Living income measurement
Where we stand and what’s left to develop?

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Personal reflections by
Kristin Komives, Director, Impacts
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.
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

- Cost of food – for model diet
- Cost of decent housing

Cost of basic but decent life for a reference size family

- Cost of other essential needs
- Small margin for unforeseen events

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

Net LIVING WAGE = Net living wage + Payroll deductions and taxes

3. From net living wage to gross living wage

Gross LIVING WAGE = Net living wage + Payroll deductions and taxes
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**
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.
Living wage benchmarks completed, in process, or planned

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

Map of countries and regions with completed, in process, or planned living wage 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)

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

Annual family income

Job or business or…

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

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

Would affect targets set here....

Job or business or...

Annual family income

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?

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

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

Annual family income

Job or business or...

Would affect targets set here....

Not here....
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

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

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