

# Living Wage Update Report: Non-Metropolitan São Paulo State, Brazil 2022

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Cost of decent standard  
of living for a family

**BRL 4,517**  
(USD 860)



Living Wage  
per month

**BRL 3,091**  
(USD 589)



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## Living Wage Update Report: Non-Metropolitan Brazil, State of São Paulo, 2022

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### **Abstract:**

This report provides updated estimates of family living expenses and living wages in the citrus belt in the State of São Paulo. The 2022 update takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in February 2020 (De Freitas, Cordeiro, Barbosa & Bowen, 2021).

**Keywords:** Living costs, living wages, Anker Methodology, Brazil

**JEL classifications:** J30, J50, J80.

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## 1. BACKGROUND

This report updates the Anker living wage and family living income expenses to 2022 for the citrus belt in the State of São Paulo, Brazil. This update takes into account the amount of inflation since the original study in February 2020. This is done by updating the February 2020 net living wage and family living income expenses to December 2021 by inflation and then adding expected inflation for 2022. This provides average living wage and living income expenses estimates for 2022. Without accounting for inflation, the net living wage estimated in 2020 would not be sufficient for workers to have a basic but decent standard of living in 2022 because the purchasing power of the living wage would have decreased. The gross living wage (aka living wage) is updated to 2022 by also taking into account income taxes and mandatory deductions from pay that workers need to pay on the updated 2022 living wage. This is done using laws in force in March 2022.

## 2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM FEBRUARY 2020

The net living wage was estimated as BRL 2,220 in February 2020 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 BRL 2,552 in February 2020. The living expenses for a basic but decent standard of living for a reference family in the original country report was estimated as BRL 3,729 in February 2020 (De Freitas, Cordeiro, Barbosa & Bowen, 2021).

## 3. INFLATION RATE USED FOR UPDATE

The Brazilian Institute of Geography and Statistics (IBGE)<sup>1</sup> is the government body responsible for computing and reporting price indices in Brazil. It reports two main consumer price indexes: (1) the Broad National Consumer Price Index (IPCA, for its acronym in Portuguese) and (2) the National Consumer Price Index (INPC, for its acronym in Portuguese). 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 a maximum income of five times minimum wages, which is relevant for most workers. INPC 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 and because it is used for salary adjustments.<sup>2</sup> 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 thus we use the INPC national average to update the living wage for non-metropolitan São Paulo State.

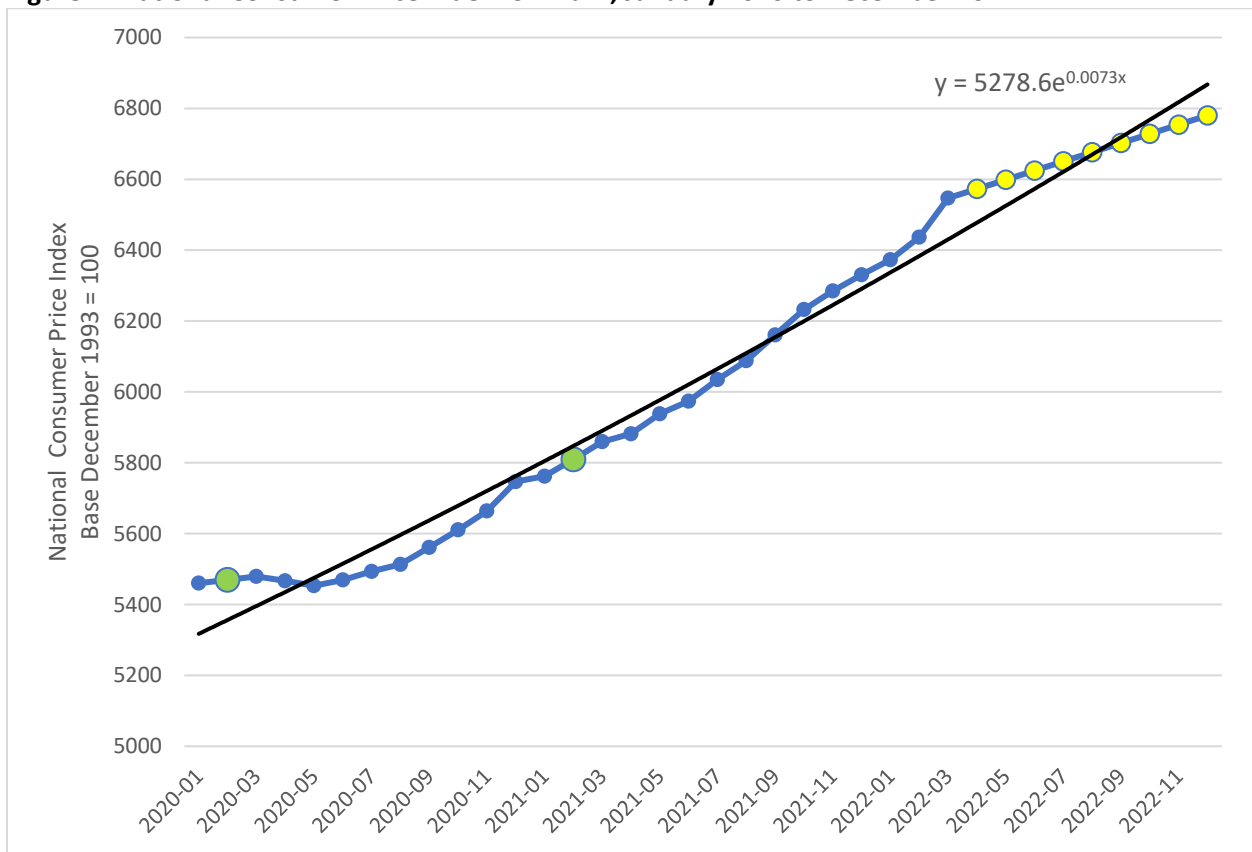
<sup>1</sup> See <https://www.ibge.gov.br/en/>

<sup>2</sup> See <https://www.bcb.gov.br/conteudo/home-en/FAQs/FAQ%202002-Price%20Indices.pdf>

#### 4. RECENT LEVEL OF INFLATION

Between February 2020 and December 2021, accumulated inflation amounted to 15.74% in Brazil. The International Monetary Fund (IMF) projects that the inflation rate in Brazil for 2022 will be 5.3%<sup>3</sup>, but this value is probably too low given the international context, global supply chain bottlenecks, and extreme weather conditions that have harmed Brazilian farmers. On 24 March 2022, the Central Bank of Brazil raised its inflation forecast for 2022 from 4.7% to 7.1% (Banco Central do Brasil, 2022: 8) and this updated projection was added to the National Consumer Price Index numbers shown in Figure 1, while taking into account observed inflation for January, February, and March 2022 to arrive at an average inflation rate for 2022.

**Figure 1: National Consumer Price Index for Brazil, January 2020 to December 2022**



**Notes:** Green circles indicate the months of the original study and earlier updates. Yellow circles show the forecasts for 2022. The black line is the fitted exponential trendline.

**Source:** Authors' calculations based on CPI data from IBGE.

<sup>3</sup> See <https://www.imf.org/external/datamapper/PCPIPCH@WEO/BRA> Information accessed: 30 March 2022

## 5. MANDATORY DEDUCTIONS

In November of 2019, the social security tax changed to a progressive system, in which workers on a living wage are subject to social security deductions amounting to 12% of the gross wage. As of March 2022, workers on a living wage fall into the range from BRL 2,427.36 to BRL 3,641.03, which is also subject to 12%<sup>4</sup> of the gross wage.

In terms of income tax, the gross living wage falls into the taxed income range from BRL 2,826.7 to BRL 3,751.1, which is subject to a 15%<sup>5</sup> rate. However, just like in the previous update, workers have some room for deduction, which comprises the social security contribution and amount for each dependent child.<sup>6</sup> Considering two dependents, which is reasonable for our family size of 4, workers receiving our estimated gross living wage would not have to pay income tax.

On the other hand, although union dues are no longer mandatory since the 2017 Labor Reform Law (Law No 13.467 of July 13, 2017), in practice, many unions, in order to maintain their activities, are signing agreements with enterprises and employers' unions that set up union confederation and/or union support dues ("contribuição confederativa" or "assistencial" in Portuguese) of a monthly value. These union dues, collected by the employers and sent to unions, varies from 1% to 2% of the gross wages in some collective agreements. Although this practice is not generalized in the agricultural sector, worker representation and collective bargaining are fundamentally important rights for workers and for this reason the original living wage study report includes 1% union dues. This report also keeps this 1% of deduction for consistency with the original study.

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<sup>4</sup> See <https://taxsummaries.pwc.com/brazil/individual/other-taxes>

<sup>5</sup> See <https://taxsummaries.pwc.com/brazil/individual/taxes-on-personal-income>

<sup>6</sup> See <https://taxsummaries.pwc.com/brazil/individual/deductions>

## 6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2022

The updated net living wage, or take-home pay, for 2022 is BRL 2,689 (USD 512) per month. The gross living wage (aka living wage), which also takes into account income taxes and mandatory payroll deductions, is BRL 3,091 (USD 589) per month for 2022. These are average estimates for the year 2022.

Table 1 provides details of the original and the updated living wages and family living expenses.

**Table 1: Living wages and family living expenses with focus on the citrus belt in the non-metropolitan area of State of São Paulo, Brazil (in Brazilian Real and US Dollars)**

Item	February 2020 Original Study		February 2021 Update Report		2022 Update Report	
	BRL	USD	BRL	USD	BRL	USD
Living Expenses for Reference Family Per Month	3,729	834	3,961	722	4,517	860
Net Living Wage Per Month	2,220	496	2,358	430	2,689	512
Income Taxes and Payroll Deductions Per Month on Living Wage	332	74	352	64	402	77
Gross Living Wage Per Month	2,552	571	2,710	494	3,091	589
Exchange Rate to USD	4.472		5.486		5.251*	
Source of Exchange Rate	Original Report		IMF's Archive		Projection	

Note: \* There is no clear trend in the exchange rate over the last couple of years, so we use the average exchange rate for the first three months of 2022 as an estimate of the average exchange rate for all of 2022. However, it is worth noting that the exchange fell in the first three months of 2022 and was 4.77 at the end of March.

Source: Authors' calculations.

## 7. REFERENCES

Banco Central do Brasil (2022) *Relatório de Inflação*. Volume 24, Número 1, Março 2022. Available online:

<https://www.bcb.gov.br/publicacoes/ri>

De Freitas Barbosa, A., Cordeiro, I., Barbosa, M., & Bowen, S. (2021) *Living Wage Report: Non-Metropolitan Brazil, State of São Paulo with focus on orange production in the citrus belt*. Available online: <https://bit.ly/3JtN17>