



Living Wage Update: May 2021

Rural Costa Rica

Limón and Heredia Provinces

 <p>Cost of decent standard of living for a family</p> <p>CRC 622,823 (USD 1,007)</p>	 <p>Gross Living Wage per month</p> <p>CRC 446,085 (USD 721)</p>
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Note: The amount needed per month is lower if a 13th month bonus is received.



Banana worker in Costa Rica © SAN

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1. BACKGROUND

This report updates the living wage and living expenses for the Limón and Heredia provinces in Costa Rica, which focused on the banana (and pineapple) industry.²

The net living wage 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 2017 living wage study. 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 2021 because the purchasing power of the living wage would have decreased compared to what it was in 2017. Similarly, living expenses for a reference family are also updated to May 2021 to account for inflation.

The gross living wage is updated to May 2021 by taking into consideration mandatory deductions from pay on the updated net living wage. This is done using the laws in effect in May 2021, which were changed since the original study, specifically the amount for health insurance.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM MAY 2017

The original living wage country report estimated the net living wage as CRC 375,055 (US\$ 670, using an exchange rate of 1 US\$ = 560 CRC) in May 2017. This was the required take-home pay for workers for decency in May 2017. The gross living wage, which also takes into account income taxes and mandatory deductions from pay for social security, was estimated as CRC 414,981 (US\$ 741) per month in May 2017. The living expenses for a basic but decent standard of living for a reference family in the original country report were estimated as CRC 585,085 per month (US\$ 1,045) in May 2017.

¹ Prepared by Lykke E. Andersen and Alejandra Gonzales of SDSN Bolivia, with Richard Anker and Martha Anker.

² This is an update to Living Wage Report: Rural Costa Rica, Limón Province (Guápiles, Guácimo, Siquirres, and Matina regions) and Heredia Province (Puerto Viejo de Sarapiquí región), May 2017. Koen Voorend, Richard Anker, and Martha Anker. <https://bit.ly/2HfSnBP>

3. INFLATION RATE USED FOR UPDATE

The Instituto Nacional de Estadística y Censos³ is the government body responsible for computing and reporting inflation in Costa Rica. It reports one consumer price index: Consumer Price Index (CPI).⁴ It is based on a monthly survey of retail prices in urban areas (where 71% of population lives) for a sample of 2,600 establishments in 121 branches of activities, for a total of 24,200 price registries. Price data collection is performed over seventeen business days, beginning each month on the first business day, so that data collection is carried out on the same number of days every month of the year. The days after the closing of the data collection are used to recover pending or other thematic, operational or administrative tasks.⁵

The new CPI⁶ series uses as a base index of December 2020 = 100, although its expenditure weights are based on data collected between February 12, 2018 and March 6, 2019. The geographic coverage for price collection is made up of 53 districts that are urban or predominantly urban⁷, located throughout the six Planning Regions of the country.

4. RECENT LEVEL OF INFLATION

Inflation in Costa Rica has grown slowly around 1.61% per year since the original living wage study in May 2017. Inflation in this four-year period was 6.45%, this is the inflation rate used for this update report. Figure 1 shows the National CPI from January 2017 to July 2021. The original study month (May 2017), as well as the previous and current update months (May 2019, and May 2021), are highlighted with larger green dots.

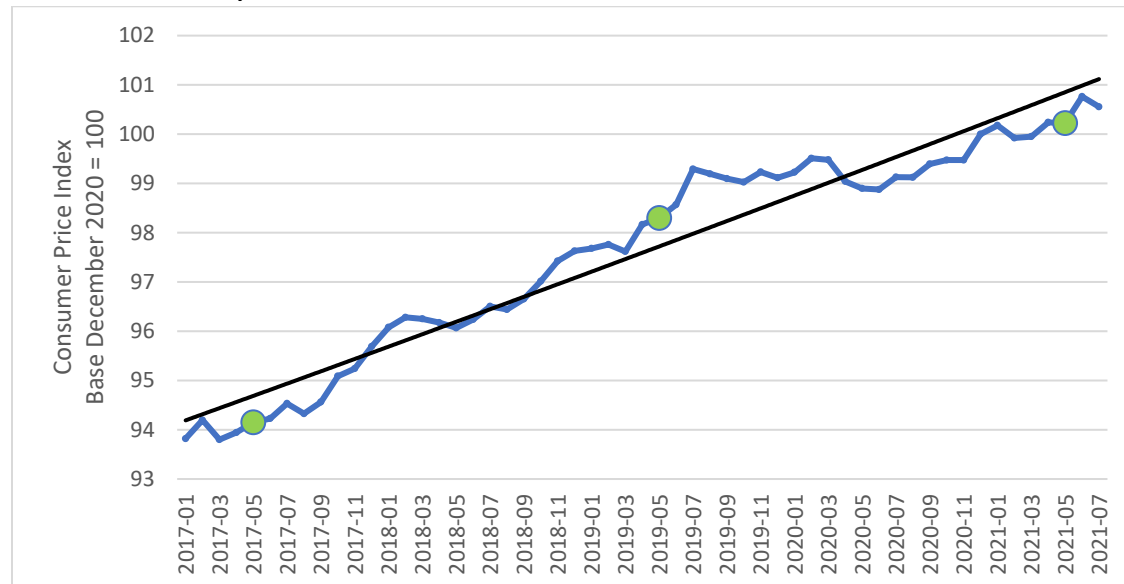
³ INEC – National Institute of Statistics and Census, <http://inec.cr/>

⁴ Expenditure weights used are based on results of the Costa Rican National Household Income and Expenditure Survey (February 2018 - March 2019).

⁵ For more information about the CPI methodology, <https://www.inec.cr/sites/default/files/documentos-biblioteca-virtual/meeconomipcbasediciembre2020-2.pdf>

⁶ <https://www.bccr.fi.cr/indicadores-economicos/%C3%ADndices-de-precios>

⁷ Nor is CPI reported by income quintile or for different regions, provinces or states.

Figure 1: National Consumer Price Index for Costa Rica, January 2017 to July 2021 (with fitted trendline)

Notes: Green dots highlight the months of the original study and the updates.

Source: Authors' calculations based on CPI data from BCCR.

5. MANDATORY DEDUCTIONS

In May 2017 at the time of the original living wage report, workers paid a total of 10.34% in payroll taxes. This consisted of 9.34% for Caja Costarricense del Seguro Social (CCSS) which gives access to the country's healthcare system and a basic universal pension system (5.50% for Social Security) and 3.84% in Health Insurance, plus 1.0% for Worker's Protection (Ley de Protección al Trabajador). Income tax did not apply in 2017 or in 2021 (to monthly income under CRC 752,000 in 2021). Note that in May 2021, the 10.34% payroll tax increased to 10.50%, as the Health Insurance increased to 4%.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR MAY 2021

Many workers in Costa Rica receive an end of year bonus in the form of a 13th month payment, commonly known as "Aguinaldo" which is not subject to payroll tax. Aguinaldo reduces the amount workers with a formal contract need to receive each month to be paid a living wage. In the original May 2017 living wage report, the net living wage required each month assumed that workers receive the 13th month bonus of CRC 375,055 (US\$ 670) and the gross living wage per month was CRC 414,981 (US\$ 741). For May 2021, for a worker who receives the 13th month bonus, the updated net living wage required each month is CRC

399,246 (US\$ 645), using an exchange rate of 1 US\$ = 618.69 CRC) per month⁸, and the gross living wage required each month is CRC 442,476 (US\$ 715).

Table 1: Living wage per month for rural Costa Rica—assuming formal contract and 13th month end-of-year bonus (Aguinaldo) is received (in Costa Rican Colones and US Dollars)

Item	May 2017 Original Study Date		May 2021 Latest Update	
	Costa Rican Colones	US Dollars	Costa Rican Colones	US Dollars
Family Living Expenses for a Decent Standard of Living Per Month	585,085	1,045	622,823	1,007
Net Living Wage Per Month	375,055	670	399,246	645
CCSS and Worker’s Insurance fund (10.34% in 2017 and 10.50% in 2021). Calculation of deductions per month on Living Wage assumes workers receive a payroll tax free 13th month bonus.	39,926	77	43,230	70
Income Taxes per Month on Living Wage	0	0	0	0
Gross Living Wage	414,981	741	442,476	715
Exchange Rate	560		618.69 ^a	
Source of Exchange Rate	Original Country Report		Costa Rica Central Bank	

Note: Average exchange rate for April 1, 2021-June 30, 2021 (three-month period bracketing May 2021).

Source: Authors’ calculations.

For workers who do not receive Aguinaldo⁹, the updated net living wage, or take-home pay per month, for May 2019 is CRC 399,246 (US\$ 645) per month. The gross living wage, which also takes into account mandatory payroll deductions, is CRC 446,085 (US\$ 721) per month for May 2021 assuming that workers are not paid the 13th month. Table 2 provides details of the original and the updated living wages and

⁸ Since exchange rate data are not available from the International Monetary Fund’s (IMF) archive of exchange rates, we used data from the Costa Rican Central Bank. The average for the 3-month period that brackets May 2021 (i.e., April–June 2021) was 618.69 CRC = 1 USD. Exchange rate fluctuations were small over the selected period.

⁹ Informal labor relations are common in agriculture in Costa Rica, and many (especially temporary) workers do not receive Aguinaldo. According to a survey in 2013, about 35% of workers in agriculture did not receive the 13th month (MISOC, 2013). Data from INEC (2016) suggests this percentage is a bit higher at 37.9% (INEC-ENAH0, 2016). Data from the Continuous Employment Survey for 2017 show that about 36% of workers have no work risk insurance, an obligatory insurance which employers must pay.

family living expenses in CRC and US\$. It is worth noting that the net living wage and the gross living wage in USD decreased slightly between May 2017 and May 2021, because the depreciation in the CRC was greater than the inflation in this period.

Table 2: Living wage per month for rural Costa Rica—assuming 13th month end-of-year bonus (Aguinaldo) is not received (in Costa Rican Colones and US Dollars)

Item	May 2017 Original Study Date		May 2021 Latest Update	
	Costa Rican Colones	US Dollars	Costa Rican Colones	US Dollars
Family Living Expenses for a Decent Standard of Living Per Month	585,085	1,045	622,823	1,007
Net Living Wage Per Month	375,055	670	399,246	645
CCSS and Worker's Insurance fund (10.34% in 2017 and 10.50% in 2021), Deductions per month on Living Wage assumes workers does not receive a payroll tax free 13 th month bonus.	43,253	77	46,839	76
Income Taxes and Deductions per Month on Living Wage	0	0	0	0
Gross Living Wage	418,308	747	446,085	721
Exchange Rate	560		618.69 ^a	
Source of Exchange Rate	Original Country Report		Costa Rica Central Bank	

*Note: Average exchange rate for April 1, 2021-June 30, 2021 (three-month period bracketing May 2021).
Source: Authors' calculations.*