
ANKER LIVING INCOME REFERENCE VALUE

RURAL MADAGASCAR 2020



LIVING INCOME

**512,693 AR.
PER MONTH
(US\$140)**

Anker 
Research
Network

GLOBAL 
LIVING WAGE
COALITION

The Anker Reference Values are endorsed by the Global Living Wage Coalition (Fairtrade International, Rainforest Alliance, Social Accountability International and ISEAL Alliance). Development of the methodology was initiated and supported by Fairtrade International and German Federal Ministry for Economic Cooperation and Development (BMZ). Further support was received from Rainforest Alliance, Social Accountability International and Clif Bar & Company.



Anker Living Income Reference Value¹

Rural Madagascar 2020

1. Anker Living Income Reference Value for Rural Madagascar in 2020

The Anker Living Income Reference Value for 2020 for rural Madagascar is 512,693 Ar. per month (140 USD)², with a 95% confidence around it of 451,792 Ar. to 581,885 Ar. This is the estimated monthly cost of a basic but decent standard of living for a typical rural family in Madagascar.

“A 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. Elements of a decent standard of living include: food, water, housing, education, healthcare, transport, clothing, and other essential needs including provision for unexpected events” (Living Income Community of Practice).

2. Anker Reference Value Methodology

Anker Living Income Reference Values utilize a new methodology developed by Richard Anker and Martha Anker. This methodology is based on a statistical analysis of 40 internationally comparable, quality-assured Anker methodology studies spread across low-income and middle-income countries carried out primarily under the auspices of the Global Living Wage Coalition. Anker Reference Values are internationally comparable, consistent with results from existing Anker living wage and income benchmark studies, and easy to update every year, and so are especially valuable for countries where it has not yet been possible to organize and fund a full quality-assured Anker methodology living wage or living income study.

Anker Living Income Reference Values represent living expenses for typical size families in rural (or urban) areas of developing countries. Since they are based on statistical analysis, they have a margin of error for typical rural or urban areas of a country, which is approximately +/- 10% using a 95% confidence interval. Since Reference Values are not location-specific within countries and represent the situation in typical rural (or urban) locations, the margin of error is likely to be larger for unusual locations with atypical living costs within a country such as large cities with high living costs or poorer (richer) areas with relatively low (high) living costs and norms.

¹ Prepared by: Sally Smith, Richard Anker, Martha Anker and Ian Prates.

² Exchange rate used to convert to US dollars is 3662.3. This is the average exchange rate for the three-month period from November 2019 through January 2020 according to xe.com.

3. Country context: Madagascar

Geography and demographics

Madagascar is a large island in the Indian Ocean, lying to the east of Mozambique in southern Africa. The climate is tropical on the coast and temperate in the higher inland areas, with a drier, arid region in the south. It is rich in natural resources and biodiversity; over 80% of flora and fauna on the island are found nowhere else.

Most of the population of around 27 million lives in the eastern half of the island, particularly on the eastern coast and central highlands. In 2018, 63% of people lived in rural areas, down from 73% in 2000. The population is growing rapidly by nearly 3% a year, driven by high fertility rates (around 4 births per woman). Approximately 6 in 10 people are under age 25.

Economy

Madagascar is a low-income country with gross national income per capita of \$1,631 in international dollars (PPP) and \$510 in USD in 2018. Following a political and economic crisis from 2009-2013, the economy has grown moderately over the past 5 years, helped by improved performance in the export sector (cloves, vanilla, mining products, textiles) and in the transportation, finance, and construction sectors. However, this is offset by high population growth and by high inflation, which has been around 7% for the last 5 years and is projected by the IMF to be 5-6% for the next 5 years.

Agriculture remains the mainstay of the economy, accounting for around one-quarter of GDP and 68% of employment³, but agricultural output growth is low and volatile (and generally less than population growth). The economy is challenged by weak legal and institutional frameworks and widespread corruption (Madagascar is ranked 158 out of 180 countries on Transparency International's 2019 Corruption Perceptions Index). Natural disasters, climate change, and deforestation also represent significant threats.

Poverty

Madagascar is one of the poorest countries in the world. In 2012, 71% of the population was below the national poverty line (78% was below the World Bank's international poverty line of \$1.90 a day for low-income countries). Rural areas have higher levels of poverty than urban areas, at 77% and 49%, respectively. Poverty rates also vary considerably across the 22 regions of the country, from a high of 97% in Androy to a low of 42% in DIANA; southern regions are generally poorer than northern regions, with some exceptions. Poverty is also linked to household size and the head of household's education level – the poorest households have an average of 6.4 people and literacy rate of 43%.

³ ILO modeled estimate for 2019.

Standard of Living

Madagascar's population is extremely vulnerable to food insecurity, due in large part to the country's vulnerability to natural disasters including drought, cyclones, and flooding. Over half of all children under 5 are affected by stunting. In southern regions, where droughts are most frequent, food insecurity affects around 68% of households (2012 UNICEF/WFP analysis).

Progress in educational attainment has stagnated since 2010, with expected years of schooling stuck at around 10 years for both girls and boys. Health services are limited, particularly in rural areas where 35% of the population lives more than 10km from a health facility.

Housing conditions are poor, especially in rural areas where only 35% of the population has access to clean water, 9% has access to hygienic toilets, and 5% has access to electricity.

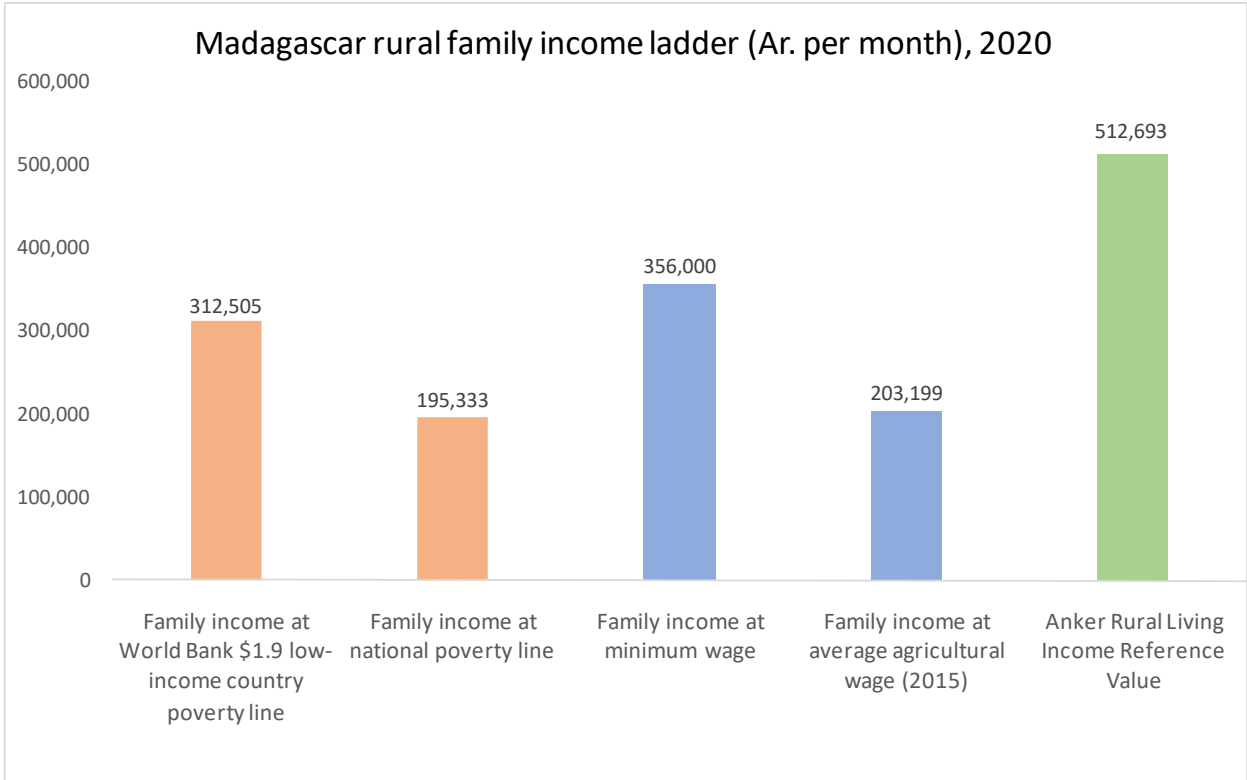
Labor market

Labor force participation rates in Madagascar are very high, at 89% of males age 15+ and 84% of females age 15+ (2019 ILO modeled estimates). According to the latest government estimates, only 1.6% of the labor force was unemployed (2015 estimate) but 37.7% of the labor force was in time-related underemployment (2010 estimate).

4. Family income ladder and gaps to a living income, rural Madagascar

Figure 1 below provides a family income ladder for rural Madagascar and so context for gaps to a living income. It compares the Anker Living Income Reference Value for rural Madagascar with four other indicators of family income. The Anker Living Income Reference Value is much higher than all four comparators. It is 64% higher than family income at the World Bank \$1.90 poverty line for low-income countries such as Madagascar and 162% higher than family income at the national poverty line (noting that the national poverty line was set in 2010). The Anker Living Income Reference Value for rural Madagascar is also 51% higher than the rural family income at the national minimum wage (assuming no mandatory deductions from pay or income tax) and 164% higher than the family income at the average agricultural wage in 2015 (the most recent year with figures available). Given higher poverty rates in some regions of the country, it is likely that gaps to living income will vary considerably across the country. To better understand and measure location-specific living income gaps within Madagascar, further analysis and quality-assured Anker methodology studies are required.

Figure 1



Notes: ^a Madagascar’s national poverty line, which is per person, was multiplied by 5 to convert it into income for a typical rural family of 2 adults and 3 children. ^b The national poverty line was set in 2010. According to IMF data, inflation since then has been around 100%. ^c The World Bank low-income country \$1.90 (PPP 2011) poverty line (which is per person) was converted into income for a family of 5 in 2020 using a formula suggested by the World Bank, latest available PPP from the World Bank (2018), and inflation rate data from the IMF for Madagascar and the United States. ^d To calculate family income at minimum wage and at the average wage in the agricultural sectorxx, the minimum wage and average agricultural wage were multiplied by the estimated typical number of full-time equivalent workers per family in rural Madagascar (1.78xx). ^e The family size used for expositional purposes to estimate family income at the national poverty line and the World Bank poverty line was 5. This is in between: (i) average rural household size which was 4.5 according to 2017/18 DHS data when single-person households (that do not have children) and very large households (with 9+ members that will often have more than 2 adult workers) are excluded, especially considering that adjusted average household size is biased downward by the fact that 28% of rural households are female-headed according to the World Bank, and (ii) family size of 6 implied by the rural child mortality-adjusted total fertility rate of 4.22 in 2017 (which assumes that the rural total fertility rate and the rural child mortality rate decreased in rural Madagascar at the same rates as at the national level between 2008/09 DHS and 2017 World Bank estimates). ^f The number of full-time equivalent workers per family for rural Madagascar used for expositional purposes to estimate family income at the national poverty line, World Bank poverty line, and the minimum wage of 1.78 was estimated based on ILOSTAT data and some judgment on male and female labor force participation rates, unemployment rates, and time-related part-time employment rates for persons ages 25+. 1.78 is high for the world due to high labor force participation rates and low unemployment rates and part-time employment rates in rural Madagascar for both men and women. ^g The Anker Living Income Reference Value is estimated directly based on statistical analysis and therefore does not have an explicit family size or number of full-time workers per family. ^h Family income at minimum wage was calculated by multiplying minimum wage by a typical number of full-time equivalent workers per family for rural Madagascar. Minimum wage was last increased in 2013; there has been around 60% inflation since then to 2020.