



Living Income

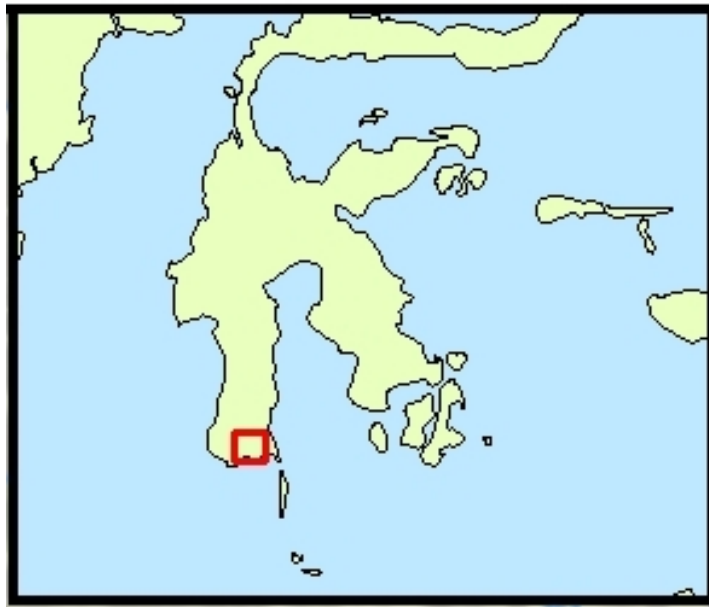
Through the lens of household economics

November 2016





A Household Economy and Poverty Baseline



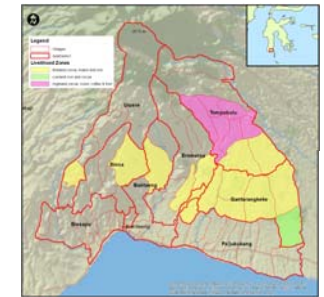
Bantaeng, Indonesia

Supported by the ISEAL Demonstrating and Improving Poverty Impacts (DIPI) Project with funding from the **Ford Foundation**

Methodology – Household Economy Approach (HEA)

Cluster

Livelihood zone map
(GIS and key informant interviews)



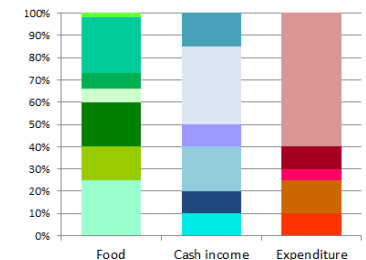
Stratify

Wealth disaggregation
(community leader focus groups)

Socio-economic group	Land owned	Main source of income	Education level
Very Poor	0	Labor	Junior High School
Poor	0 – 0.5 ha	Labor and crop sales	Junior or Senior High School
Lower middle*	0.5 – 1 ha	Labor and crop sales	Senior High School or University
Upper middle*	1 – 2 ha	Crop sales/some salary/ some trade income	Senior High School or University
Better-off	5 ha	Crop sales/trade	Senior High School or University

Assess and Calculate

Household economic analysis (semi-structured interviews and cross-checking)

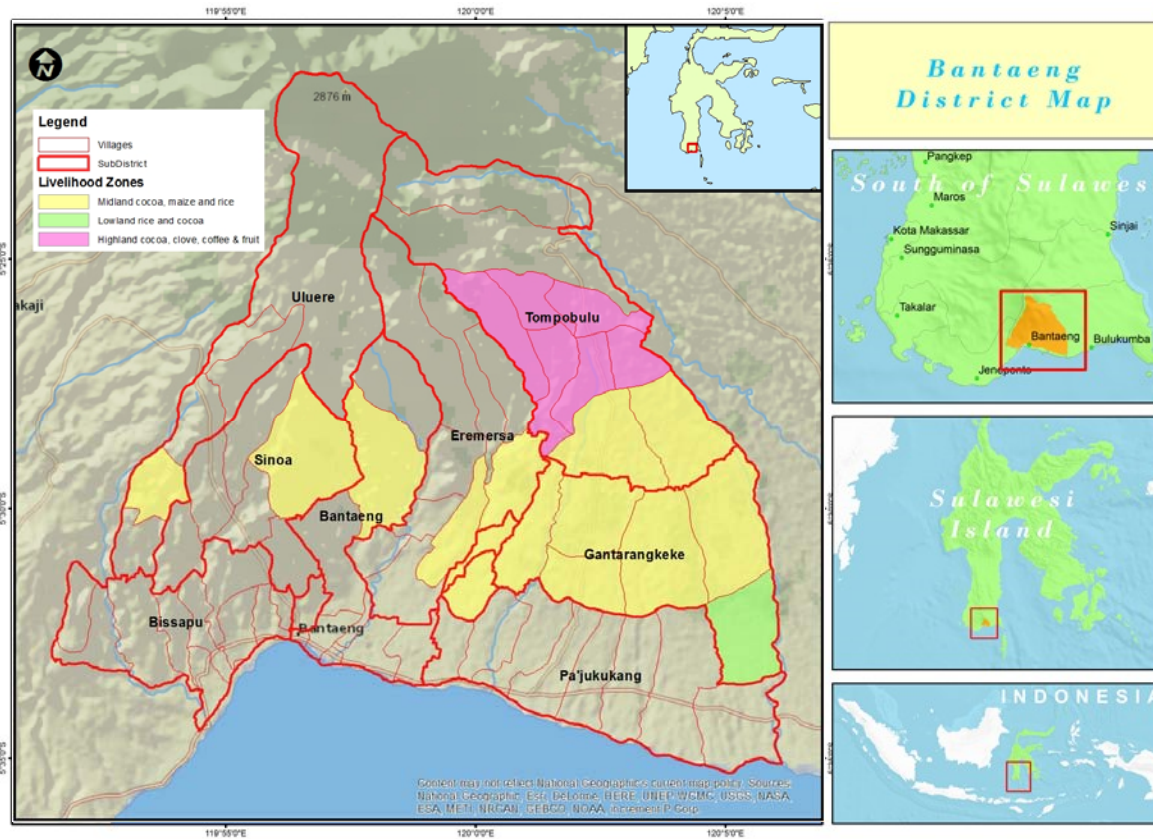




Livelihood Zone Map

Three livelihood zones

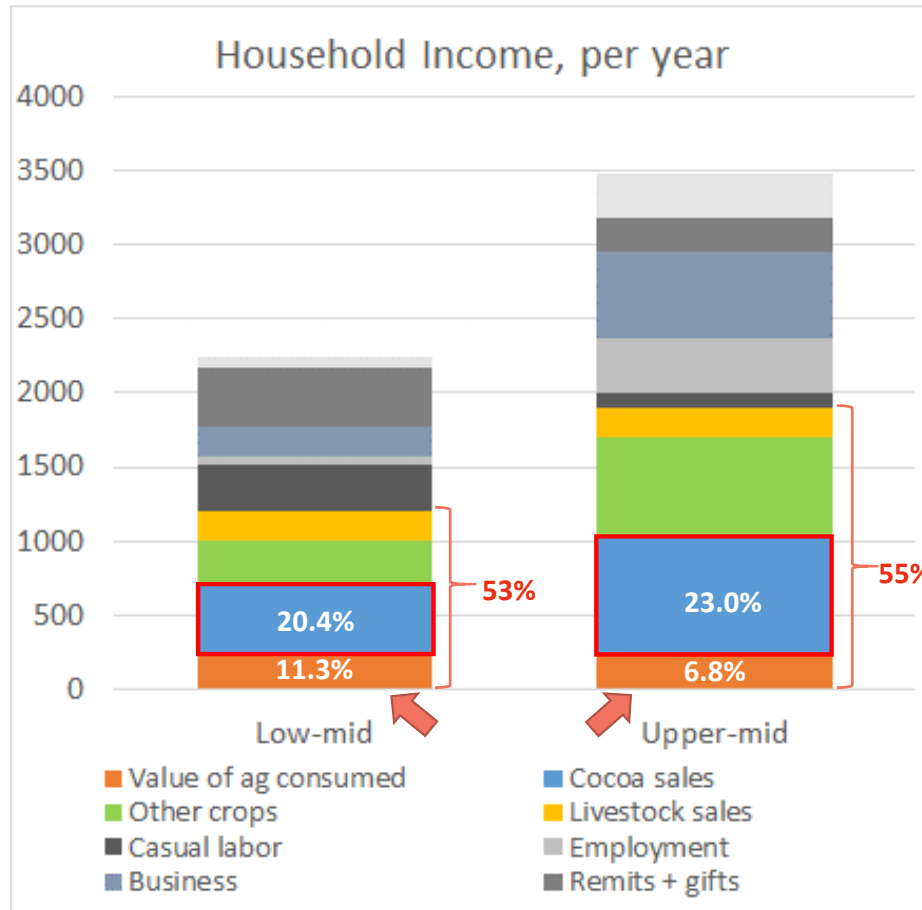
Study focused on one zone



Wealth Group Breakdown

Socio-economic group	Land owned	Livestock ownership	Main source of income	Education level
Very Poor	0	Only chickens	Labor	Junior High School
Poor	0 – 0.5 ha	Only chickens	Labor and crop sales	Junior or Senior High School
Lower middle*	0.5 – 1 ha	Chickens with some larger livestock	Labor and crop sales	Senior High School or University
Upper middle*	1 – 2 ha	Chickens plus 3 larger head of livestock (goat/horse or cattle)	Crop sales/some salary/ some trade income	Senior High School or University
Better-off	5 ha	Chickens plus 7 - 8 larger heads of livestock (goat/horse or cattle)	Crop sales/trade	Senior High School or University

Household Economic Analysis

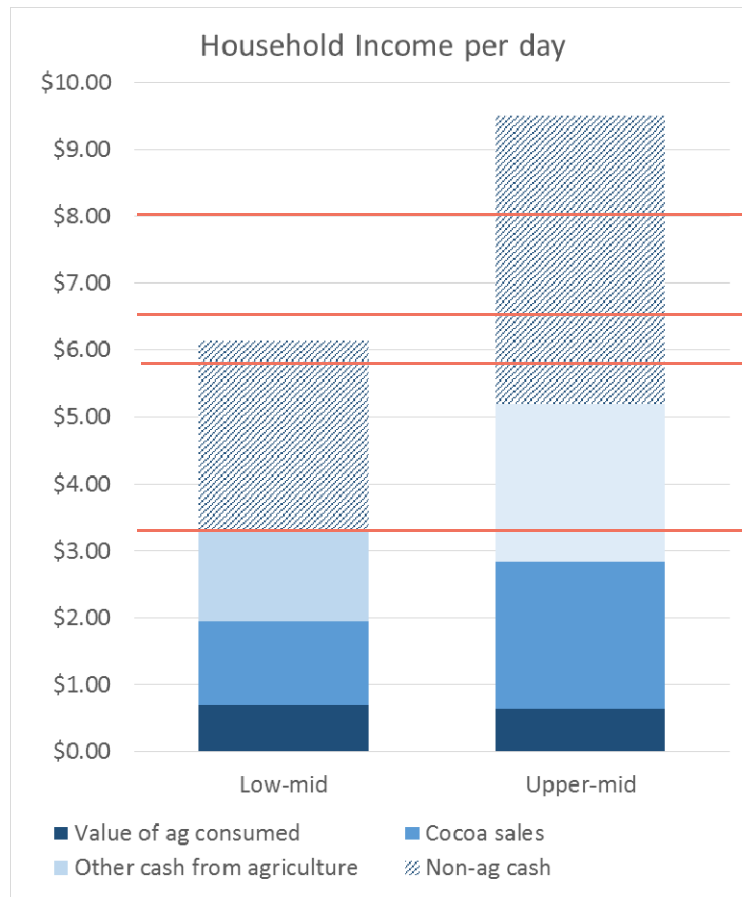


Cocoa accounts for less than a quarter of total household income.

Agriculture accounts for just over half of total household income.

Income and Poverty Analysis

Household size
= 4



International Poverty Line: \$8.00

Living income, upper-mid: \$6.44

Living income, lower-mid: \$5.79

Indonesian Poverty Line: \$3.28



Cost per day (HH size = 4)	Lower-middle HHs	Upper-middle HHs
Own production	0.41	0.41
In kind	0.15	0.15
Gifts	0.13	0.13
Rice	0.48	0.48
Fish	0.88	0.88
Sugar	0.12	0.12
Oil	0.14	0.14
Wheat flour	0.09	0.09
Noodles	0.21	0.21
Tempeh	0.04	0.04
Salt	0.02	0.02
Soap	0.03	0.03
Washing powder	0.07	0.07
Basic toiletries	0.02	0.02
Electricity	0.10	0.10
Gas for cooking	0.06	0.06
Condiments	0.03	0.03
Onion/chilis	0.03	0.03
Vegetables	0.03	0.03
Tea	0.05	0.05
Spices	0.03	0.03
Education	0.84	0.84
Health care	0.15	0.15
Clothing	0.05	0.05
Inputs	0.66	1.30
Mobile phone credit	0.03	0.03
HH items	0.37	0.37
Transportation	0.55	0.55
Total income threshold	5.79	6.44

Living Income (Livelihoods Protection Threshold)

- Based on maintaining essential needs + current level of livelihood activity
- Varies between wealth groups due to land size and other productive assets
- Missing from this calculation is savings for unexpected events



Return on Household Labor Investment in Cocoa

Lower-middle:

- Land area under cocoa = 0.66 ha
- Cost of cocoa production: \$60.88/year
- Net cocoa profit: \$396.69/year
- Total household labor days on cocoa ≈ 82
- **Return on household labor = \$4.84 per day**

Upper-middle:

- Land area under cocoa = 1.03 ha
- Cost of production: \$205.95/year
- Net profit: \$593.84/year
- Total household labor days on cocoa ≈ 96
- **Cocoa income per household labor day: \$6.18**

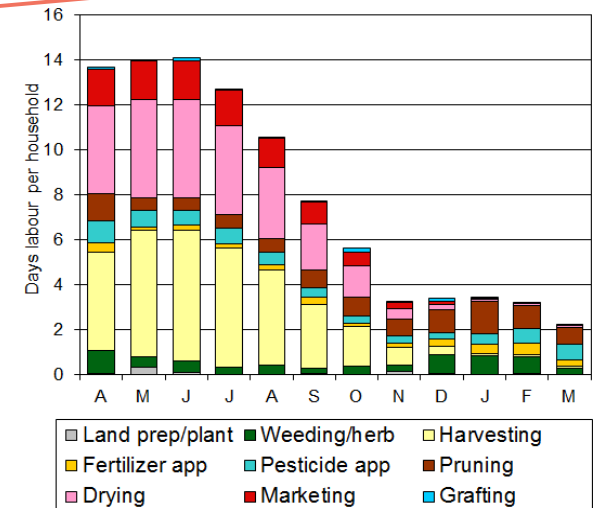
Living Income

Low-mid = \$5.79/day

Up-mid = \$6.44/day

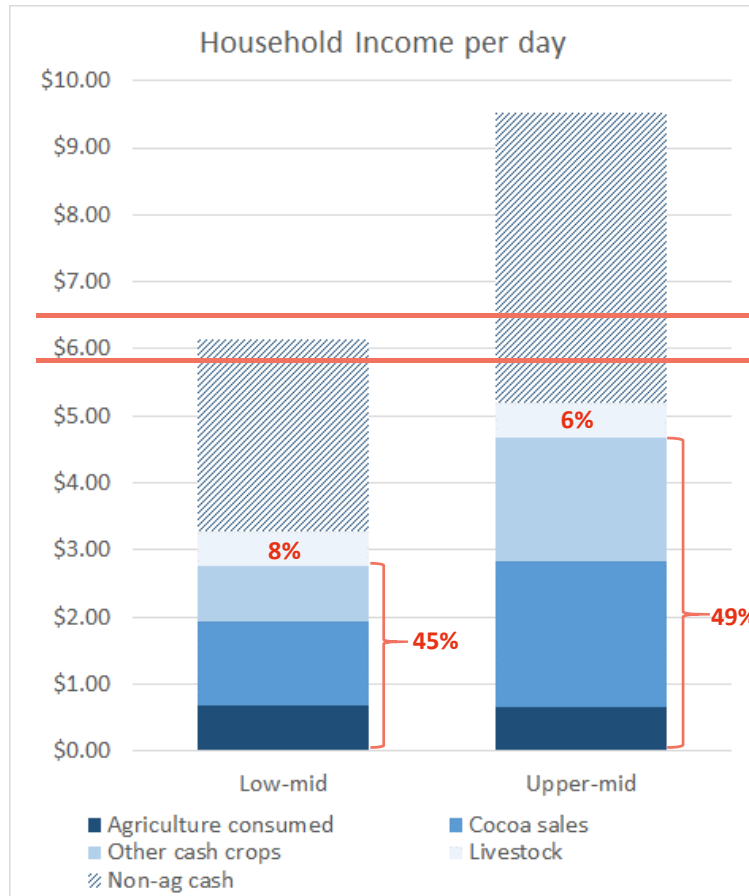
Poverty line = \$8/day

Expenditure on cocoa production		
Expenditure per year	Lower-Mid Group	Upper-mid Group
Inputs (mainly fertilizer, pesticides)	\$57.87	\$77.79
Land and trees	\$0.15	\$113.19
Hired labor	\$0.72	\$14.71
Interest on cocoa loans	\$2.14	\$0.26
Total	\$60.88	\$205.95



Return on Land Assets

Farm diversity
 13 crops grown for cash only
 3 crops grown for both food and cash



Upper-middle: Living income = **\$6.44/day**
 - Total land cultivated: 1 ha-2 ha
 - Land under cocoa: 1.03 ha

Lower-middle: Living income = **\$5.79/day**
 - Total land area cultivated: 0.5 ha -1 ha
 - Land under cocoa: 0.66 ha

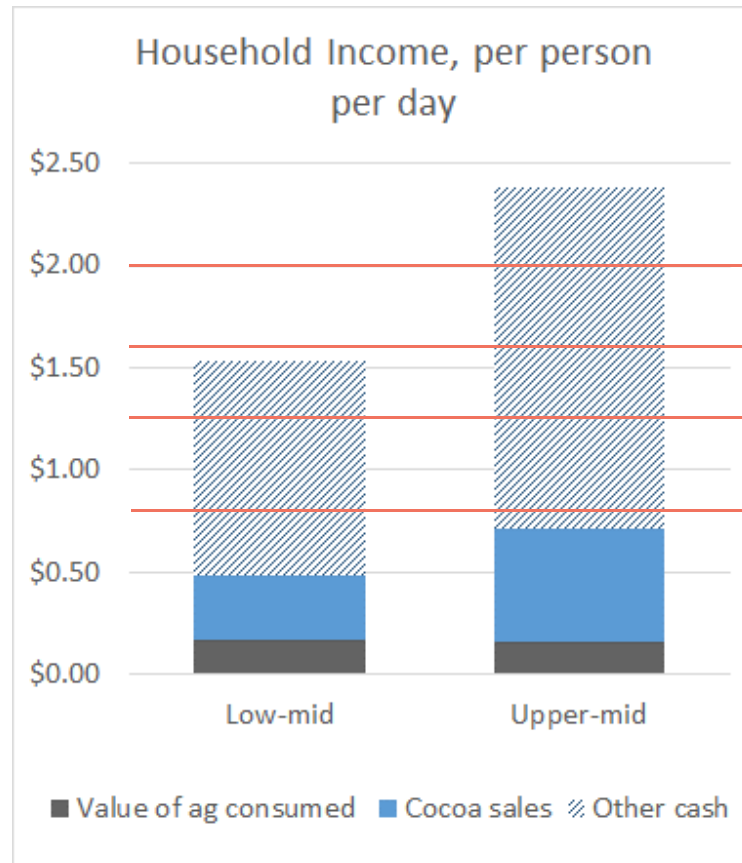
Summary: Viewing Living Income



1. Cocoa as a percentage of household income
2. Total household income compared to income thresholds
3. Cocoa income as a return on labor investment
4. Cocoa and total agriculture income as a return on land assets
5. Wages paid to workers



www.rainforest-alliance.org



International Poverty Line: \$2.00

Living income, upper-mid: \$1.61

Living income, lower-mid: \$1.25

Indonesian Poverty Line: \$0.82