

THE MINIMUM WAGE

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These days, the minimum wage has become hot topic for political discussion. The other time, it was the NDC saying that the minimum wage at their time could buy more things than the minimum wage today. Then the CPP also came in with some minimum wage figures that actually turned out to be a misrepresentation. I think it was an oversight.

But let's leave the politicians and settle down to some facts and figures. First, the minimum wage is revised periodically by a tripartite committee made up of government, employers and labour. The committee uses factors like inflation and the national GDP among others to revise it. Once they have determined a minimum wage, it has the force of law.

It is true that some employers in the informal sector, like shop owners and others, don't pay their workers the minimum wage. But in the formal sector, like government work and big companies, they dare not pay below the minimum wage. The labour unions would take them to court.

I have heard some people say that they don't care about the minimum wage because only a small number of workers are paid the minimum wage. That is not the case. You see, for government as an employer and most companies in the formal sector, salaries are paid according to a salary scale. At the top of it is the pay of the topmost manager. At the bottom of it is the pay of the least paid, which is normally close to the minimum wage.

The differences between the various salary levels on the scale are very important; they must be maintained at all times. That is what shows that somebody is more senior than somebody. The differences in the levels are what the labour economists refer to as *salary relativities*.

When the minimum wage is increased, the likelihood is that those at the bottom of most salary scales would drop below the minimum wage. So, their salaries must be adjusted upwards. To maintain the salary relativities, the salaries on those scales have to be adjusted upwards. So, in the end, increases in the minimum wage ultimately affects most people in the formal sector.

The higher the minimum wage, the better it is for salaried workers. And when salaried workers get more money, then they can buy more things from traders. Then traders can also make more profit. So, in the end, increases in minimum wages affects all of us.

Now, let's do some comparisons. By the time the NPP came to power in January 2001, the minimum wage was GH¢0.42 (or ¢4200) per day or GH¢11.34 per month. Today, the minimum wage is GH¢2.25 (or ¢22 500) per day or GH¢60.75 per month. I have multiplied the daily minimum wage by 27 days to get the equivalent monthly wage.

It is important to note that in January 2001, the GH¢0.42 minimum wage was taxable. That is to say, after earning this wage, government would come and subtract tax from it. In January 2006, the NPP government abolished taxation on the minimum wage. So the GH¢2.25 is tax free.

The following table shows what the minimum wage could have bought in January 2001 and what it could buy in January 2008. The items are some of the most basic items needed by the average Ghanaian.

I can hear somebody ask, why didn't you include cement and petrol? Well, for most Ghanaians, cement and petrol are not consumer items. The corresponding consumer items are rent and lorry fare. Both of them are there. The prices (all national averages) were obtained from the Ghana Statistical Service.

	Jan 2001		Jan 2008	
Minimum wage (monthly)	GH¢11.34		GH¢60.75	
Description	Avg Price (¢)	Can buy	Avg Price (¢)	Can buy
Local rice (1 kg)	0.28	41	0.66	92
Cassava (1 kg)	0.07	162	0.18	338
Gari (1 kg)	0.19	60	0.49	124
Groundnut oil (1 beer bottle)	0.44	26	0.88	69
Boneless beef (1 kg)	1.04	11	3.73	16
Koobi, salted fish, (1 kg)	0.92	12	3.50	17
Milo (1 tin)	1.03	11	3.12	19
Guardian soap	0.09	126	0.24	253
Pito (1 beer bottle)	0.07	162	0.26	234
Chalie wote (sandals)	0.44	26	0.68	89
Rent (2-bedroom facility)	3.36	3	16.80	4
Electricity (50 unit block charge)	0.40	28	2.10	29
Paracetamol (10 tablets)	0.03	378	0.07	868
Mobile airtime (per min on GT)	0.15	76	0.14	434
207 minibus fare (Accra to Ksi)	1.30	9	5.00	12

Source: Ghana Statistical Service (February 2008)