

# Living Wage Update Report Northwest Nicaragua 2022

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 <p><b>Cost of decent standard of living for a family</b></p> <p><b>NIO 16,509</b> (USD 461)</p>	 <p><b>Living wage per month</b></p> <p><b>NIO 11,462</b> (USD 320)</p>
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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 updated estimates of family living expenses and living wages for Northwest, Nicaragua, a region dominated by labor-intensive export agriculture, such as coffee, bananas, sugar cane and tobacco. The update for mid-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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## 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 June 2022 by inflation. 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 mid-2022 because the purchasing power of the living wage would have decreased. 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 2022 laws.

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

The net living wage was estimated as NIO 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 NIO 8,048 in October 2017. The living income expenses for a basic but decent standard of living for a typical size family in the original country report was estimated as NIO 12,523 in October 2017 (Andersen, Hernani-Limarino, 2017).

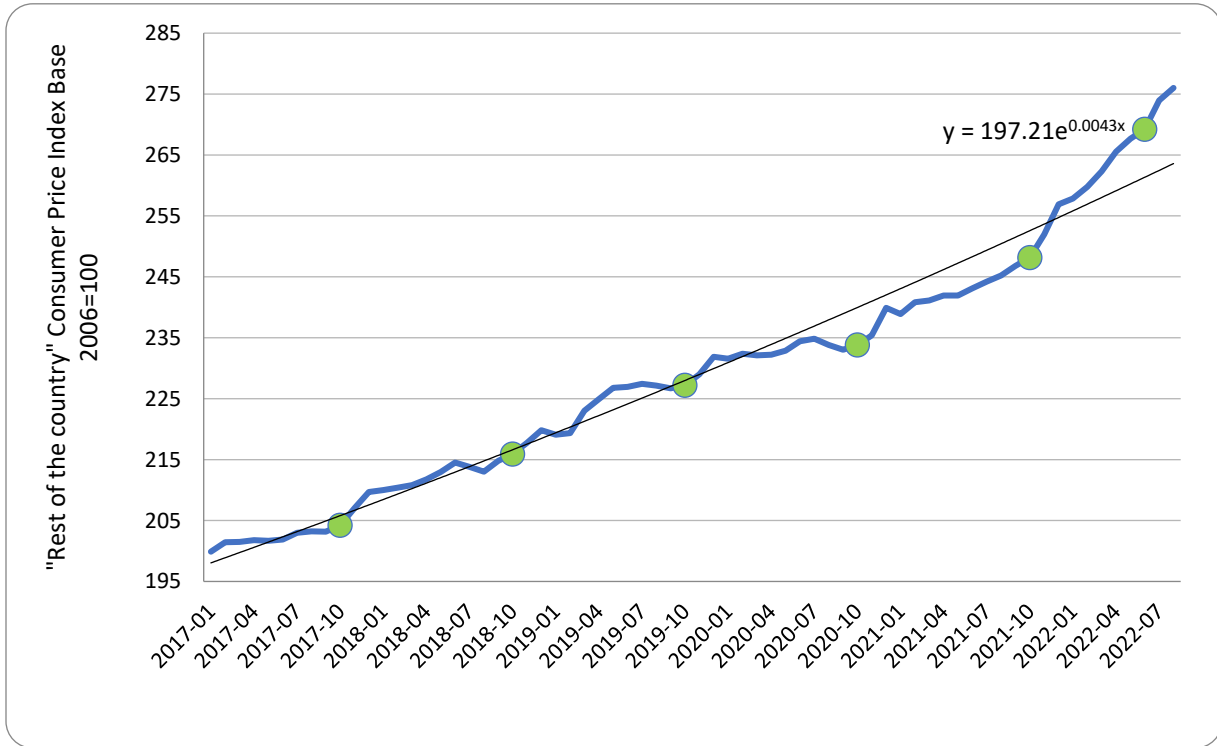
## 3. INFLATION RATE USED FOR UPDATE

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 June 2022, inflation was 31.8% for the Rest of the country outside Managua (see Figure 1).

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



**Notes:** Green circles indicate the months of the original study and updates. 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. The living wage is in the 15% income tax bracket, with NIO 8,333 per month exempt from income tax.

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

The updated net living wage, or take-home pay, for June 2022 is NIO 10,190 per month. The gross living wage (aka living wage), which also takes into account income taxes and mandatory payroll deductions, is NIO 11,462 per month for June 2022.

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

**Table 1: Family living expenses and living wages for Northwest Nicaragua for original study and updates (in Nicaraguan Cordoba and US Dollars per month)**

	October 2017 Original Study Date		October 2021 Update Report		June 2022 Update Report	
	NIO	USD <sup>a</sup>	NIO	USD <sup>a</sup>	NIO	USD <sup>a</sup>
<b>Family living expenses</b>	12,523	411	15,217	433	16,509	461
<b>Net living wage</b>	7,730	254	9,393	267	10,190	284
<b>Income taxes and payroll deductions on living wage</b>	342	11	1,047	30	1,272	35
<b>Gross living wage</b>	8,048	264	10,440	297	11,462	320
<b>Exchange rate to USD</b>	30.4		35.18		35.84 <sup>b</sup>	

Note: <sup>a</sup> USD values are indicative only because exchange rates are volatile. <sup>b</sup> Average exchange rate for June 2022 based on data from Banco Central de Nicaragua.

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/>