

South African Payroll Association
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There is some relief from the national minimum wage for employers

Employers who feel they cannot afford to pay their workers the national minimum wage should not simply sit back and pay what they can afford.

They have to apply for an exemption with the Department of Labour through the National Minimum Wage online service, advises Jetro Malapane, executive committee member of the South African Payroll Association.

The National Minimum Wage Act stipulates a minimum national rate of R20 per hour, or R3,500 per month, depending on the number of hours worked.

The R20 an hour rate will be phased in slowly in the agriculture and domestic work sectors, with workers earning R18 and R15 per hour respectively.

The maximum discount in terms of an exemption will be 10% of the hourly rate.

Malapane says the department has given the assurance that their systems are up and running and that the exemption process is live, meaning employers can expect quick turnaround times.

Exemption applications

The department has received 385 exemption applications since the introduction of the minimum wage rates in January this year.

Most of the entities who submitted applications were non-profit organisations and companies in the manufacturing sector.

More than 240 exemptions were granted, 102 were declined and two were revoked because of fraud and misrepresentation of the exemption.

The remainder of the applications are still in the audit process.

In terms of the process a business must provide the department with the income statement of the past two years and the forecast for the current year, balance sheets, the number of employees, their working hours and wage information.

The company must be able to proof that it consulted with the union representatives or affected workers if there is no union.

According to Malapane a company may apply the reduced rates only from the date the exemption was granted.

The exemption will be applicable for the next 12 months, and employers will have to re-apply on an annual basis.

Focus on compliance

“My advice is to focus on compliance. If there are any uncertainties or if there is any need for more clarity on issues, it is best to approach the department timeously.”

He warns that the exemption can be revoked during the exemption period if there is evidence that the employer has given false information, or that the company’s financial position has changed in the course of the year.

A trade union representative or an employee may approach the department with information that may cause the exemption to be revoked.

The impact

Concerns have been raised about the impact of a minimum wage on South Africa’s already dire unemployment situation.

“An employer who cannot afford to pay the prescribed rate obviously may reduce employees which will affect the unemployment rate,” acknowledges Malapane.

However, he refers to the partnership between the Department of Labour and Productivity SA to assist companies who are facing challenges.

A company with more than 50 employees can approach Productivity SA to assess problem areas, develop strategies to better market the company, improve operations and to formulate financial plans.

It can provide employees training on basic business principles, operations, and improved productivity.

When the company is already in crisis it can assist with immediate actions to avert the closure of the business and job losses.

ENDS

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