

Living Wage Update Report: Non-Metropolitan São Paulo State, Brazil 2023

Living Wage Update Report No. 23-04-31



Cost of decent standard
of living for a family

BRL 4,695
(USD 968)



Living Wage
per month

BRL 3, 213
(USD 662)



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Abstract:

This report provides updated estimates of family living expenses and living wages in the citrus belt in the State of São Paulo. The 2023 update takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in February 2020 (De Freitas Barbosa, Cordeiro, Barbosa & Bowen, 2021).

Keywords: Living costs, living wages, Anker Methodology, Brazil

JEL classifications: J30, J50, J80.

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1. BACKGROUND

This report updates the Anker living wage and family living income expenses to 2023 for the citrus belt in the State of São Paulo, Brazil. This update takes into account the amount of inflation since the original study in February 2020. This is done by updating the February 2020 net living wage and family living income expenses by inflation in June 2023. This provides average living wage and living income expenses estimates for 2023. Without accounting for inflation, the net living wage estimated in 2020 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. The gross living wage (aka living wage) is updated to 2022 by also taking into account income taxes and mandatory deductions from pay that workers need to pay on the updated 2023 living wage. This is done using laws in force in 2023.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM FEBRUARY 2020

The net living wage was estimated as BRL 2,220 in February 2020 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 BRL 2,552 in February 2020. The living expenses for a basic but decent standard of living for a reference family in the original country report was estimated as BRL 3,729 in February 2020 (De Freitas Barbosa et al., 2021).

3. INFLATION RATE USED FOR UPDATE

The Brazilian Institute of Geography and Statistics (IBGE)¹ is the government body responsible for computing and reporting price indices in Brazil. It reports two main consumer price indexes: (1) the Broad National Consumer Price Index (IPCA, for its acronym in Portuguese) and (2) the National Consumer Price Index (INPC, for its acronym in Portuguese). IPCA covers families with monthly incomes ranging from one to forty minimum wages, and is typically used to update balance sheets and financial statements of companies. INPC covers families with a maximum income of five times minimum wages, which is relevant for most workers. INPC is the most widely used indicator for wage agreements and negotiations.

This report uses the INPC to update the living wage, as it is more representative for workers and because it is used for salary adjustments.² INPC is estimated for ten metropolitan areas in Brazil, and their weighted average is used to arrive at the national INPC value. There are no separate values for states or for rural/urban areas, and thus we use the INPC national average to update the living wage for non-metropolitan São Paulo State.

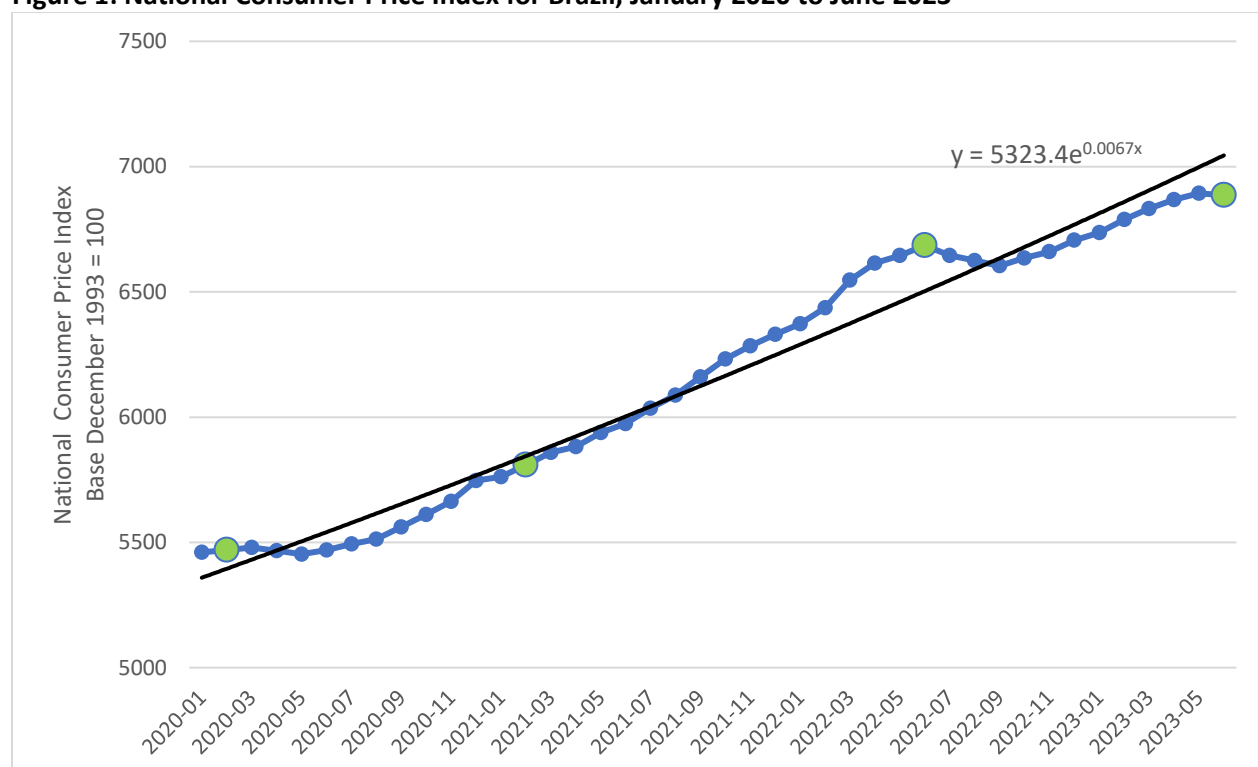
¹ See <https://www.ibge.gov.br/en/>

² See <https://www.bcb.gov.br/conteudo/home-en/FAQs/FAQ%20202-Price%20Indices.pdf>

4. RECENT LEVEL OF INFLATION

Between February 2020, when the original study was carried out, and June 2023 total inflation in Brazil was 25.9% (see Figure 1). This is the inflation used in this report.

Figure 1: National Consumer Price Index for Brazil, January 2020 to 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 CPI data from IBGE.

5. MANDATORY DEDUCTIONS

As in the original study (De Freitas Barbosa et al., 2021), workers earning a living wage continue to fall into the range from BRL 2,427.36 to BRL 3,641.03, which is subject to a 12%³ monthly deduction from the gross wage to social security.

Regarding income taxes, in May 2023, new progressive tax rates came into effect. Workers earning a living wage now fall into the revised range from BRL 2,826.66 to BRL 3,751.05, which is subject to a mandatory 15% income tax.⁴ However, workers have some room for deduction, which comprises a monthly deduction of BRL 370 plus the amount they pay towards social security. Thus, workers earning a living

³ See <https://taxsummaries.pwc.com/brazil/individual/other-taxes>

⁴ See <https://www.in.gov.br/en/web/dou/-/medida-provisoria-n-1.171-de-30-de-abril-de-2023-480184173>

wage are exempted from paying income taxes, as in the original study and in the 2022 update report (Medinaceli et al., 2022).

On the other hand, although union dues are no longer mandatory since the 2017 Labor Reform Law (Law No 13.467 of July 13, 2017), in practice, many unions, in order to maintain their activities, are signing agreements with enterprises and employers' unions that set up union confederation and/or union support dues ("contribuição confederativa" or "assistencial" in Portuguese) of a monthly value. These union dues, collected by the employers and sent to unions, varies from 1% to 2% of the gross wages in some collective agreements. Moreover, the current government plans to reintroduce a form of union contribution⁵. Thus, this report continues to assume that workers earning a living wage are subject to a 1% deduction from the gross wage for union dues.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2023

The updated net living wage, or take-home pay, for June 2023 is BRL 2,795 (USD 576) per month. The gross living wage (aka living wage), which also takes into account income taxes and mandatory payroll deductions, is BRL 3,213 (USD 662) per month for June 2023. These are average estimates for the year 2023. Table 1 provides details of the original and the updated living wages and family living expenses.

Table 1: Living wages and family living expenses with focus on the citrus belt in the non-metropolitan area of State of São Paulo, Brazil (in Brazilian Real and US Dollars)

Item	February 2020 Original Study		2022 Update Report		2023 Update Report	
	BRL	USD	BRL	USD	BRL	USD
Family Living Expenses (1)	3,729	834	4,517	860	4,695	968
Net Living Wage (2)	2,220	496	2,689	512	2,795	576
Total mandatory deductions and income tax (3)	332	74	402	77	418	86
Gross Living Wage (2+3)	2,552	571	3,091	589	3,213	662
Exchange Rate to USD	4.47		5.25 ^a		4.85 ^b	
Source of Exchange Rate	Original Report		IMF's Archive		IMF's Archive	

Notes: USD values are indicative only because exchange rates are volatile. ^aAverage exchange rate for the first three months of 2022. ^bAverage exchange rate for June 2023.

Source: Authors' calculations.

⁵ See <https://www.conjur.com.br/2023-mai-12/reflexoes-trabalhistas-stf-constitucionalidade-contribuicao-assistencial-sindical>

7. REFERENCES

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