

# Minimum Wage in Colombia and the Oil Palm Sector



SUPPORTED BY THE OIL PALM DEVELOPMENT FUND

**Photography:** Miguel Varona. Palm harvesters heading home #3. Second place. Eleventh National Environmental and Social Photography Contest in Oil Palm Zones.



# Minimum Wage in Colombia and the Oil Palm Sector



**Minimum Wage in Colombia  
and the Oil Palm Sector**

**Publication of the National Federation of Oil  
Palm Growers, Fedepalma, supported by the Oil  
Palm Development Fund**

**Jens Mesa Dishington**  
Executive President

**Andrés Felipe García Azuero**  
Director of Sectoral Planning  
and Sustainable Development

**María Rueda Mallarino**  
Social Area Leader

**Lisa Fernanda Durán**  
Social Area Analyst

**Econometría**

**Mauricio Olivera González**  
Director

**Yanira Marcela Oviedo Gil**  
Project Coordinator

Bogotá, Colombia

# Table of contents

Presentation .....	7
Acronyms .....	8
Introduction .....	9
<b>I. International context: Palm oil-producing countries .....</b>	<b>11</b>
1.1 Economic and social profile .....	13
<b>II. Institutional and evolution of the minimum wage in Colombia .....</b>	<b>21</b>
2.1. Institutional of the minimum wage in Colombia .....	22
2.2. Determination of the minimum wage .....	24
2.3. Evolution of the Colombian minimum wage .....	27
2.4. Social security .....	30
2.5. Other benefits of formal employment .....	38
<b>III. Country facts: Labour market, income, expenses and remuneration in oil palm sector in Colombia .....</b>	<b>41</b>
3.1. Colombian labour market .....	42
3.2. Household income and expenses .....	44
3.3. Remuneration in the Colombian oil palm sector .....	49
<b>Conclusions .....</b>	<b>51</b>
<b>References .....</b>	<b>54</b>



Photography: Toro, F. 2019.

# Presentation

Our commitment toward achieving the sustainability of the palm oil industry in Colombia has led us to work on various scenarios in order to provide tools that allow this sector to make improved decisions, adopt good practices, prevent risks, and contribute to meet the Sustainable Development Goals.

A key issue regarding sustainability is advancing in the adoption of better labour practices. Despite the fact that the oil palm agribusiness is highly formal, there are still some gaps to be bridged. An alarming rate of informality in rural areas added to laws that still do not reflect the particularities of agricultural work make us think about strategies to press forward with labour formalization.

Therefore, Fedepalma has supported several studies that provide a picture of the work and pay situation in the national palm oil industry. In 2011, along with Fedesarrollo, we published the study *Characterization of Employment in the Colombian Oil Palm Sector*, in which labour relations and their impact on the well-being of workers and oil palm-related natural environments were examined. In 2017, we carried out the *First National Survey on Direct Employment in the Colombian Oil Palm Sector*, which was designed by the DANE.

Partnering with the firm *Econometría*, led by Mauricio Olivera, and with the support of Yanira Oviedo, this publication was prepared with the aim of providing information to the various actors of this agribusiness and those entities and organizations involved in decision-making processes related to wage policies, so all could better understand the reality of work remuneration in the national palm oil industry and acknowledge the singularities of the minimum legal wage and its institutional framework, compared other producing countries.

Jens Mesa Dishington  
Executive President of Fedepalma

# Acronyms

BanRep	Bank of the Republic
COP	Colombian Pesos
CPCPSL	Standing Committee on Wage and Labour Policy Concertation
DANE	National Administrative Department of Statistics
DNP	National Planning Department
ENPH	National Household Budget Survey
Fedepalma	National Federation of Oil Palm Growers
FILCO	Colombian Labour Information Source
GEIH	Large Integrated Household Survey
IPC	Consumer Price Index
MinTrabajo	Ministry of Labour
MPC	Cessation Protection Mechanism
OCDE	Organization for Economic Co-operation and Development
ILO	International Labour Organization
PIB	Gross Domestic Product
PPA	Purchasing Parity Power
RAIS	Individual Savings Regime with Solidarity
RPM	Medium Premium Regime
SMLMV	Minimum Monthly Legal Wage
TD	Unemployment rate
TGP	Labour Force Participation Rate
TO	Employment Rate
UEPA	Economic Units of Palm Oil
USD	United States Dollars
USDA	United States Department of Agriculture
UVT	Tax Value Unit
WDI	World Development Indicators

# Introduction

This document provides the reader with the necessary context to analyze the remuneration in the Colombian oil palm sector. It shows: (i) the socio-economic profile of the main palm oil producing countries; (ii) the institutionalization of the Colombian minimum wage, as well as social security benefits for workers; and (iii) Colombia's labour market conditions and the income and expenditures, differentiating between results for the national total and those at the rural level.

The main findings show high levels of diversity in demographic, social, economic, and labour factors among the palm oil producing countries examined. When standardizing measures, it is important to know these differences.

When examining Colombia, it is important to look at unique specifics to compare remuneration within the sector. In particular, the Colombian institutionalization of the minimum wage is important and, adheres to international conventions and agreements and ensures that it maintains adequate purchasing power for all formal workers. Some of these workers are those in the sectors related to palm. Social security is another factor to be examined which implies greater protections, a higher quality of life and access to services beyond those acquired by salary.

Colombia faces significant challenges in terms of formal work and labour income in rural areas. Workers in the palm oil production sector are relatively better off than others in the rural areas because they help comprise the formal labour market, allowing them benefits not otherwise seen.

**Photography:** Ricardo Maldonado Rozo. My palm, my life.  
Third Place. Eleventh National Environmental and Social  
Photography Contest in Oil Palm Zones.





## **I. International Context: Palm Oil-Producing Countries**

# I. International Context: Palm Oil-Producing Countries

Colombia is located in South America and borders Ecuador, Peru, Brazil, Venezuela and Panama. The country sits between the Pacific Ocean and the Caribbean. Its latitudinal location corresponds to the intertropical convergence zone which is comprised of multiple climate zones and allows for large amounts of biodiversity and premium conditions for agriculture. Historically, the country has a strong association with agriculture. Agriculture has productively transformed the country, facilitating economic growth and high levels of employment and quality of life. Agriculture has allowed for certain trades and services to flourish, yet the agriculture sector itself retains a strong comparative advantage and therefore, an important role in domestic production.

In order to study the Colombian oil palm sector by way of a comparative analysis, this document identifies the main palm producing countries in the world. Table 1 shows the top ten producers in 2019. This section analyzes the countries listed. The figures indicate that Colombia produced 1.5 million tons of palm oil, placing it as the fourth largest producer in the world after Indonesia, Malaysia and Thailand with 42.5, 18.5 and 2.8 million tons, respectively.

Table 1. Top palm oil producers in the world

Producing country		Producing country	
1st	Indonesia	6th	Papua New Guinea
2nd	Malaysia	7th	Ecuador
3rd	Thailand	8th	Ivory Coast
4th	Colombia	9th	Brazil
5th	Nigeria	10th	Honduras

Source: USDA, Foreign Agricultural Service

# 1.1. Economic and social profile

## 1.1.1. Population

The current population of Colombia in 2020 is 50.4 million, the third highest population in Latin America and the twenty-eighth highest in the world. Figure 1 shows the total populations and the rural populations of the main palm oil producing countries in 2018. Indonesia, Brazil, and Nigeria are by far the most populous nations. Colombia ranks fifth.

When examining the rural populations of these countries, the countries themselves can be divided into two groups. The first group has about half of its population in a rural zone and the second group has less than a third of its total population in rural zones, save Papa New Guinea which has a rural population of 86.6% of the total (see Table 2). Colombia has a rural population as a percentage of the whole at 19.2% or 9.5 million people. It therefore belongs to the second group with less than a third of their populations being rural. This is attributed to heavy internal displacement and population flows.

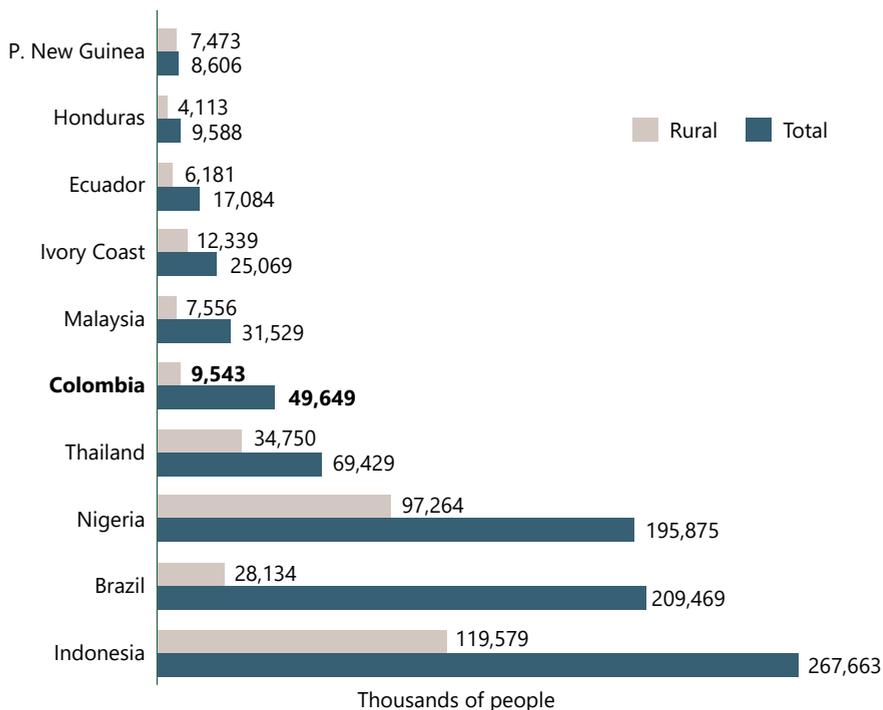


Figure 1. Total and rural population in palm oil producing countries, 2018

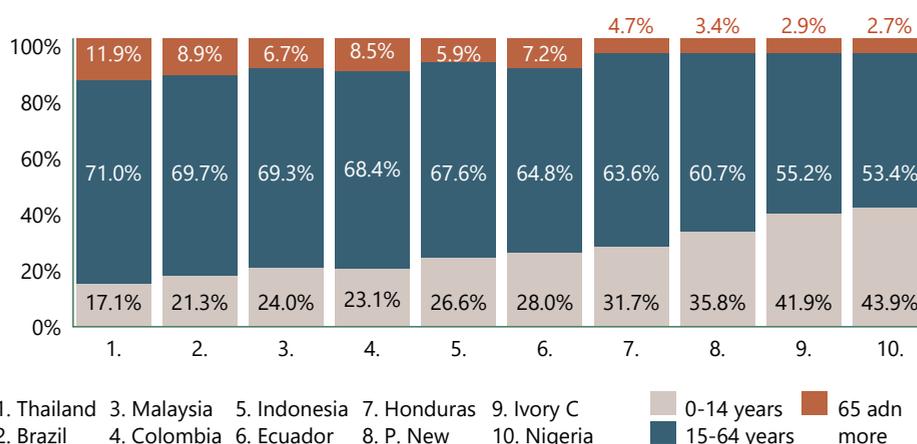
Source: World Development Indicators (WDI) - World Bank

**Table 2.** Proportion of rural population in palm oil producing countries, 2018

Country	% rural population
P. New Guinea	86.8%
Thailand	50.1%
Nigeria	49.7%
Ivory Coast	49.2%
Indonesia	44.7%
Honduras	42.9%
Ecuador	36.2%
Malaysia	24.0%
<b>Colombia</b>	<b>19.2%</b>
Brazil	13.4%

Source: World Development Indicators (WDI) - World Bank

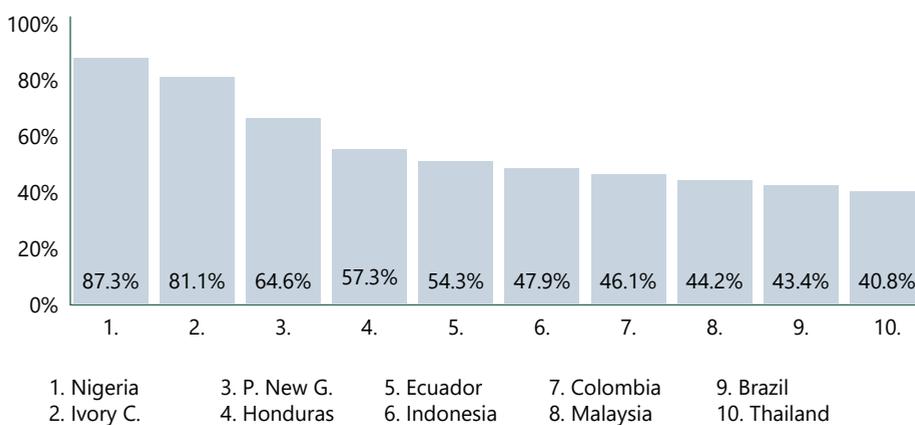
Age composition is a key indicator when analyzing the population of these countries. It is important to specifically analyze the numbers of youth and older persons and by way, youth demographics, which then allow social and consumption needs to be further evaluated. Figure 2 sorts countries according to the weight percentage of people between 0 and 14 years of age. It shows that Thailand is the country with the most aging, relatively, while Nigeria is the youngest. Colombia falls in the middle but is moving towards having a older demographic. Countries with an older population tend to require stronger pension systems, especially for those working and on the verge of retirement who are seeking to avoid poor economic conditions post-retirement.



**Figure 2.** Age composition in palm oil producing countries, 2018

Source: World Development Indicators (WDI) - World Bank

The dependency ratio can be gathered after looking at the age of a country. The dependency ratio is an age-population ratio that looks at those who cannot work, children and older adults, needing to be supported by those who can or do work, between the ages of 15 and 64 (Lora & Prada, 2016). Figure 3 sorts palm oil producing countries according to their dependency ratio. African countries exhibit the highest ratios because they have a high proportion of children. Asian countries inversely have lower ratios because they have older populations. Colombia has a small proportion of children which will continue to shrink while the aging population continues to become larger.



**Figure 3.** Dependency rate in palm oil producing countries, 2018

**Source:** World Development Indicators (WDI) - World Bank

### 1.1.2. Recent economic performance

In order to analyze recent economic performance, it is necessary to look at economic growth via Gross Domestic Product (GDP) per capita and Purchasing Power Parity (PPP) in international dollars in the countries of interest. Table 3 shows that Malaysia has the highest level of average income per person or GDP per capita, which shows a level of development markedly higher than other countries. There is a block of middle-income countries made up of Thailand, Brazil, Colombia, Ecuador and Indonesia, and a block of low-income countries including Honduras, Nigeria, Papua New Guinea and the Ivory Coast. This indicator is usually very telling of living conditions and shows a pronounced heterogeneity among palm oil producing countries.

**Table 3.** GDP per capita and economic growth in palm oil-producing countries

	2018	Annual average 2009-2018	
	GDP per capita PPA	Level	Deviation
Malaysia	27,537	4.7%	2.4%
Thailand	18,042	3.3%	2.6%
Brazil	14,596	1.3%	3.3%
<b>Colombia</b>	<b>14,459</b>	<b>3.5%</b>	<b>1.9%</b>
Ecuador	11,572	2.9%	2.8%
Indonesia	11,370	5.4%	0.6%
Honduras	5,672	3.1%	2.0%
Nigeria	5,156	4.2%	3.2%
P. New Guinea	4,233	5.6%	4.4%
Ivory Coast	3,741	6.1%	4.6%

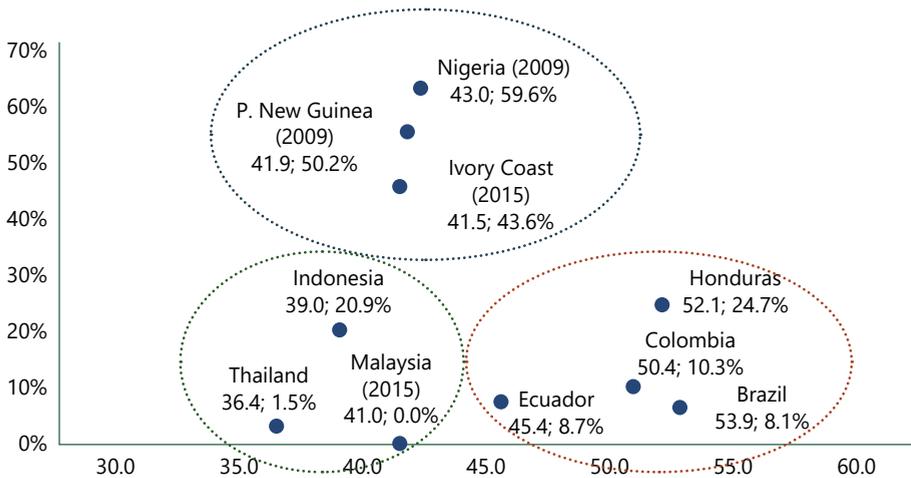
Source: World Development Indicators (WDI) - World Bank

Per capita income is derived from a nation’s level of output and the size of its population. Table 3 summarizes the last decade of economic growth. On average, the ten palm oil producers grew annually by 4.0%. The Ivory Coast, Papua New Guinea, Indonesia, Malaysia and Nigeria were above average. However, only Indonesia and Malaysia showed stable growth or low volatility.

Colombia grew by 3.5%, slightly below the group average, but had the second lowest volatility at 1.9%. This demonstrates Colombia’s stable macroeconomic behavior from the past to present day.

### 1.1.3. Living conditions

Poverty levels and inequality are used to assess living conditions. Figure 4 examines the living conditions by using the GINI index, the X axis, and the proportion of people living in monetary poverty because they don’t earn a minimum of USD 5.5 per day, the Y axis. The GINI index measures the degree of inequality, where 0 is perfect equality (everyone has earned the same income) and 100 corresponds to perfect inequality (one person has earned all the income and everyone else has earned none).



**Figure 4.** Monetary poverty at USD 5.5 per day and GINI index in palm oil-producing countries, 2018  
**Source:** World Development Indicators (WDI) - World Bank

Three groups can be identified among the countries of interest. One group is associated with low levels of poverty and inequality, consisting of the Asian countries. Another group is associated with high levels of poverty and an average level of inequality comprised of African countries and Papua New Guinea. The last group has lower levels of poverty, but high inequality, the Latin American countries. The importance of context and diversity among palm oil producing countries is highlighted here.

### 1.1.4. Unemployment rates and levels of agricultural employment

It is essential to review the level of unemployment in palm oil producing countries. This is presented in Table 4. Brazil, Colombia, and Nigeria have the highest levels of unemployment by a wide margin. This points to large differences between the supply and demand for labour in each country. Such conditions often pressure people to lower their job expectations and accept lower quality jobs, sometimes meaning informal positions that do not have social security coverage<sup>1</sup>. This has a strong impact on the well-being of workers and

1 There are multiple definitions of informality at work. This document uses a widely accepted document that is the lack of social security coverage because it directly affects the quality of life of the worker.

their families. It leaves them without a pension or retirement savings, workers compensation, and health insurance.

**Table 4.** Labour market indicators in palm oil-producing countries, circa 2018

	<b>Unemployment</b>	<b>Agricultural employment</b>
Brazil	12.1%	9.2%
<b>Colombia</b>	<b>9.7%</b>	<b>16.6%</b>
Nigeria	8.1%	35.1%
Honduras	5.4%	30.3%
Indonesia	4.7%	28.6%
Ecuador	4.0%	29.2%
Malaysia	3.3%	10.4%
Ivory Coast	3.3%	40.0%
P New Guinea	2.5%	58.3%
Thailand	0.8%	31.6%

Source: World Development Indicators (WDI) - World Bank

Table 4 also shows the percentage of agricultural employment as a percentage of total employment in each country. Papa New Guinea, the Ivory Coast, and Nigeria have the largest proportion of the labour force in agriculture while Brazil, Malaysia, and Colombia have the smallest proportion.

### 1.1.5. Minimum wage

In conclusion, Table 5 shows an international comparison for 2011<sup>2</sup>. Countries are sorted by their minimum wage in USD per month. Honduras has the highest minimum wage of USD 309.90, while the Ivory Coast has a minimum wage of USD 76.60 and persons in Indonesia (East Java) can expect to make at least USD 74.40. Interestingly, Latin American countries have significantly higher minimum wages than the rest of the countries being looked at. Colombia has the third highest minimum wage. Indonesia and Thailand have half the minimum wage of Latin American countries and African countries are the lowest. Malaysia did not have any minimum wage levels for 2011.

2 Year in which the study was conducted which constitutes the latest available information.

Table 5. Legal minimum wage in palm oil producing countries, 2011

Country	Minimum wage (2011)	
	Local currency	USD\$
Honduras	5,857.5 Lempiras per month - average	309.9
Brazil	545 reais per month	297.0
<b>Colombia</b>	<b>535,600 pesos per month</b>	<b>275.7</b>
Ecuador	USD 264 per month	264.0
Papua New Guinea	2.29 kinas per hour or 100.80 kinas per week	189.3
Indonesia	1,290,000 Ropias per month in the Jakarta Special Region	142.2
	1,410,000 Ropias per month in Papua to Barat (Highest Level)	155.5
	675,000 Ropias per month in East Java (Lowest level)	74.4
Thailand	148 Baht per day in Chiyaphoom province	112.7
	203 Baht per day in Bangkok	154.6
Nigeria	18,000 Nairas per month	110.9
Ivory Coast	36,607 CFA Francs per month	76.6
Malaysia	Not taken in 2011	n.a.

Source: Own elaboration from TRAVAIL-ILO

It is important to state that minimum wages are important but so is the coverage, or the amount of people protected by them. According to the International Labour Organization (ILO), in Indonesia the minimum wage only applies to workers who have been in service for less than a year. For those who exceed this threshold there is freedom to pay (ILO, 2011). In addition, in Malaysia, when a minimum wage is determined, it may or may not apply depending on the industry. In other countries there is general coverage and the level in some cases, may change by region, economic sector, or type of occupation. This does not apply in Colombia.

Finally, it should be noted that the cost of labour in Colombia for the oil palm sector is between 13% and 57% higher when compared to Malaysia, Indonesia, and Thailand. Generally, fertilizer, labour, and fuel are the highest costs.

**Photography:** Carlos Varona. Hard working women.  
Third Place. Nineth National Environmental and Social  
Photography Contest in Oil Palm Zones.





## **II. Institutionality and Evolution of the Minimum Wage in Colombia**

## II. Institutionalization and Evolution of the Minimum Wage in Colombia

This section describes the institutionalization and the process of setting the minimum wage in Colombia, as well as how it has changed over time. It also addresses the social security benefits that are tied to formal jobs and complement the package of benefits which formal employment affords to its workers.

### 2.1. Institutionalization of the minimum wage in Colombia

Colombia established the minimum wage in 1945 and unified it in the 1980s (Arango, Herrera, & Posada, 2008). According to the ILO, the minimum wage, *“has been defined as the minimum amount of remuneration that an employer is required to pay to his employees for the work they have done for a specified period, an amount which cannot be reduced either under a collective agreement or an individual agreement”* (ILO, 2020).

The level of wages in Colombia is strongly influenced by the value of the minimum wage internally and it is understood, *“(...) that every worker has the right to meet his normal needs and those of his family (material, moral and cultural).”* Therefore, in Colombia, continual institutionalization of it is important. (Noun Labour Code, 1950).

It is important to mention that the minimum wage also receives special attention in Colombia because historically it has been a reference value for the determination of many state financial charges such as sanctions, fines, fees, stamps, budgets and state costs. It is an important area of discussion for the national annual agenda<sup>3</sup>.

The Standing Committee on the Concertation of Wage and Labour Policies (CP-CPSL), created by the Political Constitution of Colombia determines the mini-

---

3 The latest National Development Plan Act disassociates these values from the minimum wage and binds to the Tax Value Unit (UVT) set by the national tax authority (Act 1955, 2019). However, that Law is valid for four years.

imum wage. The Magna Carta in Title II, on rights, guarantees and duties, detailed in Chapter 2 concerning social, economic, and cultural rights, establishes a tripartite labour concertation commission to resolve disputes and to conclude wage and labour policies.

**Article 56.** “(...) A permanent commission created of the Government, composed of employer and worker representatives, shall promote good industrial relations, contribute to the resolution of collective labour disputes and agree upon wage and labour policies” (Political Constitution of Colombia, 1991).

Law 278 of 1996 structures the CPCPSL. It was determined that this commission would be attached to the Ministry of Labour (MinTrabajo) and would have a head office in the capital and departmental subcommittees. In addition, the law in Article 2 determines that the function of the CPCPSL is, “...to determine in a concerted manner the general minimum wage, taking into account that a decent quality of life must be ensured for the worker and their family” (Law 278, 1996). There has been continued state interest to continue maintaining the minimum wage because it has purchasing power to ensure quality of life.

The Commission must also be tripartite, stipulated by the law and shown in Table 6.

Table 6. CPCPSL formation

Government	Employers	Workers
1. Minister of Labour or his delegate, who will preside		Three (3) representatives with their personal alternates, appointed or removed by the majority of representative trade union confederations
2. Minister of Finance and Public Credit or their delegate	ive (5) representatives with their alternates, appointed by the national trade union associations, being representative of different economic sectors of the country	One (1) representative with their pensioner’s alternate
3. Minister of Trade, Industry and Tourism or their delegate		One (1) representative of the unemployed with their alternate
4. Minister of Agriculture or their delegate		
5. The director of the National Planning Department (DNP) or their delegate		

Source: MinTrabajo, 2020, Law 278, 1996.

## 2.2. Determination of the minimum wage

The minimum wage is determined by the CPCPSL according to the guidelines provided by the international conventions ratified before the ILO, the Labour Statute or Substantive Labour Code and Law 278 of 1996. Colombia, a member of the ILO since 28 June 1919, has ratified the eight fundamental conventions, under which, the decent work policy is referred to as an<sup>4</sup> international agreement. In addition, the country has ratified C026 - Minimum Wage-Fixing Machinery Convention, 1928, C095 - Protection of Wages Convention, 1949 and C099 - Minimum Wage-Fixing Machinery (Agriculture) Convention, 1951.

However, Article 53 of the Political Constitution states that the statute of labour will consider minimum living and mobile remuneration as one of its fundamental principles. In this sense, the labour statute or Colombian Substantive Labour Code defines the minimum wage as, "(something) that every worker has the right to receive to meet his needs and those of his family (material, moral and cultural)" Art.145 (Substantive Labour Code, 1950). In addition, Article 146 determines the cost of living, the modalities of work, and in-kind benefits that may be granted, etc., as factors to be considered for determining the minimum wage.

---

4 Decent work understood by the ILO as a work as it should be, a work that dignifies, with respect to fundamental labour principles and rights that allows a fair and proportionate income to the effort made, without discrimination, with social protection and social dialogue (ILO, 1999).

<p><b>C026 - Minimum Wage-Fixing Machinery Convention, 1928</b></p>	<ul style="list-style-type: none"> <li>• Before adopting the minimum wage setting method, consult with representatives of workers, employers and experts in the field</li> <li>• Apply the methods of fixing minimum wages with the participation of representatives of workers and employers in equal numbers and on an equal footing</li> <li>• Adopt as mandatory the minimum wage rates that have been set</li> <li>• Adopt the necessary measures to disseminate information and apply a control and sanctions system</li> </ul>
<p><b>C095 - Protection of Wages Convention, 1949</b></p>	<ul style="list-style-type: none"> <li>• Authorize payment of appropriate in kind benefits and with a fair value</li> <li>• Guarantee total freedom of the worker to dispose of his salary</li> <li>• Regulate with regard to garnishments or assignments on wages</li> <li>• Regulate so that workers are preferred creditors in the event of an employer bankruptcy</li> <li>• Monitor so that the payment of wages is made periodically</li> </ul>
<p><b>C099 - Minimum Wage Fixing Machinery (Agriculture) Convention, 1951</b></p>	<ul style="list-style-type: none"> <li>• Allow the partial payment of the minimum wage in kind, ensuring that benefits are appropriate, fair and reasonable</li> <li>• Before adopting the minimum wage setting method, consult with representatives of workers, employers and experts in the field</li> <li>• Apply the methods of fixing minimum wages with the participation of representatives of workers and employers in equal numbers and on an equal footing</li> <li>• Adopt as mandatory the minimum wage rates that have been set</li> <li>• Adopt the necessary measures to disseminate information and apply a control and sanctions system</li> </ul>

Figure 5. Main country commitments of ratification of ILO Conventions on Wages

Source: (ILO, 1928), (ILO, 1949) and (ILO, 1951)



**Photography:** Daniela Navarro. Oil palm lady. Special Mention. Ninth National Environmental and Social Photography Contest in Oil Palm Zones.

The procedure for establishing the minimum wage, which in Colombia is unique and applies throughout the country, is carried out annually and is regulated by Law 278 of 1996 which updates the Substantive Labour Code and states that,

*“The Commission’s decisions shall be adopted by consensus. The vote of each representative sector shall be that of the majority of its members.*

**Paragraph.** *For the setting of the minimum wage, the Commission shall decide no later than fifteen (15) December. If it is not possible to agree, the party or parties that do not agree must explain in writing the reasons for the proviso within forty-eight (48) hours. The parties have an obligation to study these provisos and to determine their position within the following forty-eight (48) hours. The Commission will have to meet again to seek consensus according to the elements of judgment that have been brought before thirty (30) December.*

*When consensus is definitively not reached in setting the minimum wage, for the year immediately following, no later than thirty (30) December of each year, the Government shall determine this by taking into account the inflation target for the following year set by the Board of the Bank of the Republic (BanRep) and the productivity agreed by the tripartite productivity committee coordinated by the Ministry of Labour and Social Security as parameters; in addition, the contribution of wages to national income, the increase in gross domestic product (GDP) and the consumer price index (CPI)”. Art. 8 (Law 278, 1996).*

In practice, CPCPSL sets the minimum wage for the following year, as well as the inflation analysis and the calculation of productivity for the current year. These are the elements that the Government should include in determining the minimum wage when there is no agreement. This then becomes the benchmark of the negotiation.

Other indicators such as the contribution of wages to national income, GDP growth and CPI are associated with the target inflation and productivity. Therefore, they are used as context for the discussion.

### 2.3. Evolution of the colombian minimum wage

The minimum wage in Colombia for 2020 is COP 877,803 which equates to USD 235.60<sup>5</sup>. Historically, the salary has yielded positive nominal annual variations. Figure 6 presents the annual change over the last 20 years. In that period, growth averaged 6.28%, with a minimum of 3.64% and a maximum of 9.96%.

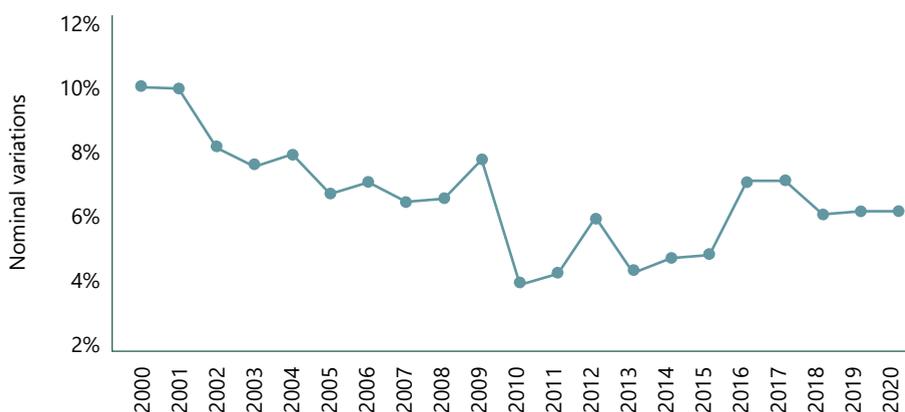


Figure 6. Change in the minimum wage in Colombia, 2000-2020

Source: BanRep

When determining the minimum wage, the term “the formula” is informally used, and is a sum of the increase in prices and productivity of the current year. This is the reference value for trading. The deviations from that value correspond to the dynamics of negotiation between employers and workers. This happens when there is an agreement. In such a case, the Government is sidelined and allows the agreement to continue.

<sup>5</sup> Calculated with representative market rate of 25 June 2020 (3,724.87 Colombian pesos per dollar).

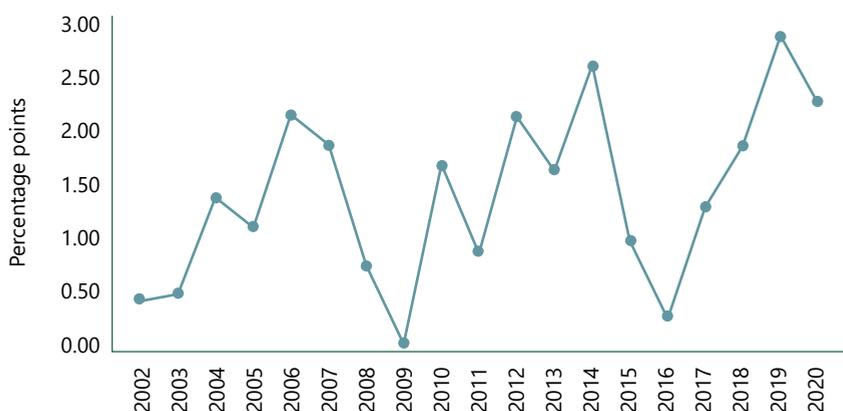
When there is no agreement, the Government usually goes to the formula and makes some variation taking into account the economic context of the current year and the with the information available for the coming year, which is when a new minimum wage is established. The change of “the formula” and the minimum wage variation can be seen in Table 7. For example, when setting the 2020 wage, inflation in 2019 was contemplated, which was 3.80% and had a negative variation in productivity of 0.39%. The value of the reference formula was then 3.41%. In this case there was no agreement and the Government decided with the economic forecast at the time to make a 6.00% adjustment.

Table 7. Benchmarks for setting the minimum wage and its variation, 2002-2020

Year	Inflation t-1	Productivity t-1	Formula	Change in minimum wage	Minimum wage
2002	7.65%	-0.60%	7.05%	8.04%	309,000
2003	6.99%	1.20%	8.19%	7.44%	332,000
2004	6.49%	0.10%	6.59%	7.83%	358,000
2005	5.50%	3.90%	9.40%	6.56%	381,500
2006	4.85%	1.60%	6.45%	6.95%	408,000
2007	4.48%	4.90%	9.38%	6.30%	433,700
2008	5.69%	4.00%	9.69%	6.41%	461,500
2009	7.67%	-0.40%	7.27%	7.67%	496,900
2010	2.00%	-4.00%	-2.00%	3.64%	515,000
2011	3.17%	-0.20%	2.97%	4.00%	535,600
2012	3.73%	1.00%	4.73%	5.81%	566,700
2013	2.44%	0.71%	3.15%	4.02%	589,500
2014	1.94%	0.80%	2.74%	4.50%	616,000
2015	3.66%	0.80%	4.46%	4.60%	644,350
2016	6.77%	-0.50%	6.27%	7.00%	689,455
2017	5.75%	0.50%	6.25%	7.00%	737,717
2018	4.09%	-0.24%	3.85%	5.90%	781,242
2019	3.18%	0.52%	3.70%	6.00%	828,116
2020	3.80%	-0.39%	3.41%	6.00%	877,803

Source: Own elaboration from BanRep, DNP and minimum wage decrees

It should be noted that, in recent developments, even at times when the formula yields a negative reference, the minimum wage has grown. This is done for worker well-being. Note also that only four of the last 19 years has the formula been above the actual variation in the minimum wage. However, throughout this period, the minimum wage has grown by 0.64 percentage points (p.p.) above the reference formula on average. On the other hand, minimum wage growth has been at or above inflation or reference price variation during the 21st century (see Figure 7). On average the difference has been 1.36 p.p. This implies that the minimum wage has overtaken purchasing power year after year.



**Figure 7.** Difference between minimum wage variation and benchmark inflation, 2002-2020

Source: BanRep

Minimum wage levels in Colombia are often enticing to international entities such as the Organization for Economic Co-operation and Development (OECD). In 2015, the OECD produced a study in which it identified that the Colombian minimum wage, relative to its average wage, was 85.6%. This is compared to 48.8%, the OECD average as seen in the Figure 8.



**Figure 8.** Minimum wage as proportion of average wage in Colombia versus OECD average

Source: Taken from (OECD, 2015)

## 2.4. Social security

The institutionalization of social security that workers access through formal employment and not informal labour is particularly important in Colombia. Social security is a set of collectively contracted assurances to protect against specific risks. This implies a social agreement regarding what coverages to provide and how to make it operational. In Colombia, social security has four components: health insurance; pensions; occupational hazards; and a family allowance. The protections provided for each component are described below.

### 2.4.1. Social security for health

In Colombia, there is health insurance for workers who pay into the system and their families. This system is called contributory insurance. Those with coverage have the right to (Ministry of Health, 2004):

#### 1. Comprehensive health protection:

- i. Disease prevention programs
- ii. Emergency Room/Department
- iii. General and specialized medical consultation in any medical field
- iv. Dental consultation and treatments
- v. Laboratory exams and X-rays
- vi. Hospitalization and surgery in all cases when required
- vii. Medical consultations in psychology, optometry, and therapies
- viii. Essential medications
- ix. Comprehensive care during pregnancy, childbirth, and in early childhood

**2. Family membership at no additional cost:** If the worker is married, it is possible to enroll his or her spouse, children under 18 years of age, children with permanent disabilities regardless of age, and children under the age of 25, if they are fully dedicated to study and are financially dependent on the worker. If the worker is single it is possible to enroll the parents, if they are financially dependent on the worker. The worker's family members will have identical services and rights in terms of comprehensive health protection.

3. **Subsidized cash payments in case of incapacitation:** If, an incident occurs due to illness or because of an accident unrelated to work, the worker has the ability to receive temporary disability of up to 66% of the declared salary on a monthly basis.
4. **Subsidized maternity or paternity payments:** The worker is entitled to maternity leave and, during the maternity leave, to receive a cash allowance equivalent to 100% of the salary reported as their base income. This lasts for 18 weeks. Men on paternity leave are also entitled to a cash allowance which is the equivalent to 100% of their base salary, but only 8 working days.

## 2.4.2. Social security in pensions

Colombia’s general pension system is designed to protect its members from the risks of old age, disability and death. There are two pension schemes from which the worker can choose, namely the Pay-As-You-Go System (RPM) and the Individual Savings with Solidarity Scheme (RAIS). The main characteristics of these regimes are presented in Figure 9.

RPM	RAIS
<ul style="list-style-type: none"> <li>It is a communal savings system</li> <li>Managed by the State</li> <li>Has defined contributions and benefits</li> <li>The retirement pension depends on the age requirements and weeks of contribution</li> </ul>	<ul style="list-style-type: none"> <li>It is an individual (personal) savings system</li> <li>Managed by a private fund</li> <li>Although the contribution is defined, the amount of the benefits is uncertain</li> <li>The retirement pension depends on the individual savings effort, family situation, financial returns and demographic characteristics of the affiliate, among others</li> </ul>

Figure 9. Main features of pension schemes in Colombia

Source: Own elaboration from (Act 100, 1993)

Workers who are affiliated with the pension system and meet the specific requirements for each benefit have access to protection for: income for retirement (pension), compensation or refund of balances if pension requirements are not met, disability payments, survivors’ income, disabilities greater than 180 days and up to 540 days and funeral assistance. These benefits are described below:

1. **Retirement pension:** Workers who reach the pension age, i.e., 57 years of age for women and 62 years of age for men, and have contributed to the pension system at least 1,300 weeks (RPM) or save more than COP 227 million (USD 61 thousand) if you are a man and COP 283 million<sup>6</sup> (USD 61 thousand)<sup>7</sup> if you are a woman (RAIS), receive a lifetime income or pension.
2. **Survivor's pension:** If the worker begins to receive a retirement pension and dies, their beneficiaries will have the right to continue receiving the monthly payments derived from that pension. If the worker met the requirements for a retirement pension but had not begun to receive it at the time of their death, their beneficiaries would be entitled to 80% of the amount they would have received.
3. **Substitute compensation or balance return:** When a worker does not meet the requirements of first benefit, but meets the minimum pension age, they obtain a refund of the balances saved in the RAIS or replacement pension compensation in the RPM, corresponding to the value of his contributions or contributions updated by the CPI.
4. **Cash subsidy in case of temporary disability:** If, due to illness or because of an accident not related to their work, the member is subject to a continuous temporary disability greater than 180 days and less than 540 days but is likely to recover, they are entitled to receive a cash payment equivalent to 50% of the base monthly salary during that period. This subsidy cannot be less than the minimum wage.
5. **Disability pension:** It is granted to an affiliated worker in the event of a decrease in their physical capacity to work of 50% or more due to an illness or accident not related to their work. To access it, the worker must have a disability rating or a certification stating the disability is non-work related. They must also have contributed to the system for 50 weeks within 3 years prior to the date of disability.

---

6 The estimate varies depending on the sociodemographic conditions of the individual affiliated to the Individual Savings System. The amount here presented is an estimate obtained from the Old Mutual Pension Fund Administrator simulator, assuming that the retirement pension is requested at the minimum legal age, the worker has a 20-year-old child, and is applying for a minimum wage pension.

7 Calculated with representative market rate of 25 June 2020 (3,724.87 Colombian pesos per dollar).

- 6. Funeral aid:** It is a financial aid for those who have shown that they have paid the funeral expenses of an affiliate or pensioner. If it is for the death of a pensioner, the funeral aid is equivalent to the amount of allowance that the pensioner had accrued. If it is for the death of an affiliate, funeral relief is equivalent to the last salary earned. This funeral aid cannot be less than 5 minimum wages, nor more than 10 minimum wages.

As seen, not all benefits of the pension system are directed towards the future or time of retirement. Workers are now protected from the risk of permanent disability, temporary disability, and death.

### 2.4.3. Social security for occupational hazards

Social security for occupational risks focuses on promoting occupational safety and health, as well as protecting against diseases and accidents typical of a specific line of work (Gomez, 2015). The protections afforded by the system include:

- 1. Welfare benefits:** These are health services to which a worker is entitled in the event of an accident or an occupational disease. The benefits to which you are entitled are:
- i. Medical, surgical, therapeutic, and pharmaceutical assistance
  - ii. Hospitalization services
  - iii. Dental care
  - iv. Medication deemed necessary (pharmaceuticals)
  - v. Auxiliary diagnostic and treatment services
  - vi. Prosthesis repair or replacement, when recommended by rehabilitation services
  - vii. Physical and professional rehabilitation
  - viii. Transfer costs, under normal conditions, that are necessary for the provision of these services
- 2. Economic benefits:** These are monies given to the worker or his beneficiaries after an accident or illness suffered while working their profession or trade. The economic benefits are (Ministry of Health, 2016):
- i. *Temporary disability allowance:* When the worker is temporarily unable to work, they are entitled to a subsidy equivalent to 100% of the base salary for each day he has been unable to work.

- ii. *Partial Permanent Disability Compensation*: When someone is unable to fulfill their full work obligations between 5% and 49.9% due to partial injury, indemnification is paid. This is paid according to a compensation table created by Decree.
- iii. *Disability pension*: The disability pension is acquired because someone has lost 50% or more of their work capacity. When the disability is between 50% and 65%, they will be entitled to a disability pension equivalent to 60% of the salary of which they are paid. If the disability is 66% or greater, the pension will correspond to 75% of the salary of which they are paid. In addition, if it requires the help of caregivers to perform the basic functions of their life, the pension amount is increased by 15%.
- iv. *Survivor's pension*: When an affiliate or pensioner who had beneficiaries dies due to occupational hazards, a survivor's pension is given. In the case of an affiliate, the pension is 75% of the base salary reported. In the case of a pensioner due to occupational risks, survivors will receive 100% of the pension allowed or that of the base salary reported.
- v. *Funeral aid*: This is for someone that can demonstrate they have borne the funeral expenses of an affiliate or pensioner. If it is for the death of the pensioner, the funeral aid is equivalent to the amount that the pensioner had accrued, or the base salary reported. This funeral aid cannot be less than 5 minimum wages, nor more than 10 minimum wages.

#### 2.4.4. Social security for compensation or family allowance

Like few social security systems in the world, the Colombian system includes family compensation or a subsidy mechanism, administered by territorial private entities called Family Compensation Funds. They provide a monetary subsidy for each of the dependents of the workers and provides welfare services for the whole family to improve their quality of life. (Forero, 2015).

Benefits for members of the family subsidy system are (Córtes González, 2015):

1. **Monetary fee.** This is a cash allowance paid to workers who accrue between one and four minimum wages for each of the persons under their charge: children under the age of 18, parents, orphaned siblings, or persons with disabilities. The value of the monetary fee varies slightly depending on the department in which the worker lives, with an average of COP 35,409 (USD 9.5) for each dependent by 2020. According to the National Association of Compensation Funds (Asocajas), the operators of the family subsidy

system, the monetary fee constitutes one-third of their family benefits package for the beneficiary households (Asocajas, 2020).

- 2. Housing allowance.** This is a one-time cash or in-kind contribution for the acquisition of a new home, some type of construction on property owned by the family, or a home improvement for a family that meets the requirements established by the entities that grant it. Workers earning between one and four minimum wages are entitled to this subsidy and it can be used for the purchase of new housing when the value does not exceed 135 minimum wages.
- 3. Social programs.** These programs provide discounts for educational, recreational, sport, tourism, cultural, health, nutritional or entrepreneurial programs that would be too expensive or impossible for the worker to pay. The discounts have four categories according to the workers level of income. This would mean that workers who have a lower level of income would pay less. Rural areas provide a hurdle for the scope of these programs.
- 4. Unemployment benefits and re-employment services.** The family subsidy system has the Unemployment Protection Mechanism (MPC) that eases a worker's and their family's income from a period of unemployment and facilitates job reentry.

The unemployment benefit is part of the payment of:

- i. The worker's health and pension contribution for up to six months
- ii. The monetary fee for the worker's dependents for up to six months
- iii. A monetary profit or return on benefit package savings

With regard to support in the search for employment, the MPC grants access to:

- i. Job search services
- ii. Training for reemployment

In summation, the formal worker in Colombia receives a generous package of services and protection via social security that facilitates and expands their ability to lose work and reenter the job force. The summary of this package can be seen in Figure 10.



Figure 10. Colombia Social Security Benefits Package  
 Source: Own elaboration based on current legislation

## 2.4.5. Funding social security in Colombia

Access to the benefits described above is provided by the existence of social security that collectively finances protection mechanisms and services that a significant fraction of people in Colombia would not be able to acquire without intervention. In Colombia this is feasible for workers who contribute to the system and for those who are salaried by way of the support of their employers. As shown in Table 8 salaried workers contribute 8% of their salary to the system while their employer matches and exceeds that supports by contributing 28.9% of the worker's salary.<sup>8</sup> This constitutes a significant additional sum of the respective salary which must be taken into account when comparing remuneration.

Table 8. Social security contributions for a minimum-wage employee, 2020

Minimum Monthly Legal Wage In Force				877,803	235.7	
Social security	Employer contribution			Worker contribution		
	%	Value \$	Value USD	%	Value \$	Value USD
Health*	8.5%	74,613	20.0	4.0%	35,112	9.4
Pension	12.0%	105,336	28.3	4.0%	35,112	9.4
Occupational hazards**	4.4%	38,184	10.3	0.0%	-	-
Family allowance	4.0%	35,112	9.4	0.0%	-	-
Total	28.9%	253,246	68.0	8.0%	70,224	18.9

Notes: \*For workers with incomes below 10 minimum wages and those employing more than two workers regardless of wages, the employer is exempt from the health payment; \*\* There are five levels of risk. For this example, level IV is taken

Source: Own elaboration based on current legislation

8 This value may change depending on the level of risk a worker is exposed to and whether or not the employer's health contribution is waived.



**Photography:** Fedepalma photographic collection. Palmas del Cesar, San Alberto-Cesar. Palm Oil Mill.

## 2.5. Other benefits of formal employment

Colombian regulations also dictate benefits or services in addition to the minimum wage and social security. These are:

- ▶ **Transportation allowance:** Aid granted to workers who have a salary of up to two minimum monthly wages (Law 15, 1959).
- ▶ **Severance payment:** A social benefit that is intended to cover possible periods of unemployment. It is equivalent to one month's salary for each year worked or corresponding to the time worked, regardless of how the unemployment occurs (Noun Labour Code, 1950).
- ▶ **Interest on benefits package:** Corresponds to the value of the package accumulated at the end of the year, since these are provisioned monthly, but are not paid monthly. This interest equals 12% of the package value.
- ▶ **Premium service payment:** is a service designed to distribute some of the profits generated by workers. It is equivalent to one month's salary for each year worked or corresponds to the time worked. Half is paid in June and half in December. (Noun Labour Code, 1950) Art. 306.

- **Provision of work clothes:** Consists of a pair of shoes and work clothes. It is given every 4 months to employees who accrue less than 2 minimum wages and have more than 3 months at position (Noun Labour Code, 1950) Article 230.

Below is an estimate of the total cost of a minimum wage worker with the burden of benefits in Colombia in 2020 (see Table 9). It should be clarified that this is an estimate, as some items vary in cost and apply or do not apply depending on the characteristics of the job and the employer.

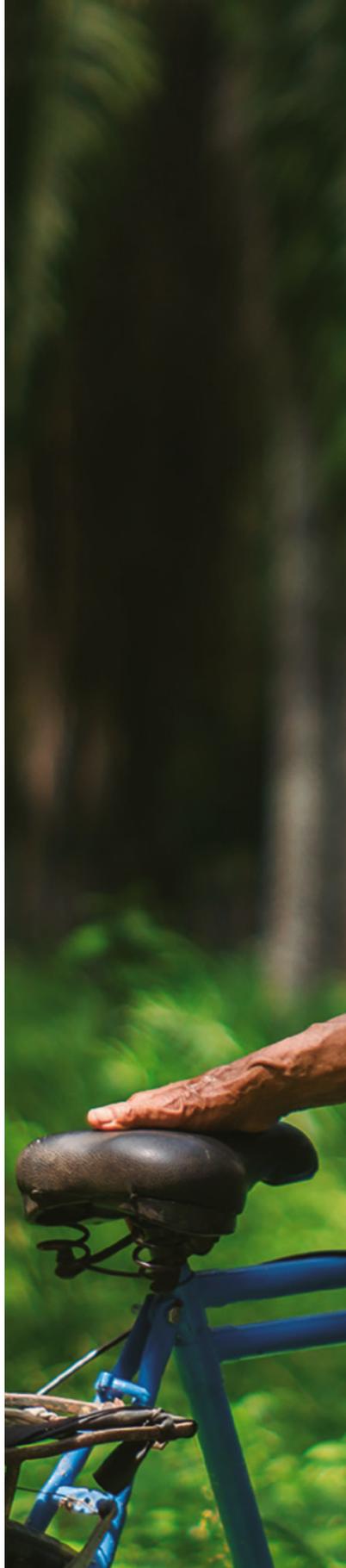
**Table 9.** Estimated cost of a minimum wage worker with benefits in Colombia, 2020

	%	Value COP	Value USD
Minimum wage		877,803	235.7
Health*	8.5%	74,613	20.0
Pension	12.0%	105,336	28.3
Occupational hazards**	4.4%	38,184	10.3
Family allowance	4.0%	35,112	9.4
Transport aid		102,854	27.6
Holiday	4.2%	36,604	9.8
Premium service payment	8.3%	73,120	19.6
Severance payment	8.3%	73,120	19.6
Interest on benefits package	1.0%	8,778	2.4
Provision of work clothes	5.0%	43,890	11.8
ICBF*	3.0%	26,334	7.1
SENA*	2.0%	17,556	4.7
<b>Total</b>		<b>1,513,305</b>	<b>406.3</b>

**Notas:** \*In the case of workers with incomes below 10 minimum wages and those employing more than two workers regardless of their salary, the employer is exempt from the payment of health and contributions to the State to finance the Colombian Institute of Family Welfare (ICBF) and the National Learning Service (SENA); \*\* There are five levels of risk. For this example, level IV is taken

**Source:** Own elaboration based on current legislation

**Photography:** Janner López. Walker Series #2. Special Mention. Eleventh National Environmental and Social Photography Contest in Oil Palm Zones.





### **III. Country Facts: Labour Market, Income, Expenses and Remuneration in Oil Palm Sector in Colombia**

# III. Country Facts: Labour Market, Income, Expenses and Remuneration in Oil Palm Sector in Colombia

## 3.1. Colombian labour market

This section will further explore the Colombian labour market. The behavior of supply, demand, and the outcome of the labour market is examined. Figure 11 presents this information, dedicating graph A for the national total and graph B for the rural area. This is based on the National Administrative Department of Statistics (DANE). Nationally, it can be seen that between 2008 and 2019, the Labour Force Participation Rate (TGP), which is the proxy for labour supply, has been higher than the Employment Rate (TO), a labour demand proxy, by an average of 6.5 p.p. This gap is the average unemployment rate (TD) of 10.2%, which is significantly high for the region and in general for the world, to the extent that it is not the result of a particular crisis, but simply its normal value. In fact, between 2013 and 2018, Colombia’s economy was so strong that it narrowed the supply-demand gap to its lowest value, generating single-digit unemployment rates which had not been seen since standardized and comparable data were available in the country.

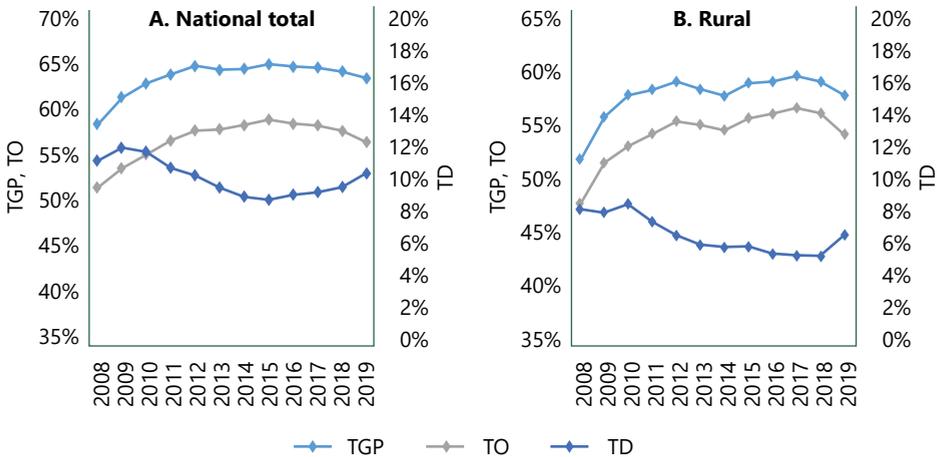


Figure 11. Overall participation rate, occupancy rate and unemployment rate in Colombia, 2008-2019  
 Source: Grand Integrated Household Survey - DANE

When looking at the rural area of Colombia, the story is similar in terms of trends, but different at levels. The average gap between supply and demand during the same period was 3.7 p.p., less than half of the national aggregate. The implication is a substantially lower average rural unemployment rate of 6.5%, between 2008 and 2019.

A lower unemployment rate is desirable; however, in this case it hides a different reality. In rural Colombia there is a lower level of education in the workforce and fewer job opportunities. This means that the reserve salary, understood as the lowest wage a person is willing to accept to stop looking for a job and accept a job, is low and people are willing to accept any type of work, resulting in precarious working conditions and very high levels of informal work (McConell, Brue, & McPherson, 2017).

Indeed, the level of informal work in Colombia is high and almost ubiquitous when it comes to the rural areas (see Figure 12). However, since 2012, high levels of informal work began to decline. The high levels of informal work, 60.6% for the national aggregate and above 80% in rural areas, make this one of the main challenges facing the Colombian labour market.

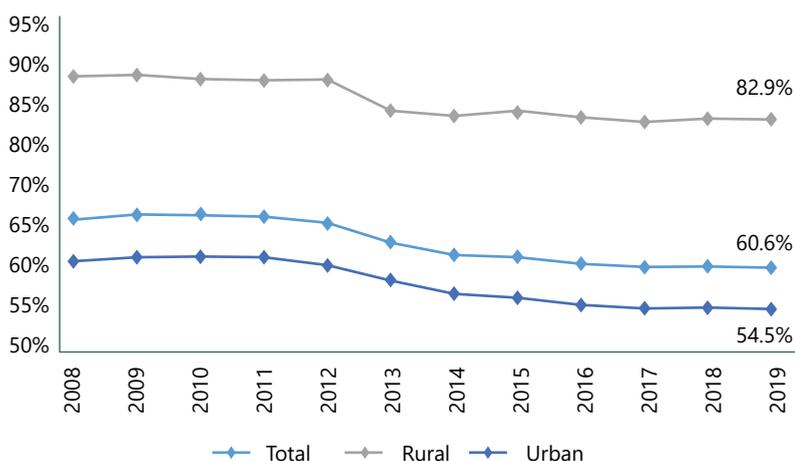
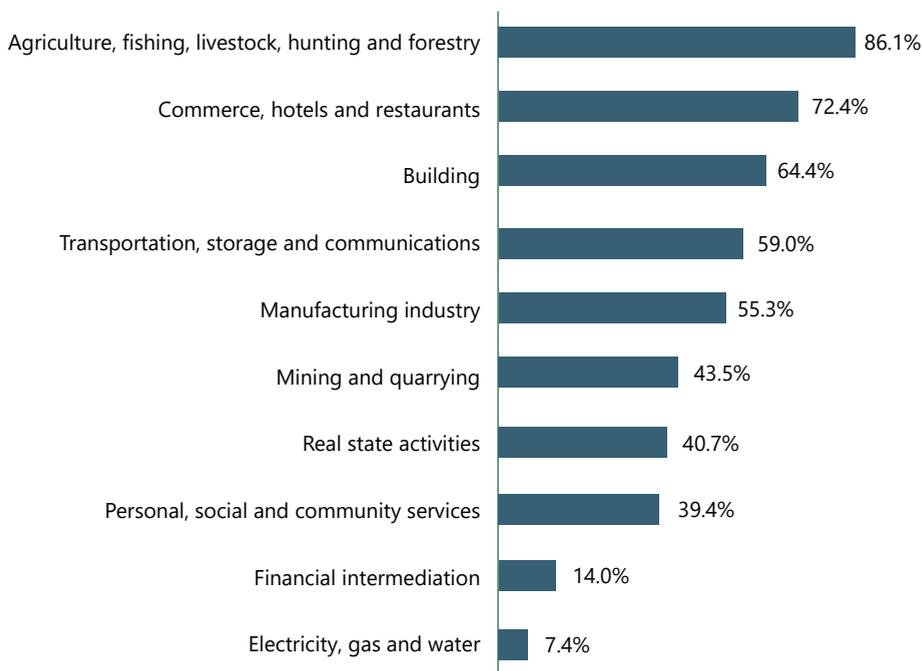


Figure 12. Total informality rate, rural and urban in Colombia, 2008-2019

Source: Colombian Labour Information Source (FILCO)-MinTrabajo

In addition, levels of informal work can differ by sector. The agricultural sector has the highest levels of informal work. They are so high that they cannot be rightly compared to any other branch of economic activity.



**Figure 13.** Informality of employment by economic sectors in Colombia, 2019

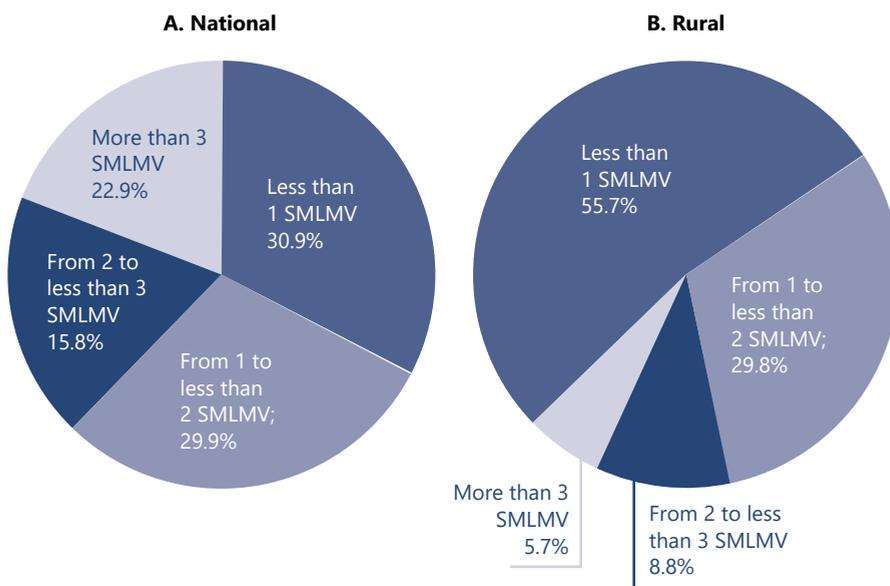
Source: Colombian Labour Information Source (FILCO)-MinTrabajo

Based on this information it is necessary to conclude that, despite national efforts, the typical rural agricultural work is informal, and lacks social protections and an adequate level of income. This usually leads to poverty and deprivation for the informal work force. This is, in part, due to the shortage of high productivity and value-added productive resources in rural areas. Colombian agribusiness does not reach many places in the Colombian countryside, and the bulk of agricultural production is done on a small scale and with outdated technologies that generate low income and do not allow for sufficient wages, nor access to social security and formal working conditions for those in the sector.

### 3.2. Household income and expenses

Colombian household income and expenditures are now reviewed from information from the National Household Budget Survey (ENPH) provided by DANE between 2016 and 2017. Figure 14 shows the distribution of households according to the level of income they self-report. Note that both nationally and

rurally, income is frequently less than a Current Monthly Legal Minimum Wage (SMLMV), consistent with Colombia's high levels of informality in the workforce. However, 55.7% of households in rural areas indicate receiving less than the minimum wage, compared to 30.9% nationally. This shows substantially lower purchasing power in rural areas, a situation that is consistent with the rest of the distribution.



**Figure 14.** Distribution of households according to income level in minimum wages, 2016-2017  
**Source:** National Household Budget Survey (ENPH)-DANE

Delving into income analysis, the decile distribution of this self-reported variable by households is reviewed. The results are presented in Figure 15. Although self-reporting brings with it a bias because people do not like to admit exactly how much they earn, the information is consistent with the high levels of inequality seen in Colombia and which were explored earlier in this document. For the national total, the first decile has incomes equal to 2.3% of the tenth decile, while for the rural areas this proportion is 4.8%. As shown in Figure 15, it is also possible to identify that incomes are low and even more so in rural households.

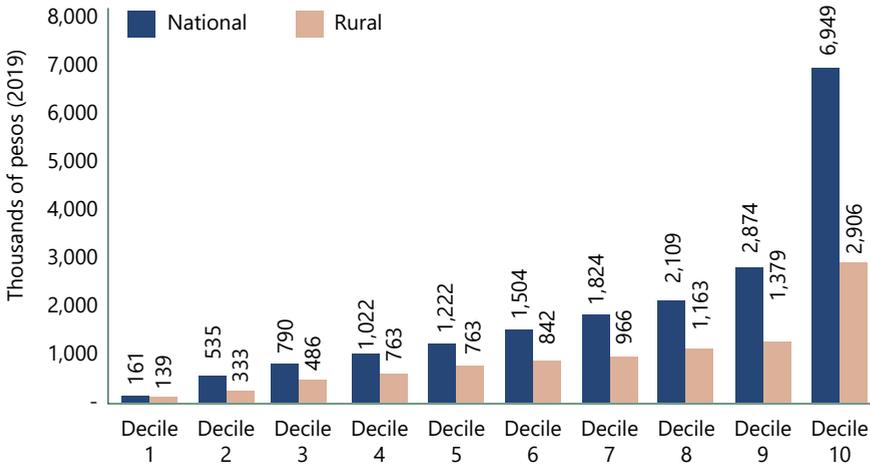


Figure 15. Distribution of self-reported monthly household income according to deciles, 2016-2017 (prices 2019)

Source: National Household Budget Survey (ENPH)-DANE

At this point it is important to examine the size of households. According to information from the 2018 National Census, the average household size is 3.1 people per household and for the rural area alone it is 3.2. However, this average hides a higher frequency of households with five or more members in rural areas. As can be inferred from Figure 16 one in every four households in rural areas is made up of five or more members, while one in five households have five or more persons for the national total. This implies that a significant fraction of rural households must spread their income among a greater number of people, which has a direct impact on their purchasing power and thus on their economic well-being.

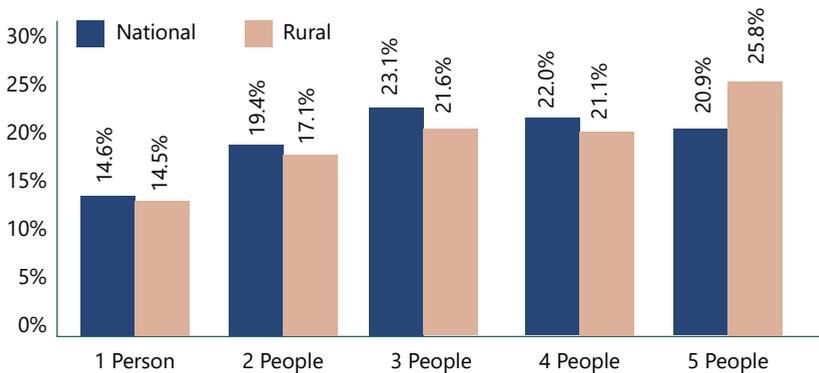
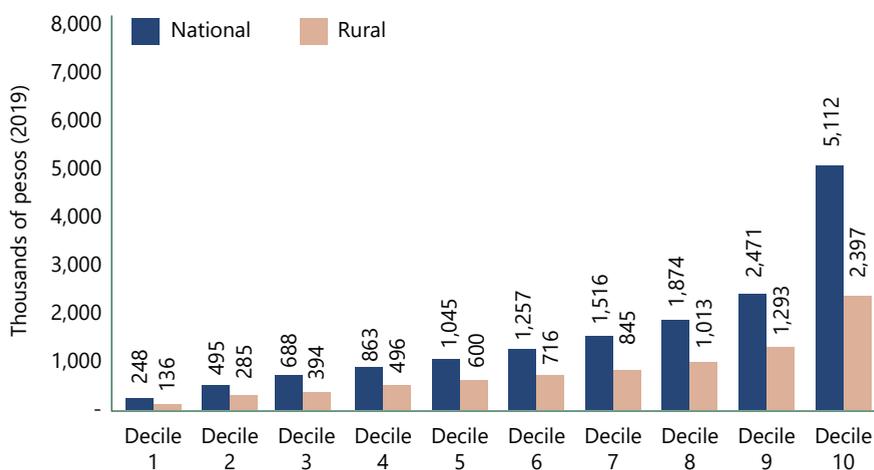


Figure 16. Households by membership number, 2016-2017

Source: National Household Budget Survey (ENPH)-DANE

The distribution of monthly household spending is illustrated in Figure 17. It is essential to review spending, as it represents the effective consumption capacity of households in a given period of time. Here self-report bias is ostensibly diminished or tends to disappear. It is possible to identify how the expenditures reported by households in the rural area is equivalent on average to 55.1% of the reported national total across all deciles of distribution.

As a reminder, the minimum wage for 2019 was COP 828,116 (see Table 7). This is among the 3rd and 4th deciles of the national distribution, while for rural distribution they are between the 6th and 7th deciles. This has important repercussions, because a household that spends the equivalent of a monthly minimum wage is close to the “richest” segment in rural areas.



**Figure 17.** Distribution of monthly household spending according to deciles, 2016-2017 (prices 2019)

**Source:** National Household Budget Survey (ENPH)-DANE

Finally, the where household spending goes and its relative importance is reviewed. This information is listed in Table 10. It is noted that rural households spend almost a third of their spending on food purchases (31.9%) compared to 16.9% nationally. This is approximately equivalent to COP 332,000 rurally versus COP 330,000 nationally. This implies that in rural households there is a low budget for other expenses such as: accommodation, public services, clothing, health, education, etc., and leads to deprivation of consumption and lower levels of well-being and quality of life in the Colombian countryside.

Table 10. Household spending destination, share and average amount, 2016-2017 (prices 2019)

Spending destination	Cost-sharing		Average spending (Thousands \$ 2019)	
	National	Rural	National	Rural
01 Food and non-alcoholic beverages	16.9%	31.9%	330	332
02 Alcoholic beverages and tobacco	0.8%	1.1%	69	56
03 Apparel and footwear	4.1%	4.7%	110	72
04 Accommodation and public services	30.6%	24.0%	587	246
05 Furniture and household items	3.7%	3.9%	73	41
06 Health	1.8%	1.7%	56	32
07 Transport	8.6%	7.5%	202	105
08 Information and communication	3.6%	1.9%	87	31
09 Recreation and culture	3.3%	2.6%	73	36
10 Education	3.1%	0.7%	255	66
11 Restaurants and hotels	9.0%	3.6%	198	66
12 Diverse goods and services	14.4%	16.3%	281	170

Source: National Household Budget Survey (ENPH)-DANE



Photography: Fedepalma Photographic Collection.

### 3.3. Wages in the Colombian oil palm sector

From the surveys of official households in Colombia, it is not possible to make inferences specifically about the oil palm sector. However, there are two labour studies in the sector that allow for a look into the dynamics and characteristics.

The first of these studies was conducted by Fedesarrollo in 2011. It is a labour characterization that included a random and representative survey of 610 palm oil workers and 605 rural workers from other sectors (Olivera *et al.*, 2011). Using this survey and an econometric impact assessment to make the groups of palm-workers and non-palm trees comparable, the authors found that the main labour characteristics of the oil palm sector are:

**Increased compliance with labour regulations, social security coverage and occupational health practices**

**Total index of living conditions 20 points higher in the homes of workers in the palm oil sector**

**Increased satisfaction with the income received which contrasts other worker's sentiments in the agricultural sectors**

*"Belonging to the oil palm sector has a positive and significant relationship with the logarithm of wages. Specifically, belonging to the palm growing sector increases the hourly wage by 20%." (Olivera , et al., 2011). In other words, workers with an identical profile, age, gender, training and experience get 20% higher pay when working in palm oil than when they do in another sector.*

The second relevant study was prepared by Fedepalma. It analyses the results of the Great Survey of Direct Employment of the Colombian Oil Palm Sector, contracted by Fedepalma and carried out by DANE, in 2016. It is representative at the national level. The survey was applied to 468 economic units palm oil (UEPA), i.e., nurseries, plantations and active beneficiation plants located in the country's four palm producing areas (Fedepalma, 2019). The main results show that for 2016:

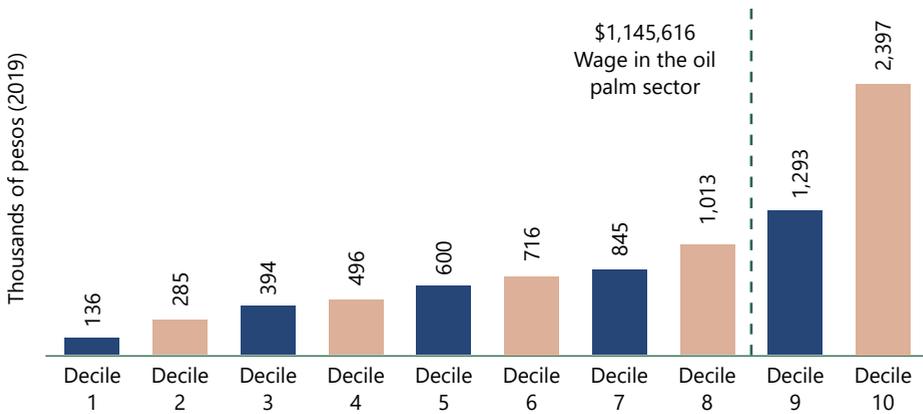
The oil palm sector accounted for 2.3% of the country's total agricultural employment

There is an important degree of labour formality that reaches 99.9% in beneficiation plants and 81.0% in plantations and nurseries. There is a situation that is completely atypical, as shown in Figure 12, where informality of work prevails in the agricultural sector. This makes a radical difference in the possibilities that workers associated with palm oil production in the country have.

*“In terms of remuneration, workers of this productive activity in Colombia have on average, a higher salary, compared to household incomes in rural and urban areas” (Fedepalma, 2019).*

Concerning the last bullet, the study found that, on average, the direct formal employment remuneration generated by the oil palm sector in 2016 was COP 1,027,633 which equates to COP 1,145,616 in 2019 prices or USD 307.60<sup>9</sup>. However, if we place this value in the distribution of household expenditures, it implies that its purchasing power is between the eighth and ninth decile, as shown in Figure 18.

It is then concluded that, in relative terms, the wages of the palm farming sector is better and, in general, respects national regulations, as far as the minimum wage is concerned.



**Figure 18.** Distribution of rural household spending and average remuneration in Colombia’s palm oil sector, 2019

**Source:** National Household Budget Survey (ENPH)-DANE and (Fedepalma, 2019)

9 Calculated with representative market rate of 25 June 2020 (3,724.87 Colombian pesos per dollar)



## Conclusions

**Photography:** Olga Lucía Pinzón. Together we do more. Special Mention. Seventh National Environmental and Social Photography Contest in Oil Palm Zones.

## Conclusions

The following conclusions are highlighted in the context of the forward analysis and embodied in this document, that are expected to improve the information available for the purpose of making remuneration comparisons at the international level.

There is great demographic, social, economic, and labour diversity among the major palm oil producing countries.

Asian countries show higher levels of economic performance and lower rates of dependency, poverty, inequality, and unemployment. However, its institutionalization of the remuneration of its approximate minimum wage workers is precarious, or non-existent in some cases, and with low amounts.

African countries and Papua New Guinea (the only country in Oceania) have a high dependency burden, especially for children, with lower levels of per capita income, leading to high levels of poverty and average levels of inequality. There is a minimum wage, but its levels are low.

Latin American countries, which of course include Colombia, have an intermediate dependency ratio that reflects their demographic transition towards fewer children and older adults, average economic performance, and a combination of high inequality and average poverty. In addition, there is high interest in establishing a minimum wage because they want to maintain an appropriate quality of life for the workers and their families.

All of this involves taking special care in the establishment of international measures or comparisons.

The Colombian institutionalization of the minimum wage is strong, adheres to international conventions and agreements, and ensures that it maintains a minimum purchasing power for all formal workers. In Colombia, there is support for an adequate minimum wage due to its Political Constitution, which has generated clear, technical, and robust guidelines. In addition, year-on-year monitoring is ensured to adjust this minimum level appropriately, always generating an increase in its purchasing power over reference inflation. So far, the 21st century has seen a 1.36 p.p. above the price variation.

The social security benefits granted in Colombia not only mean greater protection for workers and their families, but a better quality of life and access to services beyond those acquired through their wages. Social security provides access to a protection and service package for health, pensions, occupational hazards and family subsidies. To this end, employers add 28.9% of wages.

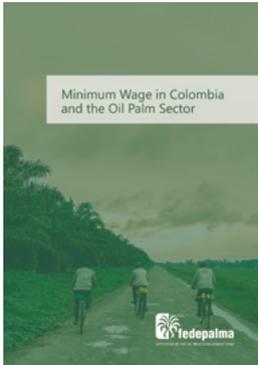
Despite its great efforts, Colombia faces significant challenges in terms of formal work and labour income in rural areas. Although there has been an improvement in recent years, the level of informal work is 60.6%, while in rural areas it is 82.9% and reaches up to 86.1% in the agricultural sector.

Remuneration and the level of formality in the oil palm sector are higher. In rural areas, more than half of households report receiving less than a minimum wage (55.7%), followed by between one and two minimum wages (29.8%). In addition, the average remuneration of palm growers is COP 1,145,616 (USD 307.60), which places it at the top as a proxy for purchasing power, between the eighth and ninth decile.

## References

- Arango, L., Herrera, P., & Posada, C. (2008). El salario mínimo: aspectos generales sobre los casos de Colombia y otros países. *Ensayos sobre Política Económica*, 26(56).
- Asocajas. (2020). Conozca el valor de su cuota monetaria. Disponible en: <https://www.asocajas.org.co/conozca-el-valor-de-la-cuota-monetaria-2020/>
- Código Sustantivo del Trabajo. (1950). *Código Sustantivo del Trabajo de Colombia* (Edición 2011). Bogotá D.C.: Secretaría del Senado.
- Constitución Política de Colombia. (1991). *Constitución Política de Colombia*. Bogotá D.C.: Secretaría del Senado.
- Cortés, J. C. (2015). Una perspectiva de las Cajas de Compensación Familiar en Colombia. En OISS, *Historia, Avances y Proyección de la Seguridad Social en Colombia* (pp. 239-261). Madrid, España: Organización Iberoamericana de la Seguridad Social.
- Fedepalma. (2019). *Gran Encuesta de Empleo Directo del Sector Palmero*. Bogotá.
- Forero, M. (2015). El Subsidio Familiar en el Contexto de la Seguridad Social en Colombia. En OISS, *Historia, Avances y Proyección de la Seguridad Social en Colombia* (pp. 230-238). Madrid, España: Organización Iberoamérica de Seguridad Social.
- Gómez, C. (2015). Principales hitos de la evolución normativa frente a los riesgos laborales en Colombia. En OISS, *Historia Avances y Proyección de la Seguridad Social en Colombia* (pp. 186-199). Madrid, España: Organización Iberoamericana de la Seguridad Social.
- Ley 100. (1993). *Por la cual se crea el sistema de seguridad social integral y se dictan otras disposiciones*. Bogotá D.C.: Secretaría del Senado.
- Ley 15. (1959). *Por la cual se da mandato al Estado para intervenir en la industria del transporte, se decreta el auxilio patronal de transporte, se crea el fondo de transporte urbano y se dictan otras disposiciones*. Bogotá D.C.: Congreso de la República.

- Ley 1955. (2019). *Por la cual se expide el Plan Nacional de Desarrollo 2018-2022. Pacto por Colombia, Pacto por la Equidad*. Bogotá D.C.: Secretaría del Senado.
- Ley 278. (1996). *Comisión permanente de concertación de políticas salariales y laborales creada por el Artículo 56 de la Constitución Política*. Bogotá D.C.: Secretaría del Senado.
- Lora, E., & Prada, S. (2016). *Técnicas de medición económica: metodología y aplicación en Colombia*. Cali, Colombia: Universidad ICESI.
- McConnell, C., Brue, S., & McPherson, D. (2017). *Contemporary Labor Economics*. McGraw Hill.
- Ministerio de Salud. (2004). *Sistema de Seguridad Social en Salud: Régimen Contributivo*. Bogotá: Ministerio de Salud.
- Ministerio de Salud. (2016). *Aseguramiento en Riesgos Laborales*. Bogotá: Ministerio de Salud.
- MinTrabajo. (2020). Obtenido de CPCPLS: <https://www.mintrabajo.gov.co/relaciones-laborales/derechos-fundamentales-del-trabajo/promocion-de-la-organizacion/dialogo-social-y-concertacion-laboral/comision-permanente-de-concertacion-de-politicas-salariales-y-laborales-cpcpsl>
- OCDE. (2015). *Economic Policy Reforms 2015: Going for Growth*. París, Francia: OECD.
- OIT. (1928). *C026 - Convenio sobre los métodos para la fijación de salarios mínimos*. Ginebra, Suiza: NORMLEX - OIT.
- OIT. (1949). *Convenio 095 sobre protección del salario*. Ginebra, Suiza: NORMLEX - OIT.
- OIT. (1951). *Convenio 099 sobre métodos para la fijación de salarios mínimos en agricultura*. Ginebra, Suiza: NORMLEX - OIT.
- OIT. (1999). *Conferencia Internacional del Trabajo: Memoria Director General - Trabajo Decente*. Ginebra, Suiza: OIT - 87a reunión.
- OIT. (2011). *International Labour Organization*. Obtenido de TRAVAIL: Condition of Work and Employment Programme, <https://www.ilo.org/dyn/travail/travmain.byCountry2>
- OIT. (2020). *Organización Internacional del Trabajo: Salario Mínimo*. Obtenido de <https://www.ilo.org/global/topics/wages/minimum-wages/definition/lang--es/index.htm>
- Olivera, M., Escobar, D., Rojas, N., Moreno, J., Quintero, C., & Tibocho, A. (2011). *Caracterización del empleo en el sector palmicultor colombiano*. Cuadernos Fedesarrollo 37.



**Editorial Coordinators**  
Yolanda Moreno Muñoz  
Esteban Mantilla

**Translation**  
Steven Rozowicz

**Design and Layout**  
Ximena Diaz Ortiz

**Printers**  
Estudio 45-8 S.A.S.

ISBN: 978-958-5492-16-5

Bogotá, D.C.-Colombia  
January 2021

*This publication is the property of the National Federation of Oil Palm Growers of Colombia, Fedepalma, therefore, no part of the material or its content nor any copy can be transformed, transmitted, copied, or distributed to third parties without previous written permission by Fedepalma. In making this publication, Fedepalma has relied on public information and reliable sources of information. It contains recommendations or suggestions professionally appropriate based on the current state of the art, scientific studies, as well as advanced research. Unless stated, confidential information or information that could mean non-compliance with copyright regulations has not been used in this publication. The information here contained is strictly referential and must be used in accordance with national competition standards and Fedepalma Code of Ethics and Good Governance, ensuring the free participation of companies in the market, consumer welfare, and economic efficiency.*

National Federation of  
Oil Palm Growers, Fedepalma  
Calle 98 # 70-91 | PBX: (57-1) 313 8600  
Bogotá, Colombia  
[www.fedepalma.org](http://www.fedepalma.org)

Follow us on:

