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**GOVERNMENT NOTICES • GOEWERMENTSKENNISGEWINGS**

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**DEPARTMENT OF EMPLOYMENT AND LABOUR**

NO. R. 3394

8 May 2023

**NATIONAL MINIMUM WAGE ACT NO.9, OF 2018****MEDIUM-TERM TARGETS FOR THE NATIONAL MINIMUM WAGE REPORT**

In terms of section 11(d) of the National Minimum Wage Act, 2018, the National Minimum Wage Commission is tasked to set medium-term targets for the national minimum wage. Since the issue is of national importance, the National Minimum Wage Commission invited representations from the public concerning the medium-term target.

I, Adriaan van Der Walt, Chairperson of the National Minimum Wage Commission, hereby presents the medium-term targets for the national minimum wage as follows:

“All wage-earning workers should earn a wage sufficient to maintain a decent standard of living, defined as sufficient to support themselves and their families at a level that is both socially acceptable and economically viable. The target will ensure that the value of the national minimum wage does not decline relative to the median wage.” To achieve this target, the Commission will increase the value of the minimum wage gradually over time in real terms (that is, relative to CPI).

  
**PROF. ADRIAAN VAN DER WALT**

Chairperson: National Minimum Wage Commission

29 March 2023

# **National Minimum Wage Medium-Term Targets**

APRIL 2023

## Acknowledgements

*The Department of Employment and Labour would like to extend gratitude to all the stakeholders who continue to contribute their inputs and submission. The report would not have been possible without the submissions from employer organisations, employee representatives, organised labour and interested parties.*

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**List of Acronyms**

CPI	Consumer price index
ILO	International Labour Organization

## **1 The mandate**

The National Minimum Wage Act requires the Commission to “set medium term targets for the national minimum wage within three years of the commencement of this Act” (11(d)). It requires the Commission to “promote” these targets in the context of alleviating poverty and reducing wage differentials while taking into account a number of other considerations (7(a) and (b)), amongst other the implications for economic growth, employment, collective bargaining, small business, and inequality. In effect, the medium-term target for the national minimum wage should help evaluate progress toward achieving the main aims of the Act over time, but does not in itself determine the annual increase.

The medium-term target should take forward the purposes of the Act, which are:

“[T]o advance economic development and social justice by—

“(a) improving the wages of lowest paid workers;

“(b) protecting workers from unreasonably low wages;

“(c) preserving the value of the national minimum wage;

“(d) promoting collective bargaining; and

“(e) supporting economic policy.” (Section 2)

## **2 Stakeholder consultation**

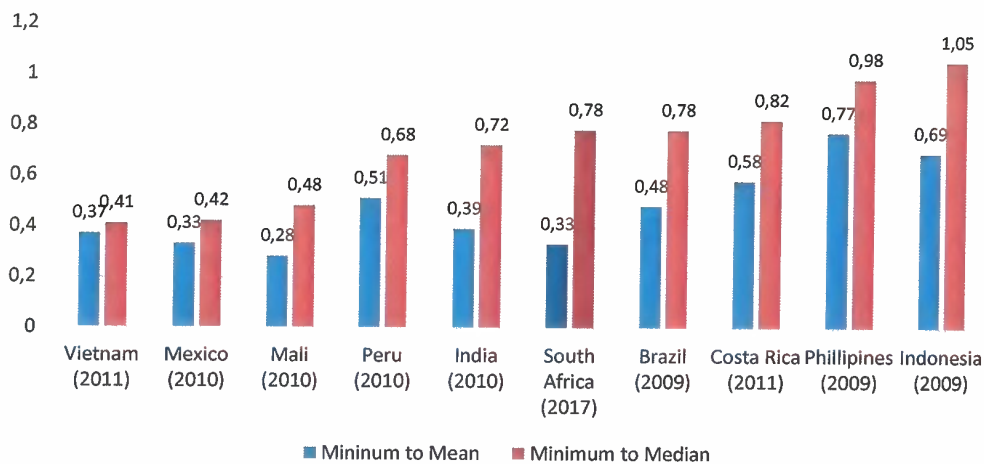
The National Minimum Wage Act requires that the Commission’s review report should reflect on alternative views, including interest of the public. It is for this reason that the Commission sought submissions from the public, labour and business. On the 15th of December 2022, the Chairperson of the National Minimum Wage Commission published, by way of the Government Gazette, an invitation for written representations

## **3 Discussion**

To achieve the aims discussed at the beginning of this report, the medium-term target should relate to broader trends in the labour market. To achieve this aim, the minimum wage should be evaluated against the median wage. The graph below shows how the national minimum wage in South Africa and other countries would relate to the mean and median in 2017. According to the ILO (see, ILO, Global Wage Report, 2020-21), on average, minimum wage levels are set at approximately 55% of the median in developed countries and at approximately 67% in developing and emerging countries.

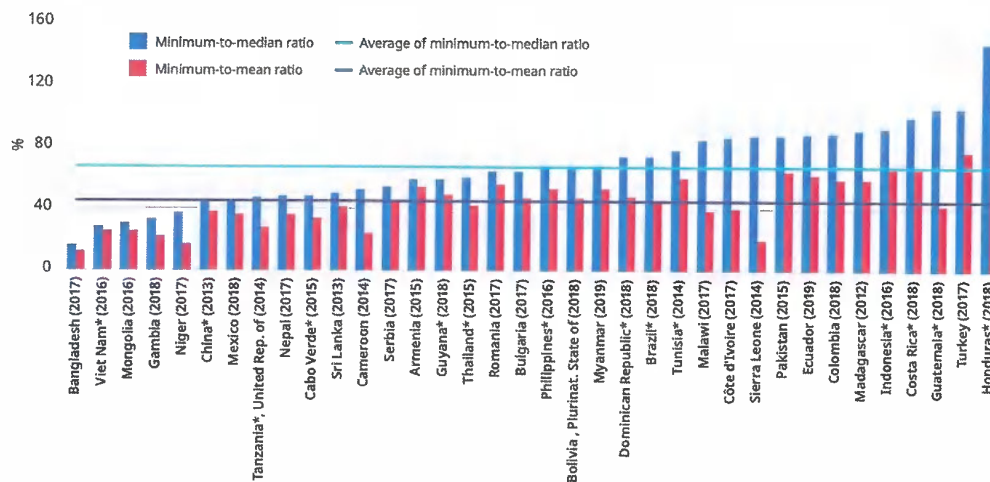


**Figure 1. Ratio of the minimum wage to the median and the mean in selected countries compare to South Africa**



The graph below shows data for a range of countries, and is a useful guideline for the Commission to benchmark South Africa against comparable countries. It should be noted, however, that there is no ideal ratio. Rather, the data are useful for comparative purposes.

**Figure 2. Minimum wage level relative to median and mean wage for selected developing and emerging economies**



**Note:** Years are given in parentheses. Countries marked with an asterisk (\*) are those with multiple minimum wage rates, for which minimum-to-median and minimum-to-mean ratios have been calculated using a weighted average of the minimum-to-median and minimum-to-mean ratios of these multiple rates. For more details, see Appendices II and V.

**Source:** ILO estimates based on microdata.

In light of its legal mandates, the Commission agrees that the medium-term target should be the following: "All wage-earning employees earn enough to maintain a decent standard of living, defined as sufficient to support themselves and their families at a level that is both socially acceptable and economically viable. The target should ensure that the value of the national minimum wage does not decline relative to the

median wage.” In practice, to achieve this target requires that the Commission will increase the value of the minimum wage gradually over time in real terms (that is, relative to CPI).



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