Cost of decent standard of living for a family
CRC 689,109
(USD 1,060)

Living Wage per month
CRC 489,147
(USD 753)
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 wage for rural areas in the Limón and Heredia Provinces of Costa Rica. This region focuses on agriculture, particularly banana and pineapple. The update for 2022 takes into account inflation since the original Anker living wage study carried out in May 2017 (Voorend, Anker & Anker, 2017).

Keywords: Living costs, living wages, Anker Methodology, Costa Rica

JEL classifications: J30, J50, J80.
1. BACKGROUND

This report updates the living wage and family living income expenses for rural areas of Limón and Heredia provinces in Costa Rica, a region which focuses on agriculture, particularly the production of bananas and pineapples. This update takes into account the amount of inflation since the original study in May 2017. This is achieved by updating the May 2017 net living wage and living income 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 2022 because the purchasing power of the living wage would have decreased compared to what it was in 2017. 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 June 2022 living wage using current laws, which have not changed since the last update report.

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 (USD 670, using an exchange rate of 1 USD = 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 (USD 741) per month in May 2017. The living income 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 (USD 1,045) in May 2017.

3. INFLATION RATE USED FOR UPDATE

The Instituto Nacional de Estadística y Censos (INEC)\(^1\) is the government body responsible for computing and reporting inflation in Costa Rica. It reports one consumer price index: Consumer Price Index (CPI).\(^2\) 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.\(^3\)

A new CPI series\(^4\) uses December 2020 = 100 as its base, although its expenditure weights remain based on data collected between February 12, 2018 and March 6, 2019. The geographic coverage for price collection

\(^{1}\) INEC – National Institute of Statistics and Census, http://inec.cr/
\(^{2}\) CPI expenditure weights used are based on results of the Costa Rican National Household Income and Expenditure Survey (February 2018 - March 2019).
\(^{3}\) For more information about the CPI methodology, see https://www.inec.cr/sites/default/files/documetos-biblioteca-virtual/meeconomicpbasediciembre2020-2.pdf
\(^{4}\) https://www.bccr.fi.cr/indicadores-economicos/%C3%A9ndices-de-precios

Anker Research Institute
is made up of 53 districts that are urban or predominantly urban, located throughout the six Planning Regions of the country.

4. RECENT LEVEL OF INFLATION

Between May 2017 and December 2021, accumulated inflation amounted to 9.7% in Costa Rica. However, during the first half of 2022, inflation increased substantially (see Figure 1).

Figure 1: National Consumer Price Index for Costa Rica, January 2017 to August 2022 (with fitted trendline)

Notes: Green dots highlight the months of the original study and updates. The black line is the fitted exponential trendline.
Source: Authors’ calculations based on CPI data from INEC.

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). In May 2021, the 10.34%...
payroll tax increased to 10.50%, as the Health Insurance increased to 4%. As of May 2022, no further changes have been implemented. Moreover, as in the original living wage study, the living wage is well below the limit for which income tax is paid (CRC 863,000 in 2022). Hence, the living wage is exempted from income tax.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2022

The updated net living wage, or take-home pay per month, for June 2022 is CRC 441,737 (USD 680) per month. The gross living wage (aka living wage), which also takes into account mandatory payroll deductions, is CRC 489,147 (USD 753) per month for mid-2022 for the majority of workers who receive Aguinaldo (13th month bonus) which is required by law and is not taxed.

Table 1 provides details of the original and the updated living wage and family living income expenses for 2022. It is worth noting that the net living wage and the gross living wage in USD are similar in May 2017 and June 2022, because the depreciation in the CRC is similar to the inflation in this period.

Table 1: Living wage per month for rural Costa Rica for original study and 2022 update (in Costa Rican Colon and US Dollars per month)

<table>
<thead>
<tr>
<th></th>
<th>May 2017 Original Study Date</th>
<th>June 2022 Update Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency</td>
<td>CRC</td>
<td>USD^a</td>
</tr>
<tr>
<td>Family living expenses for a decent standard of living</td>
<td>585,085</td>
<td>689,109</td>
</tr>
<tr>
<td>Net living wage</td>
<td>375,055</td>
<td>441,737</td>
</tr>
<tr>
<td>Mandatory payroll deductions and income tax</td>
<td>39,926</td>
<td>47,410</td>
</tr>
<tr>
<td>Gross living wage</td>
<td>414,981</td>
<td>489,147</td>
</tr>
<tr>
<td>Exchange rate to USD</td>
<td>560</td>
<td>650^b</td>
</tr>
</tbody>
</table>

Note: a USD values are indicative only because exchange rates are volatile. b Exchange rate is the approximate exchange rate for the first nine months of 2022. Source: Authors’ calculations.

7 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-ENAHO, 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. The gross living wage for informal workers who do not receive Aguinaldo is slightly higher because their entire wage is theoretically subject to taxes.
7. REFERENCES

