

RE: For consideration by the Portfolio Committee on Labour into the National Minimum Wage.

Greetings.

Thank you for the opportunity to engage with the Committee.

We call on the Portfolio Committee on Labour to consider the political consequences of passing a poverty-level National Minimum Wage which with the possible amendments to the Labour Relations Act and Basic Conditions of Employment Act will be felt for generations. These will lock Black South African workers and their families into deeper poverty and reproduce the low growth, low wage and low jobs trajectory.

The following submission analyses the NMW within South Africa's historical racial context, our current and deepening economic crisis (including the massive affordability crisis as experienced by millions of South African families), and the massive struggles by workers to secure a decent wage. Our analysis shows that the NMW, when introduced, **will be a poverty wage.**

The National Minimum Wage is only a useful instrument **depending on the level at which it is set.** If set too low it risks institutionalizing a low wage regime; maintaining our current levels of wage inequality; and entrenching poverty within a very large portion of workers and their families. Setting the NMW at R20 an hour will do exactly that. It is important to further note that a number of sectors will be exempted or take longer to be phased onto the NMW; and workers may therefore not see any improvement in their wage levels *viz.* the NMW for farm workers is set at R18 an hour, domestic workers R15 an hour and expanded public works workers R11 an hour (see more Appendix 1: page 4).

We see wages as a primarily political instrument and feel that wages need to be conceptualised more broadly in terms of what is good for society, investing in our social base as a platform for improved social outcomes (health, education, and policing etc.), improved economic development; and alleviating the pressure on our social security system when workers retire.

We should analyse wages, not just from an angle of productivity and surplus value, but from the perspective of the expectations of the worker to provide for the needs and well-being of his/her family and on what is good for society. The level of wages provided have to have some relationship to the affordability of goods and services; rates of employment and unemployment (which determine how many people are dependent on a wage); and in South Africa – a relationship to transforming a low-wage regime, restructuring our economy and labour market; and dealing with excessive wealth.

We consider the NMW's maximum hourly rate of R20 within South Africa's current economic context affecting workers and their families:

- Statistics South Africa's Quarterly Labour Force Survey (QLFS) for the 4th quarter of 2017 shows that the unemployment rate for Black South African workers is 30% and the expanded unemployment rate is 40.7%.ⁱ **8.3 million Black South Africans of working age are unemployed.** Looking at the expanded unemployment rates over the past several years, the data shows that there has been:
 - a) Little change in the racial structure of unemployment;
 - b) Little change in the rate of unemployment (although they have got worse);
 - c) The levels of unemployment for Black South African workers have stagnated at extremely high levels.
- Our unemployment rates are so high that we have to look at the numbers of workers who are actually employed to get a sense of how households are getting by. For this we have to look at the labour absorption rate (the proportion of the working age population that are employed). The labour absorption rate for Black South Africans is 40.1%, meaning that **only 4 out of 10 Black South Africans of working age have a job** (12.1 million employed out of 30.1 million of working age).ⁱⁱ
- The very low and stagnating employment rates suggest that Black South Africans have been under severe financial pressure for a prolonged period of time and this trajectory is unlikely to change much going forward.
- Workers work to support their families. The wages of 12.1 million Black South Africans support 45.7 million personsⁱⁱⁱ who live in 13.5 million households.^{iv} It means that **most Black South African households typically rely on just one wage earner and this wage must support an average of 3.8 persons.** For lower income households the wage must spread further.

- When employment levels are very low and the numbers of persons to be supported off the wage are very high; **the level of the wage paid to the employed worker becomes extremely important.**
- Major structural inequalities on the basis of race are still a prominent character of South Africa's wage regime. The data over the past several years shows that South Africa's low baseline wage regime has not been transformed for the majority of Black South African workers. Trends in median wages show that the wages paid to Black South African workers are extremely low and have stagnated at these low levels. The median wage for Black South Africans is R2 900 a month (as at 2015).^v
- The NMW Bill does not guarantee a national monthly minimum wage or a guaranteed number of working hours. It means that the calculations which tallied up the R20 an hour by 8 hours over 21.875 days arriving at a monthly figure of R3 500 is, for millions of the most vulnerable workers, extremely unlikely.
- However even at an unlikely maximum of R3500; the NMW when dispersed through a family of 4 persons equates to R875 per capita a month and falls below Statistics South Africa's latest upper bound poverty line of R1 138 per capital a month (April 2017). It shows that even at its maximum, **when dispersed through a family the NMW will be a poverty wage.**
- Wages are used to buy goods and services to support families. The R875 per month barely meets the R682.01 February 2018 cost of securing the minimum monthly nutritional needs of an active male worker.^{vi} When transport costs are deducted from the R3 500; the per capita value drops even further to R743 per capita (a Pietermaritzburg return kombi trip of R24 over 22 days, R528 goes to transport – reducing the total NMW to R2 972). Deducting for transport for the employed worker moves the NMW **below Statistics South Africa's Lower Bound Poverty Line of R758 per capita a month** (April 2017). At this level households are unable to secure both food and non-food items and are therefore forced to sacrifice food to secure essential non-negotiable non-food expenditures.
- PACSA, for the past two and a half years, has been tracking the affordability and cost of a limited basket of essential basic goods and services^{vii} which households living on low incomes in Pietermaritzburg require to live at a basic level of dignity. In February 2018 the cost of these goods and services for a household of five came to R6 566.04 per month. For households relying on an income of R3 500 it would mean that they come up R3 066.04 short; and would therefore have to cut back or forgo essential goods and services required for dignity, household functioning, health and well-being.

Setting the NMW at a poverty wage means that it will be impossible for workers and their families to eat properly as transport, electricity; education expenses and other essential costs compete viciously with the food budget. This has severe implications for productivity and the ability of workers to resist illnesses. Worker's families will not be able to meet even the essential goods and services required to live at a basic level of dignity, draw on savings to absorb shocks^{viii} or allow workers to save towards their retirement and invest in production to create work.

The NMW will trap working families into ever deeper cycles of poverty; ill-health and debt; and will continue to undermine our social and economic base. The poverty-level NMW will not provide workers with higher levels of discretionary income so as to demand goods and services and drive a recovery in the economy. It may decrease the depth of extreme poverty in some households; but it is not enough to enable low-income households a way out of poverty and nor will it act to transform society and the economy.

Instead, we expect that the NMW will institutionalize and legalize the low wage regime; it will constrain any substantial economic transformation in our economy and labour market and allow the massive racial wage inequalities and scandalous levels of wealth to continue. It will lock South Africa into a low growth, low wage and low jobs trajectory.

With 9.2 million people unemployed, of which 8.3 million are Black South Africans and with the jobs trajectory unlikely to change any time soon; it seems to us that shifting the wage upwards for those who do have a job should be an urgent intervention to both assist workers and their families (who include unemployed workers) to better absorb the economic crisis whilst injecting money into pockets so workers can spend and therefore support the economic activity that remains. This is a critical intervention whilst other longer-term changes to the economic framework are made.

Unless the NMW moves beyond its current narrow framework, its implementation will simply continue the past trajectory of driving deeper inequality and poverty amongst not only the most vulnerable workers, not only amongst a very large portion of workers and their families but amongst **all of us**. In its current form the National Minimum Wage will not be an instrument that will bring change to South Africa's workers; instead workers will still work their whole lives and still end their lives in poverty; and our society and economy will continue to unravel.

What we require is real transformation: we require a living wage. The greatest safeguard to economic crisis is ensuring that workers are paid a living wage.

We call on the Portfolio Committee on Labour not to allow the continuation of the state's fundamental political error of not ensuring the transformation of our low baseline wage regime. Paying workers poverty wages has removed the possibilities for households to absorb shocks by drawing on savings; support economic activity by spending on goods and services; and if jobs do not come, to use savings to invest in capital to create work. A living wage is not just an imperative of the principle of justice, equity and dignity; it is a safeguard to economic crisis. Paying workers poverty wages removes the possibility of this fundamental safeguard.

The NMW could have been used as a tool to make a direct intervention to ensure that all workers are paid a living wage (in cash and via other means); and by doing so we could start to deal decisively with the historical and current injustices and inequity in our society. The NMW could have been a critical intervention to start dealing with our economic crisis: buffering its harmful effects and driving a recovery in the economy.

We are in a crisis, we need to find our way out of it, and we need to do this by thinking differently about our economy and how it serves society and how we use our economic instruments. We require different types of political questions which are informed by a long-term political vision of the type of society we all want to build.

The National Minimum Wage, locked into a narrow neoliberal framework, has been conceived far too narrowly. Wages are by their nature political. They should reflect the values of society and provide a means towards a strong and vibrant social, economic and political future.

It is disgraceful that in the context of our racial history, in the context of our current and deepening economic crisis, and in the context of massive struggles by workers to fight for a decent wage; that we have ended up with a poverty-level NMW of R20 or less an hour. That this hourly rate has no guaranteed national monthly minimum wage or guaranteed hours of work and that it is to be considered with changes to the Labour Relations Act and the Basic Conditions of Employment Act which will make it even harder for workers to fight to increase the NMW to that of a living wage, allowing the massive racial wage inequalities and scandalous levels of wealth to continue, is profoundly disturbing.

We call on the Portfolio Committee on Labour to:

- Reject the poverty-level of the National Minimum Wage.
- Reject the proposed changes to the Labour Relations Act and Basic Conditions of Employment Act.
- Call the panel who conceived the NMW level, all state actors and those who have supported this level to account for arriving at a poverty-level NMW.
- Review all the political questions underpinning the NMW, including how the NMW responds to our racist past and current economic crisis.
- Increase the NMW to a level which would provide **all** workers a living wage. PACSA's data suggests that this level would have to be set around R8 000 a month per worker to ensure that families are supported at a basic level of dignity and to enable transformation in our society and economy (see Appendix 2: page 5).

The political consequences of passing a poverty-level National Minimum Wage which with the possible amendments to the Labour Relations Act and Basic Conditions of Employment Act will be felt for generations. These will lock Black South African workers and their families into deeper poverty and reproduce the low growth, low wage and low jobs trajectory.

Yours sincerely



MERVYN ABRAHAMS
PACSA Director

PACSA | Pietermaritzburg Agency for Community Social Action

Tel 033 342 0052 | Cel 079 398 9384

mervyna@pacsa.org.za | www.pacsa.org.za | www.facebook.com/PACSAPMB

Appendix 1: The 'special' case of farm workers.

It has been suggested by the NMW Panel Report that the wages of more than 6.7 million workers may improve as a result of the NMW, as a wage level of R3 500 a month falls above their current pay.^{ix} However a number of sectors will be exempted or take longer to be phased onto the NMW; and workers may therefore not see any improvement in their wage levels. In this regard, the Panel fingers special categories of workers for a longer-phase-in time viz. farm workers, forestry sector workers and domestic workers because these workers are defined as *“very vulnerable to disemployment and are often poorly organised, which makes them especially vulnerable.”*^x

Listening to farm workers in the Western Cape in April 2017, we found that farm workers were indeed special but they were special for different reasons than those identified by the Panel.

- Farm workers work on the whims of the boss and the weather (amongst other factors): workers have very little control of when they will be called to work.
- Farm workers work strange and sometimes shorter and sometimes longer hours: they tend to start very early and finish before the sun gets too hot, and sometimes the working day gets drawn out with no pay increases related to the longer periods worked.
- For many farm workers, farm work is seasonal: work happens only at certain periods of the year.

These three points mean that farm workers may work more or less than 8 hours a day;^{xi} and that these hours have to carry them through the shorter periods in the week when they cannot work due to various on-farm factors and the long seasonal delays when there is no work. Because workers have very little control of when they work and how long they work in a day; they also struggle to find secondary employment to augment wages from the farm. The key to getting secondary employment (if any exists) is to be able to say on what day and at what time you are able to work.

The implications for wages, and specifically the National Minimum Wage is that it be structured in such a way as to ensure that farm workers are able to earn enough to carry them through the periods of shorter working hours, work day delays, seasonal delays; and that farm workers are mostly not in a position to augment the low baseline wage through income earned through other sources. It actually means that farm workers present a special case whereby their minimum wage hourly wage, their minimum daily wage and their minimum monthly wage should all actually be higher than the National norm because their working conditions are an exception to the norm.

We agree with the panel however that in sectors where the employer is organised and workers are not; that this is where the highest level of exploitation happens. We are also aware that high levels of unemployment are used by employers to pay workers less wages and treat them unfairly and badly (including dismissal or the Panels term of 'disemployment') because so many other people are looking for jobs and being desperate will take whatever is offered. We do not however think that postponing an increase in wages to South Africa's most vulnerable workers (and in a sector which is absolutely critical for South African society and national sovereignty) on the basis that they are vulnerable is reasonable. It seems to us that farm workers, forestry sector workers and domestic workers should be privileged along with all other workers earning poverty wages in ensuring that they receive a just and equitable wage; and it might just mean approaching the question of the NMW more broadly and imaginatively than within its current neoliberal framing.

Appendix 2: Income and expenditure for households of various socio-economic scenarios: February 2018.

Household socio-economic scenarios	Household A	Household B	Household C	Household D	Household E	Household F	Household G
Total household income	R 2 360.00	R 2 900.00	R 3 500.00	R 4 500.00	R 6 000.00	R 8 000.00	R 12 500.00
Number of household members	5	5	5	5	5	5	5
MINUS Minimum Nutritional food basket	R 3 004.88	R 3 004.88	R 3 004.88	R 3 004.88	R 3 004.88	R 3 004.88	R 3 004.88
Monies left over AFTER FOOD to buy some essential household requirements*	R -644.88	R -104.88	R 495.12	R 1 495.12	R 2 995.12	R 4 995.12	R 9 495.12
MINUS Burial insurance	R 200.00	R 200.00	R 200.00	R 200.00	R 200.00	R 200.00	R 200.00
MINUS Electricity and water	R 595.24	R 595.24	R 595.24	R 595.24	R 595.24	R 595.24	R 595.24
MINUS Transport	R 720.00	R 720.00	R 720.00	R 720.00	R 720.00	R 720.00	R 720.00
MINUS Education	R 500.00	R 500.00	R 500.00	R 500.00	R 500.00	R 500.00	R 500.00
MINUS Communication and media	R 150.00	R 150.00	R 150.00	R 150.00	R 150.00	R 150.00	R 150.00
MINUS Clothing and footwear	R 416.66	R 416.66	R 416.66	R 416.66	R 416.66	R 416.66	R 416.66
MINUS Domestic & household hygiene items	R 629.26	R 629.26	R 629.26	R 629.26	R 629.26	R 629.26	R 629.26
MINUS Cultural obligations	R 350.00	R 350.00	R 350.00	R 350.00	R 350.00	R 350.00	R 350.00
Monies left over AFTER FOOD & SOME ESSENTIAL HOUSEHOLD REQUIREMENTS secured	R -4 206.04	R -3 666.04	R -3 066.04	R -2 066.04	R -566.04	R 1 433.96	R 5 933.96

Please note expenditures above are the actual Pietermaritzburg-based costs of some important goods and services which PACSA calculates in conversations with women living on low incomes and tracks and updates through various research interventions. The expenditures reflected in the table are incomplete and exclude other important monies for debt repayments, health care, rent and emergencies amongst others; including monies for savings and investments.

ⁱ STATSSA (2018). **Quarterly Labour Force Survey, Quarter 4, 2017**. Statistical release P0211. Statistics South Africa. Pretoria. P21 & 39. See Link <http://www.statssa.gov.za/publications/P0211/P02114thQuarter2017.pdf>

ⁱⁱ STATSSA (2018). **Quarterly Labour Force Survey, Quarter 4, 2017**. Statistical release P0211. Statistics South Africa. Pretoria. P39. See Link <http://www.statssa.gov.za/publications/P0211/P02114thQuarter2017.pdf>

ⁱⁱⁱ STATSSA (2017). **Mid-year population estimates 2017**. Statistical release P0302. Statistics South Africa. Pretoria. P8. See link: <http://www.statssa.gov.za/publications/P0302/P03022017.pdf>

^{iv} STATSSA (2017). **General Household Survey 2016**. Statistical Release P0318. Statistics South Africa. Pretoria. P166. See Link <http://www.statssa.gov.za/publications/P0318/P03182016.pdf>

^v STATSSA (2016). **Labour market dynamics in South Africa, 2015**. Report no. 02-11-02 (2015). Statistics South Africa. Pretoria. P4-24. See Link <https://www.statssa.gov.za/publications/Report-02-11-02/Report-02-11-022015.pdf>

^{vi} February 2018 **PACSA Monthly Food Price Barometer**. P 5. See link: http://www.pacsa.org.za/images/food_barometer/2018/February_2018_PACSA_monthly_food_price_barometer.pdf

^{vii} The goods and services include: a minimum nutritional food basket, burial insurance, electricity and water, transport, education, communication and media, clothing and footwear, domestic & household hygiene items, and cultural obligations. These expenditures exclude other important monies for debt repayments, health care, rent and emergencies amongst others; including monies for savings (including for retirement) and make investments.

^{viii} The PACSA Food Price Barometer, which measures food price inflation on a basket of food which households living on low incomes try and buy each month increased by 16.1% between November 2015 and September 2017. P 14. See link: http://www.pacsa.org.za/images/food_barometer/2017/2017%20PACSA%20Food%20Price%20Barometer%20annual%20report.pdf

^{ix} A National Minimum Wage for South Africa (2016). **Final Draft. Recommendations on Policy and Implementation. A National Minimum Wage Panel Report** to the Deputy President. P39. See link: <http://www.treasury.gov.za/publications/other/NMW%20Report%20Draft%20CoP%20FINAL.PDF>

^x A National Minimum Wage for South Africa (2016). **Final Draft. Recommendations on Policy and Implementation. A National Minimum Wage Panel Report** to the Deputy President. P10. See link: <http://www.treasury.gov.za/publications/other/NMW%20Report%20Draft%20CoP%20FINAL.PDF>

^{xi} The current hourly wage is R15.39 for **Farm and Forestry workers sectors**. See link: <http://www.labourguide.co.za/workshop/1283-2017-minimum-wages-for-employees-in-the-farm-and-forestry-workers-sectors/file>