Living Wage Update Report:
Peri-urban, Lower Volta Area, Ghana, 2022

Living Wage Update Report No. 2022-04-07

Cost of decent standard of living for a family

GHC 2,710
(USD 378)

Living Wage per month

GHC 1,841
(USD 257)

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Abstract:

This report provides updated estimates of family living expenses and living wage for the lower Volta River area of Ghana, where mainly bananas are produced for export. The update for 2022 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.

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1. BACKGROUND

This report updates the living wage and living income expenses for the banana producing peri-urban areas of the lower Volta River area in 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 December 2021 by inflation and then adding expected inflation for 2022. This provides average living wage and living income expenses estimates for 2022. 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 2022 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 also takes into account income taxes and mandatory deductions from pay that workers would need to pay on the updated 2022 living wage. This is done using March 2022 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 General Consumer Price Index is collected by the Ghana Statistical Service (GSS). GSS gathers price information from the 10 regions of Ghana, but for this update, like previous updates, we use the national CPI, both because the regional CPI is less stable, and because none of the regions are representative of the banana growing region in the lower Volta River area of Ghana. This is a relatively small geographical area within a few hours' drive from the capital, Accra, taking in parts of the Greater Accra Metropolitan Area (GAMA) as well as the Eastern Region and the Volta River Region.

4. RECENT LEVEL OF INFLATION

Between February 2017 and December 2021, inflation in Ghana amounted to 58.9%. The IMF projects that the inflation rate in Ghana for 2022 will be 8.8%[1] but this seems too low given the substantial inflation already in the first two months of the year. In February 2022, Ghana's annual inflation rate accelerated for the ninth consecutive month to 15.7%, up from 13.9% in January.[2] The latest forecast of Trading

[1] See https://www.imf.org/external/datamapper/PCPIPCH@WEO/GHA. Information accessed 26 March 2022.
[2] See https://tradingeconomics.com/ghana/inflation-cpi.

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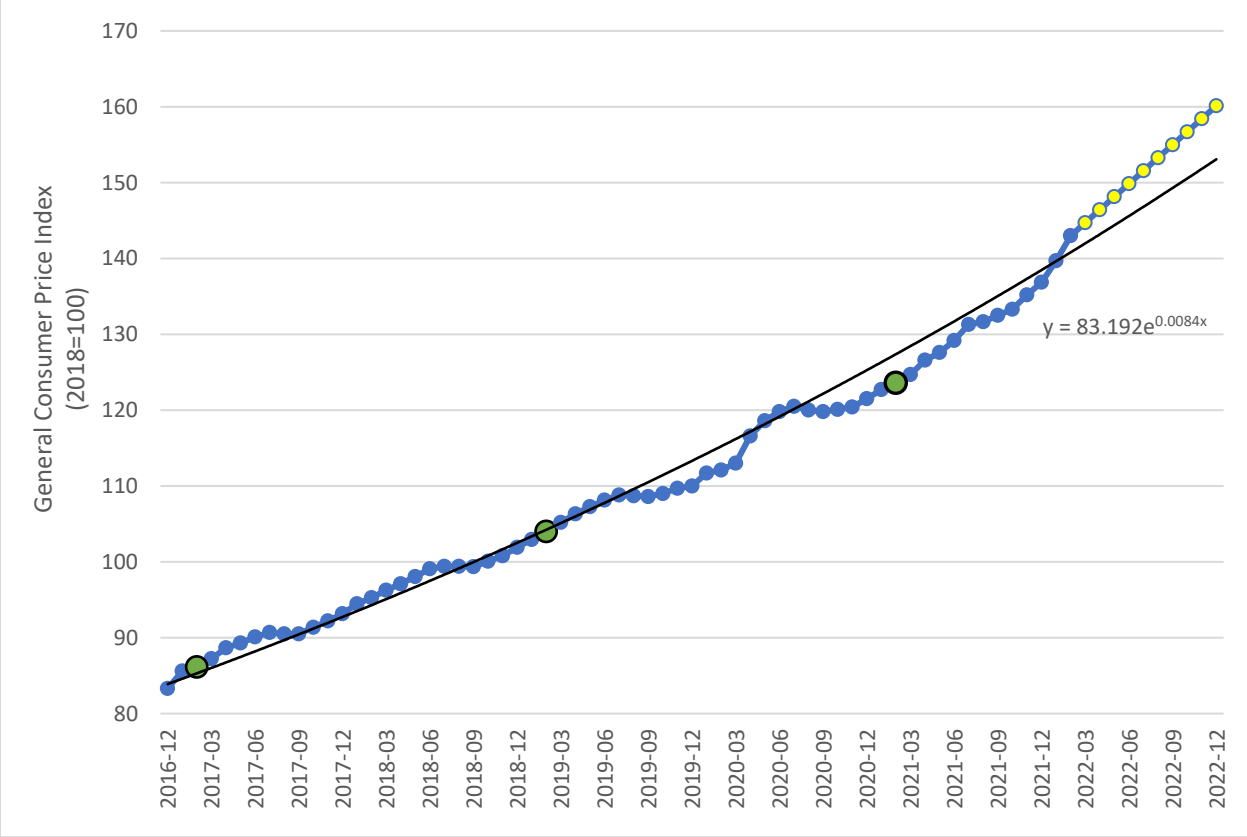
Economics is 17%[3] inflation in Ghana for 2022, which is more compatible with the rather large devaluation which has already taken place within the first quarter of the year 2022 (18.4%). This more realistic expectation was added to the Consumer Price Index numbers shown in Figure 1 while taking into consideration the substantial inflation experienced in January and February.

Figure 1: General Consumer Price Index for Ghana, December 2016 to December 2022



Notes: *Green circles highlight the months of the original study and earlier updates. Yellow circles show the forecasts for 2022 (according to Trading Economics). 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.[4] 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.

[3] See https://tradingeconomics.com/ghana/inflation-cpi.
[4] See https://taxsummaries.pwc.com/ghana/individual/other-taxes

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Workers in Ghana also start paying income taxes already from very low levels of income, and workers earning a living wage would pay 0% on the first GHC 319 earned per month, 5% on the next GHC 100, 10% on the next GHC 120, and 17.5% on the next GHS 3000.[5]

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2022

The updated gross living wage for 2022 is GHC 1,841 (USD 257). 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 Lower Volta area.

[5] https://taxsummaries.pwc.com/ghana/individual/taxes-on-personal-income

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Table 1: Living Expenses and Living Wages for peri-urban Ghana (in Ghanaian Cedi and US Dollars)

	February 2017 Original Study Date		February 2021 Update Report		2022 Update Report	
Exchange rate (GHC/USD)	**4.37**		**5.82**		**7.17***	
Currency	**GHC**	**USD**	**GHC**	**USD**	**GHC**	**USD**
Living Expenses for Reference Family per Month	1,558	357	2,236	384	2,710	378
Net Living Wage per Month	875	200	1,256	216	1,522	212
Income Taxes and Payroll Deductions per Month on Living Wage	153	35	243	42	319	44
Gross Living Wage per Month	1,028	235	1,499	257	1,841	257

Note: * The expected mid-2022 exchange rate was calculated by adding half the change between 1-July-2021 (5.77) and 1-March-2022 (6.70) to the 1-March-2022 value. However, given the uncertainty in the Cedi to USD exchange rates, USD values for 2022 in this table should only be considered as indicative.
Source: Authors' calculations.

7. REFERENCES

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

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