

# An explanation of how we contextualise the Living Income Benchmarks in the IDC

## Why do benchmarks need to be contextualised?

Benchmark values are subject to annual fluctuations, influenced by dynamic factors such as prevailing economic conditions, national inflation rates, and shifts in living standards. Living incomes, which are calculated on a per-household basis, are also dependent on the typical household composition. Contextualization ensures that these benchmarks not only remain up to date but are specifically tailored to reflect the unique circumstances of your data.

## How to contextualise Living Income Benchmarks?

When working with benchmarks, one of multiple scenarios might occur:

### Scenario 1: Benchmarks are directly available

If your data comes from the same year as the benchmark and your average household composition matches the one provided, the benchmark does not require contextualisation and can be used directly. The amount corresponds to the benchmark value for a household for a year.

It is possible to change the currency of the benchmarks directly in the tool, which uses the latest data from the [World Bank](#).

### Scenario 2: Correct benchmark year but different household composition

Alongside the benchmarks you can find the family size and composition for which they were calculated. The default size represents a typical family from the specific region or country selected, but it is possible that it does not match your data. If this is the case, you will have to adjust the benchmark for a different household size, which is done with the help of equivalence scales.

Equivalence scales assign a value to households, which is proportional to their needs and based on the household composition. The scale takes the size of the household and the age of its members (whether they are adults or children) into account. The OECD modified scale assigns a value of **1** to the household head, **0.5** to each additional adult member and **0.3** to each child.

#### Example:

Suppose you are interested in contextualising the benchmark of rural Burkina Faso, which is 1,284,072.00 CFA for 2024. The household composition for this benchmark is a family of 5.5 members, composed of 2 adults and 3.5 children. The original adult equivalent, based on OECD modified scale is **2.55** ( $1 + 0.5 + 3.5 \times 0.3 = 2.55$ ).

Your data also comes from 2024 but the average family composition is 6 members, with 2 children and four adults. The adjusted adult equivalent, based on OECD modified scale is **2.7** ( $1 + 0.5 + 4 \times 0.3 = 2.7$ ).

To modify the benchmark to fit your household composition, you first need to divide it by the original adult equivalent and then multiply by the adjusted adult equivalent that matches your data.

**Example:**

In the case of Burkina Faso, we divide the benchmark by 2.55 and then multiply by 2.7.

$$\frac{1,284,072.00}{2.55} * 2.7 = 1,359,605.65$$

**Scenario 3: Correct household composition, but incorrect benchmark year**

We always aim to have the latest benchmark values in the year. However, we only do this once other data sources needed, such as exchange rates and consumer price indices, are also accessible for that particular year. Once available, we update everything at the same time in the system. However this makes it possible that you may need a benchmark for a year, when benchmarks have not yet been published or updated. In this scenario, we use the Consumer Price Index (CPI) obtained from the [IMF](#) or [Trading Economics](#) website to adjust the benchmark. Firstly, the inflation rate is calculated:

$$\frac{CPI \text{ for desired year} - CPI \text{ for benchmark year}}{CPI \text{ for benchmark year}}$$

The inflation rate is then used to adjust the benchmark value:

$$Original \ benchmark \ value * (1 + Inflation \ Rate)$$

**Example:**

Your data, collected in 2025, comes from rural Cameroon and the latest available benchmark is for the year 2024. To adjust the value, you will need (1) the benchmark value = 2,284,272.00 CFA, (2) CPI for Cameroon for 2024 = 112.23 and (3) the CPI for Cameroon for 2025 = 114.50.

$$Inflation \ rate = \frac{114.50 - 112.23}{112.23} = 0.0202$$

The inflation rate is then used to contextualise the benchmark accordingly:

$$2\,284\,272.00 * (1 + 0.0202) = 2\,330\,414.29$$

The new benchmark value for Cameroon for 2025, which accounts for inflation is 2,330,414.29 CFA.

These calculations happen automatically in the tool for every year, for which we have updated CPI data. If there is no available CPI data for your selected year in the tool, you will see a warning message. It is still possible to input CPI data manually and we have also provided a link to the Trading Economics website.