PIETERMARITZBURG
ECONOMIC JUSTICE & DIGNITY
Economic justice through the lens of human dignity

MEDIA STATEMENT

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To all media for immediate release
National Minimum Wage 3,8% increase

Increasing the National Minimum Wage by 3,8% will reverberate negatively across all our developmental outcomes and act to plunge our economy into even deeper decline and possibly even higher job losses.

The Minister of Employment and Labour has gazetted a 3,8% increase for South Africa's National Minimum Wage for 2020, to be instituted on 1 March 2020. The 3,8% is lower than the 5% recommended by the National Minimum Wage Commission.

For a General Worker, currently on an R20 hourly rate, the 3,8% increases the hourly rate by 76 cents to R20,76 an hour. This is an R6,08 increase per day, and R121,60 per month (on a February 20 working-day month).

If we project this 3,8% increase onto our latest February 2020 Household Affordability data, then we see that:

On a work-day month of 20 days in February 2020, workers earning the new rate of R20,76 an hour and working for the full month, will earn **R3 321,60.**
Transport to work and back costs R1 120 in February 2020.
Electricity costs R598,52 in February 2020.
A basic basket of nutritional food costs R2 464,04 in February 2020.
These three core expenses come to **R4 182,56** in February 2020.

On the new NMW of R20,76, it means that workers will experience a deficit on their wages just on the three core expenses of **20,6%** (a shortfall of R860,96, earning R3 321,60 and requiring R4 182,56).

Instead of the 3,8% increase, our calculations to bring workers up to a level where they are at least able to secure their transport, electricity and food costs, would have required a 30,7% increase, moving the NMW hourly rate to R26,14 (a R6,14 increase/hr). Even at this level, the NMW would still be below the upper bound poverty line of R1227, and for a family of four would have to increase to R30,68 (a R10,68 increase/ hr).

This deficit which currently sees workers having one-fifth less then they need just to cover the 3 critical expenses might widen in the near future because the major financial decisions which drive prices upwards on transport, electricity and food for workers have not yet been made.

The 2020 Budget Speech on the 26th of February will announce whether the fuel levy and VAT will be increased. Eskom and Nersa are still in negotiations regarding the 2020 tariff increase. Local municipalities have not yet completed their processes which will determine what their additional mark ups on electricity tariffs will be, and similarly the municipal water, sanitation, refuse and rates increases.

This calls into question how and on what basis the Minister arrived at the 3,8% increase?

What we do know now?
Headline Inflation was 4,5% in January 2020, up from 4% in December.[i] Forecasts for the 2020 year see headline inflation coming in at an average of 4,4%.[ii]
CPI per the lowest expenditure deciles of the lowest paid workers tracked higher at 5% for the 1st quintile and 4,6% for the 2nd quintile.
The electricity tariff for 2020 is 8,1% but could go as high as 17% if Eskom wins its court challenge. Municipalities will add on their own mark ups pushing the tariff even higher.

Our Pietermaritzburg data from the past year shows year–on-year inflation on transport, electricity and food ran at 5,6% (an increase of R220,65).

At 3,8%, the increase falls below even the current and projected inflationary increases even without accounting for the massive electricity price increase, fuel levy increase, and a possible VAT hike – all of which will drive the costs of the three core worker expenses upwards.

The consequences of a 3,8% increase for the economy

Low-paid workers make up South Africa's largest consumer base. Economic demand is already depressed. With less money available, workers will not be able to demand the same level of goods and services that they did last year. With consumer demand lowered, companies, already in distress, will supply less because they are not going to produce what they cannot sell. Lower production will mean more job losses. With every job lost, more wages will be removed from the economy, and less money will circulate. This will dig us even further into the low-wage, low-productivity, low-growth, high unemployment cycle we find ourselves in.

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[i] http://www.statssa.gov.za/publications/P0141/P0141January2020.pdf

[ii] https://tradingeconomics.com/south-africa/inflation-cpi