Living Wage Update Report:
Rural Areas & Small Towns of Central Colombia, June 2022

Living Wage Update Report No. 2022-04-33

Cost of decent standard of living for a family
COP 2,706,322
(USD 688)

Living wage per month
COP 1,910,165
(USD 486)

Photo credit: Lykke E. Andersen.
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By:
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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 June 2022 takes into account inflation since the original Anker living wage study carried out in December 2021 (Andersen and Andersen, 2022).

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

JEL classifications: J30, J50, J80.

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Anker Research Institute
1. BACKGROUND

This report updates the living wage and living expenses for rural areas and small towns in the central coffee-growing regions of Colombia. The update takes into account the amount of inflation since the original study in December 2021. This is done by updating the December 2021 net living wage and living expenses by inflation to June 2022. 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 June 2022 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 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 the current law, which has not changed since the original study.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM MAY 2018

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 May 2021 (Andersen and Andersen, 2022).

3. INFLATION RATE USED FOR UPDATE

The Consumer Price Index for Colombia is calculated by the National Statistical Institute (DANE) and published after the end of each month. We use the general index, which is also used to negotiate wages in Colombia.

4. RECENT LEVEL OF INFLATION

Colombia experienced low inflation rates during the five years 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. During the seven months between December 2021 and June 2022, the Consumer Price Index increased by 7.1% (see Figure 1).

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1 These were the estimates for Antioquia, be valid for all the coffee-growing regions in central Colombia.
5. MANDATORY DEDUCTIONS

As in the original study, the living wage is well below the limit for which income tax should be paid (COP 4,100,000.00/month in 2022).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.

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6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2022

The updated family living expenses for June 2022 are COP 2,706,322 per month, while the net living wage is COP 1,757,352. The gross living wage (aka living wage), which also takes into account income taxes and mandatory payroll deductions, is COP 1,910,165 per month for June 2022.

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 (COP) and USD)

<table>
<thead>
<tr>
<th></th>
<th>December 2021 Original Study</th>
<th>June 2022 Update Report</th>
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<tbody>
<tr>
<td>CURRENCY</td>
<td>COP</td>
<td>USD</td>
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<tr>
<td>Family Living Expenses (1)</td>
<td>2,527,125</td>
<td>642</td>
</tr>
<tr>
<td>Net Living Wage (2)</td>
<td>1,640,990</td>
<td>417</td>
</tr>
<tr>
<td>Total mandatory payroll deductions and income tax (3)</td>
<td>142,695</td>
<td>36</td>
</tr>
<tr>
<td>Gross living wage (2+3)</td>
<td>1,783,685</td>
<td>453</td>
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<td>Exchange rate mid month/estimate (COP/USD):</td>
<td>3,936</td>
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Source: Authors’ calculations.

7. REFERENCES