

Living Wage Reference Value Update Report Rural Peru 2022

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 <p>Net Living Wage per month PEN 1,433 (USD 383)</p>	 <p>Gross Living wage per month PEN 1,647 (USD 440)</p>
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Living Wage Reference Value Update Report

Rural Peru

2022

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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 updates Anker Reference Values for rural Peru to 2022 for the net living wage (take home pay) and gross living wage that includes payroll deductions. These updates take into account inflation since the original estimates in 2020 (Global Living Wage Coalition, 2020).

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

JEL classifications: J30, J50, J80.

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1. BACKGROUND

This report updates the Anker living wage Reference Value to June 2022 for rural Peru. The update takes into account the amount of inflation since the original Reference Value in 2020. This is done by updating the 2020 net living wage and living expenses to June 2022 by inflation. 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 June 2022 because the purchasing power of the living wage would have decreased compared to what it was in 2016.

The gross living wage (aka living wage) is updated to June 2022 by taking also into consideration income taxes and mandatory deductions from pay that workers would need to pay on the updated June 2022 living wage using current laws.

2. LIVING WAGE ESTIMATE IN REFERENCE VALUE FROM 2020

The original living wage Reference Value estimated the net living wage as PEN 1,266 (USD 372) in 2020. This was the required take-home pay for workers for decency. The gross living wage, which also takes into account income taxes and mandatory deductions from pay for social security, was estimated as PEN 1,455 (USD 428) in 2020.

3. INFLATION RATE USED FOR UPDATE

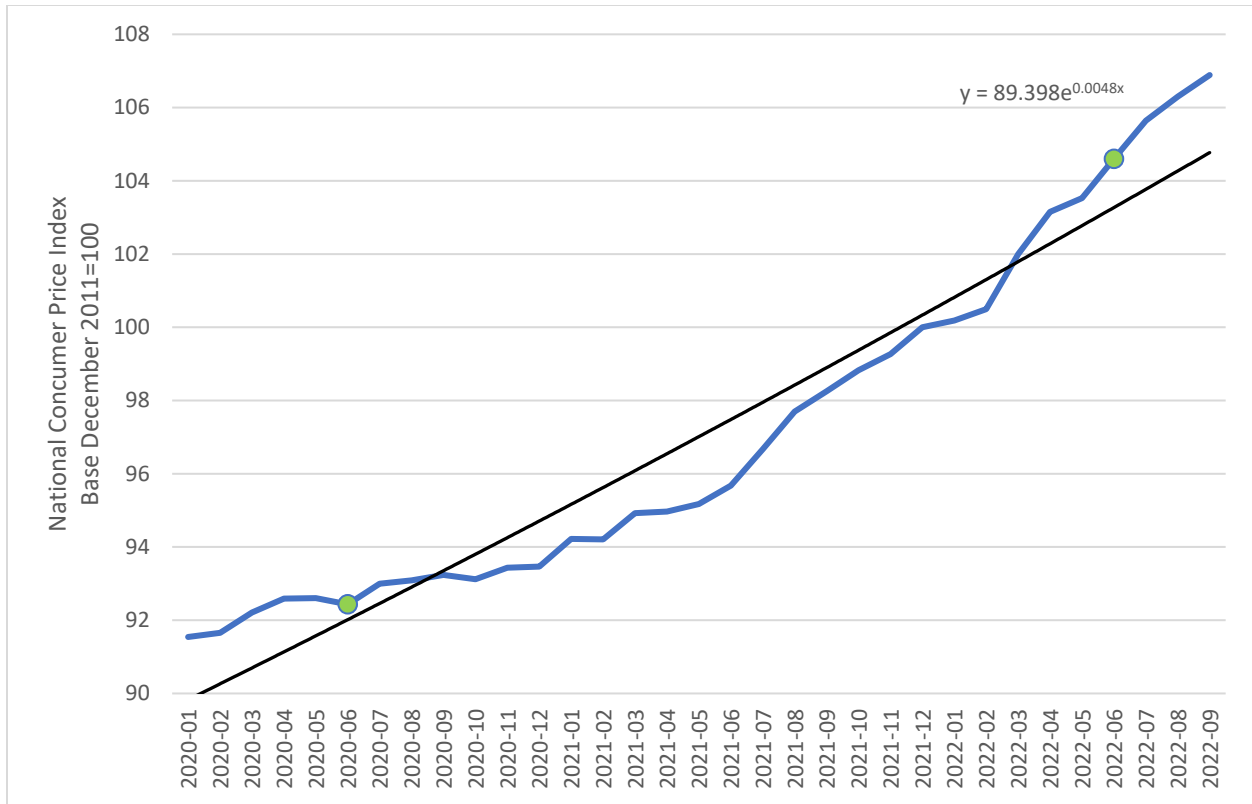
The National Statistics and Informatics Institute of Peru (INEI, Instituto Nacional de Estadística e Informática de Peru)¹ is the government body responsible for computing and reporting price indices in Peru. It reports two consumer price indexes: the national consumer price index and the metropolitan consumer price index for Lima. This report uses the national consumer price index as it is more representative for workers in the rural area. This NCPI uses December 2011 = 100 as its base.

4. RECENT LEVEL OF INFLATION

Between June 2020 and June 2022, prices in Peru increased steadily with a more rapid increase in 2022. The total increase in prices during this period was 13.2% (see Figure 1).

¹ See <https://www.inei.gob.pe/estadisticas/indice-tematico/price-indexes/>

Figure 1: General Consumer Price Index, Peru, January 2020 – September 2022



Notes: Green circles indicate the months of the original study and update. The black line is the fitted exponential trendline.
 Source: Authors’ calculations based on CPI data from INEI.

5. MANDATORY DEDUCTIONS

In 2020, workers paid a mandatory 13% pension contribution. In June 2022, the same pension contribution applied.² Income taxes do not apply for rural workers earning a living wage.³

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2022

The updated net living wage, or take-home pay, for June 2022 is PEN 1,433 (USD 383) per month. The gross living wage (aka living wage), which also takes into account income taxes and mandatory payroll deductions, is PEN 1,647 (USD 440) per month for June 2022.

Table 1 provides details of the original and the updated living wages in PEN and USD.

Table 1: Living wage for rural Peru (in Peruvian Soles and US Dollars per month)

² See <https://taxsummaries.pwc.com/peru/individual/other-taxes>

³ See <https://taxsummaries.pwc.com/peru/individual/taxes-on-personal-income>

	2020 Reference Value		June 2022 Update Report	
	PEN	USD ^a	PEN	USD ^a
Net Living Wage	1,266	372	1,433	383
Income Taxes and Payroll Deductions	189	56	214	57
Gross Living Wage	1,455	428	1,647	440
Exchange Rate to USD	3.4		3.74 ^b	

Note: ^a USD values are indicative only because exchange rates are volatile. ^b Average exchange rate for June 2022. Source of exchange rate: IMF.

Source: Authors' calculations.

7. REFERENCES

Global Living Wage Coalition (2020) *Anker Living Wage Reference Value: Rural Peru*. Anker Research Institute & Global Living Wage Coalition. Available online: <https://www.globallivingwage.org/wp-content/uploads/2021/12/Rural-Peru-LW-Reference-Value-corrected.pdf>