

Update: Living Wage Report

Southern and South Western Minas Gerais Region

Rural Brazil

Coffee Growing Industry

Updated to July 2018



Photo Courtesy of © David Dudenhoefer, Rainforest Alliance

INDEX

INTRODUCTION.....3

1. Background.....3

2. Living Wage in Original Country Report – July 2015..... 3

3. Inflation Rate Used for Update.....3

4. Recent Level of Inflation3

5. Updated Living Wages to July 20184

Update: Living Wage Report

Southern and South Western Minas Gerais Region

Rural Brazil

Coffee Growing Industry

INTRODUCTION

1. BACKGROUND

This report updates the living wage for the coffee producing region of Southern and Southwestern Minas Gerais State in Brazil. The living wage is updated to the study month of the most recent calendar year – July 2018 – to take into account the amount of inflation since the July 2015 living wage study. Without accounting for inflation, the living wage estimated in 2015 would not be sufficient for workers to have a basic but decent standard of living in 2018 because the purchasing power of the living wage would have decreased with respect to current prices.

2. LIVING WAGE IN ORIGINAL COUNTRY REPORT – JULY 2015

The original living wage country report estimated the net living wage as R\$1,267 in July 2015. This is the required take-home pay for workers for decency. The gross living wage, which accounts for mandatory deductions for social security and union taxes, was estimated as R\$1,414 in July 2015.

3. INFLATION RATE USED FOR UPDATE

The Brazilian Institute of Geography and Statistics (IBGE) is the government body responsible for computing and reporting price indexes in Brazil. It reports two main consumer price indexes: (1) the IPCA, for broader consumption, and (2) the INPC, which is a restricted price index.

The IPCA covers families with monthly incomes ranging from one to forty minimum wages, and is used to update balance sheets and financial statements of companies. On the other hand, the INPC covers families with monthly incomes ranging from one to five minimum wages, and is the leading indicator for wage agreements and negotiations.

Therefore, this report uses the INPC to update the living wage as it is more representative for workers. The INPC is estimated for ten metropolitan areas in Brazil, and their weighted average is used to arrive at the national INPC value. There are no values for states or for rural/urban areas, and because none of the ten metropolitan areas are representative of Southern and Southwestern Minas Gerais, we use the INPC national average to update the living wage.

4. RECENT LEVEL OF INFLATION

Although Brazil had high rates of inflation in 2015 and 2016, there has been a steady decline in year-on-year inflation rates from August 2016 onwards. In more recent times (2017 and 2018), the level of inflation has been moderate to low. Between July 2017 and July 2018 it was 3.61%. Further, inflation between July 2015, when the original study was conducted, and July 2018 is 15.87%. This is the inflation rate used for this update.

5. UPDATED LIVING WAGES TO JULY 2018

The updated net living wage, or take-home pay, for July 2018 is R\$1,468 per month. The gross living wage takes into account mandatory deductions. Taking into account mandatory deductions for social security, the updated gross living wage for July 2018 is R\$1,596. Table 1 provides details of the original and the updated living wages.

Table 1: Living wage for coffee growing region in Southern and Southwestern Minas Gerais, Brazil in original study and latest update (in Brazilian Real and US Dollars)

	July 2015	July 2018
Net LW per month	1,267 (\$342)	1,468 (\$384)
Taxes/Deductions	147 (\$40)	128 ¹ (33)
Gross LW	1,414 (\$382)	1,596 (\$417)
Exchange Rate	3.7	3.82

¹ Whereas previously union taxes were mandatory, they are not so anymore. Therefore, the only remaining mandatory deduction is for social security, which is 8% of the gross pay. This works out to R\$128.