

# National Minimum Wage

**Portfolio Committee On Labour  
Parliament**

**Sept. 03, 2014**

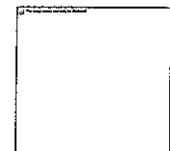
**Time: 9:00**

**Dumisani Mpafa, Tasneem Fredericks and Mbhazima Makhubele**

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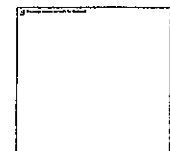
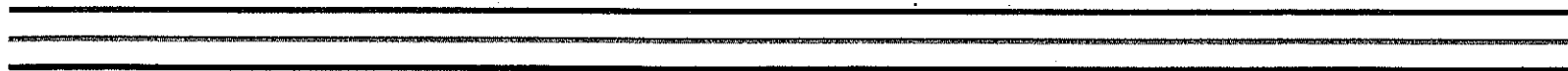
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# About BMF

- The Black Management Forum was formed in 1976 as a response to continuing discrimination of black managers in the workplace. This was of course part and parcel of systematic discrimination that was brought to bear on the majority of South Africans, blacks.
- The BMF will be 40 years in 2016. Amongst some of the major accomplishments of the BMF are the leadership roles that the BMF took in the conception of both Employment Equity and Black Economic Empowerment acts. We pushed for these policy and legislative instruments for a number of reasons. First, we recognized and acknowledged that political freedom and the right to vote on their own do not account for much if they are not accompanied by tangible socio-economic benefits.



# Introduction

- The twenty year review states that: *“South Africa remains one of the most inequitable countries in the world. When using the gini coefficient measurement, inequality increased from 0.64 in 1995 to 0.69 in 2005, but improved to 0.65 in 2010/11. The share of wages in national income has been decreasing from just below 55% in 1994 to a low of 49% in 2008. It then increased to 51% in 2012.”* The twenty year review further states that the average income for females remains less than their male counterparts. The review report further states that in 2012, the median income for an African household was under R3000. For coloureds and Indians over R7000, while for whites it was around R20 000
- In South Africa, inequality does not only have a racial dimension, though this is still significant. Inequality is growing within the black community. If left unattended, inequality has potential to reverse the gains that have been made in the last twenty years. Inequality is inherently an antithesis to democracy, social justice and inequality.
- Our point of departure is that whilst the BMF has successfully lobbied for the institutionalization of employment equity and black economic empowerment, it is possible for the country to seriously address inequality through coming up with targets that the country can use to evaluate if it is making progress or not on this pressing social challenge.
- Inequality is complex and has so many dimensions, but it can be broken down and a comprehensive approach can be arrived at. The national minimum wage is undoubtedly one of the most effective mechanism through which inequality could be addressed.



# The Introduction of Minimum Wage

- The minimum wage is not new to our industrial relations system. According to Ben Stanwix: 2013, since 1999 detailed minimum wages schedules have been developed covering eleven sectors of the economy. They include agriculture, domestic, clothing and textiles etc.
- Research indicates that there is no single minimum wage even within a particular sector, the mandated wage can vary by occupation type, number of hours worked and geographic location etc.
- What we are talking about here today takes the discourse of minimum wage to a different level i.e. at a national level.
- The BMF is encouraged because when the President talked about this, he said the government will “investigate”- this is very important. Our view is that this investigation should take into account a number of issues namely:
  - Rationale behind the minimum wage, harmonisation of national minimum wage with sectoral minimum wages, the impact of the national minimum wage on poverty alleviation and reduction of inequality. The impact of national minimum wage on our industrial relations systems, trade-offs that often have to be taken between employment levels and minimum wages. In any policy choices, there are costs and benefits, advantages and disadvantages, winners and losers etc. All these need to be factored in the final research that will form basis for the decision on minimum wages.



# FACTS ON SECTORAL MINIMUM WAGES

F1

Minimum wages lift the working poor from extreme poverty.

F2

When minimum wages were introduced in agricultural sector, aggregate employment on farms fell by 13% in the four years after 2003 [Ben Stanwix: 2013]

F3

In the clothing & textile industry, according to Nicoli Natrass: 2014, rapidly rising minimum wages in the non-metro areas have driven many low-wage; more labour intensive producers out of business whilst subsidies from DTI has helped higher end fashion producers

F4

Further, the clothing and the textiles factories that survived between 1995 and 2014 did so because they were non compliant with the minimum wages extended by the Minister of Labour.

# CASE STUDIES

## Indonesia

- In Indonesia, minimum wage hike had a modest impact on the conditions of the Indonesian labour market. Average wages increased by 5-15% and urban wage employment decreased by 0-5%. The impact of minimum wage hike varied according to the size of the enterprise employment in small enterprises decreases substantially, whilst in large firm, employment increased [Matjeke:2011].

# CASE STUDIES cont...

## Brazil

- In J. Berg: 2014, states that in Brazil, an increase of minimum wage implies a rise in income, not only for wage earners but also for pensioners and the unemployed, whose benefits are linked to the minimum wage. The minimum wage has contributed to reducing income inequality between men and women and between white and black workers.
- Brazil succeeded in lowering poverty and inequality levels. The gini index dropped from 0.56 in 2000 to 0.53 in 2007. The number of workers whose income were below the poverty line fell from 23% in 1999 to 14% in 2006. The minimum wage also serves as a benchmark for social security benefits.



# CASE STUDIES cont...

## Brazil

- One of the main factors contributing to economic growth in Brazil in the period of 2005- 2008 was the growing domestic market. The minimum wage valuation process played a key role
- Evidence that the minimum wage somewhat important on informal worker earnings, employees and employers often negotiate wages using minimum wage as a benchmark.
- Income distribution among workers with an income.
- Minimum wages contributed to the reduction of the gini by 44% compared to pensions which was 21%.





# Recommendations

- It is important that the private sector is brought on board. This initiative is still born without business support.
- The summit that Deputy President should convene with social partners should be preceded by the research/investigation. This should be an open process with debates / green and white papers.
- The social partners should negotiate principles and applications emanating from the research.
- Our high unemployment rate is a contributor to inequality. BRICS unemployment: Brazil 4.3%, Russia 4.9%, China 4.05%, India 3.8% South Africa 25%. These statistics show a massive unemployment crisis.
- Whilst we fully support the introduction of the national minimum wage, we are worried that that without private sector support and buy in, it will not achieve much.
- Infact, as we have seen with the mining industry when workers legitimately demanded what is due to them, threats of job cuts and mechanization are raised.
- We are however confident that South Africans can deal with this, as long as we understand that democracy, injustice, exploitation and stability cannot co-exist.

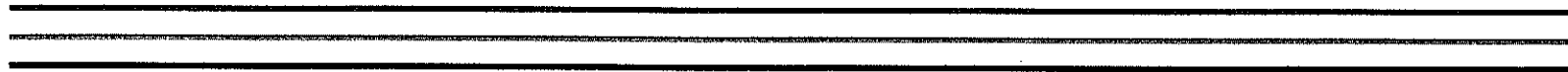
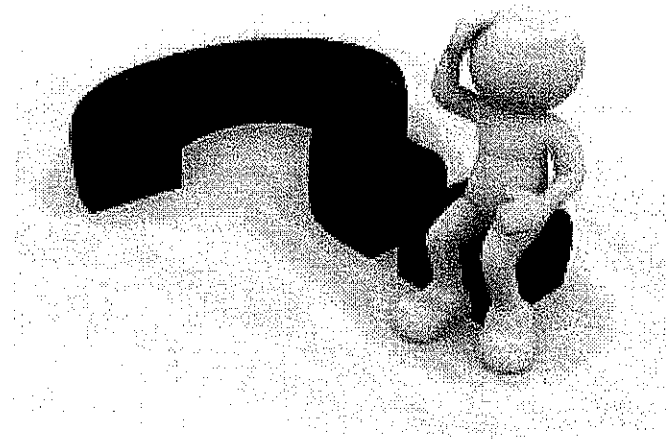


# Conclusion

- As the BMF, we are convinced that the (current) status quo is not sustainable. It is inimical to the ideals of justice and equality. It is dangerous in the long run, it has a potential to undo any major and minor accomplishments that we are making.
- As the BMF, we stand for a fair and just society. That is what we have fought for and will continue to do. In principle, we are therefore in full support of the introduction of the national minimum wage.
- However, it needs to be based on sound research and information. We should all understand the complexity of this task, and not attempt short cuts. We appeal to you to weigh all the evidence and decide accordingly.
- The introduction of national minimum wage should not be seen as a panacea. This economy is constrained by a myriad of challenges, i.e low growth rates, underinvestment by the private sector, structural unemployment, an increasingly volatile industrial relations environment etc. Further, the introduction of national minimum wage will not achieve much if it is not accompanied by serious rethink on executive pay. This is an opportune time to seriously think and reflect about a ceiling/ lid on executive pay. If we cannot do this, equality will remain an illusion and a moving target. The earnings differentials between executives and workers in this country are obscene



# QUESTIONS?



***Dankie***

***Re a leboha***

***Re a leboga***

***Siyabonga Inkomu***

***Ro livhuwa***

***Enkosi***

***Thank you***

