Report: To accompany press release
Date: 02 May 2019

## Take-home pay boosted by bonuses to high earners in March

The average take-home pay of employees paid via the National Payments System, as recorded by BankservAfrica, increased in real terms by 4.4% year-on-year in March. This is the second highest growth since the start of the BankservAfrica Take-home Pay Index. The average real monthly take-home pay was R14 500, which is the highest inflation adjusted average take-home pay in the near seven-year history of the index. The average take-home salary before adjusting for inflation also reached a new high of R15 812 for March and recorded a 8.7% year-on-year increase.

What is, however, very interesting about the March 2019 take-home pay is that the typical employee did not feel the increase! (Note: for 'typical' or 'median' employee, we refer to the person that is earning take-home pay where 50% earns less than them and 50% earns more than them). The typical take-home salary was just over R10 043 in March. This is the lowest number since April 2018.

Moreover, the typical employee banked a salary that was 1.3% less than a year ago after adjusting for inflation.

It appears that March 2019 was a greater performance-based pay month than usual for many of the higher earners. March salaries often include performance payments as companies who have their year-end in December reward senior and middle level staff in that month based on the company's performance.

The number of people who banked more than R40 000 in March increased by 15% on a year-on-year basis while the number earning less than R12 000 but more than R6 000 per month declined by about 6%. The number of take-home pay employees earning between R4 000 to R6 000 increased by 6.5% on a year-on-year basis.

The number of employees who are regarded as high earners (R40 000 – R100 000 per month) increased substantially between 2017 and 2018, resulting in companies rewarding more performance bonuses to their senior and middle management staff. There may also have been a delay in some higher earners receiving rewards in February as this income category recorded declines during that month. March and December are the main 'bonus' months in South Africa followed by November and June.

**Does the average increase beat the typical increase over time?**
The number of estimated monthly salary payments made via BankservAfrica was 3 092 809. That means the person in the middle would have the 1 546 405 highest income or the 1 506 405 lowest income. This data bears some semblance to the saying that the rich always get a better deal and often at the expense of the common or typical working person. It must, however, be noted that our data excludes entrepreneurs and those earning over R100 000 per month. It is also interesting to note that the median is always far lower than the average.

For March, the median employee took home just 69.3% of what the average employee took home. The average was very much an outlier as this was the first time that the median was less than 70% of the average.

Since March 2012 to March 2019, the real average take-home pay increased by 5.3% and the median or typical take home pay increased by 3.7% in real terms, making the case that the average rises faster due to those earning more getting higher increases.

But March 2019 is a very big outlier and if we did the same calculation for the six years to February 2019, the median would have increased by 6.3% in real terms and the average would have increased by only 3.9%. In

January, the median increased by 12.9% in real terms from January 2012 while the average only increased by 6.3%.

So yes, in some months the average employee is doing better than the ordinary ('typical') employee in the middle of the income spectrum. But in most months, the typical employee actual is better than the average employee by 0.2%!

This small difference tells us that the actual typical employee does a little better with take-home pay increases. One should expect this as the personal income tax rates have not been adjusted for inflation, particularly for higher income earners. This would therefore reduce their take-home pay even more. It also tells us that the value add in the South African economy is spread more fairly than we think to employees and filters down to the normal working person. This is, of course, beneficial for those employed in the formal sector (as measured by payments into the National Payments System).

The information should also inform us that the divide is more likely to be between those that have work (particularly the formal employees) and those without work. Less than 13% of employees took home less than R4 000 in March 2019.

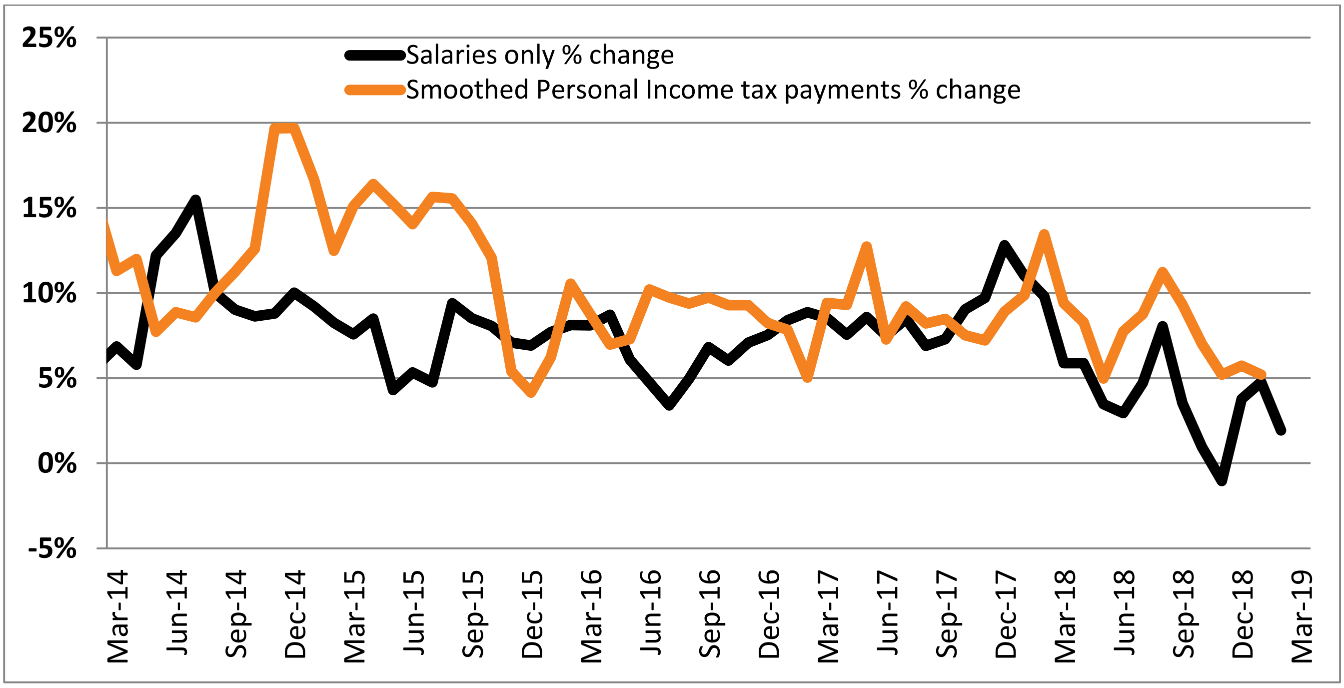
**Banked private pensions record 25th consecutive real increase**
BankservAfrica, which also measures the private pensions of South Africans, showed a 2.2% year-on-year increase in March.

Although slightly down on the February value of R7 020, March's R6 962 is still the fourth highest ever recorded real average banked pension in BankservAfrica's Private Pensions Index (BPPI).

In nominal terms, the average pension was R7 527 for March 2019. Pension remains a growing source of consumer income. Interestingly, the average pension is 48.9% of the average take-home salary.

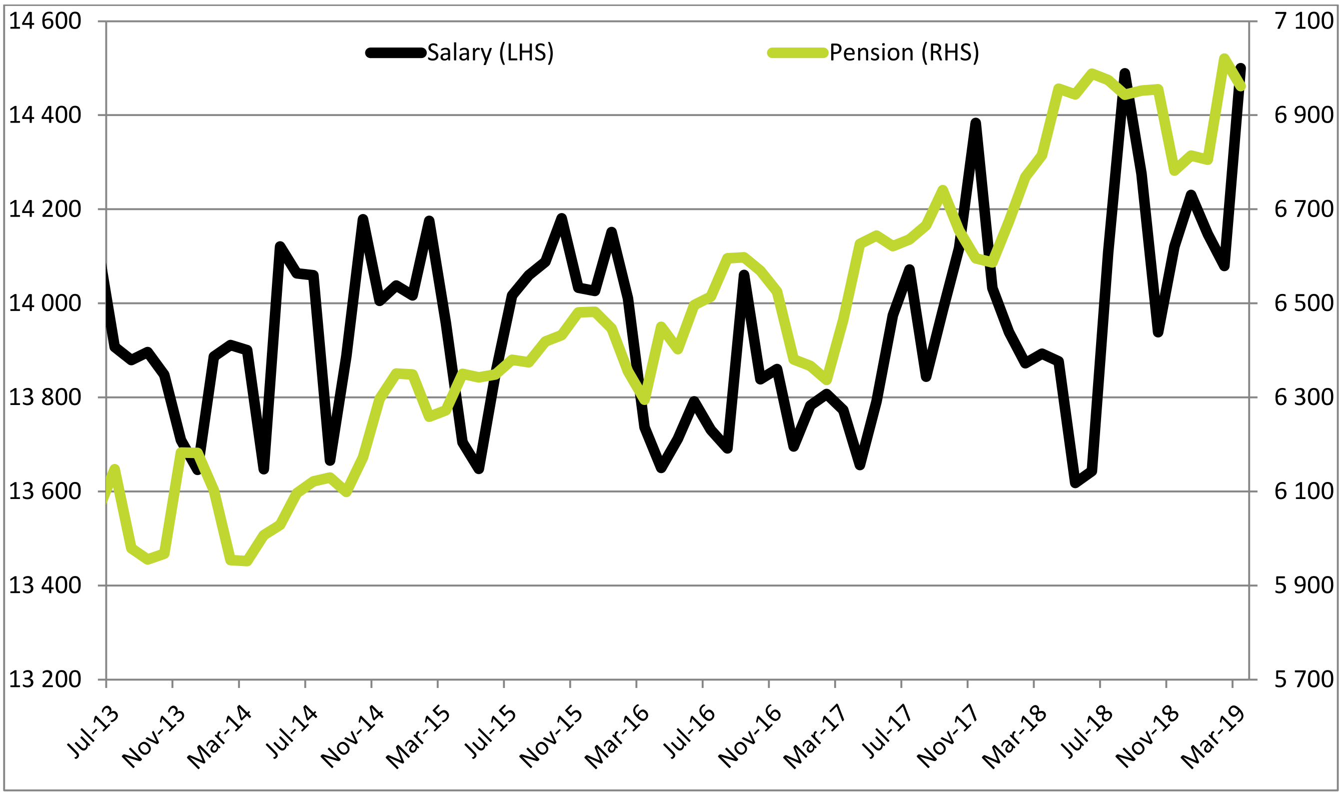
The estimated number of pensioners paid via the payment system was 693 689. The BPPI represents about 70% of all banked private pensions in South Africa.

**Graph 1: Nominal take-home pay average and banked private pensions**




*Source: BankservAfrica and Economistscoza*

### Graph 2: Real take-home pay average and banked private pensions




*Source: BankservAfrica and Economistscoza*

### Table 1: BankservAfrica Take-home Pay and Private Pensions

| Month | Nominal average Take-home pay | Real Take-home pay | Nominal BTPI % change YoY | Real BTPI % change YoY | Nominal average pensions paid | Real private pension | Nominal BPPI % change YoY | Real BPPI % change YoY |
|---|---|---|---|---|---|---|---|---|
| Jan-18 | 14619 | 13938 | 5,7% | 1,1% | 6959 | 6675 | 9,8% | 4,8% |
| Feb-18 | 14563 | 13873 | 4,9% | 0,5% | 7047 | 6769 | 11,5% | 6,8% |
| Mar-18 | 14540 | 13893 | 5,0% | 0,9% | 7080 | 6815 | 9,7% | 5,4% |
| Apr-18 | 14639 | 13877 | 5,8% | 1,6% | 7380 | 6957 | 9,0% | 5,0% |
| May-18 | 14482 | 13618 | 2,9% | -1,3% | 7381 | 6944 | 9,2% | 4,5% |
| Jun-18 | 14655 | 13643 | 2,0% | -2,4% | 7623 | 6989 | 10,2% | 5,5% |
| Jul-18 | 15136 | 14109 | 5,0% | 0,3% | 7607 | 6975 | 9,9% | 5,1% |
| Aug-18 | 15668 | 14489 | 9,8% | 4,7% | 7579 | 6943 | 9,5% | 4,2% |
| Sep-18 | 15550 | 14276 | 7,1% | 2,1% | 7571 | 6952 | 8,2% | 3,1% |
| Oct-18 | 15331 | 13939 | 3,7% | -1,3% | 7586 | 6955 | 9,6% | 4,5% |
| Nov-18 | 15530 | 14121 | 3,1% | -1,8% | 7412 | 6782 | 8,1% | 2,8% |
| Dec-18 | 15651 | 14230 | 6,4% | 1,4% | 7452 | 6814 | 8,8% | 3,5% |
| Jan-19 | 15516 | 14148 | 6,1% | 1,5% | 7414 | 6805 | 6,5% | 2,0% |
| Feb-19 | 15398 | 14080 | 5,7% | 1,5% | 7601 | 7020 | 7,9% | 3,7% |
| Mar-19 | 15812 | 14500 | 8,7% | 4,4% | 7527 | 6962 | 6,3% | 2,2% |

*Source: BankservAfrica and Economistscoza*

**Technical notes about the BankservAfrica Take-home Pay Index**

Every month BankservAfrica measures wages that are transferred to employee bank accounts. Take-home pay does not include UIF payments in all cases. By law this is subtracted before payments are made into the bank account of an employee.

Moreover, these take-home payments exclude personal income tax and employee pension payments in most cases. By law, all who are required to pay personal income tax– commonly referred to as PAYE - is subtracted before payments into a bank account are made. Often these exclude part of the medical insurance payments that employees make. In an estimated 12% of employee payment cases, we believe debt repayments are subtracted before earnings are paid into the bank account.

The BankservAfrica Take-home Pay Index accounts for weekly payments. We track the weekly payments by estimating them on the national payment system (NPS) and via the South African Quarterly Labour Force Survey. We believe the part of the formal sector that goes via the NPS is about 9% to 11%. We have estimated it at 9.5%. There are a few daily payments in the NPS but it is difficult to account for them.

We see most weekly payments on Friday and then Monday and then Thursdays. Every month we count the number of Fridays and Thursday and Mondays there are and work from the normal month that is from the 1st to the 30th or 31st.
We take the weekly payments and make it one payment per month. This will normally take say 4.8 million payments to 3.1 million monthly payments (we do not account for daily payments which we believe will be less than 1% on a monthly estimate basis).
We believe we cover around 3.1 million monthly payments which is about 30% of all non-farm employees.

We measure salary payments that are loaded onto the NPS for salaries. We have also investigated EFT salary payments (where the word salary or wage is mentioned in an EFT). We believe this would increase our universe to well over 4 million employees and we see the same trend. However, this data is a little more speculative and we follow this trend to check our data rather than incorporate this data.

We exclude all payments of over R100 000 as these seem to be very few in some months but high in March and December and January. The reason for the exclusion of the over R100k is due to bonus payments and retirement or retrenchment payments we believe. Some months this extends to 3000 people, and other months it can be 16 000 people. It also skews the numbers as the average goes from R150 000 to R480K.

We then calculate the average and a median from our data. We use a three-month moving average as this allows us to present figures to South Africa that do not fluctuate too much.

We also seasonally adjust all our data to take out the December year-end bonus payments and the additional people employed from October to December on a part-time basis.

We show all the estimated data as monthly payments.