

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.

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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 2021.¹ 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.² We use the general index, which is also used to negotiate wages in Colombia.

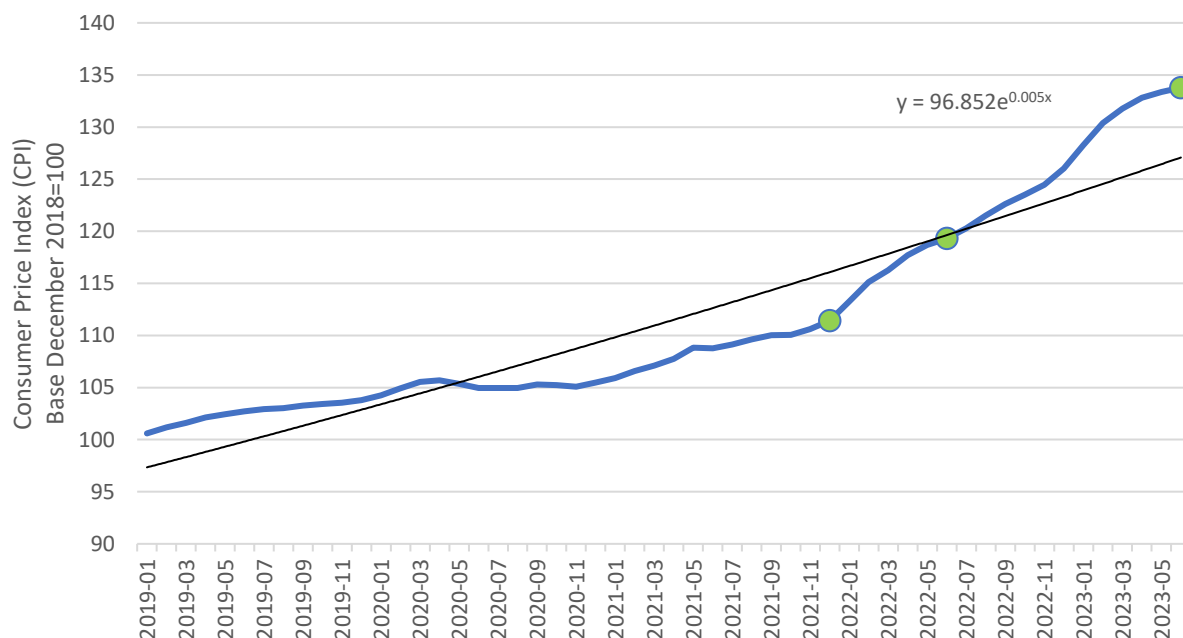
¹ These were the estimates for Antioquia, which were judged to be valid for all the coffee-growing regions in central Colombia.

² <https://www.dane.gov.co/index.php/estadisticas-por-tema/precios-y-costos/indice-de-precios-al-consumidor-ipc>.

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



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).³ 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.⁴ These mandatory payroll deductions are added to the net living wage to arrive at the gross living wage needed.

³ See <https://taxsummaries.pwc.com/colombia/individual/taxes-on-personal-income>

⁴ See <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)

	December 2021 Original study		2022 Update Report		2023 Update Report	
Currency	COP	USD	COP	USD	COP	USD
Family Living Expenses (1)	2,527,125	642	2,706,322	688	3,034,546	721
Net Living Wage (2)	1,640,990	417	1,757,352	447	1,970,484	468
Total mandatory payroll deductions and income tax (3)	142,695	36	152,813	39	171,346	41
Gross living wage (2+3)	1,783,685	453	1,910,165	486	2,141,831	509
Exchange rate to USD	3,936		3,931		4,209 ^a	
Source of Exchange Rate	Original Report		Central Bank of Colombia		Central Bank of Colombia	

Note: USD values are indicative only because exchange rates are volatile. ^a Exchange rate is the average rate for June 2023.

Source: Authors' calculations.

7. REFERENCES

- Andersen, L. E., Andersen, N. N., and Anker, R. (2021) *Living Income and Living Wage Report, Rural areas and small towns of coffee-growing regions in central Colombia (December 2021)*. Global Living Wage Coalition, Living Wage Benchmark Series, No. 2021-01-03. Available online: <https://www.globallivingwage.org/living-wage-benchmarks/living-wage-for-rural-areas-small-towns-colombia/>
- Andersen, L. E. (2022) *Living Wage Update Report: Central Coffee Growing Regions of Colombia, June 2022*. *Living Wage Update Report* No. 2022-04-33. Available Online: https://globallivingwage.org/wp-content/uploads/2023/01/Updatereport_Colombia_Coffee_2022_June-1.pdf