

Living Wage Update Report: Rural Uganda, Lake Victoria Basin, 2022

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Cost of decent standard
of living for a family

UGX 1,102,589
(USD 307)



Living wage
per month

UGX 770,998
(USD 215)



Photo by Azfar Khan

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Abstract:

This report provides updated estimates of family living expenses and living wages for the Lake Victoria Basin in rural Uganda. The update for 2022 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in September 2019 (Khan and Buyinza, 2019).

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

JEL classifications: J30, J50, J80.

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1. BACKGROUND

This report updates the Anker living wage and family living expenses to 2022 for rural areas in the Lake Victoria Basin, Uganda (Khan and Buyinza, 2019). The update takes into account the amount of inflation since the original study in September 2019. This is done by updating the September 2019 net living wage and living expenses to June 2022 by inflation and then adding expected inflation for the rest of 2022 according to the International Monetary Fund (IMF). This provides average living wage and family living expense estimates for 2022. Without accounting for inflation, the net living wage estimated in 2019 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. The gross living wage (aka living wage) is updated to 2022 by also taking into consideration income taxes and mandatory deductions from pay that workers would need to pay on the updated 2022 living wage using the laws in effect at the beginning of 2022.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM SEPTEMBER 2019

The original living wage report, focusing on the floriculture industry of the Lake Victoria Basin, estimated the net living wage as UGX 555,786 in September 2019. This was the required take-home pay for workers for decency in September 2019. The gross living wage, which also takes into account mandatory deductions from pay of UGX 96,525/month, was estimated as UGX 652,311 per month in September 2019. The living expenses for a basic but decent standard of living for the local family size of five (two adults and three children) in the original living wage report was estimated as UGX 989,298 in September 2019.

3. INFLATION RATE USED FOR UPDATE

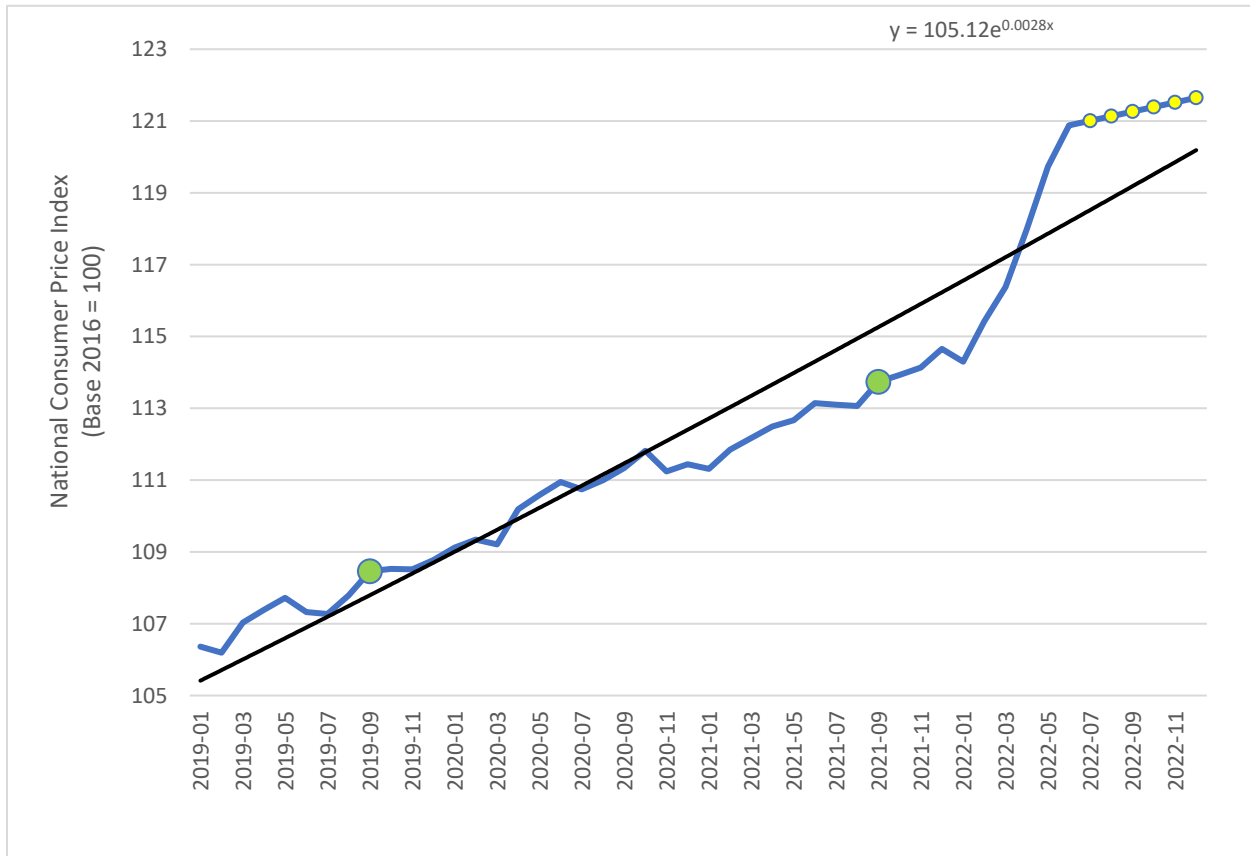
The Uganda Bureau of Statistics (UBOS) reports several consumer price indices (CPI) for Uganda at different levels of aggregation. UBOS uses expenditure weights derived from the Uganda National Household Survey (UNHS IV) that was conducted from May 2009 to April 2010. It reports a national index and indices for 10 urban centers (Kampala High Income, Kampala Middle Income, Kampala Low Income, Masaka, Mbarara, Jinja, Mbale, Gulu, Arua, Fortportal). For all of them, it reports the annual and monthly costs. As this update is focused on a rural part of Uganda, we use the National CPI Index as it is the most representative for this purpose.

4. RECENT LEVEL OF INFLATION

Between September 2019 and December 2021, Uganda experienced accumulated inflation of 5.7%. The IMF projects that the inflation rate in Uganda during 2022 will be 6.1%¹ and this projection was added to the National Consumer Price Index numbers shown in Figure 1, while taking into account observed inflation from January to June 2022 to arrive at an average inflation rate for 2022 of 6.1%.

¹ See <https://www.imf.org/external/datamapper/PCPIPCH@WEO/UGA>. Information accessed: 27 July 2022.

Figure 1: National Consumer Price Index for Uganda from January 2019 to December 2022



Notes: Green circles indicate the months of the original study and the earlier updates. Yellow circles show the forecasts for 2022. The black line is the fitted exponential trendline.

Source: Authors’ calculations based on CPI data from Uganda Bureau of Statistics (UBOS).

5. MANDATORY DEDUCTIONS

As was the case in the original living wage report, all wages in Uganda are subject to a 5%² deduction for social security (NSSF) after exclusion of the value of in-kind benefits (such as food served at the workplace and medical benefits).³ Additionally, as in the previous update, workers earning a living wage fall into the range from UGX 410,000 to UGX 10,000,000 per month, which is subject to a fixed tax of UGX 25,000 plus 30% on the excess from UGX 410,000.⁴ It is important to mention that although, in general, in-kind benefits valued over UGX 10,000 per month are taxed, in kind benefits that are commonly provided in Uganda, such as food served in the workplace and medical benefits, are exempt from income tax.

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

³ We increased the 2019 original study value of in-kind benefits by inflation since then.

⁴ See <https://taxsummaries.pwc.com/uganda/individual/taxes-on-personal-income>.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2022

The updated family living income expenses for 2022 is UGX 1,102,589 per month. The gross living wage (aka living wage), which takes into account mandatory payroll deductions, is UGX 770,998 per month for 2022. These are average estimates for the year 2022. Table 1 provides details of the original and the updated living wages and family living expenses.

Table 1: Living wages and living expenses for Rural Uganda, Lake Victoria Basin (in Uganda Shillings and US Dollars)

Item	September 2019 Original Study		2022 Update Report	
	UGX	USD	UGX	USD
Living Expenses for Reference Family Per Month	989,298	269	1,102,589	307
Net Living Wage Per Month	555,786	151	619,433	172
Income Taxes and Payroll Deductions Per Month on Living Wage	96,525	26	151,565	42
Gross Living Wage Per Month	652,311	177	770,998	215
Exchange Rate to USD	3,675.42		3,592.74*	
Source of Exchange Rate	Original Report		XE	

Note: * The exchange rate does not show a clear trend, which is why we have decided to use the average exchange rate of January-June 2022 as an estimate of the average exchange rate for the year 2022.

Source: Authors' calculations.

7. REFERENCES

Khan, A., Buyinza, F. (2019) *Living Wage Report: Lake Victoria Basin, Rural Uganda with focus on Floriculture Industry*. Global Living Wage Coalition. Available online: <https://bit.ly/3Fw6Rc4>