

# Update: Living Wage Report

## Western Cape Province

Rural South Africa

Wine Grape Growing Industry

Updated to May 2018



Photo Courtesy of © Fairtrade International

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## Western Cape Province

### Rural South Africa

#### Wine Grape Growing Industry

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## INTRODUCTION

### 1. BACKGROUND

This report updates the living wage for the wine grape growing region of Western Cape Province, South Africa. The living wage is updated to the study month of the most recent calendar year – May 2018 – 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 2018 because the purchasing power of the living wage would have decreased with respect to current prices.

### 2. LIVING WAGE IN ORIGINAL COUNTRY REPORT – MAY 2013<sup>1</sup>

The original living wage country report estimated the net living wage as R3,122 in May 2013. The gross living wage came to R3,154, because there was a 1% deduction for an unemployment insurance fund, payable on total earnings including in-kind benefits and the 13<sup>th</sup> month bonus which were common benefits in the area.

The net and gross living wages for rural Western Cape Province indicated above for May 2013 are updated to May 2018 in this report.

### 3. INFLATION RATE USED FOR UPDATE

Statistics South Africa, a government department, reports several consumer price indices for South Africa at different levels of aggregation. These include: a national CPI (consumer price index); an urban CPI; a rural CPI; and a CPI for each province, including Western Cape Province. In addition, the national CPI and urban CPI are also reported by household expenditure deciles. The base year for all the indices is 2016.

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<sup>1</sup> It should be noted that the South Africa report is the first living wage report undertaken for the GLWC and it did not include the typical summary table and wage ladder. Despite this, the update is not impeded by the lack of summary table and wage ladder. It is easy to calculate the gross living wage from the net living wage, since all forms of remuneration are subject to the unemployment insurance tax.

In this report, we use the rural CPI for updating the living wage, as the prices collected are believed to be more representative of the prices workers pay in rural Western Cape Province than the other CPI indexes which are greatly influenced by prices in urban areas where approximately 65% of the population of South Africa live<sup>2</sup> and where prices would be significantly different from prices in rural areas.<sup>3</sup> The level of urbanization for Western Cape Province is even higher (69%).<sup>4</sup> Hence, we use the rural CPI to update the living wage for rural Western Cape Province.

#### 4. RECENT LEVEL OF INFLATION

In recent months, inflation in rural South Africa has been low to moderate. The year-on-year inflation rate for May 2018 was 3.13%. Since March 2017, when the year-on-year inflation rate was 6.04%, inflation has declined and remained stable in the 3-4% range. Further, inflation between May 2013, when the original study was conducted, and May 2018 is 29.9%. This is the inflation rate used in this report.

#### 5. UPDATING LIVING WAGES TO MARCH 2018

The updated net living wage, or take-home pay, for May 2018 is R4,056 per month. Taking into account mandatory deductions for the unemployment insurance fund, which remains at 1%, the updated gross living wage is R4,097. Note that living wage in US dollars is more or less unchanged between May 2013 and May 2018 because the Rand depreciated against the US dollars at the same rate as inflation in rural Western Cape Province.

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<sup>2</sup> The World Bank estimated that 65% of the South African population lived in urban areas in 2015.

<sup>3</sup> World Development Indicators, The World Bank. Accessed on 23<sup>rd</sup> July 2018:  
<<https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?locations=ZA>>

<sup>4</sup> Piet van Zyl (2017), "Trends in Western Cape Urbansiation: 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](http://www.wcpdf.co.za/2017_conference/3%20-%20PietvanZyl.pdf)>

**Table 1:** Living wage for wine grape growing region in rural Western Cape Province, South Africa in original study and latest update (in South African Rand and US dollars)

	<b>May-13</b>	<b>May-18</b>
<b>Net LW per month</b>	3,122 (\$323)	4,056 (\$325)
<b>Taxes / Mandatory Deductions per month</b>	32 <sup>5</sup> (\$3)	41 (\$3)
<b>Gross LW per month</b>	3,154 (\$326)	4,097 (\$328)
<b>Exchange rate</b>	9.66	12.50

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<sup>5</sup> The only mandatory deduction for the workers is a 1% deduction for an unemployment insurance fund. This has not changed since the original report (source of tax information is finance consultant Theo Burrows in email to Zachary Kairie, Fairtrade Africa, July 2, 2018). Further, as per the South African Revenue Service, there is no income tax applicable to the income threshold that this living wage falls into. Accessed on 20<sup>th</sup> July 2018: < <http://www.sars.gov.za/Tax-Rates/Income-Tax/Pages/Rates%20of%20Tax%20for%20Individuals.aspx>>