Democratic Alliance speech by

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Blanket minimum wage will strangle employment

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Madam Speaker,

South Africa is at a precipice.

The economy is tanking and the cost of living is rising.

We have officially entered a period of recession.

The average citizen’s life in South Africa is an uphill battle to make ends meet.

Across the country there are ten million people unemployed – the majority of whom reside within the boundaries of this province.

The implementation of R20 as an absolute minimum wage may for some be a welcome relief, but for many – especially the unemployed whom had no say in the matter, it is not the panacea that the ANC has promised.

In fact, this act may hamper growth, excluded people from the job market and increase economic contraction.

The DA is of the firm belief that a blanket wide minimum wage should be done away with and be replaced by sectorial minimum wages.

SMME’s and start-ups are already at the mercy of stringent and cumbersome labour laws and endless bureaucratic red tape that hinders their growth and potential to be labour absorptive.

The addition of a flat minimum wage will most likely be the cause of entrepreneurial stagnation and retard strides made by bright people whose endeavours can turn the tide on sluggish growth and unemployment.

Sadly, one of the knock on affects that the introduction of a flat minimum wage does is to create a race to the bottom. Instead of establishing the minimum wage as a basis from which business can start, it sometimes ends up as a target of employers to achieve to reduce labour costs.

It is our contention that there should be the establishment of an independent panel mandated to set minimum wages for each sector.

This panel will be more able to resist undue influence by politicians, big business or big labour unions.

It is not that we wish to undermine the values of workers in doing so, but rather to create a competitive market that will allow more entrants into the job market.

I have to ask this house, is it not better to have a job with some income than to have no job because of the artificial barriers imposed on business by government to deny access to the job market.

Take this as an example:

A young person who is inexperienced is looking for a job. A company owner may be willing to take on the inexperienced person at a rate of their choosing, agreed to by the prospective employee, because that person has no experience and will not have the same output as an experienced employee. Without a minimum wage in place, that young, inexperienced person is likely to be employed and with time be eligible to a salary increase as well as become more marketable should he or she wish to seek other employment.

If the business owner is expected to pay the inexperienced youngster a similar rate to that of a seasoned employee with a higher productivity level – it is most likely the young person will remain unemployed.

In a country with both a skill and employment shortage, a blanket minimum wage cannot work.

If we are truly committed to lifting our people out of the clutches of unemployment, then we should be more flexible with our work for pay scaling.

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