1. PURPOSE
The purpose of the investigation is to examine how a national minimum wage may be implemented in South Africa and to determine its likely impact on the wage structure, inequality, employment and on the standard of living of workers.

2. BACKGROUND

The framework for minimum wage regulation in South Africa is set by the Labour Relations Act (no 66 of 1995) and the Basic Conditions of Employment Act (no 75 of 1997, as amended). These Acts establish two main mechanisms for wage determination, namely;

- collective bargaining including through statutory institutions (bargaining councils) and;
- sectoral determinations that are published by the Minister of Labour and that set minimum wages for a sector and/or area.

The Labour Relations Act provides the framework within which employees and their trade unions and employers and employer organizations can bargain collectively to determine wages and other conditions of employment. The Act also has as one of its purposes the promotion of collective bargaining at sectoral level.

At present, collective bargaining coverage in the South African labour market is at approximately 15 percent. The highest coverage of collective bargaining is in the public sector where five bargaining councils cover the entire public sector. There are approximately thirty bargaining councils that have active collective agreements determining minimum wages for various parts of the private sector. Not all of these agreements are extended by the Minister of Labour to apply to non-parties. It is estimated that bargaining council collective agreements cover in the region of 2.2 million workers.
The average minimum wage across all the private sector bargaining councils is a monthly wage of R2731.74.

In addition, there are a number of sectoral bargaining arrangements in the private sector where wages are regulated through collective bargaining between trade unions and employer organisations. Examples include the National Bargaining Forum for the automobile manufacturing companies and the bargaining forum for private security. Plant level bargaining also takes place in a large number of unionized companies throughout the economy.

Information on non-statutory collective bargaining is not readily available and generally covers a sample of companies surveyed by private agencies.

In terms of the Basic Conditions of Employment Act, there are currently ten sectoral determinations in force that cover an estimated 3 to 5 million employees. Eight of the sectoral determinations cover adult employment in specific sectors. The remaining two cover children in the creative arts and advertising sectors and Learnerships respectively.

Some sectoral determinations provide different minimum wages for different geographic areas or for employers with a smaller or larger number of employees. A number of sectoral determinations also set minimums for different occupational categories. Collective agreements typically determine wages for a number of occupational categories including skilled workers. In addition to the Sectoral Determinations, a Ministerial Determination is in place to regulate the minimum wages of workers employed through the Expanded Public Works Programme.

The average minimum monthly wage across the sectoral determinations is in the region of R2362.36.

Wage regulation in South Africa therefore takes place through collective bargaining and through direct regulation of wages for vulnerable workers via the sectoral determinations.
Against this background, the Department of Labour seeks to investigate the modalities of introducing a national minimum wage. A national minimum wage should complement the two pillars of wage determination that currently exist. The investigation of a national minimum wage should be approached within the framework of the Basic Conditions of Employment Act and should be mindful of the need to promote the wage regulating function of collective bargaining arrangements, both statutory and non-statutory.

A national minimum wage will also need to be considered in the context of the challenges that face the South African economy and labour market, challenges relating to high levels of unemployment, high and growing levels of wage inequality and a skewed geographic distribution of economic activity. Growth in employment and earnings has been most marked in certain sectors, such as the public sector, finance, transport and trade and among more skilled and relatively high income earners. These are some of the features that require attention when considering the design of a national minimum wage for South Africa.

3. A NATIONAL MINIMUM WAGE

Minimum wage setting has a long and contested history, including in South Africa. In general, three views have predominated; an argument in favour of a national minimum wage; an argument in favour of sector level minimum wages and an argument against any kind of minimum wage. The most common criticism of minimum wages, particularly a national minimum wage, is that it would have negative effects on employment. A common argument in favour of national minimum wage is that it would have positive effects on poverty alleviation, that is, minimum wages increase the standard of living for the poorest and most vulnerable in society.

While being mindful of the controversial nature of a national minimum wage, the Department views minimum wages as one instrument in a set of tools to be used to move towards decent living standards for workers and their families. A national minimum wage will not be a magic bullet. In relation to current sectoral determinations, there is also some evidence to suggest that
compliance with the existing minimum wages is not as high as it should be. A national minimum wage may pose greater compliance problems than the more targeted sectoral minima, or may make compliance easier to monitor and enforce.

The Department therefore seeks to investigate different dimensions of a national minimum wage and its likely impact. Once the investigation has been completed, the Department envisages a process of consultation with stakeholders and, possibly, further research to better understand particular issues relating to the minimum wage.

4. TERMS OF REFERENCE FOR THE INVESTIGATION

The research required for the investigation will be primarily quantitative in nature, although complementary qualitative evidence may enhance the findings in relation to some issues. For example, the possible effect of a national minimum on job search behaviour, particularly among young persons, may be more effectively tested through qualitative methods.

There is a large international literature on the experience of minimum wages as well as numerous economic studies. The investigation of a possible national minimum wage in South Africa should be informed by the existing literature, comparative experience and empirical research on the effects of national minimum wages. It is not expected that the literature be summarized, but rather that it inform the investigation and that it be referenced, where appropriate, in the final report.

The investigation will be expected to cover at least the following areas:

4.1. Current Labour Market Conditions

4.1.1 An analytical summary of research and policy oriented work on minimum wages and earnings in South Africa;
4.1.2 An analysis of wages in different sectors of the South African economy and the extent to which these wages are affected by collective
bargaining agreements or minimum wages as prescribed in sectoral determinations;

4.1.3 An evaluation of the state of compliance with wage agreements and sectoral determinations and the degree of income security they provide to workers;

4.1.4 An analysis to determine those workers that are excluded from wage determination, including an evaluation of those most likely to benefit from a national minimum wage.

4.2. Impact of National Minimum Wage

4.2.1 The research should test wage elasticity in relation to employment and whether the claim that minimum wages will create a disincentive to create more jobs, particularly less skilled jobs, has validity in the South African labour market. This component should include sectoral analysis with particular reference to those most likely to be affected by a national minimum wage.

4.2.2 An analysis of research and policy oriented work on inequality and its relationship to minimum wages. This aspect should include an analysis of whether a minimum wage may reduce inequality in earnings in the South African labour market.

4.2.3 An analysis of the likely impact on the macro economy, with particular reference to the likely effect of a national minimum wage on aggregate demand and possibly price inflation.

4.2.4 The research should identify possible effects of a national minimum wage on small firms.

4.3 Implementing a National Minimum Wage

4.3.1 The research is expected to provide recommendations relating to a national minimum wage, its introduction, possible level and possible alternative or additional ways of providing greater income security in South Africa.

4.3.2 The phasing in of a national minimum wage should be considered and recommendations made in this regard.
4.3.3 Possible exclusions from a national minimum wage should be considered, for example, domestic work and public works programmes.

4.3.4 Recommendations relating to the appropriate relationship between the operation of a national minimum wage and sectoral determinations should be made.

4.3.5 The research is also expected to consider how best to ensure appropriate adjustments to a national minimum wage over time, including a consideration of indexation methods.

4.3.6 Finally, the research is expected to advise on institutional mechanisms for overseeing and monitoring a national minimum wage and whether this should be a function of the current Employment Conditions Commission established in terms of the Basic Conditions of Employment Act.

The report on the investigation is expected to provide a comprehensive overview of the results of the investigation. Details relating to statistical work and econometric methods should be contained in annexures.

The report is also expected to provide an executive summary and a clear set of recommendations, including recommendations for further research, if appropriate.

5. TIME FRAMES

5.1 The research is expected to be completed within (12) months after the appointment of the service provider. However, researchers are requested to indicate, in their proposals, timeframes based on their understanding of the task and methodology that they will use.

5.2 The general conditions of contract and the service level agreement will STRICTLY apply in the case of failure to comply with conditions and delayed execution.
6. REQUIRED EXPERTISE, SKILLS AND QUALIFICATIONS OF TEAM MEMBERS

6.1 The Bidder/s will be expected to demonstrate specialist knowledge of the South African labour market, including knowledge of wage setting mechanisms and institutions such as bargaining councils.

6.2 The Bidder/s will be expected to demonstrate expertise and experience of economic analysis, including expertise relevant to wage regulation and minimum wage policies.

6.3 A strong understanding of the relevant legislative environment and the policy-making environment relevant to labour market policies.

6.4 Relevant educational qualifications of the bidder/s will be expected at a minimum of a Master’s degree level. Curriculum vitae as well as capabilities of staff that will be working on the project must be submitted.

6.5 The Bidder/s must provide information on technical and managerial capabilities.

6.6 The successful Bidder/s should ensure that researchers or trainee researchers from previously disadvantaged groups are incorporated in the research team.

7. PROJECT MANAGEMENT AND INSTITUTIONAL ARRANGEMENTS

7.1 The overall management and supervision of the research will be the responsibility of a Research Reference Team which will include invitees from the Employment Conditions Commission (ECC).

7.2 The service provider will be expected to provide progress reports on a quarterly basis to the Research, Policy & Planning Directorate of the Department.

7.2 The service provider will be expected to participate in a series of public hearings in all provinces during which evidence and input will be obtained from key stakeholders, specialist interest groups and members of the public.

7.3 In the course of the study, the following outputs should be delivered:

- A study design outlining the approach and methodology to be used for the study which will be agreed with the Department;
- A report on each of the areas of the study as outlined in 4 above,
including the data relevant to that area of work;

- A draft, integrated research report including recommendations;
- A final, comprehensive report that should include an Executive summary, detailed appendices covering technical data and explanations of econometric methods used and final recommendations. The final report should also be accompanied by a PowerPoint presentation.

8. CRITERIA THAT WILL BE CONSIDERED IN EVALUATING THE BID: 90/10

8.1. Only bids that achieve the minimum qualifying 70 percentage score for Functionality will be evaluated further in accordance with the 90/10 preference point systems.

8.2 Bids that are successful on the basis of functionality as a criterion must be evaluated further in two stages – first the price and second, BBBEE level of contribution.

### Functionality

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<th>CRITERIA</th>
<th>POINTS</th>
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<td>Competence and expertise of the service provider in relation to the investigation of the feasibility of a national minimum wage in South Africa</td>
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<td>Demonstrate experience in the area of labour market and economic analysis in South Africa</td>
<td>20</td>
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<tr>
<td>Demonstrate detailed interpretation of the requirements of the Tender and a clear understanding of the scope of the project.</td>
<td>15</td>
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<td>The methodologies for the proposed delivery of the project.</td>
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<td>Quality of project plan outlining milestones for delivery of the project.</td>
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<td>Total</td>
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### Price and B-BBEE: 90/10 preference points

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<td>Price</td>
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<td>B-BBEE</td>
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Calculation of points for B-BBEE status level of contributor

Points must be awarded to a bidder for attaining the B-BBEE status level of contribution in accordance with the table below:

<table>
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<th>B-BBEE Status Level of Contributor</th>
<th>Number of points (90/10 system)</th>
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<td>Non-compliant contributor</td>
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Bidders are required to submit original and valid B-BBEE Status Level Verification Certificates or certified copies thereof together with their bids, to substantiate their BBBEE rating claims.

A trust, consortium or joint venture must submit a consolidated B-BBEE Status Level Verification Certificate for every separate bid.

Financial proposals must provide a detailed breakdown of all costs per activity and indicate the hourly rate of each member of the team and their time allocation.

OTHER CONDITIONS
- Any proposals received in response to this bid remain the property of the Department of Labour.
- The Department of Labour reserves the right to request bidders to join, or to award any part of the bid, or to award the bid to more than one bidder or not award it at all.
- Proposals must be accompanied by:
  - A company profile
  - Proof of registration with relevant authorities
  - A valid original tax clearance certificate
- Bidders are requested to submit one original plus five duplicate copies of the full proposal.
- The successful bidder will be required to sign a Service Level Agreement (SLA)
- Please note that any enquiries must be directed via e-mail.
- A briefing session will be held on 25/11/2014.
- Bids should be held valid for a period of 90 days.

Proposals should be submitted to:

Department of Labour, Laboria House
215 Francis Baard Street
Pretoria

**NB: Tender Box for submission is located at Paul Kruger entrance**

Attention: Ms T Ramulongo
For further information contact:

Ian Macun
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Email: ian.macun@labour.gov.za

Or:

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