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Take-home pay hides massive disparities and reveals likely job losses

The BankservAfrica Take-home Pay Index for May decreased by 0.2% in real terms. Essentially, take-home pay was flat despite the lower inflation and decrease in personal income tax rates. However, this is not the real story that the BankservAfrica numbers tell us.

While take-home pay remains relatively stable, the average hides big disparities in the employment context. The COVID-19 lockdown has impacted employees taking home less than R6 000 per month far more than those earning more than R40 000 per month.

One in five private sector wage payments lost

On average, the number of employees taking home more than R40 000 per month over the last three months, increased by 8.1% on last year's employee numbers.

In contrast, the number of payments made to employees earning less than R10 000 per month decreased by 13.4% on a three-month moving average basis on a year ago.

On the same basis, the number of take-home payments between R10 000 and R39 9999 per month increased by 1.8%.

So, while the average take-home pay, as measured by BankservAfrica, decreased by 0.2% after inflation, the typical or median take-home pay increased by 4.2% after inflation.

The overall amount paid to all employees via the BankservAfrica system declined by -7.2% in real terms. This shows the impact of the COVID-19 crisis - even with the UIF COVID-19 Temporary Employee Relief Scheme (TERS) pay-outs, tax reductions and pension payment holidays.

The lockdown has hurt people who take home less than R10 000 per month, which includes most casual and many weekly paid employees. These type of employee numbers have declined radically, according to an analysis of the BankservAfrica data which monitored over 4 million take-home pay transactions in May. This represents about 2.75 million employees in the formal sector in May 2020, down from 3.16 million people in May 2019.

We estimate that the number of payments for casual employees has been cut by 26% and weekly payments declined by 9% while monthly payments numbers decreased by 2%.

Clearly, the impact of the lockdown is hardest on the lower earners so far but, with many retrenchment notices being filed, one does suspect that monthly paid employees will also start to feel the impact.

This is the reason that the median salary (also called the salary in the middle of all salaries) rose so dramatically compared to the small average decrease overall.

The lower paid workers are certainly the ones being impacted at a far higher rate than either the middle or the higher paid employees. One reason may be that government employees who are relatively well paid are not likely to lose their work at present. Other more secure sectors such as telecommunications, financial services and medical and professional services like health, legal and accounting are also far less likely to lose their income.

With casual payments decreasing by over a quarter, the current crisis is very likely increasing inequality and poverty. We cannot also see all the trends in these numbers such as, for example, salary cuts by some. But we can see the overall impact.

We believe that the UIF, lower personal income tax rates, lower interest on company loans and often garnishee orders, pension contribution holidays have counteracted impacts such as salary cuts.

Counting employee payments made via BankservAfrica's system, we estimate that about 13% of employee payments have disappeared. This does not translate into the exact number of additional unemployed individuals in May as some payments have gone from weekly to monthly, as would be the case when a weekly wage earner gets paid UIF. Furthermore, one should keep in mind, that the payments on the BankservAfrica Take-home Pay index are overall far more likely to represent that of bigger enterprises and government.

We estimate that about one third of the BankservAfrica take-home payments are made to civil servants far higher than the 21% that the Stats SA Quarterly Employment Survey shows.

If government employee numbers remained stable, this would indicate that about 17% of the private sector employee payments have vanished from the system. This is nearly one in five private sector wage payments that, according to our data, have vanished into thin air.

This does not mean that these employees are now all unemployed but that they did not get their usual weekly or daily income regularly. Some weekly payments are likely to have changed to monthly if the UIF is paying but we must also note that even with these under consideration, the total numbers and value paid is lower than before.

Nonetheless, knowing that the latest data on employment may take a long time to be published, we are releasing BankservAfrica payment statistics as a service for the economic information that South Africa needs.

What our data tells us about unemployment

As BankservAfrica serves the National Payment System, we understand that our data is skewed towards larger firms and government. For example, many smaller firms do not make use of employee payments systems run by banks and other payment service providers and they would just pay employees via EFT.

We also note that some UIF payments still must take place and some did take place in June instead of May.

Taking all of this into account, we presume that around 20% of all private sector salary payments did not take place in the last month, which is concerning as this indicates a massive spike in unemployment.

This does not mean all the people are unemployed but, with over 3.6 million TERS payments being made over the last two months, it is clear that many firms are under duress. In many cases, the firms could start again although some will have been forced to shut down.

Our take-home pay data tell us that at least one in five private sector jobs are currently at risk. South Africa could see between 1 million and 3 million jobs lost with about 1.8 million as the most likely number.

Employment is a lagging indicator and we know, from its economic history, can take over a year to fully reflect the full extent. Many services are still not open and many others are not seeing the same turnover as before. Exports have also dropped. Having said all of this, we also wish to point out that the early signs of 'normalisation' are appearing. This will help to turn the tide.

Difficult times ahead

The road will be hard as the total value paid to employees decreased on a monthly basis by -3.8% in nominal terms and -7.2% in real terms in May, according to our data. This does not bode well for consumer spending or confidence.

While the retail statistics by Stats SA are yet to be released, our data suggests consumer confidence is very likely to remain low for the coming months as both salaries and jobs are under pressure.

Table 1: The BankservAfrica Take-home Pay Index data

Month	Nominal average take-home pay	Real take home-pay	Nominal BTPI % change YoY	Real BTPI % change YoY
Jan-19	15090	13598	1,2%	-3,2%
Feb-19	15353	13728	1,5%	-2,5%
Mar-19	15321	14108	3,8%	-0,3%
Apr-19	15237	14188	4,6%	0,3%
May-19	14965	14138	5,1%	0,6%
Jun-19	15661	14241	3,0%	-1,3%
Jul-19	16324	14566	2,4%	-1,7%
Aug-19	17531	15218	3,5%	-0,8%
Sep-19	17179	14879	3,8%	-0,3%
Oct-19	16686	14595	6,5%	2,3%
Nov-19	16177	14334	8,8%	4,9%
Dec-19	16052	14174	9,6%	5,7%
Jan-20	16502	14307	9,4%	5,2%
Feb-20	16505	14137	7,5%	3,0%
Mar-20	16107	14171	5,1%	0,4%
Apr-20	15703	14030	3,1%	-1,1%
May-20	15506	14112	3,6%	-0,2%

Source: BankservAfrica and economists.co.za

Note on BTPI data revision
The BTPI was revised in the recent past due to a change in the South African National Payment System which started to exclude salary payments from other SACU member countries in the Common Monetary Area (CMA). This change was implemented over the last year and we noticed that some months reflected increases as a result of this.

Under the request by the South African Reserve Bank requested, the CMA payments was removed and we needed to align this to the BTPI data set. Our data for the previous years needed to be adjusted to this change and the relevant CMA countries needed to be removed. This adjusted the number of employees and the salaries paid.

This resulted in about 6% less employees on the system and also about 7.5% less money paid on average over about seven months. The payments were also impacted more in some months than others. In some months, the total take-home pay declined by over 12% while in others, it was far less. Sometimes the average salary increased by over 12% from the previous level and sometimes it decreased slightly (far less decreases were noted).

BankservAfrica and economists.co.za had to roll back the years. Old tapes were rerun and other SACU countries data was removed often by hand. Before 2018 the full data set was no longer available. We adjusted the data for each year based on the data we had available.

We also removed all payment under R500 from the analysis just as we removed the data that represents people being paid over R100 000 per month (after tax in all cases). We had always excluded the payments of over R100 000 as this often distorts the picture and includes final salary payments of people who have retired and who may still get some bonus or holiday month pay-outs. We believe pension payments often reflect in this category too.

From experience, we realise this dataset will not be exact – the bottom and top bands will from time to time increase and inflation pushes wages and salaries up.

We have also started to make assumptions on who gets paid weekly and who gets paid monthly salaries and will from time to time note interesting aspects of this data. This also helps us to understand when many increases are paid to understand the moving data better.

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, however due to monthly payments being supplemented by COVID-19 relief payments in April 2020, this has had to be taken into consideration in the BTPI (as referred to above).

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 possibly retirement or retrenchment payments. 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 R480 000.

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.

About BankservAfrica

BankservAfrica is the trusted payments partner and Financial Markets Infrastructure (FMI) to the financial services industry. As the largest automated payments clearing house in Africa we clear and process billions of low value card, ATM and EFT transactions annually. Our role in the South African National Payments System (NPS) is to facilitate interoperability between the banks and ensure regulatory compliance with our regulators against international banking security best practice and standards and reduces risk and complexity in the industry.

We continue to strive to be a world class and pre-eminent payments operator, innovator and payments partner of choice in Africa, by simplifying our worlds through combining trusted transactions with sensitive information.

BankservAfrica's national responsibility is to provide safe financial payment services for 56.7 million South Africans, irrespective of their location in partnership with our shareholders and partners.

With a 47-year history in South Africa, BankservAfrica operates 24/7, 365 days a year and delivers on very strong SLAs.