

# Press Release

## For immediate release

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South African Institute of Race Relations

*The power of ideas*

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#### **IRR says minimum wage will entrench structural unemployment**

The proposed new minimum wage of R3 500 per month will do little to improve the circumstances of existing workers, while further limiting access to the labour market for unemployed people. This is according to analysts at the IRR.

IRR analysts said that over 50% of people in South Africa aged between 20 and 30 years old were not in employment, education, or training. For people of working age without a university education, the labour market absorption rate is below 50%, which is far off emerging market norms.

The proposed new minimum wage will make it much more difficult for people who are currently unemployed to ever find work, while serving as a new obstacle to the creation of small enterprises. According to the IRR minimum wages can be used by large established companies as market protection mechanisms with which to undermine the emergence of small competitors.

At the same time the proposed minimum, especially when sectoral exemptions are taken into account, will do very little to improve the socio-economic circumstances of existing workers.

The minimum has also been set at such a 'low' level that it will further open the business community, the ruling party, and government to the accusation that they are promoting the exploitation of the poor. We expect that it will become a new rallying point for critics of the government and the business community.

On balance, it looks like the drafters of the new minimum wage have simply been playing politics, with no regard for the interests of the economy or the unemployed. That the Deputy President, Mr Cyril Ramaphosa, has championed what is effectively a charade, when real solutions to the problems of poverty and unemployment are needed, calls into doubt his leadership temperament

*The IRR is a think tank that promotes political and economic freedom. Follow the IRR on Twitter at [IRR South Africa](#).*

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