

# PLENARY 1: THE SOUTH AFRICAN MINIMUM WAGE LANDSCAPE AND THE ROAD TRAVELLED: CONTEXT, CONSIDERATIONS, POLICY PRONOUNCEMENTS AND LEGISLATIVE PROCESS UPDATE



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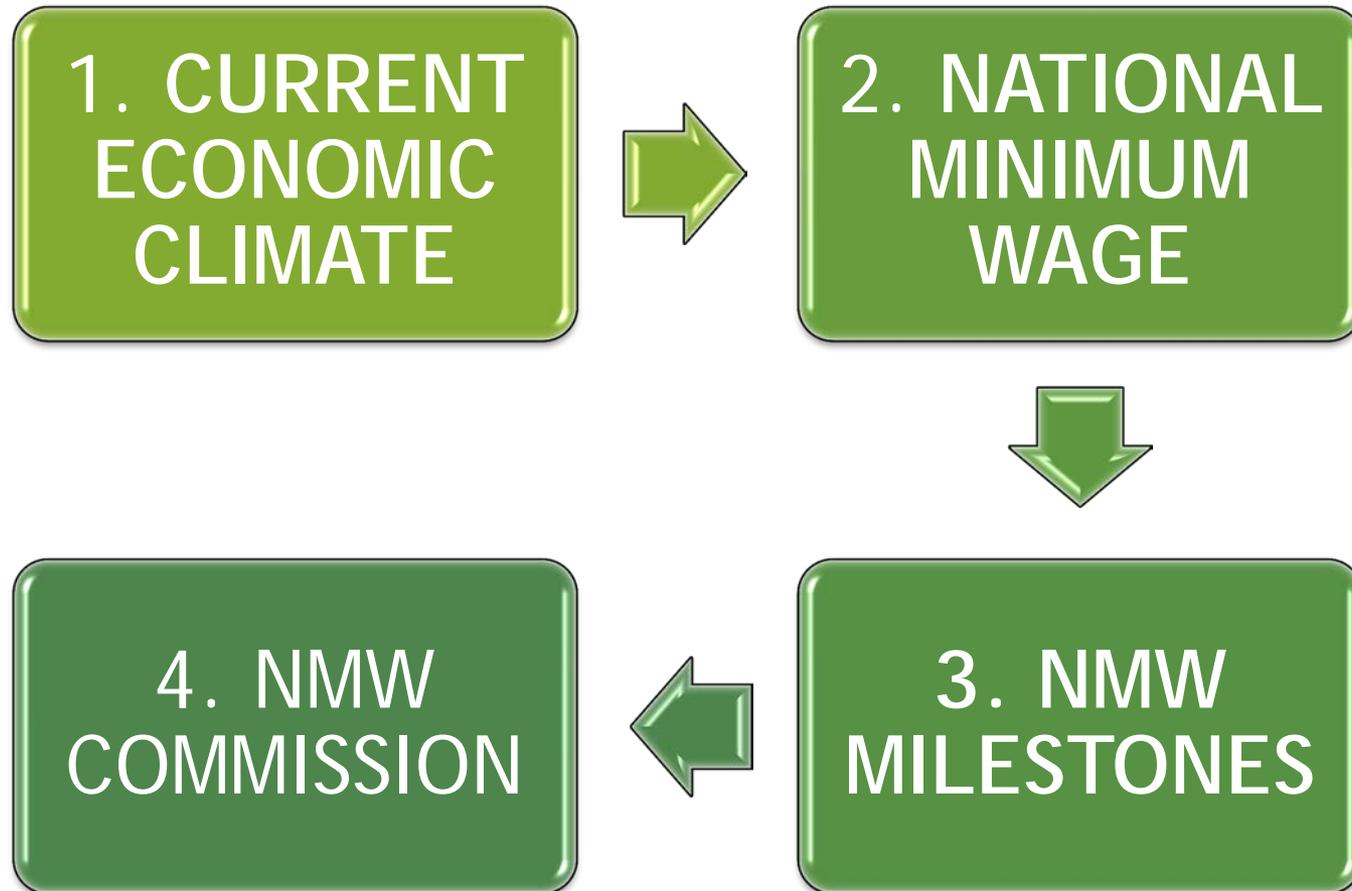
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**STATE OF READINESS: THE IMPLEMENTATION OF THE NATIONAL MINIMUM WAGE**



## ❑ Global Financial Crisis ( 2008-2014)

- ❑ Past GFC-SA's main policy intervention was introduction of a substantial infrastructure build programme.
- ❑ A key factor in 2015 was emergence of several domestic policy challenges including electricity crisis and a number of large and extended strike actions.
  
- ❑ Emergence of these challenges informed the development of the 9-Point Plan as government's response to the 2<sup>nd</sup> and 3<sup>rd</sup> round of negative effects of the GFC.
  
- ❑ Rating downgrades have had a severe impact on business and consumer confidence.

# CURRENT ECONOMIC CLIMATE (CONT...)



- ❑ Corruption and input leakages at state owned companies are pushing costs for consumers and business.
- ❑ SOC guarantees have become a key risk to government's fiscal outlook.
- ❑ SA has only just emerged from recession, the 'bounce' is particularly weak and potentially unsustainable.
- ❑ Although Agriculture's emergence from drought is welcome, severe drought conditions are still present.
- ❑ Clear policy articulation.

# CURRENT ECONOMIC CLIMATE (CONT...)

- ❑ According to Stats SA latest QLFS, the national unemployment rate decreased from 27.7% to 26.7% in Q4 of 2017
- ❑ Employment grows but too slow to meet NDP targets.
- ❑ JOBS: Current structure of the SA economy cannot create large number of jobs and at an appropriate skill levels.
- ❑ Emergence of 4<sup>th</sup> Industrial Revolution
- ❑ Growing fiscal deficit.

*(Source: DTI Presentation to the NEDLAC TIC Strategic Planning session in 2017)*

## Unpacking the South African Approach >>> NATIONAL MINIMUM WAGE (R20 per hour = R3 500 on a 40 hour week)

### Landscape and context

- ❑ There is an inextricable link between low levels of wages, high unemployment rates, the great number of people living in poverty, and the massive inequality in South Africa.
- ❑ We know that out of a population of 55,900,000 people, 29,733,210 are living below the poverty line. This means that over 51% of the people in our country live on less than R1, 036.07 per month in 2016.

# NATIONAL MINIMUM WAGE



- ❑ While there are different poverty indicators, it was found useful to look at the most severe situation which describes the absolute minimum calorie needs per person per day, what that would cost, and how many people live on less than this minimum. A minimum diet of 2,100 calories per day is estimated to cost R445.55 per person per month. And yet, over 11 million people in South Africa live below that level.
- ❑ It is important to place South Africa's employment situation within this overall poverty profile. There is consensus that the country should look urgently at ways of creating jobs that are secure, pay decent wages and are able to lift people out of poverty.

# NATIONAL MINIMUM WAGE (CONT...)

- ❑ This is particularly the case given that unemployment in South Africa is currently around 27%; if people who have given up looking for work are included, that number rises to over 36%. One of the main reasons why people are poor is that they do not have access to employment. Only 36% of the poorest households have access to employment opportunities.
- ❑ But even those people who do have jobs often earn such low wages that they are unable to help their unemployed and dependent family members

# NATIONAL MINIMUM WAGE (CONT...)

- ❑ The working poverty line has been estimated to be approximately R4,317 in 2016. Over 6.6 million people earn less than R3,500 a month. Over half of the workforce in South Africa earns below R3,700, and 4.6 million people don't even earn R2,500 per month. If you were supporting a family of five, that R2,500 would only cover your minimum food requirements.
- ❑ The data thus paints a clear picture of poverty being a combination of low wages and very high levels of unemployment; added to this are the exceptionally high levels of inequality in the country. South Africa is known as being among the top three most unequal countries in the world.

# NATIONAL MINIMUM WAGE (CONT...)

- ❑ It must be clearly stated that the people at the bottom of the wages and poverty picture are overwhelmingly women. It is women who are most vulnerable to unemployment, earn the lowest wages in the most vulnerable sectors, and who dominate the care-work and unpaid sectors.
- ❑ These realities create power imbalances in households. Because of gender discrimination in access to the labour market, households that comprise only women or are headed by women are more likely to experience poverty than households with men.

# WHY A NATIONAL MINIMUM WAGE?



- The minimum wage is seen as one of the tools to close the wage gap, including between the genders, and thereby to overcome poverty.
- The National Minimum Wage is NOT a living wage, it was never intended to be one; it is a start from which we can build.

## International experience:

- ❑ Minimum wages have been introduced in many developed and developing economies. It is important to bear in mind that by introducing a national minimum wage South Africa will be joining many other countries where such policies have been successfully introduced.
- ❑ Overall, the evidence from studies undertaken by various researchers and institutions on the impact of these policies around the world shows that introducing a national minimum wage will often have little or no negative effect on employment, and that, correctly implemented, it can have positive impacts on poverty levels.

# WHY A NATIONAL MINIMUM WAGE? (CONT...)

- ❑ If it is set too high, it can have negative employment effects. In a cruel irony, evidence internationally and in South Africa suggests that it is the most vulnerable workers who are most susceptible to possible negative consequences of a national minimum wage set at inappropriately high levels.
- ❑ It is therefore important that the implementation of a national minimum wage should be undertaken in a cautious, balanced and evidence-based manner. Looking across this vast international experience, the International Labour Organisation (ILO) has outlined four factors which will impact the efficacy of a national minimum wage:

# WHY A NATIONAL MINIMUM WAGE?



- ✓ broad legal coverage to most or all workers;
  - ✓ an adequate level that considers the needs of workers and their families, and balances these with the risk of potential employment losses and other economic trade-offs if the level is set too high;
  - ✓ measures to ensure maximum compliance;
  - ✓ a consultative process with all social partners that will strengthen legitimacy, ownership and compliance.
- The ILO strongly supports an evidence-based process to set the level that is based on sound research and credible data. This approach should be continuously used to monitor the effects and propose any changes to the level in the future.

# WHY A NATIONAL MINIMUM WAGE? (CONT...)

The minimum wage system is captured in ILO Convention 131 which encourages states to:

- ❑ Offer a broad scope of application to keep exclusions to a minimum.
- ❑ Establish a machinery to fix and adjust minimum wages from time to time.
- ❑ Involve social partners on an equal footing, as well as independent experts, in the design and operation of the system.
- ❑ Consider appropriate measures to ensure effective application of minimum wages. Given that the national minimum wage is essentially a policy to help the poor, it is generally accepted that exemptions and exclusions should be kept to an absolute minimum.



## 1. During June 2014

State of the Nation Address (SONA), President Jacob Zuma called on Nedlac Social Partners - under Deputy President Cyril Ramaphosa's leadership - to address Wage inequalities, the National Minimum Wage; and violent and protracted strikes.

## 2. Nedlac Summit convened on 05 September 2014

- ❑ Announcement that a Labour Relations Indaba will be convened on 04 November 2014 to commence the process of engagement on a National Minimum Wage.

## 3. November 2014: Labour Relations Indaba

- ❑ Gave birth to the Ekurhuleni Declaration where constituencies acknowledged challenges of unemployment, poverty and inequality facing South Africa and the economy.
- ❑ The Technical Task Team on labour relations (LRTTT) was mandated to engage on the following issues: Promoting employment, labour market stability, including the right to strike, protracted strikes; violence, collective bargaining and the role of the State; employment, vulnerability and social protection.
- ❑ Technical Task Team on Wage Inequality (WITTT) was mandated to focus on addressing wage inequality and engaging on a national minimum wage.

# NMW MILESTONES (CONT...)

## 4. April 2015 - August 2016

- ❑ Beginning of engagement on the work of the LRTTT and the WITTT reporting to the Committee of Principals (COP);
- ❑ Technical COP working group was established.

## 5. August 2016 -25 November 2016

- ❑ The DP in consultation with Nedlac social partners, appointed a Panel of Experts to assist Nedlac in setting the level of the National Minimum Wage, taking into account work done so far by Nedlac technical task-teams.
- ❑ The Advisory Panel presented its report to Nedlac EXCO.

# NMW MILESTONES (CONT....)

## 5. August 2016 -25 November 2016 cont.

- ❑ Panel of experts' work was critical in breaking the logjam around the rate, neutral voice articulating the R20 per hour rate which was the panel's only proposal and eventually accepted by all social partners.
- ❑ Second task of Panel to determine minimum hours which was initially proposed at four (4) hours by Panel. This proposal was repeated in the second research report.
- ❑ This was further referred to the NMW Commission for consideration.

## 6. December 2016- February 2017

- ❑ Intensive engagement by social partners, COP and Technical Task Teams to reach consensus.

# NMW MILESTONES (CONT....)



## 7. February 2017

- ❑ Agreement signed by social partners on the National Minimum Wage and Labour Reforms

## 8. May 2017

- ❑ Advisory Panel completes second phase of work on the Minimum Hours of Work.

## 9. May / June 2017

- ❑ Beginning of engagements on NMW Bill, BCEA Amendment Bill and LRA Amendment Bill.
- ❑ Engagement on Advisory Panel's report on Minimum Hours of Work

# NMW MILESTONES (CONT...)

## 10. November 2017-December 2017

- ❑ NEDLAC Report on the Bills ( NMW, BCEA, LRA) approved by social partners.
- ❑ Bills approved by Cabinet for publishing for public comment.

## 11. January 2018- March 2018

- ❑ NEDLAC negotiations on NMW regulations.

# NMW MILESTONES (CONT....)

## 12. 13 March 2018

- ❑ Negotiations finalised on NMW Regulations, which flesh out the operationalisation of the NMW Act. This includes how exemptions are conducted and thresholds below which exemptions cannot be granted.
- ❑ Regulations ready for publishing for public comment.

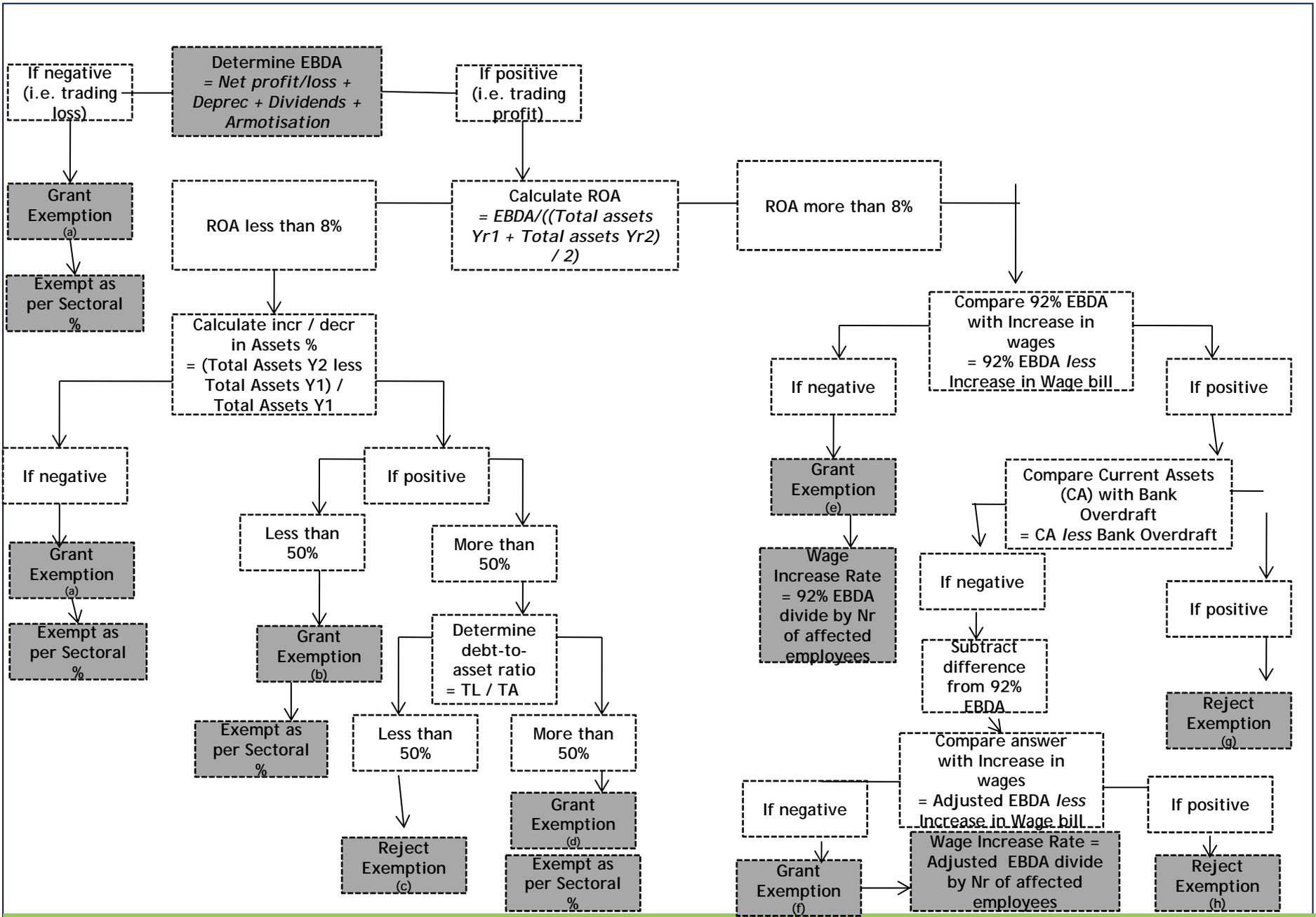
## 13. April 2018

- ❑ NMW Bill to be enacted in time for implementation of the R20.00 per hour rate as the national minimum wage from 01 May 2018.

## 14. 01 May 2018

- ❑ Appointment of the 13 members of the National Minimum Wage Commission.
- ❑ Implementation of the National Minimum Wage across the Republic.





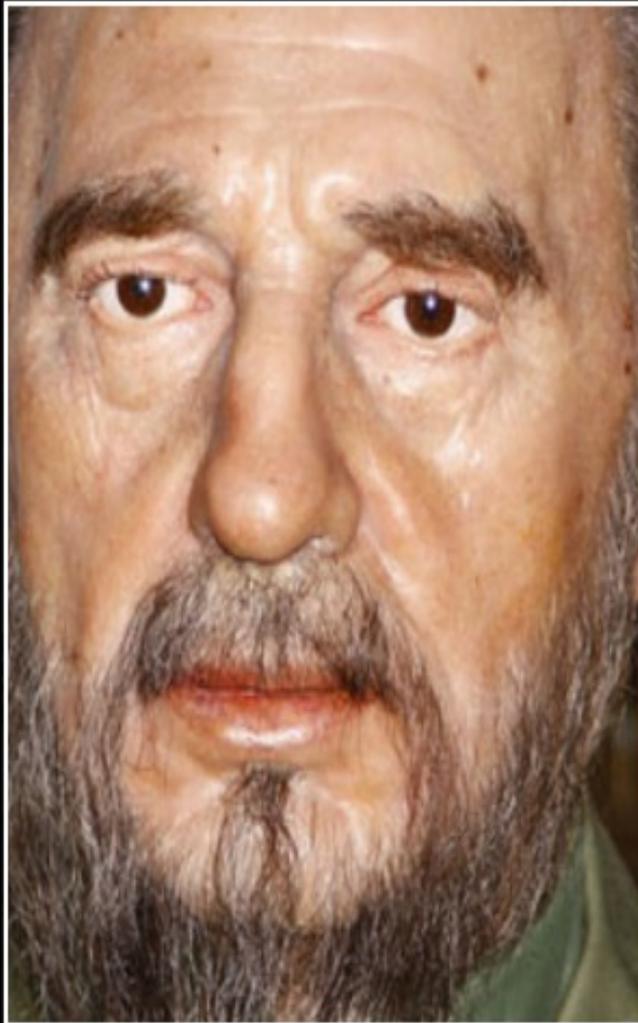
- ❑ All Sectoral Determinations, Bargaining Council agreements, collective agreements and individual contracts of employment must comply with NMW Act.
- ❑ No unilateral decrease of wages or conditions of workers prescribed by SDs, BCs or private contracts favourable than the NMW.
- ❑ Government to continue meeting with BCs to popularise, align with and give effect to the NMW.
- ❑ No new SDs will be promulgated after the introduction of the NMW.
- ❑ The NMW reinforces collective bargaining.

- ❑ The Commission is composed of 13 members; one being an independent chairperson.
- ❑ The Commission will review the NMW on an annual basis.
- ❑ The Commission to regularly investigate impact of the NMW on the economy.
- ❑ Minister of Labour to provide the Commission with Secretariat to administer and procure research for the commission.



- ❑ Agricultural workers will be paid at 90% of the NMW, i.e. R18.00 p/h
- ❑ Domestic workers will be paid at 75% of the NMW, i.e. R 15.00 p/h
- ❑ EPWP workers will be tiered at 55% of the NMW, i.e. R 11.00 p/h
- ❑ Employers may apply for an exemption in the prescribed form and manner from paying the NMW.
- ❑ Learnership determination will remain in existence; the Commission to review learner allowances annually.

- ❑ The inspectorate for NMW will remain with the Department of Labour.
- ❑ CCMA will be empowered to ensure enforcement through conciliation and arbitration.
- ❑ CCMA to be empowered to schedule a process of con-arb with the right to appeal the final award.
- ❑ Department of Labour to intensify education of inspectorate regarding NMW, NMW Commission and its functions.



Why do some people have to go barefoot so that others can drive luxury cars? Why are some people able to live only 35 years in order that others can live 70 years? Why do some people have to be miserably poor in order that others can be extravagantly rich? I speak for all the children in the world who don't even have a piece of bread.

— Fidel Castro —

AZ QUOTES



**NGiyathokoza!**      ro livhuwa!  
dankie!      ke a leboga!      **ENKOSI!**  
   thank you!      **Udo livhuwa!**  
**inkomu!**  
   ke a leboha!      **ngiyabonga!**  
**siyabonqa!**