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**Employment Standards
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BUSINESS UNITY SOUTH AFRICA SUBMISSION: NATIONAL MINIMUM WAGE COMMISSION REPORT INPUT

SETTING OF THE MINIMUM WAGE FOR 2022

Business proposes that the Commission considers no increase in the National Minimum Wage rate for 2022. The rationale for this being the ongoing Covid pandemic which has caused an unprecedented amount of job losses. It is our view that the National Minimum Wage Act of 2018 stipulates that the following factors must be considered during a National Minimum Wage review:

- i. inflation, the cost of living and the need to retain the value of the minimum wage;
- ii. wage levels and collective bargaining outcomes;
- iii. gross domestic product;
- iv. productivity;
- v. ability of employers to carry on their businesses successfully;
- vi. the operation of small, medium or micro-enterprises and new enterprises;
- vii. the likely impact of the recommended adjustment on employment or the creation of employment; and
- viii. any other relevant factor.

The proposal for consideration touches on most of the above factors. Business accepts that one of the objectives is to not erode the real value of the national minimum wage, but that objective has to be approached from the perspective and in the context of the time in which we find ourselves.

We are advised by the Business Commissioners that the research presented to the Commission in 2021 indicates adverse economic effects on certain sectors, and these sectors need some form of relief, including the possibility of not increasing wages. It is our experience that it is not normal for employers to default to the National Minimum Wage unless the business needs to pay the bare minimum in order to survive.

Business would like to emphasise that the National Minimum Wage affects mostly small and micro enterprises, whose business operations have generally been hardest hit during the Covid-19 pandemic, as confirmed by the research. The research sets out the following:

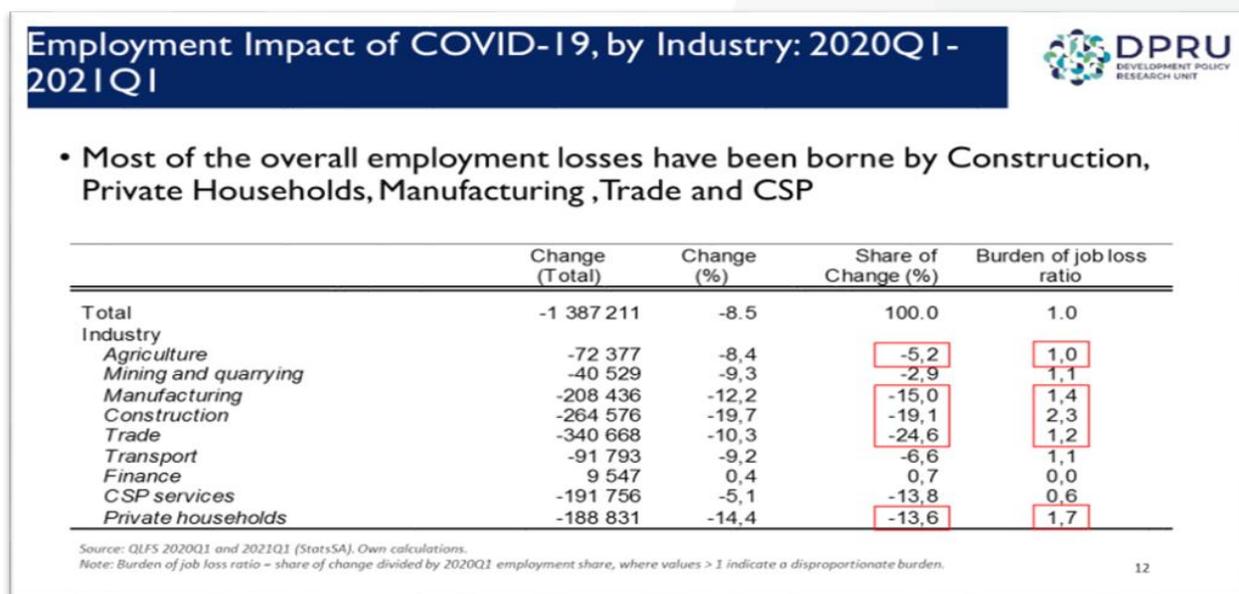
- SMME's account for close 40 % of the total turnover in the economy own calculation using QLFS data.
- SMME's were hit by Covid-19 (SEDA March 2021)
- In Q3, the number of SMME's in the economy declined by 11% when compared to 2019 Q3
- 232 000 closed business in Q12021 and 58 000 in Q32021

Furthermore, Business is concerned about the phasing in of the domestic sector's minimum wages as the sector lost numerous jobs in the period of the research that the DPRU conducted. As a result of the rapid phasing in to equalise to the national minimum wage, the sector will have another double digit increase next year.

The 22% increase that was introduced last year and which is referred to in the research document will undoubtedly have had a significant impact on employment. Business recommends that the phasing agreement be temporarily halted and that whatever increase the Minister chooses from the recommendations by the Commission be applied to the domestic sector for 2022. Should the Commission not take up this recommendation, another double-digit increase will likely be implemented in the sector, which will simply compound the existing employment challenges. Business foresees that non-compliance is likely to increase, especially in sectors that are notoriously hard to police through the inspectorate.

The DPRU research indicated that over 2 million jobs were lost in the 2022Q4. The research indicates that there has been slow employment recovery in 2020Q4 where employment was still down by 1.4 m. The study also highlighted that in the previous decade it took 6 years to create 1.4 million jobs.

To support this proposal and on the domestic work sector, we refer to slide 12 of the DPRU and the qualitative research finding:



The research findings set out the impact of COVID-19 as follows:

- Domestic sector was hit the hardest, employee organisations report that working conditions of employees in the domestic sector have been impacted negatively by the pandemic.
- Construction Industry: Retrenchments took place during the strict lockdown restrictions
- Agriculture sector: Employee organisations felt the impact of Covid-19 significantly, however they felt that employers used it as an excuse not to pay wages.
- The winery industry was reported to have been hit the hardest
- The previous study which was conducted at the beginning of the pandemic stated that the domestic sector was shown to be mostly impacted while the agriculture sector was not as affected as they are an essential service sector.

We note with concern that the impact of the previously implemented increases of 22,6% in the domestic work sector and 16.1% in the agricultural sector has not yet been researched, and by the time the next minimum wage increase is implemented, research will be out on the effects of both.

Increases in the NMW: 2020 & 2021



Minimum Wage Category	2020 (R/hr)	Legislated % Increase	2021 (R/hr)	Legislated % Increase
General	R20.76	3,8%	R21.69	4,5%
Farm Workers	R18.68	3,8%	R21.69	16,1%
Domestic Workers	R15.57	3,8%	R19.09	22,6%

Source: Department of Labour & Employment (2021). Own calculations.

- The 2020 increase in the NMW was small – 3.8%.
- Inflation for the previous year was 4.13%.
- We use the NMW level as a cut-off to examine outcomes

It is important to note, the stakeholders' responses on the implementation of the national minimum wage amidst the Covid pandemic. The research found that 59% of employers did not support an increase in the minimum wage.

Rationale for rejecting an increase in NMW:

- NMW pushes workers into the informal sector and renders less competitive those workers who retain their jobs
- NMW for farmworkers increased by 16,1% in 2021
- Exemption applications up from 22 to 44, indicating that the current wage is unaffordable, unsustainable
- NMW disempowers work seekers to negotiate a wage they might be willing to work
- 7% decrease in GDP in 2020
- Employment decreased by 86 000, between March 2021 and 9 June 2021

Agricultural activities are labour intensive, and wages comprise roughly 40% of the production costs. Mechanization on farms is economically viable with the increase in the wage bill.

Last year prices of factor inputs went up:

- Electricity up 15%
- Fertilizer up 32% - 69%
- Herbicides (glyphosate) up 144%

Wage increase without improvement productivity is counterproductive – it simply makes the sector less internationally competitive. Employee representatives who were for the increase was proportionally equal to those who were against it 50/50.

It is important to take note of the rationale behind rejecting an increase in the National Minimum Wage. The research shows that it is mainly youth and school dropouts who what adversely affected. Further to this, the minimum wage has a negative impact on employment and the unemployment would persist in the presence of the minim wage.

Although it might be relevant that 59% of employees did not support the increase in the national minimum wage, what is most significant is that 50% of the employee representatives did not support the increase in the national minimum wage. These are findings of the research that were authorised by the Commission and, as such, they deserve close attention.

Business thanks the National Minimum Wage Commission for the opportunity to input into the report and we look forward to further engagement.

Yours Sincerely



Cas Coovadia
CHIEF EXECUTIVE OFFICER