

Comments on the medium-term targets for the National Minimum Wage

31 January 2023

Professor van der Walt

Chairperson, National Minimum Wage (NMW) Commission

Directorate: Employment Standards, Department of Employment and Labour

By email: nmwreview@labour.gov.za

Dear Professor van der Walt

Comments on the “Medium-term targets for the National Minimum Wage”

Introduction

1. Just Share NPC¹ is a non-profit shareholder activism organisation. We believe that responsible investment is necessary to create a just, inclusive and sustainable economy. We use research, engagement, advocacy and activism to drive urgent action to combat climate change and reduce inequality.
2. We welcome the opportunity to submit the following comments regarding the ‘medium-term target’ to be set by the National Minimum Wage Commission (“the Commission”) in terms of section 11(d) of the National Minimum Wage Act, No. 9 of 2018 (“the Act”). We also reiterate and stand by our previous submissions made to the Commission, dated 19 December 2020 and 4 October 2021, copies of which have been attached hereto.
3. We note that the Commission "*proposes that the medium term target should be the following:*

‘All wage-earning workers must earn enough to maintain a decent standard of living, defined as sufficient to support themselves and their families at a level that is both socially acceptable and economically viable’. The target should ensure that the value of the national minimum wage does not decline relative to the median wage”².
4. We agree that a decent, socially acceptable, economically viable standard of living is essential and that minimum wage workers should not be left behind, should general pay levels increase. The National Minimum Wage (NMW) should support this.
5. We strongly dispute, however, that the proposed adjustment of the NMW of R23,19 by a meagre consumer price index (CPI) +0.5% and CPI +1% for 2023 would support this decent standard of living. Increasing the minimum wage to around R25.13 per hour does not promote the proposed medium-term target as required by section 7 of the Act. Nor will it advance

¹ <https://justshare.org.za/>

² https://www.gov.za/sites/default/files/gcis_document/202212/47760rg11523gon2878.pdf





economic development and social justice, which is the purpose of the Act (as set out in section 2).

6. In Just Share's view, the proposed NMW should be revised significantly upwards, having regard to the purpose of the Act, the proposed medium-term target, as well as the goals of the annual review of the NMW. A failure to do so would amount to non-compliance with the Act and with constitutional obligations. We elaborate on this below.

The proposed NWM does not promote the medium-term targets, poverty alleviation and the reduction of wage differentials and inequality

7. As the Commission will know, the Act's preamble recognises that "South Africa is one of the most unequal societies in the world and that there are huge disparities in income in the national labour market". It notes "the need to eradicate poverty and inequality", as well as the "constitutional obligation on the State and employers to promote and fulfil the right to fair labour practices". In addition, the Act acknowledges "the need to promote fair and effective competition in the labour market and labour market stability".
8. The Act's purpose, as set out in section 2, is "to advance economic development and social justice by: (a) improving the wages of lowest paid workers; (b) protecting workers from unreasonably low wages; (c) preserving the value of the national minimum wage; (d) promoting collective bargaining; and (e) supporting economic policy."
9. The goals of an annual review of the NMW are contained in section 7 of the Act. The Commission must promote: the medium-term targets for the NMW; the alleviation of poverty; and the reduction of wage differentials and inequality. The factors it must consider include: "inflation, the cost of living and the need to retain the value of the minimum wage", among others.
10. As the Act itself acknowledges, South Africa is one of the most unequal economies in the world. The enduring inequality phenomenon and its intricate links to poverty in South Africa have been exhaustively documented and analysed.³ The "huge disparities in income in the national labour market" – also recognised in the preamble - are the main driver of inequality, and that "inequality in pay [in the formal sector in South Africa] contributes as much to overall income inequality as joblessness".⁴
11. Just Share is of the firm view that the baseline NMW (and the annual NMW adjustments to date) have been set too low and perpetuate the increase of the 'working poor' in formal employment. The NMW remains inadequate to dampen the scourge of poverty, and the increasing income differentials. Clearly, it does not enable workers "to earn enough to maintain

³ See, for example, Statistics South Africa, "Inequality Trends in South Africa: a Multidimensional Diagnostic of Inequality", 2019, at page 133, available at <http://www.statssa.gov.za/publications/Report-03-10-19/Report-03-10-192017.pdf>

⁴ Background Note and Explanatory Memorandum on the Companies Amendment Bill, 2021, at para 3.19, available at https://www.gov.za/sites/default/files/gcis_document/202110/45250gen586.pdf



a decent standard of living, defined as sufficient to support themselves and their families at a level that is both socially acceptable and economically viable”. As a result, the NMW does not meet the goals set out in section 7 of the Act.

12. A viable NMW should be premised on the context of addressing the endemic vertical wage gaps, including between the genders, and overcoming the scourge of poverty. A balanced and evidence-based NMW should therefore, in part, respond adequately to the national poverty lines and the cost of living.
13. Our submission echoes the argument made by Labour to the National Minimum Wage Panel: “Ideally the NMW level (to be targeted and progressively attained over the medium term) should be close to the poverty line in order to reduce the incidence of working poverty, which will improve the welfare of working people and their families”.⁵
14. In 2022, the CPI inflation averaged 6,9% (4,5% in 2021) the highest since 2009.⁶ In the same year [2022], the inflation-adjusted food poverty line was R663 per person per month; while the lower and the upper-bound poverty lines were R945 and R1 417 per person per month, respectively.⁷
15. According to latest Household Affordability Index,⁸ in December 2022, the cost of a Household Food Basket was R4 853,18 (13,5% year-on-year increase). This excludes the impact of increasing transport and energy costs.⁹
16. In light of these figures and factors, the NMW of around R25.13 per hour clearly remains a ‘poverty wage’, despite previous and proposed annual adjustments in line with section 6(2) of the Act. The proposed NMW also does not promote fair labour practices.¹⁰ The NMW falls short of enabling workers to afford a decent standard of living, which is the proposed medium-term target.
17. A socially acceptable and economically viable NMW, is one which is evidence-based towards: reducing household poverty levels; narrowing vertical wage gaps in the labour markets; and enabling the ‘lowest-paid’ workers to build and sustain dignified livelihoods. It must reduce inequality and promote the proposed medium-term target.

⁵ A National Minimum Wage for South Africa: Recommendations on Policy and Implementation: National Minimum Wage Panel Report to the Deputy President, 2016, at page 79, available at

<https://www.treasury.gov.za/publications/other/nmw%20report%20draft%20cop%20final.pdf>

⁶ www.statssa.gov.za/publications/P0141/CPIHistory.pdf

⁷ Stats SA National Poverty Lines, 2022, available at <https://www.statssa.gov.za/publications/P03101/P031012022.pdf>

⁸ The Household Affordability Index is compiled by the Pietermaritzburg Economic Justice & Dignity Group (PMBEJD).

⁹ According to Stats SA’s December 2022 Consumer Price Index, transport costs increased by 13,9% year-on-year, and housing and utilities increased by 4,5%, available at

<https://www.statssa.gov.za/publications/P0141/P0141December2022.pdf>

¹⁰ In terms of section 23(1) of the Constitution of the Republic of South Africa, 1996, everyone has the rights to fair labour practices. The Basic Conditions of Employment Act 75 of 1997 (BCEA) gives effect to this constitutional right. Amongst other things, the BCEA sets out certain employee rights that relate to the Act (section 78), and it makes provision to fine an employer for failure to comply with the NMW (section 76A).



Conclusion

18. For the reasons set out above, Just Share supports a medium-term target that enables wage-earning workers to earn enough to maintain a decent standard of living, defined as sufficient to support themselves and their families at a level that is both socially acceptable and economically viable.
19. We submit that the NMW falls far short of promoting the proposed medium-term target as required by section 7 of the Act. A proper consideration - having due regard to the goals and factors in section 7 - would result in the NMW being revised significantly upwards.
20. Please contact us should you require clarity in relation to any aspect of these submissions.

Yours faithfully

JUST SHARE

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