

Living Wage Update Report: Rural South Africa, Western Cape Region, 2022

Living Wage Update Report No. 2022-04-17



**Cost of decent standard
of living for a family**

ZAR 7,916
(USD 521)



**Living Wage
per month**

ZAR 4,876
(USD 321)



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

Living Wage Update Report: Rural South Africa, Western Cape Region, 2022

By:

*Agnes Medinaceli**

*Lykke E. Andersen***

*Alejandra Gonzales****

*Richard Anker*****

*Martha Anker*****

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 2022 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.

* SDSN Bolivia, E-mail: agnes.medinaceli@gmail.com

** SDSN Bolivia, E-mail: Lykke.E.Andersen@gmail.com

*** SDSN Bolivia, E-mail: Alejandra.Gonzales@sdsnbolivia.org

**** Anker Research Institute, E-mail: marthaandrichard@gmail.com

BACKGROUND

This report updates the Anker living wage and family living income expenses to 2022 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 December 2021 by inflation and then adding expected inflation for 2022. 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 2022 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 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. This is done using laws in force in March 2022.

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 in 2021, 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 67% of the population of South Africa live¹ 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%).² 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 December 2021 for rural and urban areas are almost identical.

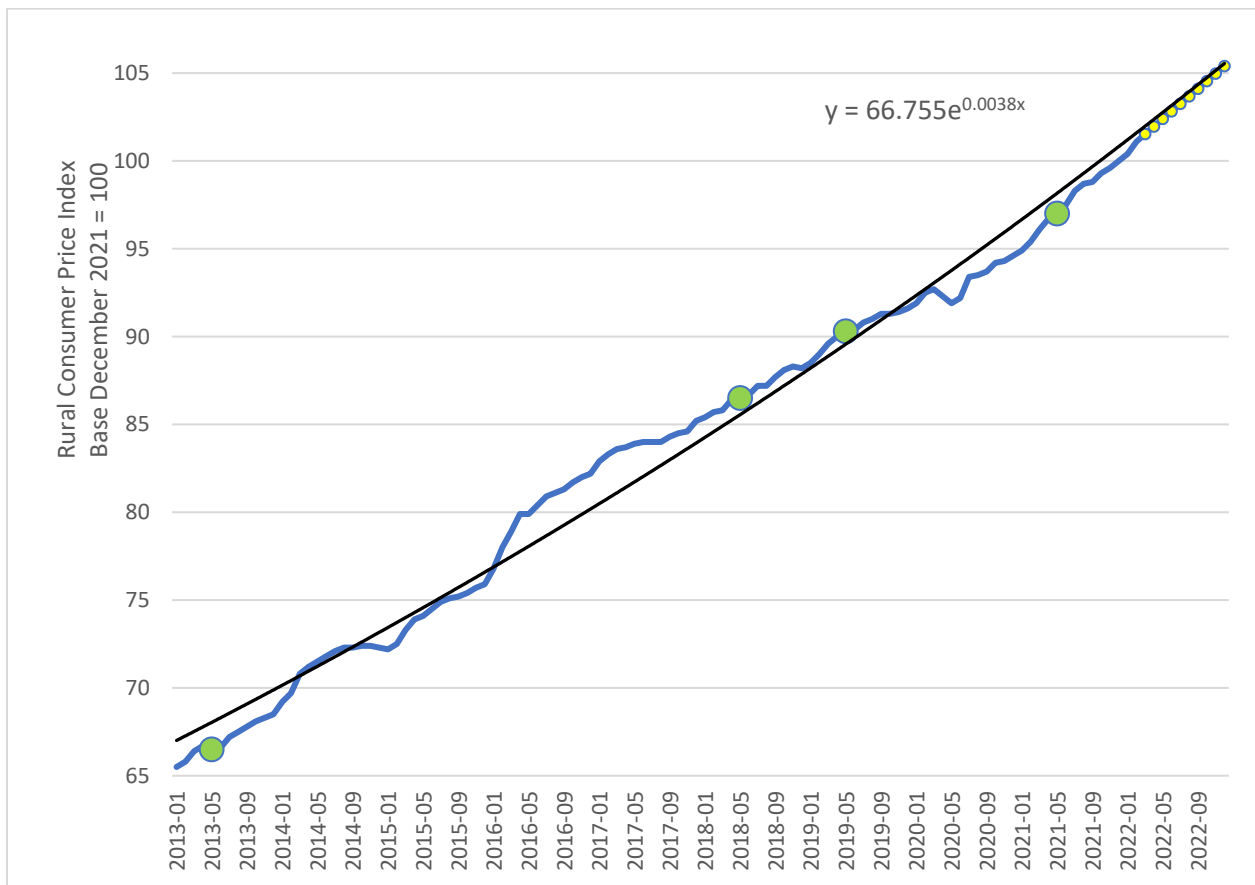
¹ See <https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?locations=ZA>. Information accessed: 13 April 2022.

² van Zyl (2017).

RECENT LEVEL OF INFLATION

Between May 2013 and December 2021, accumulated inflation amounted to 50.4% in rural South Africa. The International Monetary Fund (IMF) projects that the inflation rate in South Africa for 2022 will be 4.5%³, but this value is probably too low given global commodity market developments following the invasion of Ukraine (PwC, 2022). Under this new scenario, on 28 March 2022, PricewaterhouseCoopers (PwC) estimated the weighted average inflation forecast for 2022 for South Africa to be 5.4% (PwC, 2022: 8). This updated projection was added to the Rural Consumer Price Index numbers shown in Figure 1, while taking into account observed inflation for January and February 2022 to arrive at an average inflation rate for 2022.

Figure 1: Rural Consumer Price Index for South Africa, January 2013 to December 2022



Notes: Green circles indicate the months of the original study and earlier updates. Yellow circles show the forecasts for 2022. The black line is the fitted exponential trendline.

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

³ See <https://www.imf.org/external/datamapper/PCPIPCH@WEO/ZAF> Information accessed: 13 April 2022

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 March 2022, there continues to be a 1%⁴ 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 18,833/month in 2022).⁵ Hence, workers earning a living wage in South Africa are exempted from income tax.

UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2022

The updated net living wage, or take-home pay, for 2022 is ZAR 4,827 (USD 318) per month. The gross living wage (aka living wage), which also takes into account income taxes and mandatory payroll deductions, is ZAR 4,876 (USD 321) per month for 2022. These are average estimates for the year 2022.

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 Rand and US Dollars)

	May 2013 Original Study Date		May 2021 Update Report		2022 Update Report	
	ZAR	USD	ZAR	USD	ZAR	USD
Living Expenses for Reference Family Per Month	5,120	530	7,462	530	7,916	521
Net Living Wage Per Month	3,122	323	4,550	323	4,827	318
Income Taxes and Payroll Deductions Per Month on Living Wage	31	3	45	3	49	3
Gross Living Wage Per Month	3,153	326	4,595	326	4,876	321
Exchange Rate to USD	9.66		14.09		15.20*	
Source of Exchange Rate	Original Report		IMF's archive		IMF's archive	

Note: *There is no clear trend in the exchange rate over the last couple of years, so we used the average exchange rate for the first three months of 2022 as an estimate of the average exchange rate for all of 2022, although it is worth noting that the exchange rate in the middle of April 2022 was 14.65.

Source: Authors' calculations.

⁴ See <https://taxsummaries.pwc.com/south-africa/individual/other-taxes>

⁵ See <https://taxsummaries.pwc.com/south-africa/individual/taxes-on-personal-income>

REFERENCES

- Anker, R. & Anker, M. (2013). *Living Wage Report: Living Wage for rural South Africa with Focus on Wine Grape Growing in Western Cape Province*. FAIRTRADE INTERNATIONAL. May. Available online: <https://bit.ly/2X6goUQ>
- PwC (2022). *South Africa Economic Outlook: Local impacts from disruption in Central and Eastern Europe*. 28 March 2022. Available online: <https://www.pwc.co.za/en/assets/pdf/economic-outlook/economic-outlook-local-impacts-from-disruptions-in-central-eastern-europe.pdf>
- van Zyl, P. (2017). "Trends in Western Cape Urbanisation: Challenges and Opportunities for Development Industry?" Presentation by Environmental Affairs and Development Planning, Western Cape Government, South Africa. Available at: http://www.wcpdf.co.za/2017_conference/3%20-%20PietvanZyl.pdf