

Living Wage Update: October 2020

Northwest Nicaragua



Living wage per month

C\$9,900
(USD 287)



Cost of decent standard
of living for a family

C\$14,915
(USD 432)



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1. BACKGROUND

This report updates the living wage and living expenses for Northwest Nicaragua, a region dominated by labor-intensive export agriculture, such as coffee, bananas, sugar cane and tobacco.²

The net living wage and living expenses are updated to the study month of the most recent calendar year – October 2020 – to take into account the amount of inflation since the original study in October 2017. 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 2020 because the purchasing power of the living wage would have decreased. Similarly, living expenses for a reference family are also updated to October 2020 to account for inflation.

The gross living wage is updated to October 2020 by taking into consideration (in addition to inflation) income taxes and mandatory deductions from pay that workers would need to pay on the updated October 2020 living wage. This is done using October 2020 laws.

2. LIVING WAGE AND LIVING EXPENSES FOR REFERENCE SIZE FAMILY IN ORIGINAL COUNTRY REPORT IN 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 reference family in the original country report was estimated as C\$12,523 in October 2017.

3. INFLATION RATE USED FOR UPDATE

The National Institute for Information and Development (NIDE) is the government body responsible for computing and reporting price indexes in Nicaragua. It reports one consumer price index (CPI) for three levels of disaggregation: National, Managua, and “Rest of the country”.

¹ Prepared by Ian Prates, Richard Anker, and Martha Anker.

² This is an update to *Living Wage Report: Northwest Nicaragua*, October 2017. Dr. Lykke E. Andersen & Werner Hernani-Limarino. <https://bit.ly/3b8labu>

This report uses the IPC for the rest of the country to update the living wage for the Northwest Region.

4. RECENT LEVEL OF INFLATION

Between October 2017 and October 2020, inflation was 18.78% for Nicaragua and 19.10% for Rest of the country.

5. MANDATORY PAYROLL DEDUCTIONS AND INCOME TAXES ON A LIVING WAGE

Social Security contributions by workers to the INSS (Instituto Nacional de Seguridad Social) were 4.25% in 2017 and so in 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” (Instituto Nicaraguense de Investigaciones y Estudios Tributarios, 2020, p. 49).³ For this reason, 7.0% is used in this Update Report.

6. UPDATED LIVING WAGES AND FAMILY LIVING EXPENSES FOR OCTOBER 2020

The updated net living wage, or take-home pay, for October 2020 is C\$9,207 per month. The gross living wage, which also takes into account income taxes and mandatory payroll deductions, is C\$9,900 per month for October 2020. 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 update (in Nicaraguan Cordoba and US Dollars)

	October 2017 Original Report		October 2020 Latest Study Date	
	NIO	USD	NIO	USD
Currency	NIO	USD	NIO	USD
Living Expenses for Reference Family Per Month	12,523	412	14,915	432
Net Living Wage Per Month	7,730	254	9,207	266
Income Taxes and Payroll Deductions Per Month on Living Wage	318	10	693	20
Gross Living Wage Per Month	8,048	265	9,900	287
Exchange Rate to USD	30.40		34.55	
Source of Exchange Rate	Original Report		IMF Archive January 2021	

³ <https://www.iniet.org/estudio-la-seguridad-social-en-nicaragua/>