Living Wage Update: May 2021
Caribbean coast of Colombia

Cost of decent standard of living for a family
COP 2,541,549 (USD 683)

Gross Living Wage per month
COP 1,717,518 (USD 462)

Photo credit: Lykke E. Andersen.
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1. BACKGROUND

This report updates the living wage and living expenses for the banana producing regions of Colombia.2

The net living wage (i.e. take home pay required) and living expenses are updated to the study month of the most recent calendar year – May 2021 – to take into account the amount of inflation since the original May 2018 living wage study. Without accounting for inflation, the net living wage estimated in 2018 would not be sufficient for workers to have a basic but decent standard of living in 2021 because the purchasing power of the living wage would have decreased compared to what it was in 2018. Similarly, living expenses for a reference family are also updated to May 2021 to account for inflation.

In this update, we also makes projections for the average Living Wage for the remainder of 2021 and for 2022, as these may be more useful for some purposes, than an estimate for a specific month.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM MARCH 2016

The living expenses for a basic but decent standard of living for a reference family in the original country report were estimated as COP 2,315,509 in May 2018. These expenses were divided by 1.61 full-time worker equivalents per family, to obtain the net living wage of COP 1,438,204 in May 2018. This was the required take-home pay for workers for decency in May 2018. The gross living wage, which also takes into account mandatory deductions from pay for social security, pensions, and union dues, was estimated as COP 1,564,766 in May 2018.

3. INFLATION RATE USED FOR UPDATE

The Consumer Price Index for Colombia is calculated by the National Statistical Institute (DANE) and published punctually a few days after the end of each month3. We use the general index, which is also used to negotiate wages in the banana sector in Colombia.
4. **RECENT LEVEL OF INFLATION**

Inflation in Colombia has been relatively low and stable at around 3% per year since the original study in May 2018, with a slow-down during 2020 due to the pandemic, and a recovery in 2021. Inflation in May of 2021 was slightly higher than normal due to widespread protests over a proposed tax reform, but prices quickly returned to the trend line in June 2021.

In order to estimate what average gross living wage might be for the years 2021 and 2022, we project the General Price Index (IPC) forward using the average inflation rate calculated between May 2018 and April 2021 (0.24% per month).

**Figure 1: General Price Index for Colombia, January 2018 to June 2021, with projections until end 2022**

![Graph showing the General Price Index for Colombia, with projections until end 2022.](image-url)

**Notes:**
- Yellow dots are projected.
- Green dots highlight the months of the original study and the updates.

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

5. **Mandatory Deductions**

The estimated net living wage in Colombia is too low to pay income taxes, since there are the following mandatory payroll deductions: 4% to the health system, 4% to the pension system and 2% to the labor union. These mandatory payroll deductions are added to the net living wage to arrive at the gross living wage needed.
6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR MAY 2021

Table 1 provides details of the original and the updated family living expenses, as well as net and gross living wages for the banana producing areas on the Caribbean coast of Colombia.

For May 2021, the living expenses for a reference family of 2 adults and 2 children is calculated at COP 2,541,549. Dividing this value with 1.61 full-time workers per family, we obtain a Net Living Wage in May 2021 of COP 1,578,602. Adding mandatory payroll deductions, we arrive at a Gross Living Wage in May 2021 of COP 1,717,518, which corresponds to USD 462.

**Table 1: Living Expenses and Living Wages for the Caribbean coast of Colombia**

<table>
<thead>
<tr>
<th></th>
<th>Original study: May 2018</th>
<th>Update 1: January 2020</th>
<th>Update 2: May 2021</th>
<th>Average 2022 (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Living Expenses (1)</td>
<td>2,315,509</td>
<td>2,433,600</td>
<td>2,541,549</td>
<td>2,594,840</td>
</tr>
<tr>
<td>Net Living Wage (2)</td>
<td>1,438,204</td>
<td>1,511,553</td>
<td>1,578,602</td>
<td>1,611,702</td>
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<tr>
<td>Total mandatory payroll deductions and (3)</td>
<td>126,562</td>
<td>133,016</td>
<td>138,917</td>
<td>141,829</td>
</tr>
<tr>
<td>Gross living wage (2+3)</td>
<td>1,564,766</td>
<td>1,644,569</td>
<td>1,717,518</td>
<td>1,753,531</td>
</tr>
<tr>
<td>Inflation factor:</td>
<td>1</td>
<td>1.0510</td>
<td>1.0976</td>
<td>1.1206</td>
</tr>
</tbody>
</table>

| Exchange rate mid month/estimate (COP/USD): | 2,824 | 3,273 | 3,720 | 3,700 |

| Gross living wage (USD) | 554 | 502 | 462 | 474 |

Source: Authors’ calculations.

The final column of Table 1 provides our best estimate of average living wage for the calendar year 2022. The average projection of net and gross living wages for 2022 are higher than for May 2021.