



Living Wage Update Report: Rural Uganda, Lake Victoria Basin (September 2021)

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Cost of decent standard
of living for a family

UGX 1,037,428
(USD 294)



Gross Living Wage
per month

UGX 716,523
(USD 203)



Photo by Azfar Khan

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Abstract:

This report provides updated estimates of family living expenses and living wages for the Lake Victoria Basin in rural Uganda until September 2021, taking into account inflation and changes in payroll deductions since the original Anker living wage study carried out in September 2019 (Khan and Buyinza, 2019).

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

JEL classifications: J30, J50, J80.

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1. BACKGROUND

This report updates the living wage and living expenses for Lake Victoria Basin, Rural Uganda. The net living wage and family living expenses are updated to September 2021 to take into account the amount of inflation since the original study conducted in September of 2019. Without accounting for inflation, the net living wage estimated in 2019 would not be sufficient for workers to have a basic but decent standard of living in 2021, because the purchasing power of the living wage would have decreased compared to what it was in 2019.

Similarly, living expenses for a reference family are also updated to September 2021 to account for inflation. The gross living wage is updated to September 2021 by taking into consideration income taxes and mandatory deductions from pay that workers would need to pay on the updated 2021 living wage.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM SEPTEMBER 2019

The original living wage report, focusing on the floriculture industry of the Lake Victoria Basin, estimated the net living wage as UGX 555,786 in September 2019. This was the required take-home pay for workers for decency in September 2019. The gross living wage, which also takes into account mandatory deductions from pay of UGX 96,525/month, was estimated as UGX 652,311/month in September 2019. The living expenses for a basic but decent standard of living for the local family size of five (two adults and three children) in the original living wage report was estimated as UGX 989,298 in September 2019.

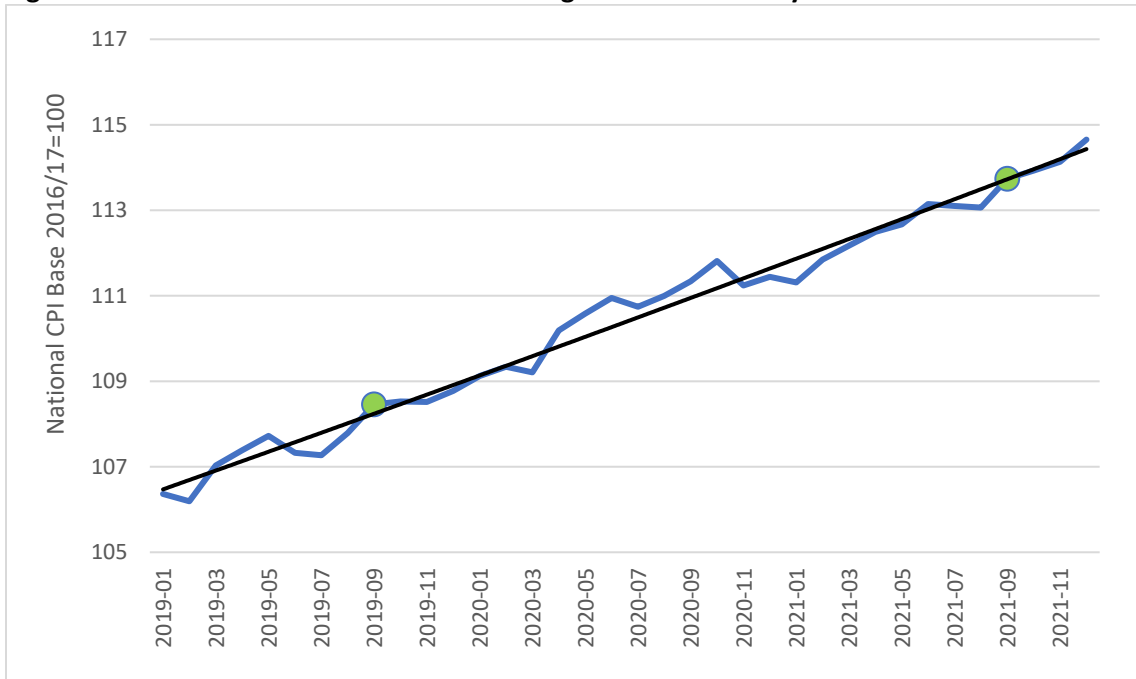
3. INFLATION RATE USED FOR UPDATE

The Uganda Bureau of Statistics (UBOS) reports several consumer price indices (CPI) for Uganda at different levels of aggregation. UBOS uses expenditure weights derived from the Uganda National Household Survey (UNHS IV) that was conducted from May 2009 to April 2010. It reports a national index and for 10 urban centres (Kampala High Income, Kampala Middle Income, Kampala Low Income, Masaka, Mbarara, Jinja, Mbale, Gulu, Arua, Fortportal). For all of them, it reports the annual and monthly costs. As this update is focused on a rural part of Uganda, we are using the National CPI Index as it is the most representative for this aim.

4. RECENT LEVEL OF INFLATION

Inflation in Uganda has been low since the original study in September 2019. The annual inflation rate between September 2019 and September 2020 was 2.65%. Total inflation between the original study, September 2019, and September 2021 was 4.87%. This is the inflation rate used in this report.

Figure 1: National Consumer Price Index for Uganda from January 2019 to December 2021



Notes: Green dots highlight the months of the original study and the updates. Black line is the fitted exponential trendline.

Source: Authors’ calculations based on CPI data from UBOS.

5. MANDATORY DEDUCTIONS

In Uganda, as in the original report, all wages are subject to a 5% deduction for social security (NSSF) after exclusion of the value of in-kind benefits (such as food served at the workplace and medical benefits).¹ On the estimated gross living wage, the 5% NSSF contribution amounts to UGX 33,100. Furthermore, there is an income tax rate according to the income brackets presented in Table 1. Although in general in kind benefits valued at over UGX 10,000 per month are taxed, in-kind benefits that are commonly provided in Uganda, such as food served in the workplace and medical benefits, are exempt from tax. The living wage is in the 30% tax bracket, and we calculate the income tax due on the estimated gross living wage at UGX 100,598. It is worth noting that because of the progressive nature of income tax rates, income tax on a living wage increases more quickly than inflation when tax brackets and tax deductions remain unchanged.

¹ We increased the 2019 value of in-kind benefits by inflation since then.

Table 1: Income tax rates in Uganda for September 2021

Chargeable Income (CY) Monthly	Rate of Tax
0 - 235,000	0
235,000 - 335,000	$(CY - 235,000) \times 10\%$
335,000 - 410,000	$(CY - 335,000) \times 20\% + (10,000)$
410,000 - 10,000,000	$(CY - 410,000) \times 30\% + (25,000)$
Above 10,000,000	$[(CY - 410,000) \times 30\% + (25,000)]$ $+ [(CY - 10,000,000) \times 10\%]$

Source: Global Assets²

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR SEPTEMBER 2021

The updated monthly family living expenses for the reference family of two adults and three children is estimated at UGX 1,037,428 for September 2021. The corresponding net living wage, considering 1.78 full-time equivalent workers, is estimated at UGX 582,825. Finally, the gross living wage, which also takes into account income taxes and mandatory payroll deductions is estimated at UGX 716,523 for September 2021. Table 2 provides details of the original and the updated living wage and family living expenses.³

² https://www.gtuganda.co.ug/globalassets/markets/uga/media/doing_business_in_uganda_taxation.pdf

³ It is interesting to note that the USD value of the living wage increased by as much as it did (by around 15% since the 2019 living wage Benchmark study). This is due in part to the appreciation of the Uganda shilling by around 4% despite there being around 5% inflation in Uganda since 2019.

Table 2: Living wages and living expenses for Lake Victoria Basin, Rural Uganda for September 2019 and September 2021

Item	September 2019 Original Study Date		September 2021 Latest Update Report	
	Ugandan Shillings	USD	Ugandan Shillings	USD
Living Expenses for Reference Family Per Month	989,298	269	1,037,428	294
Net Living Wage Per Month	555,786	151	582,825	165
Income Taxes and Payroll Deductions Per Month on Living Wage	96,525	26	133,698	38
Gross Living Wage Per Month	652,311	177	716,523	203
Exchange Rate to USD	3,675.42		3,530.82	
Source of Exchange Rate	Original Report		XE (Average September 2021)	

Source: Authors' calculations.

7. REFERENCES

Khan, A., Buyinza, F. (2019) *Living Wage Report: Lake Victoria Basin, Rural Uganda with focus on Floriculture Industry*. Global Living Wage Coalition. Available online: <https://bit.ly/3Fw6Rc4>