



The National Minimum Wage is a National Poverty Wage

When the National Minimum Wage [NMW] was first mooted it was said that it would help the 6.7 million lowest paid workers earning less than R4 000 a month. Now that the National Minimum Wage Act has been passed and with the publication of the Regulations to the National Minimum Wage Act, which see exemption thresholds taking 10% off the hourly rate for workers; the wages of many of the most vulnerable workers will be set even lower than the current sectoral determinations. We had been promised that the NMW would come in at a higher level than the sectoral determinations, as this rate is already considered by many workers as a poverty wage. The introduction of the NMW regulations will mean that many workers will be even worse off than they were before. The NMW at the exemption rate of 10% means that *General Workers* will be remunerated at R18 an hour instead of R20, *Farm Workers* at R16,20 an hour instead of R18 and *Domestic Workers* at R13,50 an hour instead of R15.ⁱ

- The National Minimum Wage with 10% exemption comes out to be less than many sectoral determinations for low-skilled *General Workers*. For example, in the wholesale and retail sector the sectoral determination for a cashier is R21, 91 and for a security guard is R18,28 an hourⁱⁱ. The sectoral determination for a hospitality worker is R19,35 an hourⁱⁱⁱ (vs. R18 NMW).
- The sectoral determination for *Farm Workers* is R16,25 an hour^{iv} (vs. R16,20 NMW).
- The sectoral determination for *Domestic Workers* is R13,69 an hour^v (vs. R13,50 NMW).

The NMW is only useful depending on the level set. Where you set it is critical. Set too low and it becomes a poverty wage and this is what the NMW has become.

Workers share their wages with their families. The worker's wage is used to support family's through the securing of goods and services needed at the level of the household for functionality, productivity and care. On average a Black South African worker supports him/herself plus three other persons on his/her wage. At a maximum monthly wage of R3 168 per month for a general worker on the National Minimum Wage's exemption threshold of R18 an hour, this wage dispersed through a family of four persons is R792 per capita per month. The upper bound poverty line is R1 183 per capita per month. The National Minimum Wage for general workers when dispersed through families is a poverty wage.

The National Minimum Wage Act (2018) has as its purpose^{vi} to: "*advance economic development and social justice by—*
(a) improving the wages of lowest paid workers;
(b) protecting workers from unreasonably low wages;
(c) preserving the value of the national minimum wage;
(d) promoting collective bargaining; and
(e) supporting economic policy."

Set at the level we now are faced with; the exemption thresholds granted undermine this purpose and for many vulnerable workers, the National Minimum Wage will deepen poverty. The poverty level NMW will substantially compromise household affordability and nutrition, negatively impacting productivity in the workplace and reinforcing the cycle of low wages, low economic productivity and low economic growth. It will result in the destruction of the body, the family and household, society, our health system, education system and the economy.

The application of the NMW could have been a very simple process. Affected workers could have earned a standard R20 hourly rate (if it had to be that), and all workers would have known that amount. Instead, with the exemption thresholds and the 6% return on assets to qualify for exemptions, and various other loopholes, it will not only be extremely difficult to ensure compliance and onerous to check if corporates really do qualify for exemptions, but workers themselves might struggle to get the necessary information as to what level they should be paid. This has the potential for labour unrest. Assuming that the bulk of the corporate sector will seek some form of exemption and this exemption will then become the norm; workers will in fact be worse off. If this is the case, it would be reasonable for workers to question why government had spent all this time and energy negotiating for a National Minimum Wage in the first place?

The rest of this statement continues to unpack the recently released regulations on wage thresholds to the National Minimum Wage Act and develops our argument that the National Minimum Wage is a National Poverty Wage. We look at what the 10% reduction on the NMW means for General Workers' wages in terms of actual financial losses and the value of the NMW in relation to basic household expenditure (we use the rate for 'General Workers' as this is the highest rate and therefore provides the 'best case scenario' for workers – other categories of lowest paid workers will be paid less than this). *Thereafter, we ask three questions:*

1. What type of labour force the NMW will produce?
2. What type of economy the NMW will produce? And broadly,
3. What the NMW means for South Africa's future?

What the 10% exemption forgoes in total wages and the associated expenditure loss on bread and maize meal.

General workers lose R2 an hour (R20 down to R18). On an 8-hour day, this is a loss of R16 a day. On a 22 working-day month this is a loss of R352 a month.

In January 2019, 35kg of maize meal, the amount typically bought by most families and the core staple food in the homes of low-income households' cost R225,78. In January 2019 a loaf of brown bread costs R9,61.

For a general worker, the reduction in the NMW by 10% from R20 to R18 an hour over a working month is equivalent to the loss of 35kg of maize meal and 13 loaves of brown bread.

The 10% loss of wages to workers via the NMW exemption is not insignificant given that in January 2019 Pietermaritzburg families underspent on proper nutritious food by 30%, and where a quarter to a third of South African children under the age of five years are stunted.

The National Minimum Wage in relation to 3 basic expenditures

General workers working a 22-day month at the reduced 10% NMW rate of R18 an hour will earn a maximum of **R3 168** per month. See PMBEJD's January 2019 Household Affordability Index for comprehensive wage scenarios at the original NMW rate and exemption rate for General Workers, Farm Workers and Domestic Workers (accessible from www.pmbejd.org.za page 7-9).

In Pietermaritzburg transport to get to work and home again typically takes up more than one third of the wage.

To put the value of the wage in perspective, related to expenditures: in Pietermaritzburg, in January 2019, transport to work typically cost R1 144 a month, electricity cost R529,34, and a basket of basic nutritious food for a family of four cost R2 560,45. In total these 3 basic goods and services come to **R4 233,79**. This is a shortfall of **R1065,79** on the maximum amount of R3 168 per month NMW.

Because transport and electricity cannot be reduced, and food is not the only remaining expense required for household functionality and development; worker and household affordability and nutrition are substantially compromised, negatively impacting productivity in the workplace and reinforcing the cycle of low wages, low economic productivity and low economic growth.

1. What type of labour force will the NMW produce?

Taken purely on health and wellbeing, the NMW will produce sick, unproductive workers. The value of the NMW does not provide workers and their families enough money to buy basic nutritious food. A low food budget forces families to prioritise foods that fill bellies – mostly core staple starches. Bodies need a diversity of food to function. Meats, eggs, beans, oily fish, dairy (Maas and milk), and vegetables, are necessary for protein, good fats, fibre, vitamins and minerals. If these foods are not eaten regularly with starches, workers and their families will get sick.

Immune systems weaken and resistance to common infections like colds and flus is decreased. Workers get sick more frequently and more severely. Chronic diseases such as hypertension, heart disease and diabetes increase. Workers will tire quicker and economic productivity will decline. There will be more work-days lost from workers having to seek medical treatment.

Generally, the health status of workers deteriorates rapidly. This will cascade onto the public health care system. Poor family health will impact on the public education system and undermine the future workforce (malnourished kids do not develop properly, cognitive and physical development is affected, children can't learn and think properly; children, when they become adults, will struggle to perform in the workplace).

Because workers will not be able to support their families on the wage, workers will be stressed. Alternative income will need to be sought, either through secondary jobs, alternative income generation or debt. The focus on the primary job will be lessened. Taking debt for consumables like food and schooling is a trap which can only get deeper.

The NMW will produce an undernourished, unwell and unhealthy, severely stressed, and highly indebted workforce. The NMW will produce heightened labour tension and large-scale social unrest which will be more violent, prolonged and more out of hand given the passing of new amendments to labour laws which serve to suppress workers avenues to strike at the very moment when workers have lost so much on wages and where the need to strike has perhaps never been more urgent.

There is a social value attached to a wage. Surplus monies facilitate optimal functioning of a myriad of social services and practices and make for a healthy, productive, happy and functional society e.g. education, health care, municipal services, social cohesion, social solidarity, safety and security, religious, cultural and political activities. Setting the NMW at a poverty level removes the social value a wage brings to society, and in doing so acts to undermine and destroy the basic fabric of a well-functioning and healthy society.

2. What type of economy will the NMW produce?

Wages which produce a surplus for savings provide a buffer against economic crisis. In times of economic stress families can draw on their savings to spend. If electricity prices increase because Eskom needs a bail out, or if food prices increase in times of drought, or if new school shoes need to be bought, if VAT increases, or a friend gets sick and needs to go to the hospital, or a family member dies and needs to be buried – savings absorb everyday crises. The NMW provides no surplus monies. It makes the work force extremely vulnerable to everyday crises let alone major shocks.

A poverty-level NMW is very bad for economic growth. Very low wages provide no additional money for workers to spend and demand goods and services beyond extremely basic consumption. Despite what we are led to believe – jobs are created chiefly through local demand of goods and services; not foreign investment. In this regard, the economic-value a wage provides for economic growth and job creation has not been accounted for in the final value set for the NMW. Intentionally preventing a very large portion of the economically active population of a country from demanding goods and services by paying workers poverty wages means that there can be no robust demand for goods and services and therefore little prospect to turn our jobs crisis around. The NMW will produce lower economic growth and higher rates of unemployment.

No surplus in the NMW means that workers cannot save, but beyond that they also cannot invest in creating or supporting new local economic initiatives. We require money to stimulate work at the grassroots level. South Africa is struggling to secure foreign investments and drive job creation via the corporate sector, however by paying poverty wages; jobs coming from township economies are unlikely as well. Workers earning low wages spend most of that money on basic consumption goods and services such as transport, electricity and food. No or very little money is left and even less comes home where workers live to spend and support local economic activities. Local township-based entrepreneurs and micro and small businesses will not thrive without a local demand base. Markets sought outside local townships cost money, eat profits, and invariable incoming monies get spent on sourcing supplies from outside of local operations. Very little money makes its way back to local townships. There is almost no circulation of money. The NMW will work against attempts to build local entrepreneurship and township economies.

Workers get old and retire. The NMW, which provides no surplus for savings, means that on retirement age, workers now pensioners will have no other option but to apply for a state old-age grant. Currently set at R1 700 a month, pensioners on reaching retirement are thrust in even deeper poverty. On a poverty grant, which does not meet basic needs and provides no surplus, the elderly has no possibility to reuse their knowledge and skills in new economic initiatives. A state pension means a continuation of a life of wretched poverty with no possibility to escape. 3,5 million people currently draw an old-age grant. Without the old-age grant millions of people (the aged and their family's dependant on the grant) will die. The NMW will force more people into the state social security system. In the future, increased fragility of the state social security system will be less resilient to even small mistakes of mismanagement without resulting in the mass loss of life and national catastrophe.

3. What does the National Minimum Wage mean for South Africa?

The NMW will institutionalize and legalize the low wage regime which provides poverty-level wages; it will constrain any substantial economic transformation in our economy and labour market and allow the massive racial wage inequalities to continue. It will lock a large proportion of the South African workforce into poverty for generations to come. In a context of massive unemployment where 9,76 million workers are unemployed, where the expanded unemployment rate for Black South African workers is 41,8% and with little suggestion of improvement: a legislated poverty wage will create heightened labour tension and large-scale social unrest. Faced with an economic crisis which requires more people to have more monies in their pockets to spend and thereby drive a broad-based economic recovery, the NMW means that there will be less money to spend in the economy. A poverty-level NMW will not drive a recovery in the economy – our economic trajectory is likely to continue its downward spiral.

What government and business and labour, the volley of experts and other social partners *have done is to strap our feet to the back of our knees*. There is no transformation here. There is no change in relationship. Government has shown no courage to lead South Africa's future with a vision for a society which is just and progressive, and where everybody belongs

and experiences freedom. The National Minimum Wage signals a continuation of the past whereby government and business collude in their own interest resulting in the destruction of society, as we workers and citizens fall and flay and flounder in ever increasing immiseration and violence.

The National Minimum Wage is only a useful tool to advance economic development and social justice depending on the level at which it is set. Set at the level we now are faced with, the National Minimum Wage is a National Poverty Wage and only destruction of the body, the family and household, society, our health system, education system and the economy will come out of it.

ⁱ Regulations to the National Minimum Wage Act, 2018. Government Gazette, 19 December 2018. No. 1401. Department of Labour. South Africa. Page 7. See link: https://www.gov.za/sites/default/files/gcis_document/201812/42124gon1401.pdf

ⁱⁱ Wholesale and Retail Sector: Minimum Wage Tables (2018/19). Department of Labour. South Africa. See link: <http://www.labour.gov.za/DOL/downloads/legislation/sectoral-determinations/basic-conditions-of-employment/wholesalewages2018updated.pdf>

ⁱⁱⁱ Hospitality Sector Minimum Wages as from 1 July 2018. Department of Labour, South Africa. See link: <http://www.labour.gov.za/DOL/downloads/legislation/sectoral-determinations/basic-conditions-of-employment/hospitalitywages2018.pdf>

^{iv} 2018 Minimum wages for employees in the Farm and Forestry Workers Sectors (2018/2019). Department of Labour, South Africa. See link: https://www.labour.gov.za/DOL/downloads/legislation/sectoral-determinations/basic-conditions-of-employment/farmforestrywages_1march2018.pdf

^v Domestic Worker Sector Minimum Wages (2018/19). Department of Labour, South Africa. Page 5. See link: <http://www.labour.gov.za/DOL/downloads/legislation/sectoral-determinations/basic-conditions-of-employment/domesticwages2018.pdf>

^{vi} National Minimum Wage Act, 2018. Government Gazette, 27 November 2018. Act No. 9 of 2018. The Presidency. South Africa. Page 6. See link: <http://www.labour.gov.za/DOL/downloads/legislation/acts/national-minimum-wage/nmwact2018.pdf>