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8.5% INCREASE FOR WORKERS

'Pay minimum wage or be called-out'

MORE than 45% of employers fail to comply with the national minimum wage (NMW). This emerged amid the recent increase of 8.5% in the NMW. Cosatu warned that "callous" employers who treated their employees like "glorified slaves" and did not adhere to the NMW, would be "called-out".

There has been mixed reaction to the increase. While some stakeholders have welcomed the increase, others don't believe it will make a substantial difference in the livelihood of families, especially the working class.

Thulas Nxesi, the Minister of Employment and Labour, recently announced that the NMW would increase from R25.42 to R27.58 an hour.

The minimum rate for farm and domestic workers remains on par with the NMW.

Workers employed on an expanded public works programme are entitled to a minimum wage of R15.16 an hour – an increase from R13.97.

The increase will come into effect on March 1.

Mervyn Abrahams, programme co-ordinator for the Pietermaritzburg Economic Justice and Dignity group, said for working-class families earning a minimum wage rate, the increase would not make a difference due to the "real" inflation.

He said the 8.5% increase was constructed on the basis of the consumer price index (CPI) inflation rate of 5.5% – with another 3% being added to bring up the value of the wage and to ensure lessening of inequality.

"It was a good idea to add the 3% as wages in South Africa have historically been low and are on an extremely slow trajectory."

"However, in our submission to the NMW Commission, we had asked that instead of using the CPI 'headline' inflation of 5.5%, the quintile three inflation figure, which is running at 8%, be used. The 8% is more likely the real inflation experienced by people who earn at a NMW rate.

"We were disappointed they did not

use the 8% as the base and then added the 3%, which would have made the increase 11%. In effect, considering the inflation for working-class families, which is of the quintile three level, the real increase is in fact only 0.5%," he said.

Abrahams said the increase would not compensate for the increases that households would possibly face this year.

"Furthermore, the current CPI tells us what inflation was, and not what the inflation would be this year. We are possibly looking at a 12.5% electricity increase, fuel prices are on an upwards trend, and it is likely that transport costs will go up.

"In addition, food prices remain high with the current inflation on our food basket, year-on-year, in the region of almost 8%. So inflation for a working-class family is extremely high, yet their earnings remain low," he said.

Abrahams said households were under stress due to low income levels. "People in the community, even the working class who earn at the NMW level, have told us that they have to cut back on the amount of food they purchase or compromise on the quality because they can no longer afford it."

"In addition to food, their other expenses, utility bills and transportation, remained stubbornly high."

Abrahams said the group remained hopeful that the government would take measures to ease the strain on citizens.

"We hope that with the State of the Nation Address and the upcoming National Budget speech, the government will put measures in place to stimulate the South African economy.

"There are low-hanging fruits in order to stimulate the economy, such as getting our ports and railway services functioning properly, as well as sorting out Eskom.

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EMPLOYER VS EMPLOYEE

Know your rights

WITH the rising cost of living, the increase in the national minimum wage (NMW) brings some relief for workers.

However, employers struggling to keep their business doors open, may be forced to cut costs – which may include retrenchments – leading to more unemployment in the country. Lasanthan Pillay, an attorney specialising in labour law, said the NMW was a double-edged sword, with positive and negative impact.

"Employers have been affected due to load-shedding, a weaker rand value and increased fuel prices, among other external factors. This could be a reason why the employer may not be able to afford the increase, and may resort to other options to cut costs."

"The employer has a right to apply for an exemption of the NMW. However, the employer must consult with all representatives such as trade unions and workers.

"They will have to provide the relevant representative with a copy of the exemption application. The application has to be accompanied with the employer's financial statements for a

period of three years," he said.

Pillay said if employers did not comply with the NMW, they could be fined by the Department of Labour.

"Furthermore, the Department of Labour, on a quarterly basis, has a right to publish on its official website names of all employers who were issued with compliance orders for failing to comply with the NMW."

"In addition, it is considered an unfair labour practice if an employer unilaterally amends the hours of work or other conditions after implementing the new NMW rate."

Pillay said employers generally approached his office after receiving a compliance order from the Department of Labour.

"Some employers are, however, proactive and have asked us for advice after receiving news about the new NMW."

"It is difficult to assist an employer who has received a compliance order as they were meant to take the appropriate steps and necessary action at the time of hearing about the new increase," he said.

Pillay said employers must ensure that adjustments to their payroll are made to include the increase by March 1.

Matthew Parks, acting national spokesperson and parliamentary co-ordi-

nator for Cosatu, welcomed the increase. He said Cosatu had tabled this proposal to the NMW Commission in 2023.

"We are pleased that this progressive proposal will now be implemented. This increase helps protect the value of the NMW and workers' ability to take care of their families."

"It will also inject badly needed stimulus into the economy, spurring growth and helping to sustain and create jobs. It will provide relief to more than six million workers earning within the NMW range. Workers in the agricultural, domestic, construction, retail, hospitality, transport, security, and cleaning sectors will benefit the most," he said.

Parks said while progress had been made, it was critical the Department of Employment and Labour crack down on employers who ignored the NMW Act. "Cosatu will continue to mobilise unions and workers to expose such callous employers. It is unacceptable that an estimated 45% of employers fail to comply with the NMW."

"This matter should be treated with the seriousness it deserves. Such employers cannot be allowed to behave like they are above the country's laws and treat their employees like glorified slaves," he said.

Zwelizima Vavi, general-secretary of the South African Federation of Trade Unions (Safu), said they "critically" welcomed the increase.

"Although this represents an above-inflation increase, it remains an increment to a meagre wage, making it unlikely to bring about a significant difference."

"Safu has previously expressed support for a NMW but insisted that it must be set at a level that affords workers and their families a decent life. The current minimum wage falls short of providing workers and their families with a decent standard of living."

Gerhard Papeufus, chief executive of the National Employers' Association of South Africa, said the new NMW was both "futile and destructive".

"The minister acted on the advice and recommendations of the NMW Committee. However, they ignored the input of numerous business institutions and trade unions who warned of the dire consequences of implementing further increases, and called for the scrapping of the NMW. They simply proceeded with recommending the implementation of its own original proposals."

"The manner in which the NMW Committee reached its conclusion, once again, illustrated the futility of the public participation process leading up to their eventual recommendation," he said.

Papeufus said the minimum wage was an arrangement that prevented anyone from being employed.

"Unless they can find an employer who is prepared to pay him a wage, not a wage that he is demanding, but which the government determines he must receive. This is an arrangement that dictates that unless a jobseeker can find such an employer, he will be doomed to a life of abject poverty."

"Furthermore, the NMW arrangement ignores the fact that employers, without exception, only pay wages they can afford and which they want to pay. Establishing a minimum wage does not change that. For those employers who are already paying more than the minimum wage, this arrangement is entirely irrelevant."

Papeufus said employers who could not afford it would revert to alternative arrangements.

He said this would include reducing working hours, restructuring, reconsidering the need for lower-paid employees, and even retrenchments.

"Some will merely 'fly under the radar', breaking the law regardless of the risk. These are simply the facts and state intervention will never change it."

"The influence of market powers is too strong, and to the extent that the state 'succeeds' in its interference, it will only lead to increased unemployment, the biggest driver of inequality in South Africa."