

Living Wage Update Report: Caribbean Coast of Colombia, 2023

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Cost of decent standard
of living for a family

COP 3,123,929
(USD 742)



Living wage per month

COP 2,111,077
(USD 502)



Photo credit: Lykke E. Andersen.

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Abstract:

This report provides updated estimates of family living expenses and living wage for the banana producing regions of Colombia. The update for 2023 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in May 2018 (Andersen, Anker, and Anker, 2020).

Keywords: Living costs, living wages, Anker Methodology, Colombia

JEL classifications: J30, J50, J80.

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1. BACKGROUND

This report updates the living wage and family living expenses to 2023 for the banana producing regions of Colombia. The update takes into account the amount of inflation since the original study in May 2018. This is done by updating the May 2018 net living wage and living expenses by inflation to June 2023. This provides average living wage and living income expenses estimates for 2023. 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 2023 because the purchasing power of the living wage would have decreased compared to what it was in 2018. The gross living wage (aka living wage) is updated to 2023 by also taking into consideration income taxes and mandatory deductions from pay that workers would need to pay on the updated 2023 living wage using. This is done using laws in effect in June 2023.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM MAY 2018

The living expenses for a basic but decent standard of living for a reference family in the original living wage 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 (Andersen, Anker, and Anker, 2020).

3. INFLATION RATE USED FOR UPDATE

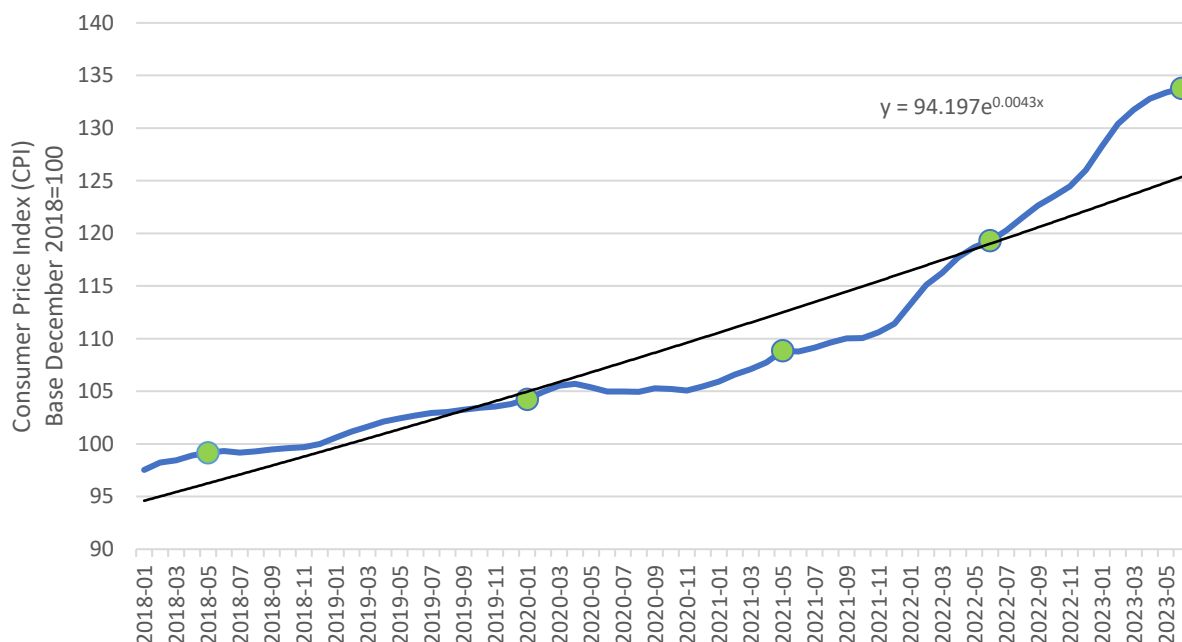
The Consumer Price Index for Colombia is calculated by the National Statistical Institute (DANE) and published punctually a few days after the end of each month.¹ We use the general index, which is also used to negotiate wages in the banana sector in Colombia.

¹ <https://www.dane.gov.co/index.php/estadisticas-por-tema/precios-y-costos/indice-de-precios-al-consumidor-ipc>.

4. RECENT LEVEL OF INFLATION

Colombia experienced low inflation rates from May 2018, when the original study was carried out, until the end of 2021. During 2022 and the first half of 2023, Colombia experienced high inflation rates. Between May 2018 and June 2023, total inflation in Colombia was 34.9% (see Figure 1). This is the inflation used in this report.

Figure 1: Consumer Price Index for Colombia, January 2018 – June 2023



Notes: Green circles indicate the months of the original study and earlier updates. The black line is the fitted exponential trendline.

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

5. MANDATORY DEDUCTIONS

As in the original study, the living wage is well below the threshold for which income tax should be paid (COP 3,852,423 per month for 2023).² Hence, the living wage is exempted from income tax.

However, there are the following mandatory payroll deductions, which have not changed since the original study: 4% to the health system, 4% to the pension system³. Additionally, banana workers in

² See <https://taxsummaries.pwc.com/colombia/individual/taxes-on-personal-income>

³ See <https://taxsummaries.pwc.com/colombia/individual/other-taxes>

Colombia have to contribute 2% to the SINTRAINAGRO labor union⁴. These mandatory payroll deductions are paid on the salary, but not on transportation subsidy, *aguinaldo*, and *cesantía*.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2023

The updated net living wage, or take-home pay, for June 2023 is COP 1,940,329 per month. The gross living wage (aka living wage), which also takes into account income taxes and mandatory payroll deductions, is COP 2,111,077 per month for June 2023. These are average estimates for the year 2023.

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 along the Caribbean coast of Colombia.

Table 1: Family Living Expenses and Living Wages for the Caribbean Coast of Colombia (in Colombian Pesos and US Dollars per month)

	May 2018 Original Study		2022 Update Report		2023 Update Report	
	COP	USD	COP	USD	COP	USD
Family Living Expenses (1)	2,315,509	820	2,786,036	709	3,123,929	742
Net Living Wage (2)	1,438,204	509	1,730,457	440	1,940,329	461
Total mandatory payroll deductions and income tax (3)	126,562	45	152,280	39	170,748	41
Gross living wage (2+3)	1,564,766	554	1,882,737	479	2,111,077	502
Exchange rate to USD:	2,824		3,931		4,209 ^a	
Source of Exchange Rate	Original Report		Central Bank of Colombia		Central Bank of Colombia	

Note: USD values are indicative only because exchange rates are volatile. ^a Average exchange rate for June 2023.
Source: Authors' calculations.

7. REFERENCES

Andersen, L. E., Anker, R., and Anker, M. (2020). Living Wage Report, Caribbean Coast of Colombia. Context: Banana Sector. May 2018 with an update to January 2020. Available online: <https://www.globallivingwage.org/wp-content/uploads/2020/06/LW-Report-Colombia-2019-en.pdf>

⁴ See https://www.sintrainagro.org/?page_id=4635

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Andersen, L.E., Medinaceli, A., Gonzales, A., Anker, R., and Anker, M. (2022). Living Wage Update Report: Caribbean Coast of Colombia 2022. *Living Wage Update Report No. 2022-04-08*. Available online: https://globallivingwage.org/wp-content/uploads/2022/04/Updatereport_Colombia_2022_June-1-FINAL.pdf