

Living Wage Update Report: Rural South Africa, Western Cape Region (May 2021)

Living Wage Update Report No. 2021-04-11

	<p>Cost of decent standard of living for a family</p> <p>SAR 7,462 (USD 530)</p>		<p>Gross Living Wage per month</p> <p>SAR 4,596 (USD 326)</p>
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Photo by [South Africa Tourism](#)

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Abstract:

This report provides updated estimates of family living expenses and living wages for the Western Cape Region of South Africa until May 2021, taking into account inflation and changes in payroll deductions since the original Anker living wage study carried out in March 2013 (Anker and Anker, 2013).

Keywords: Living costs, living wages, Anker Methodology, South Africa

JEL classifications: J30, J50, J80.

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Living Wage Update: May 2021

Rural South Africa: Western Cape Region

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BACKGROUND

This report updates the living wage for the wine grape growing region of Western Cape Province, South Africa.¹ The living wage is updated to the study month of the most recent calendar year – May 2021 – to take into account the amount of inflation since the May 2013 living wage study.

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 2021 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 2021 to account for inflation.

The gross living wage is updated to May 2021 by taking into consideration mandatory deductions from pay on the updated living wage. This is done using 2021 laws.

LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM 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 R3,153 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 R5,120 in May 2013.

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 CPIs 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 2019, we have used the rural CPI. This is because the prices collected are believed to be more representative of the prices that workers pay in rural Western

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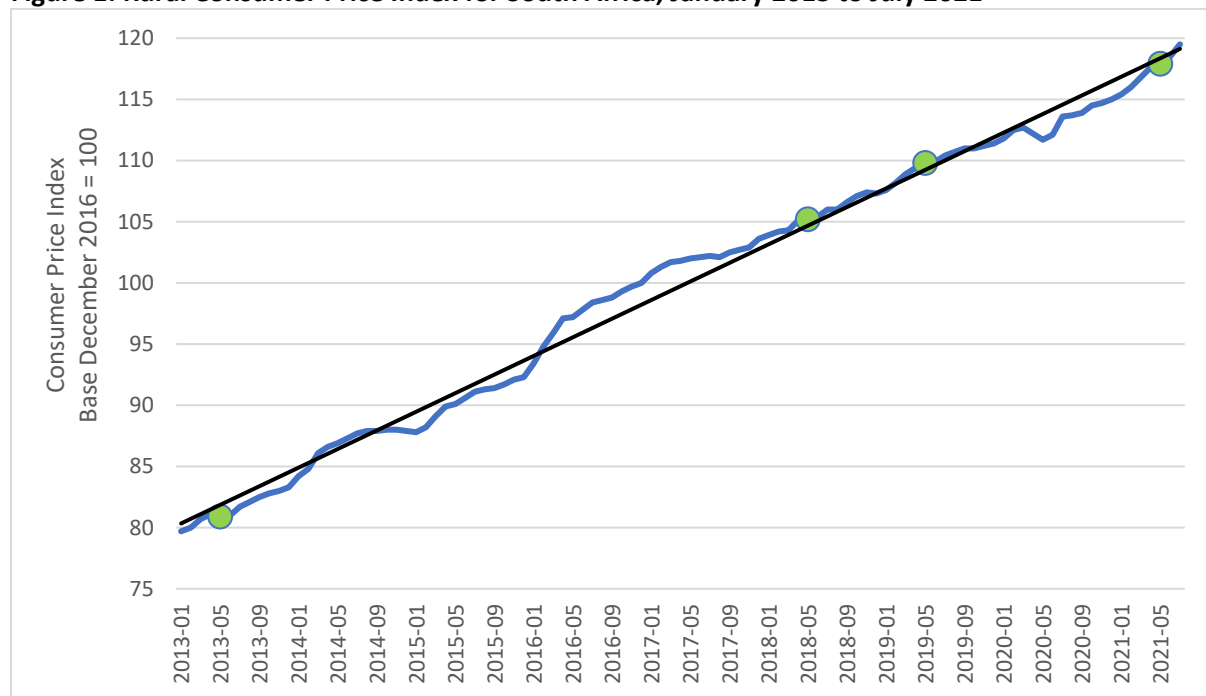
¹ Anker & Anker (2013).

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 live² and where prices would be significantly different from prices in rural areas.³ The level of urbanization for Western Cape Province is even higher (69%).⁴ Hence, we use the rural CPI to update the living wage for rural Western Cape Province.

RECENT LEVEL OF INFLATION

In recent months, inflation in rural South Africa has been moderate. The year-on-year inflation rate for May 2021 was 5.55%. Total accumulated inflation between May 2013, when the original study was conducted, and May 2021 was 45.74%. This is the inflation used in this report.

Figure 1: Rural Consumer Price Index for South Africa, January 2013 to July 2021



Notes: Green dots highlight the months of the original study and the updates. Blackline is the fitted linear trend line.

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

MANDATORY DEDUCTIONS

There continues to be a 1% mandatory deduction for unemployment insurance just as in 2013. This mandatory deduction for unemployment insurance is taken into consideration in estimating mandatory

² The World Bank estimated that 67% of the South African population lived in urban areas in 2021.

<https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?locations=ZA>

³ World Development Indicators, The World Bank. Accessed on 20 September 2021.

⁴ van Zyl (2017).

deductions and gross living wage for May 2021.⁵ There is no income tax deduction applicable on a living wage.

UPDATED LIVING WAGES AND FAMILY EXPENSES FOR MARCH 2021

The updated net living wage, or take-home pay, for May 2021 is R4,550 per month. The gross living wage, which also takes into account mandatory payroll deductions, is R4,596 per month for May 2021. When updated for inflation, the living expenses for a reference family of 4.5 persons is R7,462 (USD 530) in May 2021.

Table 1 provides details of the original and the updated living wages and family living expenses. Note that living wage in US dollars is unchanged between May 2013 and May 2021 because the Rand depreciated against the US dollars at the same rate as inflation in the rural Western Cape Province.

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 (Latest update date)	
	<i>South African Rand</i>	<i>USD</i>	<i>South African Rand</i>	<i>USD</i>
Living Expenses for Reference Family Per Month	5,120	530	7,462	530
Net Living Wage Per Month	3,122	323	4,550	323
Income Taxes and Payroll Deductions Per Month on Living Wage	31	3	46	3
Gross Living Wage Per Month	3,153	326	4,596	326
Exchange Rate to USD	9.66		14.09	
Source of Exchange Rate	Original Report		IMF's archive for May 2021 ⁶	

Source: Authors' calculations.

⁵ <http://www.sars.gov.za/Tax-Rates/IncomeTax/Pages/Rates%20of%20Tax%20for%20Individuals.aspx>

⁶ https://www.imf.org/external/np/fin/data/rms_mth.aspx?SelectDate=2021-05-31&reportType=REP

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