

Living Wage Update Report Caribbean Coast of Colombia 2022

Living Wage Update Report No. 2022-04-08



 <p>Cost of decent standard of living for a family</p> <p>COP 2,786,036 (USD 709)</p>	 <p>Living wage per month</p> <p>COP 1,882,737 (USD 479)</p>
---	---



Photo credit: Lykke E. Andersen.

Living Wage Update Report Caribbean Coast of Colombia 2022

By:

*Lykke E. Andersen**

*Agnes Medinaceli***

*Alejandra Gonzales****

*Richard Anker*****

*Martha Anker*****

Abstract:

This estimate has been revised to reflect the actual inflation rate in the country during 2022. The 2022 update previously published was calculated with the IMF projected inflation for the year.

This report provides updated estimates of family living expenses and living wage for the banana producing regions of Colombia. The update for June 2022 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.

* SDSN Bolivia, E-mail: Lykke.E.Andersen@gmail.com.

** SDSN Bolivia, E-mail: agnes.medinaceli@gmail.com.

*** SDSN Bolivia, E-mail: Alejandra.Gonzales@sdsnbolivia.org.

**** Anker Research Institute, E-mail: marthaandrighard@gmail.com.

1. BACKGROUND

This report updates the living wage and family living expenses 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 2022. 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 June 2022 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 June 2022 by also taking into consideration income taxes and mandatory deductions from pay that workers would need to pay on the updated 2022 living wage using current laws.

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

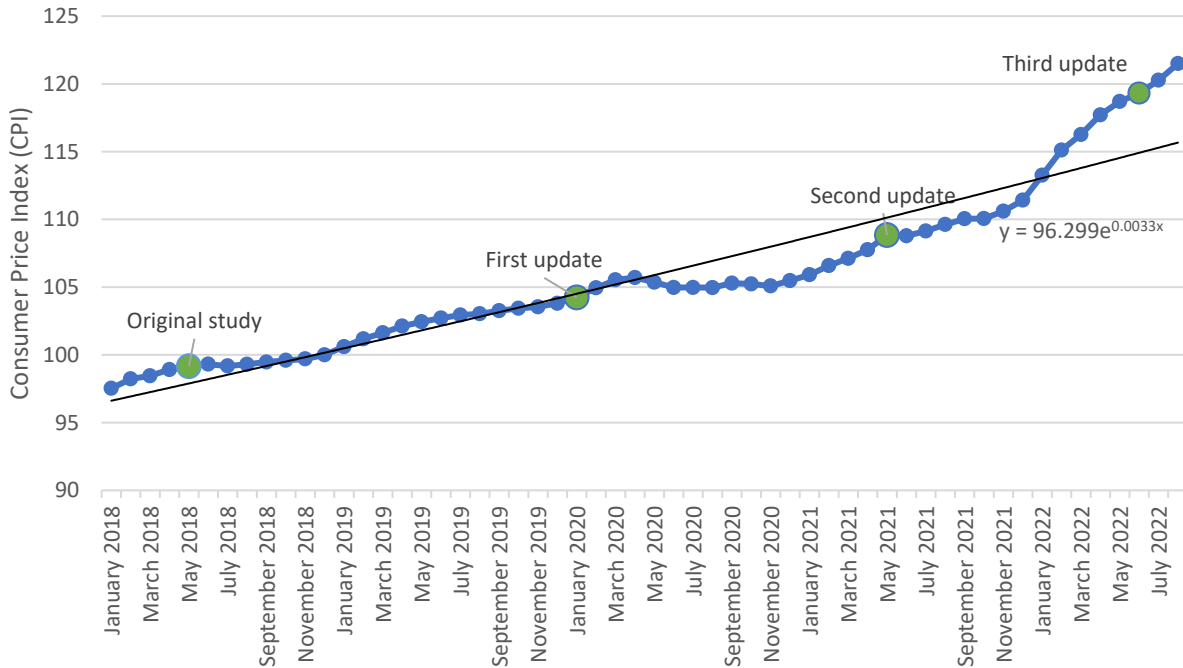
The Consumer Price Index for Colombia is calculated by the National Statistical Institute (DANE) and published punctually a few days after the end of each month.¹ We use the general index, which is also used to negotiate wages in the banana sector in Colombia.

4. RECENT LEVEL OF INFLATION

Between May 2018 and December 2021, accumulated inflation in Colombia amounted to 12.35%. However, during the first half of 2022, inflation increased substantially (see Figure 1).

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

Figure 1: Consumer Price Index for Colombia, January 2018 – August 2022



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 4,100,000.00/month in 2022).² Hence, the living wage is exempted from income tax.

However, there are the following mandatory payroll deductions: 4% to the health system, 4% to the pension system³ 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.

² See <https://www.larepublica.co/economia/las-personas-que-deben-declarar-renta-desde-2022-3154351> Information accessed 02 October 2022.

³ See <https://www.mintrabajo.gov.co/empleo-y-pensiones/empleo/subdireccion-de-formalizacion-y-proteccion-del-empleo/formalizacion-laboral/cotizacion-a-la-seguridad-social-aportes> Information accessed 17 March 2022.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2022

The updated net living wage, or take-home pay, for June 2022 is COP 1,730,457 per month. The gross living wage (aka living wage), which also takes into account income taxes and mandatory payroll deductions, is COP 1,882,737 per month for June 2022.

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 USD per month)**

	May 2018 Original Study		May 2021 Update Report		June 2022 Update Report	
	COP	USD ^a	COP	USD ^a	COP	USD ^a
Family living expenses (1)	2,315,509	820	2,541,549	683	2,786,036	709
Net living wage (2)	1,438,204	509	1,578,602	424	1,730,457	440
Total mandatory payroll deductions and income tax (3)	126,562	45	138,917	37	152,280	39
Gross living wage (4) = (2) + (3)	1,564,766	554	1,717,518	462	1,882,737	479
Exchange rate to USD	2,824		3,720		3,931 ^b	

Note: ^a USD values are indicative only because exchange rates are volatile. ^b Average exchange rate for June 2022 from Central Bank of Colombia <https://www.banrep.gov.co/en/colombian-peso-market-exchange-rate>

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