

# Living Wage Update Report: Rural Coffee and Cocoa Growing Regions, Peru, 2023

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Cost of decent standard  
of living for a family

**PEN 2,530**  
(USD 693)



Living wage per month

**PEN 1,977**  
(USD 542)



Photo credit: Lykke E. Andersen.

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### **Abstract:**

This report provides updated estimates of family living expenses and living wage for rural areas and small towns of coffee and cocoa growing regions of San Martín, Cajamarca, Junín, and Cusco, Peru. The update for 2023 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in June 2022 (Andersen et al., 2022).

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

**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 rural coffee and cocoa growing regions of San Martín, Cajamarca, Junín, and Cusco in Peru. The update takes into account the amount of inflation since the original study in June 2022 (Andersen et al., 2022). This is done by updating the June 2022 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 2022 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 2022. 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 June 2023.

## 2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM JUNE 2022

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 PEN 2,371 for San Martín, PEN 2,146 for Cajamarca, PEN 2,101 for Junín, and PEN 2,359 for Cusco in June 2022. Given the relatively small differences between regions, the authors recommend using the highest value for all coffee and cacao growing regions of Peru, i.e. a living income of PEN 2,371 and a living wage of PEN 1,853 for June 2022 (Andersen et al., 2022).

## 3. INFLATION RATE USED FOR UPDATE

The National Consumer Price Index for Peru is calculated by the National Statistical Institute (INEI).<sup>1</sup> We use the National Consumer Price Index with base December 2021=100, instead of the Metropolitan Consumer Price Index for Lima, because it is more relevant for rural workers in Peru.

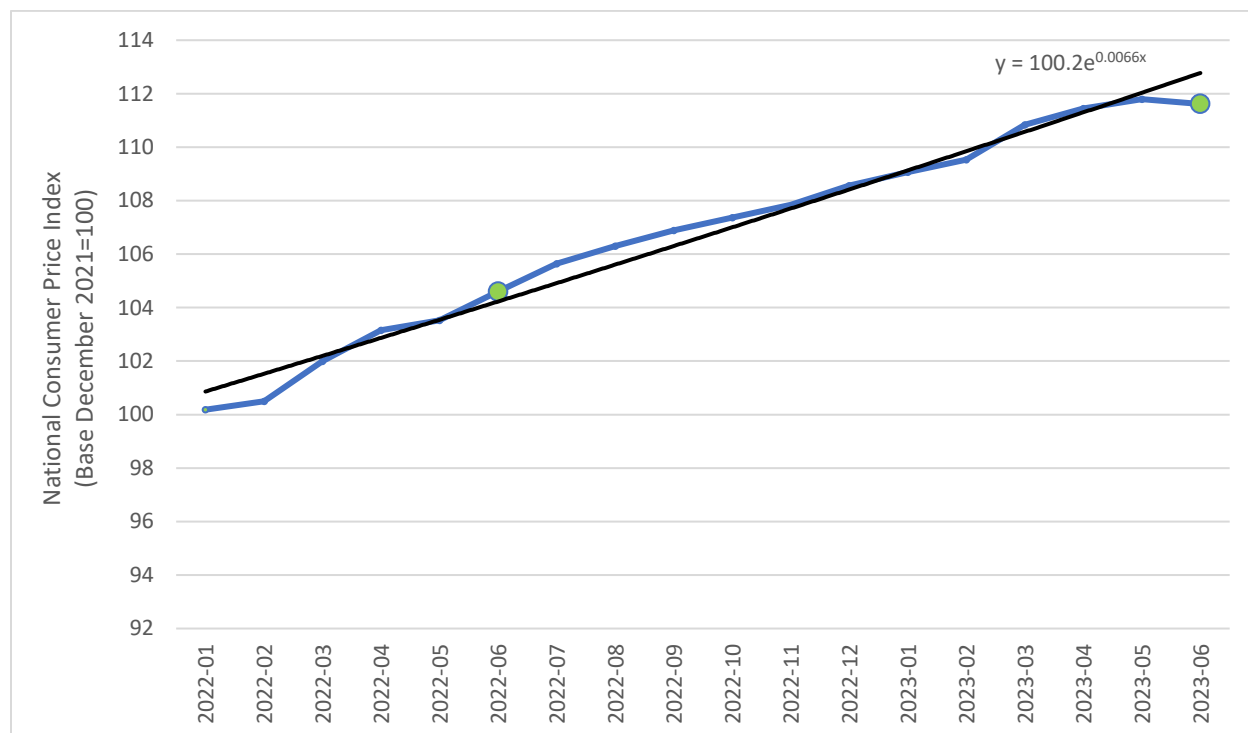
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<sup>1</sup> <https://m.inei.gob.pe/estadisticas/indice-tematico/price-indexes/>

#### 4. RECENT LEVEL OF INFLATION

Between June 2022 and June 2023, total inflation in Peru was 6.71% (see Figure 1). This is the inflation used in this report.

**Figure 1: National Consumer Price Index for Peru, January 2022 – 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 national CPI data from INEI.

#### 5. MANDATORY DEDUCTIONS

As in the original study, the living wage is well below the threshold for which income tax should be paid (PEN 2,887.5 per month for 2023).<sup>2</sup> 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: 9% to the health system and 13% to the pension system.<sup>3</sup>

<sup>2</sup> See <https://www.gob.pe/664-impuesto-a-la-renta-ir>

<sup>3</sup> See <https://taxsummaries.pwc.com/peru/individual/other-taxes> & <https://orientacion.sunat.gob.pe/3282-06-calculo-de-los-aportes>

## 6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2023

The updated net living wage, or take-home pay, for the coffee and cocoa growing regions of Peru for June 2023 is PEN 1,542 per month. The gross living wage (aka living wage), which also takes into account income taxes and mandatory payroll deductions, is PEN 1,977 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 cocoa and coffee growing regions of Peru.

**Table 1: Family Living Expenses and Living Wages for coffee and cocoa growing regions of Peru (in Peruvian Soles and USD per month)**

	June 2022 Original Study		2023 Update Report	
	PEN	USD	PEN	USD
<b>Family Living Expenses (1)</b>	2,371	646	2,530	693
<b>Net Living Wage (2)</b>	1,445	394	1,542	423
<b>Income Taxes and Payroll Deductions on Living Wage (3)</b>	408	111	435	119
<b>Gross Living Wage (2+3)</b>	1,853	505	1,977	542
<b>Exchange Rate to USD</b>	3.67		3.65	
<b>Source of Exchange Rate</b>	Original Report		IMF	

*Note:* USD values are indicative only because exchange rates are volatile. <sup>a</sup> Average exchange rate for June 2023.  
*Source:* Authors' calculations.

## 7. REFERENCES

Andersen, L. E., Andersen, N. N., Anker, R., and Anker, M. (2022). *Living Income Report: Rural Areas and Small Towns of Coffee and Cocoa Growing Regions of Cajamarca, Cusco, Junín, and San Martín, Peru*. Living Wage Benchmark Series No. 2022-01-02. Available online: [https://globallivingwage.org/wp-content/uploads/2023/02/Benchmark\\_LIVING-INCOME-REPORT\\_Rural-areas-and-small-towns-in-Cajamarca-Cusco-Junin-and-San-Martin-Peru-1.pdf](https://globallivingwage.org/wp-content/uploads/2023/02/Benchmark_LIVING-INCOME-REPORT_Rural-areas-and-small-towns-in-Cajamarca-Cusco-Junin-and-San-Martin-Peru-1.pdf)