


# Living Wage Update Report: Non-Metropolitan Urban Kenya, Lake Naivasha, 2022

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Cost of decent standard  
of living for a family

**KES 48,432**  
(USD 411)



Living Wage  
per month

**KES 32,488**  
(USD 276)



Photo credit: "2015\_07\_26\_Kisima\_Farm\_Laikipia\_0026" by [makeitkenya](#)

# Living Wage Update Report: Non-Metropolitan Urban Kenya, Lake Naivasha, 2022

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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 2022 estimate takes into account inflation since the original Anker living wage study carried out in March 2014 (Anker and Anker, 2014) as well as payroll deductions.

**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 2022 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 2022 by inflation. This provides average living wage and living income expenses estimates for 2022. 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 2022 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 2022 by also taking into account income taxes and mandatory deductions from pay that workers would need to pay on the updated 2022 living wage, using laws in force in March 2022.

## 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)<sup>1</sup> is the government body responsible for computing and reporting the Consumer Price Index (CPI) of Kenya.<sup>2</sup> 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

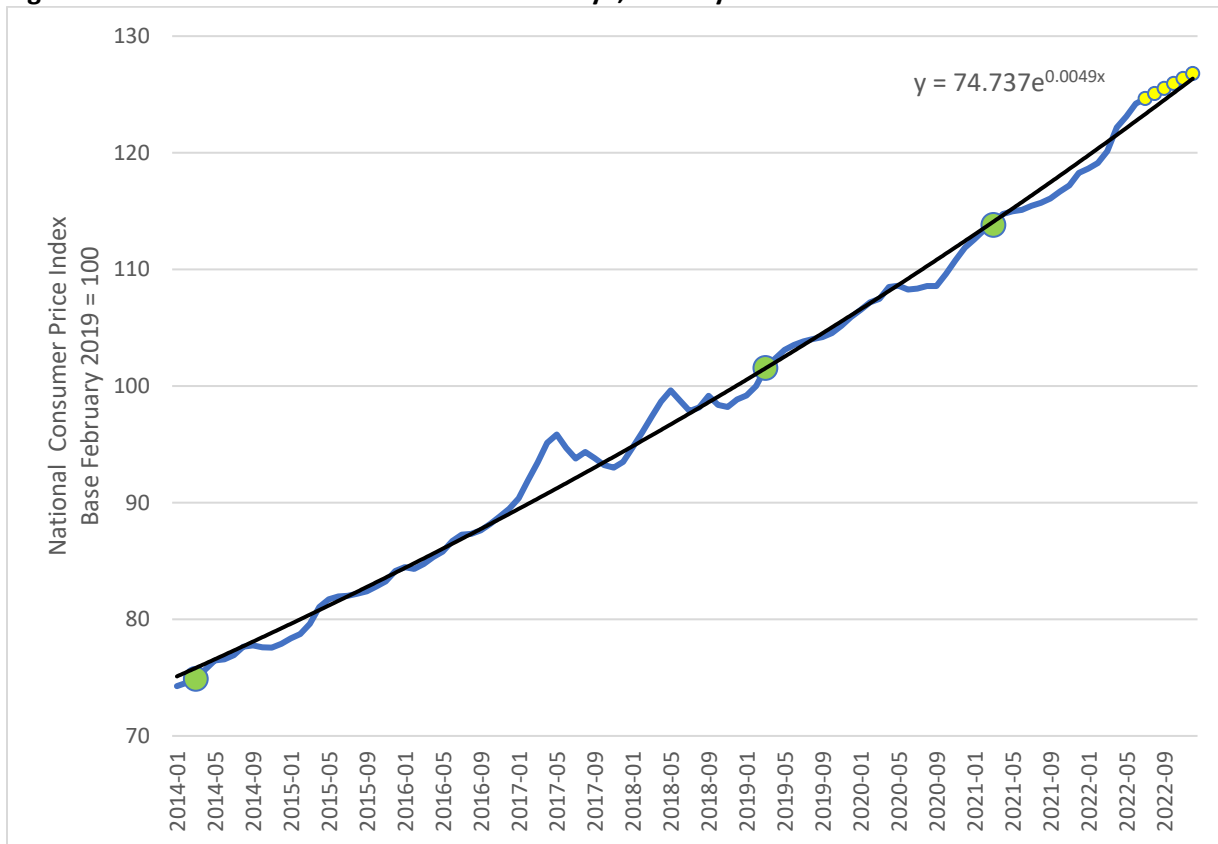
Between March 2014 and December 2021, inflation amounted to 57.9% in Kenya. Annual inflation has generally been in the 5-7% range between 2014 and 2021. The IMF projects that the inflation rate in Kenya for 2022 will be 7.2%<sup>3</sup> and this projection was added to the National Consumer Price Index numbers shown in Figure 1, while taking into account observed inflation for January - June 2022 to arrive at an average inflation rate for 2022.

<sup>1</sup> See <https://www.knbs.or.ke>

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

<sup>3</sup> See <https://www.imf.org/external/datamapper/PCPIPCH@WEO/KEN> Information accessed: 27 July 2022.

**Figure 1: National Consumer Price Index for Kenya, January 2014 to December 2022**



**Notes:** Green dots highlight the months of the original study and earlier updates. Yellow circles show the forecasts for 2022. 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. However, as of January 2022, the implementation of the new Act awaits a verdict of a pending court case.<sup>4</sup> In the meantime, NSSF contributions are as per the provisions of the old Act (i.e., KES 200 for employee and KES 200 for employer). Nonetheless, since the new Act might be implemented during the course of 2022, this report assumes that workers have to pay the new NSSF rates, which amount to a maximum of KES 1,080 per month during the first year and a contribution of 6% of their wage during the following years.<sup>5</sup> Regarding the contribution to the (NHIF), in 2022 workers earning a living wage fall into the range from KES 30,000 to KES 34,999, which is subject to

<sup>4</sup> See <https://taxsummaries.pwc.com/kenya/individual/other-taxes>

<sup>5</sup> See <https://www.nssf.or.ke/new-rates-facts>

a deduction of KES 900.<sup>6</sup> This is different from previous updates, when workers on a living wage fell into a different range and was subject to a deduction of KES 850.

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.<sup>7</sup> For this, we assume the "NEW NSSF Rates (Tiered)" PAYE contributions are made, and no voluntary pension contributions are made. 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. 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 2022**

Component	Amount in KES
Net Living Wage	28,656
NSSF	1,080
NIH	900
PAYE	4,252
Personal relief income tax relief	2,400
<b>Gross Living Wage</b>	<b>32,488</b>

Source: Authors' calculations, based on PAYE calculator.

## 6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2022

The updated family living income expenses for 2022 are KES 48,432 (USD 411) per month. The gross living wage (aka living wage), which takes into account income taxes and mandatory payroll deductions, is KES 32,488 (USD 276) per month for 2022. These are average estimates for the year 2022. Table 2 provides details of the original and updated living wages and family living expenses.

<sup>6</sup> See <https://nasonga.com/new-nhif-rates/>

<sup>7</sup> See <https://calculator.co.ke/kra-salary-income-tax-payee-calculator>

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

Item	March 2014 Original Study Date		March 2021 Update Report		2022 Update Report	
	KES	USD	KES	USD	KES	USD
<b>Living Expenses for a Basic But Decent Standard of Living Per Month</b>	29,198	340	44,376	404	48,432	411
<b>Net Living Wage Per Month</b>	17,276	201	26,257	239	28,656	243
<b>Payroll Deductions and Income Tax Per Month on Living Wage</b>	520	6	-	-	-	-
<b>NSSF Tax Deductions Per Month on Living Wage</b>	-	-	1,080	10	1,080	9
<b>NHIF Tax Deductions per Month on Living Wage</b>	-	-	850	8	900	8
<b>Income Taxes (PAYE) Per Month on Living Wage</b>	746	9	1,515	14	1,852	16
<b>Gross Living Wage</b>	18,542	216	29,702	270	32,488	276
<b>Exchange Rate</b>	86		109.83		117.83*	
<b>Source of Exchange Rate</b>	Original Country Report		Central Bank of Kenya		Central Bank of Kenya	

Note: \* USD exchange rates and values are only indicative, because exchange rates are volatile. The mid-2022 exchange rate is the rate on 30 June 2022 according to the Central Bank of Kenya.

Source: Authors' calculations.

## 7. REFERENCES

Anker, R. and Anker, M. (2014) *Living Wage Report: Living Wage for Kenya with Focus on Fresh Flower Farm area near Lake Naivasha*. Available online: <https://bit.ly/3FMpGVp>