

Living Wage Update Report

Peri-urban Lower Volta Region, Ghana

June 2023

Living Wage Update Report No. 23-04-57

	Cost of decent standard of living for a family GHC 4,118 (USD 375)		Gross Living Wage per month GHC 2,922 (USD 266)
---	--	--	---

Living wage and living expenses in this update report are for June 2023 only. Because of the high inflation rate in Ghana, it is necessary to often update the living wage and living expenses in the future to take this high inflation rate into consideration.



Photo credit: Fairtrade International

Living Wage Update Report

Peri-urban Lower Volta Region, Ghana

June 2023

By:

*Agnes Medinaceli**

*Lykke E. Andersen***

*Marcelo Delajara****

*Richard Anker*****

*Martha Anker*****

Abstract:

This report provides updated estimates of family living expenses and living wage for the peri-urban Lower Volta Region of Ghana, where bananas are produced for export. The update for June 2023 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in February 2017 (Smith, Anker & Anker, 2017).

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

JEL classifications: J30, J50, J80.

* SDSN Bolivia, E-mail: agnes.medinaceli@gmail.com

**SDSN Bolivia, E-mail: Lykke.E.Andersen@gmail.com

*** Anker Research Institute, E-mail: mdelajara@ankerinstitute.org

**** Anker Research Institute, E-mail: marthaandrichard@gmail.com

1. BACKGROUND

This report updates the living wage and living income expenses for the banana producing peri-urban areas of the Lower Volta Region of Ghana. The update takes into account the amount of inflation since the original study in February 2017. This is done by updating the February 2017 net living wage and living income expenses to June 2023 by inflation. 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 mid-2023 because the purchasing power of the living wage would have decreased compared to what it was in 2017. 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 June 2023 living wage. This is done using June 2023 laws.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM FEBRUARY 2017

The original living wage country report estimated the net living wage as GHC 875 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 GHC 1,028 in February 2017. The living income expenses for a basic but decent standard of living for a reference family in the original country report were estimated as GHC 1,558 in February 2017.

3. INFLATION RATE USED FOR UPDATE

The Consumer Price Index of Ghana is calculated by Ghana Statistical Service (GSS) and published monthly in a CPI bulletin.¹ In September of 2022, GSS changed the base year to 2021. Although GSS publishes regional CPI statistics as well, we consider the National CPI to be more reliable and reasonably representative for the peri-urban areas of the lower Volta region.

4. RECENT LEVEL OF INFLATION

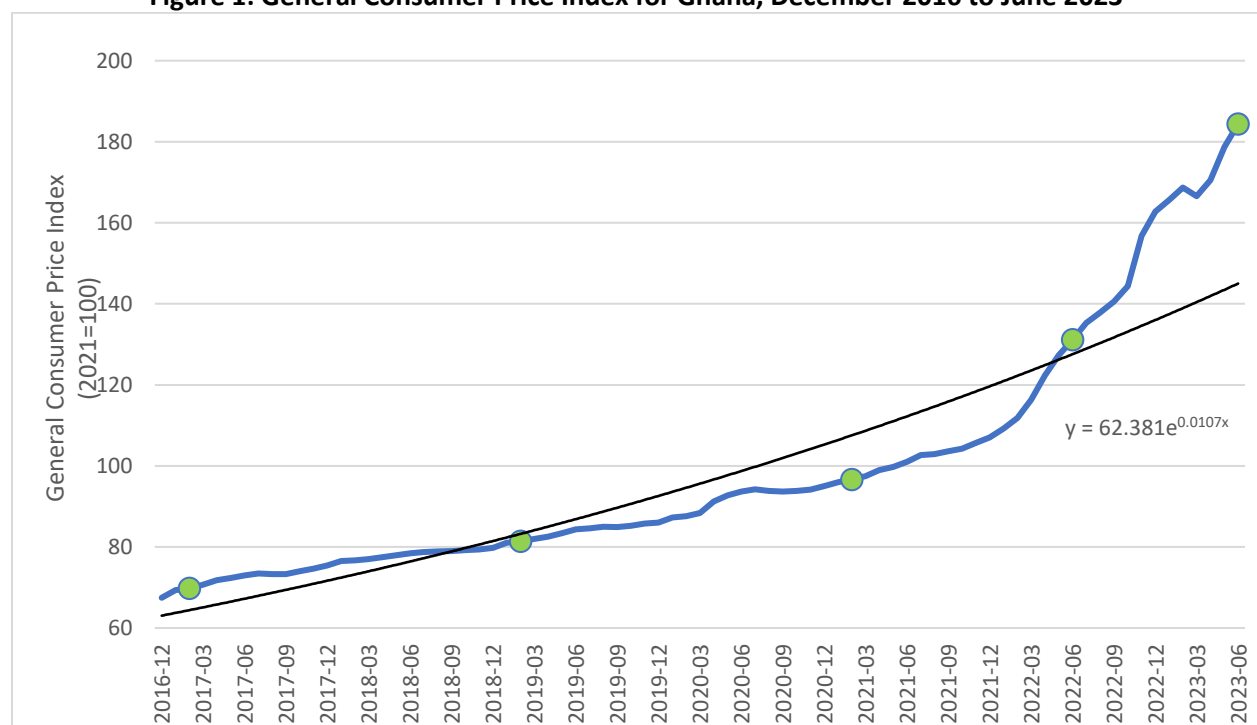
Inflation in Ghana has been high during 2022 and the first half of 2023. Between February 2017 and June 2023, inflation in Ghana amounted to 164.3% (see Figure 1). This is the inflation used in this report.

¹

See

https://statsghana.gov.gh/nationalaccount_macros.php?Stats=MTE2MTIyMjQ5Ni41NjY=/webstats/7163p83s71

Figure 1: General Consumer Price Index for Ghana, December 2016 to June 2023



Notes: Green circles highlight the months of the original study and updates. The black line is the fitted exponential trend.
Source: Authors' calculations based on CPI data from GSS.

5. MANDATORY DEDUCTIONS

In Ghana, there is a mandatory payroll deduction for the Social Security and National Insurance Trust which amounts to 5.5%, as in the original study.² 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 13.7% of basic wages. Payments in-kind are not subject to payroll deductions.

Concerning personal income taxes, workers in Ghana become liable for income taxes already from very low levels of income. In 2023, adjustments were made to personal income tax rates. For individuals earning a living wage, the current taxation structure is as follows: they are now exempt from paying any taxes on the initial GHC 402 earned per month. Subsequently, there is a 5% tax on the following GHC 110, a 10% on the next GHC 130, and 17.5% on the subsequent GHC 3,000.³ Notably, to alleviate their tax burden, workers earning a living wage benefit from a monthly relief of GHC 230⁴.

² See <https://taxsummaries.pwc.com/ghana/individual/other-taxes>

³ See <https://taxsummaries.pwc.com/ghana/individual/taxes-on-personal-income>

⁴ See <https://taxsummaries.pwc.com/ghana/individual/deductions>

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2023

The updated net living wage, or take-home pay, for June 2023 is GHC 2,313 (USD 211) per month. The gross living wage (aka living wage), which also takes into account income taxes and mandatory payroll deductions, is GHC 2,922 (USD 266) for June 2023.

Table 1 provides details of the original and the updated family living income expenses, as well as net and gross living wages for the banana producing areas of the peri-urban lower Volta Region. It is worth noting that this living wage is valid only for June 2023. It is still necessary to continually update the living wage in the future to take Ghana's high inflation into consideration.

Table 1: Family Living Expenses and Living Wages for Peri-urban lower Volta Region, Ghana (in Ghanaian Cedi and US Dollars per month)

	February 2017 Original Study Date		June 2022 Update Report		June 2023 Update Report	
Currency	GHC	USD	GHC	USD	GHC	USD
Family Living Expenses (1)	1,558	357	3,033	422	4,118	375
Net Living Wage (2)	875	200	1,703	237	2,313	211
Total mandatory deductions and income tax (3)	153	35	409	57	610	56
Gross Living Wage (2+3)	1,028	235	2,112	294	2,922	266
Exchange Rate to USD	4.37		7.19 ^a		10.98 ^b	

Note: USD values are indicative only because exchange rates are volatile. ^a Average exchange rate for June 2022. ^b Average exchange rate for June 2023. Source: Bank of Ghana.
Source: Authors' calculations.

7. REFERENCES

- Andersen, L. E., Medinaceli, A., Gonzales, A., Anker, R., & Anker, M. (2022). Living Wage Update Report: Peri-urban Lower Volta Region, Ghana 2022. *Living Wage Update Report No. 2022-04-07*. Available online: https://www.globallivingwage.org/wp-content/uploads/2022/04/Updatereport_Ghana_2022_June-FINAL.pdf
- Smith, S., Anker, M. & Anker, R. (2017). *Living Wage Report: Ghana. Lower Volta Area: Context Provided in the Banana Sector*. Available online: https://globallivingwage.org/wp-content/uploads/2018/04/Ghana_Living_Wage_Benchmark_Report.pdf