

NATIONAL MINIMUM WAGE IN SOUTH AFRICA: The Basics

Fact Sheet 1 – August 2015

BASIC WAGE & POVERTY STATISTICS

ALL EMPLOYEES

Average wage: R8 669

50% of workers earn below:
R3 640

FORMAL SECTOR EXCLUDING AGRICULTURAL AND DOMESTIC WORK

Average wage: R10 274

50% of workers earn below:
R4 680

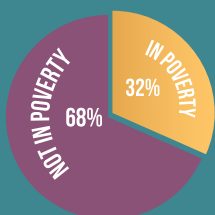
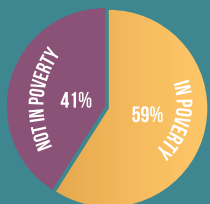
POVERTY

Estimated cost of essential
food and non-food items to
survive

For one person: R1 319

For a household of four:
R5 276

NATIONAL POVERTY RATE



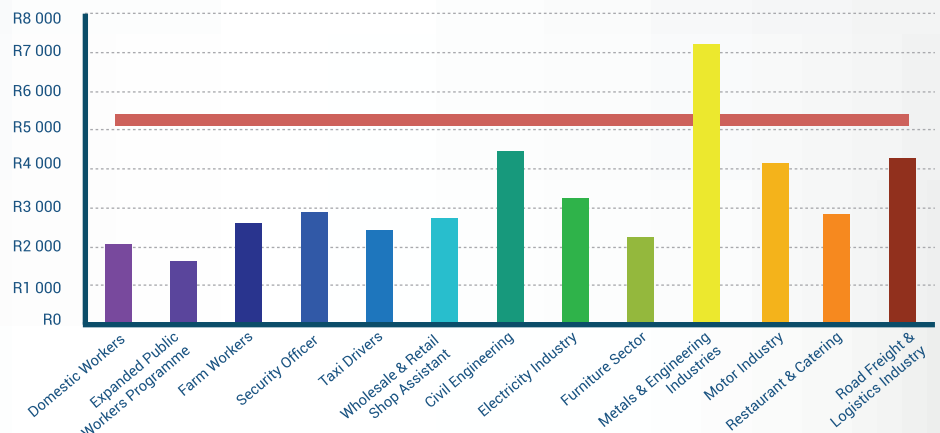
POVERTY RATE FOR WAGE EARNERS

Source:

–Finn, A. 2015, *A National Minimum Wage in the Context of the South African Labour Market*, National Minimum Wage Research Initiative, Working Paper Series No.1, University of the Witwatersrand

All figures refer to “full-time” wage earners (working 35 hours or more hours per week), all in April 2015 rands.

Selected Sectoral Minimum Wages and Poverty Line for One Wage Earner and Three Dependents¹



CURRENT MINIMUM WAGE LEGISLATION

Minimum wage determination can take place in three ways:

Sectoral determinations are minimum wages set by the Minister of Labour on the advice of a panel of experts, the Employment Conditions Commission (ECC), comprised of academics, and business and labour representatives. Sectoral determinations exist in sectors where workers are deemed to be particularly vulnerable or where collective bargaining is weak.

In other sectors minimum wages are set by **Bargaining Council agreements**, which are negotiated between trade unions and employer associations in a particular sector. The agreements reached are usually extended by the Minister of Labour to cover all workers and all employers in the sector. Minimum wages can also be set through **company level collective bargaining** which occurs directly between trade unions and employers in a particular company or group of companies. These agreements apply only to the parties involved. In most cases the company level agreement is for actual, not minimum, wages.

Some sectoral determinations have only one minimum wage, while others have multiple, related to location, job grades and hours worked within that particular sector. All Bargaining Council and company level agreements have multiple rates.

VIOLATIONS OF MINIMUM WAGES

Research on sectoral determinations indicates that in 2007 45% of workers were paid less than the stipulated minimum wage. On average these workers earned 36% below the sectorally determined minima.² Further and more up-to-date research is needed given that this figure is higher than considered likely by employer and labour bodies and could reflect under-reporting of wage income. Internationally it has been shown that a national minimum wage is easier to enforce than a complex system of sectorally determined minima.



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www.nationalminimumwage.co.za

¹ These refer to minimum wages in selected sectoral determinations and bargaining council agreements.

² Bhorat, H., Kanbur, R., and Mayet, N., 2011. Minimum Wage Violation In South Africa. Cornell University, Working Paper No.126534.

A NATIONAL MINIMUM WAGE

A national minimum wage provides a **national floor below which no wages can fall** (subject to any exclusions stipulated in the legislation). This has two main motivations. First, to ensure that workers earn enough so they and their family can afford their basic needs. Second, to help change highly unequal wage structures.

Higher minimum wages in specific sectors or for particular categories of workers can still be set by government (as with sectoral determination) or via collective bargaining.

Generally speaking, a minimum wage is **different from a living wage** or decent wage which focus on a wage needed to not just survive but to live a “decent” life. Living wages are sometimes used to guide the level of minimum wages.

MINIMUM WAGE SYSTEMS

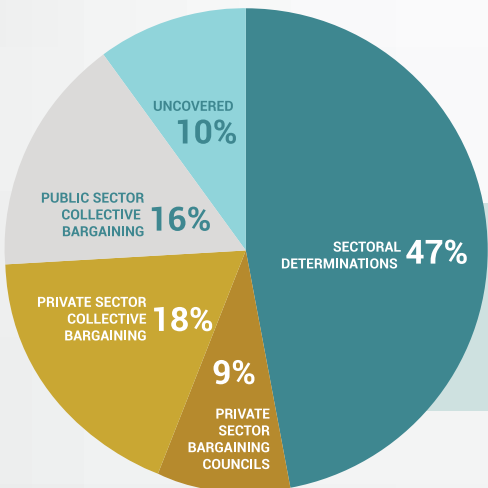
Today, **minimum wages exist in 90% of ILO member states**. Three broad approaches exist: a national minimum wage; sectoral, occupational or regional minimum wages; and hybrids of the two. Approximately half of all countries with minimum wages have national minimum wages. Developing countries are increasingly turning to the use of minimum wages as part of broader welfare policy interventions; examples of this include Brazil, Russia, China, Kenya and Malaysia. Even advanced economies, such as the UK and Germany have recently introduced a NMW.

WHY A NATIONAL MINIMUM WAGE?

The advantage of a sector-specific wage-setting system, as is current practice in South Africa, is that it promotes collective bargaining in sectors represented by workers' organisations, while allowing the government to lead a wage-setting process for workers in unrepresented sectors. Furthermore, because minimum wages vary not only by sector but also in some instances by geographic location, firm size, occupational category, experience, skill level and whether the worker is full time or part time, sectoral wage determinations can respond to the diverse range of work arrangements.

However, there are a number of design and implementation challenges that come with a sector-specific minimum-wage system. First, not all employees are covered by collective bargaining agreements or sectoral wage determinations. An estimated one million workers are currently excluded from minimum wage coverage.³ Second, the complexity of such a system can have negative implications for compliance and enforcement, particularly where resources for labour administration are limited; with 124 wage schedules, South Africa has the highest number in sub-Saharan Africa.⁴

Third, sectoral minimum wages tend to set lower wages for sectors that primarily employ women, young workers, migrant workers and people with disabilities, thereby perpetuating wage inequality.⁵ In South Africa, paid domestic work, for example, is the second most important source of employment for women yet the hourly rate for a domestic worker is the lowest of any sectoral determination. Fourth, the sectorally-specific wage setting process typically takes account of a more limited range of factors, with broader social objectives such as reducing poverty and inequality or providing a uniform “decent” standard of living overshadowed by sector-specific considerations. Finally, by considering each sector in isolation the potential positive effect for the economy overall of workers having more money to spend is not taken into account.



The adoption of a national minimum wage is an opportunity to simplify South Africa's minimum wage-setting mechanisms, strengthen collective bargaining, uphold the principle of equal pay for work of equal value, contribute to the reduction of poverty and inequality and improve compliance.

The National Minimum Wage Research Initiative is an independent academic research initiative run by CSID in the School of Economic and Business Sciences (SEBS) at the University of the Witwatersrand. It is undertaken in the context of a national dialogue on wage inequality and the potential institution of a national minimum wage (NMW) in South Africa.

Source: Borat (2015), Exploring Minimum Wage Impacts: Global Evidence and South African Considerations, Presentation to NEDLAC, 29 June 2015

³ DPRU, 2015. 'Exploring Minimum Wage Impacts: Global Evidence and South African Considerations'
⁴ Haroon Borat, Ravi Kanbur and Ben Stanwix, 2015. 'Minimum Wages in Sub-Saharan Africa: A Primer'.
⁵ ILO, 2014. Minimum Wage Systems: General Survey of the Reports on the Minimum Wage Fixing Convention, 1970 (No. 131), and the Minimum Wage Fixing Recommendation, 1970 (No. 135), International Labour Conference, 103rd Session, 2014.