



ENGAGEMENT ON THE NATIONAL MINIMUM WAGE

29 June 2016

Three questions have been posed about the National Minimum Wage

1. What is the envisaged amount?

This is not yet known as negotiations are continuing under the auspices of the National Economic Development and Labour Council (Nedlac) to recommend the level at which the National Minimum Wage will be set.

2. Will the National Minimum Wage be across all sectors or will it be determined on a sectoral basis?

The National Minimum Wage will be a platform, but it will allow flexibility for sectors to set appropriate minima above the base level. The mechanics of this process are still under discussion.

3. When will the National Minimum Wage be legislated and enforced?

The timelines have not been settled for the introduction of the legislation that will provide the enforcement rules.

Background: a process and a debate

The process to investigate the National Minimum Wage for South Africa was announced by the President during the State of the National Address in 2014. The Nedlac Labour Relations Indaba took place on 4 November 2014 to set the formal negotiations and discussions in motion.

This has been followed by intense discussions all over the country. These have included academic workshops to review international good practice on national minimum wage legislation and the different benchmarks that are needed to judge the actual amount of the minimum.

One of the functions of Parliament in terms of the Constitution¹ is that of “providing a national forum for public consideration of issues”. Parliament contributed to the national debate by organising a series of public hearings on the national minimum wage. These hearings showed that the different constituencies had very different expectations and understandings of what a national minimum wage system would mean. They also showed that there were

¹ Constitution (1996:42(3)).



often wide differences within each of the groups of social partners themselves. These issues have been talked through at length, but no consensus has emerged.

Discussions on a level

Since August last year, the principals in Nedlac have been discussing a threshold for a national minimum wage level. This has been a process that has involved hard discussions and tensions, with Business proposing a figure of about R1,800 per month, while the Congress of South African Trade Unions (Cosatu) has proposed a figure of between R4,100 and R5,200.²

Deputy President Cyril Ramaphosa, MP is heading the broader discussions and has expressed confidence that an appropriate level and process for determining the National Minimum Wage would be agreed on soon.³

70 days for deciding on a National Minimum Wage recommendation

Last week, on Saturday 25 June, the social partners agreed to jointly appoint a panel of experts, who will report back on a proposed threshold for the minimum wage.⁴ This will take place within 70 days of the appointment of the panel.

This is a highly significant development. Over the past few months, the parties have come closer together on the figures. They are not in agreement, but labour has come down and business and government have come up. Now the research and evidence will be interrogated by a panel of experts – who are expected to be appointed in July 2016. By September, then, we ought to have a recommended figure for the national minimum wage.

This is a wage that is not too high to damage employment, but not so low that it is meaningless.

Settling on a wage level is not the end of the process, by any means. There still has to be agreement on the mechanisms for implementing the minimum. Will it be done through the Employment Equity Commission (EEC) or through Nedlac, or through a new agency? There is also the need to consider whether and how exemptions may be given.

This leads to another responsibility of the Nedlac process, which is also still underway and also under the leadership of the Deputy President.

² Gernetsky (2016).

³ Nedlac (2016).

⁴ Gernetzky (2016).



The other side of the Nedlac process: the state of labour relations environment

The Nedlac process is not narrowly about the national minimum wage, but about a national strategy to address poverty and to fight inequality.

The second aspect to the process is dealing with labour relations matters: proposing agreements between business and labour – and possibly legislative changes – that address the very worrying trends of violence in strikes and need for the roles that are played by the parties to disputes to be better defined and better understood by all.

The national minimum wage is not directly about job creation, it is about addressing poverty and income inequality. If the minimum is set at the right level, and implemented correctly, it ought not to harm employment levels.

The booster for employment comes from the side of improved labour relations. Better labour relations involve better methods for resolving disputes so that they don't lead to the self-defeating actions we see so often where everyone ends up poorer. Better labour relations open the doors to agreements on productivity and skills development and on sharing the gains of efficiency – in growth and decent jobs.

There is a strong link here with the national minimum wage. The national minimum wage provides a floor. Higher wage levels can then be achieved by means of collective bargaining and better labour relations.

The national minimum wage protects the most vulnerable workers from exploitation – and it provides a platform for improvement, based on bargaining, better efficiency, better training leading to higher productivity.

Conclusion

Labour wants only higher wages

Business wants only better productivity.

Both can win through a national minimum wage, combined, crucially, with a better labour relations environment.

The Nedlac process, through negotiation, should assist a national economic understanding to achieve the goals that have been set in the National Development Plan.

Hopefully, Parliament will be able to play its part in passing legislation on the National Minimum Wage and the Labour Relations system that will set the right rules of the game for our present challenges and for a winning economy as we move towards 2030.



References

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