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GOVERNMENT NOTICES • GOEWERMENTSKENNISGEWINGS

DEPARTMENT OF EMPLOYMENT AND LABOUR

NO. R. 5715 **18 December 2024**

NATIONAL MINIMUM WAGE ACT NO. 9 OF 2018

INVESTIGATION INTO THE NATIONAL MINIMUM WAGE

INVITATION FOR WRITTEN REPRESENTATIONS

I, Imraan Valodia, Chairperson of the National Minimum Wage Commission, hereby present the Commission's report and recommendations on the annual review of the national minimum wage and hereby invite written representations in respect of the recommendations in accordance with section 6(2) of the National Minimum Wage Act, No. 9 of 2018.

Such representations should reach the directorate: Employment Standards, Department of Employment and Labour, Private Bag X117, Pretoria, 0001 or be sent to nmwreview@labour.gov.za by 14 January 2025.

Imraan Valodia

.....

Professor Imraan Valodia

CHAIRPERSON: NATIONAL MINIMUM WAGE COMMISSION

DATE: 17 December 2024

National Minimum Wage Commission proposal for 2025 adjustment

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List of acronyms

CPI	Consumer Price Index
DPRU	Development Policy Research Unit
GDP	Gross Domestic Product
ILO	International Labour Organisation
NMW	National Minimum Wage
NMWC	National Minimum Wage Commission
QLFS	Quarterly Labour Force Survey
SEDA	Small Enterprise Development Agency
SME	Small and Medium enterprises
SMME	Small, Medium and Micro-Sized Enterprises
Stats SA	Statistics South Africa
UCT	University of Cape Town

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National Minimum Wage Commission proposal for 2024 adjustment

1. THE NATIONAL MINIMUM WAGE COMMISSION RECOMMENDATION FOR ANNUAL ADJUSTMENT OF MINIMUM WAGE

The National Minimum Wage Commission (NMWC) is established in terms of Section 8 of the National Minimum Wage Act, No. 9 of 2018. The Commission comprises of representatives from organised labour, business, community and experts in the field of labour market and conditions of employment.

In terms of the Act, the Commission is tasked to review the national minimum wage annually and recommend adjustments; investigate and report annually to the Minister on the impact of the national minimum wage on the economy, collective bargaining and the reduction in income differentials and make such information available to the public. The primary function of the Commission is to review the national minimum wage and to make recommendations annually for its adjustment. It is with this in mind that the Commission embarked on a task to deliberate on the proposed annual adjustments of the national minimum wage.

The deliberations considered all publicly available data on key indicators of the economy, supplementary research, public input, as well as the Commission's mandate in terms of the National Minimum Wage Act.

The National Minimum Wage Commission recommends that the minimum wage for 2025 be adjusted by the rate of consumer price index, plus 1,5%.

It is important to take note that the rate of inflation that will be implemented will be the inflation rate six weeks prior to the 1st of March (i.e. December CPI published in January) which is the date that the new minimum wage comes into effect.

The Commission notes the high non-compliance rates and encourages employers to comply with the Act. In the case of unaffordability, the Act makes provision for an employer or employer organisation to apply for an exemption from paying the national minimum wage. Employers are encouraged to make use of the exemption system if they cannot afford to pay the national minimum wage.

The National Minimum Wage Commission would like to express its sincere appreciation to employers, employees, community stakeholders and advocacy groups for their valuable contributions to the minimum wage review process.

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2. MANDATE

The annual review of the national minimum wage is conducted in accordance with Section 6 of the National Minimum Wage Act of 2018[1] which requires that the National Minimum Wage Commission (NMWC) "review the national minimum wage annually and make recommendations to the Minister on any adjustment of the national minimum wage." The Act mandates that the Commission's review report to the Minister to reflect alternative views, including those of the public. The Commission, therefore, invited written representations in accordance with section 6(2) of the Act and received varied comments from trade unions, interested parties, employees' representatives, and employers' representatives.

The National Minimum Wage Act also mandates the NMWC to carefully consider the country's prevailing state of economic affairs. This approach allows the Commission the flexibility to accommodate all manner of changes in the economy and the labour market. These changes include, among others, relative living standards, the needs of the low paid, employment, and the performance and competitiveness of the national economy.

Specific considerations are given to:

- Inflation, the cost of living and the need to retain the value of the national minimum wage;
- Wage levels and collective bargaining outcomes;
- Gross Domestic Product (GDP);
- Productivity;
- The ability of employers to carry on their businesses successfully;
- The operation of small, medium and micro-enterprises (SMME) and new enterprises; and

[1] The National Minimum Wage No 9 of 2018. Hereinafter referred to as the Act or the National Minimum Wage Act.

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- The likely impact on employment or employment creation.

This annual review of minimum wages offers the Commission an opportunity to assess available evidence related to the above indicators, as well as written proposals advanced by a number of parties.

The rest of report is structured as follows:

- Outlines the evidence, as required in the Act;
- Annexure A presents a summary of public inputs for the adjustment of the minimum wage.
- Annexure B summarises short-term labour market effects of South Africa's recent national minimum wage.
- Annexure C presents the labour market effects of South Africa's National Minimum Wage five-year review.

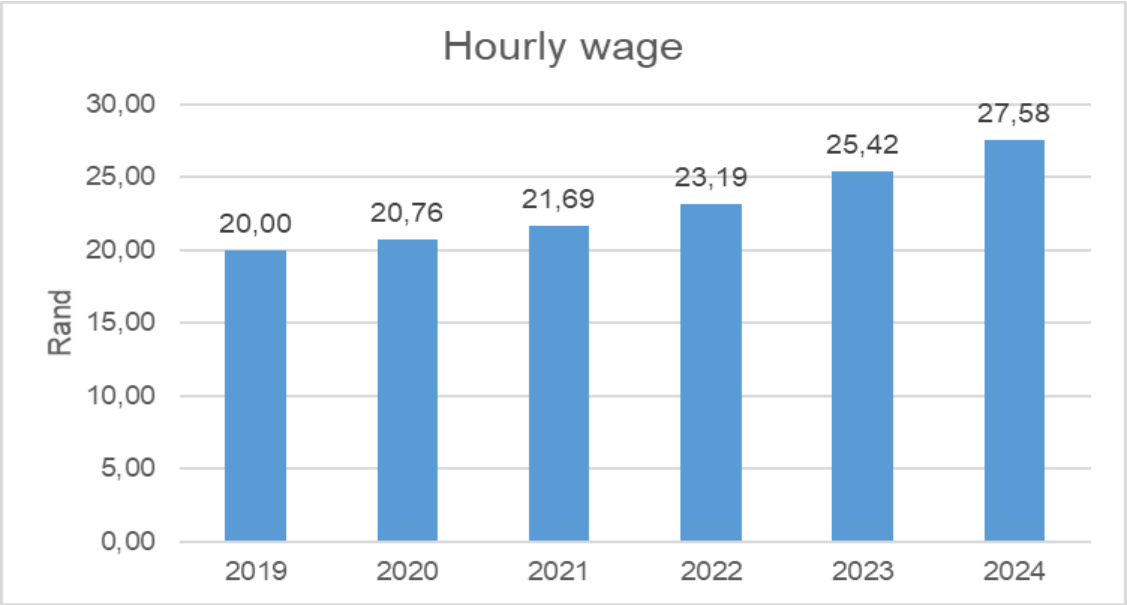
3. MINIMUM WAGES AND THE MINIMUM WAGE EARNER PROFILE

The South African minimum wage has seen incremental increases since its inception in 2019. Figure 1 depicts an overview of the hourly minimum wage rate adjustments since 2019 to 2024. These adjustments reflect the National Minimum Wage Commission's ongoing efforts to address living costs and ensure fair compensation for workers, while also considering the economic context in which these increases occur.

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National Minimum Wage Commission proposal for 2024 adjustment

Figure 1:Hourly minimum wages, 2019-2024.



A minimum wage earner profile can include a variety of characteristics, reflecting the diverse nature of the workforce. With the national minimum wage is currently at R27.58 for an ordinary hour of work, approximately 5,4 million workers are covered by the minimum wage.

Using the second quarter of the Quarterly Labour Force Survey (QLFS) data, Development Policy Research Unit (2024) estimates that workers covered by the national minimum wage have the following employment characteristics:

- 20% work in the trade industry, 19% in CSP services, 15% in finance, 13% in private households and 11% in agriculture
- 88% are non-union members, and 18% are member of a workers' union
- 82% work in the formal sector, 18% work in the informal sector
- 41% work in enterprises with 0 to 9 workers, 32% 10 to 49 workers, 27% 50 or more workers

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4. AIMS OF THE ACT AND FACTORS TO CONSIDER IN THE ANNUAL ADJUSTMENT

a. Promoting aims of the Act

i. Medium-term targets

The National Minimum Wage Act requires the Commission to "set medium term targets for the national minimum wage within three years of the commencement of this Act" (11(d)). It requires the Commission to "promote" these targets in the context of alleviating poverty and reducing wage differentials while considering a number of other factors (7(a) and (b)), amongst others, the implications for economic growth, employment, collective bargaining, small business, and inequality. In effect, the medium-term target for the national minimum wage should help evaluate progress toward achieving the main aims of the Act over time, but does not in itself determine the annual increase.

After deliberations and consultations, the Commission concluded in their Medium-Term Targets report that, *"All wage-earning employees earn enough to maintain a decent standard of living, defined as sufficient to support themselves and their families at a level that is both socially acceptable and economically viable. The target should ensure that the value of the national minimum wage does not decline relative to the median wage."*

In practice, to achieve this target requires that the Commission increase the value of the minimum wage gradually over time in real terms (that is relative to CPI).

ii. The alleviation of poverty

In accordance with the National Minimum Wage Act (section 7(a)), the Commission considers poverty alleviation in their annual review of the national minimum wage and also when making recommendations for adjustments.

Government uses official statistics from Statistics South Africa to determine the county's official poverty line. Statistics South Africa's National Poverty Lines developed three poverty lines to measure different degrees of poverty, namely the

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food poverty line, the lower bound poverty line and the upper bound poverty line (Table 1).

Table 1: National poverty lines for 2024

Poverty line	2024-line value
Food poverty line	R796
Lower-bound poverty line	R1 109
Upper-bound poverty line	R1 634

Source: Statistics South Africa. National Poverty Lines P0310.1 2024

Food poverty line – **R796** per person per month. This refers to the amount of money that an individual will need, to afford the minimum required daily energy intake.

Lower-bound poverty line – **R1 109** per person per month. This refers to the food poverty line plus the average amount derived from non-food items of households whose total expenditure is equal to the food poverty line or an average-size household,

Upper-bound poverty line – **R1 634** per person per month. This refers to the food poverty line plus the average amount derived from non-food items of households whose food expenditure is equal to the food poverty line.

iii. The reduction of wage differentials and income inequality

Considerable wage differentials persist in the South African labour market. Setting of medium wage targets to a particular percentage of the median (the so-called Kaitz ratio) would ensure that the gap between the set minimum wage and the median wage reduces, therefore ensuring that the desired level of the minimum wage is gradually reached and also help in the reduction of inequality and poverty.

"Over the five-year period from the beginning of 2019 to the second quarter of 2024, the NMW increased by a cumulative 38% while the median hourly wage increased by a cumulative 25%, both in nominal terms. Second, and as a consequence of the former exceeding the latter, the Kaitz ratio has increased by 10% from 0.72 in the first quarter of 2019 to 0.79 in the second quarter of 2024. In other words, while the NMW was equivalent to 72% of the median hourly wage when it was introduced, in the most recent period it has grown to nearly 80%. Notably, this represents the highest Kaitz ratio since the NMW's introduction" (DPRU:2024).

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b. Factors to consider in the annual adjustment

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

Inflation has a direct impact on the purchasing power of consumers as it reduces the real value of income, leading to a decrease in their ability to buy goods and services.

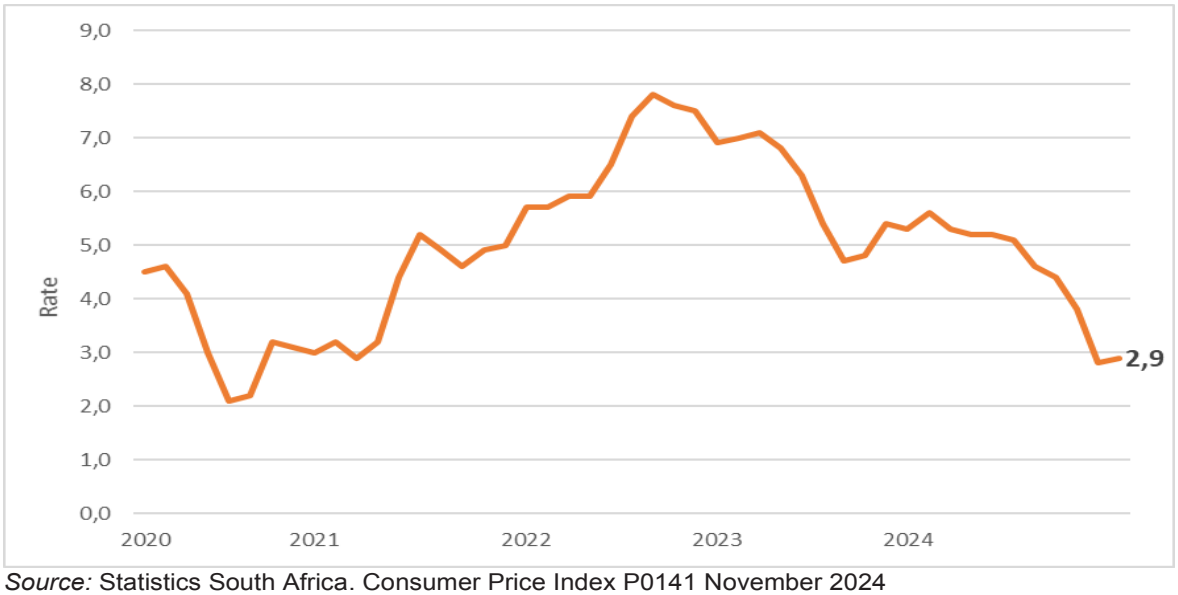
Increasing costs essentially reduce the quantity of goods or services that may be purchased with a given amount of money.

A decline in purchasing power can have wide-ranging consequences, impacting not only individuals but also the overall economy. It is for this reason that the National Minimum Wage Act (section 2(c)) aims to preserve the value of the national minimum wage.

Figure 3 shows South Africa's headline consumer price index (CPI) for January-November, from 2020 to 2024. Data shows some easing in headline inflation since the second quarter of 2023. Headline inflation returned to the 3-6% target band in June 2023. The highest recorded headline inflation for 2024 was in February (5,6%).

More recently, the annual consumer price inflation was 2,9% in November, slightly up from 2,8% in October; a second consecutive month of inflation below the lower limit of the inflation target.

Figure 2: CPI headline inflation year-on-year rate, 2020-2024



Source: Statistics South Africa. Consumer Price Index P0141 November 2024

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Households may differ considerably in terms of expenditure patterns and the prices that households face are critical in determining households' welfare. Table 2 contrasts the varying rates of inflation experienced in the different expenditure deciles for November 2024.

Data shows that households in the lower expenditure deciles are disproportionately affected by inflationary pressures. While expenditure decile 1 (3.8%), decile 2 (3.5%) and decile 3 (3.2%) experienced the highest inflation, the lowest inflation was experienced at expenditure decile 8 (2.6%). Expenditure decile 5 experienced inflation at the level of headline inflation of 2.9%.

Table 2: CPI per expenditure decile

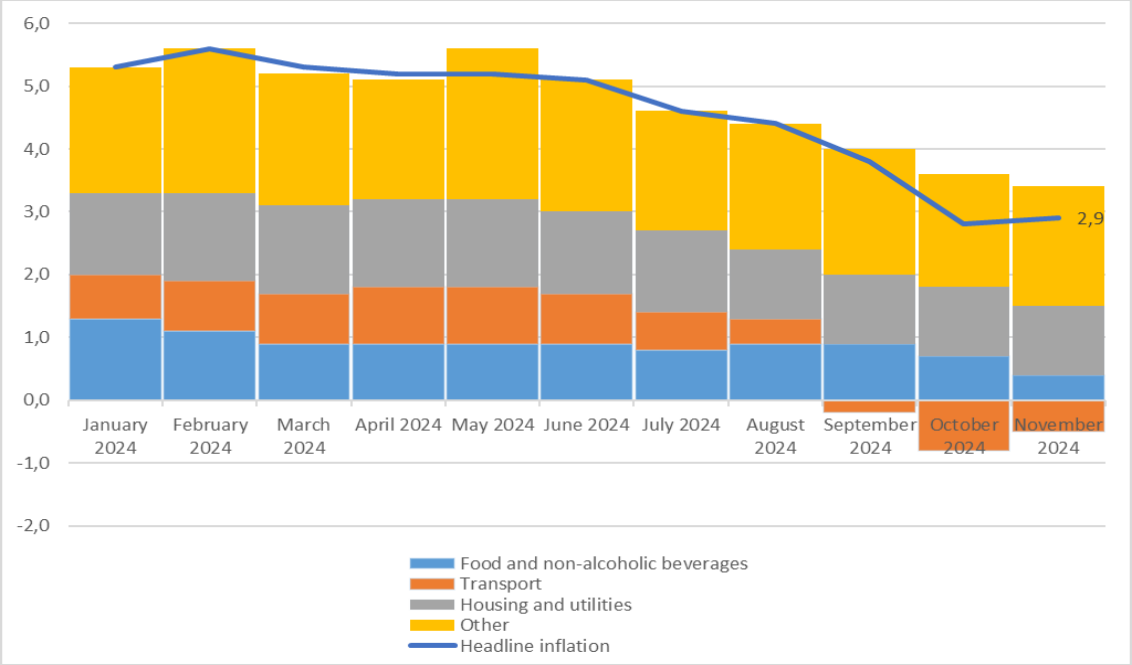
Decile	Expenditure	November 2024 inflation rate
Decile 1	up to R 20 140	3.8
Decile 2	R 20 141 up to R 33 619	3.5
Decile 3	R 33 620 up to R 48 673	3.2
Decile 4	R 48 674 up to R 65 213	3.0
Decile 5	R 65 214 up to R 84 698	2.9
Decile 6	R 84 699 up to R 109 163	2.7
Decile 7	R 109 164 up to R 143 174	2.7
Decile 8	R 143 175 up to R 199 920	2.6
Decile 9	R 199 921 up to R 312 246	2.8
Decile 10	R 312 247 and more	3.0

Source: Statistics South Africa. Consumer Price Index P0141 November 2024

Figure 3 shows different contributors to the annual percentage change in inflation for the year 2024. Housing and utilities were major contributors to headline inflation across the months, while the contribution of food to inflation tended to ease from October.

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Figure 3: Contributions of the different groups to the annual percentage change in the CPI headline January 2024 - November 2024



Source: Statistics South Africa. Consumer Price Index P0141 November 2024.

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Transport contribution to inflation decreased -0,8% in October to -0,5% in November 2024, whereas food and non-alcoholic beverages' contribution was 0,7% and 0,4%, respectively (Table 3).

Table 3: Contributions of the different groups to the annual percentage change in the CPI headline

Group	October 2024	November 2024
Food and non-alcoholic beverages	0.7	0.4
Alcoholic beverages and tobacco	0.3	0.3
Clothing and footwear	0.1	0.1
Housing and utilities	1.1	1.1
Household contents and services	0.1	0.1
Health	0.1	0.1
Transport	-0.8	-0.5
Recreation and culture	0.1	0.1
Education	0.2	0.2
Restaurants and hotels	0.2	0.2
Miscellaneous goods and services	1.0	1.0
Residual	-0.3	-0.2
All Items	2.8	2.9

Source: Statistics South Africa. Consumer Price Index P0141 November 2024

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ii. Wage levels and collective bargaining outcomes

Wage levels

The national minimum wage of R25,42 per hour increased to R27,58 per hour from 1 March 2024. The national minimum wage sets a new wage floor below which no workers must be paid. The new floor should ideally raise the wages of those previously earning below the set level. Development Policy Research Unit (2024) estimated the effect of the change in the national minimum wage on hourly wages and found that a standard worker earning below the minimum wage had their hourly wages increase in response to the change in the national minimum wage. Wages for the covered workers grew approximately 19% in the second quarter of 2024; a period after the introduction of the new minimum wage.

Collective bargaining outcomes

Table 4 shows some of wage agreements concluded within some of the major bargaining councils. While some agreements ranged from increments 6.0% to 7.0%, other bargaining councils used the national minimum wage as the benchmark that a lowest paid employee would earn.

Table 4: Bargaining council wage increases

Bargaining council	Agreement period	Increment
National Bargaining Council for The Private Security Sector	Negotiated until 28 February 2027. From 01 March 2024 to 28 February 2025 (Year 2)	R29.31 per hour for lowest grades, and R34.98 for the highest grade
Furniture Bargaining Council	Until 30 April 2028	Lowest paid: as per National Minimum Wage. Highest paid: R31.38 per hour

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Bargaining council	Agreement period	Increment
South African Road Passenger Bargaining Council (SARPBAC)	1 April 2024 to 31 March 2026	R48.15 per hour from 1 April 2024 R51.28 per hour from 1 April 2025 to 31 March 2026
National Bargaining Council for The Road Freight and Logistics Industry	1 March 2025 to 28 February 2027	6% to 7%

Source: Department of Employment and Labour. Collective Bargaining 2024

Median settlement levels in collective bargaining are presented in Table 5 below. The median value is the middle value in a set of values arranged in order of size. The data suggest that the median settlements for a majority of industries was about 7%. *Community, Social & Personal Services* and *Transport, Storage & Communication* industries had median wage agreements that were relatively lower 6%.

Table 5:Median wage settlement levels in collective bargaining in South Africa (%), Jan –Sept 2024

Industry	Median Wage Increase (%)
Agriculture, Hunting, Forestry & Fishing	7
Community, Social & Personal Services	6
Construction	6.5
Electricity, Gas & Water	7
Financing, Insurance, Real Estate & Business Services	7
Manufacturing	7
Mining & Quarrying	7
Transport, Storage & Communication	6
Wholesale & Retail Trade, Catering & Accommodation	7
Award Benchmark	**7**

Source: Labour Research Service (Actual Wage Rates Database: 2024)

iii.Gross Domestic Product

Figure 4 shows growth in real gross domestic product (GDP) has remained fairly low since 2023, fluctuating below the 1% mark. More recently, in the third quarter of 2024, GDP decreased by 0.3%, after measuring a 0.3% growth in second quarter of the

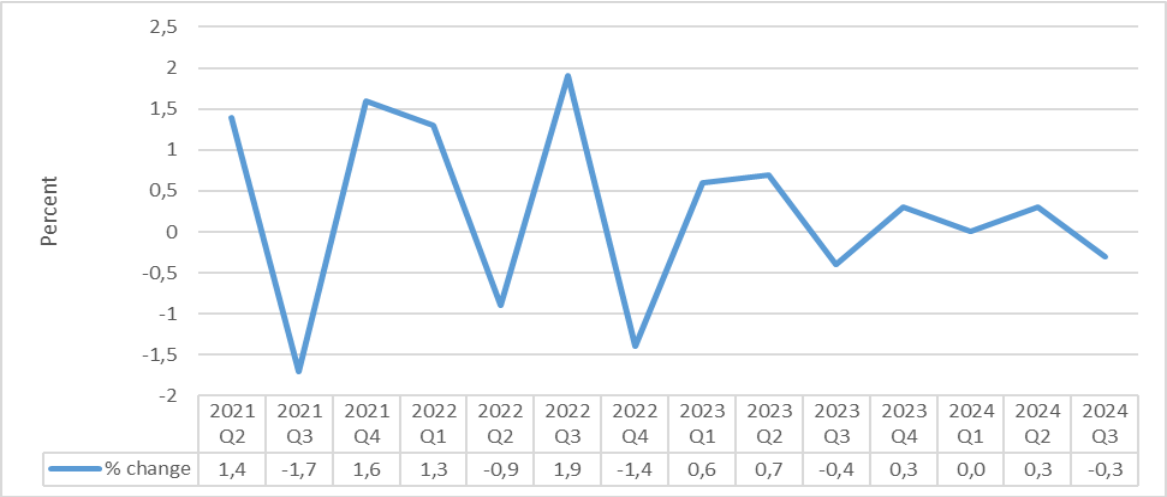
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same year. The largest negative contributor to economic activity was agriculture, forestry and fishing industry, which decreased by 28,8%, contributing -0,7 of a percentage point to the negative GDP growth. In the midst of drought and unfavourable weather, this was the industry's second consecutive decline.

Electricity, gas & water supply industry increased by 1,6% the third quarter of 2024; a period during which electricity generation was consistent and water distribution increased. The finance, real estate and business services industry increased by 1,3%, contributing 0,3 of a percentage point to growth.

While six out of ten industries contributed positively to growth in the third quarter, agriculture (-28,8%), transport (-1,6%), trade, catering & accommodation (-0,4%) and general government services (-0,1) saw negative growth.

Figure 4: Gross domestic product at market prices (% change)



	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3
% change	1,4	-1,7	1,6	1,3	-0,9	1,9	-1,4	0,6	0,7	-0,4	0,3	0,0	0,3	-0,3

Source: Statistics South Africa. Gross Domestic Product P0441 Quarter 3 2024

iv.Productivty

Labour productivity is an economic indicator used to assess the efficiency and performance of a workforce. It refers to the amount of output of goods and services produced per unit of labour input in a given time. Increased productivity can lead to economic growth and, ultimately, a greater standard of living.

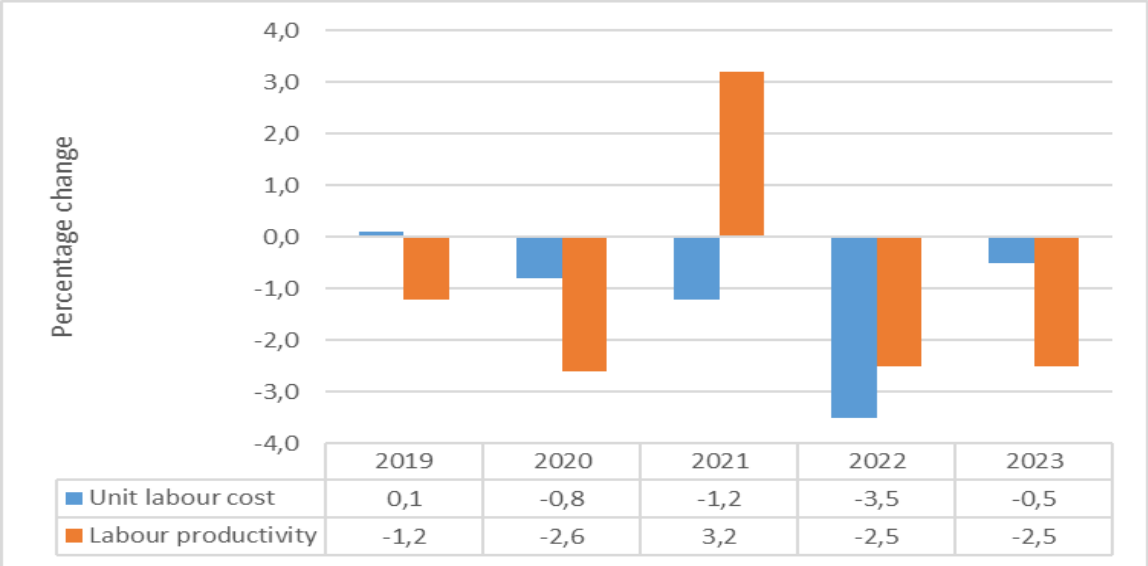
Labour productivity increases may offset the effect of wage increases on unit labour costs. Unit labour cost measures the average cost of labour per unit of output produced.

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Unfortunately, productivity data in South Africa is generally considered not to be comprehensive. The data that does exist shows that there was negative labour productivity growth in 2019(-1,2%) and 2020(-2,6%), whereas 2021 saw a 3,2% growth. Labour productivity decelerated for two consecutive years, at -2,5% each year. Unit labour cost declined to -0.5% in 2023 from -3.5% in 2022.

Figure 5:Annual percentage change of productivity indicators



	2019	2020	2021	2022	2023
Unit labour cost	0,1	-0,8	-1,2	-3,5	-0,5
Labour productivity	-1,2	-2,6	3,2	-2,5	-2,5

Source: Productivity SA. Productivity Statistics

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

It is crucial for businesses in South Africa to keep operating successfully, as business acts as a catalyst for economic growth.

While the National Minimum Wage Act (section 2) aims to advance economic development and social justice through the application of the national minimum wage, the Act considers the effect that annual minimum wage adjustments may have on employers' ability to carry on their businesses successfully. Because of this consideration, the Act makes provision for a process that exempts deserving employers from paying the national minimum wage where successful applications are made.

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

Small and medium and micro enterprises (SMMEs) play a critical role in South Africa's economy, contributing to job creation, innovation, and economic growth. Small Enterprise Development Agency (SEDA) SMME Quarterly, reports an estimated 2,67 million SMMEs operating by the first quarter of 2024 (Table 6). In comparison to the first quarter of 2023, the number of SMMEs decreased by 1.3%, or slightly over 36,000 in the first quarter of 2024.

The number of SMME's in the formal sector saw a noticeable year-on-year decline (-3,2%), while SMME's in the informal sector increased (0,2%) marginally. The formal sector SMME's account for about 30% of all SMME's, whereas the majority are concentrated in the informal sector.

Small and medium and micro enterprises employed an estimated 11,35 million individuals in the first quarter of 2024; down from1,80 million in the first quarter of 2023.

Table 6: SMME key indicators

Indicator	2023Q1	2023Q4	2024Q1	Quarter-on-quarter % change	Year-on-year % change
Number of SMMEs	2 706 617	2 663 839	2 670 569	0,3	-1,3
Number of formal SMMEs	815 934	783 347	789 833	0,8	-3,2
Number of informal SMMEs	1 800 729	1 815 810	1 804 434	-0,6	0,2
Number of jobs provided	11 822 568	10 558 686	11 352 824	7,5	-4,0
% operating in trade and accommodation	36.0%	39.8%	37.2%	-2,6% pts	1,2% pts
% operating in community services	15.7%	16.1%	15.7%	-0,5% pts	0,0% pts
% operating in construction	13.8%	12.8%	12.5%	-0,3% pts	-1,3% pts
% operating in finance and business services	14.7%	14.3%	15.3%	1,0% pts	0,6% pts
% black-owned formal SMMEs	74.6%	75.7%	74.6%	-1,1% pts	0,0% pts

Source: Small Enterprise Development Agency. SMME Quarterly Update 1st Quarter of 2024

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vii. Impact on employment or the creation of employment.

Development Policy Research Unit (2024) conducted a quantitative study on behalf of the Department of Employment and Labour to assess the effect of the 2024 national minimum wage increases. The findings detail the following:

Employment

- Only one of the two empirical specifications yield a statistically significant effect, although both consistently yield small, negative estimates. This suggests that a reduction at the extensive margin may have been used by some employers as a response to the higher NMW level.
- The magnitude of this adjustment (3.4%) is considerably smaller than the real hourly wage adjustment.

Hours of work

- The research found evidence of a negative effect on working hours.
- This has not been observed in evaluations for previous years, and suggests some employers reduced working hours to absorb the wage increase.
- the magnitude of the reduction in working hours is considerably smaller (2.2 – 3.9%) than the increase in real hourly wages (19 – 27%).

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ANNEXURE A: SUMMARY OF PUBLIC INPUT

The Chairperson of the National Minimum Wage Commission (Commission) published, by way of the Government Gazette (GG), an invitation for written representations, published on the 20th of August 2024. The public was requested to provide inputs on the adjustment of the National Minimum Wage for 2025. In addition to the written submission, a survey form was attached to the published notice. Six hundred and sixty (660) inputs were received.

Two input reports emanated from the public inputs, the first report comprised of the results and findings from the survey form/questionnaire attached to the written notice. The focus of this report includes demographic questions to assist the research team to analyse the data better and to get more concise and direct responses to questions covering the major concerns of respondents and recommendations.

The second report included the written submissions from the organisations. This report provided a summary of the written submissions from the various organisations, trade unions and interested parties. Both reports are presented to the commission to aid in the deliberation process of the annual wage review. The following abstract gives a summary of the findings from the submissions report, survey report, and the provided recommendations.

Results of the survey

- **Demographic information**

Majority of respondents were from the Gauteng province, followed by Western Cape. Northern Cape is the least responses. A significant number of respondents did not state the constituency they were representing. The missing data renders difficult to make any meaningful deductions from this data, however the employer organisations seemed to be more represented in the survey. The Agriculture, Hunting, Forestry and Fishing sector appears to be the most widely represented sector in the survey, followed closely by the manufacturing sector.

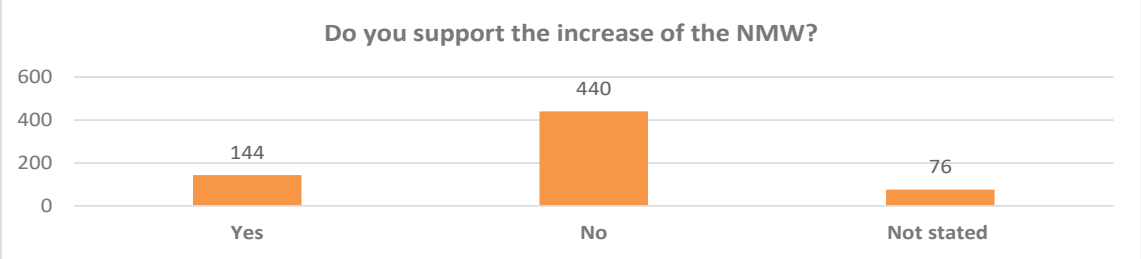
- **What is the overall percentage of respondents who agree with the increase of the national minimum wage and those who are against the increase?**

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Only 144 respondents were in support of an increase i.e. 22%. Four hundred and forty (440) i.e. 67% of the respondents were against the increase of the national minimum wage for 2025. The figure below indicates a graphical representation of the results.

Figure 1: Support of increase of the national minimum wage



- **What are the major concerns raised about the adjustment of the national minimum wage?**

The major concerns about the adjustment of the national minimum wage as reported in the report are the increase of unemployment; many believe the increase will increase unemployment. There is a feel that many companies and employers find the NMW unaffordable. There is also a concern that increasing the national minimum wage will drive up inflation. Employers in the agricultural space feel that the NMW lacks consideration of in-house benefits. There is also a perception that high minimum wages make it difficult for unskilled workers to penetrate the job market. There is a perception that the submissions are not read or are falling on deaf ears.

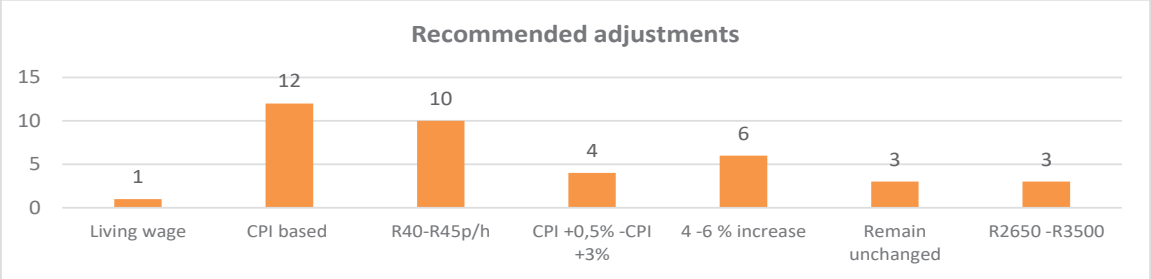
- **What recommendations are given to the commission in the adjustment of the national minimum wage?**

The majority of the respondents who answered the recommended adjustment question recommended a CPI based increase, while R40 – R45 per hour was the next proposed adjustment as seen in the graph below:

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Figure 2: Recommended adjustments



Summary of submission from the organisations

Forty-two (42) organisations; thirty (30) employer organisations, four (4) trade unions and eight (8) interested parties submitted their written submissions, and were categorised as follows:

- Business/ Employer representative
- Trade union representative
- Interested party/ NGO

Employer organisations

The general feel from most employer organisations in that the adjustment should be **in line with the CPI or below the CPI**. The following are some of the most frequently cited reasons by employer organisations that the commission needs to consider when adjusting the national minimum wage**.**

- **Extreme weather conditions** – The agricultural sector is still recovering from the severe droughts, which peaked between 2015 and 2018, and flooding in 2021, 2023, and 2024.
- **Inefficiencies at ports**- Poorly maintained road infrastructure, failures of government in managing and maintaining our port, road and rail infrastructure and weak municipal service delivery is affecting business and productivity. Shipping times to the European Union have increased by 70%, from 3 weeks in the 1990's, to 5 – 7 weeks nowadays. This has affected competitiveness of the industry.

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- **The lingering impact of COVID-19** - Business needs this time now to recover and to position itself to be prosperous in the future without having any huge increases in expenditure imposed on them such as the NMW.
- **Biosecurity threats** – the outbreak of Swine Fever and Food and Mouth Disease has affected the agricultural sector negatively.
- **High interest rates** – The rise in the national minimum wage will adversely push up the price of food. and passing these higher costs on to consumers.
- **Load shedding** – Despite the recent stabilisation in the supply of electricity, many businesses are still recovering from the effects of load shedding and debt incurred from it.
- **Lack of support or funding from the government** – Employers must bear the cost of decisions made by Government, yet there is little to no support from Government when needed.
- **Agricultural sector are price takers and not price makers** - A weak exchange rate against international currencies has a significant negative influence on input costs of chemicals, diesel, machinery, implements and spare parts.
- **Previous submissions are not considered** - Due consideration was not given to the economic conditions facing the export pome and stone fruit industries although detailed inputs were provided to the commission.
- **SMMEs often operate in highly competitive markets** - raising prices to offset higher wages may not be practical for some sectors. As labour costs rise, these enterprises may find it challenging to remain competitive. This situation could result in consolidation within industries, forcing smaller businesses out of the market and ultimately diminishing.
- **Non-compliance** - Low levels of compliance with the minimum wage are in large measure a product of poor enforcement by the labour inspectorate, a convoluted enforcement procedure and a lack of understanding by Labour inspectors of how the NMW operates and how it is calculated.

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- **Domestic work will be unaffordable** - Domestic worker employers are faced with cost-of-living increases and may not necessarily have received a salary increase themselves from their employers. This could make a full-time domestic worker unaffordable resulting in either a reduction in their working hours, using contract labour and/or further retrenchments in this sector.

- **Motivation, productivity and hard work are not rewarded.** A person is paid a certain amount without taking the above into account. To reward a person without considering the effort he puts in is tantamount to discourage him from proper performance.

All the above is cited as potentially contributing to unemployment as organisations are hesitant to hire new employees due to the high wage bill. An increase in the NMW above the CPI would create a domino effect, impacting all wage categories. The threat of mechanisation continues to loom in the background.

Recommendations

The following are some of the recommendations emanating from the employer organisations:

-A shared-value free market economy with less labour protectionism (i.e. minimum wage) can provide work that is more decent and increase the productivity and profitability of SA.

-We strongly advocate that the process of adjusting the NMW be subjected to NEDLAC's established and respected processes, the adjustments to the NMW should not be an isolated, top-down exercise, it is more crucial than ever that the Commission draws on NEDLAC's expertise and experience in facilitating social dialogue.

-It is crucial for government to provide support and resources, such as tax incentives and training programs to help businesses navigate the negative impact which an increase to the National Minimum Wage may bring.

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-South Africa has the highest unemployment rate in the world (a fact which must weigh heavily on the NMW Commission) that adequate consideration must be given to how any increases to the NMW stifles job creation.

- NMW increases should be curtailed until such time as the unemployment rates in South Africa have reduced to acceptable levels, below 10%.

- A CPI-based adjustment delivers a high level of predictability in wage increases, which is essential for businesses to engage in long-term financial planning and investment.

- The commission should consider the Producer Price Inflation (PPI) (i.e. the inflation on inputs to produce goods) as compared to only the Consumer Price Inflation (CPI). This will realistically lead to a more equitable scenario which is less likely to have the unintended consequences of negatively impacting inflation and employment.

-Youth Wage Incentives: To encourage the employment of young people, we recommend that the NMW Commission explore the introduction of youth wage incentives or exemptions that would make it easier for employers to hire young workers at lower entry-level wages with a pathway to full NMW compliance as they gain experience.

Trade unions

- The majority of trade unions are for the increase in the national minimum wage and report positive outcomes of the act. There is a call from many to work towards a **living wage ranging from R12 000 to R15 000.**
- The **high prices of travelling costs, renting and mortgage, high interest rates** and increasing food prices are cited as the drivers for the increase of the minimum wage.
- There is a call for stricter enforcement and **critical benefits for employees.**
- **Learnerships:** In some companies we have seen learnerships schemes being used to replace labour broking as a source of cheap labour and control.

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- Only **one trade union raised concern of an increase in the minimum wage** citing job losses, lack of business continuity and access to entry level jobs being affected by a high national minimum wage.

The following recommendations emanated from the trade unions:

Recommendations

-NMW adjustments be affected from 1 January each year and thus should come into effect on 1 January 2025.

-A reasonable road map should be set to increase the NMW to a living wage (up to R15 000 per month) over the medium term.

- With unemployment rates continuing to worsen, it is imperative that all labour legislation should be relaxed, within reasonable bounds, to get as many people working as possible.

-DEL to ensure all exemption applications have been engaged with affected unions and workers;

-DEL to publish all exempted employers on its website as required by the Act;

-DEL to advertise the NMW hotline to workers and unions;

-DEL to link the NMW hotline to labour inspectors and for the labour inspectors to act on the reported violations

- Wage inequality between workers and executives be confronted.

- Stricter enforcement of the national minimum wage laws

Interested parties

- Some organisations are opposed to a high national minimum wage as they feel it will contribute to **unemployment and increase inflation.** There is a feeling that the **NMW violates the constitution** and further **exacerbates the plight of poverty and inequality by excluding the unskilled workers** from the labour market. It further states that the NMW set at a rate higher than inflation could be unaffordable for employers.

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- Adjusting the minimum wage will have **different effects on different socio-economic classes**. However, lack of an adjustment will result in the real values of the existing wages losing their value leading to a bigger gap of inequality.
- Those in support of the NMW are concerned that the **lack of compliance renders workers vulnerable**.
- The lack of impact of the NMW wage is attributed **to lack of enforcement** and is seen as a market response to the high and unaffordable rates of the NMW.
- **NMW locks unemployed individuals out of the workplace** and they are denied the opportunity to increase their skillset, and gain workplace connections
- A comparison of 30 countries demonstrates that **South Africa's minimum wage levels are out of step with the rest of the world.** South Africa's minimum wage is 148 percent of our median wage, significantly higher than 30 other reviewed countries.
- **A high NMW will deter foreign investment** - how much investment in South African human skills has been chased away by the NMW's impact on lead time to return on labour investment?
- A human rights approach is to respect the right to be employed, that is the right of people to sell their labour for the best reward that they are able to earn.
- There is a disturbing increase in poverty and hunger within the farm worker community.

Recommendations

The following are the recommendations from interested parties and NGOs:

-It is imperative to enquire whether the South African employment sector can afford an increase in the minimum wage.

-Leave the existing minimum wage in place without increasing it further, thus improving opportunities for job market access and employment for the unemployed.

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-The NMW Commission should urge the Minister to implement a Right to Employment Exemption (REE), or an 'Unemployed Right to Get Employed', (URGE) adaptation. A REE or URGE would exempt from every determination all people who have been unemployed for a specified period, ideally six to nine months. The mere fact that someone has been registered as unemployed for the specified period should liberate them automatically to take whichever job they wish.

-The minimum wage be adjusted to take into consideration rising food prices as even those in low-income employment, such as domestic workers and farm workers, are struggling to meet their basic needs.

- Similar to the concept of sliding tax scales, implementing sliding wage scales could offer a more tailored approach to the NMW. By varying the minimum wage based on factors such as industry profitability, regional cost of living, and company size, we can better balance the needs of businesses and workers across the country.

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ANNEXURE B: MEASURING THE IMPACT OF THE 2024 NATIONAL MINIMUM WAGE INCREASE

Executive summary

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Development Policy Research Unit
School of Economics, University of Cape Town

November 2024

This report provides empirical evidence of the short-term labour market effects of South Africa's recent National Minimum Wage (NMW) increase, in March 2024. The increase is notable as it was the largest in real terms since the NMW's introduction in 2019. We observe that in recent years the NMW has risen faster than the wages, and is currently set at approximately 80% of the country's median wage, which is above average by international standards. This, together with other characteristics of the South African labour market, holds important implications for our analysis and the impact of the NMW. Our main findings are summarised here, focused on the effects of the NMW increase on four key outcomes of interest.

1. **Hourly wages**: We find clear evidence of a positive effect on the real hourly wages of sub-minimum wage workers of around 19%. For a broader group of low-wage workers, we estimate a positive effect of 27%, which implies the presence of substantial spillover effects above the NMW level.

Despite the magnitude of these effects, prior to the adjustment the average sub-minimum wage worker earned significantly below (37%) the incoming NMW level. As such, the wage effects we find were not large enough to move most such workers all the way up to the NMW, or above it, which provides evidence of only partial compliance. Moreover, the increases we find appear to be driven by a minority of sub-minimum wage workers – many low-wage workers' wages did not go up in response to the higher NMW level. As a result, average wages have not kept up with the rising NMW level, and rates of non-compliance have increased to their highest level since the NMW introduction.

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2. **Employment**: The wage effects we find also translated into effects on employment, working hours, and real monthly earnings. On employment, only one of our two empirical specifications yield a statistically significant effect, although both consistently yield small, negative estimates. This

suggests that a reduction at the extensive margin may have been used by some employers as a response to the higher NMW level. Importantly, however, the magnitude of this adjustment (3.4%) is considerably smaller than the real hourly wage adjustment.

3. **Working hours**: We find consistent evidence of a negative effect on working hours, similar in magnitude to the effect on employment. Notably, this has not been observed in evaluations for previous years, and suggests some employers reduced working hours to absorb the wage increase. As in the case of employment, the magnitude of the reduction in working hours is considerably smaller (2.2 – 3.9%) than the increase in real hourly wages (19 – 27%). Hence, the overall effect on covered workers who remained employed is 'net' positive, only partially offset by slightly lower working hours.

4. **Monthly earnings**: The 'net' effect of the adjustments to wages and working hours – a positive effect on real hourly wages and a negative effect on working hours – is captured in a positive, significant effect on real monthly earnings, which is explicitly affected by both. Like the hourly wage effects, these are non-negligible in size (16.8 – 23.5%). This suggests that despite the reduction in working hours the NMW increase improved the average sub-minimum wage worker's labour market welfare, at least with respect to earnings. However, these effects pertain only to those who remained employed, and as such, the small negative employment effect we observe ought to be kept in mind when considering the combined outcome of the NMW increase.

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ANNEXURE C: THE LABOUR MARKET EFFECTS OF SOUTH AFRICA'S NATIONAL MINIMUM WAGE FIVE-YEAR REVIEW

Executive summary of preliminary results

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November 2024

Introduction

Since 2019 annual increases in the NMW have ranged between 3.8% - 9.6% in nominal terms, or 0% - 3.2% in inflation-adjusted (real) terms. These adjustments occurred during a varied and challenging economic context, which can plan a role in the effects of policy changes. Other factors such as the size of the NMW increase, its timing, the ratio of the NMW relative to average wages, and broader economic conditions, all potentially shape observed labour market outcomes. Notably, the level of the NMW has risen relative to median wages in South Africa over the period. Taken together, these points emphasise the importance of reviewing the effects of South Africa's NMW changes over a longer period of time. Indeed, previous evaluations were only able to examine effects for a single quarter following the legislated increase. These evaluations also relied on changing data and methods for different periods, limiting direct comparability of results.

In this review we conduct a comprehensive econometric analysis of the labour market effects of all NMW adjustments from 2019 - 2024, with the exception of 2020 and 2021.

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[2] By using a consistent modelling approach, with reliable wage data throughout, this approach has at least four advantages. First, a consistent research design and dataset allows us to directly compare outcomes for each adjustment. The results help to validate the credibility of our research design, and provide a comprehensive review of what we know about the labour market effects of the NMW so far. Second, measuring longer-term effects in this case helps to inform conclusions in future evaluations where time and data constraints only allow for short-term analysis. Third, it allows us to consider the relationship between the size and sign of effects versus the size of the NMW adjustment. And fourth, it allows us to take some account of the role of broader economic and labour market trends.

Data and methodology

The review relies on individual-level, nationally representative data from Statistics South Africa's (StatsSA) Quarterly Labour Force Survey (QLFS) for the period 2018 – 2024. The data includes unimputed wage data provided by StatsSA that not available in the public domain at the time of this review. We adjust this data for both outliers and non-response using robust statistical methods, detailed in our 2024 report. To identify effects, we use the QLFS's rotational panel component to create overlapping "micro-panels" that allow us to track the same groups of individuals over time. Specifically, we can observe each person at least once before and after a given NMW adjustment, for all four NMW "events": the 2019 NMW introduction, and the 2022, 2023, and 2024 NMW increases.[3] Despite being smaller than the full quarterly dataset, the panel sample composition is virtually identical the complete QLFS sample and remains representative of the broader population.

We use this data to estimate the effects of each NMW increase on four key outcomes: real hourly wages, weekly working hours, employment, and real monthly earnings. To

[2] We avoid evaluating the effects of NMW increases in 2020 and 2021 due to the confounding effects of the COVID-19 pandemic on both the labour market as well as on data collection.

[3] Specifically, these panels include the following time periods (T), number of observations (n), and number of unique individuals: 2019 NMW introduction: 2018Q2 – 2019Q3 (n=91,218; unique=24,605; T=6); 2022 NMW increase: 2021Q2 – 2022Q4 (n=56,056; unique=16,743; T=7); 2023 NMW increase: 2022Q2 – 2023Q4 (n=94,100; unique=25,445; T=7); and 2024 NMW increase: 2023Q2 – 2024Q2 (n=77,758; unique=25,733; T=5).

do so, we use two complementary approaches, both of which are implemented using standard Difference-in-Differences (DiD) designs.

First, the "wage gap" approach calculates a wage gap variable for each worker earning below the minimum wage, measuring the difference between a worker's wage and the incoming NMW. The assumption is that workers with larger wage gaps (i.e., lower initial wages) are likely to experience more significant wage increases post-adjustment. We observe a clear, strong, positive correlation between the wage gap and wage growth in the data, validating this approach. This approach allows us to isolate effects on sub-minimum wage workers in particular.

Second, the "low- versus high-wage" approach compares the outcomes of "low-wage workers" (defined as those earning below or up to 50% above the incoming NMW) with "high-wage workers" (defined as those plausibly not affected by the incoming NMW) from before to after each NMW adjustment. This approach isolates effects on sub-minimum wage workers but also a broader group earning just above the NMW, thus capturing potential spillover effects. It assumes that, in the absence of a policy change, outcome trends between these two groups would have evolved similarly from before to after the NMW change. The data provides strong support of this assumption, and does not indicate interference from other factors such as seasonality or changes in the macroenvironment. The full set of results from our analysis are summarised briefly below and collated in Figure 1.

Key Findings

1. **Real hourly wages**: We find consistent evidence of large, positive effects of the NMW on real hourly wages for low-wage workers, with increases of 19 – 21% for sub-minimum wage workers, and 28 – 35% for the broader low-wage worker group, implying spillover effects. These effects materialise in the immediate period following the NMW change, and do not vary but persist over the quarters that follow. This suggests short-term effects tend to reflect longer-term effects. Importantly, because the average sub-minimum wage worker earns nearly 40% below the NMW, these effects are not large enough to bring the wages of most workers up to, or above, the NMW level. For example, the

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average sub-minimum worker in 2024 earned around R17/hr, and would have increased by about R3/hr, according to our results.

2. **Employment**: We find consistent evidence of negative, but relatively small, employment effects. These reductions are around 2.2 - 2.7% for sub-minimum wage workers and 4.8 – 8.1% for the broader low-wage worker group, again implying spillover effects to those earning slightly above the NMW. In contrast to wages, these effects only emerge after the first post-increase quarter, and in certain years grow marginally over subsequent quarters. This suggests that the impact on jobs may lag the wage increase, and hence, very short-term employment effects may not capture the full extent of slightly longer-term effects.

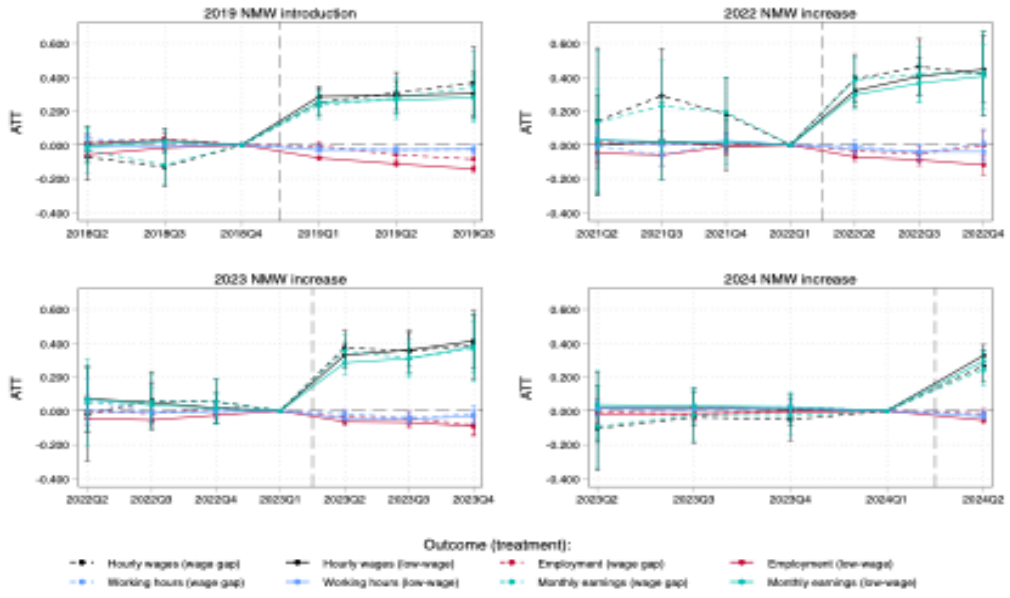
3. **Working Hours**: Like employment, we find consistent evidence of negative but relatively small effects on working hours, ranging between 1.2 – 2.1% for sub-minimum wage workers and 2.5 – 4.2% for the broader low-wage worker group, again implying spillover effects. Like wages, these effects tend to occur in the immediate period following the NMW change and persist over the quarters that follow. This suggests short-term effects do tend to be a reliable reflection of longer-term effects.

4. **Real monthly Earnings**: The 'net' effect of the aforementioned effects on hourly wages and working hours is reflected in the effect on monthly earnings, which is explicitly affected by both. We find consistent evidence of large, positive effects of the NMW on real monthly earnings of around 17 – 20% for sub-minimum wage workers and 25 – 31% for the broader low-wage worker group, again implying spillover effects. These are expected given the much larger size of the positive wage effect, only partially offset by the smaller negative working hours effect. Like both, these effects tend to occur in the short-term and persist over the quarters that follow, suggesting short-term effects reflect longer-term effects.

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Figure 1: Estimated effects of each National Minimum Wage adjustment, by outcome and methodological approach, 2019 – 2024



Authors' own calculations using QLFS 2018Q2 – 2024Q2. Notes: ATT = Average Treatment Effect on the Treated (in other words, the causal effect of the NMW "event" on either sub-minimum wage workers or low-wage workers). Evaluations for the 2020 and 2021NMW increases are omitted due to the confounding effects of the COVID-19 pandemic on both the labour market as well as on data collection.

Conclusion

This review allows us to robustly identify the causal labour market effects of each NMW adjustment since its introduction in 2019, using a consistent set of econometric approaches on a reliable dataset. Our results are strongly consistent across all NMW adjustments considered. Overall, we find evidence of large, positive effects on real hourly wages which occur in the short-term and persist over time; small, negative effects on working hours which also occur in the short-term and persist over time; small, negative effects on employment which tend to only emerge and potentially grow over the longer term, reflecting a lagged effect; and large, positive effects on real monthly earnings, which are driven by a much larger effect on wages compared to working hours. This latter result reflects a 'net' gain in welfare among low-wage workers, however, it only relates to those who remain employed. Thus, the small, negative employment effects we observe remain a relevant concern.

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The dynamics of these effects hold important implications for future evaluations, which may be data and time constrained. Additionally, while these effects are strongly consistent, we observe some variation in their magnitude, which arguably reflects the role of factors such as differences in the size of the NMW increase, and the macroeconomic environment. Future research will investigate this further, in addition to exploring effects on other outcomes such as changes in wage inequality and income poverty, and how effects vary across different worker groups. Notably, levels of non-compliance have gone up over this period, and are higher than in any previous period since the NMW introduction. Given that so many workers still earn below the NMW, a deeper understanding of noncompliance and enforcement is necessary. Certainly, strengthening existing enforcement mechanisms seems crucial. This includes increasing the labour inspectorates' functional capacity, leveraging technology to ensure employers and employees are aware of NMW regulations and able to respond adequately, as well as implementing the necessary penalties for non-compliance. Continued engagement with employer representatives, labour unions, social partners and policy researchers on this issue remains important to ensure transparency, balance competing interests, and build consensus. Finally, it is worth emphasising that the NMW alone cannot address the major structural inequalities in the South African labour market, and must be part of a larger programme to expand employment opportunities, improve employment conditions, and thus raise the welfare of workers.

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