NEASA
NATIONAL EMPLOYERS' ASSOCIATION OF SOUTH AFRICA

OPEN LETTER

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Senior Online Writer
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Dear Sir

'NEW MEIBC AGREEMENT'- NOTHING BUT FOOL'S GOLD.

- MEIBC main agreement is not a 'silver bullet'.
- The provisions of the agreement are misunderstood or misconstrued.
- Phase-in exemption is not automatic but based on financial difficulties.
- Extension of this agreement will cause massive damage to the Steel Industry.

The article published in Engineering News, **on 30 May 2022, titled "*New MEIBC agreement guided by inputs from employers' organisation*" makes a number of statements apparently quoted from the National Collective Bargaining Coordinator of the Consolidated Employers' Organisation (CEO).**

These statements seem to create the impression that a great victory has been achieved for employers, in particular SMMEs, by CEO. However, these averments are at best, fanciful, and at worst, blatantly false and/or misinformed and should be corrected, or at least placed within the correct context.

The article claims, among others, that:

"The new MEIBC Main Agreement allows SMMEs to structure in [*sic*] their wages in a multi-phased manner, gradually."

The agreement does indeed allow any employer, not only SMMEs, to phase-in wages to 60% of the 2020 wage rate over the duration of the agreement. However, this is not an automatic right as the article seems to suggest. The agreement allows employers who are paying below this 60% of wage rates, to apply for an exemption to the MEIBC in order to phase in their wages. The agreement states that, in order to qualify for this exemption, the employer must show:

- clear evidence of financial difficulties; including the most recent set of annual financial statements and auditor's report;
- management accounts;
- an explanation of the difficulties faced by the company; and
- the company motivation, Business- and Phase-in plan illustrating how parity is intended to be achieved with 60% of the 2020 Main Agreement rates.

It is therefore clear that only employers with financial difficulties will be allowed to utilise this exemption, and it is no different to the struggling business exemption which has always been available to employers who are under financial strain. The license of exemption is furthermore only valid for 1 year and employers will have to reapply annually to show that they are still experiencing financial difficulties.

The article goes on to state that:

"Those employer members who still could not afford the new small-employer dispensation or the phase-in dispensation were protected in the new main agreement through a new exemptions policy negotiated by CEO."

This statement seems to be rooted in a complete miscomprehension of what the agreement actually entails. There is no "new small-employer dispensation" in the agreement and the "phase-in dispensation" and "new exemptions policy" are exactly the same thing as alluded to above. It should also be mentioned that CEO had no hand in negotiating this mislabeled new dispensation. The phase-in exemption provision was already included in the settlement agreement concluded by employers' organisations affiliated to the Steel and Engineering Industries Federation of Southern Africa (Seifsa), in October 2021, in an attempt to lure unsuspecting employers, including NEASA members, into the agreement. NEASA had declined the offer to become party to the agreement, as it held absolutely no benefit for its members and still does not.

Yet another concerning statement made is that:

"The agreement with the trade unions and other stakeholders enabled CEO members within the metal and engineering industry to fix their employees' wages at flat rates of 60% of the 2019/20 industry wage rates without having to implement any increases until June 30, 2024."

This statement is confusing to say the least. The agreement does no such thing, it simply allows employers paying below 60% to phase-in to 60%, which can only be done by way of excessive increases and, in respect of employers paying above 60% but less than 100%, the agreement reads as follows:

"Wage increases for employers paying above 60% of the current (2020) main agreement rates but less than a 100% of the current wage table must implement as rand/cents amount on what a worker is actually receiving (i.e., whatever the percentage increase agreed between the parties, will be awarded as a rand/cents increase on what the employee is actually earning for his/her grade of work)."

Therefore, the statement that "*no wage increases have to be implemented until June 30, 2024*" is patently false.

The article also states that:

"The agreement was to be extended to nonparties, whereby signatories to the new main agreement could enjoy the benefits that the agreement held, and whereby nonsignatory [*sic*] parties would have to apply for an exemption to enjoy these benefits, already gained by CEO for its own members".

It is difficult to see which benefits have been gained; all employers have to apply for exemption whether they are signatories or not. The only 'benefit' is that employer parties who are signatories to the agreement may apply for an exemption to phase-in wages based on their financial difficulties. It should be noted that such an exemption would not have been necessary in the first place had they not opted to become a party to the agreement, as the agreement is currently not binding on non-parties.

The true reason for CEO becoming a party to the agreement is to be found in the first part of the statement: "…the agreement was to be extended to nonparties,".

NEASA has by way of extensive litigation over the last decade, successfully fought against the extension of these unaffordable and industry destructive agreements to its members and the broader industry. The success of this fight was in part due to the support of a number of other employers' organisations who shared NEASA's vision of a fair and affordable dispensation within the Metals sector. Unfortunately, one of these organisations, the Plastics Convertors Association of South Africa (PCASA) has very recently turned their back on NEASA, and in order to advance their own special interests, decided to support the extension of a metal sector agreement which has absolutely no bearing on them or their members.

This decision by the PCASA has led to a situation where the so-called Main Agreement may potentially be extended to non-parties by the Minister of Employment and Labour, yet again subjecting downstream employers to a wage- and conditions of employment dispensation which will strike the industry at its core and will cause many business closures and job losses.

It seems that CEO has had a knee-jerk reaction to these developments and voluntarily subjected their members to these draconian conditions of employment.

NEASA will continue to fight against these business destructive actions and will not give up the fight for a business friendly and sustainable dispensation.

Yours faithfully,

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CHIEF EXECUTIVE