
ANKER LIVING WAGE REFERENCE VALUE

NATIONAL URBAN HONDURAS 2022

LIVING WAGE

HNL 9,542
PER MONTH
(US\$391)

RePEc No. 2022-03-03



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COALITION

The Anker Living Wage and Income Research Institute engages in and disseminates high quality research, analysis, and training related to living wage and living income (based on the Anker methodology) to inform and influence companies, empower working people, and shape public policy, thereby helping to enhance quality of life and sustainable livelihoods for working people and their families everywhere. Social Accountability International (SAI) is the institutional host.



The Global Living Wage Coalition (led by Fairtrade International, Rainforest Alliance, Social Accountability International and ISEAL) endorses Anker Reference Values. Development of the methodology was initiated and supported by Fairtrade International and German Federal Ministry for Economic Cooperation and Development (BMZ). Further support was received from Rainforest Alliance, Social Accountability International, and Clif Bar & Company.



We are grateful to SanMar Corporation for providing funding for this estimate.

National Urban Honduras Reference Value 2022

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Abstract:

This report provides estimates of family living expenses and living wages for typical urban areas of Honduras. The report uses statistical regressions of available data from household surveys and available Anker Living Wage and Living Income Benchmarks to estimate living costs at the national level. The numbers are presented alongside additional socioeconomic data to contextualize the results.

Keywords: Living wage, Anker Methodology, Honduras, urban living costs, Labor market

JEL classifications: J30, J50, J80, I30, I32, R20, R23

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Anker Living Wage Reference Value

Urban Honduras 2022

1. Anker Living Wage Reference Value for Urban Honduras

The Anker Living Wage Reference Value for 2022 for urban Honduras is HNL 9,542 (USD 391)¹ per month with a 95% confidence interval from HNL 8,934 to HNL 10,192. This is the wage required for workers to be able to afford a basic but decent living standard in a typical urban area of Honduras. The Reference Value is comprised of a net living wage (i.e., take-home pay) of HNL 9,065 (USD 372) per month plus HNL 477 (USD 20) which would need to be paid by law as contribution to various social security funds on the living wage.²

The Living Wage may be defined as:

“A living wage is the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.” (Global Living Wage Coalition)

2. Anker Reference Value Methodology

Anker Living Wage Reference Values are based on a methodology developed by Richard Anker, Martha Anker, and Ian Prates. This methodology is based on a statistical analysis of 40 internationally comparable, quality-assured Anker methodology studies spread across low-income and middle-income countries carried out primarily under the auspices of the Global Living Wage Coalition. Anker Reference Values are internationally comparable, consistent with results from existing Anker living wage and living income benchmark studies and easy to update every year, and so are especially valuable for countries where it has not yet been possible to organise and fund a full quality-assured Anker methodology living wage or living income study.

Anker Living Wage Reference Values represent a living wage for typical families in rural or urban areas of low-income and middle-income countries. Since they are based on a statistical analysis, they have a margin of error for typical rural (urban) areas of a country which is generally around + or - 10% using a 95% confidence interval. Since Reference Values are not location-specific within countries and represent the situation in typical rural (or urban) locations, the margin of error might be larger than this for unusual locations with atypical living costs within a country such as

¹ Exchange rate used to convert to US dollars is HNL 24.40. This is the average exchange rate for the three-month period from May-July 2022 according to the IMF. USD values are indicative only because exchange rates are volatile.

² In Honduras, employees earning a wage have mandatory payroll contributions consisting of contributions to social security at a rate of 5% of gross salary. Employees are exempt from income tax if earning less than HNL 172,118 annual income.

large cities with high living costs, or poorer (richer) areas with relatively low (high) living costs and norms.

3. Country context

Geography and demographics

Honduras is the second largest country in Central America. It adjoins Guatemala and El Salvador in the west and Nicaragua in the south. It also has a small coastline on the Pacific Ocean in the south-west and a much larger one on the Caribbean Sea in the north.

Honduras' population is estimated to be around 10.2 million and its population structure is indicative of a young population with a median age of around 24 years with 75% of the population being under the age of 40 years. The total fertility rate (TFR) of 2.5 live births per woman is slightly over replacement-level fertility. There are no up-to-date data available on rural-urban differentials, however, a relatively recent statistical compilation from the Population Reference Bureau of USAID indicates a lower TFR in the urban areas than in the rural areas for the period 2004-2014.³ Over 59% of the population lives in urban areas (<https://www.worldometers.info/world-population/honduras-population/>). Much of the population growth in recent years has also taken place in urban areas because of development policies that have highlighted a weakening of the terms of trade for the rural areas and a concentration of capital and economic opportunities in the urban centers thereby encouraging rural to urban migration.

Economy

In terms of Gross National Income (GNI), Honduras is the second poorest country in Central America, with only Nicaragua ranking below it. Recent data from the World Bank show that Honduras' GNI was \$25.1 billion in 2019 but fell to \$23.8 billion the following year, presumably due to the negative impact and cutbacks in production during the Covid-19 phase and the physical damage caused by two major hurricanes – Eta and Iota – in 2020. In the post-Covid period the economy rebounded with a figure of \$28.5 billion (11.9% growth) being noted for 2021. This observation highlights that the country has experienced the second highest growth rates in the Central America region, behind only Panama. The expectations for 2022 are optimistic with growth likely to continue, but not as dramatically as in the past year.⁴

The World Bank classifies Honduras as a heavily indebted lower middle-income country with a GNI per capita in 2021 of \$2,540 (current prices).⁵ It has the third lowest per capita income in

³ USAID (2015) “The Rural-Urban Divide in Health and Development: Data Sheet”, USAID, Washington DC. <https://www.prb.org/wp-content/uploads/2015/05/urban-rural-datasheet.pdf>

⁴ <https://tradingeconomics.com/honduras/gdp#:~:text=GDP%20in%20Honduras%20is%20expected,according%20to%20our%20econometric%20models>.

⁵ <https://www.macrotrends.net/countries/HND/honduras/gni-per-capita>

Latin America and the Caribbean region (LAC) and is among the poorest countries in the Western Hemisphere.⁶ Structurally, Honduras suffers the failings of many other developing and low-income countries in that it has an economic base, which is characterized by production of primary agricultural commodities and downstream (*maquiladora*) manufacture of goods emanating from such.⁷ Commensurately, its economic structure emphasizes the country's exports.

Over the last two decades, economic development in Honduras has been marred by a political and social climate that has given vent to one of the highest crime rates in the world with gang violence, drug wars and extortion being commonplace with the country acquiring notoriety for having the world's highest murder rate per capita. Over the last five years, considerable improvement in the law-and-order situation has provided favorable options for the country to pursue. Over the last 15 years, these developments have shaped the challenges faced by Honduras and have continued to impact the country's growth prospects.⁸ The recent Covid-19 epidemic further exercised a debilitating impact on the economy.

Another stark feature, which deserves a mention, is the existence of a high degree of social and economic inequality.⁹ Honduras has the fourth highest level of income inequality in the Latin American and Caribbean (LAC) region and ranks 11th globally. Moreover, its Human Development Index (IHDI), when adjusted for income inequality, places it in the lower third of countries worldwide.¹⁰ Such a high degree of inequality suggests that those with low incomes also have a lower access to opportunities for advancement, which translates into a high degree of social inequality and few prospects for social mobility. This relates to the high levels of poverty in the country and in all likelihood, is the prime driver of the poor law and order situation. Past studies in Honduras have implied that the inequality elasticity of poverty has had a greater impact on poverty reduction than the growth elasticity of poverty, where growth in income has only had a marginal impact.¹¹ Thus, the implementation of redistributive policies -critical in tackling inequality- is of paramount importance in improving the lot of the population in Honduras

⁶ Marco Antonio Hernandez Ore, Liliانا D. Sousa, and J. Humberto Lopez (2016) "Honduras Unlocking Economic Potential for Greater Opportunities." Systematic Country Diagnostic, International Bank for Reconstruction and Development, The World Bank.

⁷ A *Maquiladora* industry is essentially a concern that relies on labor-intensity of production. It takes raw materials and assembles, manufactures, or processes them and exports the finished product.

⁸ *Ibid.* p3.

⁹ Inequality (GINI equal to 48.2 in 2019) is among the highest in the region and the world and has also led to the presence of one of the smallest middle classes in Latin America and the Caribbean (11 percent in 2015, compared with 35 percent regional average). <https://www.worldbank.org/en/country/honduras/overview>

¹⁰ L. Kuznar (2019) "Honduras Inequality Report" https://nsiteam.com/social/wp-content/uploads/2019/10/NSI-Aggrieved-Populations-Reports_Honduras-Country-Report_Final.pdf

¹¹ See, among other, M. Larson and S. Sjoborg (2010), "The Effects of Growth and Inequality on Poverty in Honduras", University of Lund, Sweden, Working Paper. <http://www.inesad.edu.bo/bcde2011/Dc2011/65%20Sjoborg%20Sofie.pdf>

Social Conditions: Poverty

As mentioned above, Honduras is one of the poorest countries in the region; more than half of the population lives in poverty and per capita income is one of the lowest in the region. Poverty is endemic and a high degree of social and economic inequality is pervasive; however, there are differing estimates about its extent. The World Bank, for example, estimates that 38.3 percent of people live in poverty in the country (2018, with updated official poverty lines) with the percentage of people living in poverty in urban areas (40%), which is lower than in rural areas (38.4%). They further estimate that 23% of the population lives below the national extreme poverty line, i.e., on less than USD 1.90 a day purchasing power.¹²

On the other hand, the World Food Program (WFP) estimates that 36 percent of the population lives in 'extreme' poverty. In rural areas, this rises to 50 percent. Indigenous populations are even more likely to be poor, with 71 percent living below the poverty line. Chronic malnutrition reaches 48.5 percent in rural areas, with a stunting rate of 23 percent with peaks of 40 percent in particular areas, such as the 'Dry Corridor', where majority of the indigenous people are found.¹³ Poverty is fed in the main by a poor job market, inequality and low incomes. A high proportion of Honduran jobs across all sectors (including both wage and non-wage jobs) remain informal, exhibiting low productivity, low remuneration and poor job quality. Such a state of affairs makes it very difficult for many to sustain decent livelihoods.

A large segment of the population is vulnerable and exposed to regular shocks - natural and economic - that have exacerbated poverty by destroying or slowing asset accumulation. For example, in 2020, the Category 4 hurricanes Eta and Iota caused an estimated \$10 billion (42% of GNI) in damages. Though the damage was not as severe as the destruction wreaked by Hurricane Mitch in 1998 - whose costs were estimated at around 81% of GDP - the recent storms coupled with the onset of the Covid-19 epidemic had a hugely adverse impact on economic expansion and growth.¹⁴ Given its vulnerability to climatic contingencies, Honduras has one of the highest rates of food insecurity in Latin America and the Caribbean (just behind Haiti and Nicaragua). Since 2015, levels of hunger have progressively worsened. Severe droughts from 2015 to 2019, which resulted in the loss of more than half the food crop, diminished people's ability to access proper nutrition (see Footnote 14). In 2020, almost one-third of the population was food insecure.¹⁵ This has its own consequences; a recent report reflects that malnutrition feeds diseases such as pneumonia that are a growing concern in child deaths.¹⁶ Moreover, it hampers productivity. As a World Bank report notes: "A child born in Honduras today will be 48

¹² https://databankfiles.worldbank.org/data/download/poverty/33EF03BB-9722-4AE2-ABC7-AA2972D68AFE/Global_POVEQ_HND.pdf

¹³ <https://www.wfp.org/countries/honduras>

¹⁴ <https://www.reuters.com/article/us-honduras-storms-idUSKBN28O2U0>

¹⁵ <https://reliefweb.int/report/honduras/honduras-nearly-one-third-population-face-severe-hunger>

¹⁶ "Fears for Honduran children as poverty worsens pneumonia's toll", *The Guardian*, 9 June 2022, <https://www.theguardian.com/global-development/2022/jun/09/poverty-drought-impending-famine-now-pneumonia-takes-its-cruel-toll-on-honduran-children-acc>

percent as productive when she grows up as she could be if she enjoyed complete education and full health”.¹⁷

Education

The general educational profile of Honduras highlights major disparities. Despite spending a high percentage of its national budget on education for Latin America, outcomes are not great.¹⁸ According to World Bank indicators, Honduras has the third highest illiteracy rate in Central America, after Guatemala and El Salvador, and 12% of the adult population (15 years and older) cannot read or write, compared to 7% in the Latin America and Caribbean region as a whole (<http://datatopics.worldbank.org/education/>). Illiteracy levels in the rural areas are double the national average.

Attendance in secondary school is low overall, with a net secondary school enrollment rate of only 52% in 2017 according to UNESCO (<http://uis.unesco.org/country/HN>). Performance in primary and secondary school is problematic. 27% percent of Honduran youth neither study nor work, and 39% only work and do not study. Finally, it should be pointed out that although gender differences tend to be small, there are equity gaps; students from higher income groups and urban areas perform better and go to school longer than those coming from rural areas and lower income groups.¹⁹ The disparity reflected in education is indicative of the economic inequality in Honduras.²⁰

There are severe problems with the education system. Many have emphasized the poor quality of education in the country that is symptomatic of short school hours and school year, few teachers, lack of school supplies, few after-school programs, and absence of technical training for teachers. This has led to a high dropout rate and a rise in illiteracy levels.²¹ Not being in school has seen children reverting to child labor to help their parents and many have become street children, scavenging on garbage tips, begging on the streets, and in in the worst-case scenario, joining gangs and risking violence, prostitution and drug abuse.²²

¹⁷ <https://www.worldbank.org/en/country/honduras/overview>

¹⁸ A recent study indicates that Honduras ranked first in Latin America and the Caribbean in 2010 as far as public sector allocations to education as percentage of GDP are concerned with 7.2%. Although this fell to 5% of GDP in 2015, Honduras' financial commitments to education was still the third highest in the LAC region. See Figure III.11 in United Nations Economic Commission for Latin America and the Caribbean (ECLAC) (2018) *Fiscal Panorama of Latin America and the Caribbean: Public policy challenges in the framework of the 2030 Agenda*, Santiago. p 90.

¹⁹ Manuel Orozco and Marcela Valdivia (2017) “Educational Challenges in Honduras and Consequences for Human Capital and Development” <https://www.thedialogue.org/wp-content/uploads/2017/03/Educational-Challenges-in-Honduras-FINAL.pdf>

²⁰ School attendance in the highest income group (quintile 5) is twice that in the lowest income group. *ibid.*

²¹ See, for example, <https://www.humanium.org/en/honduras/> and R. Rivera (2021) “Public Education in Honduras: How the COVID-19 Pandemic Exacerbated an On-going Educational Crisis”, *Trauma Psychology News*, <https://traumapsychnews.com/2020/11/public-education-in-honduras-how-the-covid-19-pandemic-exacerbated-an-on-going-educational-crisis/>

²² R, Rivera (2021), *Op. Cit.*

Health

In Honduras, healthcare provisions are in the domain of both the public and private sectors. The Ministry of Health (MoH) and the Honduras Social Security Institute (IHSS) control public sector provisioning. Although the MoH serves the entire population, it is estimated that only 50%-60% of Hondurans regularly use these services. The Honduras Social Security Institute (IHSS) covers 40% of employed economically active individuals and their dependents, using its own and contracted facilities. In the private sector, the quality of and access to health care is directly tied to income levels with private health facilities serving some 10%-15% of the population, i.e., those who can afford to pay or are covered by private insurance.

Average life expectancy at birth is 73 years for men and 78 years for women. Child mortality rate (under 5 years) is 16.2 per 1,000 live births.²³ It is noted that 1 in 4 children under 5 years of age suffers from chronic malnutrition, which is particularly rife among children of mothers with low educational attainment and living in poorer households.²⁴ Stunting affects 23% of children under 5 years of age. Most of these figures are reflective of a poor developing country.

The impact of Covid-19 in Honduras was no different than experienced in other low-income developing countries. Quite simply, the system was not capable of meeting the needs of such an overwhelming pandemic. Medically, attending to the crisis was a challenge as the health care system's financial capacity was quite below par and the response was limited by scarce resources at its disposal. Even prior to the onset of Covid-19, facilities were overcrowded and depleted of basic protective equipment. There were also few personnel resources; in Honduras the doctor/physician to population ratio was at the time 6,000 to 10,000 inhabitants. The lack of public healthcare workers and scarcity of essential equipment -such as ventilators and other equipment to support breathing- caught the country in a dire predicament. Such a situation implied that the country could not extricate itself on its own and thus, World Food Program,²⁵ Medicine Sans Frontieres,²⁶ USAID²⁷ and Humanity and Hope²⁸ provided foreign assistance. There were slightly over 440 thousand cases of infection reported and an estimated 11 thousand people died.²⁹

²³ <https://knoema.com/atlas/Honduras/Child-mortality-rate#:~:text=Honduras%20%2D%20Under%2Dfive%20mortality%20rate&text=In%202020%2C%20child%20mortality%20rate,1%2C000%20live%20births%20in%202020>.

²⁴ "10 Facts about Hunger in Honduras", *The Borgen Project*, <https://borgenproject.org/tag/malnutrition-in-honduras/>

²⁵ <https://www.wfp.org/countries/honduras>

²⁶ <https://reliefweb.int/report/honduras/honduras-msf-scales-response-multiple-emergencies>

²⁷ <https://medium.com/usaid-2030/addressing-covid-19-in-honduras-bb87a209c357>

²⁸ "Humanity and Hope: The Impact of Covid-19 on Poverty in Honduras", *The Borgen Project*, July 2021, <https://borgenproject.org/covid-19-on-poverty-in-honduras/>

²⁹ <https://graphics.reuters.com/world-coronavirus-tracker-and-maps/countries-and-territories/honduras/>

Labour Market

According to World Bank statistics for 2019, 50% percent of the labor force was employed in agriculture and manufacturing sectors, while the other 50% was engaged in services.³⁰ In the urban areas, 67% of the jobs are in services, with 22% in industry. The continuing trend towards urbanization, fueled by migration and the locational choice of investments, is indicative of a steady growth in jobs in the urban areas; agriculture's share in total employment fell by 10% in the period 2002 to 2015.³¹

A high proportion of employment across all sectors (including both wage and non-wage jobs) remain informal, exhibiting low productivity and poor job quality. Honduras has one of the highest levels of informal employment in the LAC region. In 2017, the percentage of informal employment in Honduras stood at 79.3% of the total employed population.³² The educational backdrop forms the basis for the quality of the country's labor force. Because of Honduras' poor-quality education system, many of those entering the labor force do so with limited knowledge and skills and this skill handicap impedes procurement of good, and financially rewarding, jobs. This feeds poverty and renders the labor force less competitive in the global economy.

The lack of income earning opportunities for a large proportion of the population has also driven significant emigration for work from the country mainly to the USA and Mexico. At present, there are well over half a million Hondurans (mainly workers) in the USA and about half that number in Mexico, which for all intent and purposes is used for 'step migration'.³³ This would suggest that almost 10% of the Honduran population is living and working abroad and the proportion is higher for the working age population. The remittances sent by the migrants constituted 19% of the country's GDP in 2019.

The backbone of the Honduran economy is formed by micro, small and medium-sized enterprises, which provide over 70% of jobs. Given that these enterprises have difficulty in accessing capital to modernize, they remain low-productivity endeavors with low wages that perpetuate the low-income earnings situation of workers and abets poverty. In this environment, the Covid-19 epidemic played havoc with the labor market. The lockdown to contain the virus meant that income-earning opportunities disappeared overnight for the majority of workers despite more than 60% of the Honduran population living in poverty and depending on daily income. According to the World Food Program, before the pandemic hit, 40% of the working population was without a job.³⁴ The pandemic exacerbated the situation faced by workers and their families, and the

³⁰ See, <https://www.statista.com/statistics/510041/employment-by-economic-sector-in-honduras/>

³¹ See V. Michel and I. Walker (2019), "Jobs Diagnostic: Honduras", International Bank for Reconstruction and Development / The World Bank, Washington.

³² Ibid.

³³ "Central American Immigrants in the United States", Migration Policy Institute, Washington DC, 2021 <https://www.migrationpolicy.org/article/central-american-immigrants-united-states>

³⁴ "Humanity and Hope: The Impact of Covid-19 on Poverty in Honduras", *The Borgen Project*, July 2021, <https://borgenproject.org/covid-19-on-poverty-in-honduras/>

disappearance of jobs moved an estimated 250,000 families into food insecurity as employments dried up.³⁵ The remittances, which provided a buffer for many poor families that relied on money transfers from relatives working abroad, also fell as the earnings of foreign workers were adversely impacted by the spread of the contagion in destination countries.³⁶

4. Living wage ladder and gaps to living wage

Figure 1 below provides a wage ladder for urban Honduras and so context on gaps to a living wage. It compares the Anker Living Wage Reference Value for urban Honduras with five other wage indicators. The Anker Living Wage Reference Value is more than three times the World Bank poverty line wage for lower-middle-income countries like Honduras and 20% higher than the national urban poverty line wage. It is only slightly more than the average wage for the manufacturing sector employees.

The anomaly here is that the minimum wage for manufacturing sector employees with 150+ workers is over 30% higher than the Anker Urban Living Wage Reference Value. Also, the specified minimum wage for smaller firms in manufacturing is higher than the Anker RV, though only slightly. Therefore, the minimum wage may offer decent wages for urban workers.

Nevertheless, a reason may be tendered clarifying this unusual situation. A World Bank study on employment in the country reports an unusual aspect of the minimum wage in Honduras. The report asserts that the increase in the minimum wage in 2008 hindered formal job growth in the country; the outcome suggesting a very low coverage of the labor force. The study finds that presently the minimum wage (in USD denomination) in Honduras is “more than double the minimum wage in Nicaragua, Guatemala, the Dominican Republic, and Panama; and 35 percent above the minimum wages for Costa Rica and Ecuador, where GDP per capita is more than three times that of Honduras.”³⁷ Secondly, 79% of employment relations in Honduras are informal and the minimum wage in Honduras is not paid for informal employment.³⁸ Thirdly, while formal firms are believed to usually pay the minimum wage to workers with a formal contract, it is believed that many small businesses do not. Furthermore, many formal firms use a great deal of informal labor partly to circumvent the labor code and payment of the minimum wage.³⁹

³⁵“Coronavirus in Honduras: ‘This pandemic is going to starve us’” , https://reliefweb.int/report/honduras/coronavirus-honduras-pandemic-going-starve-us?qclid=CjwKCAjwx7GYBhB7EiwA0d8oe1dISSGMhNP-9urLSE5DgfDeL8ihnrjpJaNSHUGPFInfTIV36Fr60RoCFMYQAvD_BwE

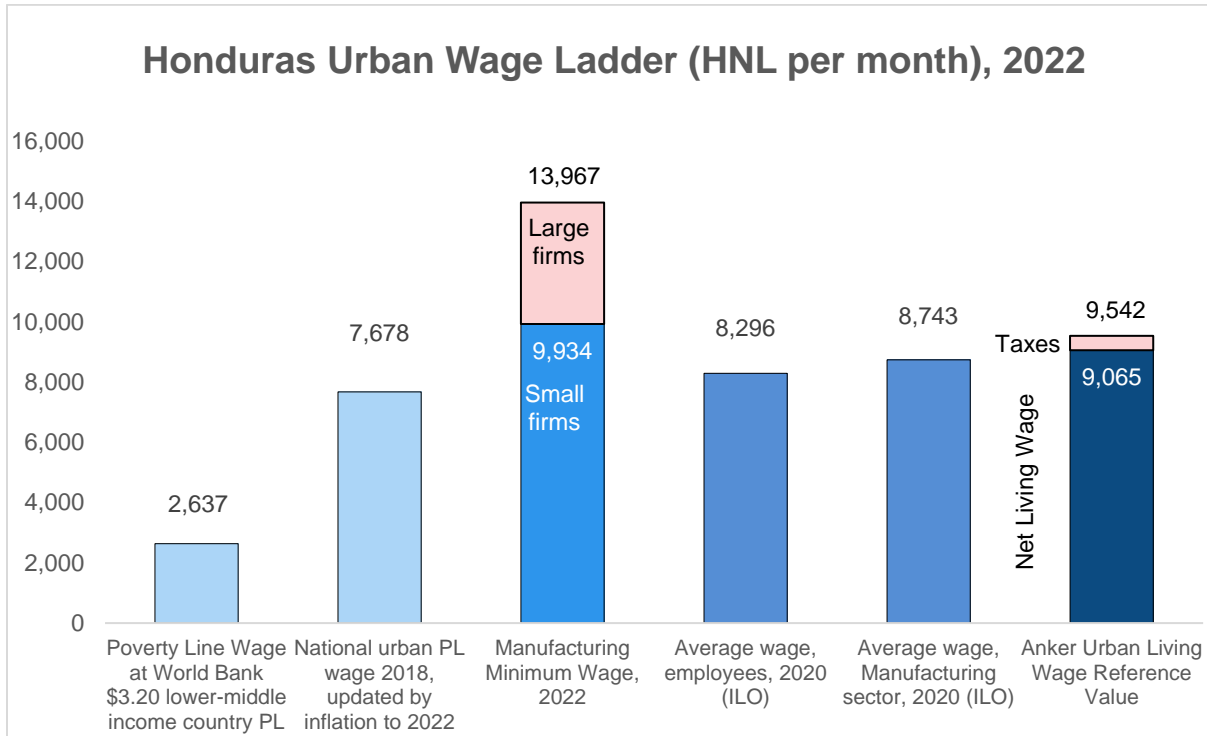
³⁶ Citation in earlier footnote, Op.cit.

³⁷ Ibid p.8.

³⁸ Minimum wage also differs with respect to sector of enterprise and number of workers.

³⁹ Andrés Ham (2015) “Minimum wage violations in Honduras”, *IZA Journal of Labour and Development*, 4:22. <https://www.econstor.eu/bitstream/10419/152418/1/848083415.pdf>

Figure 1



Notes: ^a The National Statistical Institute estimates the Honduras national urban poverty line. The last year available is 2018. We updated this by inflation to mid-2022. ^b The World Bank poverty line for Honduras was estimated using the World Bank poverty line for lower-middle-income countries (3.20 PPP). ^c Family size of 4.0 (2 adults and 2 children) was used for expositional purposes to estimate the urban poverty line wage and the World Bank poverty line wage. This is in keeping with a total fertility rate slightly above 2 and an average household size slightly above 4. ^d Number of full-time equivalent workers per family of 1.72 is used for expositional purposes to estimate poverty line wages. Labor force participation rate for adults between 25-59 years old (M=93.82, F=63.35), unemployment rates (M=4.36, F=5.84) and part-time employment rates (M=5.7, F=10.9) were calculated from Household Survey online tabulation for 2017. Part-time employment is defined as working less than 30 hours/week. ^e Average wages are from the 2020 Labor Force Survey Report, available from ILOSTAT website. ^g The Anker Living Wage Reference Value is estimated directly based on statistical analysis and therefore does not have an explicit number of full-time workers per family or reference family size (although rural reference family size falls from 6 to 4 with development in Anker living wage benchmark studies). ^h National minimum wage was last increased on January 1st, 2022. Honduras has 40 minimum wages, for 10 economic sectors (agriculture, forestry, fishing & hunting and 9 non-agricultural sectors) each with 4 firm-size categories (1-10 workers; 11 to 50 workers; 51 to 150 workers; more than 150 workers) within each sector. For comparative purposes, we indicated the lower (1 to 10 workers) and the upper (more than 151 workers) values in the manufacturing sector. However, it should be noted that even in non-agriculture sectors the rate of informality is around 75.0% (ILOSTAT) and a considerable share of workers do not receive the minimum wage. ⁱ Workers have to pay payroll taxes (5.0%) but would not pay income tax on the Anker Reference Value.