

## ESTIMATING THE LIVING WAGE A WORKER SHOULD EARN TO ABLE TO MEET HIS/HER BASIC NEEDS (A CASE STUDY OF BANTAMA CONSTITUENCY)

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### Abstract

Workers need decent salaries to provide decent living conditions for themselves and their families. And, yes, other bodies have long acknowledged the value of a living wage. Notwithstanding appreciation, there is no general definition of what constitutes living wage. This research presents a case study calculating the living wage a worker should earn in the Bantama Constituency to meet his/her basic needs. This research provides a framework and contributes to the body of knowledge to estimate living wages. The study concludes with recommendations for future studies.

### Keywords

Workers, salaries, conditions, families, living wage, appreciation, Bantama Constituency, framework

### Literature Review

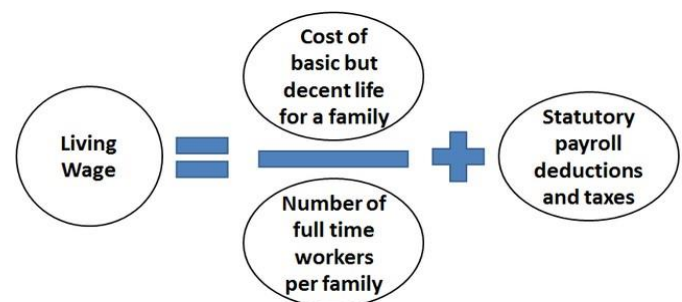
The issue of living wage has been a worldwide phenomenon. Many have argued that workers need a decent wage to have a basic standard of living for them and their dependents. Both minimum and living wage has been employed as a means of raising living standards and reducing poverty. Minimum wages, nevertheless, often fail to meet workers' requirements for a basic quality of life (Sinha 2015). The Global Voice of Business (2014) defined minimum wage as the lowest level of wage which is established through a minimum wage fixing system, to be paid to workers by virtue of a contract of employment. Laws are passed in most countries to make sure that employees are not paid below a stated minimum amount (Sinha, 2015). Minimum wage can be set in two common ways; set by statute or negotiations between workers and firm representatives (Boeri, 2012). The concept of living wage has been developed from the concept of minimum wage. According to Sinha (2015), there is no universally accepted definition of living wage but many scholars mentioned that it includes provisions for basic needs over and above biological needs that are covered by the state-defined minimum wages. Parker et al. (2016) defined living wage as a basic income that do not merely provide subsistence but enables workers to participate in society and provision for unexpected events. Living wage

should be sufficient so that workers and their dependents are able to meet predetermined standard of living considered decent by society at its current level of development (Smith et al., 2017). Also, Anker (2011) stated that a living wage enables workers and their families to live above the poverty line and participate in social and cultural life.

### Research Methodology

This article is based on case study research that sought to determine the living wage of a worker in Bantama in the Kumasi Metropolis. We visited three houses in the area and sought to find three categories of families (i.e Typical Family, Standard Family and Single Adult)

### Living Wage Calculation Formulae



**Figure 1**

Source: Anker & Anker

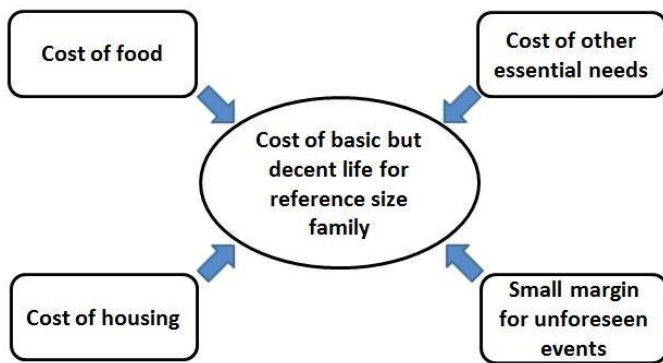


Figure 2

Source: Anker &amp; Anker

The following is an explanation of data sources for each component of the living wage:

### FOOD

Food cost for a living wage for Bantama Constituency was estimated using local food prices.

Table 1 Food Expenses for A Typical Home in Bantama with Six People.

| Food Item                   | Consumption Rate Weekly (A) | Cost Per Food Item(B) GHS | Cost Per Person(C) ((A x B)/6 GHS | Cost Per person per Month C*4 GHS |
|-----------------------------|-----------------------------|---------------------------|-----------------------------------|-----------------------------------|
| Rice                        | 10.5kg                      | 6.00 per kg               | 10.5                              | 42                                |
| Maize                       | 3.5cups                     | 3.00 per cup              | 1.75                              | 7                                 |
| Yam                         | 2 tubers                    | 8.00 per tuber            | 2.67                              | 10.68                             |
| Cassava                     | 3tubers                     | 1.67 per tuber            | 0.84                              | 3.36                              |
| Fruits                      | =                           | =                         | 1                                 | 4                                 |
| Vegetables                  | =                           | =                         | 11.33                             | 45.32                             |
| Bread                       | 5loaves                     | 5.00 per loaf             | 4.16                              | 16.64                             |
| Milk                        | 4 tins                      | 3.00 per tin              | 2                                 | 8                                 |
| Sugar                       | 0.75 kg                     | 4.80 per kg               | 0.6                               | 2.4                               |
| Egg                         | 12eggs                      | 0.6 per egg               | 1.2                               | 4.8                               |
| Fish Products               | 4kilos                      | 10.00 per kilo            | 6.67                              | 26.68                             |
| Beans                       | 0.75cup                     | 6.00 per kg               | 0.75                              | 3                                 |
| Plantains                   | 3fingers                    | 1.67 per finger           | 0.84                              | 3.36                              |
| Drinks                      | 1050ml                      | 1.2 per 350ml             | 0.6                               | 2.4                               |
| Oil (soyabean , olive,palm) | 3000ml                      | 11.00 per 1500ml          | 3.67                              | 14.68                             |
| Milo                        | 229grams                    | 0.04 per gram             | 1.53                              | 6.12                              |
|                             |                             |                           |                                   |                                   |

|  |  |  |       |        |
|--|--|--|-------|--------|
|  |  |  |       |        |
| TOTAL  |  |  | 50.11 | 200.44 |
|  |  |  |       |        |
| Food cost per month for a family 200.44*6 = GHS 1202.64                    |  |  |       |        |
|  |  |  |       |        |
| NB: In a typical Bantama family the number of people in a family is 6(six) |  |  |       |        |

Source: Field Survey, 2020.

### HOUSING COST

Housing costs for our living wage were estimated by summing the cost of: (i) rental of a basic acceptable dwelling; (ii) utility costs (electricity, other lighting, water, cooking fuel). It was assumed that landlords pay the cost of routine repairs and maintenance.

Table 2 Housing Cost for A Typical Home in Bantama with Six People.

| HOUSING EXPENSES          | COST PER MONTH IN GH¢ |
|---------------------------|-----------------------|
| Rent                      | 120                   |
|                           |                       |
| Utilities                 | 80                    |
|                           |                       |
| Cost of Housing Per Month | 200                   |
|                           |                       |

Source: Field Survey, 2020.

### COST OF OTHER ESSENTIAL EXPENSES

The cost of other essential expenses is shown in the table below.

Table 3 Cost of Other Essential Services for A Typical Home in Bantama with Six People.

| ESSENTIAL EXPENSES   | COST PER MONTH (GH¢) |
|--|----------------------|
| Health   | 280                  |
|  |                      |
| Education  | -                    |
|  |                      |
| Transportation (for all family members)                                    | 150                  |
|  |                      |
| TOTAL  | 430                  |
|  |                      |
| NB: In a typical Bantama family the number of people in a family is 6(six) |                      |

Source: Field Survey, 2020.

## TAX RATES IN GHANA

Table 4 Personal Income Tax Rates for Residents in Ghana.

| Chargeable income per month (GH¢) | Rate (%) | Tax (GH¢) | Cumulative chargeable income (GH¢) | Cumulative tax (GH¢) |
|-----------------------------------|----------|-----------|------------------------------------|----------------------|
| First(319)                        | NIL      | NIL       | 319                                |                      |
| Next (100)                        | 5        | 5.00      | 419                                |                      |
| Next (120)                        | 10       | 12.00     | 539                                |                      |
| Next (3000)                       | 17.5     | 525.00    | 3539                               |                      |
| Next 16,461                       | 25       | 4,115.25  | 20,000                             |                      |
| Exceeding 20,000                  | 30       |           |                                    |                      |

## LIVING WAGE CALCULATION FOR BANTAMA CONSTITUENCY

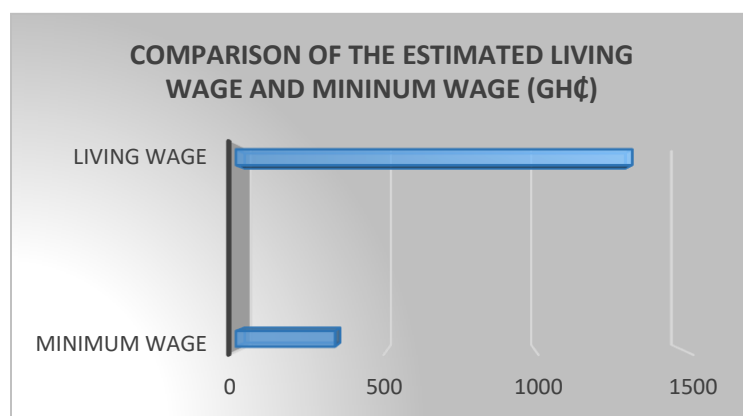
Table 5 Cost of Other Essential Services for A Typical Home in Bantama with Six People.

| ITEM | EXPENSES  | AMOUNT(GH¢)    |
|------|---|----------------|
| 1    | FOOD COST   | 1202.64        |
| 2    | HOUSING COST  | 200            |
| 3    | OTHER ESSENTIAL NEEDS COST  | 430            |
|      | <b>TOTAL COST</b>   | <b>1832.64</b> |
| 4    | CONTINGENCY AND UNFORSEEN EVENTS (5%)   | 91.63          |
|      | <b>TOTAL</b>  | <b>1924.27</b> |
|      | <b>BASIC LIVING WAGE</b>  | <b>1924.00</b> |
|      | <b>NET LIVING WAGE ( <math>\frac{\text{Basic Living Wage}}{\text{Working a Class in Family}}</math> )</b> |                |
| 1.   | $\frac{1924}{1.78}$   | 1080.89        |
|      | <b>MANDTORY DEDUCTIONS</b>  |                |
| 2.   | SSNIT CONTRIBUTION  | 70.80          |
| 3.   | OTHERS (Welfare etc)  | 33.00          |
|      | <b>TAXATION</b>   |                |
| 4.   | Personal income tax   | 135.55         |
|      | <b>GROSS LIVING WAGE PER MONTH</b>  | <b>1319.35</b> |

## COMPARISON OF THE ESTIMATED LIVING WAGE AND MINIMUM WAGE

## MINIMUM WAGE

| MINIMUM WAGE   | RATE (GH¢)          |
|--|---------------------|
| Mandatory Daily Rate   | 11.82               |
| Monthly Rate   | 28 * 11.82          |
|  | <b>330.96 ≈ 331</b> |
| <i>We assumed that the workers in the household work 28 days in a month.</i> |                     |



The minimum wage is the lowest level employers are required to legally pay workers. By way of reference, we used the GhanaWeb.com state minimum wage data as of 1 July 2020. Our living wage calculation for the Bantama Constituency is higher than the minimum wage as can be seen from the figure.

## CONCLUSION AND RECOMMENDATION

As noted, the estimated living wage is at GH¢1320. The calculation indicates, thus, that the estimated living wage exceeds the minimum wage by almost 75%. We would urge the government and all other stakeholders to pay the requisite attention to workers' salaries and to take steps to increase their salaries. Furthermore, although the results of this study contribute to the debate on the estimation of living wages, more work is required. Such future studies should first broaden the scope of study to other areas of the Kumasi Metropolis and if possible nationwide.

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