



Comments on the annual review of the National Minimum Wage for 2022

JUST SHARE

October 2021



Professor Adriaan van der Walt
Chairperson: National Minimum Wage Commission
By email: nmwreview@labour.gov.za

4 October 2021

Dear Professor van der Walt

COMMENTS ON THE ANNUAL REVIEW OF THE NATIONAL MINIMUM WAGE FOR 2022

1. Just Share NPC¹ is a non-profit shareholder activism organisation. We believe that responsible investment is required to create a more just, inclusive and sustainable economy. We use research, advocacy, engagement and activism to drive urgent action to combat climate change and reduce inequality.
2. We are aware that the deadline for submitting these comments was Friday 1 October 2021. We were however waiting to see what was contained in the Companies Amendment Bill, 2021, released on the same day, before submitting our comments, as the Bill was relevant to these comments. We hope that you will nevertheless consider them.
3. Just Share welcomes the opportunity to engage once again with the National Minimum Wage Commission (NMWC) and to provide comments prior to the publication of the annual report and recommendations on the annual review of the national minimum wage (NMW) for 2022.
4. In December 2020, we responded to the NMWC's proposal for the 2021 annual adjustment, and our comments focused on the importance of the consideration of the reduction of wage inequality and income differentials in setting the NMW. We would like to reiterate our comments.
5. Additionally, we focus on the importance of the consideration of inflation, cost of living and the need to retain the value of the minimum wage in terms of section 7(b)(ii) of the NMW Act, in reviewing the NMW and recommending adjustments.
6. 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 world², and where wage and wealth inequality have **increased** since the end of apartheid.³ As the Companies Amendment Bill explanatory memorandum states, "a wide range of sources point to the unusually wide inequalities in remuneration in the formal sector in South Africa compared with the rest of the world", and "inequality in pay contributes as much to overall income inequality as

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 Bank, StatsSA et al "Overcoming poverty and inequality in South Africa", March 2018 at page 51.



- joblessness”.⁴ According to Statistics South Africa, “labour market income is overwhelmingly the largest contributor to income inequality when compared to other income sources”.⁵
7. 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”.
 8. 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 high-paid employees will always outpace increases in the minimum wage.
 9. The Department of Employment and Labour has been collecting information by means of the updated “Form EEA4”, which is submitted in terms of section 27 of the Employment Equity Act 55 of 1998 (EEA). This information should provide valuable insights into the extent of the vertical wage gap in South Africa, and whether the remuneration of the lowest paid workers constitutes a “real living wage” which allows them to maintain a satisfactory standard of living.
 10. The original purpose of the Form EEA4, which has been required to be submitted for nearly ten years, was to allow the Employment Conditions Commission to establish norms and benchmarks for proportionate income differentials. However, no such norms and benchmarks have been established, despite the passage of more than a quarter of a decade since the end of apartheid. Proportionate income differentials, which can guide the setting of the NMW in each sector, have still not been set.
 11. On 1 October 2021, the Companies Amendment Bill was gazetted and published for public comment. It calls for mandatory disclosure of the vertical wage gap; the average and the median remuneration of all employees; and the gap between the top 5% highest paid and the bottom 5% lowest paid employees.
 12. Although the Bill calls for much-needed transparency on the wage gap, the Minister of Trade, Industry and Competition has made clear that this legislation will not attempt to set or recommend proportionate income differentials.⁶ In the absence of any norms and benchmarks to guide remuneration committees, executive remuneration trends in South Africa will continue to contribute to the widening vertical wage gap.
 13. Whilst huge numbers of South Africans have suffered reduced pay or lost employment as a result of coronavirus-related lockdowns, senior executives at JSE listed companies have continued to see their pay packages increase, in some cases even receiving special “Covid-19 bonuses”. These include senior executives from Pick n Pay, FirstRand and Old Mutual⁷. Just Share asked questions about these bonuses at a number of annual general meetings, and the justifications were weak at best.

⁴ Background Note and Explanatory Memorandum on the Companies Amendment Bill 2021, at para 3.19.

⁵ 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 145.

⁶ See explanatory memorandum to the Companies Amendment Bill, 2021 at para. 3.20

⁷ <https://www.businesslive.co.za/fm/features/cover-story/2021-06-17-sas-covid-fat-cats/>



14. Disproportionate income differentials continue to contribute significantly to the high levels of inequality in the country. In a post-Covid world, without deliberate action to address these levels of inequality, they will continue to worsen.
15. The cost of living in South Africa has significantly increased during the Covid-19 pandemic. The price of food and essentials has gone up, making it difficult for consumers to cope, compounding the myriad other Covid-related economic impacts which have disproportionately affected the poor. While estimates of what constitutes a living wage in South Africa vary considerably, all such estimates are significantly higher than the minimum wage.
16. A clear picture of wage differentials remains critical in order to set a fair NMW and to protect against unreasonably low wages. Additionally, norms and benchmarks are needed to guide companies in setting remuneration structures. The Covid-19 pandemic has exposed the vulnerability of workers at the bottom end of the income spectrum. The setting of proportionate income differentials is more urgent than ever.
17. We look forward to the publication of your annual report and recommendations for the adjustments for the NMW for 2022.

Yours faithfully

JUST SHARE

per: 

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