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

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Cost of decent standard of living for a family
GHC 3,033
(USD 422)

Gross Living Wage per month
GHC 2,112
(USD 294)

Photo credit: Fairtrade International
Living Wage Update Report
Peri-urban Lower Volta Region, Ghana 2022

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Abstract:
This estimate has been revised to reflect the actual inflation rate in the country during 2022. The 2022 update previously published was calculated with the IMF projected inflation for the year.

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 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 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 2022 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-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 updated to June 2022 by also taking into account income taxes and mandatory deductions from pay that workers would need to pay on the updated living wage using June 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 Region 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 June 2022, inflation in Ghana amounted to 95%. During the first half of 2022 inflation in Ghana increased substantially, as it is shown in Figure 1.
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.\(^1\) 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.

Workers in Ghana also start paying income taxes already from very low levels of income. Workers earning a living wage would pay 0% on the first GHC 365 earned per month, 5% on the next GHC 110, 10% on the next GHC 130, and 17.5% on the next GHS 3,000.\(^2\)

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2022

The updated gross living wage for June 2022 is GHC 2,112 (USD 294). 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.

\(^1\) See https://taxsummaries.pwc.com/ghana/individual/other-taxes
\(^2\) https://taxsummaries.pwc.com/ghana/individual/taxes-on-personal-income
Table 1: Family Living Expenses and Living Wages for Peri-urban Lower Volta Region, Ghana (in Ghanaian Cedi and US Dollars per month)

<table>
<thead>
<tr>
<th></th>
<th>February 2017 Original Study Date</th>
<th>February 2021 Update Report</th>
<th>June 2022 Update Report</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Currency</strong></td>
<td>GHC</td>
<td>USD(^a)</td>
<td>GHC</td>
</tr>
<tr>
<td><strong>Family living expenses (1)</strong></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>1,558</td>
<td>357</td>
<td>2,236</td>
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<tr>
<td><strong>Net living wage (2)</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>875</td>
<td>200</td>
<td>1,256</td>
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<tr>
<td><strong>Income taxes and payroll deductions on living wage (3)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>153</td>
<td>35</td>
<td>243</td>
</tr>
<tr>
<td><strong>Gross living wage (4) = (2) + (3)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,028</td>
<td>235</td>
<td>1,499</td>
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<tr>
<td><strong>Exchange rate to USD</strong></td>
<td></td>
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<tr>
<td></td>
<td>4.37</td>
<td>5.82</td>
<td>7.19(^b)</td>
</tr>
</tbody>
</table>

Note: \(^a\) USD values are indicative only because exchange rates are volatile. \(^b\) Average exchange rate for June 2022.
Source: Authors’ calculations.

7. REFERENCES