National Minimum Wage Commission proposal for 2022 adjustment

Report of the National Minimum Wage Commission on the review and adjustment of the national minimum wage for year 2022

2021

Table of Contents

List of tables

List of figures

List of acronyms

CATI	Computer-Assisted Telephone Interviewing
COSATU	Congress of South African Trade Unions
CPI	Consumer Price Index
CSDA	Centre for Social Development
CSP Services	Community, Social and Personal Services
CWP	Community Works Programmes
DPRU	Development Policy Research Unit
EPWP	Expanded Public Works Programme
GDP	Gross Domestic Product
ILO	International Labour Organisation
MIBCO	Motor Industry Bargaining Council
NEDLAC	National Economic Development and Labour Council
NMW	National Minimum Wage
NMWC	National Minimum Wage Commission
QLFS	Quarterly Labour Force Survey
SAPTU	South African Parastatal and Tertiary Institutions Union
SEDA	Small Enterprise Development Agency
SME	Small and medium enterprises
SMME	Small, Medium and Micro-Sized Enterprises
Stats SA	Statistics South Africa
TERS	Temporary Employer/Employee Relief Scheme
UCT	University of Cape Town
UJ	University of Johannesburg

1. MANDATE AND SUMMARY OF PROPOSALS

Section 6 of the National Minimum Wage Act of 2018[1] requires that the National Minimum Wage Commission (NMWC) "review the national minimum wage annually and make recommendations to the Minister on any adjustment of the national minimum wage." The Act mandates that the Commission's review report to the Minister must reflect alternative views, including those of the public. The Commission therefore invited written representations in respect of the recommendations in accordance with section 6(2) of the Act.

The majority of Commissioners recommends that the national minimum wage should be increased by 1,0% above inflation as measured by the consumer price index (CPI). On the other hand, a minority of Commissioners recommends that the national minimum wage should be increased by 1,5% above inflation as measured by the consumer price index (CPI). All Commissioners recommend that the minimum for domestic workers be equalised to the national minimum wage in 2022, in line with the decision taken in 2021.

The National Minimum Wage Act constitutes a decision to prioritise a more equitable pay structure to ensure that workers do not live in poverty. This decision implies that costs for some employers will increase, although broader benefits to society for more equitable workplaces and remuneration systems may offset this. The Act provides for exemptions for employers who truly cannot afford the adjustment.

The remainder of this report:

- Describes the mandate in the Act for the annual adjustment;
- Outlines the evidence, as required in the Act, that led the majority of Commissioners to agree on the proposed increment;
- Presents the proposal for equalisation of the minimum wage for domestic workers; and
- Provides a minority view submitted by three Commissioners.

Annexure A summarises a report on "Stakeholder responses on the implementation of the national minimum wage in the Domestic, Agriculture and Construction sector amidst the COVID-19 pandemic", while Annexure B gives a brief representation of "An Assessment of the 2020 National Minimum Wage Increase". Annexure C represents a summary of public inputs. Annexure D is a summary of a report on "What has been the impact of the National

[1] The National Minimum Wage No 9 of 2018.

Minimum Wage on Collective Bargaining?”. Annexure E presents hourly average and median wage for 2021Q1. Annexure F presents QLFS employment by occupation for the third quarter of 2021.

2. THE ANNUAL ADJUSTMENT OF THE NATIONAL MINIMUM WAGE

After considering the current economic state of the country and the impact of the COVID-19 pandemic on both employers and employees, the majority of Commissioners propose that the national minimum wage increases by the rate of inflation plus 1%. The inflation rate (measured by CPI) as of October 2021 was 5%, so the adjustment should be about 6%. The actual amount, however, will depend on the inflation in the month in which the adjustment takes effect.

was originally R20 an hour. In 2019, the Commission was newly established and therefore unable to undertake a full annual review. It was previously recommended that the national minimum wage increase at the rate of inflation for the poorest decile of households in the year to March 2020, or 3,8%. The national minimum wage therefore increased from R20.00 to R20.76 an hour from March 2020. In 2021, the national minimum wage national minimum wage again increased by 1,5% above headline inflation, to R21.69. This translated to an increase of 4,5% in the national minimum wage. The process of raising the minimum wage for farm and domestic workers also led to an increase of 16,1% in the minimum for farmworkers and 22,6% for domestic workers.

Section 6 of the Act sets criteria for the annual adjustment of the national minimum wage. These criteria are the following;

Firstly, the proposal must promote three-year targets for the national minimum wage, which the Commission must establish; the alleviation of poverty; and a reduction of wage differentials and inequality.

Secondly, the Commission must consider a range of actual and potential economic impacts from the adjustment, specifically:

- Inflation, the cost of living and the need to retain the value of the national minimum wage;
- Wage levels and collective bargaining outcomes;
- Gross Domestic Product (GDP);
- Productivity;

- The ability of employers to carry on their businesses successfully;
- The operation of small, medium and micro-enterprises (SMME) and new enterprises; and
- The likely impact on employment or employment creation.

The Act empowers the Commission to consider other relevant factors.

The different dimensions of impact inherently impose some trade-offs, which the Commission considers in its proposal. The remainder of this section indicates how the majority of Commissioners agree on the proposed increment based on the aims and criteria stipulated in the Act.

a. Promoting the aims of the Act

i. Three-year targets

The Commission has not yet set three-year targets for the national minimum wage. It anticipates finalising targets before the end of the financial year.

ii. The alleviation of poverty

Statistics South Africa (Stats SA) has identified three poverty lines, each valued from April 2021:

- The food poverty line is at R624.00 per person per month, or R2 188.00 for the average-sized household (which has between three and four members). The food poverty line covers only the resources required to meet minimum required daily energy intake.
- The lower-bound poverty line is at R890.00 per person per month, or about R3 115.00 for an average-sized household. This poverty line encompasses a minimum of non-food essentials in addition to the food poverty line.
- The upper-bound poverty line is at R1 335.00 per person per month, or R4 673.00 for the average-sized household. This poverty line includes the cost of non-food items typically consumed by households that are able to afford the basket of foods utilised in setting the food poverty line.

By this measure, the 2021 national minimum wage is below the upper-bound poverty line as estimated by Stats SA for an average-sized household, and about 21% above the lower-bound poverty line. The national minimum wage would be less than the lower-bound poverty line for larger households of five or more members. According to Stats SA's General Household Survey (2020), about a quarter of households had four or five members.

These findings suggest that the current minimum wage remains below the upper-bound poverty line for many households. By extension, a gradual real increase is needed to lift employees earning the minimum wage out of poverty.

iii. The reduction of wage differentials and income inequality

Wage differentials in South Africa remain amongst the highest in the world, according to data published by the International Labour Organisation (ILO). A core aim of the Act is to reduce these inequalities by increasing wages for the worst-paid workers.

The median wage data (Table 4 Annexure E) for 2021-Q1 suggests that the national minimum wage in 2021 at R21.69 was less than the hourly median wage for all employees in the working population. The difference between the minimum wages and median wages was more pronounced within the formal sector, where the median wage was R 34.87 compared to the minimum wage of R21.69. While the median wage for farmworkers and domestic workers were the lowest, they were closer to the minimum wage than the formal sector median wage. It is worth noting that while the median wages for domestic workers were the lowest, the mean wages (R21.75) were more than the 2021 minimum wage.

The majority of Commissioners argue that in light of these realities, reducing the wage gap requires a real increase in the national minimum wage.

b. Factors to consider in the annual adjustment

i. Inflation, the cost of living, and the need to retain the value of the minimum wage

The Commission agrees that, in order to retain the purchasing power of the national minimum wage, the annual adjustment should be set as an increment above the increase in the cost of living. Inflation should be measured by the increase in the Consumer Price Index.

The Commission notes that inflation for low-income households is currently significantly higher than it is for the upper-income group. In October 2021, the headline year-on-year CPI rate was 5%. The inflation rate for the poorest decile was 6,5%, while it was 5,2% for the richest decile. The main reason is the relatively sharp increase in transport and food prices, as these constitute a higher share of consumption for lower-income households.

The fact that the overall inflation rate understates price increases for low-income households means that in order to maintain the value of the national minimum wage in terms of purchasing power, the increment must exceed headline inflation.

ii. Wage levels and collective bargaining outcomes

Table 1 indicates the agreements on wage increases for the major bargaining councils in 2020 and 2021, which ranged between 2,9% and 13,43% across the different bargaining councils. Most councils agreed on increases at around 6%, or about 1,5% above inflation as of mid-2021. The national disaster arising from the COVID-19 pandemic limited collective bargaining in 2020. However, its effects in 2022 may have been less severe due to the easing of lockdown regulations.

Table 1: Bargaining council wage increases for the period 2020 to 2021

Bargaining Council	Increment
Building North + West Boland	2,9% - 3%
Hairdressing, Cosmetology, Beauty & Skincare	13,36% - 13,43%
Electrical Council	CPI + 1%
Metal & Engineering Council	NONE
SARPBAC	5,9%
Road Freight BC	7,5%
BC for the Restaurant, Catering & Allied Trades	6%
Building Cape Of Good Hope Council	For the period 1 November 2020 to 31 October 2021, the wages were increased by CPI percentage provided that the minimum increase shall be 4 %. For the period 1 November 2021 to 31 October 2022, the wages applicable from 1 November 2020 shall be increased by CPI percentage provided that the minimum increase shall be 4%.
Clothing Council	Part A – Eastern Cape = 3,7% Part B – Free State and Northern Cape = 3,7% Part C - KwaZulu-Natal = 3,7% Part D - Northern Cape = 3,7% Part E – Northern Region (Knitting) =3,7% Part F – Western Cape (Clothing) = 3,7% Part G – Western Cape (Country Areas) = Skilled 3,7%, Semi-skilled 11,7% and Unskilled 4,8% Part H – Western Cape (Knitting) = 3,7% Part I – Non-Metro Areas – Magisterial Districts Camperdown, Umzinto, Paarl, Stellenbosch and Uitenhage = 3,7% Part I – All other areas = 3,7%

Bargaining Council	Increment
National Textile BC	Cotton sector=5,5% Manufactured Fibres subsector=7%
Fishing industry Council	7%
National Bargaining Council of the Leather Industry	General Goods and Handbag Sector = 3,7% Tanning Sector = 7,5% Footwear Sector = 7,5%
Meat Trade Council	8%
Civil Engineering Council	7.5% or CPI whichever is greater
FBC KZN	7%
Motor Industry Bargaining Council	7%
Motor Ferry BC	This is the first agreement gazetted. No comparative figures. The gazetted MCA reflect actual wages shall be increased by R2 000.00 per month.
Private Security BC	This is the first agreement gazetted. No comparative figures. The gazetted MCA reflect actual wages shall be R4585.00 per month
Canvas BC Gauteng	5%
Contract Cleaning BC KZN	4,5%
FBC WC	6,9%
FBC SWD	This is the first agreement gazetted. No comparative figures. The gazetted MCA reflect actual wages shall be increased by R20.76 per hour.

Table 2: Mining Industry wage increase for period 2020 to 2021

Northam Platinum Zondereinde	
Category	Wage Increase
Category 2-8	R1 300.00 ATB
Category 9-10	6,5% on the basic rate
Sibanye Stillwater	
Category A	R1 000.00 or 5% per month, whichever is greater
Category B	R1 000.00 or 5% per month, whichever is greater
AngloGold Ashanti	
Category 4-8, surface and underground	R700.00 per month on the standard rate of pay (additional R300.00 per month to the standard rate of pay for the first year of the agreement in consideration of agreeing to, and working the new shift arrangements). This will result in an increase of R1 000.00.
Harmony Gold Mining Company	
Category 4-8, surface and underground	R700.00 per month on the standard rate of pay
Gold Fields	
Category 4 –8	8%

A snapshot of median settlement levels reflected in 272 collective agreements between trade unions and employers indicates a median settlement level of 6% in 2021(Table 3).

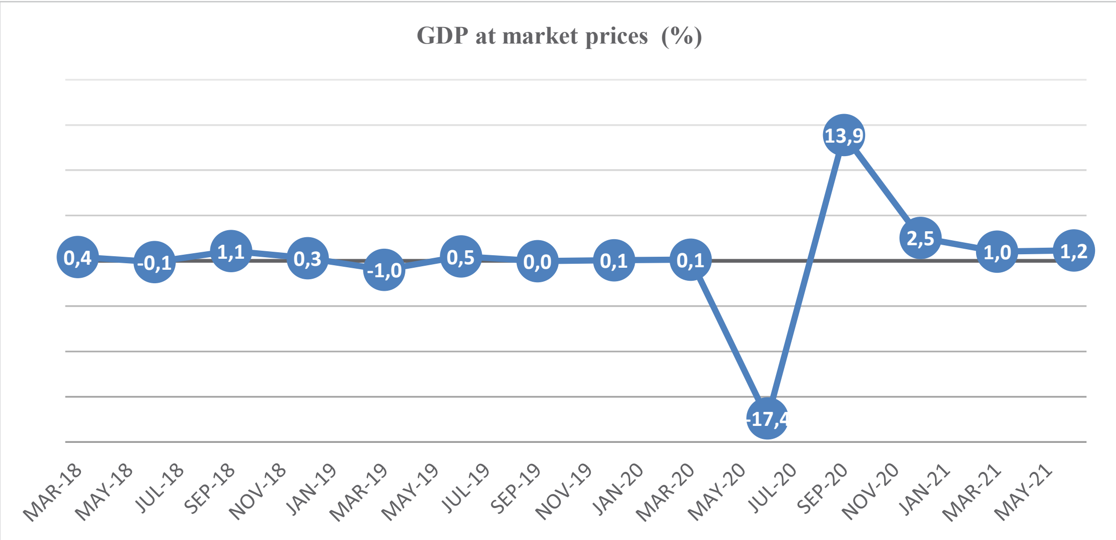
Table 3: Median settlement levels in collective bargaining in South Africa (%), 2021

Industry	2021 (%)
Agriculture, Hunting, Forestry & Fishing	7,5
Community, Social & Personal Services	5
Construction	6
Electricity, Gas & Water	5,5
Financing, Insurance, Real Estate & Business Services	6
Manufacturing	6
Mining & Quarrying	8
Transport, Storage & Communication	6

iii. Gross Domestic Product

The COVID-19 pandemic affected South Africa's economic growth in the first quarter (Q1) of 2020, but had a far more severe impact during the level 5 lockdown in April, which limited the country's economic activity. These economic disruptions saw a 17% year-on-year decline in the (GDP) in the second quarter (Q2) of 2020, followed by a 14% improvement in the third quarter (Q3) (Figure 1). GDP growth reached 1% and 1,2% in the 2021-Q1 and 2021-Q2 respectively. As a result of this rebound, in the year to June 2021 the GDP grew at a faster rate than at any time since the early 2000s. Still, it remained 1,4% smaller than before the pandemic. The largest contributors to quarter-on-quarter growth in the of 2021 Q2 were transport, personal services and trade industries.

Figure 1:Gross domestic product at market prices (% change)



The Commission notes with concern the prevailing economic conditions amidst the COVID-19 pandemic. Although the economic recovery in South Africa and globally has so far exceeded expectations, the uncertain future of the COVID-19 pandemic could still give rise to negative external shocks.

The commission notes Stats SA's GDP for 2021-Q3, the survey indicates that the real GDP decreased by 1,5% in 2021-Q3. The trade, catering and accommodation industry decreased by 5,5%, contributing -0,7 of a percentage point to GDP growth. Decreased economic activities were reported for wholesale, retail and motor trade; and catering and accommodation services. This may be to a large extent a consequence of the mass looting of businesses that occurred in the July 2021 unrest, which is estimated to be more than R50 billion. Data on retail trade sales show retail sales for the month of July dropped 11% month-on-month.

iv. Productivity

The COVID-19 downturn made it virtually impossible to realistically estimate labour productivity because of the extraordinary constraints on production.

v. The ability of employers to carry on their businesses successfully

The Act aims to bring about a structural shift in pay scales to promote greater equality; however, any increase in the national minimum wage will require some adaptation by employers.

The most recent findings from the Department of Employment and Labour's qualitative research study revealed the following (notably, the study did not include the sectors most affected by the pandemic i.e. the hospitality industry and hairdressers):

- That the wine industry was interrupted due to restrictions of liquor sales in the country during stricter levels of the lockdown. No direct linkage could be made to the national minimum wage. The construction sector also reported some interruptions during the hard lockdown; however, no direct effects to the national minimum wage could be established.
- The study did not establish that the introduction of the national minimum wage had any influence on the running of businesses other than the concern raised by some agricultural employers (of possible mechanisation). More research must be conducted in this area.

While the Commissioners recognise that the COVID-19 downturn had a harsh impact on many employers, those who are genuinely unable to pay the proposed adjustment are able to utilise the exemption procedures.

vi. The operation of small, medium or micro-enterprises and new enterprises

Small and medium enterprises (SMEs) accounted for approximately 37% of the total turnover of all enterprises. This excludes micro-enterprises, which are enterprises in the lowest turnover threshold category. The COVID-19 economic downturn led to a contraction in the number of establishments. According to the Small Enterprise Development Agency's (SEDA) SMME Quarterly Update (2021), the number of SMMEs in South Africa declined by 11% (289 000) year-on-year from the first quarter (Q1) of 2020 to the first quarter (Q1) of 2021, falling from 2,61 million to 2, 33 million.

The Commission notes that while some SMMEs and new enterprises may face some challenges because of the proposed change in the minimum wage, the exemptions procedure can mitigate the challenges.

vii. The likely impact of the recommended adjustment on employment or the creation of employment.

There are legitimate concerns about the impact of the annual national minimum wage adjustments on employment in the country. It is worth noting that the COVID-19 pandemic negatively affected employment as many business establishments closed down and many people left unemployment.

The period of COVID-19 the pandemic coincides with the period of the national minimum wage adjustment and this makes it difficult to evaluate and isolate the impact of an increase in the national minimum wage from the effects of the pandemic. The Development Policy Research Unit (DPRU) of the University of Cape Town (UCT) undertook research for the Commission to investigate the impact of the adjustment in the national minimum wage on the labour market, focusing on employment, hours of work and wages between the first quarters of 2020 and 2021.

Due to variations in timeframes between the study's reference period (2020-Q1 - 2021-Q1) and the 2021 national minimum wage increase, the research does not adequately cover the effect of the national minimum wage increase on the domestic (22,6%) and agriculture (16,1%) sectors.

While the overall employment decreased, the study indicates that the decline in employment was more pronounced amongst workers earning less than the national minimum wage (17%), compared to workers earning more than the national minimum wage (11%). The marginal disproportionate employment impact on low-wage workers cannot be attributed to the national minimum wage increase and is more likely tied to the various labour market impacts of the

COVID-19 pandemic. Unlike hours of work, many of the jobs that were lost have not been regained and by 2021-Q1, total employment remained 1,4 million lower than the previous year.

The study highlights that, in general, workers earning below the national minimum wage were likely to work more hours per week than those who earn above the minimum wage. In particular, workers in private households, such as domestic workers, experienced a marginal increase in the hours worked during the period under review. Large decreases in hours worked were experienced amongst workers in the construction sector.

The study also indicates that there was a slight rise in wages in the period under review, where the increase was marginally higher for workers earning less than the minimum wage, compared to those earning at the level of the minimum wage or more.

A qualitative study conducted by the internal research unit of the Department of Employment and Labour in 2021 indicates no evidence of an effect on employment due to the national minimum wage in the domestic sector and construction sector. Any reported changes are attributed to the COVID-19 lockdown restrictions and the economic decline. The agricultural sector already reports an effects on employment. The study also indicates that the impact of the national minimum wage on hours, employment and non-wage benefits cannot be distinguished from the impact of COVID-19 on businesses and other economic factors.

The Commission took note of Stats SA's Quarterly Labour Force Survey (QLFS) for 2021-Q3. The survey indicates a sharp decline in employment. The QLFS indicates that year-on-year job losses at Q3 2021 were driven by job losses in the higher occupational categories (sales & service, clerks, technicians and professionals), while there was a net gain in employment in the lower occupational categories (domestic workers, elementary and plant & machine operators). The national minimum wage is associated with jobs in these lower occupational categories. It seems likely, however, that the findings were affected by the unrest in July, with a recovery in the subsequent months as reflected in other economic data. As a result, the actual trends in employment will only be perceptible in the coming quarter.

The Commission is conscious of the economic challenges facing South Africa, but the modest improvement proposed for the national minimum wage should not prove unduly disruptive. Moreover, failing to address inequality and poverty in itself fosters contestation and unrest, which poses a significant risk to the overall recovery.

The following Commissioners were in support of the CPI plus 1% adjustment for 2022:

Dr. Neva Makgetla (Independent expert)

Prof. Imraan Valodia (Independent expert)

Dr. Sarah Mosoetsa (Independent expert)

Mr. Solly Phetoe (Labour)

Mr. Edward Thobejane(Labour)

Mr. Trenton Elsley (Labour)

Ms. Jahni de Villiers (Business)

Mr. Jonathan Goldberg (Business)

Mr. Kaizer Moyane (Business)

3. EQUALISATION OF THE MINIMUM WAGE FOR DOMESTIC WORKERS

Ideally, the national minimum wage should be applicable to all employees. However, to avoid excessive disruption the Act established lower minimums for farm and domestic workers, with a process of gradual equalisation to the national minimum wage over time. It requires the Minister, within two years, to determine the adjustment of the national minimum wage of farm works and domestic workers. Section 6 of the Act mandates the Commission to make recommendations to the Minister of Employment and Labour on this topic. The review report must reflect any alternative views, including those of the public, in respect of a possible adjustment to the minimum wages of farm workers and domestic workers.

Under the Act, the minimum wage for domestic workers was set at 75% of the National Minimum Wage in 2020. The Commission proposed that it be increased to 88% of the national minimum wage in 2021 and to 100% in 2022. As a result, the minimum wage for domestic workers in 2021 came to R19.09 per hour. The equalisation of the domestic sector was proposed in 2020 by the Commission, wherein there was minority report proposing a phased-in approach in line with its earlier proposal, the Commission recommends that the minimum wage of domestic workers be increased to the national minimum wage in 2022.

Stata SA's QLFS indicates that the number of domestic workers in the country increased from 745 000 in 2020 Q2 to 892 000 workers in 2021 Q2. This substantial increase may be attributed to the previous the COVID-19 lockdown, where more than 259 000 domestic workers lost their jobs in 2020 Q2 – a year-on-year decrease of 25,1%. From the data it can be inferred that the sector is recovering from the impact of the hard lockdown.

4. MINORITY RECOMMENDATIONS

In section 6, the National Minimum Wage Act of 2018[2] requires that the National Minimum Wage Commission "review the national minimum wage annually and make recommendations to the Minister on any adjustment of the national minimum wage." The Act mandates the Commission's review report to the Minister to reflect on alternative views, including those of the public.

This Minority Report constitutes the report of the three Commissioners who come from the Community Constituency of the National Economic Development and Labour Council (NEDLAC) social partners. We do not act on a mandate although we do consult with our constituency, and in addition we have reached our consensus position from an initial point of individual departure.

For the reasons set out below, **we recommend is that the Minister should adjust the National Minimum Wage for 2022 upwards by headline CPI plus 1,5%**. We are aware that the majority of Commissioners in the Majority Report will recommend an increase of headline CPI plus 1%. We acknowledge that all parties showed a willingness to meet each other for the sake of consensus, but we were ultimately not able to agree with the majority line and in accordance with the Act, we submit our Minority Report to the Minister.

While we acknowledge that it would be preferable if the Commission could reach consensus, the Act does make provision for 'any alternative views' in Section 6(2) of the Act, an option that has been exercised in the past. For the weighty reasons that we reflect in this Minority Report, and with the realities of the most vulnerable and precarious workers who represent much of our constituency, we feel bound to submit this Minority Report of our recommendations for the 2022 adjustment.

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[2] No 9 of 2018.

1. The Annual Adjustment in The National Minimum Wage

Section 6 of the Act sets criteria for the annual adjustment of the national minimum wage. These criteria are the following.

Firstly, the proposal must promote three-year targets for the national minimum wage, **the alleviation of poverty; and a reduction of wage differentials and inequality**. The first of this is the subject of further deliberation and does not form part of this Minority Report.

Secondly, the Commission must consider a range of actual and potential economic impacts from the adjustment, specifically:

- Inflation, the cost of living and the need to retain the value of the national minimum wage;
- Wage levels and collective bargaining outcomes;
- Gross domestic product (GDP);
- Productivity;
- The ability of employers to carry on their businesses successfully;
- The operation of small, medium and micro enterprises and new enterprises; and
- The likely impact on employment or employment creation.

The Act also empowers the Commission to consider other relevant factors.

a. Promoting the aims of the Act

i. Three-year targets

As indicated, this is the subject of an ancillary, parallel engagement, and we will not address this here.

ii. The alleviation of poverty

Poverty in South Africa has grown significantly with the impact of the COVID-19 pandemic and economic shut-downs.

The 2021 Poverty Lines released by Stats SA are as follows:

R624.00 Food Poverty Line, R890.00 Lower Bound Poverty Line and R1 335.00 Upper Bound Poverty Line. (P03101 Stats SA).

Stats SA has not published an updated review of poverty since the 2017 Poverty Trends in South Africa Report (03.10.06) that used the IES and 2014/15 LCS data. According to this report, 25% of people lived below the Food Poverty Line, and 55,5% lived below the Upper Bound Poverty Line.

According to the NIDS CRAM 5th Wave Research, in April/May 2021 approximately 10-million people and 3-million children were in a household affected by hunger in the past seven days.

Our Constitution places on obligation the state to respect, protect, promote, and fulfil[3] people's absolute right to inherent dignity and the right to have their dignity respected and protected (section10), and the progressive realisation of the right of access to sufficient food and water (section27(1)(b)), amongst other rights in the Constitution. According to section 27 (2), "The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of [this right]."

It is our view that the legislated mandate of the Commission is one of the tools that the state is constitutionally obliged to use to advance people's dignity through the prescripts of the Act 9, and accordingly we believe that it is fit and proper that the 2022 national minimum wage review should be set at **headline CPI plus 1,5%.**

iii. The reduction of wage differentials and income inequality

Wage differentials in South Africa remain amongst the highest in the world, according amongst others to data published by the ILO. A core aim of the Act is to reduce these inequalities by increasing wages for the worst-paid workers.

The following table[4] is from the recent draft report submitted by DPRU to the Commission. The table indicates that workers who negotiated the lowest wage increases included those who were least skilled, in the private sector and non- unionised.

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[3] Section 7(2) Constitution of South Africa.

[4] An Assessment of the 2020 National Minimum Wage Increase: Preliminary Findings. Development Policy Research Unit (DPRU), November 2021. DRAFT REPORT.

It is our view that these are precisely the most vulnerable workers that we are required to proactively, one could almost say aggressively, protect as the Commission in setting the national minimum wage that seeks to protect the real value of the purchasing power of the national minimum wage – see the next section on Inflation ((b)(i)).

b. Factors to consider in the annual adjustment

i. Inflation, the cost of living, and the need to retain the value of the minimum wage.[5]

Stats SA's CPI for September 2021 indicates that headline inflation is 5%, and for decile 3 (R30 000 to R43 000) it was 5,2% in October 2021.

CPI Food inflation is 7%.

The PEJD basket of food increased by 10,2% Year on Year to September 2021. The mid-year increase in electricity, the double increases in the price of fuel and the interest rate increase in November 2021 will all have a knock -on effect on prices in 2022, particularly food prices. The poor do not have the luxury of being able to shop around or buy on -line and thus their pockets will be hit the hardest.

We know that poor households spend the bulk of their income on food. The significance of higher food inflation is always that the purchasing power of the poor is disproportionately affected. We believe that the National Minimum Wage should consciously address this reduction of the purchasing power of minimum wages by increasing above inflation and hence we argue for 1,5% above headline CPI increase for 2022.

ii. Wage levels and collective bargaining outcomes

Table B above reflects the spectrum of wage increases.

Interestingly the United Kingdom Low Pay Commission, a body that was of some influence in the vision of the national minimum wage, recommended unanimously an annual increase of 6,6% for 2022, also on the strength of strong growth forecasts of 5,1%.

iii. Gross Domestic Product

The National Treasury predicted the SA GDP to grow by 5,1% in 2021 as announced in the recent Medium Term Budget Policy Statement (MTBPS). We do not believe that this strong growth forecast will be negatively affected by the recommended national minimum wage increase of CPI plus 1,5%.

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[5] We are indebted to the Pietermaritzburg Economic Justice and Dignity think tank for this information available in their Media Release of 27 October 2021 at www. pmbejd.org.za.

iv. Productivity

According to the briefing note from the national minimum wage Commission researchers, the last productivity figures available was in 2020 for 2019 and we accordingly did not have fresh figures to mind at the time of reaching our recommendation.

The COVID-19 downturn continues, as stated in the Majority Report submitted last year, to render it virtually impossible to estimate labour productivity realistically because of the extraordinary constraints on production.

v. The ability of Employers to carry on their Businesses successfully:

We believe that the impact of the COVID-19 pandemic and the July 2021 violent unrest in KwaZulu-Natal and Gauteng have a greater impact on the success of businesses. Unlike these two, business owners can for an exemption if they believe that the increase will negatively affect their ability to continue as a going concern, which is the very reason that the Act provides for the exemption process.

vi. The operation of small, medium or micro-enterprises and new enterprises

We acknowledge the possibility that SMMEs and new entrants may be disproportionality affected but we are mindful of the exemptions regulations. We are also mindful of the fact that SMMEs require local demand to sustain themselves and a higher wage will provide for more disposable income to circulate, leading to greater aggregate demand.

vii. The likely impact of the recommended adjustment on employment or the creation of employment.

The findings of the recent research of DPRU on the impact of the 2020 national minimum wage adjustment on employment or the creation of employment, state very clearly that the timing and the magnitude of the impact of Covid-19 on the South African economy and labour market were such that the ability to isolate the impact of the increase to the national minimum wage, which was not of such a great magnitude itself, was pretty difficult. Our reading of this finding is that the labour market has been so fundamentally shaken by the impact of COVID-19 and the many iterations of social and economic lockdown that to isolate for the impact of a relatively small increase – which a CPI plus 1,5% remains still – is not possible in any significant manner.

The actual difference between a CPI plus 1% versus a CPI plus 1,5% increase is of the domain of R17.50 which again we do not believe to be significant.

2. Conclusion

We conclude by referring to an opening paragraph of previous year's Report:

"The National Minimum Wage Act constitutes a decision to prioritise a more equitable pay structure that ensures working people do not live in poverty. In itself, that decision implies that costs for some employers will increase, but that they will be offset by the broader benefits to society of more equitable workplaces and remuneration systems. The Act provides for exemptions for employers who truly cannot afford the adjustment."

We live in a country that is characterised by extreme income and wealth inequality. The state is obliged to take steps within all of its available resources, including legislative steps, to meet people's rights, both their fundamental rights and their socio-economic rights which include their right to sufficient food and water.

We believe that the Act is one such step taken by the state and for the reasons as set out above, as the undersigned Commissioners we believe that this recommendation is reasonable and appropriate in the circumstances.

Ms. Isobel Frye (Community)
Ms. Conti Matlakala (Community)
Mr. Tumelo Zwane (Community)