

Living Wage Update: May 2019

South Africa

Western Cape Region



Living wage per month

R4,280 (USD 298)



Cost of decent standard
of living for a family

R6,950 (USD 483)



Photo from South Africa Tourism (<https://flic.kr/p/wm1MVv>)

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1. BACKGROUND

This report updates the living wage and living expenses for the wine grape-growing region of the Western Cape region in South Africa.²

The net living wage and living expenses are updated to the study month of the most recent calendar year – May 2019 – to take into account the amount of inflation since the original May 2013 living wage study. Without accounting for inflation, the net living wage estimated in 2013 would not be sufficient for workers to have a basic but decent standard of living in 2019 because the purchasing power of the living wage would have decreased compared to what it was in 2013. Similarly, living expenses for a reference family are also updated to May 2019 to account for inflation.

The gross living wage is updated to May 2019 by taking into consideration in addition income taxes and mandatory deductions from pay that workers would need to pay on the updated 2019 living wage. This is done using May 2019 laws.

2. LIVING WAGE AND LIVING EXPENSES FOR REFERENCE SIZE FAMILY IN ORIGINAL COUNTRY REPORT IN MAY 2013

The original living wage country report estimated the net living wage as R3,122 in May 2013. This was the required take-home pay for workers for decency in May 2013. The gross living wage, which also takes into account income taxes and mandatory deductions from pay for unemployment, was estimated as R3,154 in May 2013. The living expenses for a basic but decent standard of living for a reference family in the original country report was estimated as R5,120 in May 2013.

¹ Prepared by Fairtrade International (Aaron Petri), guided by the Collective for Social Science Research, Karachi, Pakistan (Kabeer Dawani) and with Richard Anker and Martha Anker.

² This is an update to *Living Wage for Rural South Africa with Focus on Wine-Grape Growing in Western Cape Province*, May 2013. Richard Anker and Martha Anker. <https://bit.ly/2X6goUQ>

3. INFLATION RATE USED FOR UPDATE

Statistics South Africa is the government body responsible for computing and reporting consumer price indexes (CPI) in South Africa. It reports several CPI's at different levels of aggregation, including a national CPI, an urban CPI, a rural CPI, and a CPI for each province. The base year for all indexes is 2016. In this report, following the rationale of the previous update in 2018, we have used the rural CPI. This is because the prices collected for this index are believed to be more representative of the prices that workers pay in rural Western Cape Province.

4. RECENT LEVEL OF INFLATION

South Africa has had low to moderate inflation in recent times. Between May 2017 and May 2018, the inflation was 3.13%. Year-on-year inflation for May 2019 was 4.37%.

5. MANDATORY PAYROLL DEDUCTIONS AND INCOME TAXES ON A LIVING WAGE

There continues to be a 1% mandatory deduction for unemployment insurance just as in 2013. Moreover, there is no income tax deduction applicable on a living wage. This mandatory deduction for unemployment insurance is taken into consideration in estimating mandatory deductions and gross living wage for May 2019.

6. UPDATED LIVING WAGES AND FAMILY LIVING EXPENSES FOR MAY 2019

The updated net living wage, or take-home pay, for May 2019 is R4,238 per month. The gross living wage, which also takes into account mandatory payroll deductions, is R4,280 per month for May 2019. When updated for inflation, the living expenses for a reference family of 4.5 persons is R6,950 (USD 483) in May 2019. Table 1 provides details of the original and the updated living wages and family living expenses. Due to a depreciation of the Rand compared to the United States Dollar (USD), the USD value of the living wage is lower in May 2019 compared to in the original May 2013 study.

Table 1: Living wages and living expenses for the wine grape growing region in the Western Cape, South Africa for original May 2013 study and May 2019 update

	May 2013 (original study date)		May 2019 (latest study date)	
	South African Rand	USD	South African Rand	USD
Living Expenses for Reference Family Per Month	R5,120	\$530	R6,950	\$483
Net Living Wage Per Month	R3,122	\$323	R4,238	\$295
Income Taxes and Payroll Deductions Per Month on Living Wage	R32	\$3	R43	\$3
Gross Living Wage Per Month	R3,154	\$326	R4,280	\$298
Exchange Rate to USD	9.66		14.39	
Source of Exchange Rate	Original Report		IMF's archive for May 2019 ³	

³ https://www.imf.org/external/np/fin/data/rms_mth.aspx?SelectDate=2019-05-31&reportType=CVSDR