

# Living Wage Update Report: Rural South Africa, Western Cape Region, 2023

Living Wage Update Report No. 23-04-47



	<b>Cost of decent standard of living for a family</b>  <b>ZAR 8,692</b> (USD 462)		<b>Living Wage per month</b>  <b>ZAR 5,354</b> (USD 285)
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Photo from South Africa Tourism (<https://flic.kr/p/wm1MVv>)

## Living Wage Update Report: Rural South Africa, Western Cape Region, 2023

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### **Abstract:**

This report provides updated estimates of family living expenses and living wages for the wine grape growing region of Western Cape Province, South Africa. The 2023 update takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in May 2013 (Anker & Anker, 2013).

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

**JEL classifications:** J30, J50, J80.

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## BACKGROUND

This report updates the Anker living wage and family living income expenses to 2023 for the wine grape growing region of Western Cape Province, South Africa. This update takes into account the amount of inflation since the original study in May 2013. This is done by updating the May 2013 net living wage and family living income expenses to June 2023 by inflation. This provides average living wage and living expenses estimates for 2023. Without accounting for inflation, the living wage estimated in 2013 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 2013. 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.

## LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM MAY 2013

The original living wage country report estimated the net living wage as ZAR 3,122 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 ZAR 3,153 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 ZAR 5,120 in May 2013 (Anker & Anker, 2013).

## INFLATION RATE USED FOR UPDATE

Statistics South Africa is the government body responsible for computing and reporting consumer price indices (CPI) in South Africa. It reports several CPIs at different levels of aggregation, including a national CPI, an urban CPI, a rural CPI, and a CPI for each province. Statistics South Africa changed the base year from December 2016 to December 2021. In this report, following the rationale of the previous update (Medinaceli et al., 2022), we have used the rural CPI, with base December 2021=100. This is because the prices collected are believed to be more representative of the prices that workers pay in rural Western Cape Province than the other CPI indexes which are greatly influenced by prices in urban areas where approximately 68% of the population of South Africa live<sup>1</sup> and where prices and inflation could be significantly different from those in rural areas. The level of urbanization for Western Cape Province is slightly higher (69%).<sup>2</sup> Hence, we use the rural CPI to update the living wage for rural Western Cape Province, although it is worth noting that total amount of inflation between the May 2013 study and June 2023 for rural and urban areas are quite similar.

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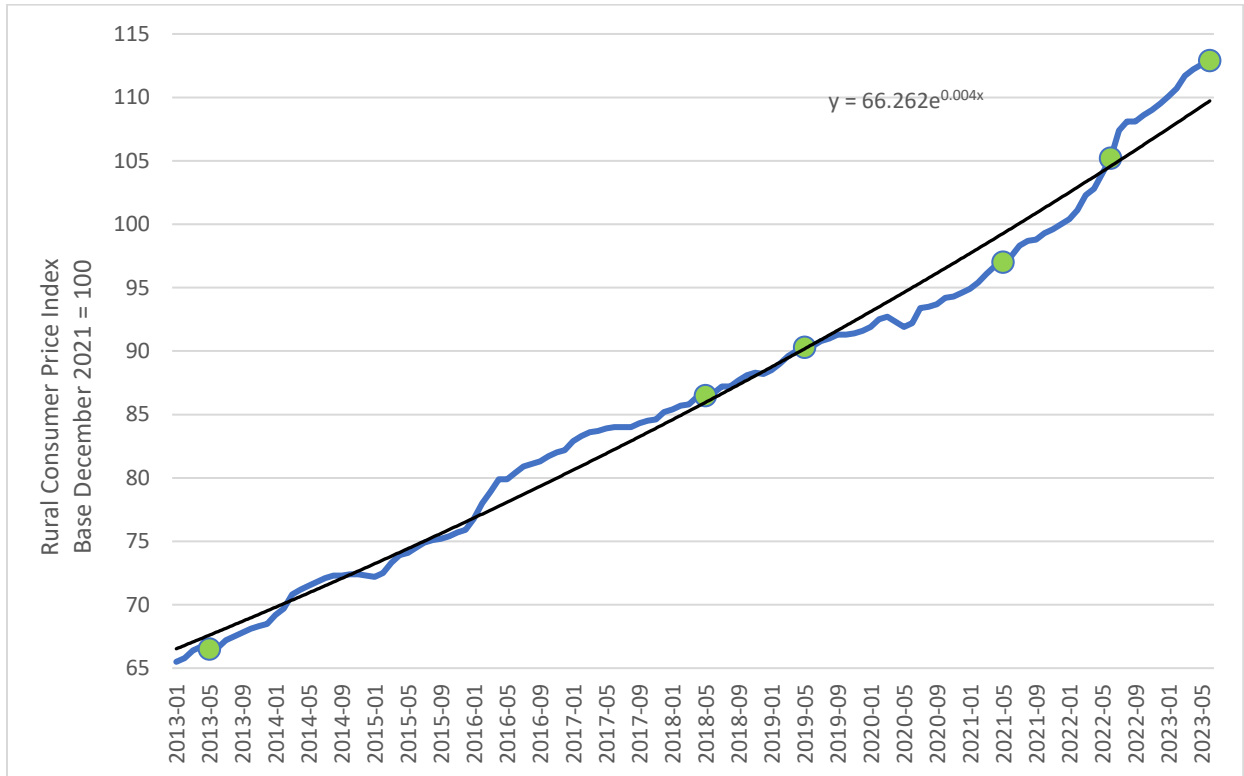
<sup>1</sup> See <https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?locations=ZA>. Information accessed: 16 June 2023.

<sup>2</sup> van Zyl (2017).

## RECENT LEVEL OF INFLATION

Between May 2013 and June 2023, inflation amounted to 69.8% in rural South Africa (see Figure 1). This is the inflation used in this report.

**Figure 1: Rural Consumer Price Index for South Africa, January 2013 to June 2023**



**Notes:** Green circles indicate the months of the original study and earlier updates. The black line is the fitted exponential trendline.

**Source:** Authors' calculations based on CPI data from SSA.

## MANDATORY DEDUCTIONS

South Africa does not have a comprehensive social security system. As a result, low social security taxes are deducted from workers' wages. As of June 2023, there continues to be a 1%<sup>3</sup> mandatory deduction for unemployment insurance. Moreover, as in the original study, the living wage is well below the limit for which income tax should be paid in South Africa (ZAR 7,979/month in 2023).<sup>4</sup> Hence, workers earning a living wage in South Africa are exempted from income tax.

<sup>3</sup> See <https://taxsummaries.pwc.com/south-africa/individual/other-taxes>

<sup>4</sup> See <https://www.sanews.gov.za/south-africa/tax-brackets-be-adjusted>

## UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2023

The updated net living wage, or take-home pay, for June 2023 is ZAR 5,300 (USD 282) per month. The gross living wage (aka living wage), which also takes into account income taxes and mandatory payroll deductions, is ZAR 5,354 (USD 285) per month for June 2023. These are average estimates for the year 2023. Table 1 provides details of the original and the updated living wages and family living expenses.

**Table 1: Living Expenses and Living Wages for the Rural Western Cape Province of South Africa (in South African Rands and US Dollars)**

	May 2013 Original Study Date		2022 Update Report		2023 Update Report	
	ZAR	USD	ZAR	USD	ZAR	USD
<b>Family Living Expenses (1)</b>	5,120	530	7,916	521	8,692	462
<b>Net Living Wage (2)</b>	3,122	323	4,827	318	5,300	282
<b>Total mandatory payroll deductions and income tax (3)</b>	31	3	49	3	54	3
<b>Gross Living Wage (2+3)</b>	3,153	326	4,876	321	5,354	285
<b>Exchange Rate to USD</b>	9.66		15.20		18.79 <sup>a</sup>	
<b>Source of Exchange Rate</b>	Original Report		IMF archive		IMF archive	

*Note:* USD values are indicative only because exchange rates are volatile. <sup>a</sup>Average exchange rate for June 2023.  
*Source:* Authors' calculations.

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