

Living Wage Update Report: Non-Metropolitan Urban Kenya, Lake Naivasha, 2023

Living Wage Update Report No. 23-04-43



	<p>Cost of decent standard of living for a family</p> <p>KES 52,251 (USD 374)</p>		<p>Living Wage per month</p> <p>KES 35,518 (USD 254)</p>
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Photo credit: "2015_07_26_Kisima_Farm_Laikipia_0026" by [makeitkenya](#)

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Abstract:

This report provides updated estimates of family living expenses and living wages for the fresh flower farming area near Lake Naivasha in Kenya. The update for 2023 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in March 2014 (Anker and Anker, 2014).

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

JEL classifications: J30, J50, J80.

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1. BACKGROUND

This report updates the Anker living wage and family living expenses to 2023 for the fresh flower farming area near Lake Naivasha in Kenya. This update takes into account the amount of inflation since the original study in March 2014. This is done by updating the March 2014 net living wage and family living income expenses to June 2023 by inflation. This provides average living wage and living income expenses estimates for 2023. Without accounting for inflation, the net living wage estimated in 2014 would not be sufficient for workers to have a basic but decent standard of living in 2023 because the purchasing power of the living wage would have decreased compared to what it was in 2014. The gross living wage (aka living wage) is updated to 2023 by also taking into account income taxes and mandatory deductions from pay that workers would need to pay on the updated 2023 living wage. This is done using laws in force in June 2023.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM MARCH 2014

The original living wage country report estimated the net living wage as KES 17,276 (USD 201, using an exchange rate of KES 86 = 1 USD) in March 2014. This was the required take-home pay for workers for decency. The gross living wage, which also takes into account income taxes and mandatory deductions from pay for social security, was estimated as KES 18,542 per month (USD 216) in March 2014. The living expenses for a basic but decent standard of living for a reference family in the original country report was estimated as KES 29,198 per month (USD 340) in March 2014 (Anker and Anker, 2014).

3. INFLATION RATE USED FOR UPDATE

The Kenya National Bureau of Statistics (KNBS)¹ is the government body responsible for computing and reporting the Consumer Price Index (CPI) of Kenya.² CPI is based on a monthly survey of retail prices of a basket of 234 household consumption goods and services, conducted during the second and third weeks of the month. Prices are obtained from selected retail outlets in 25 data collection zones in Nairobi and in 13 other urban centers. The CPI uses a base year of 2019 = 100.

Although price data are only collected from urban establishments, the KNBS argues that its monthly price survey is relevant for both rural and urban areas. This report uses the national CPI, because it is the most relevant.

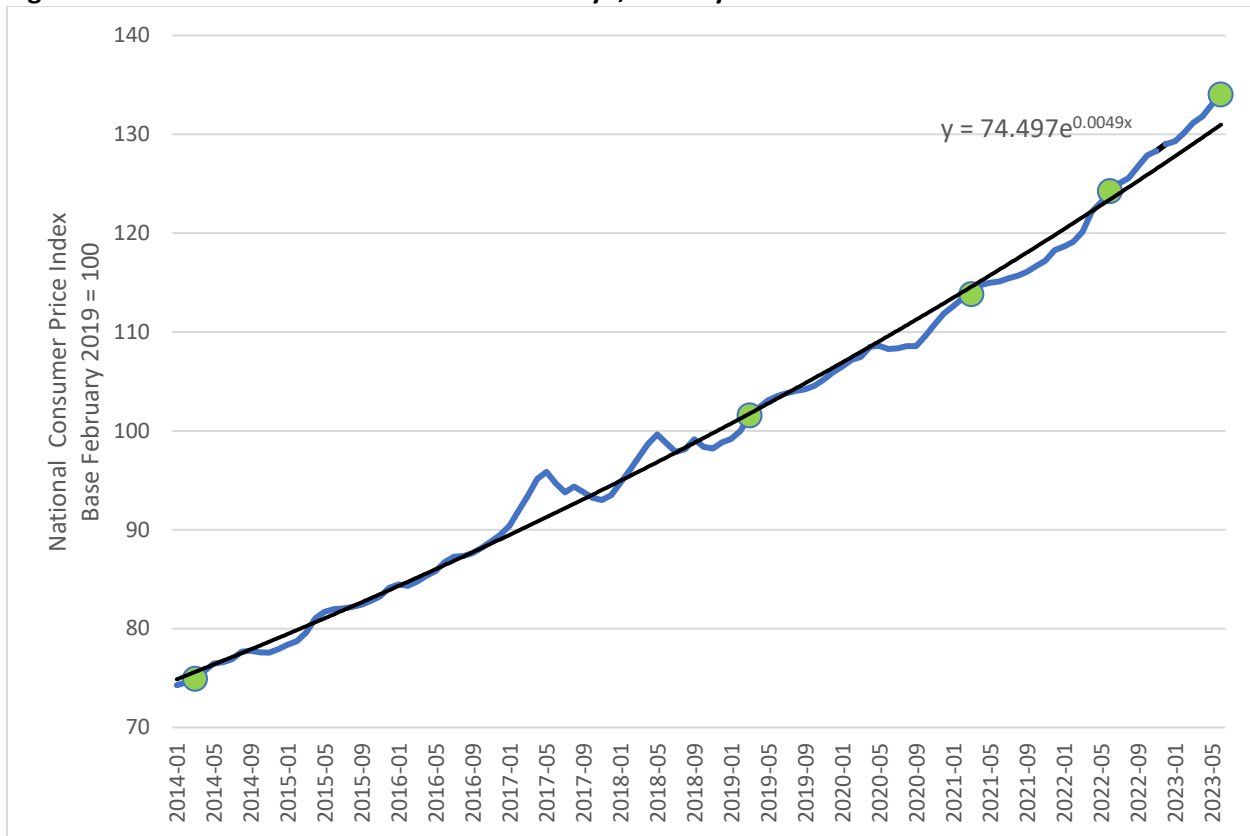
4. RECENT LEVEL OF INFLATION

Between March 2014 and June 2023, inflation amounted to 79.0% in Kenya (see Figure 1). This is the inflation used in this report.

¹ See <https://www.knbs.or.ke>

² Expenditure weights are based on the 2005/06 Kenya Integrated Household Budget Survey (KIHBS).

Figure 1: National Consumer Price Index for Kenya, January 2014 to June 2023



Notes: Green dots highlight the months of the original study and updates.. Black line is the fitted exponential trendline.
Source: Authors' calculations based on CPI data from KNBS.

5. MANDATORY DEDUCTIONS

In Kenya, workers must contribute to the National Social Security Fund (NSSF) and the National Hospital Insurance Fund (NHIF). Legislation around the (NSSF) contributions has undergone transformation following the enactment of the NSSF Act 2013. The new Act has been implemented in February 2023, and requires a total contribution of KES 1,080 per month during the first year and a contribution of 6% of their wage during the following years.³ Regarding the contribution to the (NHIF), in 2023 workers earning a living wage fall into the range from KES 35,000 to KES 36,999, which is subject to a deduction of KES 950.⁴ This is different from previous update, when workers on a living wage fell into a different range and were subject to a deduction of KES 900 (Andersen et al., 2022).

³ See <https://www.bdo-ea.com/en-gb/insights/featured-insights/new-nssf-contribution-rates-in-kenya>

⁴ See <https://nasonga.com/new-nhif-rates/>

Finally, income tax is collected as a Pay As You Earn (PAYE) system (which means that tax is assessed each month considering that annual income is 12 times that month's income). Just like in previous updates, to determine the amount of income tax due on our updated living wage, we used an online tax calculation tool to calculate the PAYE.⁵ It is important to note that this calculation also takes into consideration a personal tax relief credit for PAYE of KES 2,400 per month, which is granted to resident individuals. It also benefits from a NHIF relief of KES 142.5, which was not taken into account in 2022, because it became effective after the publication of the previous update. As such, the breakdown of mandatory payroll contributions (NHIF and NSSF) and income tax (PAYE and personal relief) is as follows:

Table 1: Breakdown of mandatory payroll deductions and income tax paid on living wage for 2023

Component	Amount in KES
Net Living Wage	30,916
NSSF	1080
NHIF	950
PAYE	2572
Gross Living Wage	35,518

Source: Authors' calculations, based on PAYE calculator.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2023

The updated family living income expenses for 2023 are KES 52,251 (USD 374) per month. The gross living wage (aka living wage), which takes into account income taxes and mandatory payroll deductions, is KES 35,518 (USD 254) per month for 2023. These are average estimates for the year 2023.

Table 2 provides details of the original and updated living wages and family living expenses.

⁵ See <https://apps.wingubox.com/best-pay-tax-calculator-for-kenya>

Table 2: Living wage for Lake Naivasha Region in Kenya (in Kenyan Shilling and US Dollars)

Item	March 2014 Original Study Date		2022 Update Report		2023 Update Report	
	KES	USD ^a	KES	USD ^a	KES	USD ^a
Family Living Expenses	29,198	340	48,432	411	52,251	374
Net Living Wage	17,276	201	28,656	243	30,916	221
NSSF and NHIF Taxes Deductions on Living Wage	520	6	-	-	-	-
NSSF Taxes Deductions on Living Wage	-	-	1,080	9	1,080	8
NHIF Taxes Deductions on Living Wage	-	-	900	8	950	7
Income Taxes - PAYE Deductions on Living Wage	746	9	1,852	16	2,572	18
Gross Living Wage	18,542	216	32,488	276	35,518	254
Exchange Rate	86		117.83 ^b		139.83 ^c	
Source of Exchange Rate	Original Country Report		Kenya Central Bank		Kenya Central Bank	

Note: ^aUSD exchange rates and values are only indicative because exchange rates are volatile. ^bExchange rate is the rate on 30 June 2022. ^cExchange rate is the average rate for June 2023. Source: Central Bank of Kenya. <https://www.centralbank.go.ke/rates/forex-exchange-rates/>

Source: Authors' calculations.

7. REFERENCES

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