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# ANKER LIVING INCOME REFERENCE VALUE

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## RURAL NIGERIA 2020

### LIVING INCOME

138,678 NGN  
PER MONTH  
(US\$365)

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.*



*Further support for this report was received from Olam, Cargill Cocoa & Chocolate, Lindt & Sprungli, Mars Wrigley Confectionery, Mondelēz International, Nestlé, The Hershey Company and the Living Income Community of Practice.*

# Anker Living Income Reference Value<sup>1</sup>

## Rural Nigeria 2020

### 1. Anker Living Income Reference Value for Rural Nigeria 2020

The Anker Living Income Reference Value for 2020 for rural Nigeria is 138,678 NGN (365 USD)<sup>2</sup> per month with a 95% confidence interval around it from 127,828 NGN to 150,448 NGN. This is the estimated monthly cost of a basic but decent standard of living for a typical rural family in Nigeria.

*“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.”  
(Living Income Community of Practice)*

### 2. Anker Reference Value Methodology

Anker Living Income Reference Values utilize a new methodology developed by Richard Anker, Martha Anker and Ian Prates. 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 quality-assured Anker living wage and living income benchmark studies and easy to update, 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 a living income for typical families in rural or urban area of low-income and middle-income countries. Since they are based on a statistical analysis, they have a margin of error for typical rural or urban areas of a country which is generally around +/- 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 poorer areas with relatively low living costs and norms and richer areas with relatively high living costs and norms. This is important for Nigeria, since income levels and poverty rates differ greatly across regions in Nigeria with much higher incomes and much lower poverty rates in the South-West and to a lesser extent in the South-East compared to the North.

### 3. Country context: Nigeria

#### *Geography and demographics*

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<sup>1</sup> Prepared by: Sally Smith, Richard Anker, Martha Anker and Ian Prates.

<sup>2</sup> Exchange rate used to convert to US dollars is 380. The exchange rate has been volatile in 2020, It started the year at around 360, rose rapidly in January-March period to 390, and then settled down in the around 380-390 range for remainder of the year according to xe.com.

Nigeria is located in West Africa on the Gulf of Guinea in the Atlantic Ocean, bordering Niger in the north, Chad in the north-east, Cameroon in the east and Benin in the west. It is a federal republic comprising 36 states and the Federal Capital Territory where the capital Abuja is located. Nigeria is a very complex country as it has more than 250 ethnic groups; the three largest being the Hausa-Fulani in the north, Yoruba in the west and Igbo in the east, which together account for more than 60% of the total population. Christianity and Islam are the major religions of Nigeria. The southern part is predominantly Christian constituting 58% of the population and the northern part of the country is largely Muslim with 41%.

With 198 million people in 2018, it is the 7<sup>th</sup> most populous country in the world and the most populous country in Africa accounting for about half of West Africa's population. The sex ratio (number of males/100 females) is 97, with males accounting for 49% of the population. Nigeria has a high population growth rate (2.6% per year) which has remained more or less unchanged over the past three decades. Average household size is 4.7 persons (4.3 in urban areas and 5.0 in rural areas). The population is quite young, with 46% below age 15 and 4% aged 65 years and above, which is typical of countries with a high fertility rate and low life expectancy.

The Total Fertility Rate (TFR) in 2018 was 5.3 births per woman – 4.5 in urban areas and 5.9 in rural areas. The North-West had the highest TFR of 6.6, while the South-West had the lowest TFR of 3.9. Life expectancy at birth is still low at 54 in 2018, although it has improved slightly from 46 years in 1990. The under-5 mortality rate was 132 per 1000 live births in 2018, which means that 13.2% of births die before age 5. The under-5 mortality rate (deaths per 1000 births) was much higher in rural areas (157) compared to urban areas (92). It was highest in Kebbi (252) in the North-West and lowest in Ogun (30) in the South-West.

### *Economy*

Nigeria is a lower-middle income country. It is the 27<sup>th</sup> largest economy in the world in terms of GDP and the 24<sup>th</sup> largest in terms of purchasing power parity. With an abundance of natural resources, Nigeria is Africa's biggest oil exporter. Petroleum plays a large role in the economy and oil price volatility has a major impact on the economy. Industry contributed 26% of GDP while agriculture, forestry and fishing accounted for 21%.<sup>3</sup>

Inflation has been high for many years, with a consistent annual rate of 10-15% per year since 2010 and an average rate of around 12% since 2010. It is likely to remain high as the IMF expects inflation to average over 11% in the coming 5 years.

Nigeria's medium-term growth is projected to remain stable around 2%. Given that the economy is expected to grow at a slower rate than the population, living standards are expected to worsen.

Nigeria is the world's fourth largest producer of cocoa, after Ivory Coast, Indonesia and Ghana, and the third largest exporter, after Ivory Coast and Ghana. Four of the seven cocoa producing states (Ondo, the largest, Oyo, Ogun and Ekiti) are located in the South-West region; Edo and

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<sup>3</sup> World Bank (2019). Nigeria, Databank.worldbank.org.

Cross River are in the South-South region; and Abia is in the South-East. Nigeria's share of world output of cocoa has declined over the past few decades. Now with the global price of oil falling, it is important to revitalize the agricultural sector and cocoa production in particular.

### *Poverty*

The poverty rate at the national poverty line is very high in Nigeria at 40.1% in 2019 based on data from the 2018-19 Nigeria Living Standards Survey. Poverty rates are much higher in rural areas (52.1%) than in urban areas (18.0%)<sup>4</sup> Poverty rates have declined in Nigeria more slowly than in other sub-Saharan African countries with similar GDP per capita growth.

Poverty rates vary across Nigeria, ranging from 10-20% in the South-West region, to 20-40% in the South-East region, and more than 40% in the North with 10 states above 60% and two states at 88%. The instability in the North and the resulting displacement of people are said to contribute to the high incidence of poverty in the North-East.

### *Standard of living*

Nigeria scores poorly on a number of key aspects of living standards. One-third of households do not have access to safe drinking water, and only 56% of households use improved sanitation facilities. Only 40% of rural households have access to electricity compared to 83% of urban households. Literacy level is poor, with 36% of females and 27% of males, aged 15-49, with no formal education. The North-West and the North-East have the highest illiteracy rates. The level of exposure to mass media is generally low, with more than half the persons aged 15-49 having no access to any of the three media sources (radio, TV or newspaper).<sup>5</sup>

### *Labor market*

According to the 2018-19 General Household Survey, labor force participation rates for ages 25-59 are more than 90% for both men and women (slightly lower in the post-harvest season than in the post-planting season). Unemployment rates are below 1% in the post-planting season and around 7.5% in the post-harvest season. Time-related underemployment rates, however, are very high in rural Nigeria at around 34% for men aged 25-59 and 43% for women aged 25-59.

## **4. Family income ladder and gaps to a living income**

Figure 1 below provides a family income ladder for rural Nigeria and gaps to a living income. It compares the Anker Living Income Reference Value for rural Nigeria with four other indicators of family income. The Anker Living Income Reference Value is much higher than all of these comparators. It is 54% higher than family income at the World Bank \$3.20 poverty line income for lower-middle income countries like Nigeria, and 117% higher than family income at the national poverty line. It is 170% higher than family income if members (1.71 full-time equivalent adult

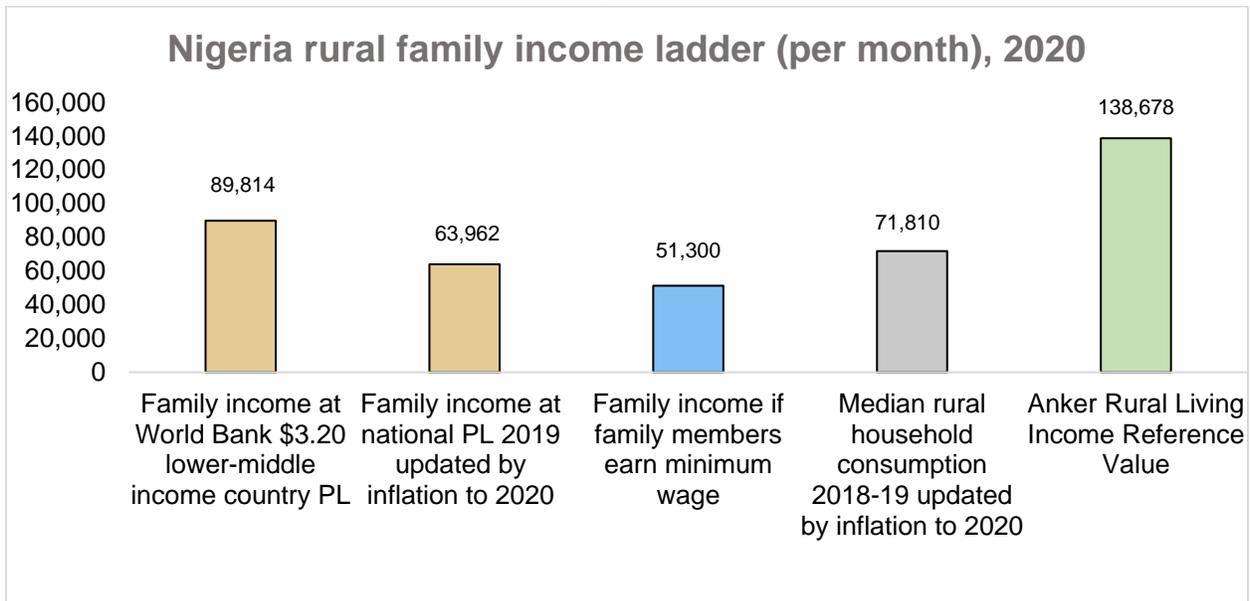
<sup>4</sup> IMF (2018). Nigeria, IMF Country report no.18/64.

<sup>5</sup> National Population Commission, Nigeria (2018). Nigeria: Demographic and Health Survey 2018, pp 11 and 43.

workers) earn the minimum wage (and do not have mandatory deductions from pay or income tax). It is 93% higher than the median rural household consumption.

Given the very wide range in poverty rates across Nigeria (see above), it is likely that the living income and gaps to living income also vary considerably across Nigeria. This implies that the Anker Living Income Reference Value for rural Nigeria may be too high for Northern states which are poorer and less developed and too low for southern states (especially south-western states) which are more prosperous. To better understand and measure location-specific living income gaps within Nigeria, further analysis and quality-assured Anker methodology studies are required – although in the meantime it would be appropriate to use the Anker Reference Value upper confidence limit (NGN 150,448) for the South-West and South and lower confidence limit (NGN 127,828) for the North and North-East.

**Figure 1**



**Notes:** <sup>a</sup> Rural poverty line for Nigeria, which is NGN 137,430 per person per year, was set for 2019 based on 2018-19 household survey data. It would be NGN 153,509 if it were updated by inflation to 2020.

<sup>b</sup> The World Bank poverty line for Nigeria was estimated using the World Bank poverty line for lower-middle income countries (3.20 PPP) and a formula suggested by the World Bank to update PPP which uses latest available PPP from the World Bank (2018) and inflation rates from the IMF for Nigeria and the United States since 2018.

<sup>c</sup> Family size of 5 (2 adults and 3 children) was used for expositional purposes to estimate family income at the national poverty line, and the World Bank poverty line. This family size is based on data for rural areas of states where cocoa is grown in the South-South, South-West and South-East. It is between: (i) average rural household size of 4.8 when single-person households (that do not have children) and very large households (that are likely to be extended families with more than 2 adult workers) are excluded; and (ii) the rural total fertility rate adjusted for rural child mortality of around 4.4 which implies a family size of around 6.5. Note that a family size of 6 would be more appropriate for rural Northern Nigeria because fertility rates and household sizes are higher (e.g. for all of rural Nigeria, adjusted average household size is 5.2 and mortality adjusted total fertility rate is 5.9).

<sup>d</sup> Number of full-time equivalent workers per family of 1.71 is used for expositional purposes to estimate family income at the minimum wage. It was estimated using data from 2018-19 General Household Survey

wave 4 for 2018 post-planting season and 2019 post-harvest season on rural male and female labor force participation rates, unemployment rates, and part-time employment rates for ages 25-59.

<sup>e</sup> The Anker Living Income Reference Value is estimated directly based on statistical analysis and therefore does not have an explicit number of full-time workers per family or reference family size (although rural reference family size falls from 6 to 4 with development in Anker living wage studies).

<sup>f</sup> Minimum wage for agriculture was last increased in 2019. There has been around 12% inflation since then to 2020.

<sup>g</sup> Note that average household consumption is around 33% greater than median household (i.e. 50<sup>th</sup> percentile household) consumption, because consumption of richer households affects average household consumption but not median household consumption.