

Living Wage Update Report: Rural Costa Rica, Limón and Heredia Provinces, 2023

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Cost of decent standard
of living for a family

CRC 681,963
(USD 1,263)



Living Wage
per month

CRC 484,917
(USD 898)



Banana worker in Costa Rica © SAN

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Abstract:

This report provides updated estimates of family living expenses and living wage for rural areas in the Limón and Heredia Provinces of Costa Rica. This region focuses on agriculture, particularly banana and pineapple. The update for 2023 takes into account inflation since the original Anker living wage study carried out in May 2017 (Voorend, Anker & Anker, 2017).

Keywords: Living costs, living wages, Anker Methodology, Costa Rica

JEL classifications: J30, J50, J80.

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1. BACKGROUND

This report updates the living wage and living income expenses for rural areas of Limón and Heredia provinces in Costa Rica, a region which focuses on agriculture, particularly the production of bananas and pineapples. This update takes into account the amount of inflation since the original study in May 2017 (Voorend, Anker & Anker, 2017). This is achieved by updating the May 2017 net living wage and living income expenses to June 2023 by inflation. This provides average living wage and living income expenses estimates for 2023. Without accounting for inflation, the net living wage estimated in 2017 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 2017. It is worth noting that the living wage estimated in 2022 (Andersen et al., 2022), would be more than sufficient for workers in 2023 because the purchasing power since 2022 has increased slightly in Costa Rica. The gross living wage (aka living wage) is updated to 2023 by also taking into consideration mandatory deductions and income taxes from pay that workers would need to pay on the updated 2023 living wage. This is done using the laws in effect in June 2023.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM MAY 2017

The original living wage country report estimated the net living wage as CRC 375,055 (USD 670, using an exchange rate of 1 USD = 560 CRC) in May 2017. This was the required take-home pay for workers for decency in May 2017. The gross living wage, which also takes into account income taxes and mandatory deductions from pay for social security, was estimated as CRC 414,981 (USD 741) per month in May 2017. The living income expenses for a basic but decent standard of living for a reference family in the original country report were estimated as CRC 585,085 per month (USD 1,045) in May 2017.

3. INFLATION RATE USED FOR UPDATE

The Instituto Nacional de Estadística y Censos (INEC)¹ is the government body responsible for computing and reporting inflation in Costa Rica. It reports one consumer price index: Consumer Price Index (CPI).² It is based on a monthly survey of retail prices in urban areas (where 71% of population lives) for a sample of 2,600 establishments in 121 branches of activities, for a total of 24,200 price registries. Price data collection

¹ INEC – National Institute of Statistics and Census, <http://inec.cr/>

² CPI expenditure weights used are based on results of the Costa Rican National Household Income and Expenditure Survey (February 2018 - March 2019).

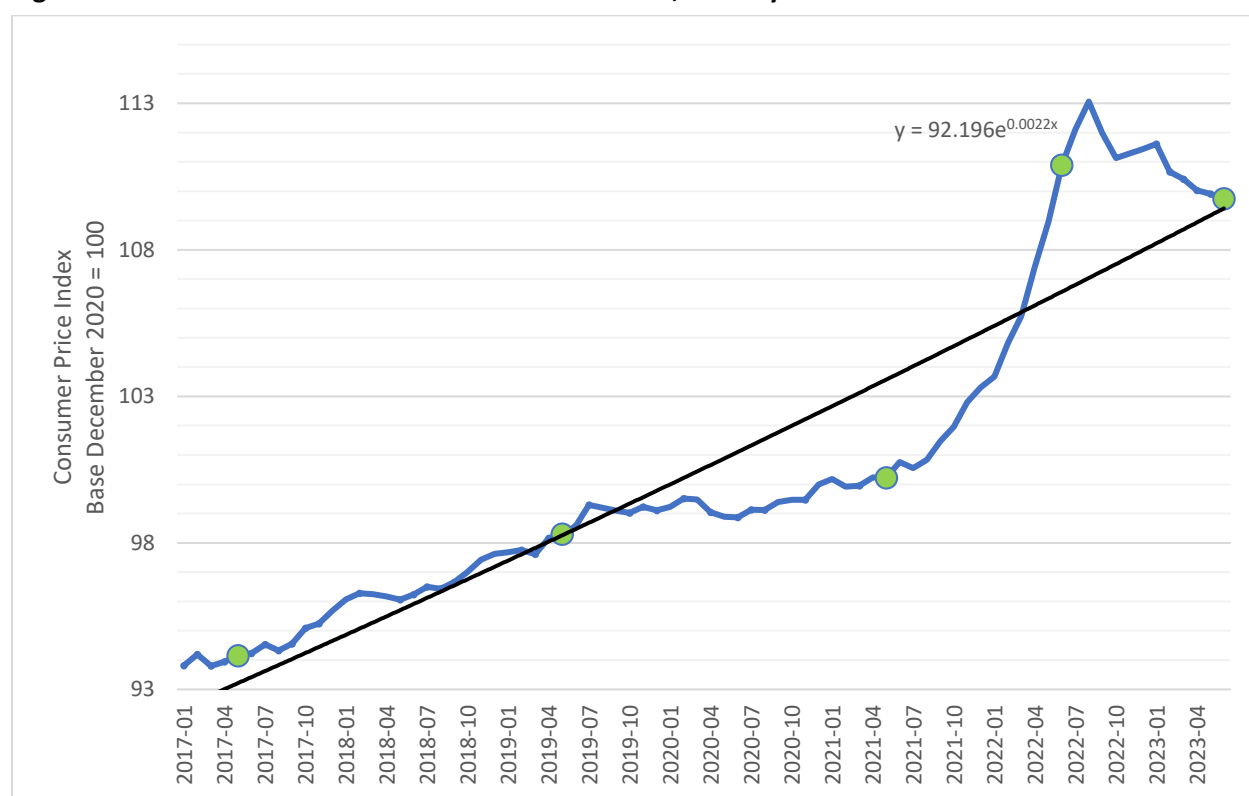
is performed over seventeen business days, beginning each month on the first business day, so that data collection is carried out on the same number of days every month of the year.³

A new CPI series⁴ uses December 2020 = 100 as its base, although its expenditure weights remain based on data collected between February 12, 2018 and March 6, 2019. The geographic coverage for price collection is made up of 53 districts that are urban or predominantly urban,⁵ located throughout the six Planning Regions of the country.

4. RECENT LEVEL OF INFLATION

Between May 2017 and June 2023, accumulated inflation amounted to 16.6% in Costa Rica (see Figure 1). This is the inflation used in this report.

Figure 1: National Consumer Price Index for Costa Rica, January 2017 to June 2023



Notes: Green dots highlight the months of the original study and updates. The black line is the fitted exponential trendline.

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

³ For more information about the CPI methodology, see <https://www.inec.cr/sites/default/files/documentos-biblioteca-virtual/meeconomipcbasediciembre2020-2.pdf>

⁴ See <https://www.bccr.fi.cr/indicadores-economicos/%C3%ADndices-de-precios>

⁵ Nor is CPI reported by income quintile or for different regions, provinces or states.

5. MANDATORY DEDUCTIONS

In May 2017 at the time of the original living wage report, workers paid a total of 10.34% to social security. In May 2021, the 10.34% contribution increased to 10.50%, as the Health Insurance increased to 4%. In 2023, the total social security contribution is 10.67% on total remuneration⁶. Moreover, as in the original living wage study, the living wage is well below the limit for which income tax is paid (CRC 941,000 per month in 2023).⁷ Hence, the living wage is exempted from income tax.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR JUNE 2023

The updated net living wage, or take-home pay per month, for June 2023 is CRC 437,156 (USD 810) per month. The gross living wage (aka living wage), which also takes into account mandatory payroll deductions, is CRC 484,917 (USD 898) per month for June 2023 for the majority of workers who receive Aguinaldo (13th month bonus) which is required by law and is not taxed.⁸ These are average estimates for the year 2023.

Table 1 provides details of the original and the updated living wage and family living income expenses for 2023. It is important to note that the living wage estimated in June 2022 would be more than enough for workers in June 2023 because the purchasing power has increased since June 2022 (see Figure 1). It is also worth noting that the net living wage and the gross living wage in USD increased between June 2022 and June 2023, because of the appreciation of the CRC.

Table 1: Living wage per month for rural Costa Rica for original study and latest updates, (in Costa Rican Colon and US Dollars)

	May 2017 Original Study Date		2022 Update Report		2023 Update Report	
Currency	CRC	USD	CRC	USD	CRC	USD
Family Living Expenses (1)	585,085	1,045	689,109	995	681,963	1,263
Net Living Wage (2)	375,055	670	441,737	638	437,156	810

⁶ See <https://taxsummaries.pwc.com/costa-rica/individual/other-taxes>

⁷ See <https://taxsummaries.pwc.com/costa-rica/individual/taxes-on-personal-income>

⁸ Informal labor relations are common in agriculture in Costa Rica, and many (especially temporary) workers do not receive Aguinaldo. According to a survey in 2013, about 35% of workers in agriculture did not receive the 13th month (MISOC, 2013). Data from INEC (2016) suggests this percentage is a bit higher at 37.9% (INEC-ENAH0, 2016). Data from the Continuous Employment Survey for 2017 show that about 36% of workers have no work risk insurance, an obligatory insurance which employers must pay. The gross living wage for informal workers who do not receive Aguinaldo is slightly higher because their entire wage is theoretically subject to taxes.

Mandatory deductions (3)	39,926	77	47,410	68	47,761	88
Income Taxes (3)	0	0	0	0	0	0
Gross Living Wage (2+3)	414,981	741	489,147	706	484,917	898
Exchange rate to USD	560		693		540 ^a	
Source of Exchange Rate	Original Country Report		Costa Rica Central Bank		Costa Rica Central Bank	

Note: USD values are indicative only because exchange rates are volatile. ^aExchange rate is the average exchange rate for June 2023.

Source: Authors' calculations.

7. REFERENCES

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