

SOCIAL DIALOGUE FOR INCLUSIVE WAGE POLICY IN SOUTH AFRICA¹

Unemployment, inequality and insecurity

In May 2017, the National Assembly of South African adopted a National Minimum Wage (NMW) and approved amendments to the Labour Relations Act to strengthen and promote collective bargaining. These measures aim at an inclusive wage policy that addresses rising inequality and instability in labour relations. They are the outcome of robust engagement between the social partners – unions and employers’ organizations – and government; an institutionalized process of tripartite dialogue.

South Africa has historically been characterized by high levels of unemployment, poverty and inequality. It has one of the highest measures of income inequality, with a Gini coefficient² of 0.65 in 2014. The system of minimum wages set through sectoral determinations and collective bargaining was fragmented. As a result a large number of employees were either not covered by these formal wage institutions, or had difficulty understanding the rates and claiming their entitlements. Wages are very low, particularly in sectors such as agriculture and domestic work. Low rates of economic growth have done little to ameliorate the insecurity and uncertainty that workers face. These conditions fuelled rising instability in labour relations, including protracted and frequently violent strikes.

Unemployment in South Africa

Indicator (%)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Unemployment rate (narrow)	22.50	23.70	24.90	24.80	24.90	24.70	25.10	25.30	26.70	27.70

Source: Stats SA (2016, 2017)

In this particularly fractious climate, the President assigned the National Economic Development and Labour Council (Nedlac) the responsibility for examining modalities to address rising inequality and instability in labour markets. This peak level tripartite social dialogue institution played a crucial role in forging an inclusive wage policy.

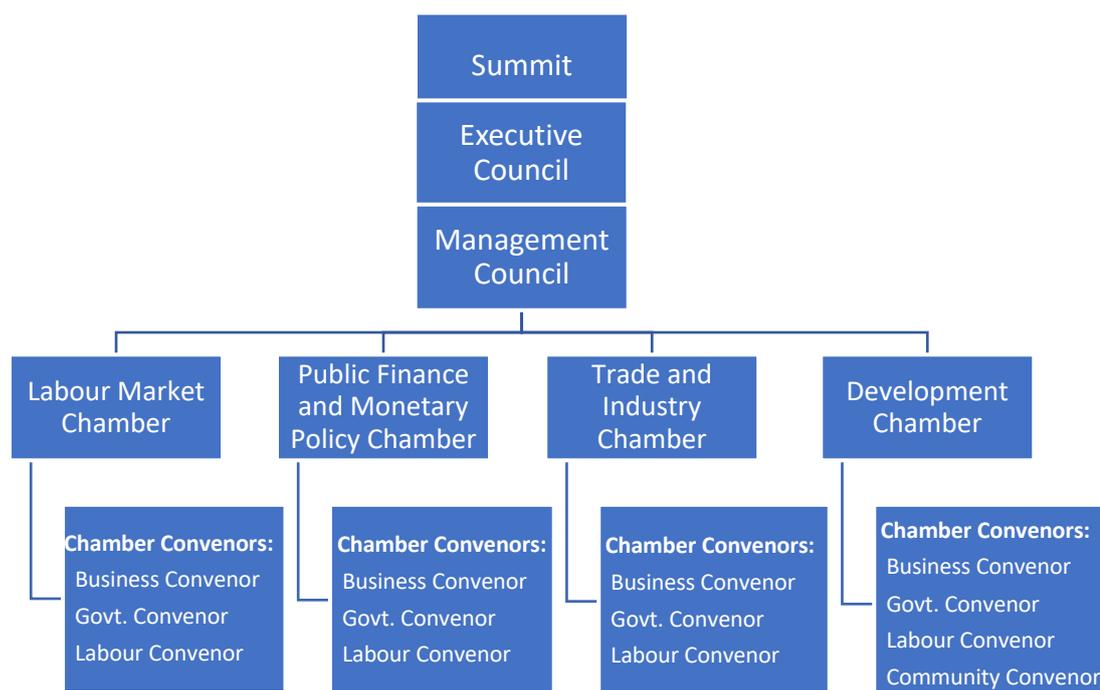
¹ Based on: I. Valodia, K. Jurgensen and D. Francis: *A minimum wage for South Africa, good practice for social dialogue and decent work (2018)*, unpublished note

² The Gini coefficient is a measure of statistical dispersion intended to represent the income or wealth distribution of a nation's residents, and is the most commonly used measurement of inequality.

The role of tripartite social dialogue in social and economic policy

Nedlac was established by the Labour Relations Act (Act 66 of 1995), the first piece of legislation of democratic South Africa. Its mandate covers various issues, from the promotion of goals of economic growth and participation in economic decision-making to the conclusion of agreements on matters pertaining to social and economic policy and the evaluation of both draft labour legislation and changes in policies of a social and economic nature.

National Economic Development and Labour Council



See: <http://nedlac.org.za/>

Nedlac holds high-level Summits to address challenges facing the country. An Executive Council (Exco) meets four times a year to discuss key policy issues. The Management Committee (Manco) meets six times a year, is responsible for the planning of day to day management issues and signs off on all the reports before they are submitted to Parliament.

Nedlac has four chambers: the Labour Market Chamber; the Trade and Industry Chamber, the Public Finance and Monetary Policy Chamber and the Development Chamber. It differs from many national tripartite institutions in that in addition to the Business, Labour and Government Constituencies, it has a fourth constituency, a Community Constituency, representing members from civil society. The Community Constituency participates in some of its governance structures and is one of four convenors of the Development Chamber.

“Social dialogue has the capacity to bring different stakeholders together around the idea of a mutually beneficial programme”

Isobel Fryer, Community Constituency

Addressing wage inequality and labour market instability

In June 2014, during his State of the nation address, the President of South Africa called on the social partners in Nedlac to address wage inequality and violent and protracted strike action. Later that year, during its Annual Summit, Nedlac agreed to hold a Labour Relations Indaba (conference) in November 2014 to agree on the way forward.

The Ekurhuleni Declaration

All four Nedlac constituencies, representing organized business, organized labour, the government and the community, adopted a declaration on [*Promoting Employment and Strengthening Social Dialogue*](#) at the Labour Relations Indaba in Ekurhuleni in November 2014. The Declaration recognized the challenges of unemployment, poverty and inequality facing the South African economy and society. It agreed to actions on two focal areas:

1. Promoting employment, labour market stability, including the right to strike, protracted strikes; violence, collective bargaining and the role of the State; employment, vulnerability and social protection.
2. Addressing wage inequality by engaging on a national minimum wage.

Social partners agreed to a set of principles to guide work under these two focal areas. They established a committee of principles (CoP) convened under the leadership of the Deputy President to guide the work of Nedlac. Two Technical Task Teams were established under the auspices of Nedlac to carry out the work, guided by the principles adopted set out in the Ekurhuleni Declaration.

The Labour Relations Technical Task Team was mandated to deal with labour market instability, including protracted and violent strikes and the role of the state in promoting collective bargaining. A Wage Inequality Technical Task Team was mandated to address wage inequality and engagement on a national minimum wage. Both task teams were managed by the same facilitator who had the confidence of all the social partners, which ensured impartiality and expertise in the facilitation exercise.

Breaking the deadlock

The Labour Relations Technical Task Team undertook joint study visits to countries that had also needed to tackle protracted strike action, sought technical advice from experts as well as the International Labour Organization (ILO) on Arbitration, the Extension of Collective Agreements and the regulation of strike action. It was able to wrap up its work after roughly two and a half years.

In contrast, the Wage Inequality Task Team deadlocked after almost two years. To overcome this stalemate, the Deputy President and the Committee of Principles agreed to establish an Advisory Panel of experts to take the matter forward.

The Advisory Panel was established in August 2016 to examine evidence on a national minimum wage and engage with the different concerns and proposals expressed so far by the Wage Inequality Task Team. The Panel consulted over 60 research reports and met with all the stakeholders, including experts from small businesses, youth, care work and representatives of the informal sector. The ILO was invited to be one of the Experts on the Advisory Panel.

“I look at it (the establishment of an Advisory Panel) positively and say the fact that you could take a decision and we need to get experts who will advise us to get the best answer. For me, that’s a good thing for social dialogue”

Thembinkosi Mkalipi, Government Constituency

After intensive consultation with constituencies at Nedlac, the Panel produced a report on a *National Minimum Wage for South Africa* making clear recommendations on the level, coverage and institutional arrangement for managing a National Minimum Wage in the country. The report was presented to the Committee of Principals in October 2016. The work of the Advisory Panel was critical in breaking the deadlock in the Technical Task Team and its proposals on the hourly rate was accepted by the social partners.

This was followed by a period of intensive engagement between the CoP, the Technical Task Teams and the social partners to reach consensus on the constituent elements of an inclusive wage policy.

“I do think this is a model-type process that can be used for other big challenges... issues such as land and comprehensive social security”

Tanya Cohen, Business Constituency

The outcome

In February 2017, the Nedlac constituents representing organized business, organized labour, government and the community agreed to a [Declaration on Wage inequality and Labour Market Instability](#). The declaration outlined agreement to an inclusive wage policy comprising of:

- **Modalities for the introduction of a national minimum wage** of South African Rand (ZAR) 20 an hour by 1 May 2018; defining the coverage; determining mechanisms for its monitoring and adjustment; and establishing rules regulating exemptions and penalties in cases of non-compliance.
- **A Code of Practice on Collective Bargaining, Industrial Action and Picketing** which provides guidance to the resolution of disputes and peaceful industrial action and picketing.
- **Amendments to the Labour Relations Act** that would enable Bargaining Councils to extend funding agreements for pension and health care; provide default picketing rules; the use of a secret ballot prior to strike action; and introduce advisory arbitration in the event of prolonged and violent industrial action.

“The National Minimum Wage is an historic victory for workers and their families. For the first time in South Africa all workers will be covered by a NMW. Currently, only 30% are covered. We will see an increase in the wages of 6.4 million workers, or 47% of the workforce. This will benefit half the nation directly. It will mean more food on the tables for their families. It will spur local economic growth as workers will have more money to spend on food, transport and electricity. The fact that this could be achieved shows the value of social dialogue through Nedlac between labour, business and government. It also shows the power of workers when they are united as seen by the united front in this case between the three major country’s union federations of COSATU, FEDUSA and NACTU.”

Bheki Ntshalintshali, Labour Constituency

Lessons for social dialogue

A number of important lessons can be drawn from the South African experience.

- ✓ *Strengthening the capacity of the facilitators:* It is important to empower those facilitating the process by giving them the means to address in a balanced and informed way the various stumbling blocks that might prevent the negotiations from proceeding in a smooth manner. The secretariat of the institution hosting and coordinating the process of social dialogue has an important role to play. The secretariat should be able to provide sufficient support, assisting both the process and the social partners involved in it, from both an administrative and strategic point of view.

- ✓ *Agreeing to the rules of the game:* Negotiators need to agree upfront to a clear code of conduct which can guide them about what to do should they reach deadlock. Formal and informal deadlock-breaking mechanisms are crucial and should be determined beforehand. Issues such as the confidentiality of negotiations, the possibility of without-prejudice discussions and a commitment to bargaining in good faith should all be included in the code of conduct.

- ✓ *Breaking deadlock:* Research and the sharing of comparative experiences can be important in shifting the positions of social partners on sensitive issues and encouraging them to broaden their perspectives and craft solutions.