Living Wage Update Report:
Central coffee-growing regions of Colombia, 2023

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Cost of decent standard of living for a family
COP 3,034,546
(USD 721)

Living wage per month
COP 2,141,831
(USD 509)

Photo credit: Lykke E. Andersen.

Anker Research Institute
Living Wage Update Report: Central coffee-growing regions of Colombia, 2023

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Abstract:
This report provides updated estimates of family living expenses and living wage for the central coffee-growing regions of Colombia. The update for 2023 takes into account inflation since the original Anker living wage study carried out in December 2021 (Andersen, Andersen & Anker, 2021).

Keywords: Living costs, living wages, Anker Methodology, Colombia, coffee.

JEL classifications: J30, J50, J80.

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1. BACKGROUND

This report updates the Anker living wage and living expenses to 2023 for the central coffee-growing regions of Colombia. The update takes into account the amount of inflation since the original study in December 2021 (Andersen, Andersen & Anker, 2021). This is done by updating the December 2021 net living wage and living expenses by inflation to June 2023. This provides average living wage and living income expenses estimates for 2023. Without accounting for inflation, the net living wage estimated in 2021 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 compared to what it was in 2021. The gross living wage (aka living wage) is updated to 2023 by also taking into consideration income taxes and mandatory deductions from pay that workers would need to pay on the updated 2023 living wage. This is done using laws in effect at the beginning of 2023.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM DECEMBER 2021

The living expenses for a basic but decent standard of living for a reference family in the original living wage country report were estimated as COP 2,527,125 in December 2021. These expenses were divided by 1.54 full-time worker equivalents per family, to obtain the net living wage of COP 1,640,990 in December 2021. This was the required take-home pay for workers for decency in December 2021. The gross living wage, which also takes into account mandatory deductions from pay for social security and pensions was estimated as COP 1,783,685 in December 2021 (Andersen, Andersen, and Anker, 2021).

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 month. We use the general index, which is also used to negotiate wages in Colombia.

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1 These were the estimates for Antioquia, which were judged to be valid for all the coffee-growing regions in central Colombia.
4. RECENT LEVEL OF INFLATION

Colombia experienced low inflation rates prior to the coffee benchmark study carried out in December of 2021. However, almost immediately after the fieldwork was carried out, Colombia, like most other countries in the world, experienced a significant increase in inflation rates. Between December 2021 and June 2023, inflation in Colombia was 20.1% (see Figure 1). This is the inflation used in this report.

Figure 1: Consumer Price Index for Colombia, January 2019 – June 2023

![Graph showing Consumer Price Index (CPI) from January 2019 to June 2023. The graph includes a fitted exponential trendline and notes about the data sources and calculations.]

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

5. MANDATORY DEDUCTIONS

As in the original study, the living wage is well below the limit for which income tax should be paid (COP 3,852,423 per month for 2023). Hence, the living wage is exempted from income tax.

However, there are the following mandatory payroll deductions: 4% to the health system and 4% to the pension system. These mandatory payroll deductions are added to the net living wage to arrive at the gross living wage needed.

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3 See [https://taxsummaries.pwc.com/colombia/individual/taxes-on-personal-income](https://taxsummaries.pwc.com/colombia/individual/taxes-on-personal-income)
4 See [https://taxsummaries.pwc.com/colombia/individual/other-taxes](https://taxsummaries.pwc.com/colombia/individual/other-taxes)
6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2023

The updated family living expenses for June 2023 are COP 3,034,546 per month, while the net living wage is COP 1,970,484. The gross living wage (aka living wage), which also takes into account income taxes and mandatory payroll deductions, is COP 2,141,831 per month for June 2023. These are average estimates for the year 2023.

Table 1 provides details of the original and the updated family living expenses, as well as net and gross living wages for the central coffee-growing regions of Colombia.

Table 1: Living Expenses and Living Wages for the central coffee-growing regions of Colombia (in Colombian Pesos and US Dollars)

<table>
<thead>
<tr>
<th></th>
<th>December 2021 Original study</th>
<th>2022 Update Report</th>
<th>2023 Update Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency</td>
<td>COP</td>
<td>USD</td>
<td>COP</td>
</tr>
<tr>
<td>Family Living Expenses (1)</td>
<td>2,527,125</td>
<td>642</td>
<td>2,706,322</td>
</tr>
<tr>
<td>Net Living Wage (2)</td>
<td>1,640,990</td>
<td>417</td>
<td>1,757,352</td>
</tr>
<tr>
<td>Total mandatory payroll deductions and income tax (3)</td>
<td>142,695</td>
<td>36</td>
<td>152,813</td>
</tr>
<tr>
<td>Gross living wage (2+3)</td>
<td>1,783,685</td>
<td>453</td>
<td>1,910,165</td>
</tr>
<tr>
<td>Exchange rate to USD</td>
<td>3,936</td>
<td>3,931</td>
<td>4,209&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>Source of Exchange Rate</td>
<td>Original Report</td>
<td>Central Bank of Colombia</td>
<td>Central Bank of Colombia</td>
</tr>
</tbody>
</table>

Note: USD values are indicative only because exchange rates are volatile. <sup>a</sup> Exchange rate is the average rate for June 2023.
Source: Authors’ calculations.

7. REFERENCES
