



Centre of Excellence | Labour

Report on the determination of the National Minimum Wage



NATIONAL WAGE COMMISSION

- In terms of **section 8 of the National Minimum Wage Act** (“The Act”), the Commission comprises of
 - three members nominated by organised business;
 - three members nominated by the organised community;
 - three members nominated by organised labour; and
 - three independent experts, who are knowledgeable about the labour market and conditions of employment, appointed by the Minister.
- The Commission fulfills an **advisory role** to the Minister of Employment and Labour in:
 - reviewing the national minimum wage and recommend adjustments;
 - investigating and reporting annually to the Minister on the impact of the national minimum wage on the economy;
 - set medium-term targets for the national minimum wage within three years of the commencement of this Act; and
 - **advise** the Minister on measures to reduce income differentials or any other matter on which the Minister requests the Commission’s **advice**.

NATIONAL MINIMUM WAGE ACT



Participated in NEDLAC engagements on the National Minimum Wage Act

Submitted inputs received from members on the National Minimum Wage Act



Submitted BUSA report as part of Labour CoE Agenda

Submitted inputs on proposed National Minimum Wage to the Commission



BUSA reports inform Labour CoE Agenda

BUSA representatives submit minority report as per mandate

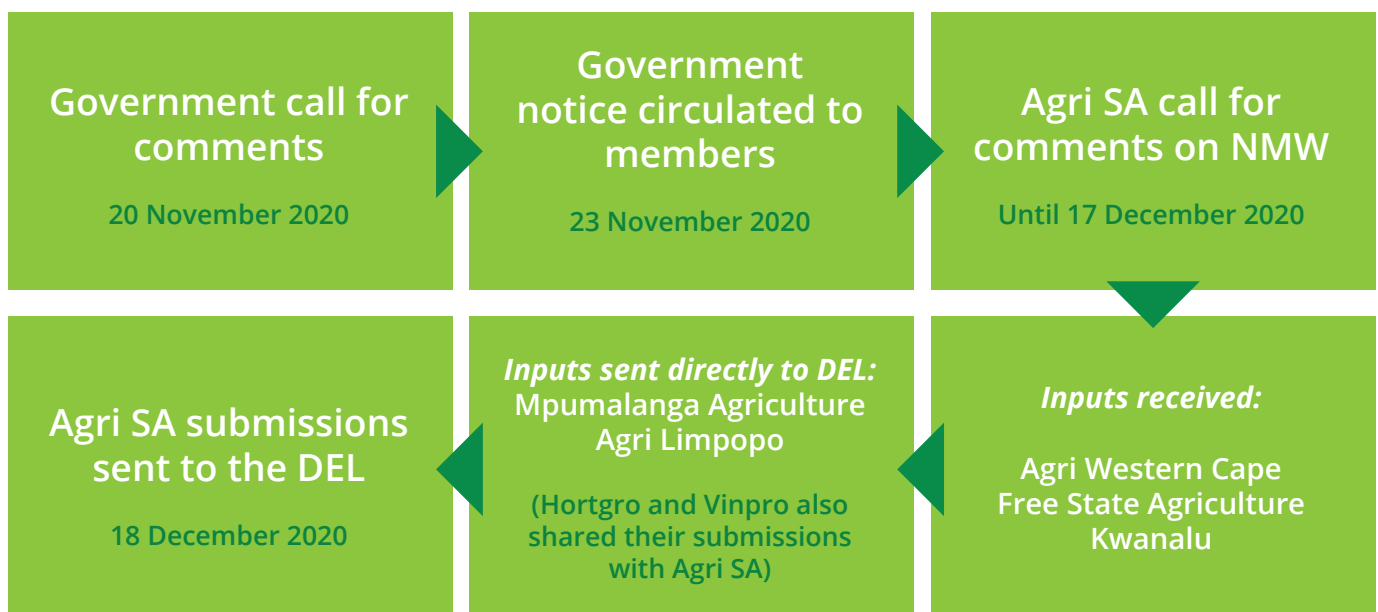
Labour CoE requested inputs on proposed National Minimum Wage

Submitted a report

AGRI SA INVOLVEMENT AT BUSA LEVEL

Dates	
	Agri SA is a member of BUSA and is represented on the Social Policy Committee
9 March 2020 16 November 2020	Agri SA provided feedback from the Commission at its bi-yearly Centre of Excellence meetings and advised members on the discussions taking place at the Commission
16 November 2020	During the last Centre of Excellence meeting, Agri SA shared the minority report compiled by BUSA representatives
18 December 2020	Agri SA submitted its inputs on the proposed equalisation and increase in wages
18 December 2020	The report was sent to the provincial CEO's
13 January 2021	<p>Good Morning and Compliments of the new year</p> <p>This e-mail serves as a confirmation that this office has received your written inputs in response to the notice on the annual review of the National Minimum Wage. Your inputs will be forwarded to the National Minimum Wage Commission for further deliberations.</p> <p>Regards Unathi Ramabulana (Acting-Director: NMW Policy and BCEA Administration)</p>

CALL FOR COMMENTS



REMINDER SENT TO MEMBERS ON 7 DECEMBER 2020

Dear All,

The above matter refers.

We have not received any comments from members thus far therefore, we are in the process of drafting comments to be sent out for members approval.

I have received statistics on the economic impact however, they shift towards the growth of agriculture with exception to certain commodities (I have requested Jolanda on those commodity specific stats).

On the database the only comments that are available were for the initial implementation of the minimum wage which are similar to what we have drafted already.

I trust you find the above in order.

Centre of Excellence



EQUALISATION FLAGGED AS A RISK TO BOARD

- **1ST December Board Meeting**
- **Risks that the Agri SA Board must be made aware of in terms of the National Minimum Wage**
 - There is a possible equalisation of farmworker wages and increase on 1 January 2021. The commissioners (business excluded) agreed on an equalisation and recommended an increase of CPI plus 1.5%.



AGRI SA SUBMISSION

THE IMPACT OF DROUGHT ON THE SECTOR

Agri SA is of the view that the Commissioners' recommendations on the immediate equalisation and increase of farmworkers' wages are unsustainable. It is important to note that the agricultural sector is a very multifaceted sector considering that the vast majority of farmers and farming operations can be considered small to medium holdings which had to endure the effects of the recent severe drought, compounded by the effects of the pandemic.

THE IMPACT OF COVID-19 ON THE SECTOR

The economy has significantly shrunk because of effects brought on by the pandemic. The GDP declined by approximately 16% in the first and second quarters causing contractionary growth of 51%. The unemployment rate increased substantially by 52,1% compared to quarter 2 of 2020 increasing by 15,1%. The report by the majority of Commissioners relies on the rationale that the Unemployment Insurance Fund – Temporary Employers Relief benefit (TERS) was an active driver in assisting employers in reducing the number of retrenchments during the lockdown. However, the proposed equalisation and increase of farmworker wages will happen during the 2021 year when TERS payments will no longer be available.

HISTORICAL CONSEQUENCES OF DOUBLE-DIGIT INCREASES

During 2003 and 2013, the implementation of the sectoral determination resulted in massive job shedding and large-scale capital investment in machinery up to 83% replacing labour on farms. According to Vinpro's cost guide (2020), labour cost per households to match the hectare increased by 5.9% for seasonal labour year-on-year, compared to only 2.8% for permanent labour. This suggests that the industry is employing relatively more seasonal labour. This trend will most likely be aggravated by the dramatic increase in the minimum wage.

LAND BANK

The agricultural sector is further facing a lack of funding and credit instruments considering the liquidity constraints of the Land Bank which accounts for almost 30% of loans to South African farmers. The Land Bank has advised that they are not in the position to take on new clients or meet half the needs of existing customers until it gets another government bailout to keep operating.

RECOMMENDATION

A phased-in approach over 3 (three) years for the equalisation of farmworker wages; and an increase of 1.5% above the inflation rate for the 2021 year.

NATIONAL MINIMUM WAGE MEDIA INTERACTION

9 February 2021	https://www.netwerk24.com/Sake/Landbou/nuwe-minimum-loon-n-krisis-meen-landbou-20210209
9 February 2021	https://www.netwerk24.com/landbou/Nuus/plaaswerker-loon-dieselfde-as-nasionale-loon-20210209
9 February 2021	https://www.moneyweb.co.za/moneyweb-radio/rsg-geldsake/hoer-minimumloon-tree-op-1-maart-in-werking/
9 February 2021	https://www.foodformzansi.co.za/minimum-wage-farmworkers/
9 February 2021	https://www.farmersweekly.co.za/agri-news/south-africa/farming-sector-warns-of-job-losses-due-to-minimum-wage-hike/
9 February 2021	http://www.farmingportal.co.za/index.php/all-agri-news/press-release
14 January 2021	https://theworldnews.net/za-news/farmers-cannot-afford-to-pay-higher-wages-agri-organisations
14 January 2021	https://citizen.co.za/business/business-news/2419582/farmers-cannot-afford-to-pay-higher-wages-agri-organisations/
13 January 2021	https://www.farmersweekly.co.za/agri-news/south-africa/farmers-cannot-afford-to-pay-higher-wages-agri-role-players/
21 December 2020	https://www.netwerk24.com/landbou/Nuus/nuwe-minimum-loon-vir-plaaswerkers-nie-volhoubaar-20201221
26 December 2020	https://www.netwerk24.com/landbou/Nuus/voorgestelde-minimum-loon-sal-tot-groter-werkloosheid-lei-20201126
1 December 2020	https://iono.fm/e/963811 Die voorgestelde minimumloon is verlede week bekendgemaak. Volgens Christo van der Rhee van Agri SA is dit uit pas met stygende werkloosheid.
1 December 2020	https://www.businesslive.co.za/bd/national/2020-12-01-economists-warn-of-jobs-bloodbath-over-salary-hikes-for-farm-and-domestic-workers/
1 December 2020	https://www.politicsweb.co.za/politics/proposed-national-minimum-wage-out-of-step-with-jobs
30 November 2020	https://www.foodformzansi.co.za/increase-in-minimum-wage-will-cost-jobs-drive-mechanisation/
26 November 2020	https://www.politicalanalysis.co.za/agri-sa-speaks-out-against-proposed-increase-of-national-minimum-wage/
26 November 2020	https://www.agriorbit.com/agri-sa-bekommerd-oor-die-voorgestelde-minimumloon-en-stygende-werkloosheid/
26 November 2020	https://www.mzansiagritalk.com/archives/5697 Minimum Wage: 'Commission opening a jobs bloodbath door'
26 November 2020	https://www.agriorbit.com/agri-sa-concerned-about-proposed-national-minimum-wage/
25 November 2020	https://agrisa.co.za/media/proposed-national-minimum-wage-out-of-step-with-jobs-bloodbath
23 November 2020	First media statement

NEXT STEPS REGARDING THE NATIONAL MINIMUM WAGE

Agri SA will be embarking on the following steps:

- Submit a letter to the Minister of the Department of Employment and Labour on the sectors reactions and concerns on the increase;
- Submit a letter to the National Minimum Wage Commission on sectors reactions and concerns on the increase;
- Conduct research on the impact the immediate equalisation and increase will have of the agricultural sector; and
- Continue to engage the public on the consequences of the 2021 increase.



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