



# Living Wage Update Report: Northwest Nicaragua (2022)

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**Cost of decent standard  
of living for a family**

**C\$ 15,901**  
(USD 447)



**Living Wage per  
month**

**C\$ 10,981**  
(USD 308)



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# Living Wage Update Report: Northwest Nicaragua (2022)

*By:*

*Lykke E. Andersen\**

*Alejandra Gonzales\*\**

*Richard Anker\*\*\**

*Martha Anker\*\*\**

**Abstract:**

This report provides updated estimates of family living expenses and living wage for Northwest, Nicaragua, a region dominated by labor-intensive export agriculture, such as coffee, bananas, sugar cane and tobacco. The update for 2022 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in October 2017 (Andersen, Hernani-Limarino, 2017).

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

**JEL classifications:** J30, J50, J80.

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\* SDSN Bolivia, E-mail: [Lykke.E.Andersen@gmail.com](mailto:Lykke.E.Andersen@gmail.com).

\*\* SDSN Bolivia, E-mail: [Alejandra.Gonzales@sdsnbolivia.org](mailto:Alejandra.Gonzales@sdsnbolivia.org).

\*\*\* Anker Research Institute, E-mail: [marthaandrichard@gmail.com](mailto:marthaandrichard@gmail.com).

## 1. BACKGROUND

This report updates the Anker living wage and family living expenses to 2022 for Northwest Nicaragua, a region dominated by labor-intensive export agriculture, such as coffee, bananas, sugar cane and tobacco. The update takes into account the amount of inflation since the original study in October 2017. This is done by updating the October 2017 net living wage and living expenses to December 2021 by inflation and then adding expected inflation for 2022 according to the International Monetary Fund (IMF). This provides average living wage and living expenses estimates for 2022. 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 2022 because the purchasing power of the living wage would have decreased. The gross living wage (aka living wage) is updated to 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 2021 laws.

## 2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM OCTOBER 2017

The net living wage was estimated as C\$7,730 in October 2017 in the original living wage country report. The gross living wage, which also takes into account income taxes and mandatory deductions from pay for social security and union dues, was estimated as C\$8,048 in October 2017. The living income expenses for a basic but decent standard of living for a typical reference family in the original country report was estimated as C\$12,523 in October 2017 (Andersen, Hernani-Limarino, 2017).

## 3. INFLATION RATE USED FOR UPDATE

The National Institute for Information and Development (INIDE) is the government body responsible for computing and reporting price indexes in Nicaragua. It reports the consumer price index (CPI) for three levels of disaggregation: National, Managua, and “Rest of the country.” This report uses the CPI for the rest of the country to update the living wage for the Northwest Region.

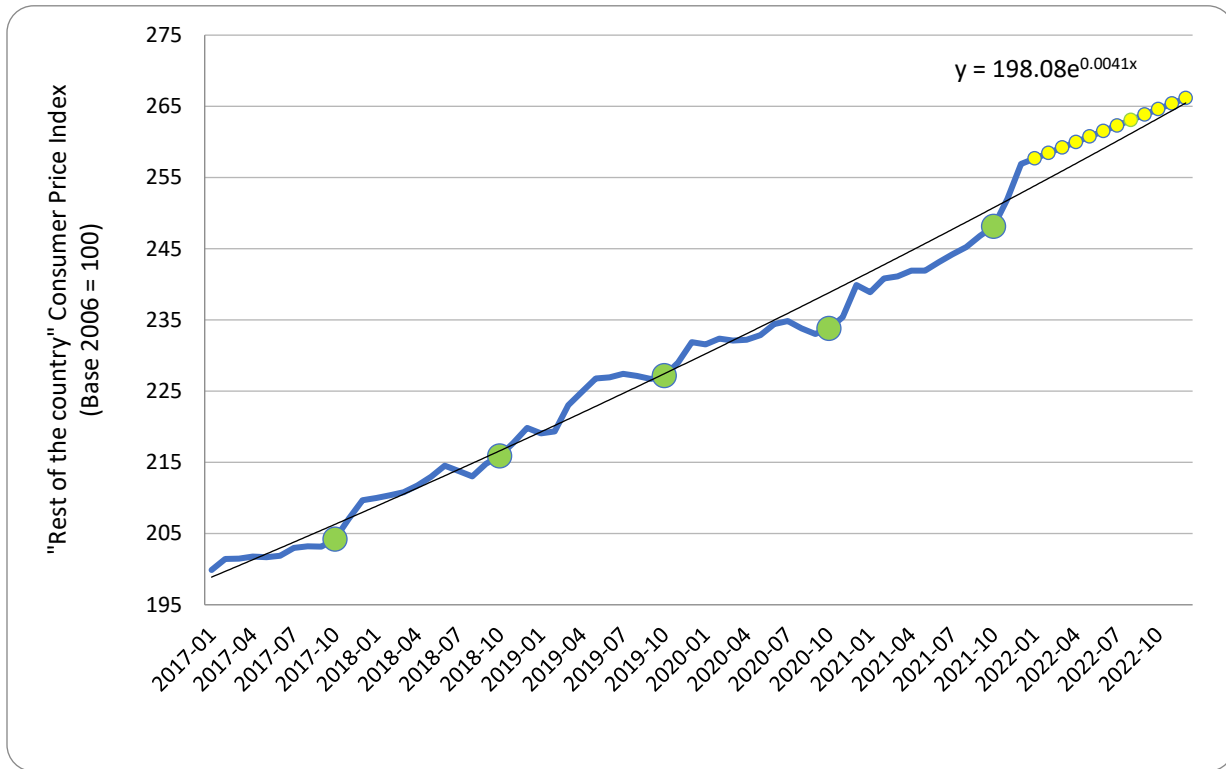
## 4. RECENT LEVEL OF INFLATION

Between October 2017 and December 2021, inflation was 24.5% for Nicaragua and 25.8% for the Rest of the country outside Managua. The IMF projects that the inflation rate in Nicaragua for 2022 will be 3.6%<sup>1</sup> and this projection was added to the Consumer Price Index numbers shown in Figure 1<sup>2</sup>.

<sup>1</sup> See <https://www.imf.org/external/datamapper/PCPIPCH@WEO/NIC>. Information accessed 2 March 2022.

<sup>2</sup> Note that we slightly adjusted our December 2021 estimates downward (by 2.19 CPI points) to take into account seasonality in inflation between October and December 2021, because as can be seen in Figure 1, the CPI tends to be slightly higher than average in December on a regular basis and rather average for November. There is no problem with seasonality in inflation between October 2017 and October 2021, because this is estimated using year-on-year CPI index values which are implicitly seasonally adjusted.

**Figure 1: Consumer Price Index for “Rest of the Country”, Nicaragua, January 2017 - December 2022**



**Notes:** Green circles indicate the months of the original study and the earlier updates. Yellow circles show the forecasts for 2022. The black line is the fitted exponential trendline.

**Source:** Authors’ calculations based on CPI data from INIDE.

## 5. MANDATORY DEDUCTIONS

Social Security contributions by workers to the INSS (*Instituto Nacional de Seguridad Social*) were 4.25% in 2017 according to the original study report. However, after the Social Security Reform in 2019, the contributions rose to 7.0%, being 4.75% for pensions and 2.25% for “sickness-maternity” (Mesa-Lago, 2020, p. 49). This rate is used in the present update. Also different from previous updates, the estimated living wage has now moved into the 15% income tax bracket, which corresponds to annual income between C\$ 100,000 and 200,000.

## 6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2022

The updated net living wage, or take-home pay, for 2022 is C\$ 9,815 per month. The gross living wage (aka living wage), which also takes into account income taxes and mandatory payroll deductions, is C\$ 10,981 per month for 2022. These are average estimates for the year 2022.

Table 1 provides details of the original and the updated living wages and family living expenses.

**Table 1: Living wages and living expenses for Northwest Nicaragua for original study year and latest updates (in Nicaraguan Cordoba and US Dollars)**

Item	October 2017 Original Study Date		October 2021 Update Report		2022 Update Report	
	C\$	USD	C\$	USD	C\$	USD
Living Expenses for Reference Family Per Month	12,523	411	15,217	433	15,901	447
Net Living Wage Per Month	7,730	254	9,393	267	9,815	276
Income Taxes and Payroll Deductions Per Month on Living Wage	342	11	1,047	30	1,166	33
Gross Living Wage Per Month	8,048	264	10,440	297	10,981	308
Exchange Rate to USD	30.4		35.18		35.60*	
Source of Exchange Rate	Original Report		XE web site		XE web site	

Note: \* The exchange rate for mid-2022 was forecast by adding the six months change between 1/7/2021 and 1/1/2022 to the exchange rate on 1/1/2022 of 35.40.

Source: Authors' calculations.

## 7. REFERENCES

- Andersen, L.E., & Hernani-Limarino, W. (2017) *Living Wage Report for Northwest Nicaragua*. Available online: <https://bit.ly/3sDH2mm>
- Mesa-Lago, C. (2020) "LA SEGURIDAD SOCIAL EN NICARAGUA: DIAGNÓSTICO Y RECOMENDACIONES PARA SU REFORMA". Managua, Nicaragua: Instituto Nicaraguense de Investigaciones y Estudios Tributarios. Febrero. <https://www.iniet.org/estudio-la-seguridad-social-en-nicaragua/>