

LIRP review for cocoa from Ghana & Côte d'Ivoire

Rationale for applying the “labour share” proportionality approach

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Why proportionality?

Cocoa farming households usually have diverse income sources alongside cocoa revenues. It is therefore reasonable that the cocoa sector is not held fully responsible for closing the living income gap. This means that the living income benchmark applied in the LIRP calculation needs to be adjusted, in proportion to the role that cocoa plays in farming household livelihoods.

However, proportionality within the context of living income objectives is a delicate matter, as it defines the extent to which the cocoa industry is deemed responsible for closing the income gap. The proportionality approach that is applied in the LIRP model is therefore also a sensitive topic.

Proportionality approaches

There are two main approaches to determine what share of a living income should be expected from cocoa. Both approaches reflect the households' actual economic dependency on cocoa, either through the way they allocate their labour or through the proportion of their income earned from cocoa.

- a. In the “**labour share**” approach the expected share of the living income benchmark earned from cocoa is equal to the proportion of the households' available worktime that is dedicated to cocoa production.
- b. In the “**income share**” approach the expected share of the living income benchmark earned from cocoa equals the actual proportion of cocoa income in the overall household's income.

The original LIRP model was based on a variation of the labour share approach. In this variation the household labour use was extrapolated to a “full-time employment” linked to a “viable farm size” that could absorb all the available household labour and generate a full living income. However, the definition of a full-time cocoa farmer was considered to be artificial by stakeholders, and the resulting viable farm size did not reflect the farmer reality sufficiently.

As part of the LIRP model review for cocoa in 2025/2026, alternative proportionality approaches **based on the farmer reality** instead of “full-time employment” and “viable farm size” were explored. Advantages and disadvantages of the labour and income share approaches were assessed, and a stakeholder survey was conducted among Expert Advisory Council members¹ to collect different perspectives and preferences. There was a slight preference for the labour share approach among stakeholders in the Expert Advisory Council.

¹ The Expert Advisory Council consists of representatives from: 3 Fairtrade producer organizations, 2 origin country CSOs, 1 origin country government institution, 1 NGO, 5 companies and 3 independent experts.

The choice of which proportionality approach is applied in the LIRP model is sensitive, because different approaches have different outcomes. Studies show that the labour share is generally lower than the income share and thus by applying the labour share approach a smaller proportion of a living income benchmark would be expected from cocoa than when applying the income share approach. Consequently, the LIRP value will be lower when the labour share approach is selected, so that buyers can more easily meet their living income objectives. Therefore, the different approaches were carefully assessed, in order to select the most appropriate approach for the LIRP model.

Rationale for applying the labour share approach

Agri-Logic and Fairtrade conclude that the **labour share approach is most appropriate for the LIRP model**, for the following reasons:

- The labour share approach is derived from the universal human right to fair remuneration for work. Applying this approach, both household and hired labour occupied in cocoa production generate a living wage for the time they spend on cocoa production activities. On the other hand, the income share approach is disconnected from the time spent on cocoa farming and does not guarantee a living wage for the work of farmer households: the return on labour can be more or less than a living wage.
- The labour share approach rewards increased effort of farmers to implement good agricultural practices, as more time investment in cocoa farming results in a larger part of the living income benchmark being earned with cocoa. With the income share approach there is no direct effect between more effort and the proportion of income expected from cocoa.
- The income share is more affected by structural factors hampering cocoa production than the labour share approach, such as small farm sizes, as well as the lack of alternative income generating opportunities:
 - Households tend to be highly dependent on cocoa income, even if their cocoa farms and volumes produced are small, and the household's work in cocoa does not take up much of the time they have available.
 - Calculating the income share in such a context leads to a much higher LIRP value, compared to a situation with larger and more productive farms in which households are equally dependent on cocoa income.
 - The LIRP would therefore partly subsidize the fact that there are structural barriers for households to earn a living income from cocoa, while cocoa buyers have little to no influence on farm sizes or alternative income opportunities.
- The income share approach creates a strange feedback loop, where increasing income from cocoa by paying the LIRP, while other factors do not change, will result in a greater income share to be covered by cocoa in a future LIRP review. Hence, the income share approach would lead to a higher LIRP value than the labour share approach when farmers are successful in selling their cocoa at a LIRP:
 - Cocoa sales at a LIRP lead to an increased income share from cocoa relative to the total household income, and therefore a larger part of the living income benchmark would be expected from cocoa in a next review of the LIRP.
 - This could potentially disincentivise households to diversify their incomes.

Both approaches have challenges with regards to determining the applicable percentages. Reliable data on actual labour use and non-cocoa income is difficult to obtain. However, these challenges can be addressed and the cost of collecting accurate data for either approach would be similar.

Determining the labour share

The calculation of the proportion of available time spent by households on cocoa production is based on: a) assumptions about the available labour time in a typical cocoa farmer household; b) information of the actual time adult household members spent on activities related to cocoa production.

- a) The number of days a typical household has available for work is calculated based on the following assumptions, which were confirmed by in discussions with cooperative representatives from Côte d'Ivoire and Ghana.
 - The number of working-age adults in a typical cocoa farming household (sources: household income studies; focus group discussions)
 - 75% of the total time working-age adults have is considered to be available for work. The other 25% can be spent on care and general household chores.
 - 220 working days per year for an adult working fulltime:
 - This is based on a five-day (40-hour) working week, an average of 10 public holidays per year and 4 weeks off for holidays, following ILO standards. In addition, 10 days are deducted to compensate for paid sick leave.
 - This deviates from national legislations in Côte d'Ivoire and Ghana and Living Wage benchmarks, which are based on a six-day working week.
- b) The total number of days spent on cocoa is calculated as follows:
 - For **Côte d'Ivoire**: The average number of working days recorded for cocoa production activities by Fairtrade farmers is 225 out of 614 (37%) available working days in the household². An extra 48 days were added to compensate for underreported labour, particularly reciprocal community work, based on focus group discussion information and 6 days were added for attending training or meetings, to arrive at the applied labour share of 45%.
 - For **Ghana**: Due to the lack of labour records of Fairtrade farmers, the labour requirements were estimated in focus group discussions, based on a package of good agricultural practices, including 30 days for community labour and 6 days for meetings and training activities. This resulted in a total of 217 out of 495 available working days, or a labour share of 44%.
 - A typical working day is assumed to have 4-6 hours spent on the farm, while the remaining time is for traveling to and from the farm, administration and other related activities.

For further information on the Living Income Reference Price calculation, please check out the Explanatory note.

² source: two years of data, 5 datasets for seasons 23/24 and 24/25 with in total 1013 farmers