

Our ref: JA/GB/FW



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Tsa Temo Freistata

5 May 2021

To: Honourable Minister TW Nxesi,
Minister of Employment and Labour
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Dear Honourable Minister Nxesi

RE: CONCERN OVER NMW & THE IMPACT ON THE UNEMPLOYMENT CRISIS & CRIME IN SA

Free State Agriculture, a members organization representing more than 50% of the commercial (VAT registered) agricultural business entities – i.e. commercial farming businesses in the Free State, is highly concerned/annoyed by process by which the Agricultural Sector Determination was bulldozed to slot into the National Minimum Wage (NMW) resulting in an **unaffordable 16% increase in minimum agricultural labour costs**. Your letter to AgriSA dated 19 March 2021 was also not an acceptable justification! Our concern is the impact that this will have on **increasing rural unemployment** resulting in increased rural to urban **migration** in search of alternative jobs, placing further stress on service delivery and **increased crime**, particularly in rural areas.

EVIDENCE BASED ARGUMENT: It was disconcerting to hear from a minister in the press the argument that as agriculture was the only sector to maintain a positive growth through COVID-19 in 2020 and that agriculture in general had a good year with increased revenues from exports that it could afford the 16% increase with minimal effects! Please see the results of a survey conducted amongst our members (Appendix 1.) as well as among new commercial (historically disadvantaged Individuals - HDI) farmers (Appendix 2.) conducted a month after the announcement of the NMW to avoid the knee jerk reaction of the dramatic price increase amid the following national disasters:

1. The COVID pandemic – read about the impact on our food system here <https://covid19.ivis.africa/>
2. Persisting drought in many parts of the county – 2015 - 2019 in the Free state with a break in 2017
3. Floods in the Northern parts of the Free State damaging crop yield potential and destroying the critical roads infrastructure so necessary to link rural dwellers to markets and services.

And also in the context of other drastic price increases:

1. ESKOM has increased their electricity 15.8% for the coming year with more increases in distribution fees imminent
2. Road accident and fuel levy increases are more than 2x inflation

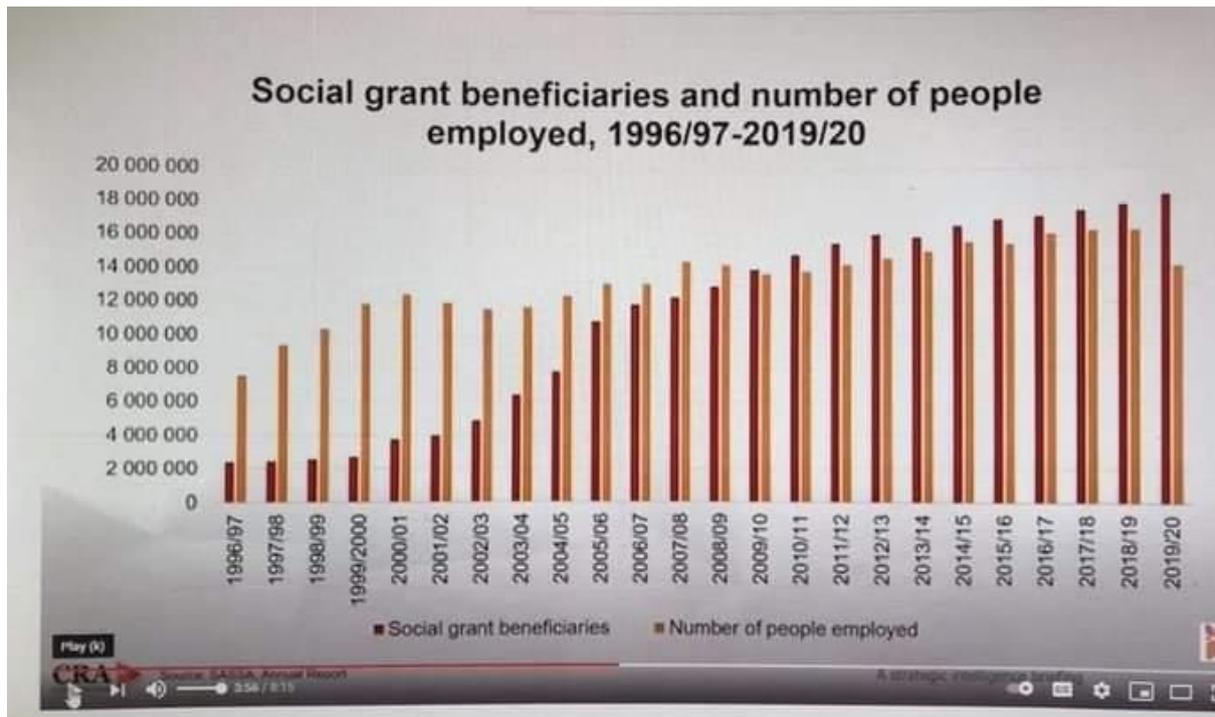
3. With the weakening of the Rand due to credit downgrades all the imported inputs (fertilizers, chemicals – herbicides and pesticides, machinery, etc.) have all also increased significantly more than inflation. Read more here:

The Use of Agricultural Inputs in South Africa <https://covid19.ivis.africa/publications/brief-6>
“It is clear that agricultural operations are dependent on a number of inputs, including labour, plant protection chemicals, fertiliser, packaging materials and feed. The supply of these inputs relies on the effective functioning of value chains, whether formal or informal, and disruptions in any node could risk food security and/or loss in income and jobs.”

Results: The results of this statistically significant survey amongst both commercial and new (HDI) commercial farmers are clear that **jobs, particularly minimum wage - low skills jobs will be shed in the agricultural sector in the Free State**. Furthermore, labour intensive seasonal activities that used many unemployed people from the neighbouring towns to ridge sugar beans, sort potatoes or harvest fruit will very likely also be looking to mechanize! This will result in the social evils expounded on above.

POLICY: We are of the opinion that the NMW together with all the current labour laws impede real job creation, reduce labour productivity and deny the working class of dignity and new graduates and working force entrants the opportunity of basic work experience. The current political discourse around expropriation without compensation (EWC) is also hampering growth through reinvestment back into agriculture which could also create far more decent jobs and not just minimum paying jobs. Unfortunately this EWC discourse also increases mistrust between farmers and workers and potential new entrants though fears and unrealistic political promises made and this also hampers agricultural employment. **Tenure Security** is being promised to rural farm workers to stem the strain on local municipalities to deliver serviced erven, however the children of farm workers don't necessarily want to be farm workers and they move off the farm seeking alternative opportunities – speaking to most farm workers, they don't want to be stuck on one farm for the rest of their lives, but would prefer access to a full title serviced plot on the urban fringe from where they offer their labour to the highest payer and can build their own lives independent of their current employer like in any other sector!

IDEOLOGY: It is concerning that the President praised the increasing target set by our minister of social development in terms of **more social grants to be paid out** by the end of the MTSF. If we are planning to improve our economy and create more jobs, surely one would **aim to reduce this unaffordable social welfare burden** on the declining tax base in SA! Unfortunately our developmental state prerogative is being confused with a social state where the electorate is strategically made to be more and more dependent on the ruling elite through increased state employment and social payments as evident from the graph below as produced from the SASSA annual report data by the [Centre for Risk Analysis \(CRA\)](#):



According to CRA, in the evidence-based opinion piece **SA Needs More Jobs Not Social Grant Beneficiaries**:

“the unions and the African National Congress itself are the major obstacles to job creation. The consequence of the national minimum wage is that businesses are reluctant to hire because the minimum wage makes labour in South Africa too expensive.

By contrast, a study done by Afrobarometer this year showed that the majority of South Africans would prefer a low-paying job to no job at all.

The study, comparing two hypothetical economic systems, showed that two thirds (66%) of South Africans would prefer an economy with low wages and low unemployment over one with high wages and high unemployment. The vast majority (79%) believe it is better to have a low-paying job than to have no job at all.

South Africans clearly attach a high value to having a job. Government therefore needs to implement labour reforms that will price people into work. With more people in jobs, South Africa’s high social grant dependency ratio will decline, providing fiscal relief. It is time for South Africa to focus on wealth-creation again.”

POLITICS: we are concerned that in the run-up to local elections we will have a surge of politicians demanding access to farms. We had an incident 10 November 2020 where the EFF demanded scarce rural police force members from the Smithfield SAPS station to guard them to access a farm to retrieve a contract workers equipment from his temporary lodgings who he was told was unfairly chased off a farm in an electioneering stunt. We cannot allow this and request the Dept of Employment and Labour to intervene in such situations and not allow our under-resourced and capacitated rural police to have to handle such situation which resorts under the jurisdiction of the Dept of Employment and Labour.

UNIONS: Fortunately / unfortunately labour unions have not been able to penetrate the agricultural sector yet (it’s just too inconvenient to drive from farm to farm on bad roads in smart cars!), though through improving ITC technology and social media are yielding a huge influence. The **Labour Unions**

in SA and their alliance with Political parties yield unfair power in favour of the minority employed class while the voice of the masses of unemployed are not REALLY heard by any organized forum whether of NGO's, Activists or anyone! Hence Government goes ahead based on the unions' forced pressure (strikes) and advice and by appeasing the unemployed masses with unrealistic promises of jobs and more social grants.

ACTIVISTS, NGO's & the MEDIA: many false perceptions are created through the sensationalism seeking use of the exceptional bad conditions/treatment of a farm worker. Naturally the media will always focus on the one or two terrible incidents by the "bad apples" and blow this up as if all farm workers are treated like this. This happened when the ILO cited an activist organization report from the WC and every subsequent report that cited the scientific ILO scientific document out of context. Sadly we always only hear about the bad news stories and never about the vast majority of farmers who do comply and make a huge significant contribution to employing more than 800 000 people / 12% of all the jobs in South Africa. In this regard you experienced this first hand when you visited the Vrede and Warden area in the Free State Province during January 2020.

WORKERS MISUNDERSTANDINGS AND MEDIA INTERPRETATIONS: due to the nature of farm and seasonal work as well as allowable deductions in terms of the agricultural sectoral determination, many farm workers (many of which may be illiterate) when asked what their monthly or annual salary is would quote what they physically got paid, however farmers pay them according to the hours physically worked multiplied by the official hourly rate. This then is blown up in the media and used by politicians to generalize that farmers don't pay their workers what is due them on a monthly or annual basis. It would be helpful if Labour Inspectors could also explain to workers how their salary is calculated and to affirm with them that it is correctly done to allay such misunderstandings.

REALITIES: Most farm workers' employment conditions are very different from most other sectors in the following respects, hence a separate Sectoral Determination:

1. **Most farm workers live on the site of their employ,** i.e. on the farm;
 - 1.1. This reduces transport costs (and travel time = more leisure time) significantly as part of monthly spend (and were workers to live off site the farmers usually collect them free of charge as no taxis / public transport will drive the rural gravel roads farmers, workers and their school children need to drive everyday)
 - 1.2. They have limited/controlled access to the resources on the farm, e.g. free water, fire wood, meat on occasion, a regular supply of milk, land for vegetable gardening, keeping poultry, a few pigs, etc., building materials such as thatch grass, wooden poles, clay etc. all not factored into direct remuneration, yet contributing to the quality of life of many farm workers.
 - 1.3. Farm workers household incomes are supported in many cases by the concessions to keep limited livestock either on a portion of the farm or incorporated in the farmers herd, though ESTA rights make farmers reluctant to continue / expand these arrangements of fear of a creeping expropriation. FSA has called as part of the national land audit that the access to land granted to farm workers on such a basis for their farm workers also be factored in as a significant measure to which HDI's also have access to land for wealth creation during their time of employ, and sometimes even afterwards if they choose to retire on the farm.
2. **Due to the seasonal nature of farm work;**
 - 2.1. Full time workers work more in summer and less in winter to make the most of day light hours. Peak times are also at planting and harvest. Hence hours can be seasonally interchanged
 - 2.2. Seasonal workers only have work if the NMW is affordable and the season permits / demands hand labour, so this is also risky and not guaranteed precarious jobs very susceptible to natural (weather) financial and policy risk, yet has great potential for rural

poverty relief if the conditions allow. If Gov. can supply EPWP work at a special wage rate, why can't farmers provided seasonal work at the same special wage rate?

3. The family businesses nature of the majority of farming businesses:

- 3.1. As most Free State farming enterprises are family businesses, most of the management is related to the farmer / the farmer and spouse themselves are a bit of a “Jack of all trades” team doing, admin, labour relations, basic book and record keeping, first aid, counselling, etc. him/herself. This leaves the menial / physical task for hired worker generally mostly only receiving minimum wage as they are replicable with contractors (e.g. fencing, shearing, trench digging) / technology once a certain threshold is reached.
- 3.2. Being a family business and being isolated farmers do need reliable staff on site to handle the daily tasks irrespective of public holidays, rain or storm, such as milking so hours need to be managed carefully and flexibly to make up for weekends and public holidays.

In the Free State farm work is different to farm workers in many other provinces because of the following:

1. With only QwaQwa and Thaba Nchu the only traditional areas in the Free State there are not many workers living in traditional areas and working on neighbouring farms, hence as especially in the drier south western parts as also in our south western provinces, farms are large to be economically viable in the drier parts and generally far from rural towns resulting in most farm workers living on the farms.
2. Free State does however have Lesotho, a large source of migrant labour on the doorstep of the eastern parts, providing competition in the unskilled labour pool earning NMW.
3. Most farm workers employed are formally unskilled tending livestock and involved in the various aspects of basic crop production such as driving tractors, and as such most also earning NMW.
4. Large amounts of seasonal temporary labour are needed in beans, groundnuts and potato harvesting particularly, but also sometimes for picking up maize heads etc. – if the costs of e.g., picking up maize heads becomes too high then farmers just leave this marginal resource on the land and the seasonal labourers lose out on an only bit of additional income they can get in a year!
5. As most Free State farming enterprises are family businesses, measured in terms of turnover are technically SMME's, most of the managerial work is done by the farmer and his immediate family and the workers employed are minimum wage workers.

With all these factors listed above, farmers are reluctant to employ additional workers.

CONCESSIONS REQUESTED: The NMW is now promulgated so we can't go back on that, but please consider the following concessions as amendments through the Sectoral Determination for Farmworkers:

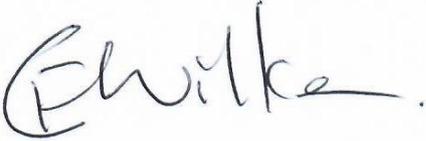
- a) Market related **deductions for housing in accordance with the Sectoral Determination;**
- b) That the full costs of clothing provided by employers to their farm workers be allowed to be deducted;
- c) That there be a **reduction in the red-tape** for “hiring & firing” workers who do not meet the requirements for the job / the application process to get exemptions (e.g., if the worker agrees to work for a lesser wage and the agreement is signed by the worker and a labour inspector who explained the agreement to him in his own language – that this all be that is required instead of full financial statements etc.);

- d) That your department **help protect jobs by also helping the agricultural employer who provides these desperately needed rural jobs** and not just serve as a compliance officer “police man” to “punish” the farmer!
- e) Reducing the requirements pertaining to applications for exemption in terms of the National Minimum Wage Act.

We trust in your consideration of this request and will gladly continue working with your department to help keep our farm workers employed and employable by our farmer members.

Yours sincerely,

Francois Wilken

A handwritten signature in black ink that reads "F. Wilken". The signature is written in a cursive style with a large initial "F" and a period at the end.

PRESIDENT

FREE STATE AGRICULTURE

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Appendix 1: Free State Commercial farmer survey RE affordability of the NMW

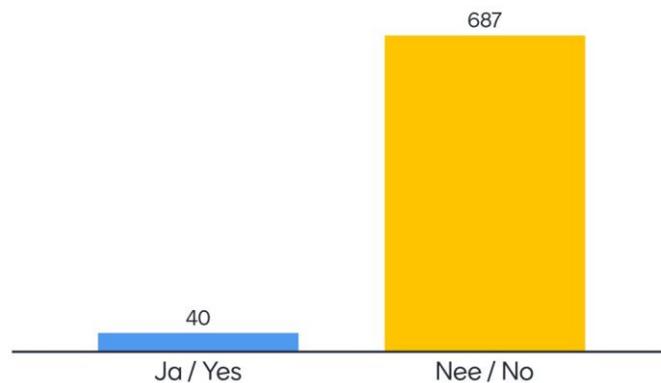
A survey response rate of 727 out of 3225 members is a 20+% statistically representative response.

In a nation that has reached record unemployment levels (Stats SA quarterly labour force survey results) it is ludicrous that the agricultural sectors minimum wage has been hiked 16% to be in line with the National Minimum Wage.

Results of a flash survey among FSA members revealed the following results regarding the affordability by commercial farmers of the 16% increase and what their strategies would be:

Figure 1. Can you afford the 16% increase in the National Minimum Wage?

Kan u die 16% verhoging in die Nasionale Minimum Loon bekostig?

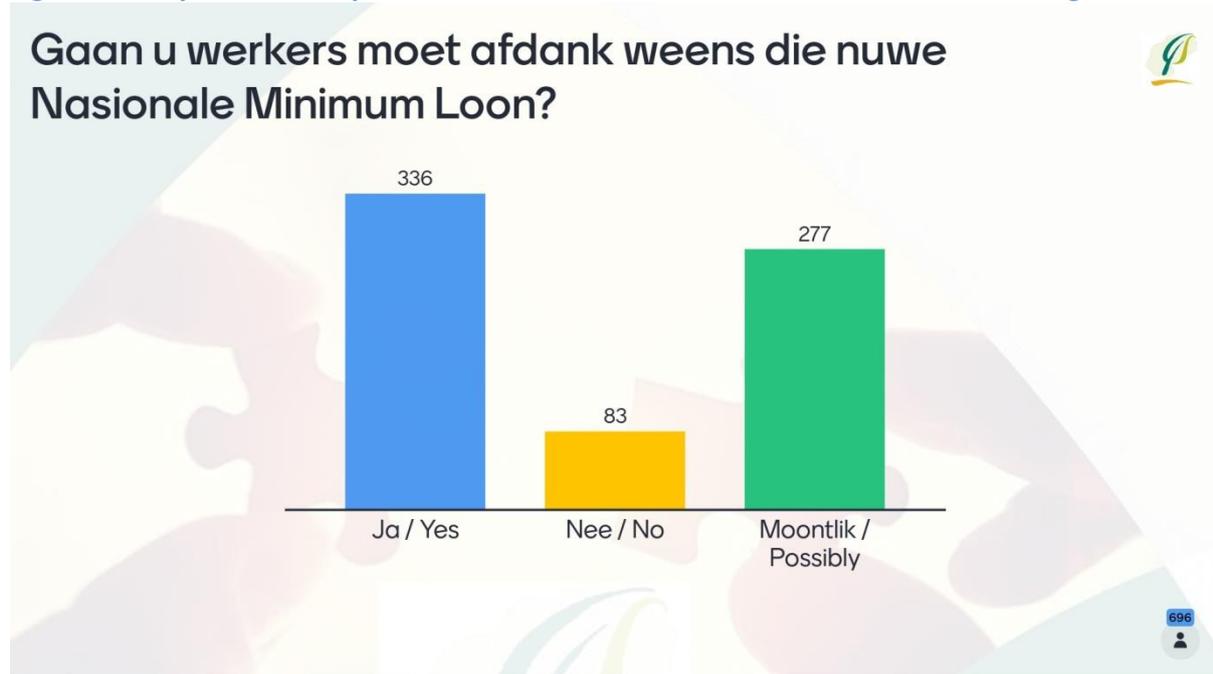


Question 1: Can you afford the 16% increase in the National Minimum Wage?

Respondents 727

Choices	Votes	Yes	No
Yes	40	5.5%	
No	687		94.5%

Figure 2. Will you have to lay off workers as a result of the new National Minimum Wage?

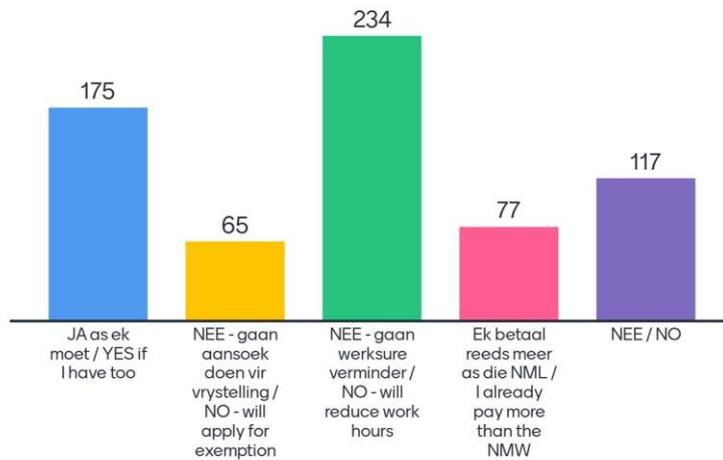


Respondents 696

Choices	Votes	Percentage
Yes	336	48.3%
No	83	11.9%
Possibly	277	39.8%

Figure 4. Will you be paying the increased wage?

Gaan u die verhoogde loon betaal?



668

Question 4: Will you be paying the increased wage?

Respondents 660

Choices	Votes	Percentage
YES if I have too	174	26.4%
NO - will apply for exemption	64	9.7%
NO - will reduce work hours	232	35.2%
I already pay more than the NMW	76	11.5%
NEE / NO	114	17.3%

Appendix 2: Free State new (HDI) Commercial farmer survey RE affordability of the NMW

The same (translated) survey as in Appendix 1, was conducted via a WhatsApp group of 100+ new Commercial farmers / people involved in working with new commercial farmers.

A survey response rate of 12 out of 100 members is a 10+% statistically representative response rate.

Results of a flash survey among new commercial (HDI) farmers in the Free State revealed the following results in relation to the 16% increase of the minimum wage for the agricultural sector to be in line with the NMW:

Figure 5. Affordability of the NMW amongst new commercial (HDI) farmer respondents in the Free State

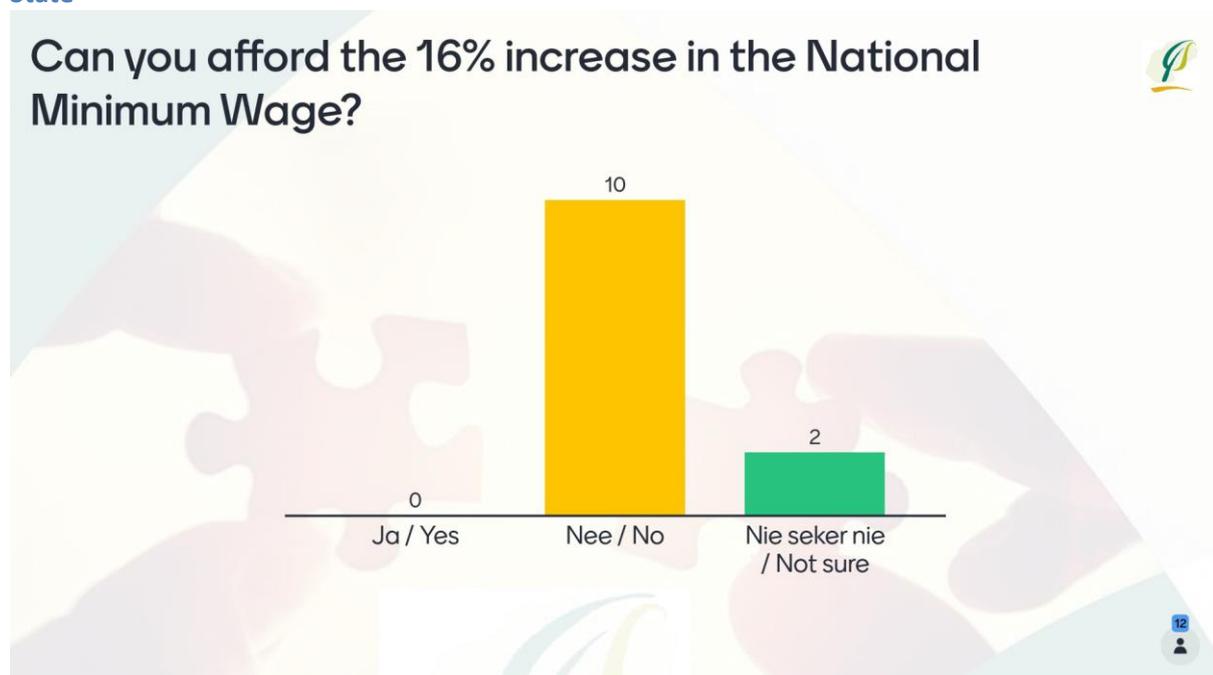


Figure 5 clearly shows the overwhelming majority of the participants could not afford the new NMW.

Figure 6. Intention to lay off workers due to the NMW by new commercial (HDI) farmer respondents in the Free State

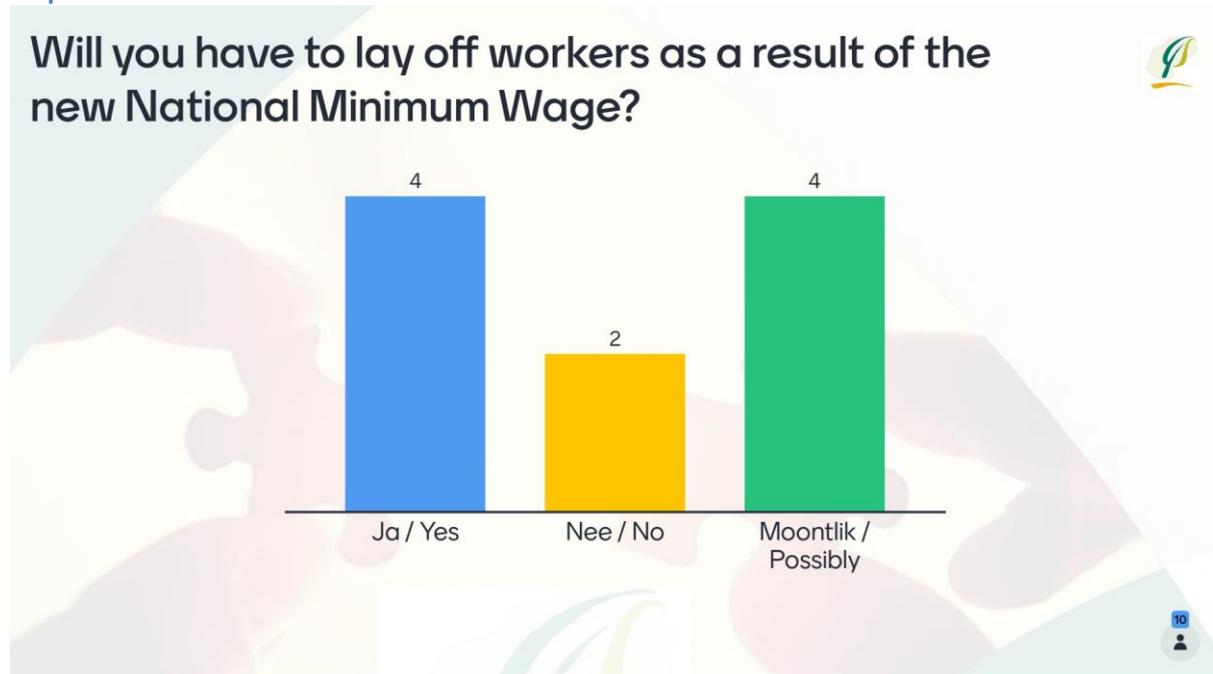


Figure 6 shows 40% will shed workers while 40% are still unsure as to whether they will have to shed workers or not. Only 20% said they will not have to shed workers.

Figure 7. Intentions and options RE payment of the NMW by new commercial (HDI) farmer respondents in the Free State



Figure 7 shows that, as with the commercial farmers (35%), 50% the new (HDI) farmers also indicated that they would reduce working hours in line with the sectoral determination for Agriculture to comply with the NMW requirements.