

Living Income Action Guide

June 2024

This gives a practical overview of current practices and actions companies can take, as well as useful tools and resources.



Assessing living income risk in your supply chain against sector benchmarks can help in deciding a fair price for different commodities and how the cost of this may be shared across the supply chain. It is then the responsibility of companies, with support from key partners if required, to take action to help implement this throughout their supply chain.

Several collaborative groups and partnerships have been established in this space to work towards ensuring that no worker lives in poverty, such as the [Global Living Wage Coalition](#) (GLW) and the [Living Income Community of Practice](#) (LICOP). These aim to build knowledge and information to drive forward action in this space, and contribute to achieving the UN SDG 17, 'Partnership for the goals', which represents global partnerships for sustainable development within the living income space.

Companies can work to ensure they support a living income through the following actions.

Individual actions

There is a wide scope of possibilities of what can be done within an individual business on the topic of living income.

For example, a first step could be conducting an assessment of living income in your supply chain, to then understand where the gaps are and which areas need the most focus in

order to mitigate these risks. There are a growing number of methods for calculating living income and poverty, some of which are detailed below.

Several companies have taken steps to close their living income gaps, achieved first by assessing their own risk. Tony's Chocolonely, for example, through conducting a Multidimensional Poverty Index (MPI) assessment (detailed below), have identified five sourcing principles which aim to contribute to mitigating this risk. These principles are centred on investing in community development, improving supply chain traceability, and providing a higher price to farmers. They feed into the company's living income business model, which has enabled them to set a living income reference price for their cocoa farmers in Cote d'Ivoire and Ghana.

Living income is "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" - [Living Income Community of Practice](#).

Sector-wide collaboration

Sector level alignment on measuring poverty and living income is necessary to formulate holistic solutions which can address root causes of poverty in commodity supply chains, through ground-truthing, for example.

In 2018, Mars launched the Farmer Income Lab to identify solutions for improving farmer income, and to drive change across the industry to implement these strategies.

Collaboration across the supply chain is key to their success, as the challenge is too great for one company alone. They have partnered with IDH to produce the [Living Income Roadmap](#).

Multi stakeholder initiatives

The [Living Income Community of Practice](#) is a partnership between ISEAL, The Sustainable Food Lab, and GIZ, aligned with the GLW, which works on supporting activities to improve the income of smallholder farmers towards the living income benchmarks. LICOP publishes guidance for companies wishing to monitor their progress in assessing, and mitigating, living income risks within their value chain.

A key step towards progressing work on living income was the establishment of European National Initiatives for Sustainable Cocoa (ISCOs). These national initiatives were developed to create a mass market approach to creating change. The main focus areas of these collaborative platforms are to contribute to a living income for cocoa farmers, halt deforestation within the cocoa sector and encourage reforestation, end child labour, and increase transparency. One of the most important principles is the alignment

Living income indicators

The [Multidimensional Poverty Index \(MPI\)](#)

- MPI views poverty as experienced deprivations, rather than insufficient income, and is a method of measuring non-monetary poverty as well as fiscal deprivation. This means that the MPI threshold may be lower than living income, as farmers who earn enough to push them over the living income benchmark may experience other deprivations, such as low levels of healthcare and education, MPI poverty indicators.
- MPI is based on ten household-level questions which are grouped into three dimensions: health, education, and living standards. This means it is comparable across different contexts and can allow the development of broader poverty alleviation policies.

The [Demographic Health Survey \(DHS\) Wealth Index](#)

- The DHS Wealth Index looks at poverty as a lack of assets, comprising a relative, but not absolute, measure of wealth.
- It can offer a different perspective on target groups and help to identify the structurally poor in a target community.

The [Poverty Probability Index \(PPI\)](#)

- This aims to estimate monetary poverty levels, based on ten binary questions that are known to statistically relate to poverty.

between each national initiative, with collaborations resulting in newly developed monitoring and evaluation frameworks which aim to support the ongoing progress of each of their goals. Although these ISCOs have performed well on their ambitions, [according to a Mighty Earth assessment](#) work remains to be done on traceability commitments amongst other indicators, highlighting the importance of international, cross-supply chain collaboration for not only the cocoa sector, but amongst all agricultural forest-risk commodities.

These multi stakeholder initiatives can drive wider industry change, utilising collaborative knowledge-sharing and research groups to address systemic challenges which an individual company or sector could not address alone.

ISCOs were established in Belgium (Beyond Chocolate), the Netherlands (DISCO), Germany (GISCO), Switzerland (SWISSCO), and France (FRISCO). For more information on their aims, challenges, and progress, please see [IDH](#).



Tools & resources

For further information and support on implementing living income commitments and measuring progress towards enabling a living income in your supply chain, there are many useful tools and resources including:

- [ALIGNTool](#) is a database which provides a resource library for those wishing to research living income further, and also a [source map](#) detailing country living income benchmarks, which can be explored by commodity.
- The Living Income Community of Practice (Sustainable Food Lab, Fairtrade Advocacy Office) issued [guidance for policy-makers](#) in contributing towards closing living income gaps for smallholder farmers.
- IDH, collaborating with Mars' Farmer Income Lab, published this [Living Income roadmap](#) to guide companies wishing to identify and close living income gaps in their supply chains.
 - IDH also has a [Living Wage Action Guide](#) which uses case studies to talk through interventions which can be taken to combat the challenges.

- Fairtrade has also published a [roadmap, which also functions as a progress report](#), detailing their setting of living income reference prices (which are commonly used as a benchmark by other companies), and the outcomes of their pilot projects.
- United Nations Global Compact have a [Living Wage Analysis Tool](#) which helps companies to identify actions and opportunities to improve their provision of a living wage and realise their responsibility and influence within their value chain.

Further information

Check out other documents in this series, including the Living Income Explainer and commodity specific explainers. For further information about Efeca's work on living income, please see the [webpage linked here](#). More information on forest risk commodities and their supply chains can be found on Efeca's [Sustainable Commodities Resource Hub](#).

