

# Impact of the National Minimum Wage on agribusinesses

By [Dhevarsha Ramjettan](#), [Joani van Vuuren](#), [Jamie Jacobs](#), [Kgolagano Legobye](#)

27 Feb 2023

The new National Minimum Wage (NMW) hourly rates published by the Minister of Employment and Labour on 21 February 2023 will take effect from 1 March 2023. The NMW rate increase from R23.19 to R25.42 per hour will have a significant impact on the agriculture sector.



Dhevarsha Ramjettan, partner, and Joani van Vuuren, senior associate at Webber Wentzel

Agribusinesses are particularly vulnerable to large wage increases because it is a crop/flock-dependent, labour-intensive sector where the scope to replace labour with machinery was once a real threat to job security. In light of the ongoing power crisis in South Africa (which was recently declared a National Disaster), the latter is no longer a viable option to employers.

Weak and unreliable infrastructure has also exacerbated the economic prospects of business for farmers, processors, and distributors in the industry, with many losses occasioned by the 2022 Transnet strike.

Collectively, these factors pose a possible risk to food security in the region. On 13 February, the World Bank delivered an update on its website regarding food insecurity issues existing in various regions of the world, which has become an increasing concern given the high rates of inflation present in almost all low- and middle-income countries, which would include South Africa.



Kgolagano Legobye, candidate attorney, and Jamie Jacobs, associate at Webber Wentzel

The decision to implement the wage increase must be balanced against these factors and the need to avoid job losses in the face of South Africa's high unemployment rate of 7.7 million (as reported by StatsSA in the third quarter of 2022).

Against this backdrop, the NMW Commission's statement that all wage-earning workers ought to have a sufficient income to support themselves and their families at a socially acceptable and economically viable level is admirable. However, if other efficient measures for reducing poverty are not used along with the expanded NMW, it will be a rather ineffective tool for alleviating poverty in South Africa.



#### SA's minimum hourly wage increase applauded

24 Feb 2023



## How the NMW increase impacts employers in agriculture sector

Goal 8 of the United Nations' Sustainable Development Goals emphasises the imperative that all working individuals be provided with decent work to promote sustainable and inclusive economic growth in global society.

There is a careful balance between alleviating poverty by increasing the minimum wage in line with the high cost of living occasioned by rising inflation rates, and the need to eradicate the unemployment crises in countries like South Africa which may worsen if employers are unable to meet minimum wage requirements.

Some sectors have unique collective bargaining approaches, resulting in industry-specific agreements on rates of pay that

cater for their production requirements and viability. If the increases prove to be disruptive to the viability and continuity of their businesses, employers in the agriculture sector may need to consider adjusting their working hours, engage in more rigorous collective bargaining to align with the new NMW rate, or engage legal advisors on their prospects to be exempt from the application of the NMW.

Collective bargaining has often resulted in sector-specific solutions that address both the workforce and business needs.

Although raising the minimum wage is meant to raise workers' living conditions, it is important to consider any unintended implications for businesses, employees, and the economy at large.

## ABOUT THE AUTHOR

Dhevarsha Ramjettan, partner; Joani van Vuuren, senior associate; Jamie Jacobs, associate; and Kgolagano Legobye, candidate attorney at Webber Wentzel

For more, visit: <https://www.bizcommunity.com>