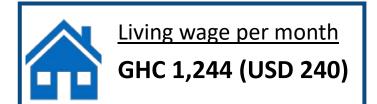
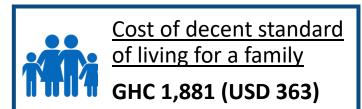


Living Wage Update: February 2019 Peri-Urban Ghana

Lower Volta Area







Picture courtesy of Fairtrade International

Living Wage Update: February 2019

Peri-Urban Ghana

Lower Volta Area¹

1. BACKGROUND

This report updates the living wage and living expenses for the banana producing Lower Volta area in Ghana.²

The net living wage and living expenses are updated to the study month of the most recent calendar year — February 2019 — to take into account the amount of inflation since the original February 2017 living wage study. Without accounting for inflation, the net living wage estimated in 2017 would not be sufficient for workers to have a basic but decent standard of living in 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 February 2019 to account for inflation.

The gross living wage is updated to February 2019 by taking into consideration mandatory deductions from pay on the updated living wage. This is done using February 2019 laws.

2. LIVING WAGE AND LIVING EXPENSES ORIGINAL COUNTRY REPORT IN FEBRUARY 2017

The original living wage country report estimated the net living wage as GHC875 in February 2017. This was the required take-home pay for workers for decency in February 2017. The gross living wage, which also takes into account income taxes and mandatory deductions from pay for social security, provident fund and union dues, was estimated as GHC1,028 in February 2017. The living expenses for a basic but decent standard of living for a reference family in the original country report were estimated as GHC1,558 in February 2017.

3. INFLATION RATE USED FOR UPDATE

The Ghana Statistical Service is the government body responsible for computing and reporting price indexes in Ghana³. It reports the Consumer Price Index (CPI) in relation to the base year

¹ Prepared by Fairtrade International (Aaron Petri), guided by the Collective for Social Science Research, Karachi, Pakistan (Kabeer Dawani) and with Richard Anker and Martha Anker.

² This is an update to *Living Wage Report: Lower Volta Area, Ghana*, February 2017. Sally Smith with Martha Anker and Richard Anker. https://bit.ly/35yQhXf

³https://statsghana.gov.gh/; https://statsghana.gov.gh/gssmain/fileUpload/Prices/Bulletin%20January%202018.pd <u>f;</u> http://www.statsghana.gov.gh/gssmain/fileUpload/Price%20Indices/February%202019%20bulletin.pdf

2012. 2012 holds the value of 100, while every following increase or decrease is calculated in relation to this. The CPI is calculated monthly. The Ghana Statistical Service reports inflation rates nationally as well as disaggregated for its ten administrative regions, of which one is the Volta region. From February 2017 to February 2019, the difference between the national inflation rate and the inflation for the Volta region was only 1 percent. In addition, since the original living wage is estimated for a peri-urban region in the lower Volta area, which is a specific sub-region, the CPI for the Volta region will not fully reflect the actual inflation in this sub-region due to insufficient sampling. Therefore, the national inflation rate is used to update the living wage.

4. RECENT LEVEL OF INFLATION

Ghana has had high rates of inflation recently, although there has been a steady decline from the middle of 2016 onwards. From a high of almost 20% in March 2016, the year-on-year inflation rate fell to 12.8% in March 2017. The inflation rate between February 2018 and February 2019 was 9.2%. Between February 2017 (original living wage study date) and February 2019 inflation in Ghana was 20.72%. This is the inflation rate used for this update.

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

There has been a change in the taxation rate in Ghana according to the Income Tax (Amendment) (No. 2) Act, 2018 (Act 979)⁴. Within this change of tax scheme, there has been an adjustment to inflation, raising the amount of untaxed income to GHC288 (from GHC216 in 2017). However, compared to the previous tax scheme subsequent tax brackets are smaller, compared to before.

In Ghana, just as in 2017, there is a mandatory payroll deduction for the Social Security and National Insurance Trust which amounts to 5.5%. There are also pension fund deductions which are 5% or 6% (5.7% on average for banana export industry workers). Union dues, which were mandatory in 2017, are still mandatory and are as high as 2%. In total, on average these deductions amount to 12.7% of basic wages.

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

The updated net living wage, or take-home pay, for February 2019 is GHC1,056 per month. The gross living wage, which also takes into account income taxes and mandatory payroll deductions, is GHC1,244 per month for February 2019. Table 1 provides details of the original and the updated living wages and family living expenses.

⁴ https://gra.gov.gh/index.php/tax-rates-2019/

Table 1: Living wages and living expenses for banana growing region in the Lower Volta Area, Ghana (in Ghanaian Cedi and US Dollars)

	February 2017 Original Study Date		February 2	February 2019	
			Latest Update		
Currency	Ghanaian	USD	Ghanaian	USD	
	Cedi		Cedi		
Living Expenses for Reference Family Per	GHC1,558	\$357	GHC1,881	\$363	
Month					
Net Living Wage Per Month	GHC875	\$200	GHC1,056	\$204	
Income Taxes and Payroll Deductions Per	GHC153	\$35	GHC188	\$36	
Month on Living Wage					
Gross Living Wage Per Month	GHC1,028	\$235	GHC1,244	\$240	
Exchange Rate to USD	4.37		5.18	5.18	
Source of Exchange Rate	Original Report		Exchange F	Exchange Rates Org ⁵	

⁵ https://www.exchange-rates.org/history/GHS/USD/T