



JUST SHARE

Investor power for a fairer South Africa

Professor Adriaan van der Walt
Chairperson, National Minimum Wage Commission
per: Unathi.Ramabulana@labour.gov.za

19 December 2020

Dear Professor van der Walt

RESPONSE TO NATIONAL MINIMUM WAGE COMMISSION PROPOSAL FOR 2021 ANNUAL ADJUSTMENT

1. Just Share NPC¹ is a non-profit shareholder activism organisation. We believe that responsible investment is required to create a more just and inclusive economy. We use advocacy, engagement and activism to drive good corporate citizenship by South African-listed companies and institutional investors. Our work focuses on three key environmental, social and governance (ESG) issues: inequality, climate change, and corporate governance.
2. Thank you for the opportunity to engage with the National Minimum Wage Commission's (NMWC) proposal for the 2021 annual adjustment of the National Minimum Wage (NMW) ("the proposal"). The regulation and annual review of the NMW is critical in South Africa, a country consistently ranked as one of the most unequal countries in the world.² No other nation has a higher income inequality than South Africa.³
3. Our comments focus on the importance of the consideration of the reduction of wage inequality and income differentials in setting the NMW. According to Statistics South Africa, "labour market income is overwhelmingly the largest contributor to income inequality when compared to other income sources".⁴
4. As the NMWC is aware, one of the purposes of the NMW Act is to "advance economic development and social justice by improving the wages of lowest paid workers and protecting workers from unreasonably low wages". Section 7(a)iii of the NMW Act requires the NMWC, "for the purposes of conducting an annual review and recommending adjustments" to "promote the reduction of wage differentials and inequality".
5. While the majority of Commissioners argue that "reducing the wage gap requires a real increase in the minimum wage", the proposal does not reference the information required to be submitted to the Department of Employment and Labour in terms of section 27 of the Employment Equity Act 55 of 1998 (EEA)⁵. This information, submitted by means of the recently updated "Form EEA4", should provide valuable insights into inequality in South Africa, by showing the extent of the vertical gap between the highest and lowest paid worker in each company, and whether the

¹ <https://justshare.org.za/> .

² Statistics South Africa, "Inequality Trends in South Africa: a Multidimensional Diagnostic of Inequality", October 2019, available at <http://www.statssa.gov.za/publications/Report-03-10-19/Report-03-10-192017.pdf> at page 2.

³ World Economic Forum, 'The Inclusive Development Index 2018', available at <https://newcities.org/the-big-picture-from-poverty-to-pride-south-african-philippi-initiatives-finds-meaning-in-wellness/> at page 5.

⁴ <http://www.statssa.gov.za/publications/Report-03-10-19/Report-03-10-192017.pdf> at page 145.

⁵ Section 27 of the EEA, which came into force on 1 December 1999, required employers to provide information about wage gaps to the Employment Conditions Commission (ECC), via "Form EEA4". The ECC has been replaced by the National Minimum Wage Commission.



remuneration of the lowest paid workers is a “real living wage” which allows them to maintain a satisfactory standard of living.

6. We would argue that reducing the wage gap and addressing income inequality requires more than just a focus on increasing the minimum wage; because increases in the salaries of senior executives will always outpace increases in the minimum wage. Without a clear picture of the vertical wage gap – and other wage gaps such as the gender and race wage gaps – it will be extremely difficult to make real progress on wage inequality in South Africa.
7. The information in the EEA4 form, in particular the average annual remuneration of the top 10% of the top earners and that of the bottom 10% of the bottom earners, should allow the NMWC to assess existing wage gap ratios and recommend proportionate income differentials, which need to be taken into account in setting the NMW in each sector.
8. It is a significant failure of transparency that the Form EEA4 submissions are not publicly available. At the very least, this information as it relates to listed companies in South Africa should be publicly available.
9. The original purpose of the Form EEA4, which has been required to be submitted to the Department of Labour for nearly ten years, was to allow the Employment Conditions Commission to establish norms and benchmarks for proportionate income differentials. It is truly devastating, in a country like South Africa, that no such norms and benchmarks have been established, despite the passage of more than a quarter of a decade since the end of apartheid.
10. It appears that the wealth of data required to be submitted to the Department of Employment and Labour is simply not being used to provide an evidence basis for policy decisions. Because it is not publicly available, it is also not able to be used by academic institutions and civil society organisations which have the capacity and expertise to analyse it.
11. We look forward to hearing more about the outcomes of the consultation, and would welcome the opportunity to meet with the NMWC in the new year.

Yours faithfully
JUST SHARE

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