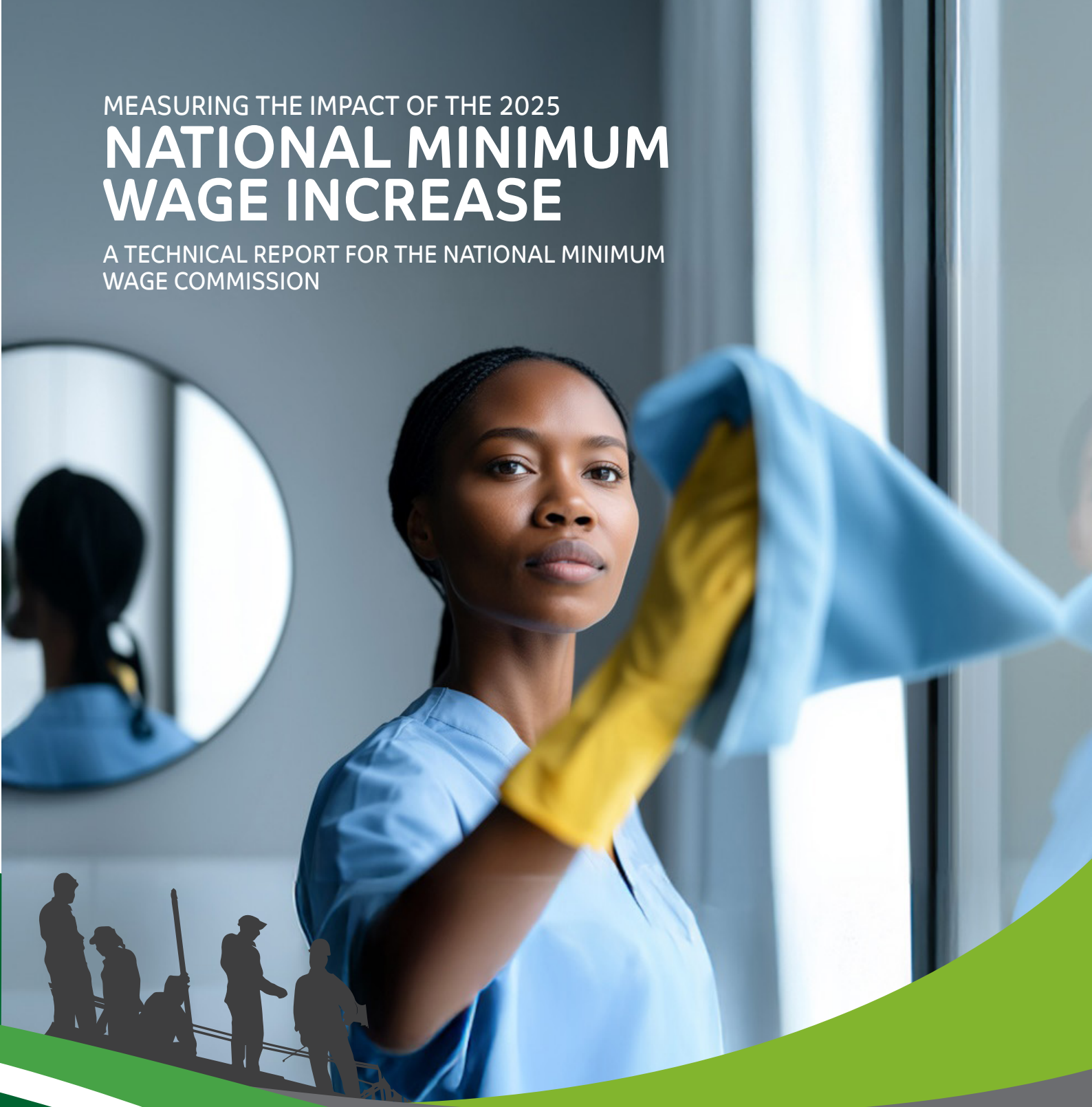
MEASURING THE IMPACT OF THE 2025

NATIONAL MINIMUM WAGE INCREASE

A TECHNICAL REPORT FOR THE NATIONAL MINIMUM WAGE COMMISSION



employment & labour

Department:
Employment and Labour
REPUBLIC OF SOUTH AFRICA

MEASURING THE IMPACT OF THE 2025 NATIONAL MINIMUM WAGE INCREASE

A TECHNICAL REPORT FOR THE NATIONAL MINIMUM WAGE COMMISSION

Development Policy Research Unit (DPRU)
University of Cape Town

February 2025

PUBLISHER
Department of Employment and Labour
Chief Directorate of Communication
Private Bag X117
Pretoria, 0001

EDITING, LAYOUT AND DESIGN, PHOTOGRAPHY AND DISTRIBUTION
Subdirectorate of Media Production
Design Studio
Directorate of Communication, Department of Employment and Labour

TABLE OF CONTENTS

EXECUTIVE SUMMARY IV

1. INTRODUCTION 1

2. THE 2025 NATIONAL MINIMUM WAGE ADJUSTMENT 1

3. DATA AND EMPIRICAL APPROACH 3

- 3.1 DATA 3
- 3.2 WAGE MEASUREMENT 3
- 3.3 EMPIRICAL STRATEGY 3

4. DESCRIPTIVE EVIDENCE ON WAGES 4

5. ECONOMETRIC EVIDENCE 6

- 5.1 EMPIRICAL STRATEGIES 6
- 5.2 EFFECTS ON WAGES 6
- 5.3 EFFECTS ON EMPLOYMENT AND WORKING HOURS 7
- 5.4 INTERPRETATION 8

6. NONCOMPLIANCE 9

- 6.1 LEVELS AND TRENDS IN NONCOMPLIANCE 9
- 6.2 PROFILE OF SUB-MINIMUM WAGE WORKERS 9
- 6.3 GEOGRAPHIC VARIATION 10
- 6.4 ENFORCEMENT CAPACITY 12

7. CONCLUSIONS AND POLICY IMPLICATIONS 13

8. REFERENCES 14

EXECUTIVE SUMMARY

This report presents empirical evidence on the labour-market impacts of the March 2025 increase in South Africa's National Minimum Wage (NMW). The analysis relies on microdata from Statistics South Africa's Quarterly Labour Force Survey (QLFS), covering the period from 2024Q3 to 2025Q2, which includes one post-increase quarter of data. We note that the findings are limited to effects that are observable in the data over this short time horizon.

The NMW was increased from R27.58 to R28.79 per hour in March 2025, which represents a nominal increase of 4.4 per cent and a real (inflation-adjusted) increase of approximately 1.7 per cent. Relative to previous adjustments this increase was moderate in real terms, and as a result we do not expect to pick up a large direct labour market response. Nevertheless, South Africa's NMW level remains high relative to the country's wage distribution – sitting at around the 40th percentile of employee earnings – according to our calculations using earnings data from the latest QLFS (2025Q2). Additionally, the 2025 NMW is now equivalent to 83 per cent of the national median wage. This is ratio is commonly referred to as the Kaitz ratio (minimum-to-median wage) and South Africa's Kaitz ratio is currently above the global average.

Based on a range of descriptive and causal empirical evidence our main finding is that the 2025 NMW increase had no statistically or economically meaningful effect on the real hourly wages of workers in South Africa. Expectedly then, in the absence of wage effects, we also do not find significant impacts on either employment or reported average working hours. These findings contrast with some earlier NMW adjustments, particularly in 2024, which were associated with detectable wage increases among certain groups of low-paid workers. A key point in relation to the limited impacts we observe here is that the aggregate rate of noncompliance has risen marginally. Put simply, in the 3 months after the NMW went up average wages did not rise by an equivalent amount, resulting in more workers earning below the new minimum level.

High and persistent non-compliance with the NMW continues to be a central constraint to the policy's effectiveness and remains an important concern. While the QLFS data does not allow us to produce a completely accurate estimate of noncompliance, we can estimate an upper-bound of how many workers earn below the legislated minimum wage. In 2025, this upper-bound estimate of noncompliance is approximately 40 per cent of all employees1, which is equivalent to around 5.5 million people. While this is likely to be an overestimate of the true rate of noncompliance, the share of subminimum wage workers in South Africa has remained broadly stable over time – rising slightly in the post-Covid period.2 Importantly, noncompliance is not evenly distributed. Workers earning below the NMW are concentrated in several main sectors, notably agriculture and private households, where the NMW rose rapidly in 2021 and 2022, parts of the trade and services sectors (particularly private security), as well in the construction sector. Subminimum wage workers also typically have a set of additional characteristics in common: they have limited access to employment benefits such as unemployment insurance and paid leave; they have lower bargaining power, where this relates to being part of a trade union, or covered by a bargaining council agreement; and they are more likely to be employed in smaller firms, in areas where the unemployment rate is above the national average.

Taken together, the finding from this report suggest that in South Africa's current economic context – characterised by weak economic growth and slow employment creation alongside a rising minimum-to-median wage ratio – continued real increases in the NMW may yield limited gains for a large share of low-wage workers in the absence of improved compliance. While the 2025 increase does not appear to have had any adverse employment effects in the short term, it also did not translate into measurable wage gains for covered workers. This raises important considerations for future minimum wage policy, primarily how to balance annual increases in the level of the NMW with strengthened with more effective enforcement efforts, while trying to limit any potential negative spillovers of a dramatic upward adjustment for workers currently earning below the legislated wage floor.

1. The estimate includes those in both the formal and informal sectors, as well as workers in private households.
2. There are 3 main reasons why estimates of noncompliance from the QLFS will be overestimates: (1) Employee earnings in the labour force survey data may be underreported (Seekings and Nattrass, 2015; Wittenberg, 2017); (2) Workers employed by public employment schemes such as the EPWP are subject to a lower NMW rate (almost half the general level), but we are not able to identify them in the QLFS data and as such they will be incorrectly classified as earning sub-minimum wages; (3) It is not possible to identify employers with NMW exemptions, or cases where payment in-kind (of up to 10% of the wage) is in place.

1. INTRODUCTION

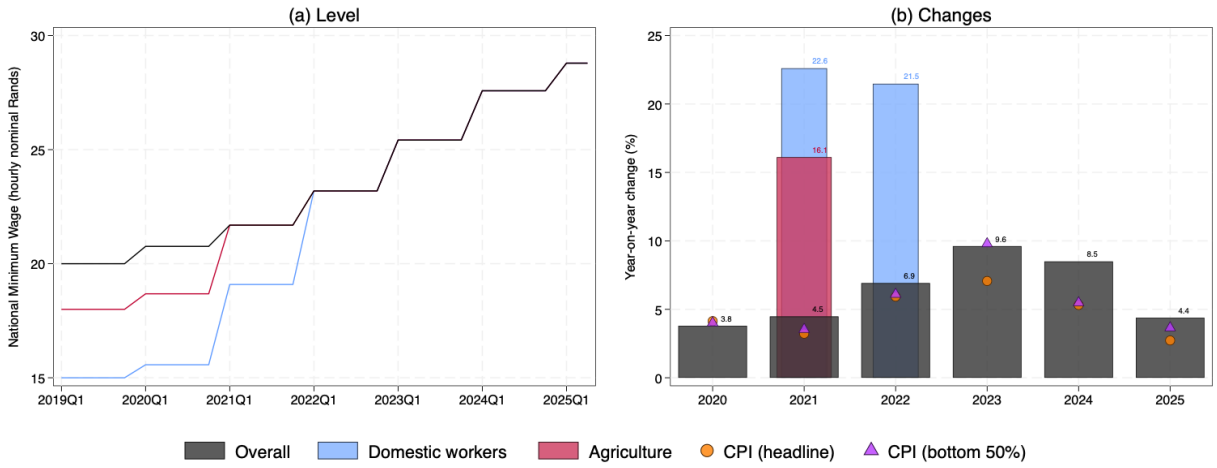
South Africa's National Minimum Wage (NMW) is a central component of the country's labourmarket policy framework and a key instrument aimed at improving the earnings and living standards of lowpaid workers (Republic of South Africa, 2018). Since its introduction in 2019 the NMW has been adjusted annually, with increases in recent years having exceeded annual inflation and marginally outpacing growth in average wages (Department of Employment and Labour, 2025). The 2025 adjustment was more modest in both real and nominal terms than the previous year's increase. In March 2025, the NMW was raised by 4.4 percent in nominal terms (to R28.79 per hour) following an 8.5 per cent increase in 2024. Despite this modest change, the rising NMW in South Africa is operating in a labourmarket environment characterised by persistently high unemployment, weak economic growth, and elevated levels of noncompliance with minimum wage legislation. These economic conditions limit the extent to which NMW increases can directly improve worker welfare in the short term.

This report assesses the direct impacts of the March 2025 NMW increase on key labourmarket outcomes, namely: wages; employment; and working hours. The analysis builds on a growing body of empirical work on the effects of minimum wages in South Africa, and internationally, while providing updated evidence relevant for the National Minimum Wage Commission's deliberations on suitable annual NMW adjustments.3 The report is structured as follows. Section 2 outlines the magnitude of the 2025 NMW adjustment and places it in historical and international context. Section 3 describes the data and empirical methods used in the analysis. Section 4 presents descriptive evidence on wage distributions and inequality before and after the NMW increase. Section 5 summarises the results from causal estimation strategies. Section 6 examines patterns of noncompliance and enforcement constraints. Section 7 concludes.

2. THE 2025 NATIONAL MINIMUM WAGE ADJUSTMENT

The NMW was increased in March 2025 to R28.79 per hour, equivalent to approximately R5,614 per month for a standard 45-hour work week, the smallest nominal rise in the minimum wage since 2020. When adjusted for inflation using headline consumer price inflation, the increase amounts to approximately 1.7 per cent in real terms. **Figure 1** shows the trajectory of the NMW since its inception in 2019 (panel a), and the nominal vs. real adjustments in each year (panel b). In comparison to recent historical adjustments, the 2025 increase was moderate. The real change was almost half the 3.2 per cent adjustment implemented in March 2024, and does not represent an unusually large deviation from prevailing inflation trends. Nevertheless, the NMW did go up in real terms irrespective of the inflation measure used, whether headline CPI or CPI calculated for lower-income households.

Figure 1. NMW Level and Annual Increases: 2019-2025



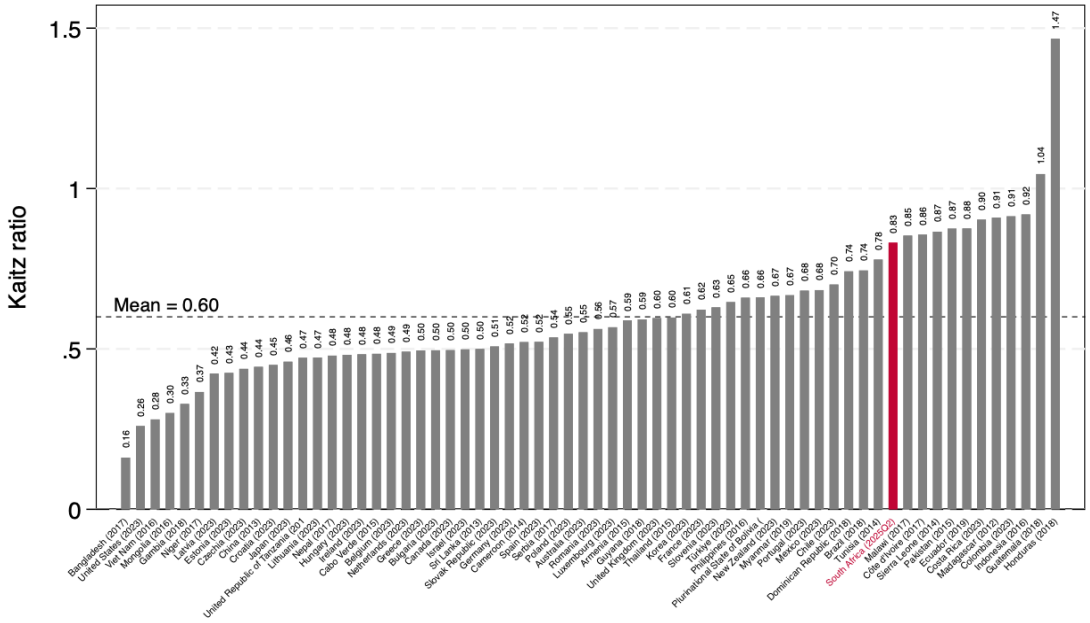
Source: Department of Employment and Labour (2025), Statistics South Africa (2025). Authors' own calculations.

Despite this moderate increase, the level of the NMW in South Africa remains high relative to the overall employee wage distribution. According to the latest QLFS earnings data (2025), the NMW is set at approximately the 40th percentile of all employee earnings. This implies that a substantial share of employees earn wages at or below the legislated minimum, underscoring the extent to which the NMW continues to bind across the labour market. In **Figure 2** we present estimates of the Kaitz ratio (minimum wage/median wage) for South Africa as compared to a comparative global country sample. This ratio is a useful indication of where the minimum wage is typically set relative to existing wage levels.

3 See, for example, work on South Africa by DPRU (2020, 2024, 2025); Bassier and Ranchhod (2024); Bhorat et al. (2013, 2014, 2016, 2021); Garbers et al., (2015); Van der Zee (2017); Piek & von Fintel (2020); Piek et al. (2023), and international work by Wolfson & Belman (2019); Dube (2019); Neumark & Corella (2021;) Neumark & Shirley (2022); Dube & Lindner (2024).

South Africa's Kaiz ratio is measured at 0.83 in 2025 or, put differently, the NMW is 83% of the median wage. This Kaitz ratio places South Africa towards the upper end of the distribution in this sample, higher than country peers such as Brazil (0.74) and Mexico (0.68), above the sample mean of 0.60, above most middle-income countries, which are in the 0.30-0.60 range, and above high-income averages of 0.50-0.60. This makes it clear that South Africa's NMW remains high by comparative standards in this context. And it is the combination of a high Kaitz ratio and limited wage growth provides an important framing for interpreting the empirical results presented below.

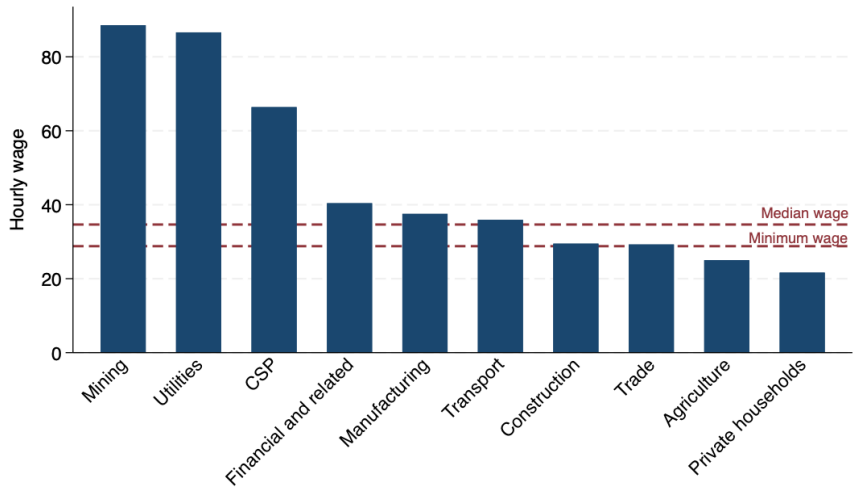
Figure 2. South Africa's Kaitz Ratio relative to a global country sample



Source: ILO (2024), Statistics South Africa (QLFS, 2025Q2). Authors' own calculations.

In addition to the aggregate Kaitz ratio, it is useful to briefly examine how South Africa's NMW relates to median wages across different sectors, where there is substantial variation, which will be expanded on in relation to noncompliance rates shortly. The overall median wage for employees in South Africa in 2025Q2 is R34.69. However, as we see in **Figure 3**, many industries have average hourly wages that are comfortably above the NMW. Indeed, it is only in Construction, Trade, Agriculture and Domestic Work where average hourly wages remain at or substantially below the NMW. In higher-wage industries such as Mining, Utilities and Community, Social and Personal Services (CSP), the minimum wage is far below prevailing pay and therefore unlikely to be binding for most workers. The basic initial insight here is that in general, the effects of the NMW – whether in relation to wages, employment, or broader distributional responses – are likely to be concentrated in lower-wage sectors, while the policy functions as a basic wage floor in higher-paying industries.

Figure 3. Real Hourly Wages, by Industry: 2025Q2



Source: Statistics South Africa (QLFS, 2025Q2). Authors' own calculations.

3. DATA AND EMPIRICAL APPROACH

3.1 Data

The analysis in this report uses individual-level microdata from Statistics South Africa's Quarterly Labour Force Survey (QLFS)[4]. The QLFS is a nationally representative household survey conducted on a quarterly basis and contains detailed information on employment status, wages, hours of work, and a wide range of demographic and job-related characteristics. It is commonly used as the basis for labour market analysis of the South African economy. At present, the publicly released QLFS microdata for 2024 and 2025, available on the Isibalo data portal[5], does not contain earnings data. As such, for this analysis and in order to support the work of the NMW Commission, earnings data for the period under review was provided to us directly by Statistics South Africa.

Our period of analysis spans four quarters, from 2024Q3 to 2025Q2. This window includes three quarters prior to the March 2025 NMW increase, and one quarter following the increase, which allows us to examine short-term post-adjustment outcomes. Consistent with previous analyses undertaken for the NMW Commission, the sample is restricted to working-age individuals (15–64 years) who are employees, where this is defined as those individuals who report working for someone else for pay. Employers, the self-employed, and unpaid family workers are therefore excluded from the analysis. Importantly, we do not exclude workers in the informal sector. All our estimates are weighted using the applicable survey weights provided by Statistics South Africa to ensure national representativity, and we make minor adjustments to the wage data that are documented in more detail below.

A key feature of the QLFS for our analysis is that it includes a rotational panel component, whereby a subset of individuals is observed across consecutive survey waves. This means that it is possible to observe the same individual for up to a year, or four waves of data. We make use of this panel structure to implement a range of causal estimation strategies that compare outcomes for the same individuals before and after the NMW increase, thereby accounting for time-invariant individual characteristics and compositional changes in the labour force. Put another way, the ability to follow the same individuals over time allows us to track their labour market outcomes and compare those covered by the NMW to those who aren't, both before and after the minimum wage change. In this way, following the existing literature on measuring minimum wage effects, we attempt to identify the effect of the effect of the policy.

3.2 Wage Measurement

As in all labour force surveys wage information in the QLFS is subject to some non-response and reporting challenges that require adjustment before the data is usable. To address these issues, the wage data were cleaned to identify implausible wage values, and adjusted using established imputation techniques that combine reported earnings, earnings brackets, and observable worker characteristics. In this case, however, all the cleaning, wage imputation, and additional adjustments to the data were done by Statistics South Africa. All wage measures in the report are expressed in real terms, adjusted for inflation using headline CPI to January 2025 Rands. To assess the impact of a minimum wage increase we focus on hourly wages, which are constructed by converting reported earnings to hourly amounts using information on reported usual weekly working hours. These adjustments are standard in the minimum wage literature and ensure that wage comparisons over time are meaningful.

Regarding the timing of both the survey and the NMW change, we use data on the month that each respondent was interviewed in order to divide individuals into 'pre' and 'post' NMW change groups for our analysis. The NMW is increased at the beginning of March in each year, with March falling into the first quarter of the survey (January-March). As a result, anyone surveyed in March will already be subject to the new NMW, so it is not possible to simply split the survey into quarterly time periods for our analytical purposes here. We obtained data from Statistics South Africa on 'survey month' in order to split the sample more precisely. In the cross-sectional analysis, our preferred setup is that all individuals surveyed in March 2025 are combined with the cohort in 2023Q2 (April-June), where this group is counted as appearing in the period after the NMW has risen. We conduct sensitivity tests to examine how the timing of our 'post' sample affects our results and find no noticeably different results based on these changes.

For the panel sample, because the survey is constructed on a quarterly basis and 75% of the sample is re-surveyed in each quarter, we cannot simply follow the above approach as it would result in some individuals appearing twice in the same 'period'. Instead, we define the 'post' period in the following way: where an individual appears in March 2025 and again in 2025Q2, we keep only their appearance in 2025Q2 to capture the potential effect of the NMW change without double counting; however, if they are not re-surveyed in 2025Q2 they remain in the sample.

3.3 Empirical Strategy

To try and isolate the impact of the 2025 NMW increase, we examine output from a combination of descriptive and causal empirical approaches. Descriptive analysis looks at changes in wage distributions, inequality measures, employment trends, and working hours over time, both before and after the increase. While this is critical as a first step and can be informative, this type of trend analysis cannot directly isolate the effect of the NMW policy from other contemporaneous economic changes.

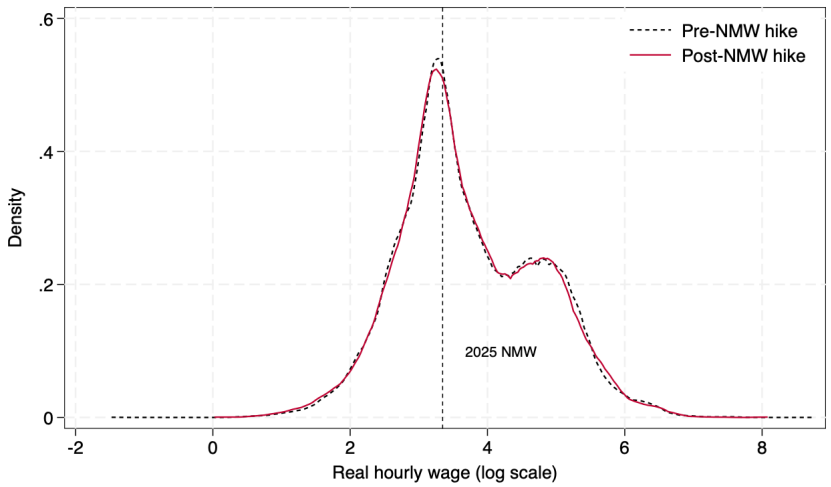
4. The 2025Q2 report from the QLFS is available here: https://www.statssa.gov.za/publications/P0211/P02112ndQuarter2025.pdf.
5. The 2025Q2 data is accessible here: https://isibaloweb.statssa.gov.za/pages/surveys/pss/qlfs/2025/qlfs2025.php

To address this, we implement several complementary causal inference strategies using the panel component of the QLFS. These include: A Difference-in-Differences (D-i-D) regression approach that compares outcomes for lower-wage workers to those for higher-wage workers; a separate D-i-D specifications that exploit variation in exposure to the NMW based on the distance of workers' pre-increase wages from the new minimum level; and a third D-i-D setup in which we make use of geographic variation in NMW exposure by region to isolate effects.[6] In addition, we implement a Regression Discontinuity Design (RDD) that compares wage growth for workers earning just below and just above the new NMW threshold. Using multiple approaches allows us to assess the robustness of the findings across different identification strategies. As we show below, these methods all consistently point to an absence of measurable short-term effects of the 2025 NMW increase on the three outcomes of interest: wages, employment, and working hours.

4. DESCRIPTIVE EVIDENCE ON WAGES

We begin by examining descriptive trends in wages for two grouped periods: before and after the March 2025 NMW increase (Figure 4). The figure compares the distribution of real hourly wages in the quarters leading up to the 2025 NMW increase relative to the single quarter of 'post increase' data, using kernel density estimates. The vertical line marks the level of the updated 2025 wage level. The near-complete overlap of the pre-increase (dashed) and post-increase (solid) distributions indicates that the overall employee wage structure in South Africa shifted very little following the NMW adjustment. In particular, there is no visible rightward shift or compression at the lower end of the distribution, nor evidence of spillover effects further up the wage ladder. Descriptively then, the NMW increase does not appear to have materially altered the aggregate wage distribution, and this finding holds when we disaggregate the wage data into individual survey quarters.

Figure 4. Wage Distribution Pre and Post the NMW Increase

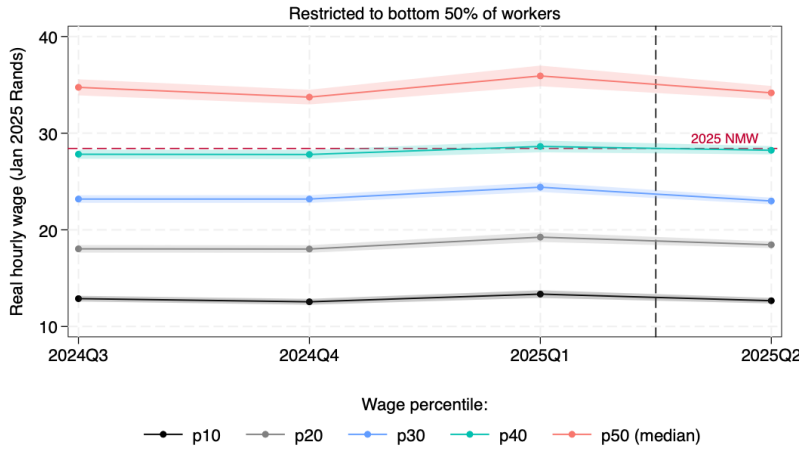


Source: Statistics South Africa (QLFS, 2024Q3-2025Q2). Authors' own calculations.

Figure 5 reinforces this pattern by tracking real hourly wages at selected percentiles for the bottom half of the employee wage distribution, to focus in on those workers most likely affected by the new NMW. However, across the 10th, 20th, 30th and 40th percentiles, as well as at the median, wages remain broadly flat between 2025Q1 (immediately prior to the increase) and 2025Q2 (following implementation). While there is a modest uptick across percentiles to 2025Q1, this predates the NMW increase, is not sustained thereafter, and is likely due to normal seasonal variation in wages. Importantly, wages at the 40th percentile remain clustered around the new NMW level, with no clear post-hike step change or compression at the lower tail. Taken together, this adds suggestive evidence that the 2025 NMW increase did not generate large short-run wage gains, even among workers in the bottom half of the distribution, and that the aggregate wage structure in South Africa remains largely unchanged.[7]

6. Each of these approaches are discussed in detail in DPRU (2024, 2025).
7. Consistent with the absence of wage effects shown above, our analysis of various measures of wage inequality show no meaningful change over the period. Standard inequality metrics remain extremely high and broadly stable, reflecting the persistence of wage dispersion in South Africa's labour market. The lack of movement in these measures is expected given the limited wage response to the NMW increase.

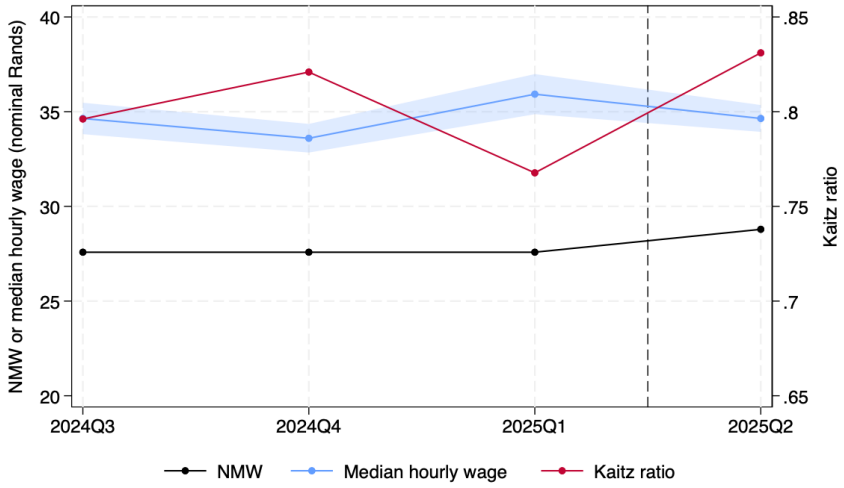
Figure 5. Real Hourly Wages, Bottom 50% of Earners: 2024Q3-2025Q2



Source: Statistics South Africa (QLFS, 2024Q3-2025Q2). Authors' own calculations.

A final descriptive figure (Figure 6, below) examines quarterly trends in the NMW, the median wage, and the 'bite' of the NMW as measured by the Kaitz. The left axis shows the NMW and median wage levels, while the right axis reports the Kaitz ratio, with the vertical line marking the timing of the 2025 increase. As before, we observe that while the NMW increases in 2025Q2, the median wage remains broadly stable. As a result, the Kaitz ratio rises sharply in the implementation quarter, reaching its highest observed level (0.83) since the NMW was introduced. This increase in the Kaitz ratio reflects the mechanical effect of the higher statutory floor and no an upward shift in median earnings. In other words, the relative bite of the minimum wage intensifies because the median does not move in tandem with the NMW.

Figure 6. NMW, Median Wage, Kaitz Ratio: 2024Q3-2025Q2



Source: Statistics South Africa (QLFS, 2024Q3-2025Q2). Authors' own calculations.

5. ECONOMETRIC EVIDENCE

Taken together, the descriptive evidence above suggests that the March 2025 NMW increase did not translate into observable short-term wage gains for low-paid workers. In this section we examine whether this conclusion is supported by a more rigorous causal analysis, and present results from a set of empirical strategies designed to isolate the short-term effects of the March 2025 NMW increase on wages, employment, and working hours. Given the absence of clear wage changes in the descriptive analysis, the main purpose of this section is to assess whether more rigorous approaches pick up effects that may be masked by aggregate trends or compositional changes in employment, for example.

5.1 Empirical Strategies

As noted in Section 3, we employ several complementary identification strategies, primarily using the panel component of the QLFS. First, we implement DiD specifications that compare outcome changes for lower-wage workers, who are more likely to be affected by the NMW, to higher-wage workers, who are unlikely to be directly impacted. Second, we exploit variation in exposure to the NMW by comparing workers whose pre-increase wages were closer to the new minimum to those further away, using a wage-gap approach. Third, we estimate whether workers in District Councils with a larger share of covered workers experienced significantly different outcomes to those in districts with lower NMW coverage. Finally, we run a regression discontinuity design (RDD) focused around the new NMW threshold, that compares outcomes for workers earning just below and just above the minimum wage prior to the increase. These approaches all rely on different identifying assumptions and sources of variation, but all are standard in the minimum wage literature and have been applied in previous South African analyses.[8] Consistency of results across methods provides a strong basis for inferring the actual impact of the NMW change. For brevity, and given the limited effects observed across all specifications, we note the main results from each of the three alternative approaches but only include output from the RDD approach here.[9]

5.2 Effects on Wages

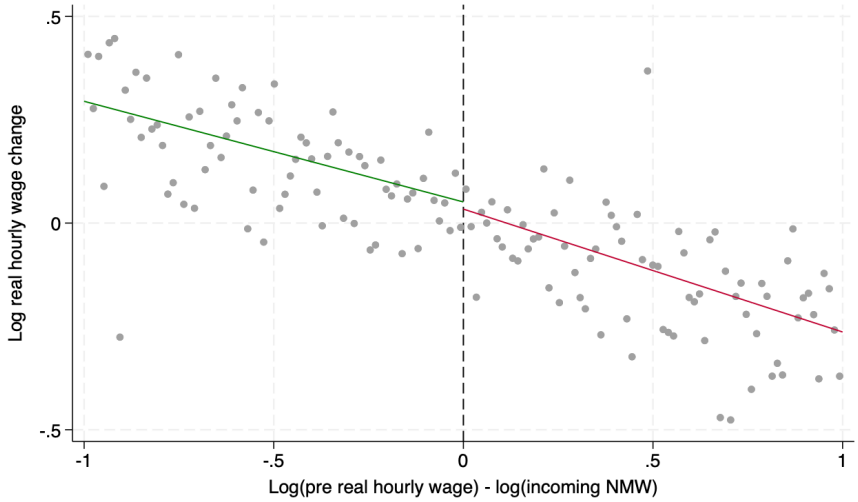
Across all specifications, we find no evidence of statistically significant or economically meaningful effects of the 2025 NMW increase on real hourly wages. In the D-i-D framework comparing low- and high-wage workers, estimated post-increase wage effects are small in magnitude and statistically indistinguishable from zero. Similarly, the specification exploiting variation in the wage gap between workers' pre-increase earnings and the new NMW level, as well as the approach relying on geographic variation, do not indicate stronger wage growth among those more exposed to the policy change.

In Figure 7 we present a graphical summary of the RDD results. If the NMW had a large causal effect, we would expect to see a clear jump (or discontinuity) in wage growth exactly at the minimum wage threshold. Workers just below the incoming NMW should experience a sharp upward shift in wage growth to the NMW, or at least closer to it, while for workers just above the threshold we should observe no comparable jump since they were already earning more than the new NMW. In this case, however, the relationship is smooth through the threshold, indicating that workers just below and just above the NMW experienced similar wage changes, and thus implying no apparent causal effect of the increase in the short run in this case.

Specifically, the horizontal axis shows workers' pre-increase real hourly wage relative to the incoming NMW threshold (in log terms), while the vertical axis plots subsequent log real wage growth. The dashed vertical line marks the policy cutoff: workers to the left earned below the new NMW ("affected"), while those to the right earned above it ("unaffected"). By construction, workers on either side of this threshold are comparable in observable characteristics such as age, gender, race and industry composition, supporting the validity of the local comparison. The key identifying variation is therefore whether a worker's pre-period wage placed them just below or just above the incoming minimum. As noted above, the output shows that wage growth evolves smoothly through the cutoff, with no upward jump for workers just below the new NMW, and the overall negative slope reflects higher average wage growth among initially lower-paid workers, consistent with mean reversion or catch-up dynamics, rather than a policy-induced adjustment. In other words, lower-wage workers tend to experience somewhat faster growth regardless of the threshold. The absence of a break at the cutoff suggests that as observed in the descriptive data, the 2025 NMW increase did not generate measurable wage gains among those directly exposed.

8. See, for example, Card & Krueger (1994), Lee (1999), Stewart, (2004), Dinkelman & Ranchhod (2012), Bhorat et al., (2014), and Bassier & Ranchhod (2024).
9. Detailed results from each specification are available from the authors.

Figure 7. RDD Results for Wages



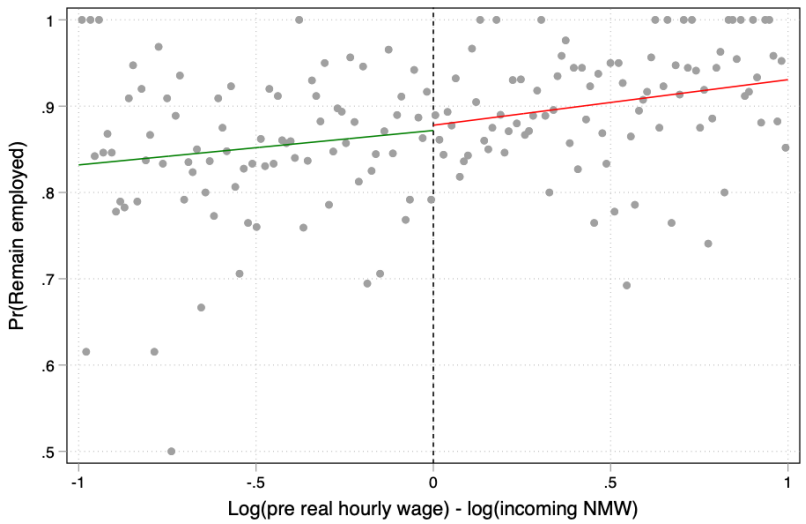
Source: Statistics South Africa (QLFS, 2024Q3-2025Q2). Authors' own calculations.

Results from the regression discontinuity design further reinforce this conclusion. Workers earning just below and just above the new NMW threshold exhibit similar wage growth trajectories following the increase. No discontinuity in wage growth is observed at the threshold, suggesting that the NMW did not generate a detectable break in wage-setting behaviour at the margin. While lower-wage workers exhibit higher average wage growth than higher-wage workers over the period, this pattern reflects general catch-up dynamics and regression to the mean rather than a causal effect of the NMW. Results from our other specifications support this finding.

5.3 Effects on Employment and Working Hours

Given the absence of any observed wage effects it is not surprising that we also do not detect significant impacts on employment. Across all of our DiD specifications the estimated effects of the NMW increase on the probability of employment are small and statistically insignificant. Figure 8 presents the RDD estimates for employment status, based on the same identification strategy applied in the wage analyses above. The outcome variable captures the probability that an individual observed in the pre-adjustment period remains employed in the subsequent period. As before, in our RDD approach here the 'running variable' is the worker's pre-adjustment hourly wage relative to the NMW threshold.[10] And again the results show no discernible discontinuity in employment outcomes at the cutoff. The estimated relationship between the running variable and employment probability appears smooth across the threshold, with no obvious break in the fitted regression lines on either side of the minimum wage. Put simply, we find no evidence that workers whose wages were just below the NMW prior to the increase exhibit lower employment probabilities relative to those just above the threshold.

Figure 8. RDD Results for Employment

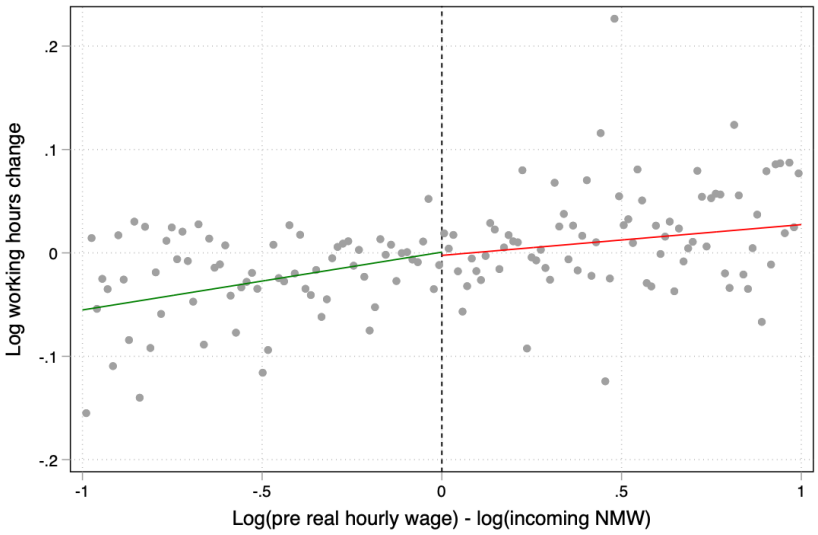


Source: Statistics South Africa (QLFS, 2024Q3-2025Q2). Authors' own calculations.

10. This is the variable used to measure how close workers are to the minimum wage threshold. In this case it is the worker's hourly wage before the adjustment. Workers earning just below the minimum wage form the group most likely to be affected by the increase, while workers earning just above it are treated as a comparison group.

Regarding the effect of the NMW on working hours, it is plausible that some firms may respond to the NMW wage increase by adjusting their demand for labour on the intensive margin, primarily through reductions in hours worked. Figure 9 presents the RDD estimates for hours worked around the minimum wage threshold. Here again the running variable is the pre-adjustment hourly wage, with workers close to the NMW threshold forming the 'treatment' and 'comparison' groups. The figure plots average weekly hours worked against the running variable, with local polynomial fits on either side of the cutoff. The results are captured visually and indicate no clear discontinuity in working hours at the NMW threshold following the 2025 increase. The fitted regression lines appear continuous at the cutoff, with no evident break in the conditional expectation of hours worked for workers just below the minimum wage relative to those just above it. This suggests that workers whose wages should be directly affected by the NMW increase did not experience systematic changes in their working hours relative to comparable workers slightly above the threshold. As before, these results are supported by the other specifications we run.

Figure 9. RDD Results for Working Hours



Source: Statistics South Africa (QLFS, 2024Q3-2025Q2). Authors' own calculations.

5.4 Interpretation

Taken together, the causal evidence above supports what we observed in the initial descriptive trends, indicating that on average the March 2025 NMW increase did not generate measurable short-term effects on wages, employment, or working hours. This result is consistent across multiple empirical approaches and robust to alternative specifications. These findings contrast with some earlier NMW adjustments, where modest reductions in employment or hours were observed alongside wage increases, in some of the empirical specifications we tested. In the present case, the lack of wage adjustment implies that employers did not make compensatory adjustments along other margins. Importantly, the absence of effects should be interpreted in light of the extent of the increase as well as the broader labour-market context. The 2025 increase was modest in real terms, the NMW is already set at a high level relative to the wage distribution, and non-compliance remains widespread. Under these conditions, further increases in the statutory minimum may not translate into observed wage gains for most workers, particularly over the short time horizon assessed here. As a result, a slightly larger share of workers report earning subminimum wages in 2025, relative to the year before.

6. NONCOMPLIANCE

High and persistent noncompliance continues to be a defining feature of South Africa's minimum wage regime and plays a central role in explaining the muted effects observed in 2025. As such, we explore some of the details around noncompliance, looking at trends in the aggregate level of measured noncompliance, as well as a decomposition of noncompliance across a range of labour market sub-groups and geography.

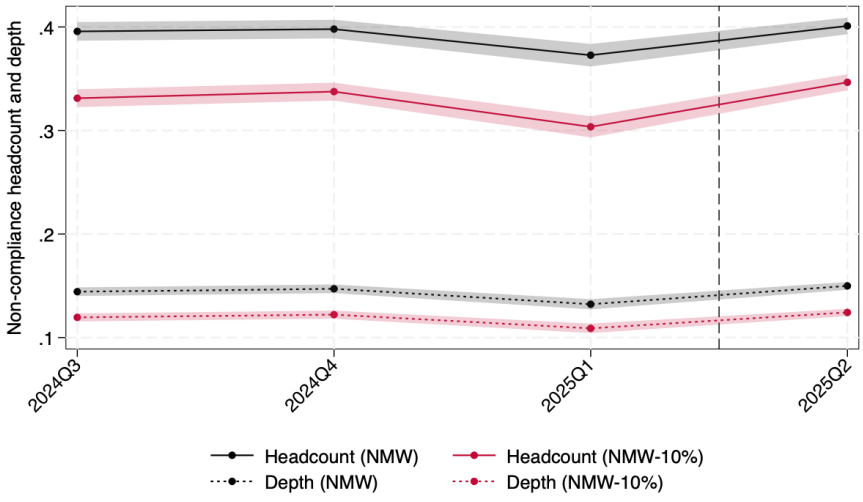
6.1 Levels and Trends in Noncompliance

Using data from the QLFS on hourly wages we estimate that just under 40 per cent of employees earned below the NMW in 2025Q2. This corresponds to an upper-bound estimate of roughly 5.5 million workers and is estimated by simply comparing reported hourly earnings to the NMW for each employee. However, this is an overestimate of the true rate of noncompliance for three main reasons: (1) Employee earnings in the labour force survey data may be underreported to some extent, and while this issue is more problematic at the top of the distribution, we do expect it to have some effect on earnings estimates at the lower end as well (Seekings and Nattrass, 2015; Wittenberg, 2017); (2) Workers employed by public employment schemes such as the EPWP are subject to a lower NMW rate (almost half the general level), but we are not able to identify them in the QLFS data; (3) It is not possible to identify employees working at firms with active NMW exemptions, or to observe cases where payment in-kind accounts for some portion of an individual's earnings. All three issues can result in an underestimate of an employee's true gross earnings, and thus an overestimate of noncompliance.

While our estimates of noncompliance are likely to overestimate the true rate, looking at trends over time, as well as differences across subgroups and regions remains extremely useful in the absence of more accurate data. In Figure 10 we show measures of both the headcount and depth of non-compliance over time. The headcount measure captures the share of employees earning below the NMW, while the depth measure captures the average proportional shortfall among those earning below the threshold. Solid lines show the benchmark NMW definition; dotted lines apply a 10 per cent downward adjustment to the wage floor to account for likely overestimation arising from measurement error, exemptions and permissible in-kind arrangements. Shaded bands indicate 95 per cent confidence intervals.

The headcount rate remains high and broadly stable through 2024, at around 39–40 per cent under the 'strict' definition, which simply counts all wages reported below the NMW level as instances of noncompliance. Even under the more conservative 10 per cent-adjusted threshold, non-compliance remains substantial at roughly one-third of employees. Following the 2025 increase, there is a modest uptick in the headcount measure. The depth measure tells a similar story: among those earning below the minimum, the average shortfall is persistent and does not narrow meaningfully after the increase. On average, sub-minimum wage workers earn approximately R18 per hour, around 38 per cent below the 2025 NMW level, which is substantial. Full compliance would therefore require very large wage increases for a significant segment of the workforce, implying considerable adjustment costs for employers in affected sectors.

Figure 10. Trends in Aggregate Noncompliance: 2024Q3-2025Q2



Source: Statistics South Africa (QLFS, 2024Q3-2025Q2). Authors' own calculations.

6.2 Profile of Sub-Minimum Wage Workers

An estimated upper bound of 5.5 million workers report hourly earnings below the NMW, with average real hourly pay of R17.74, and average weekly hours of 44.5. While sub-minimum workers are present across the economy, they are disproportionately concentrated in lower-wage industries and occupations. Trade (18.6%), Community, Social and Personal (CSP) services (17.9%), Finance (15.4%), Private Households (13.6%) and Agriculture (10.8%) together account for the majority. Occupationally, over one-third (37.7%) are in elementary occupations and

a further 20.8% in service work, with domestic workers alone accounting for 10.7%. Sub-minimum wage work is closely associated with the lower-skilled end of the occupational distribution.

Key measurable aspects of the employment conditions reported sub-minimum wage workers underscores the extent of their general vulnerability. Although 83.5% are classified as working in the formal sector, employment conditions are weak along several dimensions. Two-thirds (66.3%) report that their wages are determined solely by their employer, with only 10.3% covered by union-employer negotiations and 6.1% by bargaining councils. Nearly half (50.9%) report having no paid leave, and only 22.6% are members of a pension fund. Medical aid coverage is extremely low at 8.5%. And while just over half (51.4%) report contributing to UIF, a substantial group do not. Overall union membership is limited (12.8%), and many sub-minimum wage workers (over 40%) are employed in very small firms (0–9 workers), where the state's enforcement capacity may be weaker. Together, these indicators suggest limited worker bargaining power, and weak access to employment-linked social protection.

Contractual arrangements among this employee cohort are mixed – 68.7% report having a written contract, while 31.3% rely on verbal agreements. Contract duration is split across limited (22.2%), permanent (37.5%) and unspecified (40.3%) arrangements, indicating a significant share of workers in ambiguous or insecure employment relationships. This combination of employer-determined wages, limited collective bargaining coverage, low benefit access and concentration in small firms and low-skilled occupations suggests that sub-minimum wage employment in South Africa is not confined to the informal margin of the labour market. Compliance, enforcement and worker bargaining power remain policy challenges for millions of workers across the country.

	Level		Share		Level		Share
	Estimate	s.e.			Estimate	s.e.	
Aggregate statistics				**Contract duration**			
Total number of workers	5 526 379	102 236	1.0	*Limited duration*	1 227 203	47 400	22.2
Mean hourly wage (June 2024 Rands)	17.74	0.11	.	*Permanent nature*	2 072 065	60 708	37.5
Mean weekly working hours	44.45	0.22	.	*Unspecified duration*	2 227 111	64 129	40.3
Industry				**Wage determination**			
Trade	1 026 682	39 801	18.6	*Negotiation: myself and employer*	448 463	29 297	8.1
CSP services	989 658	35 969	17.9	*Negotiation: union and employer*	571 733	32 036	10.3
Finance	850 448	35 649	15.4	*Bargaining council*	337 386	29 047	6.1
Private households	750 476	32 756	13.6	*Employer only*	3 664 799	89 021	66.3
Agriculture	596 715	38 538	10.8	*No regular annual increase*	487 656	32 673	8.8
Other	1 312 401	48 426	23.8	*Other*	16 341	4 424	0.3
Occupation				**Paid leave**			
Elementary occupations	2 082 134	57 804	37.7	*Yes*	2 634 184	68 717	47.7
Service workers	1 151 298	41 679	20.8	*No*	2 812 741	74 305	50.9
Domestic workers	588 450	28 073	10.7	*Don't know*	79 454	13 128	1.4
Other	1 704 497	52 751	30.8				
Formality				**Pension fund**			
Formal sector	4 612 339	94 368	83.5	*Yes*	1 205 717	44 015	22.6
Informal sector	914 040	36 258	16.5	*No*	4 137 568	88 209	77.4
Firm size				*Don't know*	183 095	22 364	3.4
0-9 workers	2 069 017	55 518	40.8				
10-49 workers	1 485 852	54 042	29.3	**Medical aid**			
50 or more workers	1 520 208	56 618	30.0	*Yes*	469 876	24 832	8.5
Union membership				*No*	4 988 673	97 748	90.3
Non-member	4 820 535	95 619	87.2	*Don't know*	67 830	9 651	1.2
Member	705 845	32 940	12.8	**Unemployment insurance (UIF)**			
Contract type				*Yes*	2 841 707	69 746	51.4
Verbal agreement	1 727 907	57 050	31.3	*No*	2 538 432	66 664	45.9
Written contract	3 798 473	82 137	68.7	*Don't know*	146 240	16 962	2.6

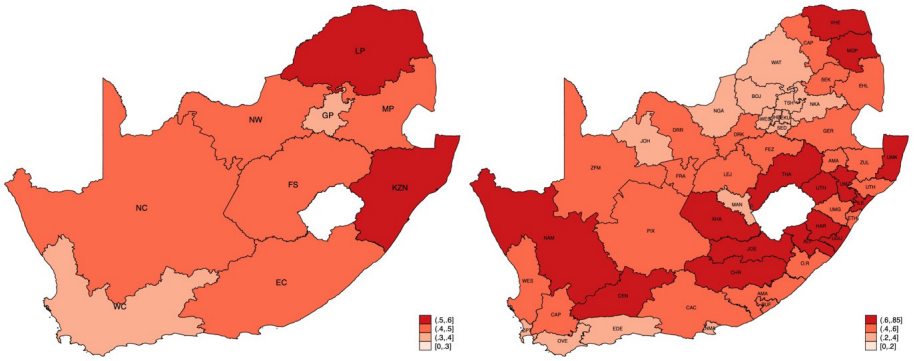
Source: Statistics South Africa (QLFS, 2024Q3-2025Q2). Authors' own calculations.

6.3 Geographic Variation

Non-compliance also varies substantially across provinces and districts, shown in Figure 11 (provincial boundaries are on the left and districts on the right). The provincial map shows higher rates of noncompliance are concentrated in provinces with weaker labour market conditions in general, notably Limpopo and KwaZulu-Natal, while provinces such as the Western Cape and Gauteng exhibit comparatively lower rates. It is likely that much of this pattern reflects underlying wage distributions rather than purely enforcement differences: provinces with lower average earnings mechanically exhibit higher shares of workers earning below a uniform national wage floor. In that sense, the compliance map is also a map of average earnings. Regions characterised by rural economies, higher rates of employment in agriculture, domestic work and lower-skilled service employment show higher apparent non-compliance because a larger fraction of workers cluster near or below the statutory threshold.

The district-level map sharpens this picture and reveals pronounced within-province heterogeneity. High non-compliance is concentrated in predominantly rural districts, former 'homeland' areas, and regions with large agricultural or informal service sectors. By contrast, metropolitan districts and economically diversified urban centres display lower rates. This spatial pattern is consistent with both lower prevailing wage levels and weaker bargaining power in peripheral labour markets with higher unemployment, as noted in work by Bhorat et al., (2013). It also suggests that enforcement challenges are likely to be geographically concentrated. However, as with the provincial results, these estimates largely track the distribution of low wages across space: districts with higher non-compliance are, in general, districts where median wages are lower and where a national wage floor is more binding relative to local earnings.

Figure 11. Noncompliance by Province and District

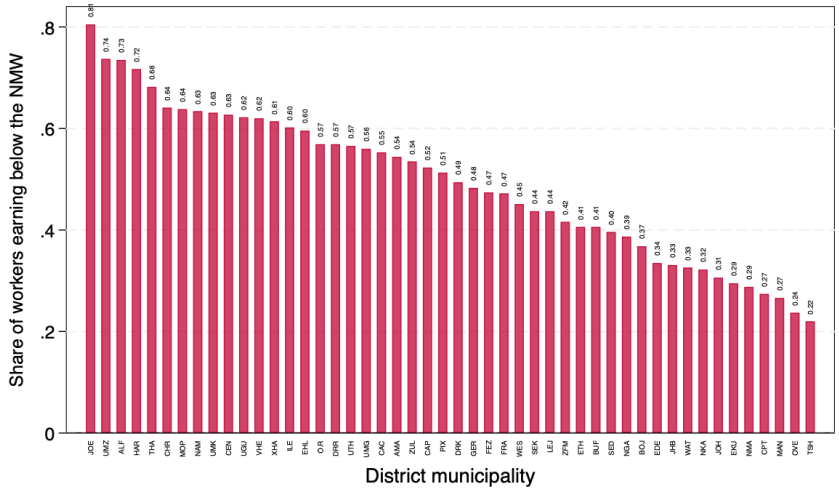


Source: Statistics South Africa (QLFS, 2024Q3-2025Q2). Authors' own calculations.

While QLFS data are not designed to be representative at the district level, these patterns highlight significant spatial heterogeneity and point to the potential value of geographically targeted enforcement strategies. Figure 12 goes on to rank district municipalities by the share of workers earning below the NMW, highlighting the extent of spatial disparities in compliance. At the upper end, Joe Gqabi (Eastern Cape), Umzinyathi (KwaZulu-Natal), uThukela (KwaZulu-Natal), Harry Gwala (KwaZulu-Natal) and Thabo Mofutsanyana (Free State) record the highest non-compliance rates, with shares in some cases approaching or exceeding 70–80 per cent. These are predominantly rural districts with relatively low average wage levels, limited economic diversification, and high concentrations of agriculture and low-skilled service employment. Importantly, this is also where in-kind payment may account for a larger share of worker wages bills, which is not recorded in the data we use.

In contrast, the lowest non-compliance rates are observed in large metropolitan and more economically developed districts, including the City of Tshwane (Gauteng), Overberg (Western Cape), Mangaung (Free State), the City of Cape Town (Western Cape) and Nelson Mandela Bay (Eastern Cape), where sub-minimum wage shares are closer to 20–30 per cent. As with the provincial results, the ranking largely mirrors the geography of low wages: districts with the highest apparent non-compliance are also those where prevailing earnings are structurally lower relative to a uniform national wage floor.

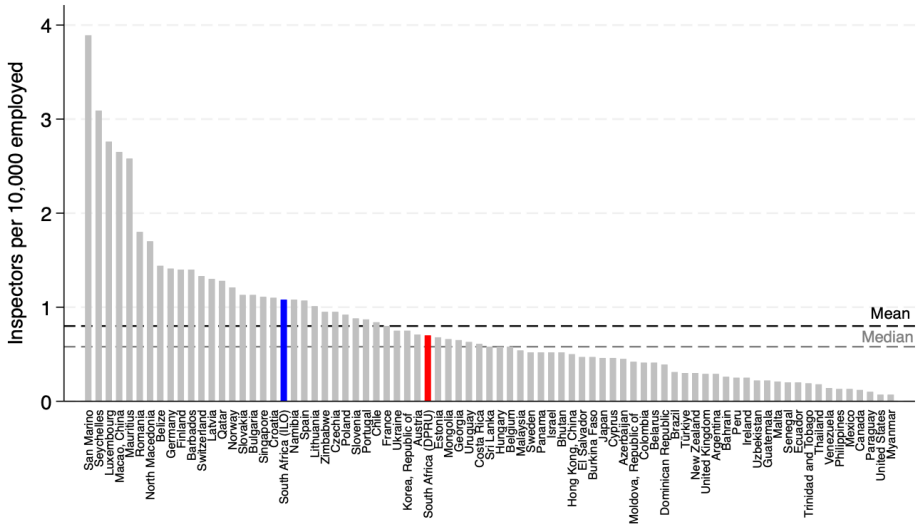
Figure 12. Districts Ranked by Estimated Noncompliance Rate



6.4 Enforcement Capacity

While many underlying drivers of noncompliance in South Africa are structural, inspection and enforcement plays an important role in ensuring the NMW legislation is adhered to in practice. A key component of this is having sufficient capacity to conduct inspections. Figure 13 examines South Africa's labour inspection capacity in international perspective, plotting the number of labour inspectors per 10,000 employed workers across a wide set of countries using data from the ILO[11]. South Africa (highlighted), which has around 2,000 inspectors, sits close to the global mean and slightly above the median, with roughly one inspector per 10,000 workers.[12] While some smaller or higher-income countries report substantially higher inspector-to-worker ratios, many middle-income and emerging economies operate at similar or lower levels. This suggests that, in comparative terms, South Africa is not an outlier with unusually weak inspection capacity, at least when measured by headcount ratios.

Figure 13. Cross-country estimates of labour inspectors per worker



Source: ILO (2025), IES presentations and annual reports (2023-2025)

In relation to estimating noncompliance rates, and noting that the QLFS data has limitations in this regard, inspection data collected by the Inspection and Enforcement Services (IES) provides a useful alternative source of information on noncompliance rates, despite not being directly comparable to survey-based estimates given that inspection activity will not cover a representative sample of employers. Noting this caveat, and based on data from annual reports and available IES presentations, it is possible to produce some rough estimates. South Africa currently employs around 2,000 labour inspectors, and data from 2023 suggests that the IES conducted a total of 89,169 inspections during the year. The majority of these inspections (80,300) were proactive and the remainder (8,869) were reactive – in response to a worker complaint. Based on this total number of inspections, the IES reports that 74,858 firms were initially found to be non-compliant with some element of the labour legislation (not specifically the NMW alone). If one assumes that all reactive inspections were triggered by non-compliance, this implies an initial non-compliance rate of approximately 82 per cent among inspected firms. Following an initial inspection and compliance order, around 10 per cent of employers remained non-compliant. More detail from the IES on this data is required for proper analysis, but at the outset these figures point to substantial enforcement challenges and reinforce the conclusions drawn from the QLFS. However, they should be interpreted cautiously given the targeted nature of inspections.

Taken together, we note that while the President recently announced plans to expand the inspectorate dramatically[13], South Africa's inspector-to-worker ratio is broadly aligned with international norms. While the country's enforcement capacity thus seems adequate, little is known about the nature or effectiveness of enforcement efforts, including the IES's targeting strategies, frequency and quality of inspections, administrative follow-up, and the credibility of penalties. The international comparison therefore suggests caution in assuming that simply increasing the number of inspectors will substantially improve compliance outcomes and institutional effectiveness or enforcement design may matter at least as much as raw capacity.

11. Available at: https://ilostat.ilo.org/tag/labour-inspection/
12. We include two estimates here for South Africa, based on different total numbers of inspectors from the Inspection and Enforcement Services (in red) and the ILO (in blue).
13. https://www.businessday.co.za/news/2026-03-09-r10bn-plan-to-hire-10000-labour-inspectors/

7. CONCLUSIONS AND POLICY IMPLICATIONS

This report has examined the short-term labour-market impacts of the March 2025 National Minimum Wage (NMW) increase, using nationally representative microdata from Statistics South Africa's Quarterly Labour Force Survey (QLFS). Drawing on both descriptive analysis and multiple causal inference strategies, the findings point consistently to an absence of measurable short-run effects on wages, employment, and working hours.

The 2025 NMW increase was moderate in real terms, amounting to approximately 1.7 per cent after inflation. However, it occurred in a context where the level of the NMW is already high relative to the wage distribution. At approximately 83 per cent of the median wage, South Africa's minimum-to-median wage ratio is at the upper end of international experience. Combined with weak economic growth, slow employment creation, and persistently high non-compliance, this context is central to understanding why the 2025 increase did not translate into observable wage gains for low-paid workers.

A key finding of the analysis is the continued prevalence of non-compliance. Our upper-bound estimate is that 40 per cent of employees earned below the legislated minimum wage in 2025Q2, a proportion that has remained largely unchanged over the period analysed. For many of these workers, wages fall substantially below the statutory minimum, implying that full compliance would require large and potentially disruptive adjustments. Under such conditions, incremental increases in the statutory minimum are unlikely to bind for a large share of employers, particularly in the short term.

The absence of detectable employment or hours effects should be interpreted carefully. While it indicates that the 2025 increase did not result in adverse labour-market outcomes, it also reflects the fact that the policy change did not materially affect wages in practice. In contrast to earlier adjustments, notably in 2024, where wage effects were evident for certain groups of low-paid workers, the 2025 increase appears to have had limited real impact in the labour market.

These findings raise important considerations for future minimum wage policy. First, they suggest that the scope for further real increases in the NMW to deliver broad-based wage gains may be limited in the current economic environment. As the NMW rises relative to median wages, the risk increases that it becomes an aspirational benchmark rather than a binding legal floor, adhered to by a subset of employers but not universally enforced.

Second, the results underscore the importance of strengthening compliance and enforcement mechanisms. The analysis highlights substantial variation in non-compliance across sectors and geographic areas, pointing to the potential gains from more targeted enforcement strategies. Improving the effectiveness of inspections, strengthening follow-up and penalties, and focusing enforcement efforts on high-risk sectors such as agriculture and private households may yield greater benefits for low-paid workers than further increases in the statutory minimum alone.

Third, there is a need for complementary evidence to inform future deliberations. While the QLFS provides valuable insights into labour-market outcomes, its limitations in measuring compliance and enforcement dynamics suggest a role for additional data sources, including tax administrative data and sector-specific studies. More detailed analysis of low-wage sectors, where the NMW continues to bind most strongly, would help clarify the channels through which minimum wage policy can be made more effective.

In sum, the evidence presented in this report suggests that the March 2025 NMW increase neither harmed employment and working hours nor raised wages in the short term. In a context of high minimum-to-median wage ratios and persistent non-compliance, future policy gains are more likely to come from improved enforcement and targeted interventions than from continued real increases in the level of the minimum wage alone.

8. REFERENCES

Bassier, I., & Ranchhod, V. (2024). Can minimum wages effectively reduce poverty under low compliance? A case study from the agricultural sector in South Africa. *Review of Political Economy, 36* (2), 398–419.

Bhorat, H., Cassim, A., Kanbur, R., Stanwix, B., & Yu, D. (2016). Minimum wages and youth: The case of South Africa. *Journal of African Economies, 25* (suppl_1), i61–i102.

Bhorat, H., Kanbur, R., & Mayet, N. (2013). The impact of sectoral minimum wage laws on employment, wages, and hours of work in South Africa. *IZA Journal of Labor & Development* , 2 , 1–27.

Bhorat, H., Kanbur, R., & Stanwix, B. (2014). Estimating the Impact of Minimum Wages on Employment, Wages, and Non-Wage Benefits: The Case of Agriculture in South Africa. *American Journal of Agricultural Economics, 96* (5), 1402–1419.

Bhorat, H., Kanbur, R., & Stanwix, B. (2021). An Empirical Assessment of the National Minimum Wage in South Africa. In Ethics, *Politics, Inequality: New Directions. State of the Nation,* chap. 7, pp. 154-172. HSRC Press.

Development Policy Research Unit (2024). Measuring the Impact of the 2023 National Minimum Wage Increase: A Report for the National Minimum Wage Commission. Tech. rep., Development Policy Research Unit, University of Cape Town.

Development Policy Research Unit (2025). Measuring the Impact of the 2024 National Minimum Wage Increase: A Report for the National Minimum Wage Commission. Tech. rep., Development Policy Research Unit, University of Cape Town.

Dinkelman, T., & Ranchhod, V. (2012). Evidence on the impact of minimum wage laws in an informal sector: Domestic workers in South Africa. *Journal of Development Economics, 99* (1), 27–45.

Dube, A. (2019). Impacts of minimum wages: Review of the international evidence. *Independent Report. UK Government Publication,* (pp. 268–304).

Dube, A., & Lindner, A. (2024). Minimum Wages in the 21st Century. *Handbook of Labor Economics.*

Garbers, C., Burger, R., & Rankin, N. (2015). The impact of the agricultural minimum wage on farmworker employment in South Africa: A fixed effects approach. Tech. rep., Unpublished Paper, Biennial Conference of the Economic Society of South Africa.

Neumark, D., & Corella, L. F. M. (2021). Do minimum wages reduce employment in developing countries? A survey and exploration of conflicting evidence. *World Development* , *137* , 105165.

Piek, M., & von Fintel, D. (2020). Sectoral minimum wages in South Africa: Disemployment by firm size and trade exposure. *Development Southern Africa, 37* (3), 462–482.

Piek, M., von Fintel, D., & Kirsten, J. (2023). The impact of agricultural minimum wages on worker flows in South Africa. *South African Journal of Economics, 91* (4), 446–465.

Republic of South Africa. 2018. *National Minimum Wage Act, No. 9 of 2018.* Government Gazette No. 42023. Pretoria.

Statistics South Africa (2024). CPI (COICOP) from January 2008. Dataset.

URL https://www.statssa.gov.za/?page_id=1847

Statistics South Africa (2024). Quarterly Labour Force Survey, Quarters 2-4 2024: Microdata. Pretoria: Statistics South Africa.

-- (2025). Quarterly Labour Force Survey, Quarters 1 & 2 2025: Microdata. Pretoria: Statistics South Africa.

Van der Zee, K. (2017). Assessing the effects of two agricultural minimum wage shocks in South Africa. Tech. rep., Unpublished Masters Thesis, University of Cape Town (UCT).

employment & labour

Department:
Employment and Labour
REPUBLIC OF SOUTH AFRICA