

Living Wage Update: July 2019

Brazil

Urban areas of Southern and Southwestern Minas Gerais



Living wage per month

R\$ 1,930 (USD 496)



Cost of decent standard
of living for a family

R\$ 3,036 (USD 781)



Coffee farmer, Brazil © Rainforest Alliance

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1. BACKGROUND

This report updates the living wage and living expenses for the coffee producing region of Southern and Southwestern Minas Gerais State in Brazil.²

The net living wage and living expenses are updated to the study month of the most recent calendar year—July 2019—to take into account the amount of inflation since the original study in July 2015. Without accounting for inflation, the net living wage estimated in 2015 would not be sufficient for workers to have a basic but decent standard of living in 2019 because the purchasing power of the living wage would have decreased. Similarly, living expenses for a reference family are also updated to July 2019 to account for inflation.

The gross living wage is updated to July 2019 by taking into consideration in addition income taxes and mandatory deductions from pay that workers would need to pay on the updated 2019 living wage. This is done using July 2019 laws.

2. LIVING WAGE AND LIVING EXPENSES FOR REFERENCE SIZE FAMILY IN ORIGINAL COUNTRY REPORT IN JULY 2015 AND IN THE UPDATE REPORT FOR JULY 2019

The net living wage was estimated as R\$1,482 in July 2015 in the original living wage country report. The gross living wage, which also takes into account income taxes and mandatory deductions from pay for social security and union dues, was estimated as R\$1,629 in July 2015. The living expenses for a basic but decent standard of living for a reference family in the original country report was estimated as R\$2,534 in July 2015.

3. INFLATION RATE USED FOR UPDATE

The Brazilian Institute of Geography and Statistics (IBGE) is the government body responsible for computing and reporting price indexes in Brazil. It reports two main consumer price indexes: (1)

¹ Prepared by Ian Prates with Richard Anker and Martha Anker.

² This is an update to *Living Wage Report: Living Wage Report: Rural Brazil, Minas Gerais South/Southwestern Region Coffee Growing Industry*, June 2016. Alexandre de Freitas Barbosa, Marina Barbosa e Silva, João Paulo Candia Veiga & Murilo Alves Zacareli. <https://bit.ly/35ySnGs>

IPCA, for broader consumption, and (2) the INPC, which is a restricted price index applicable for families with a maximum income of five times minimum wage, which is relevant for most workers.

IPCA covers families with monthly incomes ranging from one to forty minimum wages, and is typically used to update balance sheets and financial statements of companies.

INPC covers families with monthly incomes ranging from up to five minimum wages (5 x R\$ 998 = R\$ 4,990), and is the most widely used indicator for wage agreements and negotiations.

This report uses the INPC to update the living wage, as it is more representative for workers. INPC is estimated for ten metropolitan areas in Brazil, and their weighted average is used to arrive at the national INPC value. There are no separate values for states or for rural/urban areas, and because none of the ten metropolitan areas are representative of Southern and Southwestern Minas Gerais, we use the INPC national average to update the living wage for Minas Gerais.

4. RECENT LEVEL OF INFLATION

Although Brazil had high rates of inflation in 2015 and 2016, there has been a steady decline in year-on-year inflation rates from August 2016 onwards. In more recent years (2017, 2018 and 2019), the level of inflation has been moderate to low. Between July 2015 and July 2019, it was 19.8%. This is the inflation rate used for this update.

5. MANDATORY PAYROLL DEDUCTIONS AND INCOME TAXES ON A LIVING WAGE

There continues to be an 8% social security tax on earnings just as in 2015. Just as in 2015, there is no income tax due on a living wage. Union dues, which were mandatory in 2015, are no longer mandatory since the 2017 Labor Reform Law (Law No 13.467 of July 13, 2017). This social security tax is taken into consideration in estimating mandatory deductions and gross living wage for July 2019.

6. UPDATED LIVING WAGES AND FAMILY LIVING EXPENSES FOR JULY 2019

The updated net living wage, or take-home pay, for July 2019 is R\$1,776 per month. The gross living wage, which also takes into account income taxes and mandatory payroll deductions, is R\$1,930 per month for July 2019. Table 1 provides details of the original and the updated living wages and family living expenses.

Table 1: Living wages and living expenses for coffee growing region in Southern and Southwestern Minas Gerais, Brazil (in Brazilian Real and US Dollars)

Item	June 2015 Original Study Date		July 2019 Latest Update	
	Brazilian Real	USD	Brazilian Real	USD
Living Expenses for Reference Family Per Month	R\$2,534	\$685	R\$3,036	\$781
Net Living Wage Per Month	R\$1,482	\$400	R\$1,776	\$456
Income Taxes and Payroll Deductions Per Month on Living Wage	R\$147	\$40	R\$154	\$40
Gross Living Wage Per Month	R\$1,629	\$440	R\$1,930	\$496
Exchange Rate to USD	3.70		3.89	
Source of Exchange Rate	Original Report		IMF's Archive for July 2019 ³	

³ https://www.imf.org/external/np/fin/data/rms_mth.aspx?SelectDate=2018-07-31&reportType=REP