

Living Wage Update: May 2019

Rural Costa Rica

Limón and Heredia Provinces



Living wage per month
CRC 433,282 (USD 731)



Cost of decent standard
of living for a family
**CRC 610,887 (USD
1,031)**



Banana worker in Costa Rica © SAN

Living Wage Update: May 2019

Rural Costa Rica

Limón and Heredia Provinces¹

1. BACKGROUND

This report updates the living wage and living expenses for the Limón and Heredia provinces in Costa Rica, with focus on the banana (and pineapple) industry.²

The net living wage and living expenses are updated to the study month of the most recent calendar year—May 2019—to take into account the amount of inflation since the original May 2017 living wage study. Without accounting for inflation, the net living wage estimated in May 2017 would not be sufficient for workers to have a basic but decent standard of living in May 2019, because the purchasing power of the living wage would have decreased compared to what it was in 2017. Similarly, living expenses for a reference family are also updated to May 2019 to account for inflation.

The gross living wage is updated to May 2019 by taking into consideration in addition income taxes and mandatory deductions from pay that workers would need to pay on the updated 2019 living wage. This is done using the laws in effect by May 2019.

2. LIVING WAGE AND LIVING EXPENSES FOR REFERENCE SIZE FAMILY IN ORIGINAL COUNTRY REPORT IN MAY 2017

The original living wage country report estimated the net living wage as CRC 375,055 (US\$ 670, using an exchange rate of 1 US\$ = 560 CRC) in May 2017. This was the required take-home pay for workers for decency. 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 (US\$ 741) per month in May 2017. The living 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 (US\$ 1,045) in May 2017.

¹ Prepared by Koen Voorend with supervision from Richard Anker and Martha Anker.

²This is an update to Living Wage Report: Rural Costa Rica, Limón Province (Guápiles, Guácimo, Siquirres, and Matina regions) and Heredia Province (Puerto Viejo de Sarapiquí región), May 2017. Koen Voorend, Richard Anker, and Martha Anker. <https://bit.ly/2HfSnBP>

3. INFLATION RATE USED FOR UPDATE

The *Instituto Nacional de Estadística y Censos*³ is the government body responsible for computing and reporting inflation in Costa Rica. It reports one consumer price index: Consumer Price Index (CPI).⁴ It is based on a monthly survey of retail prices in urban areas (where 73% of population lives) for a sample of 3,100 establishments in 121 branches of activities, for a total of 28,000 price registries. Price data collection is performed from the first business day to the second-to-last business day of each month. On the last day of the month, information is not collected in order to begin with subsequent processes such as information revision, calculation of the index, and document preparation for dissemination.

Price data are collected in urban areas only.⁵ It is thus implicit that government CPI also covers rural areas, which in a small country like Costa Rica, with national coverage of supermarket chains, and regulated prices of some basic food items (such as rice and bean) could be argued is plausible. For this reason, the national CPI data as reported and published by the INEC are used in this report to update the rural Costa Rica living wage⁶.

4. RECENT LEVEL OF INFLATION

Between May 2017 and May 2019, inflation in Costa Rica grew slowly. Inflation in this two-year period was 4.41%. This is the inflation rate used for this update report. Graph 1 summarizes the evolution of the CPI between May 2017 and May 2019.⁷

³ INEC – National Institute of Statistics and Census, <http://inec.cr/>

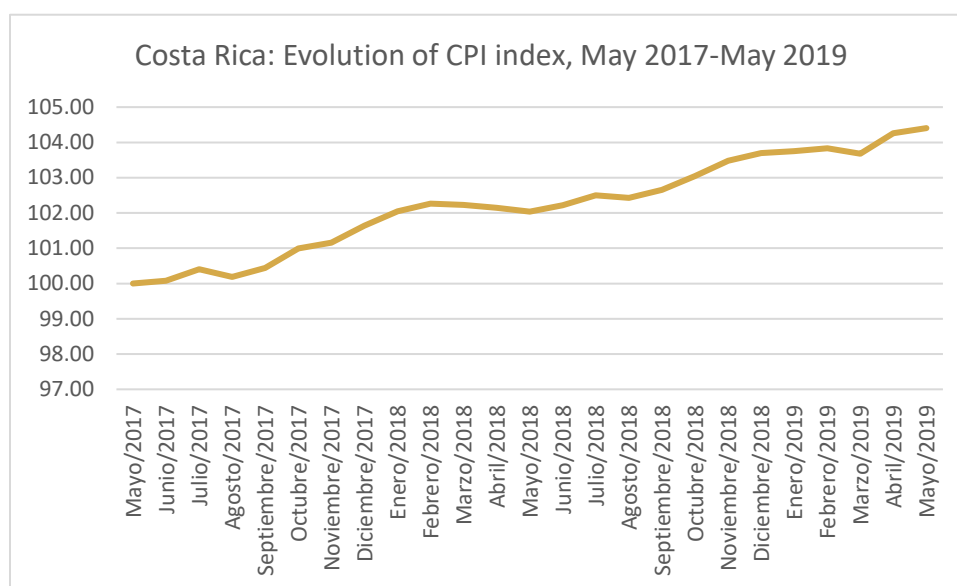
⁴ Expenditure weights used are based on results of the Costa Rican National Household Income and Expenditure Survey (October 2012 - October 2013).

⁵ Nor is CPI reported by income quintile or for different regions, provinces or states.

⁶ <https://www.bccr.fi.cr/sitepages/default.aspx>

⁷ Although seasonality in prices could possibly be important when determining inflation and living wage for a particular month, it is not relevant when using year-on-year inflation rates such as in this report. In any case, the original living wage report found that seasonality of prices is not marked.

Graph 1



5. MANDATORY PAYROLL DEDUCTIONS AND INCOME TAXES ON A LIVING WAGE

In May 2017 at the time of the original living wage report, workers paid a total of 10.34% in payroll taxes (consisting of *Caja Costarricense del Seguro Social* (CCSS) of which 9.34% gives access to the country’s healthcare system and a basic universal pension system, and 1.0% is for Worker’s Protection (*Ley de Protección al Trabajador*). Income tax did not apply to monthly incomes under CRC 799,000 in 2017. In May 2019, the same 10.34% payroll deductions and no income tax applies.

6. UPDATED LIVING WAGES AND FAMILY LIVING EXPENSES FOR MAY 2019

Many workers in Costa Rica receive an end of year bonus in the form of a 13th month payment, commonly known as *Aguinaldo* which is not subject to payroll tax. *Aguinaldo* reduces the amount workers with a formal contract need to receive each month. In the original May 2017 living wage report, the net living wage required each month assuming workers receive the 13th month bonus was CRC 375,055 (US\$ 670) and the gross living wage per month was CRC 414,981 (US\$ 741). For May 2019, for a worker who receives the 13th month bonus, the updated net living wage required each month is CRC 391,595 (US\$ 661, using an exchange rate of 1 US\$ = 592.70 CRC) per month.⁸ and the gross living wage required each month is CRC 433,282 (US\$ 731).

⁸ Since exchange rate data are not available from the International Monetary Fund’s (IMF) archive of exchange rates, we used data from the Costa Rican Central Bank. The average for the 3-month period that brackets May 2019 (i.e. April–June 2019) was 592.70 CRC = 1 USD. Exchange rate fluctuations were small over the selected period.

Table 1: Living wage per month for rural Costa Rica—assuming formal contract and 13th month end-of-year bonus (*Aguinaldo*) is received (in Costa Rican Colones and US Dollars)

Item	May 2017 Original Study Date		May 2019 Latest Update	
	Costa Rican Colones	US Dollars	Costa Rican Colones	US Dollars
Living Expenses for a Decent Standard of Living Per Month	CRC 585,085	\$1,045	CRC 610,887	\$1,031
Net Living Wage Per Month	CRC 375,055	\$670	CRC 391,595	\$661
CCSS and Worker’s Insurance fund (10.34%) Deductions per month on Living Wage (assuming workers receive a payroll tax free 13th month bonus)	CRC 39,926	\$77	CRC 41,687	\$70
Income Taxes and Deductions per Month on Living Wage	CRC 0	\$0	CRC 0	\$0
Gross Living Wage	CRC 414,981	\$741	CRC 433,282	\$731
Exchange Rate	560		592.7	
Source of Exchange Rate	Original Country Report		Costa Rica Central Bank	

For workers who do not receive *Aguinaldo*⁹, the updated net living wage, or take-home pay per month for May 2019 is CRC 391,595 (US\$ 661) per month. The gross living wage, which also takes into account mandatory payroll deductions, is CRC 436,755 (US\$ 737) per month for May 2019 assuming that workers are not paid the 13th month. Table 2 provides details of the original and the updated living wages and family living expenses in CRC and US\$. It is worth noting that the net living wage and the gross living wage in USD decreased very slightly between May 2017 and

⁹ 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-ENAH0, 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.

May 2019, because the depreciation in the CRC was slightly greater than the inflation in this period.

Table 2: Living wage per month for rural Costa Rica—assuming 13th month end-of-year bonus (*Aguinaldo*) is not received (in Costa Rican Colones and US Dollars)

Item	May 2017 Original Study Date		May 2019 Latest Update	
	Costa Rican Colones	US Dollars	Costa Rican Colones	US Dollars
Living Expenses for a Decent Standard of Living Per Month	CRC 585,085	\$1,045	CRC 610,887	\$1,031
Net Living Wage Per Month	CRC 375,055	\$670	CRC 391,595	\$661
CCSS and Worker’s Insurance fund (10.34%) Deductions per month on Living Wage (assuming workers do not receive a payroll tax free 13th month bonus)	CRC 43,253	\$77	CRC 45,161	\$76
Income Taxes and Deductions per Month on Living Wage	CRC 0	\$0	CRC 0	\$0
Gross Living Wage	CRC 418,308	\$747	CRC 436,755	\$737
Exchange Rate	560		592.7	
Source of Exchange Rate	Original Country Report		Costa Rica Central Bank	