

Living Wage Update Report: Non-metropolitan urban Ethiopia, Ziway, June 2023

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Cost of decent standard
of living for a family

ETB 17,082
(USD 314)



Living Wage
per month

ETB 14,611
(USD 268)



Photo courtesy of Fairtrade.

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Abstract:

This report provides updated estimates of family living expenses and living wages for the non-metropolitan urban flower-producing region in Ziway, Ethiopia. The update for June 2023 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in July 2015 (Melese, 2015).

Keywords: Living costs, living wages, Anker Methodology, Ethiopia

JEL classifications: J30, J50, J80.

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1. BACKGROUND

This report updates the living wage and living expenses to June 2023 for Ziway, the non-metropolitan urban flower-producing region of Ethiopia. The update takes into account the amount of inflation since the original study in July 2015. This is done by updating the July 2015 net living wage and family living income expenses to June 2023 by inflation. Without accounting for inflation, the net living wage estimated in 2015 would not be sufficient for workers to have a basic but decent standard of living in June 2023, because the purchasing power of the living wage would have decreased compared to what it was in 2015. The gross living wage (aka living wage) is updated to June 2023 by also taking into account income taxes and mandatory deductions from pay that workers would need to pay on the updated 2023 living wage. This is done using the laws in effect in June 2023.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM JULY 2015

The original living wage country report estimated the net living wage as ETB 2,584 in July 2015. This was the required take-home pay for workers for decency in July 2015. The gross living wage, which also takes into account mandatory deductions from pay of ETB 784 per month, was estimated as ETB 3,368 per month in July 2015. The living expenses for a basic but decent standard of living for the local family size of five (two adults and three children) in the original country report was estimated as ETB 4,272 per month in July 2015 (Melese, 2015).

3. INFLATION RATE USED FOR UPDATE

The Ethiopian Statistics Service (ESS) is the government body of the Federal Democratic Republic of Ethiopia, responsible for collecting, computing, and reporting the Consumer Price Index (CPI). The ESS estimates the CPI at both regional and country level and expenditure weights are derived from the Household Income, Consumption and Expenditure Survey (HICES) conducted in 2015/2016.

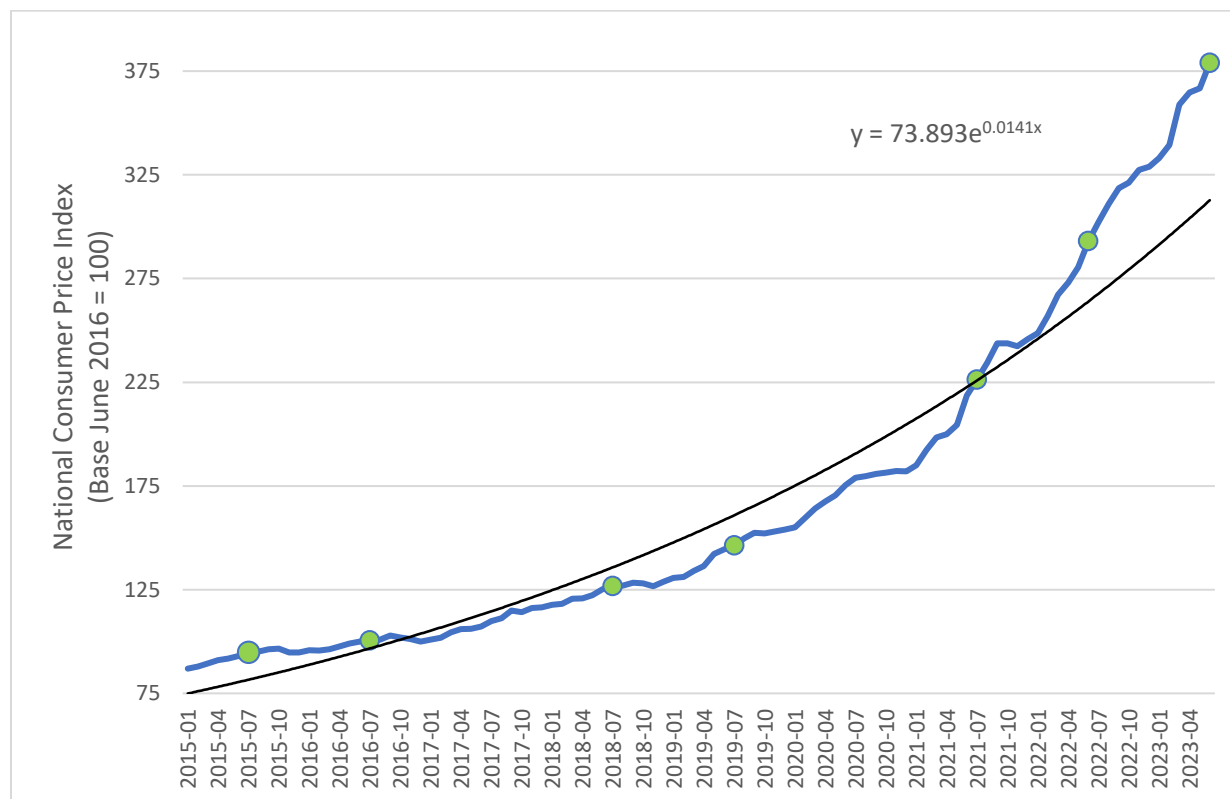
The ESS calculates the CPI for every region in Ethiopia, including Oromia (where Ziway is located). However, because CPI for Oromia is only available from December 2016¹, this report uses the national CPI, which aggregates the regional indices of the main five regions: Oromia, Amhara, SNNP, Addis Ababa, and Tigray. It is worth noting that the national CPI was also used in the previous update (Andersen et al., 2022). Using the national CPI, instead of the CPI for Oromia, should have very little effect on results in this update, since there are only slight differences between the national CPI and the CPI for Oromia.

¹ See <http://www.statsethiopia.gov.et/our-survey-reports/>

4. RECENT LEVEL OF INFLATION

Inflation in Ethiopia has been high since the original study in July 2015. The civil war, in which the country was embroiled from November 2020 to November 2022, has complicated the situation even more. As a result, between July 2015 and June 2023 inflation amounted to 299.9% in Ethiopia (see Figure 1). This is the inflation used in this report.

Figure 1: National Consumer Price Index for Ethiopia, January 2015 to June 2023



Notes: Green circles indicate the months of the original study and earlier updates. The black line is the fitted exponential trendline.

Source: Authors' calculations based on CPI data from CSA.

5. MANDATORY DEDUCTIONS

In Ethiopia, employment income is subject to taxation, already from very low levels of income, at progressive rates ranging from 10% to 35%. In 2023, workers earning a living wage fall into the range which is subject to a 35% marginal tax rate.² Additionally, there is a 7% social security contribution, which is exempt from income taxes.³

² See <https://taxsummaries.pwc.com/ethiopia/individual/taxes-on-personal-income>

³ See <https://taxsummaries.pwc.com/ethiopia/individual/other-taxes>

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR JUNE 2023

The updated net living wage, or take-home pay, for June 2023 is ETB 10,332 (USD 190) per month. The gross living wage (aka living wage), which also takes into account income taxes and mandatory payroll deductions, is ETB 14,611 (USD 268).

Table 1 provides details of the original and the updated living wages and family living expenses. It is still necessary to continually update the living wage in the future to take Ethiopia's high inflation into consideration.

Table 1: Living wages and living expenses for non-metropolitan urban Ziway, Ethiopia, per month (in Ethiopian Birrs and US Dollars)

	July 2015 Original Study Date		June 2022 Update Report		June 2023 Update Report	
	ETB	USD	ETB	USD	ETB	USD
Family Living Expenses (1)	4,272	207	12,995	238	17,082	314
Net Living Wage (2)	2,584	125	7,860	144	10,332	190
Total mandatory deductions and income tax (3)	784	38	2,747	50	4,279	79
Gross Living Wage (2+3)	3,368	163	10,607	194	14,611	268
Exchange Rate to USD	20.68		54.70		54.46 ^a	
Source of Exchange Rate	Original Report		XE		National Bank of Ethiopia	

Note: USD values are indicative only because exchange rates are volatile. ^a Exchange rates is the average for June 2023.

Source: Authors' calculations.

7. REFERENCES

- Andersen, L. E., Medinaceli, A., Gonzales, A., Anker, R. & Anker, M. (2022) *Living Wage Report: Non-metropolitan urban Ethiopia, Ziway*. Living Wage Update Report No. 2022-04-25 Available online: https://globallivingwage.org/wp-content/uploads/2018/05/Updatereport_Ethiopia_2022_3May2022.pdf
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