Salaries hit drastic decline - index

BankservAfrica's latest Take-home Pay Index (BTPI) has revealed the steepest monthly decline of take-home pay in South Africa's private sector since September 2019. The index also reflected little change in the typical salary of formal sector workers in the last two years.

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“The real take-home pay declined by 3.1% on a year-on-year basis in October 2021 compared to the 4.1% growth in September 2021,” says Shergeran Naidoo, BankservAfrica’s head of Stakeholder Engagements.

There are a number of reasons for this fall. In October 2020, more casual workers were in the process of returning to work, which resulted in the high BTPI base. In contrast, the October 2021 data reflected a smaller pool of payments to casual workers, which contributed to the sharp fall between October 2021 – September 2021. The Municipal Elections Monday, which was declared as a public holiday, may have also seen some receiving their pay after 1 November 2021, therefore lowering the BTPI numbers for October 2021.

“As the three-month moving average of the number of people paid stayed relatively stable, we believe some of the October payments occurred in September,” explains Mike Schüssler, Chief Economist at economists.co.za.

Adjustments

The BTPI data has also been adjusted*, and as a result, the average take-home pay for September increased by 4.1% - not the 8.3% previously reported.

“The nominalised take-home pay for October 2021 was R15,042 compared to the R15,266 recorded in September 2021. In real terms, the average take-home pay was R12,412 in October 2021,” says Naidoo.

According to the BTPI data, South Africa’s take-home pay has stayed between R12,000 – R13,150 over the last 25 months, indicating salaries in the formal sector have not changed drastically over the years. In the last four months, the typical pay has remained below R11,000. Furthermore, the real typical pay in October 2021 reflected the highest decline since 2018.

This trend suggests South Africa has lost many high salary jobs and that salaries for high earners in the civil service or private sector industries have not adjusted for the inflation increases.

“We expect this trend to reverse from November 2021 to January 2022 when the seasonal bonuses are paid. But, we will need to wait well into the new year to see if this reflects in the data," says Schüssler.

Private pensions

Meanwhile, for the second consecutive month, private pensions increased under 10% in nominal terms. The real growth remained above 4% on a year ago, according to the BankservAfrica Private Pensions Index (BPPI).

“After 10 months of real private pensions rising well above 5%, the last two months have seen increases below 5% in real terms. The rising inflation level and lower number of pensioners – with less than R247,500 in their banked private pensions – may be the reasons for this,” explains Schüssler.

Importantly, it appears the number of pensioners measured in the BPPI continues to be over 650,000. There have also been four months of the actual number of pensioners increasing (despite no real extra payments as seen in February 2021).

“The average nominal pension paid into a bank account via BankservAfrica was R9,298 in October 2021. In real terms, the BPPI reached R7,652, the lowest level in five months and mainly on the back of rising inflation,” says Naidoo.

The BPPI is the only one in the world and the longest-running pension income indicator. By June 2022, we will have a 10-year history of pensions paid to pensioners.

For 14 consecutive months, private pensions have outperformed take-home pay, as recorded in the BankservAfrica data.