

### **Defining the impact of the new minimum wage**

Government has been enmeshed in the process of establishing a new National Minimum Wage (NMW) for many years and finally the numbers have landed on the table and it is causing consternation across country and company. Pressing questions remain around the still low amount, and its viability in the current economy, the history of oppression that surrounds the current wage structure, and the hackles of industry rising around the impact of the cost to bottom lines.

Perhaps the most important point to raise before discussing budgets and costs, is that the this proposed minimum wage of R3,464 a month for a 40-hour week at R20/hour would still be significantly less than the R5,544 that research shows would be the Minimum Living Level- in 2016. While the proposed increase will positively impact the quality of life for millions of South Africans, it is still not enough.

“The current proposed minimum wage is R20 per hour and many would argue it is enough, but the reality is that South Africans in the unskilled job spectrum can barely make ends meet,” says Nicolette Nicholson, South African Payroll Association, Exco. “Enterprise or business may argue it is enough, but this NMW won’t break the poverty and inequality barriers.”

However, it is a start towards promoting economic growth.

#### ***Change is one small step***

Currently, the minimum wage is set at the sectoral level and the urban/rural level and is done in consultation with the Employment Conditions Commission. The new NMW will apply across all sectors. The Commission has to consider the ability of the employer to carry on business successfully and examines issues such as: the operation of the small, medium and micro enterprise, the cost of living, conditions of employment, income differentials and equality, and the impact of the increase to the enterprise.

“The National Union of Metal Workers of South Africa remains opposed to NMW in its current form and Cosatu has pointed out that it is far from solving the challenges of inequality, poverty and unemployment,” says Nicholson. “They have, however, said it is a good start.”

Enterprises not regulated under a wage regulating measure, such as the mining industry, are indicating that they will be unable to afford the increase. This view confirms the concerns raised by trade unions and analysts – that the NMW may escalate the unemployment crisis.

“The NMW could have a further negative impact on the decline of job losses in the SME market,” concludes Nicholson. “The mines have already said they can’t afford it and may be retrenching staff. It is approximately a R7 difference from the average of R13 minimum wage if one compares rates across different industries and for most organisations the rise will make a significant impact on the bottom line.”

There is no clear-cut path through the minefield that the NMW has opened up, but one fact does shine out – millions of people could see a necessary shift in their quality of life. The issues must be addressed to ensure that there is engagement on the NMW across all levels of business and

that there is proper support for its success. The long-term sustainability of South Africa depends on it.

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**MEDIA CONTACT:** Idéle Prinsloo, 082 573 9219, [idele@thatpoint.co.za](mailto:idele@thatpoint.co.za), [www.atthatpoint.co.za](http://www.atthatpoint.co.za)

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