

Living Income: An Introduction

Swiss Platform for Sustainable Cocoa: Virtual Interactive Living Income Workshop

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Main responsibilities

- Living income in cocoa
- Living Income Community of Practice
- German Retailers Working Group on Living Income and Living Wages

Agenda

- **Introduction:** Living Income Community of Practice & Living Income Concept
- **Preparing for action:** Measuring income gaps
- **Taking action:** Strategies for closing the income gap



Living Income is a hot topic...

Virtual Living Income April Workshop 2020

7th April 2020



17.01.2020

Living Income Working Group - Statement

Leading German retail companies set an example for fair trade on the opening day of the International Green Week. In the presence of Federal Minister Dr Gerd Müller, seven retailers signed a joint agreement on the promotion of living wages and incomes in the agricultural supply chains of their private label products.

The Only Way is **UP**
Living Wage and Living Income Conference

celebrating commitments

'Cocoa Compass': Olam Cocoa commits to living incomes for farmers, a child labour free supply chain and greater forest protection by 2030



24 Oct 2019
FAIRTRADE SUPPORTS THE IMPLEMENTATION OF A LIVING INCOME DIFFERENTIAL OF GHANA & CÔTE D'IVOIRE



Necessary Farm Gate Prices for a Living Income
Existing Living Income Reference Prices are Too Low

...for governments, civil society, industry and research in multiple sectors



FARMER INCOME LAB



German Retailers Working Group
on Living Income & Living Wages

And many more...

Fostering shared learning and joint action

The Living Income Community of Practice

- Founded by ISEAL Alliance, Sustainable Food Lab & GIZ
- **open platform** for sharing, learning and collaboration
- More than **550 subscribers** from **various stakeholder groups**
- Regular **webinars**, annual **workshops**, **resources**, **newsletter**, etc.

More information: www.living-income.com

Mailing list: <http://eepurl.com/gMKLgT>

LinkedIn group: <https://www.linkedin.com/groups/13784101/>



Why living income?

Secure human rights

- Right to **just remuneration**
- Right to **life in dignity**

Universal Declaration
of Human Rights

UN Guiding Principles

NAP

OECD-FAO Guidance

Promote sustainable development

- Fight **poverty & hunger**
- Eliminate **child labor** and **forced labor**
- **Reduce inequalities**
(also between genders)
- Protect **natural resources**



Secure raw material supply & quality

- Support **viable farming systems**
- Promote **attractive employment** in agriculture

Existing concepts are not enough.

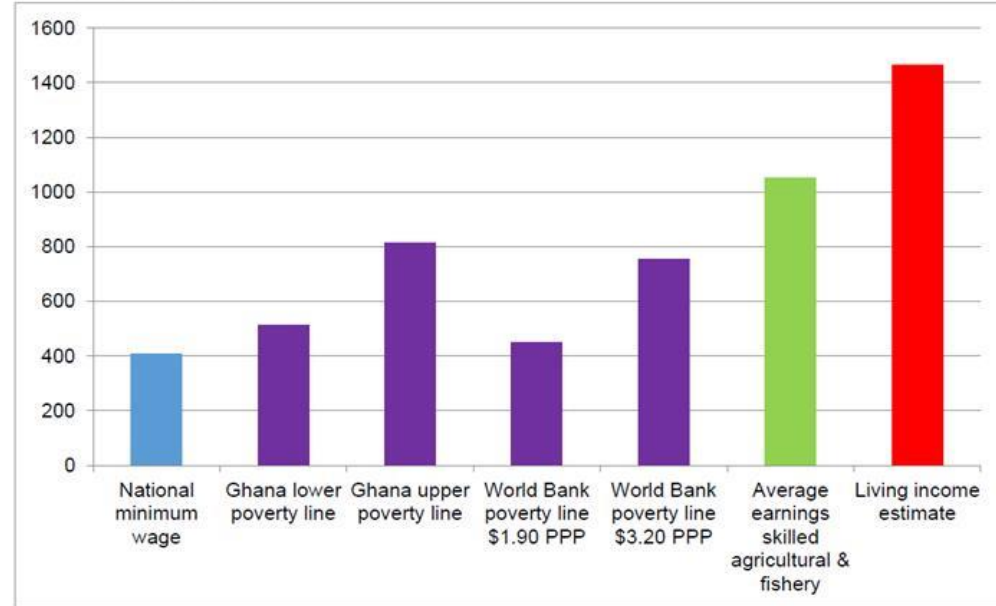
Poverty lines

- Reflect **mere survival**, not a decent living standard
- Not region specific

Minimum wages

- In many places **not existent or too low** to secure decent living
- Mostly **not applicable** for farming households or self-employed

Living Income benchmark compared to other economic indicators for Ghana



Source: Living Income Report – Rural Ghana (2018);
converted to GHS per month for a family of 5

How is the living income concept different?

Living Income is about:

- **households having the ability to afford a decent standard of living.**
- **net actual household income being sufficient to cover costs** of decent standard of living in particular place
- **Decency** in the context of nutrition, housing, education, healthcare, transport, other essential needs and provision for unexpected events



Toilet: Unacceptable vs. acceptable quality



Kitchen: Inadequate vs. good air circulation

Living Income

Definition

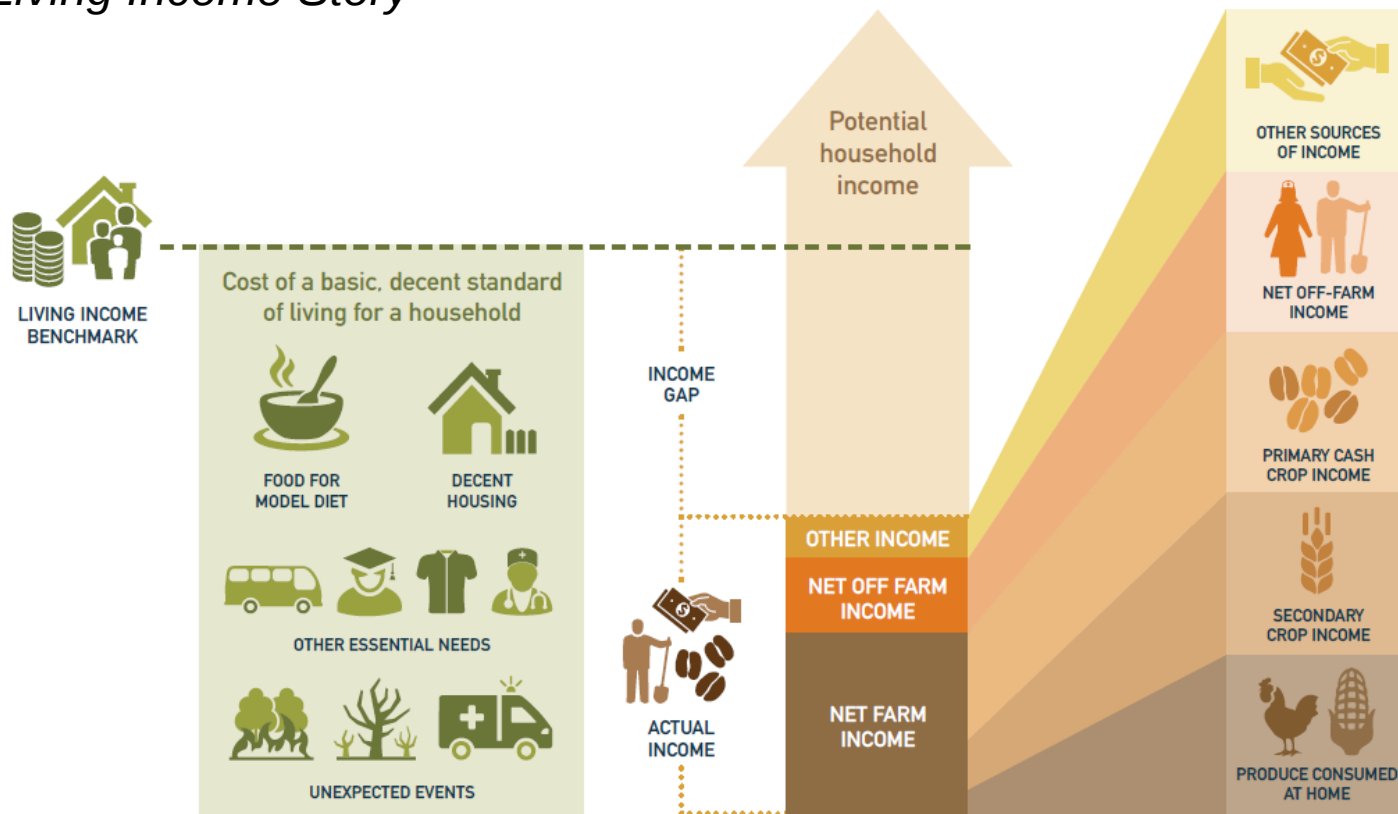
"The net annual income required for a household in a particular place to afford a decent standard of living for all members of that household."

Source: Living Income Community of Practice



Preparing for action: Measuring income gaps

The Living Income Story



Source of infographic: Living Income Community of Practice

Step 1: Determine living income benchmarks



Methodologies

- **Anker methodology**
- Reference values (using proxy methodology)
- Other methods by companies and organisations

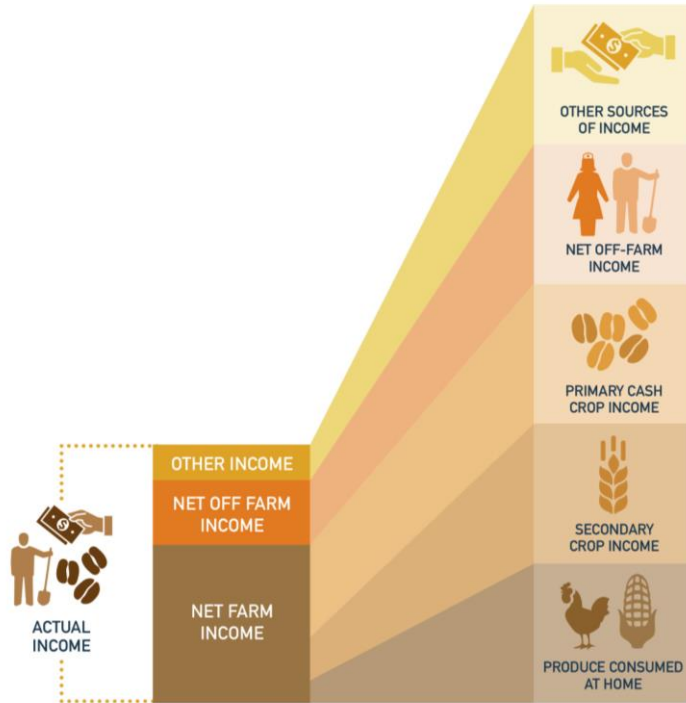
Important note: In the absence of a Living Income benchmark you can still start action by working towards **alternative reference values** as intermediate goals!



Stay tuned!

LI CoP is working on FAQ guidance on living income benchmarks

Step 2: Determine actual household income



Methodologies

- using farm economic model
(revenues minus production costs)
- estimation models with easy-to-access variables
- mixed-methods

Important considerations

- Balance between precision & needed resources
- Income composition (% of focus crop)
- Availability & quality of secondary data



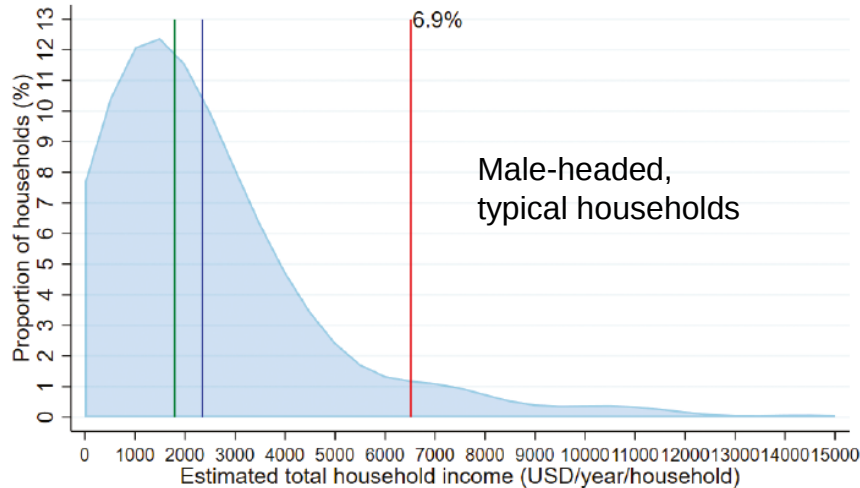
Stay tuned!

LI CoP is working on several guidance papers on actual income measurement

Step 3: Identify the Living Income gap

Results for the cocoa sector

Income distribution and LI gap for cocoa households in CIV

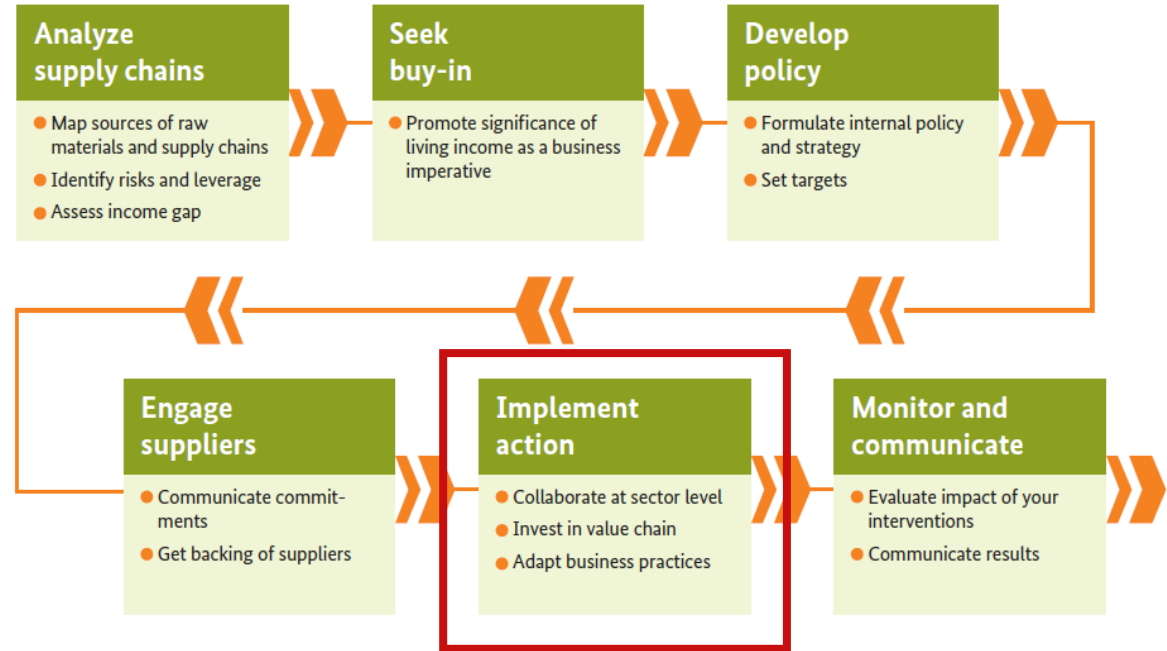


Key insights of KIT studies :

- **87% vs. 83%** of cocoa producing households in CIV vs. GH are **not earning a living income**
- **Significant differences in income gaps**, partly explained by differing household and farm characteristics

Taking action: Work towards closing income gaps

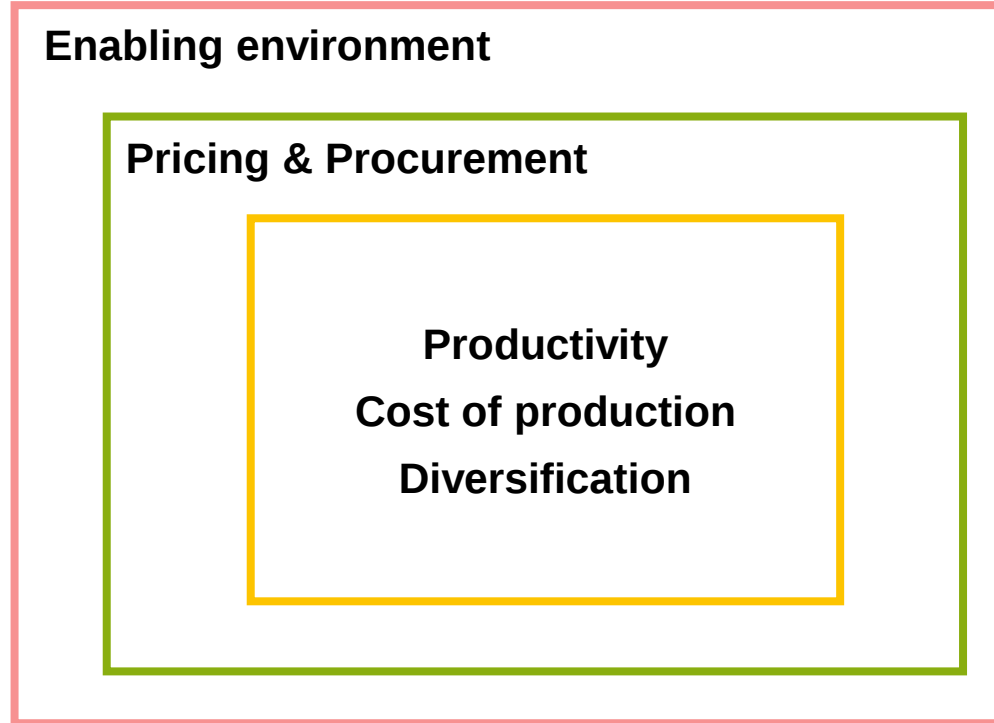
Guidance for private sector



Flyer can be found [here](#) – a more comprehensive version and LI CoP webinar will follow soon

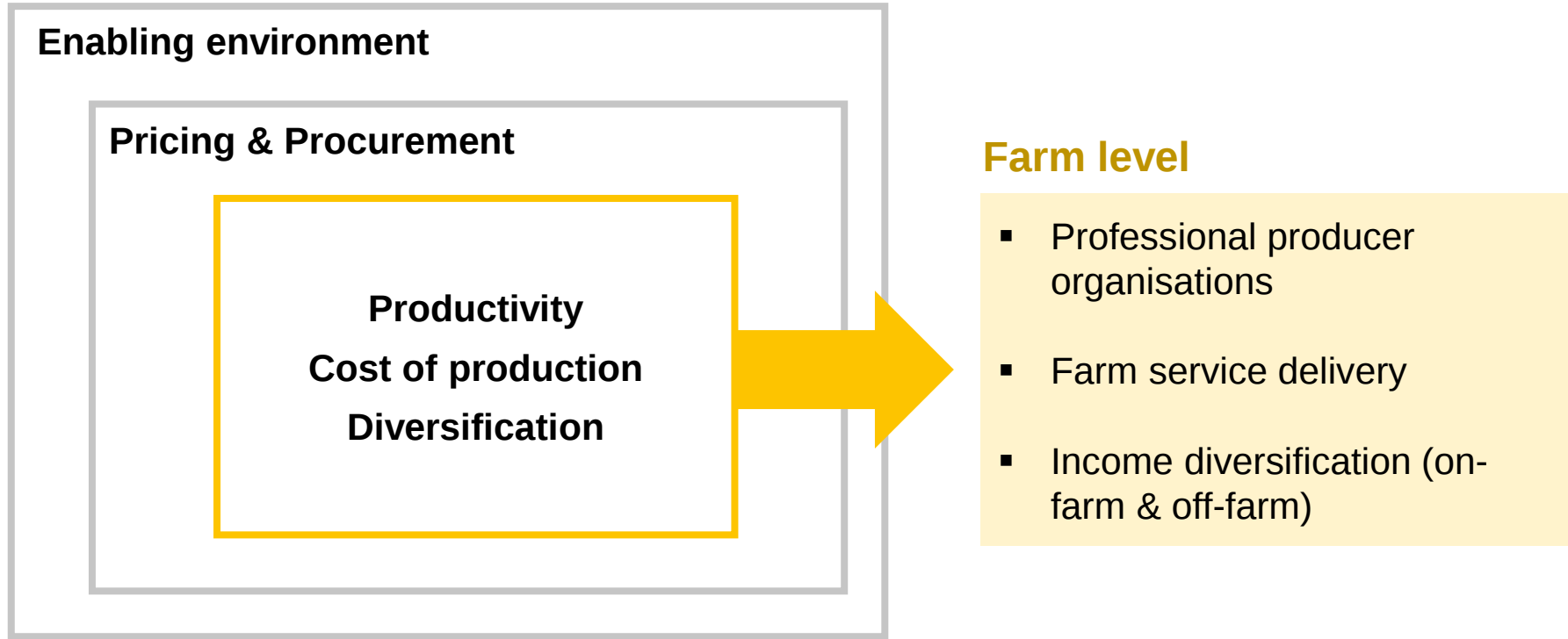
Taking action: Work towards closing income gaps

Need for a holistic living income strategy



Taking action: Work towards closing income gaps

Need for a holistic living income strategy



Taking action: Work towards closing income gaps

Need for a holistic living income strategy

Enabling environment

Pricing & Procurement

Productivity
Cost of production
Diversification

Supply chain level

- Pricing & premiums
- Transparency
- Supplier Management
- Certification
- Corporate marketing & communication

Taking action: Work towards closing income gaps

Need for a holistic living income strategy

Enabling environment

Pricing & Procurement

Productivity
Cost of production
Diversification



Sector & policy level

- Community development
- Landscape development
- Sector price mechanisms
- Supply management
- Sector collaboration
- Due diligence regulation

Milestones on the way to a Living Income in Cocoa

