

## MEDIA RELEASE

To: All media  
Date: 13 February 2017  
Subject: National Minimum Wage: a response

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The statement from Deputy President Ramaphosa on the finalization of agreements on Labour Stability and a National Minimum Wage [NMW], as well as the radical economic transformation narrative put forward by President Zuma in the State of the Nation Address calls for a response.

The NMW is 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.

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.

The current economic context affecting workers and their families is shaped by:

- The labour absorption rate for Black South Africans is 40.1% as at the 3<sup>rd</sup> quarter of 2016, meaning that only 4 out of 10 Black South Africans of working age have a job (11.76 million employed out of 29.34 million of working age).<sup>1</sup> See Table 1.
- The expanded unemployment rate for Black South African workers is at the same level as at the 3<sup>rd</sup> quarter of 2016 as it was three years ago in the 3<sup>rd</sup> quarter of 2013: an unchanged rate of 40.6%.<sup>2</sup> The prolonged period of high levels of unemployment coupled with a low-wage regime which continues to provide only for an individual workers' subsistence (albeit barely) and stretch the distance between the surplus value workers produce and what they are provided in wages; has put severe pressure on workers. This trajectory is unlikely to change much going forward.
- On average in Black South African households; only one person brings in a wage. One Black South African wage on average supports 3.8 persons (11.76 million Black South African workers support a Black South African population of 45.1 million people).<sup>3</sup>
- The level of the wage is important. A NMW of R3 500 a month dispersed through a family of 4 persons equates to R875 per capita per month and falls below the current upper bound poverty line of R1 077 per capita a month. When dispersed through a family the NMW is a poverty wage.
- Wages are used to buy goods and services to support families. The R875 figure barely meets the R758.49 January 2017 cost of securing the minimum monthly nutritional needs of an active male worker.<sup>4</sup> 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).

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<sup>1</sup> STATSSA (2016). **Quarterly Labour Force Survey, Quarter 3, 2016**. Statistical release P0211. Statistics South Africa. Pretoria. P22-23. See Link <http://www.statssa.gov.za/publications/P0211/P02113rdQuarter2016.pdf>

<sup>2</sup> STATSSA (2013). **Quarterly Labour Force Survey, Quarter 3, 2013**. Statistical release P0211. Statistics South Africa. Pretoria. P15. See Link: <http://www.statssa.gov.za/publications/P0211/P02113rdQuarter2013.pdf> and STATSSA (2016). **Quarterly Labour Force Survey, Quarter 3, 2016**. Statistical release P0211. Statistics South Africa. Pretoria. P22. See Link <http://www.statssa.gov.za/publications/P0211/P02113rdQuarter2016.pdf>

<sup>3</sup> Own calculations based on data sourced from STATSSA (2016). **Quarterly Labour Force Survey, Quarter 3, 2016**. Statistical release P0211. Statistics South Africa. Pretoria. P22-23.

<sup>4</sup> January 2017 **PACSA Monthly Food Price Barometer**. P 3. See link: [http://www.pacsa.org.za/images/food\\_barometer/2017/January\\_2017\\_PACSA\\_monthly\\_food\\_price\\_barometer.pdf](http://www.pacsa.org.za/images/food_barometer/2017/January_2017_PACSA_monthly_food_price_barometer.pdf)

- PACSA, for the past two years, has been tracking the affordability and cost of a limited basket of essential basic goods and services<sup>5</sup> which low-income households in Pietermaritzburg require to live at a basic level of dignity. In January 2017 the cost of these goods and services for a household of five came to R6 822.87. For households relying on an income of R3 500 it would mean that they come up R3 322.87 short; and would therefore have to cut back or forgo essential goods and services required for dignity, household functioning, health and well-being. See Table 2.

Setting the NMW at this low level means that it will be impossible for a worker's family to meet even the essential goods and services required to live at a basic level of dignity, provide savings to absorb shocks<sup>6</sup> or allow workers to save towards their retirement. 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.

It's been suggested by the panel that the wages of 6.7 million workers will improve as a result of the NMW. However a number of sectors will be exempted meaning that a large number of the most vulnerable workers, included in the 6.7 million, will be excluded and may not see any improvement in their wage levels.

Only within a framework of a free market ideology can the NMW be remotely considered to be radical in terms of the narrative of radical economic transformation. In such a framework a NMW can get away with marginally increasing wages without transforming the current low-wage regime, wage inequality, increasingly obscene wealth and the economic structure which supports it. Because the NMW is not at the level of a living wage it cannot be radical economic transformation.

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.

This framework makes it okay for the majority of workers to be paid R20 an hour or less (those exempted from the NMW) whilst allowing South African CEO's on JSE-listed companies their R45 560, or more, an hour to continue (according to the 2016 Bloomberg survey).<sup>7</sup> The NMW focusses on increasing the minimum; whereas capping and pushing down maximum wages and redistributing this as decent wages might have resulted in a better outcome for workers.

What we require is real transformation. We have not really explored the possibility of how a NMW could be set at the level of a living wage.

In February 2015 we started tentatively to look at this question albeit through a limited initial lens of affordability and household size but carefully guided by the principles of dignity, justice, humanity, equity, universality, and social solidarity. Our calculations (based on Pietermaritzburg data) identified a figure of R8 000 which would allow low-income families (5 members) the possibility to live at a basic level of dignity but would not substantially provide for families to escape debt, save for shocks, build resilience, invest in local economies and save towards their retirement. Much more thinking is required around what a living wage could mean and how, together, as South Africans we could secure it for everyone. Given that the NMW has now been set at R20 an hour, the task of thinking around a living wage is perhaps now more urgent.

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<sup>5</sup> 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.

<sup>6</sup> Food price inflation year-on-year for low-income households was 16.5%. January 2017 **PACSA Monthly Food Price Barometer**. P 1. See link:

[http://www.pacsa.org.za/images/food\\_barometer/2017/January\\_2017\\_PACSA\\_monthly\\_food\\_price\\_barometer.pdf](http://www.pacsa.org.za/images/food_barometer/2017/January_2017_PACSA_monthly_food_price_barometer.pdf)

<sup>7</sup> Own calculations based on the recent Bloomberg Survey on the **Global CEO Pay Index**, average compensation for South African CEOs is \$7.14 million. At an exchange rate of R13.40 to the dollar, on an 8-hour day at 21.875 working days a month. [See link: <http://www.bloomberg.com/news/articles/2016-11-16/ranking-where-to-work-to-be-a-rich-ceo-or-richer-than-neighbors>].

**Table 1:** South Africa's labour market structure.<sup>8</sup>

Variables	South Africa	Black South Africans	White South Africans
Total population (all ages)	55.9 million	45.1 million	4.5 million
Working age population (15-64 years)	36.75 million	<b>29.34 million</b>	3.04 million
Labour force	24.85 million	19.81 million	2.1 million
Employed	15.83 million	<b>11.76 million</b>	1.91 million
Unemployed (expanded)	9.02 million	8.04 million	196 thousand
Unemployment rate	27.10%	<b>30.5%</b>	7.3%
Expanded unemployment rate	36.3%	<b>40.6%</b>	9.3%
Absorption rate (employed/working age population)	43.1%	<b>40.1%</b>	62.6%
Number of persons wage supports	3.5	3.8	2.4

**Table 2:** Income and expenditure requirements for households of various socio-economic scenarios: January 2017.<sup>9</sup>

Household socio-economic scenarios	Household	Household	Household	Household	Household	Household	Household
	A	B	C	D	E	F	G
<b>Total household income</b>	R 1 800.00	R 2 230.00	R 2 362.00	R 3 500.00	R 4 500.00	R 6 000.00	R 8 000.00
Number of household members	5	5	5	5	5	5	5
<b>MINUS</b> Minimum Nutritional food basket	R 3 308.10	R 3 308.10	R 3 308.10	R 3 308.10	R 3 308.10	R 3 308.10	R 3 308.10
<b>Monies left over AFTER FOOD to buy some essential household requirements*</b>	<b>R -1 508.10</b>	<b>R -1 078.10</b>	<b>R -946.10</b>	<b>R 191.90</b>	<b>R 1 191.90</b>	<b>R 2 691.90</b>	<b>R 4 691.90</b>
<b>MINUS</b> Burial insurance	R 200.00	R 200.00	R 200.00	R 200.00	R 200.00	R 200.00	R 200.00
<b>MINUS</b> Electricity and water	R 573.70	R 573.70	R 573.70	R 573.70	R 573.70	R 573.70	R 573.70
<b>MINUS</b> Transport	R 720.00	R 720.00	R 720.00	R 720.00	R 720.00	R 720.00	R 720.00
<b>MINUS</b> Education	R 500.00	R 500.00	R 500.00	R 500.00	R 500.00	R 500.00	R 500.00
<b>MINUS</b> Communication and media	R 150.00	R 150.00	R 150.00	R 150.00	R 150.00	R 150.00	R 150.00
<b>MINUS</b> Clothing and footwear	R 416.66	R 416.66	R 416.66	R 416.66	R 416.66	R 416.66	R 416.66
<b>MINUS</b> Domestic & household hygiene	R 604.41	R 604.41	R 604.41	R 604.41	R 604.41	R 604.41	R 604.41
<b>MINUS</b> Cultural obligations	R 350.00	R 350.00	R 350.00	R 350.00	R 350.00	R 350.00	R 350.00
<b>Monies left over AFTER FOOD &amp; SOME ESSENTIAL HOUSEHOLD REQUIREMENTS secured</b>	<b>R -5 022.87</b>	<b>R -4 592.87</b>	<b>R -4 460.87</b>	<b>R -3 322.87</b>	<b>R -2 322.87</b>	<b>R -822.87</b>	<b>R 1 177.13</b>

See "Household D" at NMW of R3 500 per month. Please note expenditures in Table 2 above exclude monies for debt repayments, health care, rent, emergencies, and savings, amongst others. Our research in Pietermaritzburg has shown that a household of five needs at least R8 000 a month to afford the expenditures that allow a family a possibility to live at a basic level of dignity (see "Household G").

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<sup>8</sup> STATSSA (2016). **Quarterly Labour Force Survey, Quarter 3, 2016**. Statistical release P0211. Statistics South Africa. Pretoria. P22-23. See Link <http://www.statssa.gov.za/publications/P0211/P02113rdQuarter2016.pdf>

<sup>9</sup> January 2017 **PACSA Monthly Food Price Barometer**. P 6-7. See link: [http://www.pacsa.org.za/images/food\\_barometer/2017/January\\_2017\\_PACSA\\_monthly\\_food\\_price\\_barometer.pdf](http://www.pacsa.org.za/images/food_barometer/2017/January_2017_PACSA_monthly_food_price_barometer.pdf)