

DEPARTMENT OF EMPLOYMENT AND LABOUR

NO. 1616

17 December 2021

**NATIONAL MINIMUM WAGE ACT NO. 9 OF 2018
INVESTIGATION INTO THE NATIONAL MINIMUM WAGE****INVITATION FOR WRITTEN REPRESENTATIONS**

I, Adriaan van der Walt, 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 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, 001 or be sent to nmwreview@labour.gov.za by 14 January 2022.



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Prof A. van der Walt

CHAIRPERSON: NATIONAL MINIMUM WAGE COMMISSION

DATE: 10 December 2021

National Minimum Wage Commission proposal for 2022 adjustment

**Report of the National Minimum Wage Commission on the review
and adjustment of the national minimum wage for year 2022**

2021

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List of acronyms

CATI	Computer-Assisted Telephone Interviewing
COSATU	Congress of South African Trade Unions
CPI	Consumer Price Index
CSDA	Centre for Social Development
CSP Services	Community, Social and Personal Services
CWP	Community Works Programmes
DPRU	Development Policy Research Unit
EPWP	Expanded Public Works Programme
GDP	Gross Domestic Product
ILO	International Labour Organisation
MIBCO	Motor Industry Bargaining Council
NEDLAC	National Economic Development and Labour Council
NMW	National Minimum Wage
NMWC	National Minimum Wage Commission
QLFS	Quarterly Labour Force Survey
SAPTU	South African Parastatal and Tertiary Institutions Union
SEDA	Small Enterprise Development Agency
SME	Small and medium enterprises
SMME	Small, Medium and Micro-Sized Enterprises
Stats SA	Statistics South Africa
TERS	Temporary Employer/Employee Relief Scheme
UCT	University of Cape Town
UJ	University of Johannesburg

1. MANDATE AND SUMMARY OF PROPOSALS

Section 6 of the National Minimum Wage Act of 2018¹ 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 must reflect alternative views, including those of the public. The Commission therefore invited written representations in respect of the recommendations in accordance with section 6(2) of the Act.

The majority of Commissioners recommends that the national minimum wage should be increased by 1,0% above inflation as measured by the consumer price index (CPI). On the other hand, a minority of Commissioners recommends that the national minimum wage should be increased by 1,5% above inflation as measured by the consumer price index (CPI). All Commissioners recommend that the minimum for domestic workers be equalised to the national minimum wage in 2022, in line with the decision taken in 2021.

The National Minimum Wage Act constitutes a decision to prioritise a more equitable pay structure to ensure that workers do not live in poverty. This decision implies that costs for some employers will increase, although broader benefits to society for more equitable workplaces and remuneration systems may offset this. The Act provides for exemptions for employers who truly cannot afford the adjustment.

The remainder of this report:

- Describes the mandate in the Act for the annual adjustment;
- Outlines the evidence, as required in the Act, that led the majority of Commissioners to agree on the proposed increment;
- Presents the proposal for equalisation of the minimum wage for domestic workers; and
- Provides a minority view submitted by three Commissioners.

Annexure A summarises a report on “Stakeholder responses on the implementation of the national minimum wage in the Domestic, Agriculture and Construction sector amidst the COVID-19 pandemic”, while Annexure B gives a brief representation of “An Assessment of the 2020 National Minimum Wage Increase”. Annexure C represents a summary of public inputs. Annexure D is a summary of a report on “What has been the impact of the National

¹ The National Minimum Wage No 9 of 2018.

Minimum Wage on Collective Bargaining?”. Annexure E presents hourly average and median wage for 2021Q1. Annexure F presents QLFS employment by occupation for the third quarter of 2021.

2. THE ANNUAL ADJUSTMENT OF THE NATIONAL MINIMUM WAGE

After considering the current economic state of the country and the impact of the COVID-19 pandemic on both employers and employees, the majority of Commissioners propose that the national minimum wage increases by the rate of inflation plus 1%. The inflation rate (measured by CPI) as of October 2021 was 5%, so the adjustment should be about 6%. The actual amount, however, will depend on the inflation in the month in which the adjustment takes effect.

was originally R20 an hour. In 2019, the Commission was newly established and therefore unable to undertake a full annual review. It was previously recommended that the national minimum wage increase at the rate of inflation for the poorest decile of households in the year to March 2020, or 3,8%. The national minimum wage therefore increased from R20.00 to R20.76 an hour from March 2020. In 2021, the national minimum wage national minimum wage again increased by 1,5% above headline inflation, to R21.69. This translated to an increase of 4,5% in the national minimum wage. The process of raising the minimum wage for farm and domestic workers also led to an increase of 16,1% in the minimum for farmworkers and 22,6% for domestic workers.

Section 6 of the Act sets criteria for the annual adjustment of the national minimum wage. These criteria are the following;

Firstly, the proposal must promote three-year targets for the national minimum wage, which the Commission must establish; the alleviation of poverty; and a reduction of wage differentials and inequality.

Secondly, the Commission must consider a range of actual and potential economic impacts from the adjustment, specifically:

- 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
- The likely impact on employment or employment creation.

The Act empowers the Commission to consider other relevant factors.

The different dimensions of impact inherently impose some trade-offs, which the Commission considers in its proposal. The remainder of this section indicates how the majority of Commissioners agree on the proposed increment based on the aims and criteria stipulated in the Act.

a. Promoting the aims of the Act

i. Three-year targets

The Commission has not yet set three-year targets for the national minimum wage. It anticipates finalising targets before the end of the financial year.

ii. The alleviation of poverty

Statistics South Africa (Stats SA) has identified three poverty lines, each valued from April 2021:

- The food poverty line is at R624.00 per person per month, or R2 188.00 for the average-sized household (which has between three and four members). The food poverty line covers only the resources required to meet minimum required daily energy intake.
- The lower-bound poverty line is at R890.00 per person per month, or about R3 115.00 for an average-sized household. This poverty line encompasses a minimum of non-food essentials in addition to the food poverty line.
- The upper-bound poverty line is at R1 335.00 per person per month, or R4 673.00 for the average-sized household. This poverty line includes the cost of non-food items typically consumed by households that are able to afford the basket of foods utilised in setting the food poverty line.

By this measure, the 2021 national minimum wage is below the upper-bound poverty line as estimated by Stats SA for an average-sized household, and about 21% above the lower-bound poverty line. The national minimum wage would be less than the lower-bound poverty line for

larger households of five or more members. According to Stats SA's General Household Survey (2020), about a quarter of households had four or five members.

These findings suggest that the current minimum wage remains below the upper-bound poverty line for many households. By extension, a gradual real increase is needed to lift employees earning the minimum wage out of poverty.

iii. The reduction of wage differentials and income inequality

Wage differentials in South Africa remain amongst the highest in the world, according to data published by the International Labour Organisation (ILO). A core aim of the Act is to reduce these inequalities by increasing wages for the worst-paid workers.

The median wage data (Table 4 Annexure E) for 2021-Q1 suggests that the national minimum wage in 2021 at R21.69 was less than the hourly median wage for all employees in the working population. The difference between the minimum wages and median wages was more pronounced within the formal sector, where the median wage was R 34.87 compared to the minimum wage of R21.69. While the median wage for farmworkers and domestic workers were the lowest, they were closer to the minimum wage than the formal sector median wage. It is worth noting that while the median wages for domestic workers were the lowest, the mean wages (R21.75) were more than the 2021 minimum wage.

The majority of Commissioners argue that in light of these realities, reducing the wage gap requires a real increase in the national minimum wage.

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

The Commission agrees that, in order to retain the purchasing power of the national minimum wage, the annual adjustment should be set as an increment above the increase in the cost of living. Inflation should be measured by the increase in the Consumer Price Index.

The Commission notes that inflation for low-income households is currently significantly higher than it is for the upper-income group. In October 2021, the headline year-on-year CPI rate was 5%. The inflation rate for the poorest decile was 6,5%, while it was 5,2% for the richest decile. The main reason is the relatively sharp increase in transport and food prices, as these constitute a higher share of consumption for lower-income households.

The fact that the overall inflation rate understates price increases for low-income households means that in order to maintain the value of the national minimum wage in terms of purchasing power, the increment must exceed headline inflation.

ii. Wage levels and collective bargaining outcomes

Table 1 indicates the agreements on wage increases for the major bargaining councils in 2020 and 2021, which ranged between 2,9% and 13,43% across the different bargaining councils. Most councils agreed on increases at around 6%, or about 1,5% above inflation as of mid-2021. The national disaster arising from the COVID-19 pandemic limited collective bargaining in 2020. However, its effects in 2022 may have been less severe due to the easing of lockdown regulations.

Table 1: Bargaining council wage increases for the period 2020 to 2021

Bargaining Council	Increment
Building North + West Boland	2,9% - 3%
Hairdressing, Cosmetology, Beauty & Skincare	13,36% - 13,43%
Electrical Council	CPI + 1%
Metal & Engineering Council	NONE
SARPBAC	5,9%
Road Freight BC	7,5%
BC for the Restaurant, Catering & Allied Trades	6%
Building Cape Of Good Hope Council	For the period 1 November 2020 to 31 October 2021, the wages were increased by CPI percentage provided that the minimum increase shall be 4 %. For the period 1 November 2021 to 31 October 2022, the wages applicable from 1 November 2020 shall be increased by CPI percentage provided that the minimum increase shall be 4%.
Clothing Council	Part A – Eastern Cape = 3,7% Part B – Free State and Northern Cape = 3,7% Part C - KwaZulu-Natal = 3,7% Part D - Northern Cape = 3,7% Part E – Northern Region (Knitting) = 3,7% Part F – Western Cape (Clothing) = 3,7% Part G – Western Cape (Country Areas) = Skilled 3,7%, Semi-skilled 11,7% and Unskilled 4,8% Part H – Western Cape (Knitting) = 3,7% Part I – Non-Metro Areas – Magisterial Districts Camperdown, Umzinto, Paarl, Stellenbosch and Uitenhage = 3,7% Part I – All other areas = 3,7%

Bargaining Council	Increment
National Textile BC	Cotton sector=5,5% Manufactured Fibres subsector=7%
Fishing industry Council	7%
National Bargaining Council of the Leather Industry	General Goods and Handbag Sector = 3,7% Tanning Sector = 7,5% Footwear Sector = 7,5%
Meat Trade Council	8%
Civil Engineering Council	7.5% or CPI whichever is greater
FBC KZN	7%
Motor Industry Bargaining Council	7%
Motor Ferry BC	This is the first agreement gazetted. No comparative figures. The gazetted MCA reflect actual wages shall be increased by R2 000.00 per month.
Private Security BC	This is the first agreement gazetted. No comparative figures. The gazetted MCA reflect actual wages shall be R4585.00 per month
Canvas BC Gauteng	5%
Contract Cleaning BC KZN	4,5%
FBC WC	6,9%
FBC SWD	This is the first agreement gazetted. No comparative figures. The gazetted MCA reflect actual wages shall be increased by R20.76 per hour.

Table 2: Mining Industry wage increase for period 2020 to 2021

Northam Platinum Zondereinde	
Category	Wage Increase
Category 2-8	R1 300.00 ATB
Category 9-10	6,5% on the basic rate
Sibanye Stillwater	
Category A	R1 000.00 or 5% per month, whichever is greater
Category B	R1 000.00 or 5% per month, whichever is greater
AngloGold Ashanti	
Category 4-8, surface and underground	R700.00 per month on the standard rate of pay (additional R300.00 per month to the standard rate of pay for the first year of the agreement in consideration of agreeing to, and working the new shift arrangements). This will result in an increase of R1 000.00.
Harmony Gold Mining Company	
Category 4-8, surface and underground	R700.00 per month on the standard rate of pay
Gold Fields	
Category 4 –8	8%

A snapshot of median settlement levels reflected in 272 collective agreements between trade unions and employers indicates a median settlement level of 6% in 2021 (Table 3).

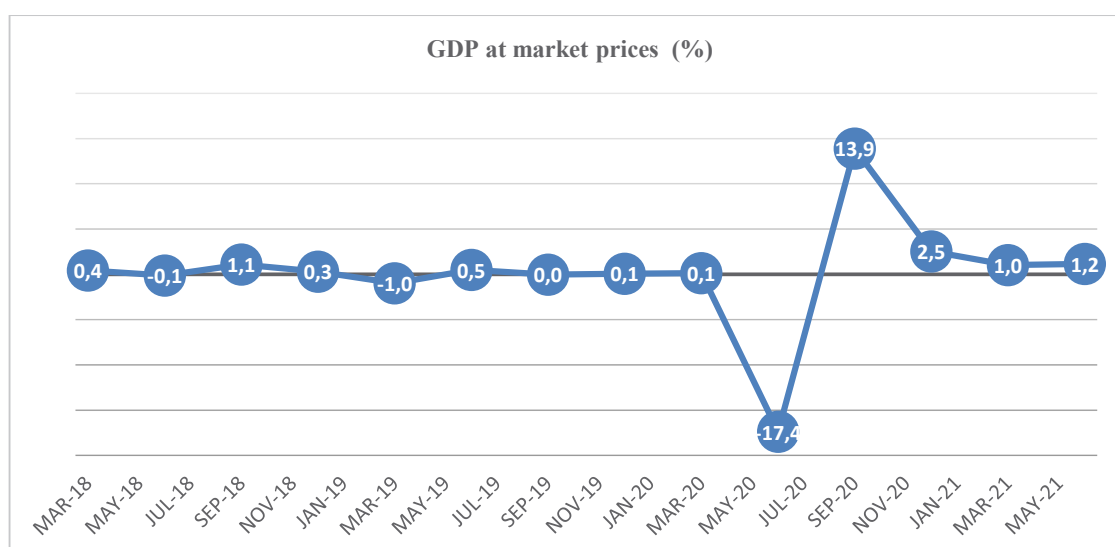
Table 3: Median settlement levels in collective bargaining in South Africa (%), 2021

Industry	2021 (%)
Agriculture, Hunting, Forestry & Fishing	7,5
Community, Social & Personal Services	5
Construction	6
Electricity, Gas & Water	5,5
Financing, Insurance, Real Estate & Business Services	6
Manufacturing	6
Mining & Quarrying	8
Transport, Storage & Communication	6

iii. Gross Domestic Product

The COVID-19 pandemic affected South Africa's economic growth in the first quarter (Q1) of 2020, but had a far more severe impact during the level 5 lockdown in April, which limited the country's economic activity. These economic disruptions saw a 17% year-on-year decline in the (GDP) in the second quarter (Q2) of 2020, followed by a 14% improvement in the third quarter (Q3) (Figure 1). GDP growth reached 1% and 1,2% in the 2021-Q1 and 2021-Q2 respectively. As a result of this rebound, in the year to June 2021 the GDP grew at a faster rate than at any time since the early 2000s. Still, it remained 1,4% smaller than before the pandemic. The largest contributors to quarter-on-quarter growth in the of 2021 Q2 were transport, personal services and trade industries.

Figure 1:Gross domestic product at market prices (% change)



The Commission notes with concern the prevailing economic conditions amidst the COVID-19 pandemic. Although the economic recovery in South Africa and globally has so far exceeded expectations, the uncertain future of the COVID-19 pandemic could still give rise to negative external shocks.

The commission notes Stats SA's GDP for 2021-Q3, the survey indicates that the real GDP decreased by 1,5% in 2021-Q3. The trade, catering and accommodation industry decreased by 5,5%, contributing -0,7 of a percentage point to GDP growth. Decreased economic activities were reported for wholesale, retail and motor trade; and catering and accommodation services. This may be to a large extent a consequence of the mass looting of businesses that occurred in

the July 2021 unrest, which is estimated to be more than R50 billion. Data on retail trade sales show retail sales for the month of July dropped 11% month-on-month.

iv. Productivity

The COVID-19 downturn made it virtually impossible to realistically estimate labour productivity because of the extraordinary constraints on production.

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

The Act aims to bring about a structural shift in pay scales to promote greater equality; however, any increase in the national minimum wage will require some adaptation by employers.

The most recent findings from the Department of Employment and Labour's qualitative research study revealed the following (notably, the study did not include the sectors most affected by the pandemic i.e. the hospitality industry and hairdressers):

- That the wine industry was interrupted due to restrictions of liquor sales in the country during stricter levels of the lockdown. No direct linkage could be made to the national minimum wage. The construction sector also reported some interruptions during the hard lockdown; however, no direct effects to the national minimum wage could be established.
- The study did not establish that the introduction of the national minimum wage had any influence on the running of businesses other than the concern raised by some agricultural employers (of possible mechanisation). More research must be conducted in this area.

While the Commissioners recognise that the COVID-19 downturn had a harsh impact on many employers, those who are genuinely unable to pay the proposed adjustment are able to utilise the exemption procedures.

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

Small and medium enterprises (SMEs) accounted for approximately 37% of the total turnover of all enterprises. This excludes micro-enterprises, which are enterprises in the lowest turnover

threshold category. The COVID-19 economic downturn led to a contraction in the number of establishments. According to the Small Enterprise Development Agency's (SEDA) SMME Quarterly Update (2021), the number of SMMEs in South Africa declined by 11% (289 000) year-on-year from the first quarter (Q1) of 2020 to the first quarter (Q1) of 2021, falling from 2,61 million to 2,33 million.

The Commission notes that while some SMMEs and new enterprises may face some challenges because of the proposed change in the minimum wage, the exemptions procedure can mitigate the challenges.

vii. The likely impact of the recommended adjustment on employment or the creation of employment.

There are legitimate concerns about the impact of the annual national minimum wage adjustments on employment in the country. It is worth noting that the COVID-19 pandemic negatively affected employment as many business establishments closed down and many people left unemployment.

The period of COVID-19 the pandemic coincides with the period of the national minimum wage adjustment and this makes it difficult to evaluate and isolate the impact of an increase in the national minimum wage from the effects of the pandemic. The Development Policy Research Unit (DPRU) of the University of Cape Town (UCT) undertook research for the Commission to investigate the impact of the adjustment in the national minimum wage on the labour market, focusing on employment, hours of work and wages between the first quarters of 2020 and 2021.

Due to variations in timeframes between the study's reference period (2020-Q1 - 2021-Q1) and the 2021 national minimum wage increase, the research does not adequately cover the effect of the national minimum wage increase on the domestic (22,6%) and agriculture (16,1%) sectors.

While the overall employment decreased, the study indicates that the decline in employment was more pronounced amongst workers earning less than the national minimum wage (17%), compared to workers earning more than the national minimum wage (11%). The marginal disproportionate employment impact on low-wage workers cannot be attributed to the national minimum wage increase and is more likely tied to the various labour market impacts of the

COVID-19 pandemic. Unlike hours of work, many of the jobs that were lost have not been regained and by 2021-Q1, total employment remained 1,4 million lower than the previous year.

The study highlights that, in general, workers earning below the national minimum wage were likely to work more hours per week than those who earn above the minimum wage. In particular, workers in private households, such as domestic workers, experienced a marginal increase in the hours worked during the period under review. Large decreases in hours worked were experienced amongst workers in the construction sector.

The study also indicates that there was a slight rise in wages in the period under review, where the increase was marginally higher for workers earning less than the minimum wage, compared to those earning at the level of the minimum wage or more.

A qualitative study conducted by the internal research unit of the Department of Employment and Labour in 2021 indicates no evidence of an effect on employment due to the national minimum wage in the domestic sector and construction sector. Any reported changes are attributed to the COVID-19 lockdown restrictions and the economic decline. The agricultural sector already reports an effects on employment. The study also indicates that the impact of the national minimum wage on hours, employment and non-wage benefits cannot be distinguished from the impact of COVID-19 on businesses and other economic factors.

The Commission took note of Stats SA's Quarterly Labour Force Survey (QLFS) for 2021-Q3. The survey indicates a sharp decline in employment. The QLFS indicates that year-on-year job losses at Q3 2021 were driven by job losses in the higher occupational categories (sales & service, clerks, technicians and professionals), while there was a net gain in employment in the lower occupational categories (domestic workers, elementary and plant & machine operators). The national minimum wage is associated with jobs in these lower occupational categories. It seems likely, however, that the findings were affected by the unrest in July, with a recovery in the subsequent months as reflected in other economic data. As a result, the actual trends in employment will only be perceptible in the coming quarter.

The Commission is conscious of the economic challenges facing South Africa, but the modest improvement proposed for the national minimum wage should not prove unduly disruptive. Moreover, failing to address inequality and poverty in itself fosters contestation and unrest, which poses a significant risk to the overall recovery.

The following Commissioners were in support of the CPI plus 1% adjustment for 2022:

Dr. Neva Makgetla (Independent expert)

Prof. Imraan Valodia (Independent expert)

Dr. Sarah Mosoetsa (Independent expert)

Mr. Solly Phetoe (Labour)

Mr. Edward Thobejane (Labour)

Mr. Trenton Elsley (Labour)

Ms. Jahni de Villiers (Business)

Mr. Jonathan Goldberg (Business)

Mr. Kaizer Moyane (Business)

3. EQUALISATION OF THE MINIMUM WAGE FOR DOMESTIC WORKERS

Ideally, the national minimum wage should be applicable to all employees. However, to avoid excessive disruption the Act established lower minimums for farm and domestic workers, with a process of gradual equalisation to the national minimum wage over time. It requires the Minister, within two years, to determine the adjustment of the national minimum wage of farm works and domestic workers. Section 6 of the Act mandates the Commission to make recommendations to the Minister of Employment and Labour on this topic. The review report must reflect any alternative views, including those of the public, in respect of a possible adjustment to the minimum wages of farm workers and domestic workers.

Under the Act, the minimum wage for domestic workers was set at 75% of the National Minimum Wage in 2020. The Commission proposed that it be increased to 88% of the national minimum wage in 2021 and to 100% in 2022. As a result, the minimum wage for domestic workers in 2021 came to R19.09 per hour. The equalisation of the domestic sector was proposed in 2020 by the Commission, wherein there was minority report proposing a phased-in approach in line with its earlier proposal, the Commission recommends that the minimum wage of domestic workers be increased to the national minimum wage in 2022.

Stata SA's QLFS indicates that the number of domestic workers in the country increased from 745 000 in 2020 Q2 to 892 000 workers in 2021 Q2. This substantial increase may be attributed to the previous the COVID-19 lockdown, where more than 259 000 domestic workers lost their

jobs in 2020 Q2 – a year-on-year decrease of 25,1%. From the data it can be inferred that the sector is recovering from the impact of the hard lockdown.

4. MINORITY RECOMMENDATIONS

In section 6, the National Minimum Wage Act of 2018² requires that the National Minimum Wage Commission “review the national minimum wage annually and make recommendations to the Minister on any adjustment of the national minimum wage.” The Act mandates the Commission’s review report to the Minister to reflect on alternative views, including those of the public.

This Minority Report constitutes the report of the three Commissioners who come from the Community Constituency of the National Economic Development and Labour Council (NEDLAC) social partners. We do not act on a mandate although we do consult with our constituency, and in addition we have reached our consensus position from an initial point of individual departure.

For the reasons set out below, **we recommend is that the Minister should adjust the National Minimum Wage for 2022 upwards by headline CPI plus 1,5%**. We are aware that the majority of Commissioners in the Majority Report will recommend an increase of headline CPI plus 1%. We acknowledge that all parties showed a willingness to meet each other for the sake of consensus, but we were ultimately not able to agree with the majority line and in accordance with the Act, we submit our Minority Report to the Minister.

While we acknowledge that it would be preferable if the Commission could reach consensus, the Act does make provision for ‘any alternative views’ in Section 6(2) of the Act, an option that has been exercised in the past. For the weighty reasons that we reflect in this Minority Report, and with the realities of the most vulnerable and precarious workers who represent much of our constituency, we feel bound to submit this Minority Report of our recommendations for the 2022 adjustment.

² No 9 of 2018.

1. The Annual Adjustment in The National Minimum Wage

Section 6 of the Act sets criteria for the annual adjustment of the national minimum wage. These criteria are the following.

Firstly, the proposal must promote three-year targets for the national minimum wage, **the alleviation of poverty; and a reduction of wage differentials and inequality**. The first of this is the subject of further deliberation and does not form part of this Minority Report.

Secondly, the Commission must consider a range of actual and potential economic impacts from the adjustment, specifically:

- 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 and new enterprises; and
- The likely impact on employment or employment creation.

The Act also empowers the Commission to consider other relevant factors.

a. Promoting the aims of the Act

i. Three-year targets

As indicated, this is the subject of an ancillary, parallel engagement, and we will not address this here.

ii. The alleviation of poverty

Poverty in South Africa has grown significantly with the impact of the COVID-19 pandemic and economic shut-downs.

The 2021 Poverty Lines released by Stats SA are as follows:

R624.00 Food Poverty Line, R890.00 Lower Bound Poverty Line and R1 335.00 Upper Bound Poverty Line. (P03101 Stats SA).

Stats SA has not published an updated review of poverty since the 2017 Poverty Trends in South Africa Report (03.10.06) that used the IES and 2014/15 LCS data. According to this report, 25% of people lived below the Food Poverty Line, and 55,5% lived below the Upper Bound Poverty Line.

According to the NIDS CRAM 5th Wave Research, in April/May 2021 approximately 10-million people and 3-million children were in a household affected by hunger in the past seven days.

Our Constitution places on obligation the state to respect, protect, promote, and fulfil³ people's absolute right to inherent dignity and the right to have their dignity respected and protected (section10), and the progressive realisation of the right of access to sufficient food and water (section27(1)(b)), amongst other rights in the Constitution. According to section 27 (2), "The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of [this right]."

It is our view that the legislated mandate of the Commission is one of the tools that the state is constitutionally obliged to use to advance people's dignity through the prescripts of the Act 9, and accordingly we believe that it is fit and proper that the 2022 national minimum wage review should be set at **headline CPI plus 1,5%**.

iii. The reduction of wage differentials and income inequality

Wage differentials in South Africa remain amongst the highest in the world, according amongst others to data published by the ILO. A core aim of the Act is to reduce these inequalities by increasing wages for the worst-paid workers.

The following table⁴ is from the recent draft report submitted by DPRU to the Commission. The table indicates that workers who negotiated the lowest wage increases included those who were least skilled, in the private sector and non- unionised.

³ Section 7(2) Constitution of South Africa.

⁴ An Assessment of the 2020 National Minimum Wage Increase: Preliminary Findings. Development Policy Research Unit (DPRU), November 2021. DRAFT REPORT.

It is our view that these are precisely the most vulnerable workers that we are required to proactively, one could almost say aggressively, protect as the Commission in setting the national minimum wage that seeks to protect the real value of the purchasing power of the national minimum wage – see the next section on Inflation ((b)(i)).

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.⁵**

Stats SA's CPI for September 2021 indicates that headline inflation is 5%, and for decile 3 (R30 000 to R43 000) it was 5,2% in October 2021.

CPI Food inflation is 7%.

The PEJD basket of food increased by 10,2% Year on Year to September 2021. The mid-year increase in electricity, the double increases in the price of fuel and the interest rate increase in November 2021 will all have a knock-on effect on prices in 2022, particularly food prices. The poor do not have the luxury of being able to shop around or buy on-line and thus their pockets will be hit the hardest.

We know that poor households spend the bulk of their income on food. The significance of higher food inflation is always that the purchasing power of the poor is disproportionately affected. We believe that the National Minimum Wage should consciously address this reduction of the purchasing power of minimum wages by increasing above inflation and hence we argue for 1,5% above headline CPI increase for 2022.

ii. Wage levels and collective bargaining outcomes

Table B above reflects the spectrum of wage increases.

Interestingly the United Kingdom Low Pay Commission, a body that was of some influence in the vision of the national minimum wage, recommended unanimously an annual increase of 6,6% for 2022, also on the strength of strong growth forecasts of 5,1%.

iii. Gross Domestic Product

The National Treasury predicted the SA GDP to grow by 5,1% in 2021 as announced in the recent Medium Term Budget Policy Statement (MTBPS). We do not believe that this strong growth forecast will be negatively affected by the recommended national minimum wage increase of CPI plus 1,5%.

⁵ We are indebted to the Pietermaritzburg Economic Justice and Dignity think tank for this information available in their Media Release of 27 October 2021 at www.pmbejd.org.za.

iv. Productivity

According to the briefing note from the national minimum wage Commission researchers, the last productivity figures available was in 2020 for 2019 and we accordingly did not have fresh figures to mind at the time of reaching our recommendation.

The COVID-19 downturn continues, as stated in the Majority Report submitted last year, to render it virtually impossible to estimate labour productivity realistically because of the extraordinary constraints on production.

v. The ability of Employers to carry on their Businesses successfully:

We believe that the impact of the COVID-19 pandemic and the July 2021 violent unrest in KwaZulu-Natal and Gauteng have a greater impact on the success of businesses. Unlike these two, business owners can for an exemption if they believe that the increase will negatively affect their ability to continue as a going concern, which is the very reason that the Act provides for the exemption process.

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

We acknowledge the possibility that SMMEs and new entrants may be disproportionality affected but we are mindful of the exemptions regulations. We are also mindful of the fact that SMMEs require local demand to sustain themselves and a higher wage will provide for more disposable income to circulate, leading to greater aggregate demand.

vii. The likely impact of the recommended adjustment on employment or the creation of employment.

The findings of the recent research of DPRU on the impact of the 2020 national minimum wage adjustment on employment or the creation of employment, state very clearly that the timing and the magnitude of the impact of Covid-19 on the South African economy and labour market were such that the ability to isolate the impact of the increase to the national minimum wage, which was not of such a great magnitude itself, was pretty difficult. Our reading of this finding is that the labour market has been so fundamentally shaken by the impact of COVID-19 and the many iterations of social and economic lockdown that to isolate for the impact of a relatively small increase – which a CPI plus 1,5% remains still – is not possible in any significant manner.

The actual difference between a CPI plus 1% versus a CPI plus 1,5% increase is of the domain of R17.50 which again we do not believe to be significant.

2. Conclusion

We conclude by referring to an opening paragraph of previous year's Report:

“The National Minimum Wage Act constitutes a decision to prioritise a more equitable pay structure that ensures working people do not live in poverty. In itself, that decision implies that costs for some employers will increase, but that they will be offset by the broader benefits to society of more equitable workplaces and remuneration systems. The Act provides for exemptions for employers who truly cannot afford the adjustment.”

We live in a country that is characterised by extreme income and wealth inequality. The state is obliged to take steps within all of its available resources, including legislative steps, to meet people's rights, both their fundamental rights and their socio-economic rights which include their right to sufficient food and water.

We believe that the Act is one such step taken by the state and for the reasons as set out above, as the undersigned Commissioners we believe that this recommendation is reasonable and appropriate in the circumstances.

Ms. Isobel Frye (Community)

Ms. Conti Matlakala (Community)

Mr. Tumelo Zwane (Community)

ANNEXURE A. QUALITATIVE ANALYSIS (Stakeholder responses on the implementation of the national minimum wage in the Domestic, Agriculture and Construction sector amidst the COVID-19 pandemic)

The Commission must undertake on-going monitoring of the implementation and impacts of the national minimum wage. The aim is to support evidence-based decision-making, and in particular to continually improve implementation while minimising unnecessary costs and maximising the benefits. The research reports will be published on the website of the Department of Employment and Labour at www.labour.gov.za.

The internal research team of the Department of Employment and Labour conducted a qualitative research study to understand the stakeholder responses in the construction, agriculture and domestic sectors. The study was a build-up from a previous study conducted by the Centre for Social Development (CSDA) at the University of Johannesburg(UJ) in the previous years. The study employed a purposive sampling technique to gather in-depth insights from relevant respondents in the agriculture, domestic and construction sectors (which typically have low median wages). Within each sector, a sample consisted of trade union representatives, employer organisations and economic and labour experts. This sample amounted to twenty-six (26) respondents; six (6) trade union representatives, thirteen (13) employer organisations and seven (7) experts in labour and economy related matters. Respondents were drawn from the agriculture, domestic and construction sectors.

The aim of qualitative research is not to provide a statistically significant sample but rather to explore views and experiences of stakeholders and experts in greater depth. The following are the main findings aligned to the objectives of the study.

Knowledge of the national minimum wage policy among workers and employers from the view of employee representatives and employer organisations

The research by Patel, Mthembu and Graham (2020) indicated that in the domestic sector both employers and employees had limited knowledge of the minimum wage requirements. In the current study it emerged that mostly unionised employees are aware of national minimum wage in the domestic sector, while employers are often unaware, from the perspectives of the respondents. In the Patel *et al* (2020) study, most employers and employees in the agriculture sector indicated that they knew about the national minimum wage; however, in the current study there was an indication that the employers knew about the national minimum wage while

employees had a relatively lower level of knowledge. In the construction sector both the employers and employees report as being aware of the national minimum wage. The experts indicated that they saw no proper education and awareness campaigns on the Act.

Views on the level at which the national minimum wage is set

In Patel *et al.* (2020), employees considered that the minimum wage for farm workers and domestic workers was too low. Employers generally expressed support for a living wage for domestic workers, but several expressed concerns about affordability. In the agriculture sector, several employers argued that increases in the minimum wage since 2012 were excessive and had a negative impact on the viability of their businesses.

In the current study, the agriculture and domestic sector employee representatives were of the view that the national minimum wage offered hope of a living wage, although it started low. The employer organisations in the agricultural sector felt that the national minimum wage was not taking into consideration other factors that affect the sector and this could subsequently lead to job shedding and mechanisation. In the construction sector, neither the employer, nor the employee representatives raised concerns regarding the level at which the national minimum wage was set.

Is national minimum wage a good policy tool in addressing labour issues?

In the current study, an extra question was added to better understand if the national minimum wage was viewed as a good policy tool in addressing labour issues. The experts indicate that it is too soon to establish the impact of the national minimum wage. However, there is a general consensus amongst the experts that the national minimum wage is a good policy, which requires little amendments.

Effects of national minimum wage on employment, wages and working conditions

Patel *et al.* (2020) found that in the domestic sector, the national minimum wage did not affect non-wage benefits; however, in the agricultural sector there were reductions observed in these benefits. In the domestic and construction sector, no evidence was reported on the effect on employment and hours, and all reported changes were attributed to COVID-19 and the decline in the economy. The agricultural sector already reports an effect on employment. A common theme in the domestic and agriculture sector is that the sectors indicate feeling unheard and under-represented in decision-making platform. It is quite evident from the findings that the

impact of the national minimum wage on hours, employment and non-wage benefits could not be easily separated from the impact of COVID-19 on businesses and other economic factors.

Compliance

Patel *et al* (2020) suggested broader compliance in agriculture, with slightly lower compliance levels in domestic work. In the current study lower compliance is reported in the domestic sector by both employer and employee representatives. Arguably, the affordability of the national minimum wage is said to be based on the area or location and the socioeconomic status of employers. In the domestic sector, employees perceived a high rate of exploitation mainly due to a lack of enforcement. In the construction sector, both employer and employee representatives report compliance.

The agricultural sector employer reported high levels of compliance despite concerns that the national minimum wage was unaffordable. The agricultural sector employee representatives indicate that compliance is only high if a business is unionised. The experts also observe a lack of compliance on the part of employers and suggest that the national minimum wage is set too low. One other important finding that kept emerging from various respondents is that employers generally do not find the systems of the Department of Employment and Labour user friendly. This consequently leads to non-compliance with national minimum wage and other legislation in the organisation.

COVID-19 impact

Employee representatives in the domestic sector report that the pandemic negatively affects the working conditions of employees in the domestic sector. The construction sector also report that retrenchments took place during the strict lockdown period. The employee representatives in the agricultural sector felt that the sector was impacted by COVID-19 and they felt that employers also used it as an excuse not to pay the national minimum wage. The wine industry reports having been hit the hardest due to the constant restrictions imposed on the sale and purchase of alcohol during the lockdown period.

Patel *et al.* (2020) gathered limited data on the impact of COVID-19 as the study was conducted at the start of the pandemic. However, similar to the current study, it indicates that the domestic sector was impacted greatly while agriculture sector was not affected as they offered an essential service.

To assess the views of experts in labour and economics on the national minimum wage

The experts who participated in the study raised concerns over the usability and availability of data from the Department of Employment and Labour. They further highlight that the lack of adequate information dissemination, enforcement, and inspection from the Department of Employment and Labour led to lack of compliance. The level at which wages were set was queried by the experts; there was a feeling that the national minimum wage was set to low, thereby hindering the impact of the Act being readily observed.

Recommendations**Knowledge of national minimum wage**

- The Department of Employment and Labour should evaluate the effectiveness of education drives and awareness campaigns on any new legislations promulgated to identify gaps to ensure that the message reaches all citizens especially in rural areas.
- A thorough detailed study on the affordability of the agricultural sector should be conducted to ensure the sector does not mechanise or lose seasonal workers due to the national minimum wage.

Effect on employment, hours and working conditions

- The lack of consultation in decision-making seems to be a troubling matter in the domestic and agricultural sectors. The NMWC needs to revert to proposals and other concerns tabled by the sector to identify the reason for the outcry and concerns in the sectors.

Compliance

- There is an outcry regarding the non-user-friendly systems of the Department of Employment and Labour. This discourages compliance of the employers and employees. The department should look into these systems to ensure that they are easy to access for the general public. Over and above the availability and readiness of data, the Department of Employment and Labour needs to conduct a data cleaning and collation project to ensure the organisation has usable and accessible data for research purposes.

ANNEXURE B: QUANTITATIVE ANALYSIS (An Assessment of the 2020 National Minimum Wage Increase)

The Commission contracted the DPRU at UCT to undertake a quantitative research regarding the impact of the introduction of the national minimum wage.

The DPRU assessment provides a statistical analysis of data from the QLFS. It focuses on three variables, namely wages, hours of work and employment, to evaluate:

- Changes in the share of workers earning less than the national minimum wage, in the median wage, and in the wage levels for lower-paid deciles.
- Changes in employment especially for lower-paid workers, by industry, type of employer, and wage decile.
- Changes in hours of work and other non-wage benefits (paid leave, sick leave etc.).

The report focuses on changes to the national minimum wage that were introduced in 2020, specifically a 3,8% increase in the legislated wage. The data that was used covers the period from the first quarter of 2020 to the first quarter of 2021 and examine changes to working hours, employment, wages and non-compliance. However, the period under review is unique in that the COVID-19 pandemic hit South Africa at roughly the same time as the national minimum wage was increased, and the country's first and most severe lockdown was introduced just a few weeks after the new wage floor came into force. These external events had immediate and severe economic consequences, and we measure some of the major labour market impacts. Notably, both the timing and the magnitude of the COVID-19 effects make it extremely difficult to isolate the influence of the national minimum wage increase, which itself was relatively small. The pandemic also forced Stats SA to change their data collection strategy for the QLFS) – the dataset upon which this analysis depends – and this introduces another layer of analytical complexity. As a result, the report is largely limited to descriptive labour market changes over the period, paying specific attention to outcomes for workers covered by the national minimum wage.

NMWC can make recommendations regarding future changes to the national minimum wage. A short summary of key findings from the analysis is presented below:

1. Aggregate Outcomes for All Workers

Workings Hours

For the employed, weekly working hours plummeted between 2020-Q1 and 2020-Q2, falling from an average of roughly 42 to 35 – a quarter-on-quarter decrease of 16%. Only the agricultural sector, and to a lesser extent the financial sector, appear to have been partially protected from this sharp decline. This is likely due to the agriculture sector being largely exempt from lockdown closures and the work-from-home flexibility of many financial sector jobs. Notably, by the end of the year, in 2020-Q4, weekly hours of work have rebounded back to equilibrium levels, among those who remained employed.

Employment

The immediate employment impact of the pandemic was a loss of 2.2 million jobs and the distribution of these losses were uneven. 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 site of the most significant decreases. Notably higher job loss rates are observed among workers who earned lower wages prior to 2020-Q1. Unlike hours of work, many of the jobs that were lost have not been regained and by 2021-Q1 the total employment remained 1.4 million lower than a year earlier.

Wages

Wage changes over the 2020 period are a more complicated trend to assess given the large working hours and employment shifts taking place as well as limitations introduced by the new survey in 2020-Q2. 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, the rising average wage may be partially explained by lower wage workers losing their jobs. There is considerable variation in wage trends across main industry groups, skill level and sector of work, but at this stage, these should be treated with caution given the data limitations and the small sample size underpinning some estimates.

2. Aggregate Outcomes for Covered Workers

The aggregate trends described above are slightly different for workers that are covered by the national minimum wage, that is, workers earning below the national minimum wage and thus subject to the legislated increase. Changes in working hours, employment, wages and non-compliance experienced by this group of workers over the period are summarised here.

Working hours

There are no significant differences in working hours' trends between covered and uncovered workers –i.e. those earning above the national minimum wage. Our econometric results reinforce this finding. In general, hours of work for both groups fall rapidly between 2020-Q1 to 2020-Q2 and then begin to recover. However, it is clear that overall covered workers work more hours per week than their higher-earning counterparts – approximately 45 hours per week versus 42, on average.

Employment

Employment for both covered and uncovered workers drops precipitously in 2020-Q2, but the decline is larger for covered workers, where employment of covered workers falls by 17% and employment of those earning above the national minimum wage falls by 11%. The immediate job losses experienced among covered workers in 2020-Q2 were largely absorbed in four main industries – Wholesale and Retail Trade, CSP services, and Domestic Work. Together job losses in these four sectors account for 84% of the immediate employment decreases. Importantly, the marginal disproportionate employment impact on low-wage workers cannot be attributed to the national minimum wage increase and 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 national minimum wage, wage changes also shift the number of workers in each group.

Wages and Non-Compliance

Average hourly wages for both covered and uncovered workers appear to rise over the period, but we note that readers should be cautious of extrapolating too much from these results for reasons that are expanded on in the report. These wage increases appear to be marginally larger at the mean for workers in the sub-national minimum wage cohort, but slightly smaller at the

median. In any case, the measured differences are a matter of less than 4% at the median and 2% at the mean and are thus not suggestive of significantly different wage trends for workers covered by the national minimum wage law. Indeed, our econometric analysis supports this observation and we find no differential wage gains for covered workers after 2020-Q1, relative to uncovered workers, when controlling for demographic and labour market characteristics. Rates of non-compliance remain above 35% and are relatively stable. That is, the proportion of workers earning sub-minimum wages does not change much on average over the period, even with the new national minimum wage level. However, across industries, there is considerable variation, with levels of non-compliance increasing by between 2% to 12% in the financial services, agriculture, transport, construction, and manufacturing sectors

ANNEXURE C: PUBLIC INPUTS

The Act requires that the NMWC to consider and reflect on alternative views, including the interest of the public when the annual adjustment. It is for this reason that the Commission sought submissions from the public, labour and business on whether the National Minimum Wage should be increased and the extent of such an increase

Thirty (30) written submissions were received by the Department of Employment and Labour; from trade unions (2), interested parties (9), employees' representatives (2), and employers' representatives (17).

Views from employer representatives

About sixty percent (59%) of employer representatives did not support an increase in the minimum wage and these employer representatives were mainly from the agricultural sector. They held the view that the 2022 minimum wage should remain unchanged because the minimum wage for farm workers had already increased by 16% in the previous year. They emphasise that regard should be given to the fact GDP decreased by 7% in 2020 and total employment also decreased by 86 000 from 2021-Q1 to 2021-Q2), while the sector experienced huge increases in prices of key factor inputs such as electricity, fertiliser, and herbicides. Despite agriculture being a typically labour intensive sector, mechanisation seems like an economically viable option amidst increasing prices and a growing wage bill.

Applications to be exempted from paying the minimum wage doubled in number. It is for this reason that they argued that the minimum wage, unaffordable, and unsustainable, particularly in the agricultural sector. The increase in the minimum wage is said to have adverse effects on employment as it tends to push workers into the informal sector.

It is against this background that employer representatives reject an increase in the minimum wage and thus recommend that companies and employers must be afforded some relief to recover from the hard times they have had to endure in the previous year. It is their view that government should, at this stage, prioritise retaining current jobs and create new ones.

Although 41% of employer representatives welcome an increase in the national minimum wage, they note that some neighbouring countries have far lower minimum wages than South Africa, giving them a competitive advantage over South Africa.

Construction and textiles sector employer representatives recommended an adjustment of the national minimum wage in line with the CPI, similarly the employer representatives in the agricultural sector recommend a minimal increase in line with CPI or CPI plus 1,5%, at most.

Views from employee representatives

About half of employee representatives reject the increase in the national minimum wage, citing that the minimum wage increases tend to have adverse employment effects on the youth. Employees hold the sentiment that the minimum wage needed to be increased, as the cost of goods and services has increased. They note that a drastic increase could be detrimental to business and employment.

Views from organised labour

Organised labour unanimously propose an increase in the level of the national minimum wage. For 2021, citing that an increase in had previously shown a positive impact for workers in terms of raised wages and additional income which improved their buying power. Organised labour also raises the concern that some employers are already (allegedly) cutting their labour force as they cannot afford to pay at the current minimum wage. This makes mechanisation a more economically viable solution than human labour.

Domestic workers' wages should be equalised to the national minimum wage from 1 January 2022. Many sectors of the Expanded Public Works Programme (EPWP) and Community Works Programmes (CWP) supposedly still pay below the national minimum wage.

They are also of the view that the income threshold of the Basic Conditions of Employment Act (75 of 1997) was eroded after repeated years of not adjusting it to CPI.

They argue that the enforcement of the national minimum wage had some critical weaknesses and the national minimum wage Commission ought to set a progressive medium-term target that is linked to a living wage and table a reasonable road map to achieve that.

Congress of South African Trade Unions (COSATU) recommends that a minimum wage must be rounded up to the nearest Rand (ZAR) and propose an increase of CPI plus 3%. South African Parastatal and Tertiary Institutions Union (SAPTU) recommends that the minimum wage should be on a sliding scale that is linked to years of experience and training.

Views from interested parties

The majority (45%) support an increase of the minimum wage, while about a third (33%) oppose the increase. Those who support an increase in the level of the minimum wage are also in favour of an equal living wage, as opposed to the exclusion of certain sectors of workers from the full national minimum wage. The proposal on the national minimum wage increase includes: less than CPI, 3% and a sliding scale that is based on experience and training. Parties that do not support an increase in the national minimum wage posit that the wage increase alone is ineffective in addressing income inequality. They also note that the cost of living has significantly increased during the COVID-19 pandemic, disproportionately affecting the poor.

ANNEXURE D: What has been the impact of the National Minimum Wage on Collective Bargaining?

One of the functions of the Commission (section 11(b)) is to investigate and report annually to the Minister on the impact of the national minimum wage on the economy, collective bargaining and the reduction of income differentials and make such information available to the public.

This necessitates that research should be conducted on different aspects in order to inform the Commission on the impact of the national minimum wage. Section (2) of the Act, states that:

The purpose of this Act is to advance economic development and social justice by—

- improving the wages of lowest paid workers;
- protecting workers from unreasonably low wages;
- preserving the value of the national minimum wage;
- promoting collective bargaining; and
- supporting economic policy.”

Considering the mandate of the Commission and the purpose of the national minimum wage, the report aims to explore the impact of the Act on collective bargaining in the first years of its implementation. Representatives from ten Bargaining Councils were interviewed through using the Zoom platform. These are councils with one or more wage rates that were situated below or close to the level of the national minimum wage at the time of implementation in January 2019.

The experiences and perceptions of these councils emanate from industries where the national minimum wage is actually relevant. Bargaining councils are the most representative bodies on the collective bargaining landscape. They provided us with a more representative view of the national minimum wage than any other role-player.

The study aims to answer the following questions:

- Were there shifts in the main agreement (pay and conditions of service) in 2019 or 2020 that were a direct response to the implementation of the Act in 2019?

- Do you know of instances where wages have been lowered down to the level of the national minimum wage? If yes, where did this occur?
- Did the implementation of the national minimum wage have an effect on the number of applications for exemption to the council?
- What is your perception of the impact of the national minimum wage on collective bargaining in your sector and wages in particular, before and after the implementation of the Act in January of 2019? Do you have any evidence to support your perception?
- Is the national minimum wage a contentious issue in your industry or sector? If yes, how does this manifest?
- In your experience, how do the parties to collective bargaining view the national minimum wage? (positive, neutral, or negative).
- Do you know of instances where wages have been raised significantly to bring them in line with the level of the national minimum wage? If yes, where did this occur?
- What are your perceptions of the impact of COVID-19 on collective bargaining in your sector or industry?
- Do you agree or disagree with this statement? “The impact of COVID-19 is a more decisive factor in collective bargaining in 2020/2021 than the national minimum wage.”
- Do you agree or disagree with this statement? “If there had not been a national minimum wage in place, minimum wages and conditions of service would have fallen below the level of the national minimum wage because of COVID-19 and its effect on companies.”
- Do you agree or disagree with this statement? “The national minimum wage promotes collective bargaining.”

Findings

- (a) Were there shifts in the main agreement (pay and conditions of service) in 2019 or 2020 that were a direct response to the implementation of the national minimum wage Act in 2019?
- The adjustments to wages that can be attributed to the national minimum wage tended to be at the very bottom of the council wage rates.
 - There were significant increases in minimums in hairdressing and cosmetology, the electrical industry, the furniture manufacturing industry, and the private security industry.
 - In the case of the electrical industry, we find that the increase was for an occupational grade that is hardly used.

- Outside of these examples, relatively few adjustments were made and relatively small adjustments were made.
 - Several councils reported confusion among employers as to which rate held primacy, the national minimum wage or the council minimums.
- (b) Do you know of instances where wages have been lowered down to the level of the national minimum wage? If yes, where did this occur?
- Generally speaking, there were no instances of rates being lowered to the level of the national minimum wage.
 - In cases where the national minimum wage was close to but below the existing council rates, the national minimum wage was perceived to either edge compliance closer to council rates or to create stickiness at a level just below the council rates.
- (c) Did the implementation of the national minimum wage have an effect on the number of applications for exemption to the council?
- Generally speaking, the introduction of the national minimum wage did not result in an increase in applications for exemption. Where there are applications, the councils gave the impression that they were inclined to grant exemptions.
- (d) What is your perception of the impact of the national minimum wage on collective bargaining in your sector and wages in particular, before and after the implementation of the Act in January of 2019? Do you have any evidence to support your perception?
- Generally speaking, councils report that the national minimum wage had a very limited impact on collective bargaining.
 - The clearest indication of impact came from the hairdressing and cosmetology trade and here, the distinction between metro and rural areas was definitive.
 - Strong area-based differences emerge in some other councils too.
 - The national minimum wage appears to have interacted with existing cultures of compliance and non-compliance in predictable ways.
- (e) Is the national minimum wage a contentious issue in your industry or sector? If yes, how does this manifest?
- With two notable exceptions, the national minimum wage was not considered a contentious issue for the industry.
 - The respondent from the hairdressing and cosmetology trade indicates that it is a contentious issue on the ground, especially in non-metro areas.

- The respondents from the building industry express strong views on the EPWP rates that form part of the national minimum wage Act. The proliferation of EPWP contracts in their sector causes confusion and conflict as these contracts introduce very low rates into a sector that has established significantly higher wage norms.
 - The building industry council recommends that the EPWP rates should only apply to unskilled labour.
- (f) In your experience, how do the parties to collective bargaining view the national minimum wage? (positive, neutral or negative).
- Generally speaking, the national minimum wage is viewed in a positive light. The actual level of the national minimum wage is of heightened interest in the hairdressing and cosmetology trade, Motor Industry Bargaining Council (MIBCO), the restaurant, catering and allied trades, and the private security industry.
- (g) Do you know of instances where wages have been raised significantly to bring them in line with the level of the national minimum wage? If yes, where did this occur?
- There were only a handful of large shifts in wages.
 - Where wages did have to increase to be in alignment with the national minimum wage, the shifts were generally from levels that were already quite close to the national minimum wage.
 - The respondents in the restaurant, catering, and allied trades make a noteworthy distinction between the hourly and monthly expression of the national minimum wage.
 - The distinction between R20.00 per hour and R3 500.00 per month are viewed quite differently and are understood as different commitments. The sense was that employers are more comfortable with R20.00 per hour than R3 500.00 per month, for obvious reasons. Bargaining councils generally express their minimum rates as hourly wages.
 - There is an indication from several councils that employers are more aware of the national minimum wage than the council rates, especially when it comes to the parts of their constituencies that are more remote. More than one respondent indicated that non-compliant employers felt more obliged to comply with the national minimum wage than the council rates.
- (h) What are your perceptions of the impact of COVID-19 on collective bargaining in your sector or industry?
- Generally speaking, COVID-19 has a significant impact on all industries.

- The responses to COVID-19 are varied and include closure, retrenchment, wage freezes, the reduction of working hours, the reduction of benefits, and the lowering of benefit payments.
- (i) Do you agree or disagree with this statement? “The impact of COVID-19 is a more decisive factor in collective bargaining in 2020/2021 than the national minimum wage.”
- There was unanimous agreement that COVID-19 is a more decisive factor in collective bargaining in 2020/2021 than the national minimum wage.
- (j) Do you agree or disagree with this statement? “If there had not been a national minimum wage in place, minimum wages and conditions of service would have fallen below the level of the <https://www.sars.gov.za/contact-us/make-an-appointment/> because of COVID-19 and its effect on companies.”
- Seven (of the ten) respondents agree that the national minimum wage acts as a floor for enterprise responses to COVID-19.
 - In other words, the national minimum wage places a limit on the wage compromises or sacrifices that are made in response to COVID-19.
 - It is the author’s view that this dynamic is reinforced by the fact that the minimum Temporary Employer/Employee Relief Scheme (TERS) relief is benchmarked to the monthly level of the national minimum wage.
- (k) Do you agree or disagree with this statement? “The national minimum wage promotes collective bargaining.”
- Two (of the ten) councils agree with the statement.
 - Four (of the ten) councils disagree with the statement that the national minimum wage promotes collective bargaining.
 - A further four (of the ten) councils express mixed views about the statement.
 - The approach by the Department of Higher Education to MIBCO to align industry learnership rates with the significantly lower rates in the national minimum wage Act is noteworthy, as is the council’s response.

Conclusion

Outside of four councils, relatively few adjustments were made and relatively small adjustments were made. There exists confusion among employers as to which rate held primacy, the national minimum wage or the council minimums. In cases where the national minimum wage is close to but below the existing council rates, the national minimum wage is

perceived to either edge compliance closer to council rates or to create stickiness at a level just below the council rates.

Generally speaking, the introduction of the national minimum wage did not result in an increase in applications for exemption. Councils report that the national minimum wage has a very limited impact on collective bargaining. Strong area-based differences exist within councils. The national minimum wage appears to interact with existing cultures of compliance and non-compliance in relatively predictable ways. In cases where the national minimum wage is close to but below council minimums, the Act inadvertently undermines a council to some extent.

There exists agreement that COVID-19 is a more decisive factor in collective bargaining in 2020/2021 than the national minimum wage. Seven (of the ten) councils agree that the national minimum wage has acted as a protective floor during COVID-19. Only two (of the ten) councils believe that the national minimum wage promoted collective bargaining.

The building industry council recommends that EPWP rates should only apply to unskilled labour. This is a noteworthy distinction between the hourly and monthly expression of the national minimum wage. The national minimum wage carries more weight than council minimums. The approach by the Department of Higher Education to MIBCO to align industry learnership rates with the significantly lower rates in the national minimum wage Act is noteworthy, as is the council's response.

ANNEXURE E: Hourly average and median wage, 2021-Q1

Table 4: Hourly average and median wage, in current rand, first quarter 2021

	Hourly Wage (2020-Q1)	
	Mean/ (standard errors)	Median
Working Age (15-64)	59.27	24.06
	(1,37)	
Formal Sector (non-agricultural)	76.18	34.87
	(2,00)	
Farmworkers	18.04	16.67
	(0,82)	
Domestic Workers	21.75	15.59
	(1,16)	

Source: Stats SA QLFS Q12021 (own calculations: DPRU). *Notes.* Standard errors for mean values are in parenthesis.

The above table is based on a sample of employees in the QLFS who report earnings data, which is approximately 70% of the employed sample (no imputation for missing data was done). Rand value responses, as well as bracket responses, are used to impute Rand values within each bracket. Wages are converted to hourly values based on the usual weekly hours worked. Sampling weights provided by Stats SA are used.

It should be noted that due to the pandemic, Stats SA had to change their data collection methodology for the QLFS from face-to-face interviews to “computer-assisted telephone interviewing” (CATI). To facilitate CATI, the sample used for QLFS 2020-Q1 was also used in 2020-Q2, 2020-Q3, 2020-Q4 and 2021-Q1. However, not all dwelling units on the sample had contact numbers, and as a result, the data was only collected from the part of the sample for which contact numbers were available for QLFS 2021-Q1. The dwelling units for which contact numbers were not available as of 2020-Q1 retained the status that they had in 2020-Q1. Another key aspect in the QLFS between 2020-Q1 and 2021-Q3 is the considerable drop in responses rates, particularly in Gauteng and KwaZulu-Natal. The low response rates may be attributed to a change in collection methodology, as well as the July violent protests.

Given the multiple factors to consider, caution should be exercised when interpreting the survey results, as well as when drawing comparisons with figures from previous annual review reports.

ANNEXURE F: QLFS employment by occupation, 2021-Q3

Occupation	Jul-Sep 2020	Apr-Jun 2021	Jul-Sep 2021	Qtr-to-qtr change	Year-on- year change	Qtr-to-qtr change	Year-on- year change
	Thousand			Per cent			
Total	14 691	14 942	14 282	-660	-409	-4,4	-2,8
Manager	1 313	1 406	1 342	-64	30	-4,5	2,2
Professional	1 019	992	946	-46	-72	-4,6	-7,1
Technician	1 318	1 320	1 235	-84	-82	-6,4	-6,2
Clerk	1 526	1 474	1 411	-63	-115	-4,3	-7,6
Sales and services	2 400	2 322	2 149	-173	-251	-7,4	-10,5
Skilled agriculture	61	45	63	18	2	40,5	3,8
Craft and related trade	1 575	1 599	1 526	-73	-49	-4,5	-3,1
Plant and machine operator	1 216	1 242	1 219	-22	3	-1,8	0,3
Elementary	3 384	3 605	3 534	-71	150	-2,0	4,4
Domestic worker	864	892	856	-36	-8	-4,0	-0,9

*Note: Total includes 'Other' occupations.

Due to rounding, numbers do not necessarily add up to totals.

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