

Agbiz makes submission on proposed increase of national minimum wage

Agbiz has submitted its comments on the proposed CPI plus 2 increase in the national minimum wage as recommended by the majority of minimum wage commissioners in their report released on 15 December 2022. The business representatives on the National Minimum Wage Commission only recommended a CPI adjustment.

Agbiz acknowledges in its submission the very important contribution of workers to the agricultural sector and stated clearly that we support a fair wage dispensation for all workers in the sector, including those getting the minimum wage. This however needs to be balanced with the ability of employers in the sector to absorb a further increase in cost. Agbiz pointed out that business confidence in the sector is trending downwards and highlighted the challenges experienced in the sector with input costs, floods, load-shedding, service delivery issues and sharp increases in the interest rate.

Agbiz points out in the submission that the previous adjustment in the minimum wage amounted to a 16.1% jump in wages. Adjustments to the National Minimum Wage have varying impacts on different positions within agricultural value chains. The most direct impact is felt by primary producers (farmers), especially those involved in labour-intensive commodities such as viticulture and horticulture, where the salary bill accounts for a substantial portion of their input costs.

Agbiz also highlights a miscalculation in the report related to the rate of inflation. The report recommends that the adjustment be based on the actual rate of inflation in the month on which the rate is adjusted. Based on October 2022, the report estimates that this will be 7.6% plus 2, arriving at an estimate of 9.6%. By raising the repo rate in 2022, the South African Reserve Bank has taken proactive measures to contain inflation. The South African Reserve Bank forecasts consumer price inflation to moderate to an average of 6,7% in 2023 (MPC Statement, November 2022). This is far below the current assumption of the Commission, currently at 7,6%. Therefore, the proposed minimum wage

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increase will far exceed the inflation increase and will in face amount to CPI plus 3%, not 2%.

Agbiz recommends that the minimum wage should not be increased above inflation in the coming financial year.