

09 February 2021

Media statement
For immediate release

Agbiz warns that the sharp increase in the national minimum wage will negatively affect various labour-intensive subsectors of agriculture

On 8 February 2021, the Minister of Employment and Labour announced an adjustment to the national minimum wage with effect from 1 March 2021. The amendment increases the general national minimum wage from R20.76 per hour to R21.69 per hour. The special dispensation for farmworkers has now been done away with as the minimum wage for farmworkers will now be equalised, increasing from the current R18.69 per hour to R21.69 per hour.

In November 2020, the National Minimum Wage Commission was divided on their recommendations to the minister as the labour, community and independent commissioners recommended an adjustment of CPI plus 1,5% coupled with the equalisation of farmworkers' pay. The business commissioners did not support these proposals given the economic devastation caused by the National State of Disaster. Agbiz likewise submitted written representations to the minister, opposing an increase above CPI and the equalisation of farmworkers' payout, fearing that this may lead to further job losses. The final adjustment does not appear to account for these objections.

According to Agbiz CEO Dr John Purchase the increases are not aligned to economic realities. " Agbiz has always supported a decent wage, but this amendment's timing must be questioned. Therefore we must note our disappointment at the latest adjustment, since it does not appear to take affordability or the current economic environment into full consideration. Last year saw the economy shrink in real terms and millions of jobs were lost across various sectors due to the Covid-19 disruptions. While agriculture has been a shining star in the economy, the labour-intensive subsectors such as the wine industry, have been hard hit by the recent ban on sales. Wine and table grape farmers already face cashflow challenges, and the severe economic impact was illustrated by the respective 37% and 8% year-on-year decline in farm jobs in the Western Cape and Northern Cape in the third quarter of 2020. We fear the recent adjustment will add to already tough economic conditions for farm businesses," said Dr Purchase.

The equalisation of farmworkers amounts to a *de facto* increase in farmworkers' wages of close to 16,1%. In this regard, Dr Purchase noted: "Even the subsectors that

performed well in 2020 will be affected as no sector can be expected to absorb an increase of 16,1% in a single financial year. Despite submitting evidence-based research and inputs to this effect, it is disheartening to see that business's legitimate concerns about affordability were not taken into consideration."

The National Minimum Wage Act does make provision for employers who cannot afford to pay the national minimum wage to apply to the department for an exemption. However, Dr Purchase stated that this should always be the exception rather than the norm: "This mechanism should be reserved for those who truly cannot pay the minimum wage as a result of exceptional circumstances. If a significant number of employers in any given sector cannot afford the minimum wage, then there is a fault in the system as the minimum wage must be set at a fair rate to both employees and the employer. One can only hope that this announcement does not lead to job losses in agricultural subsectors that are key to meeting the NDPs employment targets."

Enquiries:

Dr John Purchase

Agbiz CEO

john@agbiz.co.za

Theo Boshoff

Agbiz head of Legal Intelligence

theo@agbiz.co.za

Karen Grobler

Manager: Marketing and Communication

karen@agbiz.co.za

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