

AN EVALUATION OF THE NATIONAL MINIMUM WAGE DISPENSATION

by

MOGODI MASENYA

Submitted in partial fulfilment of the
requirements for the degree of:

***MAGISTER LEGUM
(Labour Law)***

in the Faculty of Law
at the Nelson Mandela University

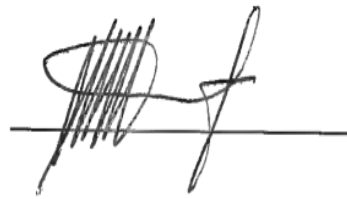
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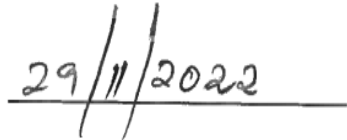
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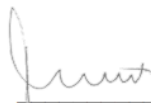
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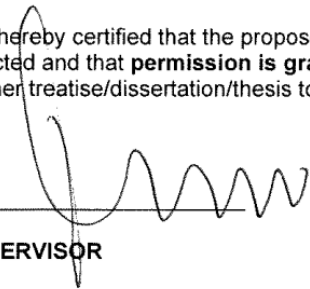
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SUMMARY

After South Africa became a democratic country, there was a shift in the labour and employment sector. This led to introduction of new labour laws which would be in harmony with the constitutional dream and objectives. As such, the BCEA was introduced to bring about change to the basic conditions of employment. As a result of this, new minimum wages policies and laws were enacted. The wages were to be determined by the following means: first way was by means of bargaining council agreements, the second way by means of statutory council agreements, and the third way by means of sectoral determinations. The sectoral determinations policy was introduced through the BCEA. The BCEA through the ECC promulgated sectoral determinations which was aimed to establish minimum wages and conditions of employment for workers in the sectors deemed to be vulnerable.

A minimum wage was firstly adopted in New Zealand and in European countries as early as the 19th century. This policy was then widely adopted after the establishment of the International Labour Organisation. The purpose or aim of a minimum wage is to protect workers against exploitatively low pay and to ensure a just and equitable share of the profits of work, thus creating a minimum living wage for all those that are employed and in need of such protection. Minimum wages are also often used as a policy tool to reduce poverty and inequality, including between men and women, by advocating for equal pay for work of equal value.

Convention No. 131 and Recommendation No 135 are the key international conventions that determine minimum wage fixing. Convention No. 131 and Recommendation No. 135 seek to ensure that the minimum wage is set at a certain level that allows workers and their families to meet their needs. Article 4 of Convention No. 131 requires the creation and maintenance of machinery adapted to national conditions and requirements whereby minimum wages for groups of wage earners covered under article 1 can be fixed and adjusted from time to time. However, the situation of minimum wages differs between developed and developing countries. This raises a concern, more particularly, whether developing countries can be able to adopt the minimum wage policy. This research makes investigate the adoption of

minimum wage policy in developed and developing countries, and how it affected their socio-economic status.

On about 2018, South Africa enacted the National Minimum Wage Act. This Act was aimed at establishing a floor of minimum wage for all employees. This Act was intended to promote and protect vulnerable workers who were left out from the previous wage policies. The long-term aim of a minimum wage was to remove the problem of poverty pay, which exists when the earnings from paid work do not result in a living minimum wage and fail to push people out of poverty. When this Act was enacted, the national minimum wage floor was set at R20 per hour. However, in EPWP, Domestic Worker, and Farm workers had lower rates because they were regulated by other laws. Furthermore, there were challenges of non-compliance by employers.

The national minimum wage policy as a socio-economic tool has had an impact on several levels of the economy. This policy has contributed to either alleviation or elevation of poverty and unemployment. Therefore, this study looks at the impact the minimum wage has had on these 2 aspects of life. The research provides a specific asymmetric data of the impact of the policy in all sectors throughout the time since this policy was adopted. It further shows how the minimum wage policy intervention has been affected by covid 19 pandemic. This empirical evidence is provided by way of charts and graphs to demonstrate the changes that has occurred. At the end of the treatise a conclusion on how this policy has affected the South African economy is reached. Furthermore, recommendations on how economic risks posed by the minimum wage policy can be reduced.

CHAPTER 1: INTRODUCTION

1 1 INTRODUCTION

The Wage Act, which was assented to on 19 February 1957, established the Wage Board and set out the functions of the Board.¹ This Act gave the Minister of Manpower the powers to make wage determinations on the basis of recommendations made by the Wage Board. Several determinations under this Act were established and regulated minimum wages and conditions of employment.

When the Basic Conditions of Employment Act (BCEA) was introduced, it established the Employment Conditions Commission (ECC), which replaced the Wage Board.² The ECC's duties were *inter alia* to advise the Minister of Labour to make sectoral determinations, which replaced the wage determinations.³ However, this Act did not have mechanisms to amend the existing wage determinations either in the main Act or in the schedules thereto. The 2002 amendments were made, which effect converted the wage determinations into sectoral determinations.⁴ Most of the wages and conditions of employment contained in these wage determinations were outdated, others were superseded by the bargaining council's agreements which covered the employees who were previously covered by these determinations.

This led to a preliminary investigation by the Department of Employment and Labour (DEL) which found that a complete cancellation of these wage determinations would adversely affect employees in certain sectors. As a result of that the Department ordered the immediate cancellation of some of the wage determinations and initiated investigation into other wage determinations which were published in Government Gazette of 30 March 2007.⁵

¹ Act 5 of 1957.

² Act 75 of 1997.

³ S 49(2) of Act 75 of 1957.

⁴ Act 75 of 1997.

⁵ GG 29730 of 2007.

As the BCEA mainly addressed the issues of conditions of employment, the issue of wages was solemnly left in the hands of the employer and employees. The situation led to many vulnerable employees without a voice on the issue of wages, mostly in sectors like farming and the domestic sector. There were several ways in which minimum wages could be determined in South Africa. There were different ways in which minimum wages were regulated in the country. The first way was by means of bargaining council agreements, the second way by means of statutory council agreements, and the third way by means of sectoral determinations. The BCEA through the ECC promulgated sectoral determinations which was aimed to establish minimum wages and conditions of employment for workers in the sectors deemed to be vulnerable.

Bargaining and statutory councils are provided for in the Labour Relations Act (LRA) and are formally registered under the LRA.⁶ In August 2013 there were 41 bargaining councils in the private sector alongside the South African Local Government Bargaining Council and the Public Sector Central Bargaining Council and its sub-councils. Statutory councils can be registered if the organisations representing either labour or employers accounts for at least 30 per cent of the sector. In terms of the LRA the Minister of Employment and Labour may extend agreements reached in both councils to cover the full sector including employers and employees who are not party to the council.⁷

Since the inception of the ECC, eleven sectoral determinations were promulgated in different sectors of the economy. The sectors in which the sectoral determination was promulgated were Contract Cleaning, Civil Engineering, Children in the Performing of Arts, Private Security, Taxi, Learnerships, Domestic Workers, Farm Workers, Wholesale and Retail, and Hospitality.⁸ The minimum wages were subsequently adjusted annually by the Consumer Price Index (CPI) plus 1% to 2% to keep up with the inflation.

⁶ Act 66 of 1995.

⁷ S 32 of Act 66 of 1995.

⁸ DPRU “Addressing the Plight of Vulnerable Workers: The Role of Sectoral Determinations” (September 2010) <http://nationalminimumwage.co.za/wp-content/uploads/2015/08/0005DPRU-2010The-role-of-Sectoral-Determinations.pdf> (accessed 2022-09-21) 15.

Regulation of minimum wages through the establishment of sectoral determination was considered to be the most fundamental way to protect wages for the most vulnerable workers. This was supported by the fact that more investigations were conducted by the Department in order to determine the feasibility to establish sectoral determinations in sectors like Unskilled, Funeral Undertaking, Fishing, Abattoir and Garden Services.⁹ All sectors under investigation were recommending the regulation of minimum wages. It was this exercise that prompted a demand for an establishment of the National Minimum Wage (NMW).

In the President's State of the Nation Address in July 2014, President Jacob Zuma spoke of the need to explore minimum wages in the context of the triple challenges of unemployment, poverty, and inequality.¹⁰ In his speech he indicated that:

“Given the impact of the untenable labour relations environment on the economy, it is critical for social partners to meet and deliberate on the violent nature and duration of the strikes. The social partners will also need to deliberate on wage inequality. On our side as Government, we will during this term investigate the possibility of a national minimum wage as one of the key mechanisms to reduce the income inequality. Deputy President Cyril Ramaphosa will convene the social partners' dialogue, within the ambit of National Economic Development and Labour Council (NEDLAC)”.¹¹

Minimum wage is defined as the lowest statutory required wage that an employer can pay to their employees in South Africa. In other words, it is illegal for an employer to pay employees anything less than the minimum wage as stipulated by the Minimum Wage Act. This makes the Minimum Wage Act one of the most important instruments in support of economic justice and elimination of poverty and inequality. This Act has now become a standard feature of labour market policy in almost all countries around the world.¹²

⁹ GG 32933 of 2010-02-05; GG 35442 of 2012-06-13; GG 36946 of 2013-10-18; GG 37550 of 2014-10-11 and GG 38788 of 2015-05-12.

¹⁰ The Presidency “President Jacob Zuma: State of the Nation Address 2014” (13 February 2014) <https://www.gov.za/node/632440> (accessed 2022-09-21) 3.

¹¹ The Presidency <https://www.gov.za/node/632440> 3.

¹² ILO “How to define a minimum wage?” <https://www.ilo.org/global/topics/wages/minimum-wages/definition/lang--en/index.htm> (accessed 2022-09-21).

Minimum wages, according to the International Labour Organisation (ILO) is one of the elements in a policy designed to overcome poverty and to ensure the satisfaction of the needs of all workers and their families.¹³ Further, the recommendation states that the fundamental purpose of minimum wage fixing should be to give wage earners necessary social protection above other things.¹⁴ The ILO stressed the importance of the need for adequate protection in accordance with the Decent Work Agenda, and noted that for a minimum wage to be meaningful it needs to be set at a level that covers the needs of workers and their families, while taking into account other economic factors.¹⁵ Minimum wages are also seen as a way through which to reduce inequality and encourage labour productivity.

A single NMW is thus preferred by the ILO and minimum wage experts for the following reasons:

- “It covers all workers;
- It is easier to enforce and enjoys higher compliance;
- It benefits all workers equally (while sectoral minima have been shown to discriminate against vulnerable groups such as women and youth);
- It can be set to serve broader policy objectives such as the reduction of poverty and inequality;
- It can be set to take account of worker’s needs and macroeconomic growth impacts, not only narrow sectoral considerations”.¹⁶

The most common reference for setting a minimum wage is the needs of the worker. According to the ILO, a minimum wage should be able “to cover the minimum needs of the worker and his or her family”.¹⁷ For employers, basic needs refer to a subsistence or minimum wage where workers and their families can physically reproduce themselves at a meagre standard. This is why the labour movement has preferred to use the term, a “national minimum living wage” to signify a wage that takes workers out of poverty and closer to a living wage. This means that the purpose

¹³ Article 1 of the Minimum Wage Fixing Recommendation, 135 of 1970.

¹⁴ Article 2 of the Minimum Wage Fixing Recommendation, 135 of 1970.

¹⁵ ILO “Who Should Be Getting Minimum Wages?” <https://www.ilo.org/global/topics/wages/minimum-wages/beneficiaries/lang--en/index.htm> (accessed 2022-09-22).

¹⁶ ILO “Minimum Wage Policy Guide” https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/genericdocument/wcms_508530.pdf (accessed 2022-10-09) 3.

¹⁷ ILO https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/genericdocument/wcms_508530.pdf 2.

for minimum wages is not for luxurious expenses but to eliminate wage inequality and promote socio-economic equality.

The introduction of the NMW in South Africa by the Government was mainly to address the plight of poverty, wage inequality and unemployment in the country.¹⁸ The National Minimum Wage Act (NMWA) was promulgated on 1 January 2019.¹⁹ The introduction of a NMW in South Africa was a significant labour market intervention that has benefited about six million workers, amongst them unorganised and vulnerable workers who without its pronouncement would have continued to endure low wage levels and poverty.²⁰

The BCEA was subsequently amended to make a provision for the creation of the National Minimum Wage Commission (NMWC), which replaced the ECC. The Commission's aim is to maintain the relevance of the NMW and to preserve its value, and amongst other functions is to review the NMW and recommend adjustments, investigate and report annually to the Minister on the impact of the NMW on the economy, collective bargaining, and the reduction in income differentials.²¹

Since the inception of the National Minimum Wage policy, the NMWC reviewed the NMW annually which resulted in an increase of the minimum wage. When the NMW was promulgated, a national wage floor of R20 an hour was set, with lower rates for those employed through the government's public works programme (R11 per hour), the domestic workers (R15 per hour), and for farm workers (R18 per hour).²² At the time of introduction, it was set at close to the country's median wage, which implies that for many low-paying sub-sectors and occupation groups the wage increase required by the new law was high.

To provide a clear indication, after the introduction of the national minimum wage policy the Commission recommended an annual increase for 2020, 2021 and 2022.

¹⁸ S 2 of Act 9 of 2018.

¹⁹ GG 42060 of 2018.

²⁰ ILO "Towards a South African National Minimum Wage" 2015 *Labour Research Service* 15-16.

²¹ S 11 of the National Minimum Wage Act 2018.

²² Department of Employment and Labour "South Africa Minimum Wages" <https://tradingeconomics.com/south-africa/minimum-wages> (accessed 2022-09-28).

As provided in Table 1 below, the promulgated increases were 3.8% for the first year across all categories. In the second year of the NMW, the Commission recommended a 4,5% increase for general workers, a significantly higher percentage for domestic workers at 22,6% and farm workers at 16,1% which resulted in farm workers getting equal to the general workers. In the third year of the NMW, there was an equalisation of the domestic worker’s minimum with a 21,5% wage increase, and the general workers got 6,9% including the Expanded Public Works Programme (EPWP).²³

Table 1: NMW Levels, 2020, 2021 and 2022

Minimum Wage Category	2020 (R/hr)	Annual Increase	2021 (R/hr)	Annual Increase	2022 (R/hr)	Annual Increase
General	R20,76	3,8%	R21,69	4,5%	R23,19	6,9%
Farm Workers	R18,68	3,8%	R21,69	16,1%	R23,19	6,9%
Domestic Workers	R15,57	3,8%	R19,09	22,6%	R23,19	21,5%
Expanded Public Works	R11,42	3,8%	R11,93	4,5%	R12,75	6,9%

Source: Department of Employment and Labour: Author’s calculations

It is worth mentioning that these increases on NMW from 2020 to 2022 occurred in highly abnormal circumstances emanating from COVID-19 which causes a fluctuation in employment, working hours, as well as forcing changes to StatsSA’s data collection procedures.

The focus and rationale of this treatise is to provide a primary goal of the National Minimum Wage policy which is to increase the income of those at the very bottom of wage scale through a distribution of national income. The policy aimed at ensuring that every worker is paid at a level of income that would enable them to maintain a minimum living standard above the bare subsistence level that employers are keen to maintain. The NMW is to deal with the issue of poverty which the capitalist system is unable to address, and to reduce the gap between highly paid workers and the lower paid workers. By so saying, it is a way of addressing income differentials. This

²³ Department of Employment and Labour “Minister Thulas Nxesi Announces 2022 National Minimum Wage Increases” (8 February 2022) <https://www.gov.za/speeches/minister-thulas-nxesi-announces-2022-national-minimum-wage-increases-8-feb-2022-0000> (accessed 2022-09-22).

study also explores the analysis of the impact of minimum wage legislation on the wage levels of workers and determines whether the actual wages earned by these workers were higher than the mandated minimum wage and whether wage levels of covered workers have increased as a result of the introduction of minimum wages in the specific sectors.

Enforcement of the policy is one of the tools which can be regarded as a joystick to ensure compliance. The intensity of enforcement indicates the number of labour inspectors available, which is a key predictor of whether an employer will violate minimum wage regulations or not. If more inspectors are deployed there is less chance of employers considering violating the minimum wage policy. This result has important implications for a policy maker wishing to increase compliance with minimum wage legislation.

1 2 PROBLEM STATEMENT

The major focus of this treatise is to provide the substance of the NMW in South Africa and to understand the impact of the introduction of a NMW in order to address the issue of poverty and inequality. The issue to investigate by this research is to determine whether the NMW system achieved what was initially meant for and also to ascertain whether the system operates better than its predecessor which is sectoral determinations. This problem statement can be categorised into the following sub-problem statements:

- To analyse the current system of the NMW, compared to the old system of the sectoral determinations;
- To identify benefits of the current system in South Africa;
- To evaluate the enforcement of the NMW system;
- To understand how NMW might affect the employment issue, poverty and resolve the issue of inequality; and
- To determine the impact of the NMW on the economy and collective bargaining in South Africa.

1 3 AIMS AND OBJECTIVES OF THE STUDY

The fundamental objectives of this treatise are to evaluate the NMW dispensation, and responses to the preceding review of the NMW. The following are the objectives of the treatise:

Objective 1:

To determine if employers comply with the rates as prescribed in the NMWA.

Objective 2:

To determine whether the current system of the NMW is working better as compared to the old system of the sectoral determinations.

Objective 3:

To determine if employers understand the process of application of NMW exemption.

Objective 4:

To analyse how the COVID-19 pandemic affected the implementation of the NMW.

1 4 RESEARCH METHODOLOGY

This research provides a basic quantitative assessment of the introduction of a NMW in South Africa, with some secondary data analysis. Bhandari²⁴ describes quantitative research as the process of collecting and analysing numerical data whereas Iran J²⁵ refers to secondary data analysis as the use of the existing research data to find answers to a question that was different from the original work.

For the purpose of this research, the researcher has opted to utilise both methods based on the fact that numerical data is analysed and the information is derived from other sources to achieve the objectives of the research. The types of literature study mainly include textbooks, research reports and articles. The number of research

²⁴ Bhandari "What Is Quantitative Research? | Definition, Uses & Methods" 24-11-2022 <https://www.scribbr.com/methodology/quantitative-research/> (accessed 07 January 2027).

²⁵ *Ibid.*

reports published since the inception of the NMWA indicate how crucial the subject is. The researcher elected to dwell on the comprehensive literature study on the existence of a NMW in South African labour market.

1 5 STRUCTURE OF THE TREATISE

The study aims to provide a detailed analysis of NMWA, to understand its effect on poverty and inequality, the enforcement of the Act and more importantly what it has contributed to the minimum wage adjustment in South Africa.

Chapter 2 of this treatise looks at the international experience of implementing a NMW, what mechanisms other countries have used in considering the level. A detailed historical background of the minimum wage structure is given. It discusses the international approach to minimum wages in terms of protecting vulnerable workers, exclusions and exemptions, enforcement and awareness, and at what level to set a meaningful wage. The historical processes in which the NMW was established are explained.

Chapter 2 further focuses on a brief overview of the NMW, and its provisions. When the Act was introduced, its objectives were to deal with the issues of two-tiered wage, as a policy reform measure, aimed at minimising the unintended outcomes of mandated minimum wage, improving the coverage of the vulnerable sectors, and promoting productivity improvement and gainsharing. The Act was also to incorporate workers who work for another person and who receive or are entitled to receive any payment for that work. The provisions reform was to provide more effective protection to low-paid workers through a genuine wage floor while putting measures in place to protect the wage. The major purpose of the Act is to advance economic development and social justice through improving the wages of lowest paid workers; protecting workers from unreasonably low wages; preserving the value of the NMW; promoting collective bargaining; and supporting economic policy.

Chapter 3 focuses on the enforcement of the NMWA and the NMW exemption process. Similar to many developing countries South Africa suffers from high levels of minimum wage violations despite legislation and mechanisms put in place to ensure compliance.

South Africa is no exception, particularly in vulnerable sectors covered by sectoral determinations. This study explores the current mechanism in place for monitoring and enforcement in the country and determines whether there is a need to overhaul the current system or improve where it is lacking. The Act affords employers or employer's organisation opportunities to apply for exemption in the event that they can't afford the prescribed NMW. It further regulates the manner and form in which the exemption must be made. This study explores whether the system is effective and known to the employer.

Chapter 4 focuses on how increases in the NMW impacted on the South African economy and also focuses on the distribution channels through which this impact is felt by increasing labour compensation. The study also looks at the effects of minimum wages on variables such as wages, employment, informality, hours of work, gender pay gaps, income inequality and poverty. How do the minimum wages impact on the wages for workers with more seniority or skills, either through collective or individual bargaining? To test the effectiveness of the NMW in the country is to verify whether it does increase wages. The minimum wage will normally increase average wages and reduce wage inequality compared to a situation where it is non-existent. This study also looks at how the low-paid workers benefited, predominantly those who were covered by the sectoral determinations and Ministerial Determination, such as farm workers, domestic workers, hospitality, wholesale and retail workers, taxi industry and expanded public works.

Chapter 5 is the conclusion chapter and critically analyses the impact of the NMW and adversity. The study ends with a reflection on the main results and a short conclusion. The conclusion also determines whether all considerable recommendation that South Africa took into consideration when introducing this policy was achieved, amongst others:

- (i) That the policy would run counter to the government's policy of encouraging and promoting free collective bargaining at industry and company level;
- (ii) That the introduction of a NMW would be detrimental effect on the country's high rate of unemployment and job creation; and

(iii) That the ILO prescribed approach which took into consideration certain economic factors in determining minimum wages has been followed and achieved.

The above-mentioned factors were critical in determining the future of the policy in South Africa. Taking into account that the need to explore a NMW was in the context of the triple challenges of unemployment, poverty and inequality, then it is crucial to determine whether this was achieved.

CHAPTER 2:

INTERNATIONAL HISTORY AND APPLICATION OF THE NATIONAL MINIMUM WAGE

2 1 HISTORY OF THE MINIMUM WAGE INTERNATIONALLY

Minimum wages exist in more than one hundred countries, both industrialised and developing countries. New Zealand was the first country to implement a minimum wage in 1894, followed by the Australian state of Victoria in 1896, and the United Kingdom in 1909. Frequently, minimum wages were considered as a temporary measure, to be phased out once wage bargaining between social partners would be established.²⁶ The United States passed a federal minimum wage law in 1938 and has increased the minimum wage and its coverage at irregular intervals ever since. At the beginning of 2008, thirty-two states and the District of Columbia had established a minimum wage higher than the federal level, and numerous other local jurisdictions had “living wage” laws put in place. Over the years the minimum wage policy has been popular with the public, controversial in the political arena, and the subject of vigorous debate among economists over its costs and benefits.²⁷

By the time the ILO was created in 1919, minimum wages were applied in very few countries under a limited scope. In Great Britain there were experiences of Trade Boards in certain industries (“sweated industries”) trying to avoid exploitation, especially of women and homeworkers. Australia and New Zealand fixed minimum wages by industry and regional districts. The United States had minimum wage passed by law in six States and Canada in four provinces. In France and Norway there were experiences of minimum wage fixing in the textile industry, particularly concerning home workers. The information about the different national systems was fragmentary and it was discovered that the international community lacked the basic statistical

²⁶ Masinaksi “The Role of ILO in the Development of Minimum Wages, the ILO Century Project (Geneva, ILO)” 2008 *ILO*; ILO “A Short History” 2008 https://www.ilo.org/global/topics/wages/minimum-wages/definition/WCMS_439071/lang-en/index.htm (accessed 2022-09-29) ; Starr “Minimum Wage Fixing: An International Review of Practices and Problems” *International Labour Office*, 1981 at 1.

²⁷ Nuemark and Wascher “Minimum Wages” (13 August 2010) <https://mitpress.mit.edu/9780262515085/> (accessed 2022-09-29).

standards to make data comparable. Despite the limited experience and knowledge on the subject, the expectation of setting a minimum wage level of international application was part of the initial considerations on how to develop this instrument.²⁸

China adopted a minimum wage in 1994 and strengthened it in 2004; Brazil re-activated its minimum wage policy in 1995 and has accelerated the rate since 2005; the Russian Federation complemented its NMW with regional floors in 2007; and Malaysia adopted a NMW in 2013, followed by Myanmar and the Lao People's Democratic Republic in 2015, and by Macao (China) in 2016. In Africa, the most recent country to introduce a NMW was Cape Verde in 2014.²⁹ These improvements show that the world is moving towards strengthening of minimum wage policy at a national level.

2 2 THE DEFINITION AND PURPOSE OF THE NATIONAL MINIMUM WAGE

The minimum wage may be understood to mean:

“the minimum sum payable to a worker for work performed or services rendered, within a given period, whether calculated on the basis of time or output, which may not be reduced either by individual or collective agreement, which is guaranteed by law and which may be fixed in such a way as to cover the minimum needs of the worker and his or her family, in the light of national economic and social conditions”.³⁰

This definition refers both to the binding nature of minimum wages, regardless of the method of fixing them, and to the major social and economic considerations that should be taken into account in determining their rates. It does not indicate, however, the elements to be included in the minimum wage. Is it to be understood as containing only the basic wage or, on the contrary, total remuneration should be taken into account?

A number of national laws do not indicate the elements of remuneration that make up the minimum wage, and among those that contain indications on the subject, it is

²⁸ Masinaksi 2008 *ILO* 135.

²⁹ Department of Employment and Labour “A National Minimum Wage for South Africa: Recommendations on Policy and Implementation National Minimum Wage Panel Report to The Deputy President” 2016 at 19.

³⁰ ILO: General Survey of 1992 par 27.

difficult to identify general trends due to significant differences on the following points: the inclusion of the basic wage only or, on the contrary, the inclusion of all or part of bonuses, tips, commissions, allowances and other additional payments; the taking into account of only money wages or, where applicable, also the cash value of benefits in kind; and the indication of whether or not “wages” within the framework of the legal provisions on the minimum wage, exclude overtime pay.³¹

The purpose or aim of a minimum wage is to protect workers against exploitatively low pay and to ensure a just and equitable share of the profits of work, thus creating a minimum living wage for all those that are employed and in need of such protection. Minimum wages are also often used as a policy tool to reduce poverty and inequality, including between men and women, by advocating for equal pay for work of equal value.³²

Crucial to the implementation of minimum wages is the use of other policy tools to supplement any and all initiatives to reduce poverty and inequality. There are several types of policy tools that can be used to reinforce social and employment policies in order to address labour market inequality such as social transfers, pro-employment policies, and the creation of an employment conducive to economic growth.³³

Although Convention No. 131 and Recommendation No. 135 seek to ensure that the minimum wage is set at a certain level that allows workers and their families to meet their needs, they do not contain precise indications on the amount of the minimum wage, or even on the types of needs to be taken into account. This omission reflects the discretionary power granted by the Convention to States to set minimum wage rates, in full consultation with the social partners, at levels that are appropriate to national circumstances, taking into account the needs of workers and their families and economic factors, including the level of economic development of each country. The concept of a minimum wage refers to the idea of fixing, by legislation or by other methods, a wage floor that has a binding force. It should allow workers and their families to lead a decent life, but there is no guarantee, however, that the minimum

³¹ ILO: Minimum Wage Systems 2014 par 38.

³² *Ibid.*

³³ ILO *Minimum Wage Policy Guide* Labour Relations and Working Conditions Branch (2015) 4.

wages actually established in the various countries of the world meet this condition. Other concepts, such as the living wage and a fair wage, allow a better understanding of this dimension of the minimum wage.³⁴

2 3 INTERNATIONAL EXPERIENCE IN IMPLEMENTATION OF THE NATIONAL MINIMUM WAGE

The ILO is the main international organisation that deals with minimum wage policy. This organisation, through working with its state members and structures, has adopted conventions that regulate minimum wage standards for its members states. In this part of this research, the research explores the conventions, recommendations and resolutions that were adopted and rectified by the ILO member states to address minimum wage issues. It explores how the developed and developing countries have used the ILO instruments to develop their domestic laws and policies on minimum wage.

2 3 1 THE ILO INSTRUMENTS ON MINIMUM WAGE POLICY

Article 1 of Convention No. 131 states that each member of the ILO which has ratified this Convention undertakes to establish a system of minimum wages policy.³⁵ Part III of Recommendation No. 135 provides details on the scope of application of this system.³⁶ Article 1 of this recommendation states that the purpose of Minimum Wage Fixing is to design a mechanism to overcome poverty and to ensure that all needs of workers and their families are satisfied.³⁷ Therefore, it means that the purpose of the Minimum Wage Fixing is to ensure social protection for workers and their families.³⁸ Furthermore, Article 4 of the Convention also requires the creation and/or maintenance of machinery adapted to national conditions and requirements whereby minimum wages for groups of wage earners covered under Article 1 can be fixed and adjusted from time to time.³⁹

³⁴ ILO Minimum Wage Systems 2014.

³⁵ Minimum Wage Fixing Convention 131 of 1970.

³⁶ Minimum Wage Fixing Recommendation 135 of 1970.

³⁷ *Ibid.*

³⁸ Article 1(2) of Minimum Wage Fixing Recommendation 135 of 1970.

³⁹ ILO Minimum Wage Systems 2014.

Although Conventions No. 26 and 99 and their accompanying Recommendations also use the term “minimum wage fixing machinery”, they do not refer to the establishment of a “system of minimum wages”.⁴⁰ The two older Conventions only require States parties to create or maintain machinery whereby minimum rates of wage can be fixed, without requiring such rates to be determined. These instruments do not therefore guarantee the right of workers to be paid a minimum wage in practice. The obligation to establish a system of minimum wages which covers all groups of wage earners whose terms of employment are such that coverage would be appropriate was the introduction of Convention 131, as it involves not only the establishment of minimum wage fixing machinery, but also its implementation to ensure that workers receive the social protection that they need.⁴¹

The essential elements of a minimum wage system, as advocated by Convention 131, are as follows:

- (i) “Full consultation with the social partners, on an equal footing, in the design and operation of the minimum wage system and, where appropriate, their direct participation in the system;
- (ii) The inclusion in the elements to be taken into account of both the needs of workers and their families and economic factors in determining the levels of minimum wages;
- (iii) The periodic adjustment of minimum wage rates to reflect changes in the cost of living and other economic conditions; and
- (iv) The implementation of appropriate measures to ensure the effective application of all provisions relating to minimum wages.”⁴²

Setting and adjusting the level of minimum wage is the most challenging part of minimum wage fixing. If set too low, minimum wages will have little effect in protecting workers and their families against unduly low pay or poverty. If set too high, minimum wages will be poorly complied with and/or have adverse employment effects. A balanced and evidence-based approach is necessary which considers, the needs of the workers and their families and economic factors. An appropriate balance between these two sets of considerations is essential to ensuring that minimum wages are

⁴⁰ Minimum Wage-Fixing Machinery Convention 26 of 1928; Minimum Wage Fixing Machinery (Agriculture) Convention 99 of 1951.

⁴¹ ILO Minimum Wage Systems 2014.

⁴² *Ibid.*

adapted to the national context and that both the effective protection of workers and development of sustainable enterprises is considered.⁴³

An evidence-based approach implies that there should be clear criteria to guide discussions on level of minimum wages, and a reliable statistical indicator to support governments and social partners in their deliberations. Common statistical indicators that are used include the general level and distribution of wages, the evolution and differences across regions in the cost of living, settlements in the collective bargaining councils, national or sectoral levels of labour productivity and rates of economic growth. To maintain their relevance, minimum wage levels need to be adjusted from time to time. By not doing so it will erode the purchasing power of workers who earn the minimum when prices of goods and services are rising or may lead to more wage inequality when the general level of wages is increasing.⁴⁴ It is essential to ensure that the impact of minimum wage adjustments is adequately monitored and studied. If there are certain formulas used to periodically adjust minimum wage rates, there should be a consultation with all stakeholders including social partners and probably should not substitute social dialogue.⁴⁵

The balanced approach in ILO Convention 131 which is in Article 3 states that:

“The elements to be taken into consideration in determining the level of minimum wages shall, so far as possible and appropriate in relation to national practice and conditions, include the following factors:

- (i) “The needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups;
- (ii) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.”⁴⁶

To ensure that minimum wage fixing is always the result of a political process, including in principle the full consultation of social partners, setting the minimum wage should

⁴³ ILO Minimum Wage Policy Guidelines.

⁴⁴ Minimum Wage Guidelines.

⁴⁵ Article 4 (7) of Convention 131 of 1970.

⁴⁶ Article 3(a) & (b) of Convention 131 of 1970.

be evidence based. It is useful to identify objective criteria in the process. When governments and social partners agree on the basic criteria that they intend to use for the minimum wage adjustment, discussions can occur within a common framework. The availability of data also allows for the effects of the minimum wage rate to be carefully monitored over time.⁴⁷

When setting the level of the minimum wage, policy makers should consider economic factors. If the minimum wage is set too high or increased too much, this may have unexpectedly large impacts on the labour costs that employers must pay. This will trigger price inflation, hurt exports, and reduce the level of employment. Wages that are too low, by contrast, constrain domestic household consumption. Additional to the factors provided in Convention 131, other economic factors that can be considered include issues related to competitiveness, investment, prices, and economic growth.

It is clear from the above discussion that the minimum wage policy is a complex socio-economic mechanism that needs to be established and enforced with caution. If carelessly applied, it can have detrimental consequences for both employees and employers, thereby collapsing the country's economy. This is evident in that, high fixed minimum wages may result in high standard of living and jobs reduction, whereas low fixed minimum wages may poorly affect welfare of workers and their families. Therefore, a careful study of economics is necessary before determining minimum wage. In the following subtitles, this research explores how the developed and developing countries have developed and applied their minimum wage policies.

2 3 2 INDICATIONS FROM DEVELOPED COUNTRIES

Despite economic theory warning against state intervention in labour markets, the experience of developed countries has led to broad consensus that minimum wages reduce wage inequality and can improve the wellbeing of low-paid workers.⁴⁸ A large

⁴⁷ Minimum Wage Fixing Recommendation 135 of 1970; Labour Statistics Convention, 1985 (No. 160).

⁴⁸ Garnero, Kamelmann and Rycx "Part-Time Work, Wages, and Productivity: Evidence from Belgian Matched Panel Data" 2014 63 *Sage Journals*.

share of the literature regarding advanced countries focuses on the United States and the United Kingdom.⁴⁹

The most up to date body of research from US, UK and other developed countries point to a very subdued effect of minimum wages on employment, while there is a quite significant increase in the earnings of low paid workers.⁵⁰ The most potential benefits of minimum wage policy in terms of higher earnings for low paid workers, reduced public benefits, and increased perceived fairness should be juxtaposed against the potential costs, reduced employment and hours for the low paid workers.⁵¹ Even an imperfect competitive labour market, a higher minimum wage could reduce vacancies and annual turnover instead of destroying jobs, eventually a higher minimum wage will lower employment.⁵²

In the US, the evidence shows that there is a relatively modest overall impact on low wage employment.⁵³ Across US states, the evidence suggests that the employment effects are small up to around 59% of the median wage.⁵⁴ Evidence using sub-state country level variation found this to hold true even in lower wage countries where the minimum stood at up to 81% of the median wage.⁵⁵ Research conducted found that in US states with the highest minimum wage, where the minimum is binding for around 17% of the workforce, employment effects have been similarly modest.⁵⁶

In the UK when the impact of the NMW was reviewed in 2016, the Low Paid Commission (LPC) concluded that in general there was little effect on employment but found some evidence that the NMW had led to small reductions in hours of work.⁵⁷ The

⁴⁹ Isaacs *A National Minimum Wage for South Africa* National Minimum Wage Research Initiative Summary Report No. 1, University of the Witwatersrand SOAS, University of London (2016) at 27–28.

⁵⁰ *Ibid.*

⁵¹ *Ibid.*

⁵² *Ibid.*

⁵³ *Ibid.*

⁵⁴ *Ibid.*

⁵⁵ *Ibid.*

⁵⁶ Terrell & Almeida *Minimum Wages in Developing Countries: Helping or Hurting Workers?* World Bank Employment Policy Primer, (December 2008) at 3-4.

⁵⁷ See fn 49 above.

recent research on the impact of National Living Wage suggests that its introduction did not have a substantial negative effect on low wage employment.⁵⁸

Existing research points to a muted effect of the minimum wages on employment, while suggesting that minimum wages significantly increase the earning of low paid workers.⁵⁹ This shows that in the developed countries the minimum wage policy has no substantial economic impact. Furthermore, it shows that the minimum wage policy has helped to reduce wage inequality while job losses are reduced.

2 3 3 INDICATIONS FROM DEVELOPING COUNTRIES

It is commonly argued that the minimum wages policy is effective in reducing inequality in a developed country because in these countries wages are the large source of income, whereas the contrary is argued against developing countries.⁶⁰ However, in developing countries such as South Africa wages form a predominant source of income for the working-class families and wage inequality in these countries is a driver of socio-economic inequality.⁶¹ Therefore, minimum wages in these countries have been found to be particularly important in encouraging the necessary wage increases for low-wage jobs to ensure social and economic equality.⁶²

The evidence strongly suggests that an increase in the minimum wage tends to have a positive wage effect and a small negative employment effect among workers covered by minimum wage legislation and that the effects tend to be stronger among low-wage workers.⁶³ The findings are quite limited and inconclusive on the indirect effects of increases in minimum wages on workers in the uncovered sectors, where the legislation either does not apply or is not complied with.⁶⁴ This is in part because

⁵⁸ See fn 49 above.

⁵⁹ See fn 49 above.

⁶⁰ Isaacs *A National Minimum Wage for South Africa* National Minimum Wage Research Initiative Summary Report No. 1, University of the Witwatersrand SOAS, University of London (2016) 28.

⁶¹ *Ibid.*

⁶² *Ibid.*

⁶³ World Bank Employment Policy Primer *Minimum Wages in Developing Countries: Helping or Hurting Workers?* 8 2008 4–5.

⁶⁴ *Ibid.*

of the diversity of this sector and in part because of a scarcity of appropriate data to test for these effects.⁶⁵

In sum, although there is no robust empirical evidence that increases in the minimum wage cause large loss of employment effects, it is not clear that the resulting wage gain among those who retain their jobs is large enough to increase the share of earnings going to low-wage workers in the covered sector. The pay of the displaced workers moving to the uncovered sector may decrease, although the data supporting this is scant. Hence, the evidence is rather inconclusive on whether minimum wages leave low-paid workers better off.⁶⁶

The informal sector can be comprising of 30% to 70% of the labour market in developing countries and can comprise of a high wage public sector (where the legislation does not apply) plus a low wage informal sector, such as workers in small firms (where the legislation is nor typically enforced) and the self-employed (where the legislation might not apply).⁶⁷ In some countries, such as Brazil and Mexico, it also includes higher wage workers in large firms without a formal registration card.⁶⁸

In developing countries there are very few resources devoted to monitoring the compliance of the formal sector.⁶⁹ The compliance to the minimum wage can be checked in different ways. First, one can look for spikes at the minimum wage in the wage distribution of the formal and informal sectors. The evidence from developing countries has been more mixed. In fact, some evidence indicates that increases in minimum wage are not helping and may even be hurting low wage workers, both in the U.S and developing countries.⁷⁰ For example, Neumark concluded that low wage workers in the U.S. are more adversely affected by minimum wage increases than higher workers.⁷¹ Although the wage increases of low wage workers increase, their hours and employment decline such that a decline in total income by this group

⁶⁵ *Ibid.*
⁶⁶ *Ibid.*
⁶⁷ *Ibid.*
⁶⁸ *Ibid.*
⁶⁹ *Ibid.*
⁷⁰ *Ibid.*
⁷¹ *Ibid.*

occurs.⁷² On the other hand, high wage workers experience an increase in earned income due to an increase in hours but no change in their wage.⁷³

In Brazil, where only one universal minimum has been set at relatively low levels for many years, evidence attests that increases in the minimum wage raise the wages of low wage workers earning below and around the minimum wage more than wages of higher wage workers. This implies that in countries where the minimum wage is set at relatively low levels in the wage distribution, increases in the minimum will improve the wages of the lower wage workers and produce small unemployment effects in the labour market.⁷⁴

2 4 MECHANISM COUNTRIES USES TO ADJUST MINIMUM WAGE LEVEL

Most countries use some proxy indicators such as Gross Domestic Product (GDP) growth or GDP per capital growth to determine their minimum wages. In Brazil, the legislation places price inflation and GDP growth in a mathematical formula for minimum wage adjustment.⁷⁵ Other countries like Costa Rica, increase the minimum wage by inflation plus a share of past economic growth.⁷⁶ The U.K Low Pay Commission consider a substantial number of resources to commission research projects which can analyse data and carry out surveys of firms in low paying sectors and make fact finding visits throughout the UK to meet employers, employees and representative organisations.⁷⁷

In Europe there are two types of collective wage-setting mechanisms which have more generalised effects. These include the arrangements for setting minimum wage standards and indexation mechanisms which automatically link wages to a measure of

⁷² *Ibid.*

⁷³ *Ibid.*

⁷⁴ *Ibid.*

⁷⁵ ILO "Setting and Adjusting Minimum Wage Levels: Brazil" https://www.ilo.org/global/topics/wages/minimum-wages/setting-adjusting/WCMS_463095/lang--en/index.htm (access 2022-10-09) 6.

⁷⁶ ILO https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/genericdocument/wcms_508530.pdf 6.

⁷⁷ ILO "The Importance of Monitoring" https://www.ilo.org/global/topics/wages/minimum-wages/monitoring/WCMS_459139/lang--en/index.htm (accessed 2022-10-09).

inflation. Minimum wage standards can be set statutorily with or without formal consultation with the social partners or be negotiated between employers and trade unions. Indexation mechanisms tend to be statutorily regulated, with or without social partner involvement. In what follows, changes to wage-setting mechanisms are clustered into six main types:

- “Main levels of bargaining,
- horizontal coordination across bargaining units,
- linkages between levels under multi-tier bargaining, including ordering between levels, opening and opt-out clauses, and extending bargaining competence to non-trade union-based representatives,
- reach and continuity of collective bargaining, including extension mechanisms and continuation of agreements following expiry,
- minimum wage setting and indexation, and
- parametric outcomes, including the number of agreements and their duration.”⁷⁸

Changes in wage-setting mechanisms respond to both economic and political pressures. Therefore, countries when they determine minimum wage adjustments, they must consider what political and economic impact such adjustments can bring in a country. For example, when there are low minimum wages, this can lead to workers strikes, riots and economic adverse impact to foreign investors. This would ultimately have adverse consequences for the country’s economy.

In South Africa the NMWA affords the NMWC to review the NMW annually and make recommendations to the Minister of Employment and Labour on any adjustment of the NMW.⁷⁹ In terms of conducting an annual review the Commission must promote the medium-term targets, the alleviation of poverty, and the reduction of wage differentials and inequality.⁸⁰ In making adjustments, the Commission should consider the inflation, the cost of living and the need to retain the value of minimum wage; wage levels and collective bargaining outcomes; GDP; productivity; ability of employers to carry on their businesses successfully; the operation of small, medium or micro-enterprises and new enterprises; the likelihood of the recommended adjustment on employment or creation of employment; and any other relevant factor.⁸¹

⁷⁸ Eurofound “Changes to Wage-Setting Mechanisms in the Context of the Crisis and the EU’s New Economic Governance Regime” 2014 *Dublin 2*.

⁷⁹ S 6 of Act 9 of 2018.

⁸⁰ S 7 of Act 9 of 2018.

⁸¹ *Ibid.*

In all the years when the Commission reviewed the NMW it would conduct research comprising of comprehensive quantitative and qualitative assessment of the labour market. An assessment would serve as an input to the work of the Commission as they assess the impact of the NMW wherein focus obligated by the Act and the recommended adjustments to the NMW. The assessment impact is outsourced to the private researchers who heavily relied on labour market data from the Quarterly Labour Force Survey (QLFS) administered by Statistic South Africa (StatsSA) and focus on changes in wages, controlling for structural and demographic characteristics and the resultant impact on wage inequality; changes in employment, including shifts between formal and informal sectors and employment type; changes in hours of work and other non-wage benefits (paid leave, sick leave); the number of workers paid below the NMW and factors associated with higher non-compliance; and changes in price inflation.

In additional to the above, there would be the qualitative research on the narrative data from focus groups and individual interviews which would generate the information on the knowledge of the NMW policy among workers and employers; how and if the NMW influences wages and other working conditions; compliance with the NMW policy and/or the presence of unfair labour practices; changes in workplace relations (collective bargaining); examining the implications of the NMW for the well-being of low-wage households in urban and rural communities.

2 5 INTERNATIONAL ENFORCEMENT EXPERIENCE ON MINIMUM WAGE

Enforcement for the adoption of a new NMW policy is a significant challenge, not only for the informal sector, but for the formal sector too. Compliance and comparative advantage are often seen as mutually exclusive with high rates of non-compliance having dire consequences not only for workers and their families, but for compliant employers who have to compete with non-compliant competitors who have an illegitimate comparative advantage.⁸²

⁸² Department of Employment and Labour “A National Minimum Wage for South Africa: Recommendations on Policy and Implementation National Minimum Wage Panel Report to the Deputy President” NMW Report 2016.

The rate of compliance is hugely dependent on the rate that it is set at, as well as certain institutional factors, but empirical evidence shows that there are several measures that can be adopted to maximise compliance, these are:

- “Information and awareness campaigns,
- capacity building initiatives for employers and worker representatives,
- educating workers on how to claim their rights,
- transitioning the informal sector to the formal sector,
- sanctions for non-compliance, and
- responsible purchasing practices by compliant employers.”⁸³

It is argued that when a NMW was introduced in the United Kingdom, it was widely accepted that its acceptance would only be successful if it was largely self-policed through complete acceptance and understanding of the policy and its practical implications.⁸⁴ Thus, much attention, resources and funds were allocated to information and awareness campaigns.⁸⁵ In the month leading up to and after the introduction of the NMW policies, millions of pounds sterling was spent on television adverts and a national publicity campaign.⁸⁶ Separate campaigns were used to target and educate minorities and other specialised groups, a dedicated helpline was set up to deal with queries, and over 1 million information pamphlets were distributed to relevant organisations and employers.⁸⁷

Importantly, it is deemed that even the informal sector can benefit through the dissemination of information with regards to the implementation of a NMW. The spread of information to a required level of penetration plays an important role in altering workers and employers’ expectations and behaviours with regards to the acceptable wage to request and offer respectively.⁸⁸

In the United Republic of Tanzania, it was found that workers who knew their rights and legal entitlements were also more likely to be paid accordingly. In Costa Rica, a National Minimum Wage Campaign was undertaken in 2010, which combined

⁸³ Department of Employment and Labour “A National Minimum Wage for South Africa” 2016 12.

⁸⁴ Department of Employment and Labour “A National Minimum Wage for South Africa” 2016 25.

⁸⁵ *Ibid.*

⁸⁶ *Ibid.*

⁸⁷ *Ibid.*

⁸⁸ *Ibid.*

awareness raising and information on complaint procedures.⁸⁹ A central feature of the campaign was a new telephone hotline allowing workers to report wage violations in a simple and anonymous manner.⁹⁰ Awareness-raising activities and information dissemination strategies undertaken by governments and social partners can rely on a range of different channels including the internet, television and radio broadcasts.⁹¹

The International Labour Organisation Convention 1947 (No 81) on Labour Inspection is amongst the four Conventions designated by the ILO Governing Body as “Governance Convention” and has been ratified by 145 out of 185 ILO member States, including the Republic of South Africa. In South Africa, the enforcement of the BCEA including the NMWA is the responsibility of the DEL inspectors. The Minister provides each labour inspector with a signed certificate, stating that the person is authorised to monitor and enforce the legislation, and stating which of the functions of a labour inspector that person may perform.⁹² Furthermore the DEL has to raise awareness on the issues relating to these Acts.

The DEL has two types of inspections, namely re-active inspections, and pro-active inspections. Re-active inspection is executed in response to a complaint, or incident, that is lodged with or reported to the department telephonically, by post or through the client services channel. Pro-active inspections are initiated as part of a nationally coordinated plan to ensure that we monitor compliance, particularly at workplaces that have a high-risk factor.⁹³

Pro-active inspections have two kinds of inspections which consist of those that are part of blitz activities and those that are planned by the team leader as part of a labour centre’s role in meeting targets set in the national inspection plan. Follow-up inspections may also be required arising out of a pro-active inspection. In terms of re-active inspections, an inspector investigates and does not restrict themselves to the

⁸⁹ *Ibid.*

⁹⁰ *Ibid.*

⁹¹ *Ibid.*

⁹² S 63(1) to (3) of Act 75 of 1997.

compliance but does a full inspection as per the Inspection and Enforcement Services 6 checklist.

2 6 INTERNATIONAL EXEMPTIONS ON MINIMUM WAGE

Each country has a slightly different version of a NMW with some countries providing coverage for all workers who earn a wage, and others who allow for certain employers in certain sectors to be either partially covered by a minimum wage or completely exempted.⁹⁴ The ILO Convention 131 makes provision for exemption from the minimum wage policy only if state members' employers have collective agreements with social partners.⁹⁵ Ireland and the Netherlands allow for temporary exemptions based on the financial stability of the employer.⁹⁶ Whereas Germany has one national minimum wage policy which excludes vocational training and the long term unemployed employees.⁹⁷ In Nepal and the Philippines, small businesses and micro-enterprises registered with the government are excluded from NMW dispensations.⁹⁸

In South Africa, when a NMW became effective in 2019, setting a national wage floor of R20/hour, exemption was provided to those employees employed in the government's expanded public works program, domestic workers, and for farmworkers.⁹⁹ The Minister of Employment and Labour also released the National Minimum Wage Regulations, 2018 (Regulations) which came into operation on 1 January 2019.¹⁰⁰ The Regulations provide information on the criteria to be met and process to be followed by any employer wishing to be exempted from the NMW.¹⁰¹ Section 15 of the NMWA, read together with the Regulations, provides an exemption process for employers.¹⁰² The exemption process is specifically created for employers

⁹⁴ Department of Employment and Labour "A National Minimum Wage for South Africa" 2016 24.

⁹⁵ Convention 131 of 1970.

⁹⁶ See fn 94 above.

⁹⁷ See fn 94 above.

⁹⁸ See fn 94 above.

⁹⁹ S 15 and s 16 of Act 9 of 2018.

¹⁰⁰ *Ibid.*

¹⁰¹ *Ibid.*

¹⁰² *Ibid.*

who can show that they cannot afford to pay the NMW to workers.¹⁰³ An exemption will only be granted if the following criteria are satisfied by the applicant employer:

- “The employer cannot afford to pay the national minimum wage; and
- representative trade union(s) of the worker have been meaningfully consulted or, if there are no trade union(s), the affected workers have been meaningfully consulted.”¹⁰⁴

To assess affordability, elements of profitability, liquidity and solvency are considered.¹⁰⁵ The decision-making process is rigorous, and employers will need to ensure that they submit comprehensive financial and organisational information when applying for exemptions.¹⁰⁶ In terms of the regulation, exemption may be granted where the wage is below the following wage thresholds:

- “90% of the national minimum wage in respect of workers other than farm workers and domestic workers;
- 90% of the national minimum wage in respect of farm workers; or
- 90% of the national minimum wage of domestic workers.”¹⁰⁷

If successful, the employer will be provided with an exemption notice which will contain the information with regards to the period of exemption, the wages that the employer is required to pay workers, and any other relevant condition. However, if unsuccessful, the employer will also be provided an exemption notice which will contain reasons for the refusal.¹⁰⁸ The exemption process is managed by the DEL through an online system called the National Minimum Wage Exemption System.

2 7 CONCLUSION

It is quite clear that the form that a NMW takes varies from country to country depending on social, economic, political, and institutional contexts. For South Africa, a country with extreme and persistent levels of inequality and working poverty, a NMW is one policy instrument with the potential to transform the wage structure by increasing

¹⁰³ *Ibid.*

¹⁰⁴ S 16 of Act 9 of 2018.

¹⁰⁵ S 15 and s 16 of Act 9 of 2018.

¹⁰⁶ *Ibid.*

¹⁰⁷ S 16 of Act 9 of 2018.

¹⁰⁸ Regulations National Minimum Wage Act 2018.

the wages of the working poor, raising the labour share, and reducing wage differentials.

For the NMW to meet its stated objectives it must be set at a level sufficient to meet workers' basic needs; designed so that wage growth at the bottom outstrips wage growth at the top; applied to all workers regardless of occupation, age, disability, terms of employment, and skill level; calculated using a definition and reference period that ensures that in practice workers receive a NMW at the end of the month; and adequately applied through a combination of incentives and enforcement measures.

Four major factors stand out for the successful implementation of a NMW and this includes whether the minimum wage has broad legal coverage protecting most or all workers, whether the minimum wage has been set at an appropriate level that takes into account the needs of workers, their families, as well as the economy, whether the minimum wage policy is complemented by effective compliance measures and lastly, whether the policy has been implemented in consultation with relevant social partners.

CHAPTER 3:

SOUTH AFRICAN ROADMAP TO THE ESTABLISHMENT OF THE NATIONAL MINIMUM WAGE

3 1 THE PROCESS TO THE ESTABLISHMENT OF THE NATIONAL MINIMUM WAGE IN SOUTH AFRICA

The introduction of a minimum wage in South Africa must be understood against the background of the enormous political changes that were occurring at the time.¹⁰⁹ The process of setting a minimum wage began seriously in 1999, five years after the first democratic elections which saw the end of the apartheid era.¹¹⁰ The minimum wage came into effect towards the end of 2002, a little more than eight years after the first democratic election.¹¹¹ The Congress of South African Trade Union (COSATU), at its Inaugural Congress in 1985, called for “a legally enforced national minimum living wage” while the Freedom Charter of 1955 called for a “national minimum wage”.¹¹² It was only in the African National Congress’ (ANC) 2014 Election Manifesto that the party decided under pressure from COSATU to include an investigation into the introduction of a NMW.¹¹³

In the President’s State of the Nation Address in July 2014, the president spoke of the need to explore minimum wages in the context of the triple challenges of unemployment, poverty and inequality.¹¹⁴ He went further in stating:

“Given the impact of the untenable labour relations environment on the economy, it was critical for social partners to meet and deliberate on the violent nature and duration of the strikes. The social partners will also need to deliberate on wage inequality. The government commenced with the investigate to look at the possibility of establishing the national minimum wage as one of the key mechanisms to reduce the income inequality. Deputy President Cyril Ramaphosa convened the social partners’ dialogue, within the ambit of National Economic Development and Labour Council (NEDLAC).”¹¹⁵

¹⁰⁹ Budlender “The Introduction of a Minimum Wage for Domestic Workers in South Africa” 2016 *ILO* 2–3.

¹¹⁰ *Ibid.*

¹¹¹ S 16 of Act 9 of 2018.

¹¹² *Ibid.*

¹¹³ *Ibid.*

¹¹⁴ ILO 2015 *Labour Research Service* 2.

¹¹⁵ *Ibid.*

At a Labour Relations Indaba in November 2014 a committee, which included 6 cabinet ministers and representatives of labour and business, was appointed to develop an agreement and report back by July 2015.¹¹⁶

The long-term aim of a minimum wage was to remove the problem of poverty pay, which exists when the earnings from paid work do not result in a living minimum wage and fail to push people out of poverty.¹¹⁷

An Advisory Panel was established in August 2016 to interrogate the current literature on the NMW and to engage with the concerns and proposals of the NEDLAC social partners which comprises of organised Labour, organised Business, the Community, and the Government.¹¹⁸ The Panel consulted over 60 research reports and met with all the social partners and also with experts from small business, youth, care work and the informal sector. The Panel's overarching considerations were:¹¹⁹

- the poverty impacts;
- general employment effects;
- impact on:
 - Small business;
 - Youth; and
 - Vulnerable sectors including domestic and agricultural workers'
- Collective Bargaining.

The Panel also wanted to make sure the institutional arrangements were clearly proposed to ensure that the best possible mechanisms were set up for compliance and enforcement.¹²⁰

¹¹⁶ See fn 111 above.

¹¹⁷ See fn 111 above.

¹¹⁸ National Minimum Wage Panel Report to the Deputy President 2016 8–9.

¹¹⁹ *Ibid.*

¹²⁰ ILO 2015 *Labour Research Service 2*.

The Panel carefully considered the proposals, research and evidence from the social partners and interested parties and after much deliberation unanimously agreed that the level of R20 per hour adjusted to a monthly wage of approximately R3 500 was a starting level for the NMW that would maximise benefits to the poor and minimise any possible loss of employment effects. A lower number would have a much smaller effect on poverty, and a higher number would likely start causing unemployment consequences. The Panel believed that a clear number (rather than a range) would be simpler and easier to communicate and implement.¹²¹

The Panel was of the view that the process by which enterprises and workers adjust to this initial level was the most important consideration that would determine the success of the policy.¹²² The Panel recommended that the level be announced as soon as possible, that the institutional arrangements be legislated in early 2017 and that enterprises and workers be given a two-year period to adjust to this initial level.¹²³ The Panel believed that this two-year period was feasible and would significantly reduce the risk of any negative effects, and allow for effective monitoring.¹²⁴

The Panel recognised that there are those sectors which are very vulnerable to loss of employment and are poorly organised.¹²⁵ Therefore, the Panel proposed that they should be exempted from paying the prescribed NMW and be provided a longer phase-in time notably:¹²⁶

- farm workers and forestry sectors who would in the first year pay 90% of NMW, with any adjustments to this being done on the basis of evidence.
- Domestic workers who would in the first year pay 75% of NMW, with any adjustments to this level being done on the basis of evidence.

¹²¹ *Ibid.*

¹²² *Ibid.*

¹²³ *Ibid.*

¹²⁴ *Ibid.*

¹²⁵ National Minimum Wage Panel Report to the Deputy President 2016 8–10.

¹²⁶ National Minimum Wage Panel Report to the Deputy President 2016 10.

They further proposed that there should be an exemption mechanism built into the process to allow employers who cannot afford to pay the prescribe NMW level to be granted exemption.¹²⁷

To maintain the relevance of the NMW and to preserve its value, a NMWC was established and appointed by the Minister to amongst other functions, review the NMW and recommend adjustments and investigate and report annually to the Minister on the impact of the NMW on the economy, collective bargaining and the reduction in income differentials.¹²⁸ During the negotiations at NEDLAC, the social partners agreed that emphasis should be placed on the need for good solid research to support the Commission in the execution of its functions, primarily the review and adjustment of the NMW.¹²⁹

The NMW Bill, which was signed on 28 November 2018, became effective on 1 January 2019 (Republic of South Africa, 2018).¹³⁰ A minimum wage of R20 per hour was set as the national wage floor, with lower rates for three groups of workers: those employed through the government's EPWP (R11 per hour), Domestic workers (R15 per hour) and Farm workers (R18 per hour).¹³¹ These lower rates were selected primarily because pre-existing legislated wages for workers in agriculture, domestic work and those in expanded public works employment were seen to be too far below the R20 per hour level. For all sectors that at the time of the promulgation of the NMW receive below R20 per hour, had to adjust wages to the level of the prescribed R20 per hour.¹³²

As Figure 1 indicates, at R20 per hour the general NMW is roughly equivalent to the median wage for employees in South Africa, meaning that approximately 50% of all workers earned below the NMW when it was promulgated. The figure also plots the

¹²⁷ National Minimum Wage Panel Report to the Deputy President 2016 10–11.

¹²⁸ S 6 of 9 Act of 2018.

¹²⁹ National Minimum Wage Panel Report to the Deputy President 2016 9.

¹³⁰ Bhorat, Lilenstein and Stanwix "The Impact of the National Minimum Wage in South Africa: Early Quantitative Evidence" 2020 *Development Policy Research Unit (DPRU)* University of Cape Town 4–5.

¹³¹ *Ibid.*

¹³² See fn 127 above.

legislated minimum wage levels for each sectoral determination, including the EPWP, in 2018.¹³³

3 2 MINIMUM WAGE STRUCTURES EXISTED PRIOR TO THE NATIONAL MINIMUM WAGE

3 2 1 SECTORAL DETERMINATION

Prior to the promulgation of the NMW in the country, wages were regulated in terms of sectoral determinations in specific sectors.¹³⁴ The BCEA provided for the promulgation of sectoral determinations which establish minimum wages and conditions of employment for workers in specific sectors of the economy in South Africa.¹³⁵ Specifically, the BCEA made provision for the creation of the ECC, which replaced the old Wage Board.¹³⁶ The objective of ECC was to protect vulnerable workers in the South African labour force in sectors in which they were likely to be exploited, or where worker organisations and trade unions were absent, and workers were not covered by the BCEA or other wage regulating mechanisms.¹³⁷ The commission is thus tasked with conducting investigations into appropriate conditions of employment and minimum wages for workers in certain sectors, with a view to making sectoral determinations to protect workers in those sectors.¹³⁸

Since the establishment of the ECC, eleven sectoral determinations governing vulnerable workers in different sectors of the economy have been established.¹³⁹ These are Forestry, Agriculture, Contract Cleaning, Children in the Performance of Advertising, Artistic and Cultural Activities (under fifteen years of age), Taxi Operators, Civil Engineering, Learnerships, Private Security, Domestic Workers, Wholesale and

¹³³ Bhorat, Lilenstein and Stanwix 2020 *DPRU*, University of Cape Town 5.

¹³⁴ Department of Labour "Addressing the Plight of Vulnerable Workers: The Role of Sectoral Determinations" 2010 *Development Policy Research Unit School of Economics* University of Cape Town 15.

¹³⁵ *Ibid.*

¹³⁶ See fn 132 above.

¹³⁷ See fn 132 above.

¹³⁸ See fn 132 above.

¹³⁹ See fn 132 above.

Retail, and Hospitality.¹⁴⁰ The minimum wages in these sectors were regularly updated for inflation through a formal gazetting process.¹⁴¹ By then, the South African labour market did not have one single minimum wage therefore minimum wage of an individual depending on his/her sector of employment, occupation, hours worked, as well as the location of employment.¹⁴²

Sectoral determinations covered around one-third of employees in South Africa in both 2001 and 2018.¹⁴³ The largest covered sector in 2007 was the Domestic worker sector, with approximately 1.2 million employed individuals, followed by the Retail sector with 802,242 individuals. The smallest sectors were the Civil Engineering and the Forestry sectors with approximately 59,926 and 17,373 employed workers respectively.¹⁴⁴

Domestic worker's sectoral determination minimum wages were set in terms of the location of the workers (Urban or Rural). Sectoral determinations were demarcated according to metro or local municipalities to areas A, B, and C.¹⁴⁵ This demarcation was conducted on the basis of the average household income recorded for the municipal area concerned in the 1996 census. There are three areas which were recorded, and these are as follows:¹⁴⁶

A – Average income greater than R24, 000 per annum

B – Average income between R12, 000 and R24, 000 per annum

¹⁴⁰ See fn 132 above.

¹⁴¹ See fn 132 above.

¹⁴² See fn 132 above.

¹⁴³ Department of Labour 2010 *Development Policy Research Unit School of Economics* University of Cape Town 26–27.

¹⁴⁴ *Ibid.*

¹⁴⁵ The demarcation of the boundaries of geographical areas units in South Africa is conducted by the Demarcation Board. The Municipal Demarcation Board was established under the Local Government: Municipal Demarcation Act of 1998 in order to determine and re-determine municipal boundaries in South Africa. Prior to the elections in 2000, South Africa was divided into 843 municipalities (771 local municipal areas, 42 district councils and 6 metropolitan areas with 24 substructures). After the elections, the number of municipalities was reduced. Currently, South Africa consists of 6 metropolitan municipalities which act as both district and local municipalities (these are also known as Category A municipalities), 46 district municipalities which contain more than one local municipality (Category C municipalities), with their contained local municipalities known as Category B municipalities. Within the local municipalities are the magisterial districts. There are currently 366 magisterial districts in South Africa. (Source: www.demarcation.org).

¹⁴⁶ Department of Labour 2010 *Development Policy Research Unit School of Economics* University of Cape Town 18.

C – Average income less than R12, 000 per annum (DoL, 2005).

Generally, A areas are urban, B areas are semi-urban, and other areas (C or D) are rural areas.¹⁴⁷ The wages in area A are the highest, followed by area B, while area C and other areas have the lowest wages.¹⁴⁸ It is important to note that area designations A, B, and C are inconsistent across different sectoral determinations.¹⁴⁹ For example, some local municipalities classified as Area A for farm workers fell under Area B in the retail sector.¹⁵⁰ Hence, the area types were determined separately for each sectoral determination.¹⁵¹

Generally magisterial districts are the smallest area unit contained within local municipalities, which are in turn contained within District Councils. However, the boundaries of these different area units may overlap so that it is not always possible to conclusively assign each magisterial district to a single local municipality, and each local municipality to a single district council.¹⁵²

Another issue worth noting is that the monthly minimum wage published by the ECC were all based on a 45-hour work week. Workers working longer (or shorter) hours would therefore be paid a higher (or lower) wage than the published average. Consequently, the applicable minimum wages were adjusted according to the hours worked by each individual.¹⁵³

The Wholesale and Retail sectoral determination covers all those employed in that sector, excluding the self-employed. Within this determination, there are six different sub-groups, which could be isolated using the labour force survey data, namely managers, clerks, shop assistants, sales assistants, drivers, and fork-lift operators. The rates which are set differ for each of these sub-groups depending on the region of employment. In most sectoral determinations, the state sets minimum wage by location

¹⁴⁷ *Ibid.*
¹⁴⁸ *Ibid.*
¹⁴⁹ *Ibid.*
¹⁵⁰ *Ibid.*
¹⁵¹ *Ibid.*
¹⁵² *Ibid.*
¹⁵³ *Ibid.*

to account principally for urban and rural areas. Hence, it is commonplace to stipulate minimum wage levels by urban, rural and semi urban areas.¹⁵⁴

In terms of the Domestic Workers sector which represent domestic workers or gardeners in elementary occupations working for private households,¹⁵⁵ the determination provides two areas which are Area A and B.¹⁵⁶ The prescribed rates are different on the basis of whether the number of hours worked is below or above 27 hours per week.¹⁵⁷ The Farm Worker sectoral determination applies to all farm sector workers, excluding workers in the forestry sector (The definition includes security guards and domestic worker working for a farm as well).¹⁵⁸ The sectoral determination for the Forestry sector sets a fixed minimum rate of remuneration for those working in all areas within the forestry sector, with no locational differential.¹⁵⁹ The sectoral determination for the Taxi sector applies to all categories of workers in the transport sector involved in the operation of minibus taxis, and excludes metered taxis.¹⁶⁰ Within this determination a distinction is made between drivers and fare collectors.¹⁶¹

The sectoral determination for the Private Security sector applies to all employers and employees involved in guarding or protecting fixed property, premises, goods, persons or employees.¹⁶² While security workers employed in the wholesale and retail sector fall under the Wholesale and Retail sectoral determination.¹⁶³ Minimum wages are differentiated by the security officers' grade (qualification) and the magisterial area where the security officer is employed.¹⁶⁴ The minimum wage rates for security workers were calculated as the average of the rate of the various grade officers and was used along with the sectoral determinations of the 1st year of operation.¹⁶⁵ The magisterial

¹⁵⁴ *Ibid.*
¹⁵⁵ Department of Labour 2010 *Development Policy Research Unit School of Economics University of Cape Town* 22.
¹⁵⁶ *Ibid.*
¹⁵⁷ *Ibid.*
¹⁵⁸ *Ibid.*
¹⁵⁹ *Ibid.*
¹⁶⁰ *Ibid.*
¹⁶¹ *Ibid.*
¹⁶² Department of Labour 2010 *Development Policy Research Unit School of Economics University of Cape Town* 23.
¹⁶³ *Ibid.*
¹⁶⁴ *Ibid.*
¹⁶⁵ *Ibid.*

areas were demarcated into five different areas.¹⁶⁶ In the Hospitality sector, the only variation in the minimum wage comes from the fact that small firms (less than ten employees) face a lower minimum wage than medium to large firms (ten and above employees).¹⁶⁷

The Contract Cleaning sector was identified as cleaners who have been contracted commercial working outside of the private household sector.¹⁶⁸ The contract cleaning industry is difficult to isolate using the labour force survey data, and contract cleaners tend to report a range of industries, but the most common sector of employment reported is the government, social and other services' sector including the financial sector.¹⁶⁹ The minimum wage prescribed for contract cleaners are hourly rates.¹⁷⁰ These rates were adjusted to derive monthly minimum wages for this determination using 45 hours per week as the default. The areas for contract cleaners are demarcated into three area locations.¹⁷¹ The areas comprise of Area A which covers the employees in urban areas, Area B Kwa-Zulu Natal falling under Bargaining Council and Area C covering rural areas. The final sectoral determination is for workers employed in the Civil engineering industry.¹⁷² Within the Civil Engineering sector, hourly wages were set on the basis of task grade.¹⁷³ Within Grade 1, two different minimums were set on the basis of geographical location.¹⁷⁴

In order to investigate the impact of minimum wage legislation on wage levels in South Africa, we explore the changes in real wages between 2010 and 2018 by sectoral determination in the table below.¹⁷⁵ Only wages of covered workers, and workers who are not self-employed are considered (since self-employed workers do not fall under minimum wage legislation).

¹⁶⁶ *Ibid.*
¹⁶⁷ *Ibid.*
¹⁶⁸ *Ibid.*
¹⁶⁹ *Ibid.*
¹⁷⁰ *Ibid.*
¹⁷¹ *Ibid.*
¹⁷² *Ibid.*
¹⁷³ *Ibid.*
¹⁷⁴ *Ibid.*
¹⁷⁵ *Ibid.*

Table 2: Changes in real hourly wages by Sectoral Determination(Covered workers)

Sectoral Determination	2010	2018	Mean annual growth rate 2010-2018
Wholesale and Retail	R9.33	R16.14	42.91%
Domestic Workers	R6.44	R15.28	57.86%
Farm Workers	R6.31	R15.39	59%
Forestry	R6.26	R15.39	59.24%
Taxi	R10.63	R16.41	35.22%
Private Security	R8.79	R16.45	46.57%
Hospitality	R10.17	R15.17	32.96%
Contract Cleaning	R10.90	R18.90	42.32%

Source 1: Department of Employment and Labour, and Author's calculations

Hourly wages for the Wholesale and Retail sector are derived from Area B, job category of General Assistant which is the lowest paid job category in the sector.¹⁷⁶ Domestic and Contract Cleaning sectors minimum wages were derived from Area B of the Domestic workers and Area C of the Contract Cleaning sector which is the lowest paid workers in the sectors.¹⁷⁷ Private Security minimum wage was derived from the lowest paid magistrates Area, Grade E which was grouped in Grade C.¹⁷⁸ Hospitality sector minimum wages are those of the employers who employed less than 10 employees who pay less than the employers who employ more than 10 employees.¹⁷⁹

There is a rise in real wages which was driven by the Domestic and Farm worker sectors, which experienced real wage increases of 6.6% and 7.3% respectively.¹⁸⁰ The changes in the wage levels in other sectors were not significant at the 10% level.¹⁸¹ Indeed, the wages for the Domestic worker and Farm worker sectors are significantly

¹⁷⁶ Department of Labour 2010 *Development Policy Research Unit School of Economics University of Cape Town* 25.

¹⁷⁷ *Ibid.*

¹⁷⁸ *Ibid.*

¹⁷⁹ *Ibid.*

¹⁸⁰ *Ibid.*

¹⁸¹ *Ibid.*

lower than for all other sectors in both years (barring the Forestry sector in 2007).¹⁸² The significant rise in wage levels in these two sectors may indicate that minimum wages have had an effect on vulnerable sectors.¹⁸³

3 2 2 MINISTERIAL DETERMINATION

Ministerial determinations are comparable to sectoral determination but are established by the Minister of Employment and Labour through a different procedure in terms of the BCEA.¹⁸⁴ These Ministerial Determinations do not provide minimum wages, instead they focus on customising certain provisions of the BCEA for certain sectors, for example, the Ministerial determination for small business, welfare sector and EPWP.¹⁸⁵

EPWP is a programme that provides community assets and/or services through a labour-intensive programme that is initiated by the government and funded from the public purse.¹⁸⁶ These Ministerial determinations apply to all employers and employees engaged in this program.¹⁸⁷ Unlike other Ministerial determinations, the EPWP prescribe a minimum wage incentive.¹⁸⁸ Since the inception of the Ministerial determination in the EPWP, the wage incentives were adjusted annually in line with inflation.¹⁸⁹ The wage rates were adjusted on 1 November each year.¹⁹⁰ In November 2013 the prescribed wage incentive was R70,59 per day and adjusted to R75,10 per day on 1 November 2014.¹⁹¹

3 2 3 BARGAINING COUNCILS AGREEMENTS

¹⁸² *Ibid.*

¹⁸³ Department of Labour 2010 *Development Policy Research Unit School of Economics* University of Cape Town 25.

¹⁸⁴ S 50 of the BCEA.

¹⁸⁵ Department of Labour 2010 *Development Policy Research Unit School of Economics* University of Cape Town 71–77.

¹⁸⁶ *Ibid.*

¹⁸⁷ *Ibid.*

¹⁸⁸ *Ibid.*

¹⁸⁹ Regulation 13.2 of the GG 35310 of 2012.

¹⁹⁰ *Ibid.*

¹⁹¹ See fn 185 and 189 above.

Bargaining councils are collective bargaining institutions established voluntarily by employers' organisations and trade unions within a framework provided by the LRA.¹⁹² The agreements reached by the parties to bargaining councils are generally referred to the Minister of Employment and Labour with the request that he extend the agreement to all employers and employees within the jurisdiction of the council.¹⁹³ Such extended agreements thus become "subordinate legislation" similar to a sectoral determination. Most, if not all, bargaining councils produce what is termed a Main Agreement, which provides a wage schedule(s) and minimum working conditions (similar to a sectoral determination), but many councils also produce separate agreements for setting up and regulating social benefit funds and the like.¹⁹⁴

The principle underlying the bargaining council system is self-governance, i.e., representative employers' organisations and trade unions in sectors can establish a bargaining council and thereafter regulate the wages and working conditions for all employers and employees within the scope of the council.¹⁹⁵ The bargaining council employs its own staff to enforce its agreements and to administer any benefit funds that are established. It also sets up its own exemption system (within basic legislative parameters) to consider exemptions from its agreements.¹⁹⁶ Bargaining councils may also become accredited by the Commission for Conciliation Mediation and Arbitration (CCMA) to perform dispute resolution functions within its jurisdiction.¹⁹⁷

In spite of the principle of self-governance bargaining councils are subject to the BCEA, i.e., the BCEA sets a floor of standards with which bargaining council agreements must comply. However, in acknowledgement of the autonomy of councils, the BCEA provides that a bargaining council agreement can "alter, replace or exclude" a range of provisions of the BCEA. The implication of such variation is that the bargaining council agreement can have certain provisions that are below the standard set by the

¹⁹² Act 66 of 1995.

¹⁹³ S 32 of Act 66 of 1995.

¹⁹⁴ Godfrey and Jacobs "An Examination of How the National Minimum Wage can be Optimally Accommodated by the Existing Labour Legislative Framework" *Labour & Enterprise Policy Research Group* 2017 53.

¹⁹⁵ *Ibid.*

¹⁹⁶ *Ibid.*

¹⁹⁷ *Ibid.*

BCEA. In effect this means that the bargaining council agreement prevails over the BCEA in respect of these provisions.¹⁹⁸

Given that bargaining council agreements are the result of collective bargaining by well-organised trade unions, the wages and conditions of employment are generally better than one finds in the BCEA (or in sectoral determinations – although the scopes of sectoral determinations and bargaining councils are mutually exclusive).¹⁹⁹ One would therefore expect that the NMW will not impact on the main agreements of the bargaining council, but this is not necessarily the case.²⁰⁰ The NEDLAC Agreement records that the NMW will take precedence over bargaining council agreements, and will therefore automatically amend any wage levels below the NMW level.²⁰¹

3 2 4 LEVEL OF COMPLIANCE

From the introduction of a minimum wage in 2002, enforcement of compliance was always thought to be a significant challenge such as gaining access to premises which requires the permission of the employer, a lack of capacity of the inspectorate of the DEL to monitor compliance and knowledge of the minimum wage.²⁰² It is evident that while employers reported compliance with relevant legislation, domestic workers expressed concern over their employer’s non-compliance with the legislation.²⁰³ It appears that most domestic workers are usually not registered for benefits such as the Unemployment Insurance Fund (UIF).²⁰⁴ Additionally, employers who register their domestic workers for UIF, do not follow up with monthly payments.²⁰⁵ Although most domestic workers are not registered with the UIF, workers considered job security, wages, working conditions and the relationship with employers as the most significant factors which influenced their well-being in employment.²⁰⁶

198 *Ibid.*
199 *Ibid.*
200 *Ibid.*
201 *Ibid.*
202 Patel, Mthembu and Graham “The National Minimum Wage in the Agriculture and Domestic Work Sectors: Report of a Qualitative Study of Stakeholder Responses to the National Minimum Wage” 2020 *Centre for Social Development in Africa* 18.
203 *Ibid.*
204 *Ibid.*
205 *Ibid.*
206 *Ibid.*

The Inspection and Enforcement Service in South Africa currently lacks the resources (human, infrastructural, and physical) to improve compliance levels, which are currently around 50% across sectoral determination sectors according to the latest available survey data. In total there are 1 056 labour inspectors across the country, an average of 10 per 100 000 employees.²⁰⁷ However, in Gauteng and the Western Cape this ratio is only 5. There is also no central case management system for capturing information about inspections and compliance levels, which is extremely problematic for monitoring purposes at a provincial and national level.²⁰⁸

It is common knowledge that widespread violation of minimum wage laws exists in most developing countries, such as South Africa. Of particular concern is the futility of raising the official minimum wage further in an environment in which enforcement is low. There is however little by way of systematic discussion on how to measure non-compliance. A popular measure of non-compliance is the fraction of workers below the stipulated minimum wage. While this is a simple measure of violation, it is not clear why wages at the very top of the distribution should enter into the normalisation. Furthermore, the measure does not distinguish between different degrees of violation, that is, a wage just below the minimum is counted as the same violation as a wage a third of the minimum.²⁰⁹

3 3 MINIMUM WAGE AND POVERTY

Having briefly discussed the relationship between minimum wages and employment in South Africa, now the concentration shifted to the analysis of the impact of minimum wages on poverty. While there is much by way of empirical literature on the employment effects of minimum wages, the literature on the poverty effects of the minimum wage is modest. This is partly due to the difficulty in identifying the

²⁰⁷ Muruhwa “Monitoring and Enforcement: Strategies to Ensure an Effective National Minimum Wage in South Africa” 2016 *National Minimum Wage Research Initiative* Wits University 5–6.

²⁰⁸ *Ibid.*

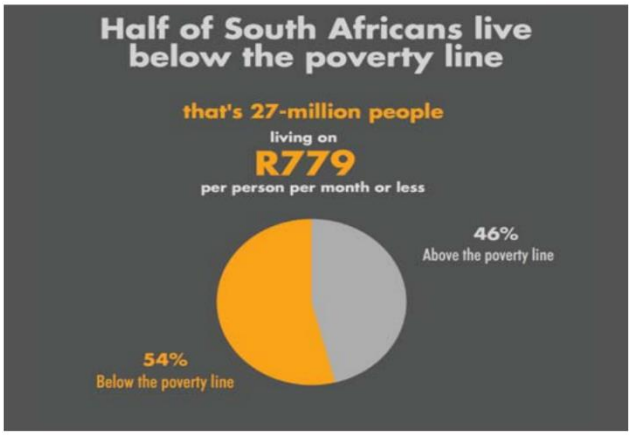
²⁰⁹ Department of Labour 2010 *Development Policy Research Unit School of Economics* University of Cape Town 34.

mechanism through which minimum wages affect employment levels in the economy and therefore household poverty.

Saget points out that the level of the minimum wage needs to be high enough to take people out of poverty but low enough not to affect employment negatively.²¹⁰ Furthermore, minimum wage legislation may impact on a variety of other economic outcomes, thus indirectly impacting on household poverty. Saget further points out that employers might increase prices following the institution of minimum wages, while Vedder and Galloway assess whether employers may reduce non-wage benefits in response to the institution of minimum wages.²¹¹

In 2006, more than half (57.2%) of the population of South Africa were living in poverty.²¹² By 2011, less than half (45.5%) of all South Africans were living below the poverty line which reflects a 20% reduction in poverty from 2006 to 2011.²¹³ However, the revised calculations of poverty estimate overall poverty increased from 45.5% in 2011 to 53.8% in 2014. This means that 27 million people live in poverty.²¹⁴

Figure 1: Poverty line in South Africa



Source 2: <http://mg.co.za/data/2015-02-02-infographic-poverty-in-south-africa>

²¹⁰ Saget “Minimum Wage – Does it Cut Poverty” 2001 Report from the Conditions of Work and Employment Programme (TRAVAIL), ILO.
²¹¹ *Ibid.*
²¹² ILO 2015 *Labour Research Service* 5–6.
²¹³ *Ibid.*
²¹⁴ See fn 210 above.

A drop in poverty levels since 2006 was largely due to social wages in South Africa. This includes free primary health care; no-fee paying schools; social grants (most notably old-age pensions and child support grants); RDP housing; and the provision of basic services to households, namely water, electricity and sanitation.²¹⁵ During 1998, 2.5m people received grants, by the end of 2012/2013, nearly 16.1m people were beneficiaries.²¹⁶ Which indicates an almost 13.6m increase of beneficiaries. Close to 60% of government spending is allocated to the social wage.²¹⁷ According to the World Bank, social grant programs typically represent 1–2% of GDP in developing countries.²¹⁸ In SA, the ratio has remained 3.4% since 2009/2010, in line with average welfare spending in advanced countries.²¹⁹ Which is a reflection of many people benefiting in the social grant programs.

In 2007, there were just over 13 million households in South Africa, and 9 million households with at least one employed individual present in the household. Of the 9 million households with access to wage income, approximately 54% were non-poor (above the 50th percentile of per capita household income), 24% poor (between the 25th and 50th percentile of per capita household income), and 22% ultra-poor, that is, below the 25th percentile of per capita household income.²²⁰ When analysing the relationship between the poverty status of households and coverage by minimum wage legislation in those years, households were thus categorised according to whether individuals in the household benefit from minimum wage legislation or not, and the poverty status of these households was then analysed during the 2001 to 2007 period.²²¹ This implies that during those years a minimum wage was able to cover basic needs of the household and reflect that workers were able to support their families.

3 4 LEVEL OF UNEMPLOYMENT PRIOR TO THE NMW

²¹⁵ See fn 210 above.

²¹⁶ See fn 210 above.

²¹⁷ See fn 210 above.

²¹⁸ See fn 210 above.

²¹⁹ See fn 210 above.

²²⁰ Department of Labour “Addressing the Plight of Vulnerable Workers: The Role of Sectoral Determinations” 2010 *Development Policy Research Unit School of Economics University of Cape Town* 37.

²²¹ *Ibid.*

Having considered the effect of sectoral determinations on wage levels, now we will turn to how employment was affected.²²² Whilst there are strong arguments in favour of minimum wages given the large number of poor working class in South Africa, the introduction of minimum wages in a country with high unemployment rates is not always consider favourable.²²³ The extent of the employment impact depends on the wage elasticity of labour demand which is defined as the responsiveness of employment levels to changes in wages.²²⁴ The employment effect also depends on the level of the minimum wage relative to market wages, with some arguing that moderate increases in wages are unlikely to affect employment levels in any significant way as employers may be able to mitigate cost increases in ways other than reducing employment levels.²²⁵ However, for large increases above current market wages, the reaction from employers may be more severe.²²⁶

Hertz found that there was a decrease in employment and in working hours for domestic workers after the introduction of the sector-determined minimum wages between 2001 and 2004.²²⁷ Subsequent research shows that there are no clear dis-employment effects as results of the NMW legislation.²²⁸ The evidence is mixed on whether the sectoral determined minimum wage was associated with reduced hours worked.²²⁹ It is also evident that there was some effect on reduced hours worked although the wage increases were likely to off-set any negative effect in terms of overall hours worked.²³⁰

²²² Department of Labour “Addressing the Plight of Vulnerable Workers: The Role of Sectoral Determinations” 2010 *Development Policy Research Unit School of Economics University of Cape Town* 26.

²²³ *Ibid.*

²²⁴ *Ibid.*

²²⁵ *Ibid.*

²²⁶ Hertz “The Effect of Minimum Wages on the Employment and Earnings of South Africa’s Domestic Service Workers” 2005 *Development Policy Research Unit Working Paper* 23; Department of Labour “Addressing the Plight of Vulnerable Workers: The Role of Sectoral Determinations” 2010 *Development Policy Research Unit School of Economics University of Cape Town* 15.

²²⁷ Patel, Mthembu and Graham 2020 *Centre for Social Development in Africa* 18.

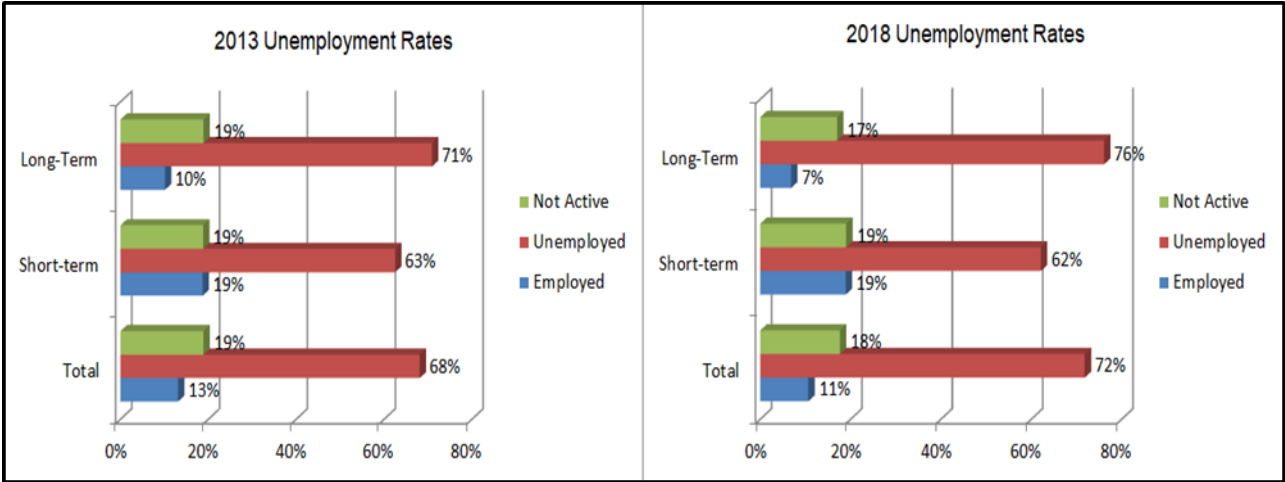
²²⁸ Dinkelman and Ranchhod “Evidence on the Impact of Minimum Wage Laws in an Informal Sector: Domestic Workers in South Africa” 2012 *Journal of Development Economics* 27–45.

²²⁹ *Ibid.*

²³⁰ Bhorat, Kanbur and Mayet “Minimum Wage Violation in South Africa” 2012 151(3) *International Labour Review* 277–287; Patel, Mthembu and Graham 2020 *Centre for Social Development in Africa* 18.

Overall employment in South Africa of workers covered by minimum wage legislation grew at a rate of 2.9% per annum from nearly 3.5 million in 2001 to just over 4 million in 2007.²³¹ In 2001 then, sectoral minimum wages in South Africa covered 31% of all workers, whilst by 2007 this proportion remained unchanged at 31%.²³² Hence, around one-third of all South African workers are covered by mandated minimum wage laws. Sectors which experienced significant growth in employment were the Retail, Domestic worker, Taxi, Security and Hospitality sectors.²³³ The sector to experience the fastest growth in employment was the Taxi sector, which grew at 12.5% per annum. Not all sectors, however, experienced positive employment growth.²³⁴ Employment across some sectors, such as the Forestry and Civil Engineering sectors was not significantly altered during this time, whilst sectors such as the Farm worker sector in Areas B and C witnessed a significant decline in employment at a rate of 4.9% per annum.²³⁵

Figure 2: Unemployment Rates between 2013 and 2018



Source: StatsSA

Unemployment rates increased from 22.5% in 2008 to over 30% in 2020 as per the narrow definition of unemployment, which is 5 times the rate of the rest of the world.²³⁶

²³¹ Department of Labour “Addressing the Plight of Vulnerable Workers: The Role of Sectoral Determinations” 2010 *Development Policy Research Unit School of Economics University of Cape Town* 26.
²³² *Ibid.*
²³³ *Ibid.*
²³⁴ *Ibid.*
²³⁵ *Ibid.*
²³⁶ *Ibid.*

The expanded unemployment rate in 2020, which includes a further 16 million people who are unemployed but have given up looking, is 38.7%, with youth unemployment sitting at a toxic level of 58%.²³⁷

The largest concern with regard to the NMW is the issue of unemployment. According to the World Economic Forum's Global Risk 2014 Report, South Africa has the third highest unemployment rate in the world for people between the ages of 15 to 24 and estimates that more than 50% of young South Africans between 15 and 24 are unemployed.²³⁸ Recent statistics released by Stats SA (2015) show that joblessness in South Africa has reached its highest level since 2008, and is currently at a rate of 24.3%.²³⁹ The number of unemployed persons increased to 4.9 million. Taking into account the expanded definition, which includes people who have given up looking for jobs, unemployment has risen to 7.3 million (36%).²⁴⁰

The issue of the trade-off between wages and employment has been much discussed in the literature on South Africa. In order to examine the relationship between changes in employment and wage levels, one has to look at the present simple elasticity estimates of the wages and employment relationship in Table 5. The simple employment-wage elasticity estimates for 2001 to 2007 was 1.4, suggesting that a 1% increase in wage levels was accompanied by a 1.4% rise in employment.

Table 3: Simple elasticity estimates of employment-wages, 2001 to 2007

²³⁷ Stats SA *Inequality Trends in South Africa Statistics South Africa* 35.

²³⁸ ILO 2015 *Labour Research Service* 6.

²³⁹ *Ibid.*

²⁴⁰ ILO 2015 *Labour Research Service* 6.

Sectoral Determination	% annual change employment	% annual change wage	Simple elasticity employment-wage
Retail	2.9%	1.0%	2.9
Domestic	5.1%	6.6%	0.8
Farm workers	-2.8%	7.3%	-0.4
Forestry	-5.3%	5.6%	-0.9
Taxi	18.3%	-3.0%	-6.2
Security	6.6%	-2.3%	-2.9
Hospitality	6.1%	3.7%	1.7
Contract cleaning	1.4%	1.3%	1.1
Civil engineering	-8.1%	-3.5%	2.3
Total	2.9%	2.1%	1.4

Notes:

1. Bold indicates significant change at the 90% confidence level.
2. Wages are converted to September 2007 prices using the urban CPI published by Statistics South Africa (using 2001 as the base year).
3. The elasticity estimates here are not true employment-wage elasticities.
4. Only employment in covered sectors is considered, that is, excluding the self-employed.

Source 3: DPRU 2010

Most of the sectors yielded a positive employment-wage elasticity estimate, barring the Farm worker, Forestry, Taxi, and Security sectors, which yield negative employment-wage elasticities, suggesting a negative relationship between employment and wages in these sectors.²⁴¹ The largest elasticity estimate was in the Retail sector, 2.9, for which a 1% rise in wages is associated with a 2.9% increase in employment.²⁴²

3 5 MINIMUM WAGE AND INEQUALITY PRIOR TO THE NMW

The post-1994 period in the South African economy is characterised, most powerfully, by the fact that the economy recorded one of its longest periods of positive economic growth in the country's history.²⁴³ From 1993 until 2013, South Africa's GDP growth rate averaged 3.2% reaching an all-time high of 7.6% in 1996.²⁴⁴ Until the last quarter in 2008 South Africa had seventeen years of positive economic growth. Despite this positive economic growth, the country has the most unequal income distribution in the

²⁴¹ Department of Labour "Addressing the Plight of Vulnerable Workers: The Role of Sectoral Determinations" 2010 *Development Policy Research Unit School of Economics University of Cape Town* 5.

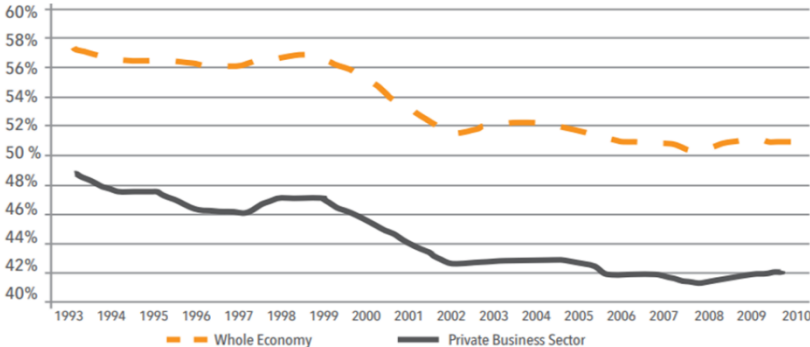
²⁴² *Ibid.*

²⁴³ ILO 2015 *Labour Research Service* 8.

²⁴⁴ *Ibid.*

world with a Gini coefficient of 0.69 in 2013, an increase from 0.64 in 1995 just one year after apartheid officially ended.²⁴⁵ South Africa's Gini coefficient was also much higher than countries such as Brazil at 0.54, India at 0.33, China at 0.47 and Russia at 0.42, a country deemed to be on a high level of human development by the United Nations (UN).²⁴⁶

Figure 3: Wage Share of GDP in South Africa 1993-2010



Source: AIDC (2014)

Labour Research Service study on the wage gap of some 90 listed companies shows that there was on average a 40 year wage gap between directors and workers in 1994.²⁴⁷ The wage gap in 2014 has increased to an average of 200 years between directors and workers.²⁴⁸ South African Census 2011 showed while the income of black households had increased by nearly 170% in the last decade, they still earned the least.²⁴⁹ The income of white South African households is six times higher than black ones.²⁵⁰ The average annual income for blacks is R60,613 while for their white counterparts it is R365,134.²⁵¹

245 *Ibid.*
 246 *Ibid.*
 247 *Ibid.*
 248 *Ibid.*
 249 *Ibid.*
 250 *Ibid.*
 251 *Ibid.*

3 6 CONCLUSION

Sectoral determinations cover around one-third of workers in the South African labour market, and this proportion has remained more or less unchanged during the period. Overall, South Africa witnessed a rise in the real wages of workers covered by sectoral determinations during the 2001 to 2007 period, particularly the wages of Domestic and Farm workers. Employment in sectors covered by minimum wage legislation also grew significantly over this period, at around 2.9% per annum, whilst output grew by 4.6%. The positive growth in employment and output resulted in a positive relationship between employment and output during the 2001 to 2007 period. The evidence suggests that overall, there was a positive relationship between employment and wages in sectors covered by minimum wage legislation.

However, the experiences of individual sectors differ. For instance, whilst the Taxi sector yielded a negative relationship between employment and wages, in the Domestic worker sector, a rise in wages was associated with a rise in employment between 2001 and 2007. Similarly, the employment-output elasticity estimates differ across sectors. The third outcome variable thought to impact on employment was the level of enforcement of minimum wages within a sector.

Overall, enforcement increased during the period, as seen by the significant decline in the index of violation. The results for the simple elasticity estimates of employment-enforcement suggest that a 1% increase in violation, or in other words, a 1% decrease in enforcement, is associated with a 1% decrease in employment.

CHAPTER 4: THE IMPACT OF THE NATIONAL MINIMUM WAGE IN SOUTH AFRICA

4 1 OVERVIEW

South Africa is now approaching the 4th year anniversary of implementing a NMW, many parties to the new wage dispensation are attempting to assess the impact of the Act on poverty, inequality, and unduly low wages in South Africa.

South Africa is an upper middle-income country facing serious structural economic challenges, borne in large part from an apartheid history that continues to define its socio-economic landscape.²⁵² Within this broader context, the NMW has been positioned as an active policy response to some of the country's most pressing concerns.²⁵³ Income inequality has risen since 1994, household poverty levels remain stubbornly high, low wages pervade the labour market, and private sector union membership has plummeted.²⁵⁴

The NMW Act, which was drafted based on several years of research and deliberation at the NEDLAC, opens by noting the “huge disparities in income in the national labour market” and the need to tackle both poverty and inequality (Republic of South Africa 2018: 2).²⁵⁵ The existing literature suggests that introducing a national wage floor can have a range of positive direct and indirect labour market impacts.²⁵⁶ It should raise the wages of those previously earning below the set level, and in most cases it has a benign impact on both employment and hours of work.²⁵⁷ Indirectly, a minimum wage can have a wide variety of knock-on effects that include influencing when people choose to enter the labour market, a shift in labour demand and supply between

²⁵² Bhorat, Lilenstein and Stanwix 2020 *DPRU*, University of Cape Town 2–3.

²⁵³ *Ibid.*

²⁵⁴ *Ibid.*

²⁵⁵ *Ibid.*

²⁵⁶ *Ibid.*

²⁵⁷ *Ibid.*

sectors, as well as having an impact on rates of poverty and inequality in certain settings.²⁵⁸

However, there are several reasons why the ability of a NMW in South Africa to engender these labour market effects, and in particular to measurably reduce poverty and inequality, is limited.²⁵⁹ Firstly, levels of non-compliance with pre-existing sectoral minimum wages have always been high, and there is no clear evidence to suggest that this will change in the short term given the government's current enforcement capabilities.²⁶⁰ The high levels of non-compliance with the NMW will mute the positive wage effects of the policy for covered workers, thus dampening other direct and indirect impacts.²⁶¹ Also, the NMW is set relatively high (at close to the median wage in South Africa) and places almost half of all workers below it, requiring an unprecedented increase in pay for many employers.²⁶² If there was to be widespread compliance, the risk of adverse employment effects in certain sectors is a concern, and could offset some of the positive welfare effects of higher wages.²⁶³ Clearly, a delicate balance is required to ensure that a NMW produces overall welfare gains. In South Africa the option of additional policies to protect employment in high-risk sectors may be necessary to achieve this.²⁶⁴ Finally, there are broader structural issues that currently shape the labour market which could potentially moderate the possible poverty- and inequality-reducing effects of a higher wage floor.²⁶⁵ A narrow unemployment rate approaching 30% in 2019 means that for the poorest households, who have the highest proportion unemployed members, rising wages are unlikely to significantly boost per capita household incomes.²⁶⁶ Thus without a substantial redistribution shift in pay structures, or broader economic reforms, the NMW is a relatively blunt instrument for poverty and inequality reduction in South Africa.²⁶⁷

²⁵⁸ *Ibid.*

²⁵⁹ *Ibid.*

²⁶⁰ *Ibid.*

²⁶¹ *Ibid.*

²⁶² *Ibid.*

²⁶³ *Ibid.*

²⁶⁴ *Ibid.*

²⁶⁵ *Ibid.*

²⁶⁶ StatsSA 2019.

²⁶⁷ See fn 252 above.

An exception to the positive employment effects of the sectoral determination system in South Africa is the agricultural sector, where the introduction of a minimum wage in 2003, and a subsequent 50% increase in 2013, both led to decreases in employment.²⁶⁸ In 2003, it appears that employment losses were concentrated among part-time workers, while in 2013 there is evidence to suggest that small farming enterprises shed more jobs than larger operations, and that much of the negative impact was in fact a reduction in job creation over the medium term rather than an abrupt shedding of jobs.²⁶⁹

Since its inception a minimum wage of R20/hour was set as the national wage floor, with lower rates for three groups of workers: those employed through the government's public works programmes (R11/hr), domestic workers (R15/hr) and farmworkers (R18/hr).²⁷⁰ These lower rates were selected primarily because pre-existing legislated wages for workers in agriculture, domestic work and those in public works employment were seen to be too far below the R20/hr level. However, at R20/hr the NMW does require substantial increases for many other employees outside of these groups.²⁷¹

Figure 4 below shows, at R20/hr the general NMW is roughly equivalent to the median wage for employees in South Africa, meaning that approximately 50% of all workers earned below the NMW when it was promulgated. The figure also plots the legislated minimum wage levels for each sectoral determination, as well as the EPWP, in 2018.²⁷²

*Figure 4: SA Median wage and Sectoral Determination Rates 2018*²⁷³

²⁶⁸ Borat, Kanbur and Stanwix "Estimating the Impact of Minimum Wages on Employment, Wages and Non-Wage Benefits: The Case of Agriculture in South Africa" 2014 *American Journal of Agricultural Economics* 1–18.

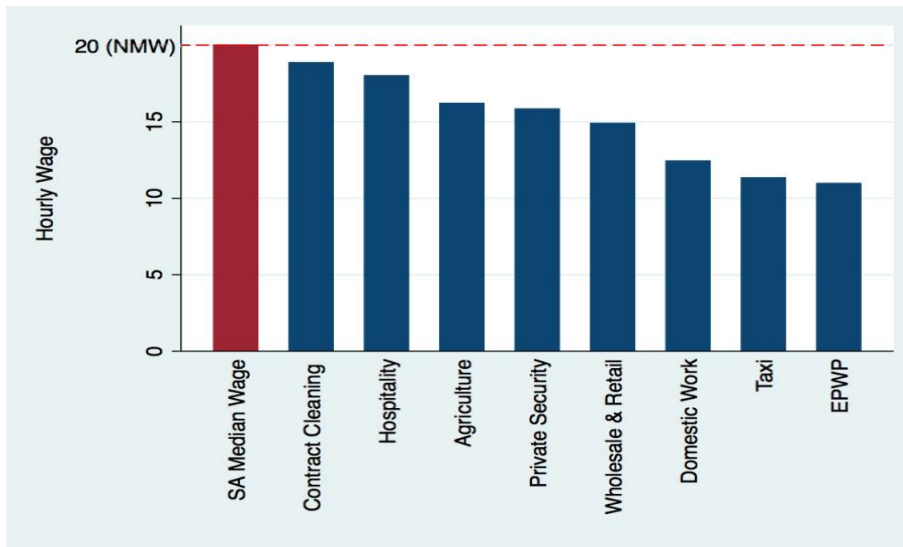
²⁶⁹ Piek and Von Vintel "Sectoral Minimum Wages in South Africa: Disemployment by Firm Size and Trade Exposure" 2020 37(3) *Development Southern Africa* 462–482.

²⁷⁰ See fn 252 above.

²⁷¹ Borat, Lilenstein and Stanwix 2020 *DPRU*, University of Cape Town 5–6.

²⁷² *Ibid.*

²⁷³ *Ibid.*



Source 4: DEL(2020), QLFS 2018, DPRU

Notes: The figure plots the lowest minimum wage for each Sectoral Determination in 2018. The horizontal red line is the NMW of R20/hour. The median wage is calculated for all employees in 2018 quarter 4, it thus excludes employers and own-account workers who are not subject to the minimum wage. Where sectoral determinations include multiple rates we take the lowest minimum wage listed for that sector.

It is clear that there was considerable variation in minimum wage rates by sector, where in some cases sectoral determinations prescribed wages substantially below the NMW in 2018.²⁷⁴ At R20 per hour then, despite being low in terms of the basket of goods it can buy, the NMW is set relatively high on the current national wage distribution.²⁷⁵ Certainly, it requires a substantial increase for some of the sectoral minimum wage rates that it supersedes.²⁷⁶ The smallest required increase is for workers in contract cleaning (an average increase of 6%), followed by agriculture and hospitality (11%) and domestic work (15%).²⁷⁷ Larger minimum wage increases are required for low earners in private security (26%), wholesale and retail (34%) and the taxi industry (39%).²⁷⁸

Subsequent to that the NMWC recommended a limited annual increase for 2020. As shown in Table 4, below, the promulgated increase after the first year was only 3.8%

²⁷⁴ As noted above, for farmworkers, domestic workers, and those employed through the EPWP there are lower NMW levels, which reduce the gap between the 2018 SD rates and the NMW. Where SD wage rates differ by area and job type, we calculate the mean minimum wage.

²⁷⁵ *Ibid.*

²⁷⁶ *Ibid.*

²⁷⁷ *Ibid.*

²⁷⁸ *Ibid.*

for all wage categories, effective from March 2020. To put this into some comparative perspective, it was below the previous year’s inflation rate of 4.13%.²⁷⁹ Following this, in 2021, the NMW was increased again, and in this case the increase was marginally higher for general workers (4.5%), but significantly higher for farmworkers and domestic workers – 16.1 and 22.6%, respectively.²⁸⁰ These 2021 increases, effective from March, were thus notable in their attempt to bring farm and domestic worker wages up toward the general NMW, and it remains to be seen what the response has been.²⁸¹ The focus of this treatise, is to examine the possible impact of both the 2020 and 2021 increases, and whether it had any immediate impact on covered workers.²⁸²

Table 4: NMW Levels and Annual Increases: 2020 and 2021²⁸³

Wage Category	2020 (R/hr)	Annual Increase	2021 (R/hr)	Annual 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%
Expanded Public Works Programme	R11,42	3,8%	R11,93	4,5%

Source 5: Department of Employment and Labour, SADRU, Authors calculations.

4 2 THE NATIONAL MINIMUM WAGE EFFECTS ON WAGES

Minimum wages are used as a policy tool to address low incomes and poverty among working adults, and are often favoured over direct policy interventions since they do not require additional spending by the government.²⁸⁴ The socio-economic arguments in favour of minimum wages are well established, that is, minimum wages aim to redistribute earnings to low paid workers and to lift the working poor out of poverty.²⁸⁵

²⁷⁹ DPRU “An Assessment of the 2020 National Minimum Wage Increase: Preliminary Findings” 2021 *Development Policy Research Unit* 4–5.
²⁸⁰ *Ibid.*
²⁸¹ *Ibid.*
²⁸² *Ibid.*
²⁸³ *Ibid.*
²⁸⁴ DPRU “An Assessment of the 2020 National Minimum Wage Increase: Preliminary Findings” 2021 *Development Policy Research Unit* 23–24.
²⁸⁵ Freeman “The Minimum Wage as Redistributive Tool” 1996 *Economic Journal* 106.

South Africa’s large number of working poor as well as labour market discrimination inherited from the past are strong arguments in support of minimum wages in South Africa.²⁸⁶ In addition, it is recognised that poverty is not limited to unemployed individuals in South Africa – since income is often shared among large families within which the unemployed reside, causing the entire family to be in poverty despite being attached to the labour market.²⁸⁷ Minimum wages may thus play an important role in dealing with household poverty in South Africa.²⁸⁸

In order to test the impact of the NMW on wages, hours of work, and employment the Development Policy Research Unit (DPRU) used data from Statistics South Africa’s QLFS.²⁸⁹ The QLFS is a nationally representative household survey, collected by StatsSA four times per year.²⁹⁰ The surveys are administered to household members above the age of 15 and information is collected by proxy for those who are absent.²⁹¹ The survey contains information on demographic and labour market variables, and also includes a small rotating panel component, which we exploit in this analysis.²⁹² Wage data collected in the QLFS are ordinarily released annually in the Labour Market Dynamics in South Africa (LMDSA) dataset, which has a lagged release schedule.²⁹³

Wage changes over the 2020 period, were more complicated to assess given the large working hours and employment shifts taking place, as well as limitations introduced by the new survey method in 2020Q2.²⁹⁴ Overall, the data shows that reported wages rose marginally over the period, with real hourly wages increasing 5% at the median. Notably, the substantial employment changes over the same period influence average wages, and given that job losses were disproportionately felt by lower wage workers,

²⁸⁶ Bhorat and Leibbrandt “Understanding Unemployment: The Relationship between the Employed and the Jobless” in Baskin *Against the Current Labour and Economic Policy in South Africa* (1996).
²⁸⁷ *Ibid.*
²⁸⁸ *Ibid.*
²⁸⁹ Bhorat, Lilenstein and Stanwix 2020 *Development Policy Research Unit (DPRU)*, University of Cape Town 8.
²⁹⁰ *Ibid.*
²⁹¹ *Ibid.*
²⁹² *Ibid.*
²⁹³ *Ibid.*
²⁹⁴ DPRU “An Assessment of the 2020 National Minimum Wage Increase: Preliminary Findings” 2021 *Development Policy Research Unit* 2021 2.

the rising average wage may be partially explained by lower wage workers losing their jobs.²⁹⁵ There was a considerable observation variation in wage trends across main industry groups, skill level and sector of work, but at that stage it was treated with caution given the data limitations and the small sample size underpinning some estimates.²⁹⁶

4 3 THE NATIONAL MINIMUM WAGE EFFECTS ON EMPLOYMENT

The immediate employment impact of the COVID-19 pandemic was a loss of 2.2 million jobs, and the distribution of these losses were uneven.²⁹⁷ Job losses were greater among less-skilled workers, and those in the informal sector, while sectors including Construction, Manufacturing, Wholesale and Retail Trade, Private Households, and Mining were the sites of the most significant decreases.²⁹⁸ Notably, is the observation of the higher job loss rates among workers who earned lower wages prior in the first quarter of 2020.²⁹⁹ Unlike hours of work, many of the jobs that were lost have not been regained, and by 2021Q1, total employment remained at 1.4 million jobs lower than a year earlier.³⁰⁰

Employment for both covered and uncovered workers dropped precipitously in 2020 Q2, but the decline was larger for covered workers, where employment of covered workers fell by 17% and employment of those earning above the NMW fell by 11%.³⁰¹ The immediate job losses experienced among covered workers in the second quarter of 2020 were largely absorbed in four main industries – Construction, Wholesale and Retail Trade, CSP services, and Domestic Work.³⁰² Together job losses in these four sectors account for 84% of the immediate employment decreases.³⁰³ Importantly, the marginal disproportionate employment impact on low-wage workers cannot be

295 *Ibid.*
296 *Ibid.*
297 *Ibid.*
298 *Ibid.*
299 *Ibid.*
300 *Ibid.*
301 DPRU “An Assessment of the 2020 National Minimum Wage Increase: Preliminary Findings” 2021 *Development Policy Research Unit* 2021 3.
302 *Ibid.*
303 *Ibid.*

attributed to the NMW increase, but is more likely tied to the various labour market impacts of COVID-19. In addition, because the two groups are identified based on individual earnings relative to the NMW, wage changes also shift the number of workers in each group.³⁰⁴

National sectoral minimum wages have not had a significant impact on employment except in agriculture where employment losses were the result of new wage laws (National Minimum Wage Report, 2016).³⁰⁵ In addition to setting a legal wage floor, the new law also outlined terms and conditions of employment for the farming sector which included maximum working hours and the establishment of a written employment contract for employees.³⁰⁶

Despite agriculture historically being a significant employer in the South African economy, employment in this sector has declined progressively over the past 30 years.³⁰⁷ The sector saw an employment decline of 20% between 1988 and 1998, representing a loss of 140 000 jobs (Simbi & Aliber, 2000).³⁰⁸ As of 2018, the total number of persons employed in commercial agriculture was 757 628, down from 769 594 in 2007 (-1,6%) (Stats SA, 2017). Despite this the sector remains a significant employer, particularly in rural areas.³⁰⁹ In 1998, employment in the agriculture sector represented 30% of all employment for rural Black Africans living in South Africa (excluding self-employment), by far the largest single category of employment for this group (Stats SA, 2000a).³¹⁰ While concerns about labour practices and working conditions faced by farm workers exist, agricultural employment constitutes an absolutely critical source of sustenance to rural dwellers and, more broadly, rural communities.³¹¹ Monitoring responses to the new NMW policy in the sector is therefore crucial.³¹²

³⁰⁴ *Ibid.*

³⁰⁵ Patel, Mthembu and Graham 2020 *Centre for Social Development in Africa* (CSDA), University of Johannesburg 14.

³⁰⁶ *Ibid.*

³⁰⁷ *Ibid.*

³⁰⁸ *Ibid.*

³⁰⁹ *Ibid.*

³¹⁰ *Ibid.*

³¹¹ *Ibid.*

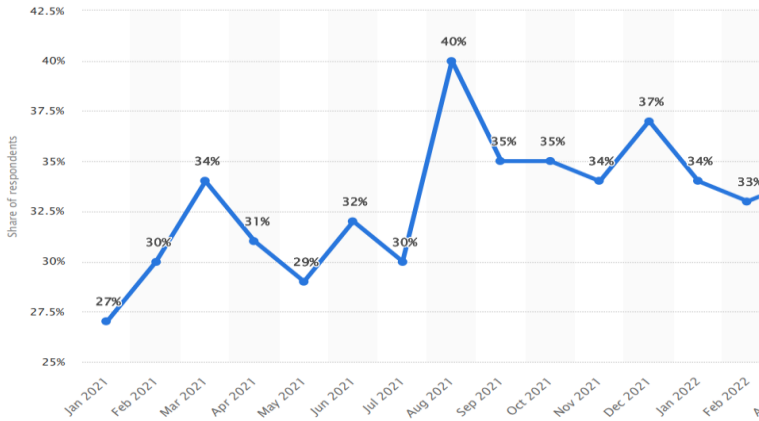
³¹² *Ibid.*

4 4 THE NATIONAL MINIMUM WAGE EFFECTS ON POVERTY AND INEQUALITY

South Africa has the highest level of inequality in the world.³¹³ In 2014, the average income of the top 10% of full-time employees was 82 times the average income of the bottom 10%, according to the report. Inequality in South Africa is largely driven by wage differences.³¹⁴

In South Africa, 54% of full-time employees (5.5 million workers) earn below the working-poor line of R4 125.³¹⁵ This is often not enough for them to meet basic needs for themselves and their dependents.³¹⁶ Higher wages for low-wage workers would benefit both the employed and the unemployed, the report stated.³¹⁷

Figure 5: Monthly share of people who are worried about poverty and social inequality in South Africa from January 2021 to April 2022³¹⁸



Source 6: Statista 2022

³¹³ News 24 Business “Why National Minimum Wage is Good for SA Economy” (26 July 2016) <https://www.news24.com/fin24/why-national-minimum-wage-is-good-for-sa-economy-20160726> (accessed 2022-11-07).

³¹⁴ *Ibid.*

³¹⁵ *Ibid.*

³¹⁶ *Ibid.*

³¹⁷ *Ibid.*

³¹⁸ Statista “Monthly Share of People Who Are Worried About Poverty and Social Inequality in South Africa from January 2021 to April 2022” <https://www.statista.com/statistics/1266530/share-of-south-africans-worried-about-poverty-and-social-inequality/#statisticContainer> (accessed 2022-11-07).

According to monthly surveys conducted in 2021 and 2022, the share of the respondents in South Africa worried about poverty and social inequalities in the country was 34% in April 2022.³¹⁹ During the period under review, the share of participants in South Africa concerned about social injustices and poverty fluctuated between 27%, observed in January 2021, and a peak of 40%, registered in August 2021.³²⁰

4 5 THE NMW EFFECTS ON COLLECTIVE BARGAINING AND INDIVIDUAL BARGAINING

Bargaining strategies have attempted to confront the apartheid wage gaps, but have not been radical enough to make a fundamental impact.³²¹ It is significant that it was only through collaboration between the labour movement and the democratic state (propelled by workers struggles), that it was possible to engineer a radical transformation of the wage structure in the public sector – this has implications for the minimum wage debate which would be return to below.³²² COSATU affiliates in the private sector have attempted to tailor bargaining strategies to address the plight of the low paid, by weighting demands in their favour.³²³ Macun reports for 2007 that increases within bargaining council agreements averaged 7.2% for the unskilled, 6.9% for semi-skilled, and 6.4% for skilled, confirming other evidence of slightly higher increases at the lower end.³²⁴ He notes, however, that more skilled workers are more likely to receive premier above the prescribed minimum.³²⁵

South Africa has a unique collective bargaining structure; one whereby wages are mostly set at a sectoral level. Furthermore, the extension of updated bargaining council agreements is shown to have a detrimental effect on the mass of employment, whereby

³¹⁹ *Ibid.*

³²⁰ *Ibid.*

³²¹ ILO “Towards New Collective Bargaining, Wage and Social Protection Strategies in South Africa – Learning from the Brazilian Experience” 2013 5.

³²² *Ibid.*

³²³ *Ibid.*

³²⁴ Macun “How Central is Centralized Bargaining?” 2008 32(1) *South African Labour Bulletin* 32–35.

³²⁵ *Ibid.*

it decreases by approximately 8%. These results are robust to both individual and firm level characteristics.³²⁶

4 6 THE EFFECTS OF COVID-19 ON THE LABOUR MARKET

The impact of COVID-19 completely overshadows any minimum wage interventions made during the 2020 period.³²⁷ The effect of the pandemic, and the extremely strict lockdown regulations introduced during March 2020, resulted in an immediate loss of over 2 million jobs in South Africa between quarter 1 and quarter 2 (see Figure 6, below).³²⁸ Crucially, the introduction of the lockdown overlapped with the timing of the NMW increase, which also came into effect just before the beginning of the second quarter.³²⁹ The immense and persistent labour market impacts of the lockdown, coupled with the concurrent timing of the small NMW increase, makes isolating the effect of the NMW much more difficult than in more normal economic circumstances.³³⁰ The figure further indicates that there was a huge drop from above 16 million to slightly above 14 million in a single quarter and then gradual improvement in quarter 3 and 4 only in the period of 2020.³³¹

³²⁶ African Microeconomic Research Unit “Employment Effects of Bargaining Council Decisions, An Analysis of Minimum Wages in South Africa” 2017.

³²⁷ DPRU “An Assessment of the 2020 National Minimum Wage Increase: Preliminary Findings” 2021 *Development Policy Research Unit* 2021 6–8.

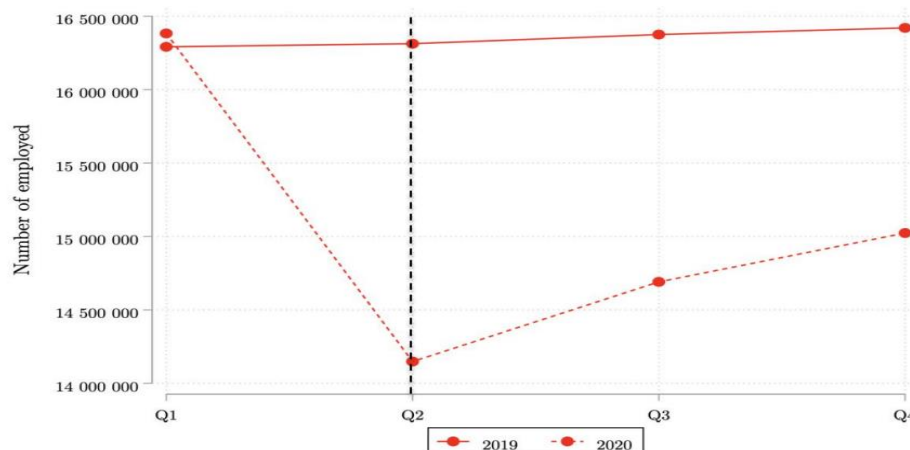
³²⁸ *Ibid.*

³²⁹ *Ibid.*

³³⁰ *Ibid.*

³³¹ *Ibid.*

Figure 6: Aggregate Employment, by Quarter and Year: 2019 and 2020³³²



Source 7: QLFS 2020Q1 - 2021Q4 (StatsSA), DPRU

Table 6 below, provides a basic overview of total employment and the number of wage earners in the QLFS sample over the period of 2020–2021, both weighted and unweighted.³³³ The table also separates quarter 1 – the period prior to the introduction of the CATI survey (Computer-Assisted Telephone Interview System), the impact of COVID-19, and the increase in the NMW – from the quarters that follow.³³⁴ As already noted above, total (weighted) employment falls substantially in 2020Q2, dropping by over 2 million, driven by the impact of COVID-19.³³⁵ But the introduction of the CATI survey also impacts on the sample, and the unweighted number of those employed in the sample almost halves between Q1 and Q2 – falling by 41%.³³⁶ The unweighted sample of wage earners varies between 14,361 (2020Q1) and 8,248 (2020Q2) and this is the baseline sample used to conduct analysis on wages.³³⁷ The total weighted number of wage earners follows a similar trend to total employment over the period,

³³² *Ibid.*

³³³ DPRU “An Assessment of the 2020 National Minimum Wage Increase: Preliminary Findings” 2021 <https://www.labour.gov.za/DocumentCenter/Publications/Basic%20Conditions%20of%20Employment/QUANTITATIVE%20REPORT%20ON%20IMPACT%20OF%20NMW%20ON%20ECONOMY%202021.pdf> 11.

³³⁴ *Ibid.*

³³⁵ *Ibid.*

³³⁶ *Ibid.*

³³⁷ *Ibid.*

and the proportion of wage earners to employed individuals remains relatively stable.³³⁸

Table 5: QLFS Data Overview: 2020Q1 - 2021Q1

Labour Market Cohort	Pre-Period	Post-NMW Increase Post COVID-19 CATI				Total Change (%)
	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	
Total Employment (weighted)	16 382 555	14 148 215	14 678 896	15 014 606	14 981 413	-8.6
Total Employment (unweighted)	17 036	10 001	10 459	11 005	10 195	-40.1
Total Wage Earners (weighted)	13 778 191	11 696 298	12 311 169	12 606 065	12 635 008	-8.3
Total Wage Earners (unweighted)	12 068	7 122	7 008	7 331	6 610	-45.2
Wage Earners as a Share of Employed (%)	84,3	82,6	83,3	83,3	84,1	-0.2

Source 8: QLFS StatsSA, DPRU

4 7 CONCLUSION

It is clear that the NMW has the potential to positively impact on a large number of low-wage workers and which would probably have an effect on employment, income and many other economic factors. It illustrates that a minimum wage set at different absolute levels, and in turn, adjusted at different rates will have contrasting outcomes. An additional point to make is that while higher wages translate into employment losses here, firms may also adjust by changing hours of work in order to stabilise their wage bill, or by passing on the cost of higher wages along their supply chain to where this is possible. Overall, there is some evidence suggesting that minimum wages have been successful in raising wages and decreasing poverty levels. Wage levels in sectors deemed vulnerable, such as the Farm and Domestic worker sectors, have risen whilst poverty levels have declined. However, the effects of the sectoral determinations have not been felt in some sectors. Indeed, in certain sectors, notably the Security sector, poverty seems to have exacerbated.

³³⁸ DPRU “An Assessment of the 2020 National Minimum Wage Increase: Preliminary Findings” 2021 *Development Policy Research Unit* 2021.

Descriptive analysis suggested relatively benign labour market responses to the NMW in the year after it was introduced, and this was largely supported by the many factors. Certainly, none of the descriptive wage trends are in line with prior expectations, given the level at which the minimum wage was set, and the sectoral wage responses observed in the past. There is no doubt that inequality will remain a challenge and would need an urgent response to address. COVID-19 has had unprecedented consequences for the South African economy in general and the labour market in particular, and there is no doubt that these overshadow any impact that the NMW increase may have had during this period.

CHAPTER 5:

5 SUMMARY AND CONCLUSION

When the NMW was promulgated on 1 January 2019 the minimum wages in South Africa were organised through two main structures, Bargaining Councils (BC) and Sectoral Determinations (SD), which together cover close to 70% of low-wage workers in the country. The proposed introduction of a NMW was to implement a policy which is designed to have a measurable and concrete benefit on the poor. The NMW is therefore seen as one of the tools to close the wage gap between high and low earning employees in order to overcome poverty. One of the major purposes of the policy was to establish one wage structure which would set a floor in which no worker should earn below.

A NMW aims to mechanically increase the earnings of workers at the bottom of the wage distribution. But what effect does this have on the welfare of affected workers, and on the broader labour market? The various consequences of minimum wage policy remain a subject of intense debate, with empirical outcomes that are often context specific. Despite the challenges, it remains important to understand how the labour market has changed in the period after the NMW was increased, and in particular how covered workers have fared. It also crucial to consider the criteria that the NMWC consider when making recommendations regarding future changes to the NMW

As a NMW is also considered to be a tool to reduce poverty and inequality while spurring economic growth, without significant adverse effects, the purpose to promulgate was basically to accomplish those factors. In terms of the expert statistical modelling commissioned by Wits University's National Minimum Wage Research Initiative reveals that a NMW in South Africa would considerably reduce poverty and inequality while spurring economic growth, without significant adverse effects on the economy and investments.³³⁹

³³⁹ Wits University's National Minimum Wage Research Initiative "A National Minimum Wage Can Considerably Reduce Poverty And Inequality While Spurring Economic Growth, Without Significant Adverse Effects" 2021 <http://nationalminimumwage.co.za/wp-content/uploads/2016/01/The-impact-of-a-national-minimum-wage-briefing-document-updated.pdf> (accessed 2022-12-09).

The following findings were discovered throughout this research:

- By boosting wages, it will impact on spending thereby inducing higher output in the economy. GDP growth increases by an additional of 0.5% per year for higher levels of a NMW. A NMW provides a considerable boost to incomes, consumption, output, and total employment.³⁴⁰
- Higher wages mean a higher quality of employment in the economy. This occurs in two ways: employment shifts within the economy and workers earn better wages.³⁴¹
- Short-term increases in the unemployment rate are minimal relative to the deep reductions in poverty and inequality. In all scenarios the number of people employed increases as a result of the economy and output expanding – although the unemployment rate rises marginally. When set at the highest level, a NMW increases unemployment by only 0.2% over the five-year period modelled; a range of complementary policies could offset this. Reductions in inequality and poverty are significant.³⁴²
- A NMW is an effective tool to decrease inequality and poverty in South Africa. The percentage of the population living in poverty decreases by a substantial 1.3%–2.6% as a result of a NMW. The Gini index measuring inequality decreases by between 0.4%–1.7%.³⁴³
- Lower-income households stand to benefit most from a NMW. Poverty decreases particularly strongly among the bottom 20% of the population. For the highest NMW modelled, the poverty rate in 2020 for the bottom fifth of the income distribution is 9% lower at 60% compared with 69% in the baseline scenario.³⁴⁴
- Significantly stronger adverse effects are not found at progressively higher levels of a NMW indicating flexibility in the level at which a NMW can be set. Higher levels of a NMW are found to moderately increase the unemployment rate while substantially further reducing poverty and inequality and increasing

³⁴⁰ *Ibid.*

³⁴¹ *Ibid.*

³⁴² *Ibid.*

³⁴³ *Ibid.*

³⁴⁴ *Ibid.*

output. Compared with a low minimum wage, a higher minimum wage results in an additional 0.3% gain in GDP.³⁴⁵

Derived from the research report, there are number of features that indicates an improvement since the inception of the NMW.

5 1 REAL AVERAGE WAGES AND DISPOSABLE INCOMES INCREASE

South African minimum wages for low earners were significantly low before the promulgation of the NMW which was outlined in chapter 2 and 3 respectively. The impact on incomes is understandably positive and leads to rising household spending.³⁴⁶ From figure 8 below, the average real wages for full-time employees are higher than the baseline in all other scenarios tested (Baseline, Minimalist, Maximalist, and Index 40%–45%).³⁴⁷ The maximalist scenario, unsurprisingly, has the largest impact, increasing average real wages by 28% to R10 877 by 2020. The minimalist scenario produces the lowest increase, reaching R8 219, just above the baseline scenario of R7 779.³⁴⁸ Wage increases disproportionately benefit the poorest.

Given the rise in wages, which translated to an increase in per capita and household disposable income, meaning that household spending increases. The indexation scenarios fall between the minimalist and maximalist positions with the 45%–50% indexation scenario producing average annual increases of 5.1% and 3.8% to per capita and household disposable income respectively.³⁴⁹

³⁴⁵ *Ibid.*

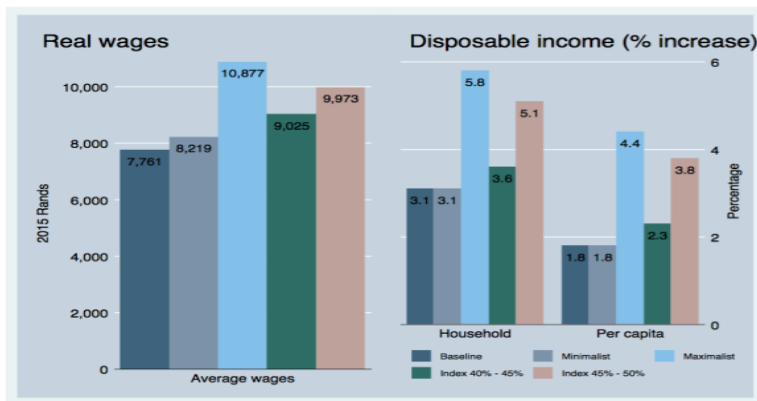
³⁴⁶ *Ibid.*

³⁴⁷ *Ibid.*

³⁴⁸ *Ibid.*

³⁴⁹ *Ibid.*

Figure 7: Real wages and average annual increases to disposable income (2016-2020)



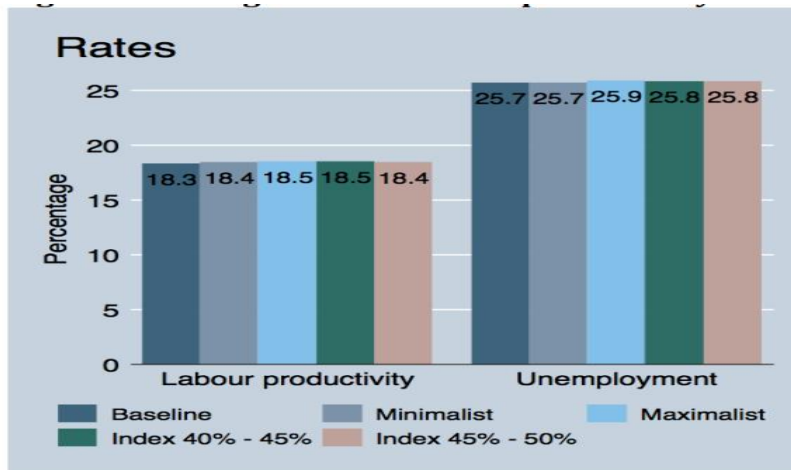
Source 9: University of Witwatersrand, CSID and ADRS

5.2 EMPLOYMENT INCREASES IN ALL SCENARIOS EVEN THOUGH THE UNEMPLOYMENT RATE RISES MARGINALLY

Unemployment was identified as one of the reasons that encouraged the need to establish a NMW. All scenarios tested by the Wits University's National Minimum Wage Research Initiative's indicate that the number of people employed increases while the unemployment rate rises marginally above the baseline. This very slight increase in the unemployment rate fits the pattern observed internationally. It is a minor trade-off when considering the significant increases in the wages of wage earners, increases to household income (shared with the unemployed) and positive growth effects. In all scenarios labour productivity increases marginally.³⁵⁰

350 *Ibid.*

Figure 8: Average rates of labour productivity and unemployment



Source 10: University of Witwatersrand, CSID and ADRS

From figure 9 above, the minimalist scenario leaves the unemployment rate unchanged, the maximalist lifts it by 0.2% higher than the baseline, and indexation results in a negligible 0.1% above the baseline.³⁵¹

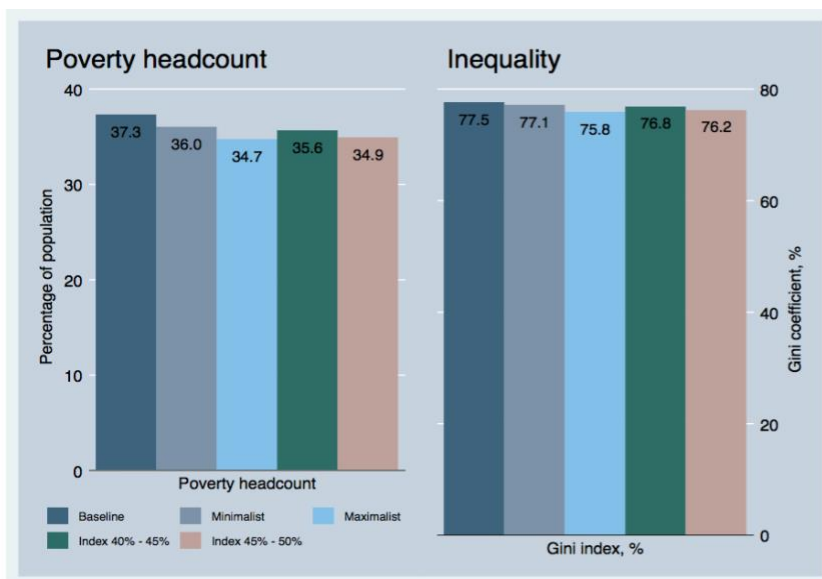
5 3 A NMW IS AN EFFECTIVE TOOL TO REDUCE POVERTY AND INEQUALITY IN SOUTH AFRICA

The NMW results in a decrease in poverty and inequality in all scenarios. In Figure 10 the baseline projection for the “poverty headcount” – the percentage of the population defined as poor is 37.3%. This falls in all scenarios after the institution of a NMW. The most dramatic decrease, of up to 2.6 percentage points, is in the scenarios with higher NMWs.³⁵²

³⁵¹ *Ibid.*

³⁵² *Ibid.*

Figure 9: Poverty and Inequality (2020)



Source 11: University of Witwatersrand, CSID and ADRS

5 4 CONCLUSION

It is quite clear from the evidence provided in this treatise that the NMW provided positive results on almost all aspects as indicated in the above discussion. The Wits University’s National Minimum Wage Research Initiative’s established that the simulations show that a NMW meaningfully boosts growth and leaves households significantly better off. Alone it does not raise employment, but it opens the space by increasing purchasing power, demand and output for other policy interventions that could spur long-term growth and employment.³⁵³ This research further exposed that a NMW was set at levels high enough to meet workers’ basic needs and had a positive impact on wages, consumption, growth, reduction of poverty and inequality, without dire consequences for employment or inflation.³⁵⁴

A decent test to the NMW was when the country experienced the COVID-19 pandemic, which had unprecedented consequences for the South African economy in general and the labour market in particular. The various impacts of COVID-19 and the associated government lockdowns have also led to a range of unusual labour market

³⁵³ *Ibid.*

³⁵⁴ *Ibid.*

changes, such as extreme variations in working hours when many people were prevented from working. These had a huge implication on wages which resulted into a situation where most of workers lost their incomes. The enforcement of the NMW became a challenge during lockdowns which also resulted in cancellation of some programmes by the DEL which were material in the enforcement of this policy.

The evidence provided in this treatise suggests that there have been relatively benign labour market responses to the NMW in the year after it was introduced. The country did not experience a large shift in employment, wages or working hours, certainly none of which were in line with prior expectations given the level at which the minimum wage was set. Also, the minimum wage adjustments were at level or at some stage above the CPI which is an indication that since the inception of the NMW, the national minimum wage did not lose its value. Although the NMW did not entirely get rid of the issue of inequality and poverty there is an indication that the system will be a step in the right direction to deal with these issues.

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List of Abbreviations

ANC - African National Congress

BC - Bargaining Councils

BCEA - Basic Conditions of Employment Act

CCMA - Commission for Conciliation Mediation and Arbitration

COSATU - Congress of South African Trade Union

CPI - Consumer Price Index

DEL - Department of Employment and Labour

DPRU – Development Policy Research Unit

ECC - Employment Conditions Commission

EPWP - Expanded Public Works Programme

GDP - Gross Domestic Product

ILO - International Labour Organisation

LMDSA - Labour Market Dynamics in South Africa

LPC - Low Paid Commission

LRA - Labour Relations Act

NEDLAC - National Economic Development and Labour Council

NMW - National Minimum Wage

NMWA - National Minimum Wage Act

NMWC – National Minimum Wage Commission

QLFS - Quarterly Labour Force Survey

SD - Sectoral Determinations

StatsSA - Statistic South Africa

UIF - Unemployment Insurance Fund