

Q & A: Minimum Wage

question+answer

The National Minimum Wage (NMW) Bill was passed by the National Assembly on 29 May 2018, after which it will be voted on by the National Council of Provinces and signed into law by President Cyril Ramaphosa. Ramaphosa admits that the NMW is not a living wage but argues that it is still an unprecedented victory for workers.

Ferron Pedro, WASP Executive Committee, examines this claim.

Is the NMW a victory for workers?

The national minimum wage will be R20/hour worked except for:

- (a) farm workers who will receive a minimum wage of R18/hour (currently R16.25/hour)
- (b) domestic workers who will receive R15 per hour (currently R11.89 – R15.28/hour)
- (c) workers employed on an expanded public works programme (EPWP) who will receive a minimum wage of R11/hour (currently earning around R9.77/hour)

Approximately one third of workers will have a right to wage increases. These increases are indeed improvements for workers, despite wages still being far below the working poverty line of R4,750 per month. A community social action group (PACSA) calculated that in 2017 the cost of the minimum nutritional food basket for a family of 5 is R3237.08 and that they would require an additional R3471.81 to cover the costs of their essential household items. The R20/hour minimum wage (which at most equals R3900/month) is not close to meeting the minimum requirements of a typical household.

While government says that they will eventually increase wages for all sectors to be in line with the NMW, this excludes EPWP workers who may remain paid at shockingly low levels indefinitely. Any positive impact of the NMW is further reduced by the Ramaphosa government's VAT increase from 14 to 15% which reduces how much we can buy with our wages. What is also clear is that companies have not been complying with existing minimum wage laws. A study released in 2011 reported that 44% of workers covered by minimum wage laws were paid, on average 35% below that minimum. In 2017, the Women on Farms Project did a survey of farm workers and found that 75% of seasonal workers in the sample were not paid the minimum wage. Laws have already been in place which bosses have ignored. Without an organized labour movement, even the smallest gains, become impossible to defend.

Will NMW lead to job losses?

While capitalists threaten job losses as a result of wage increases, economists who support a NMW say that "moderate increases in minimum wages do not increase unemployment" and that because more people have higher income, more people will buy goods and services which mean more businesses will grow. But even the most optimistic outcome does not solve the crisis of unemployment and the inability of a capitalist system to provide a decent life for all people. When a small group of people decide how our country's wealth should be used and distributed, we see that they hoard wealth, that is, keep it for themselves and refuse to reinvest when it does not serve their interests.

In 2017, a report showed that "South African companies are accumulating reserves and not investing in the economy... [and that cash] reserves in the JSE's largest 50 companies had increased from R242bn to R1.4-trillion between 2005 and 2016." This means that instead of employing more people, bosses merely held on to the wealth until they found opportunities to make profits. The fact is the only way to end unemployment once and for all, is for workers to decide for ourselves what work needs to be done and how society as a whole should benefit from our labour and the wealth we create.

How do we win a living wage?

Leaders in government argue that capitalism is the only system that works but what does 'working' mean if, under this system, it is impossible for workers to earn a living wage while bosses earn extravagant salaries and hoard all the wealth? We shouldn't be praising and thanking government for the scraps they're willing to give us but asking ourselves why do we have to fight for scraps in the first place? In order to make the most profits and increase their wealth, bosses must keep wages as low as possible and our only option as workers is organize and unite the class to take control of the wealth. While the working class do not have their own party that can fight for our interests, bosses will use those in power and in their pockets, to make laws which do not challenge them and their control of the economy. We must unite under the banner of a mass workers party on a socialist platform which can win state power and make laws for all workers that a minimum wage must be a living wage.

