

# Increase minimum wages in clothing retail

## Sactwu makes a case

The Southern African Clothing and Textile Workers' Union (Sactwu) is calling for a substantial increase in the monthly wages of clothing retail sector workers. The union argues that employers can afford it.

Sactwu, which is affiliated to the Congress of South African Trade Unions (Cosatu) submitted its proposals to the Employment Conditions Commission following a Government Gazette notice recently published by the Minister of Labour, notifying the industry that the Sectoral Determination governing conditions of employment in the wholesale and retail sector is being reviewed.

### LOW WAGES

The current Sectoral Determination (SD) does not go far enough in addressing poverty and inequality as most workers within this sector are still paid very low wages. Sactwu submitted that minimum wage levels for this sector must be adjusted significantly in order to provide workers with a more decent income, to be aligned to national strategic goals around decent employment, and to counter growing income inequality which is particularly common in this sector.

South Africa's imperative to pursue decent work has serious implications for wages across the labour landscape, and it forces the conclusion that if 'decency' is to have any rational basis, wages must be linked to the cost of living and must ultimately allow workers to live a decent life. In its truest form, therefore, decent work necessitates the payment of a living wage.

A living wage must be the ultimate goal in the retail sector. However, the immediate minimum wages, while lower than a living wage, must also be consistent with national economic policy and the objective of decent work.

They should in the very least be defined by a survival wage: in other words, defined by the cost of living. In developing countries, the minimum wage needs to cover the living expenses of the whole family and further dependents as recommended by the International Labour Organisation, (ILO).

Currently in South Africa there is no relation between minimum wages and the cost of living, writes Neil Coleman. Yet, it is Sactwu's contention that a minimum wage linked to the cost of living is not only a human rights and policy necessity in the retail sector, but that this wage is affordable too.

### LARGE ENTERPRISES DOMINATE

According to StatsSA's 2012 Retail Trade Industry and Wholesale Trade Industry reports, the wholesale and retail industries, but especially the retail sector, are dominated by large enterprises, in terms of employment. In this regard, in 2012 large enterprises employed more than 55% of total wholesale and retail industry employees. This was as high as 65% of total employees in large enterprises in the retail segment alone. Indeed

the following 27 large companies constitute roughly one-third of total employees in the wholesale and retail industry: Shoprite Holdings Ltd, Pick 'n Pay Stores Ltd, Edcon Ltd, Pepkor Holdings (Pty) Ltd, Massmart Holdings Ltd, JD Group Ltd, Woolworths Holdings Ltd, Mr Price Group Ltd, The Foschini Group (Pty) Ltd, Truworths International Ltd, Ellerine Holdings Ltd, Clicks Group Ltd, Lewis Stores (Pty) Ltd, Dis-Chem Consolidated (Pty) Ltd, Cashbuild Ltd, Spar Group Ltd, Waltons (Pty) Ltd, Kaap Agri Beleggings Ltd, Cape Union Mart International (Pty) Ltd, Melbro Holdings (Pty) Ltd, Tekkie Town (Pty) Ltd, Ellies Holdings Ltd, Verimark Holdings Ltd, Holdsport Ltd, Stuttafords International Fashion Company (Pty) Ltd, Moresport (Pty) Ltd, and Homechoice (Pty) Ltd. In terms of sales, large enterprises also dominate the industry. In this regard, 69% of the income in the wholesale industry and 71% of the income in the retail industry is earned by large enterprises.

In other words, any adjustments to wages and working conditions in the wholesale and retail industry will have a disproportionate impact on large enterprises. It is Sactwu's contention that large enterprises are capable of implementing higher wages and working conditions. Those smaller enterprises which cannot afford increases, can be covered by an exemption process.



*Making clothes: Worker employed by VKS busy in a factory. Credit: William Matlala.*

### SALES AND PROFITS

In the recent period, sales in the wholesale and retail industry have been slower than previous years, especially in the mid-2000s. Nevertheless, the slow growth of sales does not mean the industry is not profitable and cannot afford to pay workers higher wages.

Certainly the industry is generally more profitable than many others in the economy. In this regard, StatsSA's Quarterly Financial Statistics records that in December 2014, net profits (before interest and income tax) of the 'trade industry' (which includes the wholesale and retail sectors amongst others) were 11%. This was far higher than net profits in mining and quarrying (3.31%), manufacturing (5.60%), construction (3.50%), and transport storage and communication (3.82%) amongst others.

Yet despite having higher profits, the industry often pays lower wages than other industries. Using the existing SD9 and the Labour Research Service's (LRS) wages and salaries database, the wages of shop assistants in 2014 were R3,250, and general assistants were R2,804, while the average labourers' wage in manufacturing was about R4,165 per month and the average underground miners' wage was about R6,067 per month.

If industries which are less profitable than the wholesale and retail industry are able to pay their workers higher salaries, Sactwu believes this more profitable industry should do so too.

Indeed, we are deeply concerned about the skewed distribution of income in this industry. In this regard wholesale and retail workers' salaries stand in extreme contrast to the salaries and remuneration packages earned by many chief executive officers (CEOs) in this industry, particularly those from large enterprises.

Shoprite for instance regularly awards its CEO bloated remuneration packages, most recently R49.9m in 2014. For its part, Woolworths awarded its CEO a total package of R27.5m in 2014.

The LRS has mapped the salaries and remuneration of CEOs and directors in some large wholesale and retail enterprises. The results show that CEO salaries in the retail sector are on average some of the highest out of all sectors in the economy. In this regard, the average CEO salary in 2014 was about R10m while their average total remuneration was R15.8m. This represents gross inequality of income in this industry. Such extreme income inequality undermines the very fabric of South African society and must be addressed in all spheres in which it

manifests. Failing to do so poses a very real threat to social cohesion in South Africa.

### NEW MINIMUM WAGES

In terms of international standards, South Africa's minimum wages, including in this sector, are far too low. In most countries, minimum wages are between 40% and 50% of the median wage. International bodies, such as the ILO, argue that in countries with extreme inequalities, the minimum wage should be higher: up to 75% of the median wage. In Latin America, minimum wages are above 50% of average wages according to Herr and others and the ILO Global Wage Report 2008/9. South Africa falls behind BRIC countries here, with China, Brazil and India having a higher minimum wage in relation to the average wage. In Brazil, the real value of the minimum wage increased by 81% between 2003 and 2010, according to Coleman.

According to Baltar and others the minimum wage in Brazil has contributed to raising people's standard of living and has had a very positive impact on poverty levels.

From 61.4-million people in 2003, the number living in poverty dropped to 41.5-million in 2008 (a decrease from 34.3% to 21.9% of the total population). Further, the proportion of formal employment in the whole economically active population (including the unemployed) aged 15 and above increased from 36.1% in 2004 to 40.9% in 2008. Based on the calculation of 40 to 50% of the average wage (taken as R12,000), minimum wages in South Africa should be R4,800 to R6,000 per month, adds Coleman.

On behalf of its members in retailers, distribution centres and wholesalers across South African Sactwu would like to propose the following improvements to conditions of employment and increases in wages.

The minimum wage for the lowest paid worker in retail (shop assistant) must be R4,500 per month or R1,038.55 per week, while the lowest paid worker in wholesale (general assistant) must be R4,053.76 per month or R935.56 per week. According to the SD 9 wage schedule for 2015/2016, the current lowest paid worker in retail stores is a shop assistant at R3,249.98. This would mean an increase of R1,250.02. The current lowest paid worker in distribution centres is a general assistant at R2,803.74. This would also mean an increase of R1,250.02.

We propose that all categories of retail workers' wages (except for supervisors and managers, specifically the following categories: 'trainee manager', 'supervisor', 'assistant manager' and 'manager') are increased by R1,250.02 per month as opposed to an equivalent percentage increase as a percentage increase will contribute to greater inequality between workers in the sector. We propose that supervisors and managers receive an increase equivalent to 75% of the increase for workers that is R937.52.

The principle of lower paid workers receiving greater increases than higher paid managers and supervisors is already contained in SD9, e.g. in the 2015/2016 wage schedule lower paid workers received a 7.1% increase versus a 6.1% increase for higher paid persons in Area A. A similar occurrence could be seen for Area B. If these increases are granted, both workers and managers will receive good increases and inequality will decrease.

Given the above, and the profitability of large enterprises in the sector, we further recommend that large businesses (enterprises with more than 100 employees, as per the National Small Business Act 102 of 1996) pay a premium above this, specifically an increase for workers of 150% that of smaller businesses, an increase of R1,875.03 per month, and for supervisors and managers also 150% that of smaller businesses, an increase of R1,406.28.

We reiterate our call, made in a submission on this SD in 2012, to abolish wage differentials between Area A and Area B. We believe there should only be one area. We have not found evidence which is conclusive on the matter of lower costs of living in rural or peri-urban areas.

We believe that annual wage increases should be set based on calculations that take into consideration the real impact or changes in the cost of living directly affecting the concerned workers. We therefore appreciate the fact that rather than basing wage increases on headline inflation, the last SD wage schedule based such increases on the expenditure category most applicable to workers in the sector. We urge the minister to continue with this practice.

However, taking into account the very low wages in this sector,

the huge gap between executive pay and workers' wages and the need to deal with poverty, including working poverty in South Africa, we believe a premium needs to be added to the annual increase and propose a 3% top-up, in addition to the inflation for quintile 3 increases.

## RETIREMENT FUND

We propose the progressive introduction of social security measures in the industry. It is evident that workers need to provide for their old-age, for many obvious reasons for the workers and their families, but also to lighten the load on the state's grants system.

Workers in many sectors have achieved this, including due to the organisational strength of their unions and through bargaining. Prospects of retail workers achieving this are bleak, taking into account the low union density in this sector and the power of employers, mainly evident in the level of casualisation, contract workers and temporary workers.

We therefore urge the Minister of Labour to introduce a retirement fund. The contributions to this retirement fund can be increased over the years but as a first step, we propose a compulsory retirement fund whereby employers are required to pay 7% of workers' wages to the fund.

Included are proposals for improvements in hours of work, overtime payments, night work payments, annual leave provisions, sick leave entitlements, family responsibility leave, meal and rest intervals. <sup>LB</sup>

*This is an edited version of the report titled: 'Sactwu submission to Minister of Labour on the review of minimum wages and conditions of employment in the wholesale and retail sector.'*



Sactwu general secretary Andre Kriel speaks at the Fashion Imbizo in Cape Town. Credit: Nazmia Leite/Sactwu.