urban and Rural Health Study. The sites are marked with yellow stars and labeled with orange boxes:

- Mexico - Rural
- Dominican Republic - Rural
- Nicaragua, Guatemala, Honduras - Rural
- Brazil - Rural
- South Africa - Rural
- Tanzania - Rural
- Kenya - Rural, Semi-urban
- Malawi - Rural
- Ethiopia - Rural (2 areas)
- Rwanda - Rural
- Pakistan - Urban
- Bangladesh - Urban
- India - Urban and rural
- Sri Lanka - Rural
- Vietnam - Rural and Urban
- China - 6 Urban Benchmarks



**We could continue to discuss the methodology for this family-level benchmark, but how far would that get us?**



These benchmarks are an indication, for an average family... not an absolute target.

There are limitations to any household level income benchmark – e.g. intra-household resource distribution, average targets won't meet needs of all families



**A living income is the net income of a family in a particular place, sufficient to afford a decent standard of living for all members of the family.**

**Proposed definition of living income to align with the Anker methodology.**

Not 'household' but family.

'Net income' is income after taxes (or income the household can actually spent).

Easier to look at annual income than monthly income if we want to apply this to the context of seasonal or unstable incomes.



*Figuring out the 'income gap' requires comparing the living wage benchmark to actual annual household income ('income' available to help afford a decent standard of living)*

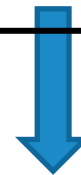
Job or business or...

In-kind or cash contribution of other activities to family's ability to afford a decent standard of living

In-kind and cash contribution of farm activities to households ability to afford a decent standard of living

Annual family income

Farm



Starting proposition:

**We know how to calculate a living income.**

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**The methodological questions we have been struggling with are not about the cost of a decent standard of living. They are about how income is actually earned.**

› What is different about farmers?:

- Farming as a business; farmers are entrepreneurs
  - Need for an additional investment, risk, or entrepreneurial premium?
- What does it mean to say 'earned under conditions of decent work' for farmers? How do we think about time investment by farmers?
- Farmers grow multiple crops and are involved in subsistence farming. Farming households also have jobs and run businesses.
  - what percentage of a living income do we expect to come from one crop?

**1. Do farmers need for an additional investment, risk, or entrepreneurial premium?**

*-Is this about income needs of the farming family, or of a farming business?  
-Does it affect our estimate of living income or of farm revenue needs?*

Job or business or...

In-kind or cash contribution of other activities to family's ability to afford a decent standard of living

In-kind and cash contribution of farm activities to households ability to afford a decent standard of living

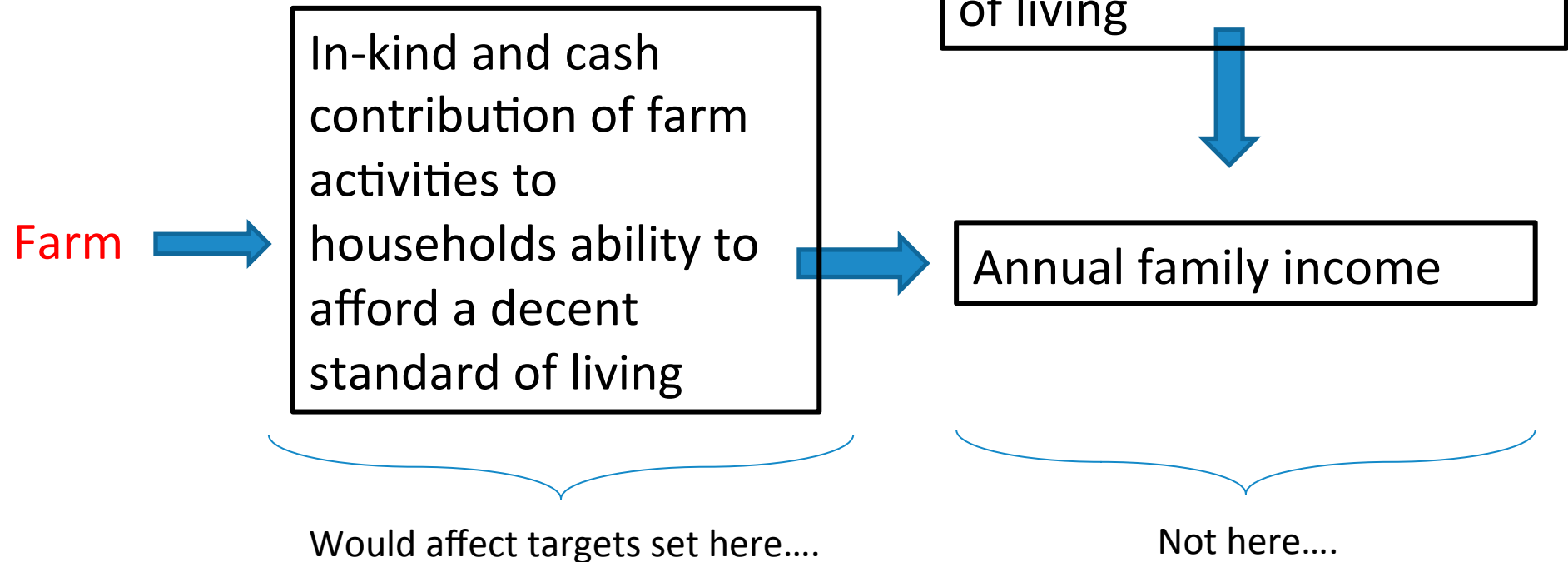
Annual family income

Would affect targets set here....

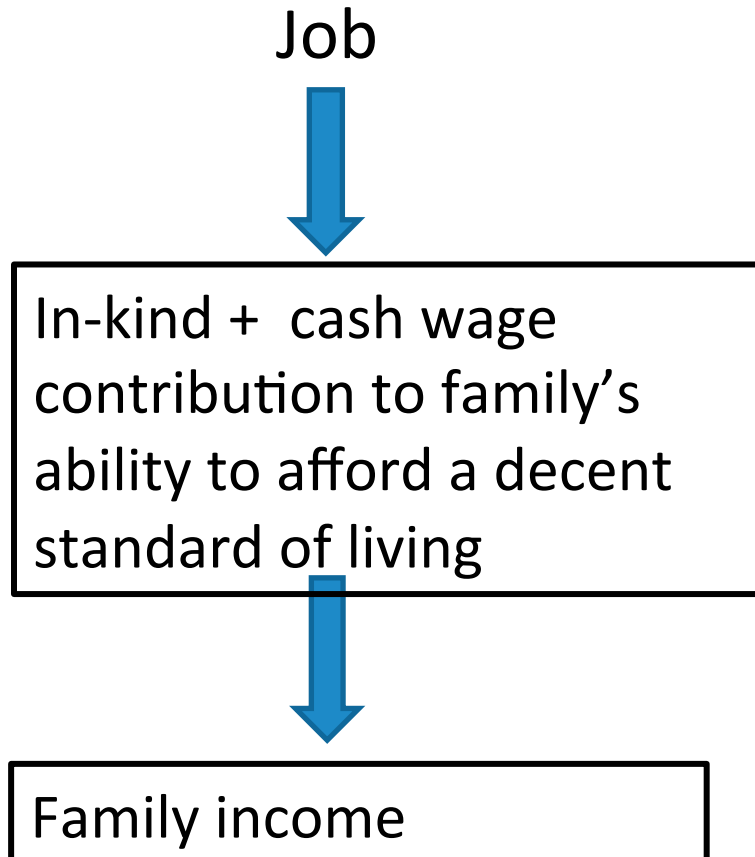
Not here....



2. What does it mean to say 'earned under conditions of decent work' for farmers? How do we think about time investment by farmers?



Let's look at how this works with a living wage target....



Living wage is the 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.

Net living wage =  
Cost of a decent standard of living /  
average number of workers per family

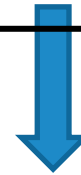


## 2. What percentage of living income do we expect to come from one crop?

Job or business or...



In-kind or cash contribution of other activities to family's ability to afford a decent standard of living



Annual family income

In-kind and cash contribution of farm activities to households ability to afford a decent standard of living



Would affect targets set here....

Not here....

**Are you convinced that these remaining questions do not affect the living income concept and measurement?**






# They are important for some uses of the living income concept.

› What **can we do** without addressing these questions?

- Assess gap between farming family income and living income
- Study or model how changes in farm or crop revenue might translate into changes in family income (in a particular context or place)

› What **can't we do** without addressing these questions?

- Agree normative targets or benchmarks for farm revenue, crop revenue, farmer earnings per hour...

A photograph of a man in a blue shirt and a cap guiding a brown ox pulling a wooden cart loaded with palm fruit through a palm grove. The ox is harnessed to the cart, and the man is standing behind it, holding the reins. The background is filled with tall palm trees and lush greenery.

Closing thoughts:

**We know how to calculate a living income. Let's use this information.**

What we do not know is how we expect agriculture to contribute to a living income. This is where we are stuck. Let's first agree why we need and how we will use targets for anything other than family income.

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Thanks for listening... Looking forward to your thoughts!



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