

## **New Wage Set to Break the Back of Inequality**

Published 22 February 2017

Author- Sithembile Tshwete (Department of Labour)

The media liaison officer of the Minister of Labour, Sithembile Tshwete

An estimated 6.6 million South Africans diligently rise each day to go to work. Yet however hard they work, they only have enough to live from one day to the next. Their efforts are never enough to break out of the vicious cycle of poverty they are in.

Work provides a person with the income necessary to meet their basic living needs. Work also gives people a sense of identity and a feeling of accomplishing activities that contribute to society.

However, for these South Africans, work is an activity that does not yield any of the benefits mentioned above. Their dignity and self-esteem is undermined as they find themselves among the most vulnerable in our society. They are the “working poor” whose wage is at a level that they cannot meet their basic needs and those of their dependents.

Their prospects will improve with the National Minimum Wage of R20 an hour or R3 500 a month for those who work a 40-hour week, signed between social partners in the National Economic Development and Labour Council (Nedlac).

The minimum wage was first mooted by President Jacob Zuma in his 2014 State of the Nation Address and advanced through various engagements at Nedlac, led by Deputy President Cyril Ramaphosa.

South Africa now joins Indonesia, Russia, China, India and several other countries in Latin America and Europe where a national minimum wage was introduced. Their experience has shown it uplifts low-wage earners and directly reduce inequality in the formal and informal sectors.

The historic agreement aligns us with our constitutional obligations to protect and care for the most vulnerable in our midst. It will help reverse the phenomenon of the “working poor” and help workers to provide for the daily needs of their families.

Announcing the agreements reached by Nedlac partners, Deputy President Ramaphosa described them as a significant advance in the country’s efforts to address the challenges of wage inequality and labour instability.

Importantly, the raising of low wages in our economy will also make inroads into transforming the wage structure we inherited from apartheid. Apartheid served to entrench white owned industries in key sectors of the economy and exclude blacks from opportunities in the labour market and direct ownership of businesses and land.

Findings of a study by the National Minimum Wage Research Initiative at the University of the Witwatersrand highlight that a national minimum wage, set at an appropriate level, can achieve the central objectives of reducing working poverty and inequality in South Africa.

While the rate of R20 an hour is far from what we believe is a living wage, it will go a long way to break the back of rising inequality and persistent poverty and help to extend the social net to the most vulnerable in our society and to help us build a more inclusive society.

The National Minimum Wage is not a silver bullet to all our economic and social woes. But, when considered together with other associated policies it is a first step in a wider strategy of developing a more caring economy.

Government believes it will make a real difference in the lives of ordinary South Africans without negatively affecting the economy.

In sectors where there could be a negative impact on jobs, such as small business and businesses that can prove they face financial constraints, these businesses can apply for an exemption. Domestic workers and farmworkers can be paid up to 75% and 90% of the minimum wage during the phase-in from May next year.

Overall, we expect the minimum wage to positively affect job creation and economic growth. It will increase the buying power of workers and help stimulate the economy.

Over the coming months the drafting of legislation, the parliamentary process and public consultations will unfold. A National Minimum Wage Commission will also be established to review the minimum wage each year and assess its impact on employment levels.

The daily lives of 6.6 million of our countrymen and women and their families will soon change for the better. They will finally have an opportunity to rise above their circumstances and be part of the prosperous South Africa we are building.