

Living Wage Update: May 2021

Caribbean coast of Colombia



Cost of decent standard
of living for a family

COP 2,541,549
(USD 683)



Gross Living Wage
per month

COP 1,717,518
(USD 462)



Photo credit: Lykke E. Andersen.

Living Wage Update: May 2021

Caribbean coast of Colombia¹

1. BACKGROUND

This report updates the living wage and living expenses for the banana producing regions of Colombia.²

The net living wage (i.e. take home pay required) and living expenses are updated to the study month of the most recent calendar year – May 2021 – to take into account the amount of inflation since the original May 2018 living wage study. Without accounting for inflation, the net living wage estimated in 2018 would not be sufficient for workers to have a basic but decent standard of living in 2021 because the purchasing power of the living wage would have decreased compared to what it was in 2018. Similarly, living expenses for a reference family are also updated to May 2021 to account for inflation.

In this update, we also makes projections for the average Living Wage for the remainder of 2021 and for 2022, as these may be more useful for some purposes, than an estimate for a specific month.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM MARCH 2016

The living expenses for a basic but decent standard of living for a reference family in the original country report were estimated as COP 2,315,509 in May 2018. These expenses were divided by 1.61 full-time worker equivalents per family, to obtain the net living wage of COP 1,438,204 in May 2018. This was the required take-home pay for workers for decency in May 2018. The gross living wage, which also takes into account mandatory deductions from pay for social security, pensions, and union dues, was estimated as COP 1,564,766 in May 2018.

3. INFLATION RATE USED FOR UPDATE

The Consumer Price Index for Colombia is calculated by the National Statistical Institute (DANE) and published punctually a few days after the end of each month³. We use the general index, which is also used to negotiate wages in the banana sector in Colombia.

¹ Prepared by Lykke E. Andersen of SDSN Bolivia, with Richard Anker and Martha Anker.

² This is an update to *Living Wage Report: Caribbean Coast of Colombia*, May 2018. Lykke Andersen, Richard Anker and Martha Anker. https://www.globallivingwage.org/wp-content/uploads/2020/06/LW-Report_Colombia_2019_en.pdf.

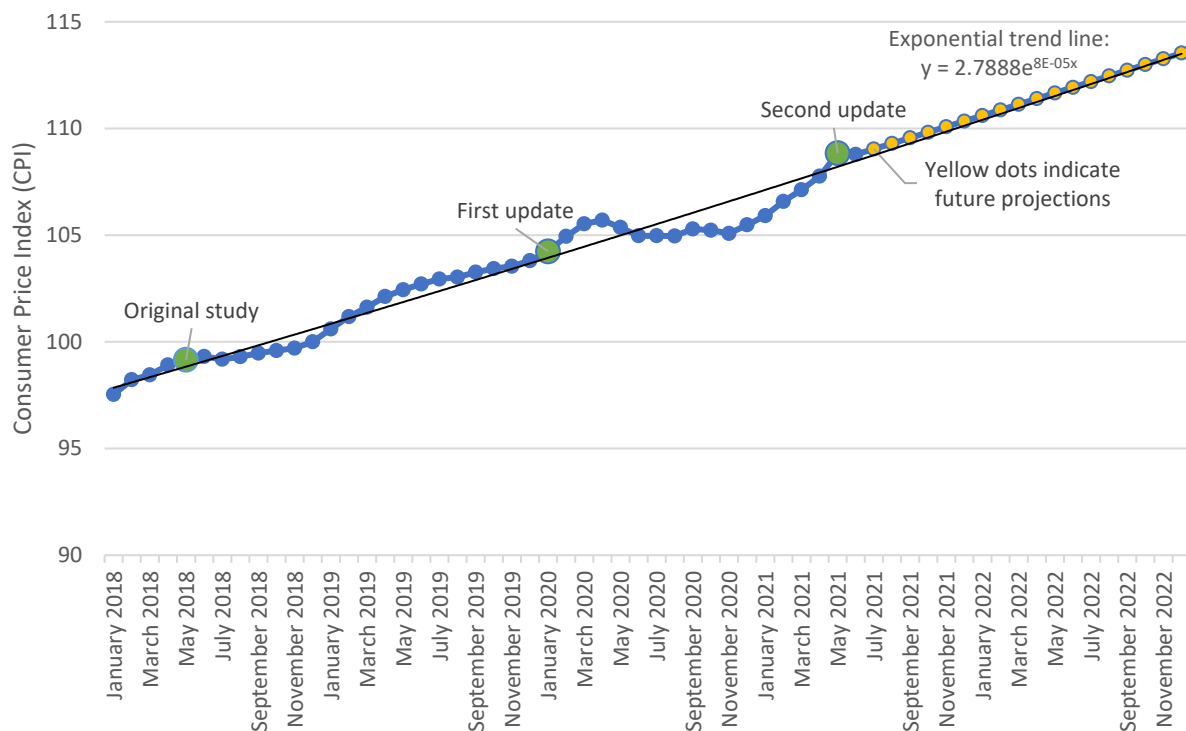
³ <https://www.dane.gov.co/index.php/estadisticas-por-tema/precios-y-costos/indice-de-precios-al-consumidor-ipc>.

4. RECENT LEVEL OF INFLATION

Inflation in Colombia has been relatively low and stable at around 3% per year since the original study in May 2018, with a slow-down during 2020 due to the pandemic, and a recovery in 2021. Inflation in May of 2021 was slightly higher than normal due to widespread protests over a proposed tax reform, but prices quickly returned to the trend line in June 2021.

In order to estimate what average gross living wage might be for the years 2021 and 2022, we project the General Price Index (IPC) forward using the average inflation rate calculated between May 2018 and April 2021 (0.24% per month).

Figure 1: General Price Index for Colombia, January 2018 to June 2021, with projections until end 2022



Notes: Yellow dots are projected.

Green dots highlight the months of the original study and the updates.

Source: Authors' calculations based on CPI data from DANE.

5. MANDATORY DEDUCTIONS

The estimated net living wage in Colombia is too low to pay income taxes, since there are the following mandatory payroll deductions: 4% to the health system, 4% to the pension system and 2% to the labor union. These mandatory payroll deductions are added to the net living wage to arrive at the gross living wage needed.

Anker Living Wage and Living Income Research Institute – Founded by Richard Anker and Martha Anker, the Global Living Wage Coalition, and Clif Bar & Company. Social Accountability International (SAI) is the institutional host.

© Global Living Wage Coalition – Under the Aegis of Fairtrade International, Rainforest Alliance, and Social Accountability International, in partnership with ISEAL Alliance and Richard Anker and Martha Anker.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR MAY 2021

Table 1 provides details of the original and the updated family living expenses, as well as net and gross living wages for the banana producing areas on the Caribbean coast of Colombia.

For May 2021, the living expenses for a reference family of 2 adults and 2 children is calculated at COP 2,541,549. Dividing this value with 1.61 full-time workers per family, we obtain a Net Living Wage in May 2021 of COP 1,578,602. Adding mandatory payroll deductions, we arrive at a Gross Living Wage in May 2021 of COP 1,717,518, which corresponds to USD 462.

**Table 1: Living Expenses and Living Wages for the Caribbean coast of Colombia
(in Colombian Pesos (COP))**

	Original study: May 2018	Update 1: January 2020	Update 2: May 2021	Average 2022 (estimate)
Family Living Expenses (1)	2,315,509	2,433,600	2,541,549	2,594,840
Net Living Wage (2)	1,438,204	1,511,553	1,578,602	1,611,702
Total mandatory payroll deductions and (3)	126,562	133,016	138,917	141,829
Gross living wage (2+3)	1,564,766	1,644,569	1,717,518	1,753,531
Inflation factor:	1	1.0510	1.0976	1.1206
Exchange rate mid month/estimate (COP/USD):	2,824	3,273	3,720	3,700
Gross living wage (USD)	554	502	462	474

Source: Authors' calculations.

The final column of Table 1 provides our best estimate of average living wage for the calendar year 2022. The average projection of net and gross living wages for 2022 are higher than for May 2021.