An analysis of pre-implementation and post-implementation concerns and issues raised by organized labour, business and government regarding the setting of the South African National Minimum Wage.

Olinda Panashe Guzi (554437)

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UNIVERSITY OF WITWATERSRAND

Declaration

I hereby declare that this research report is my own work. It has not been submitted before for any degree or examination in this or any other University. Due acknowledgments and references have been made where someone else's work has been used.

Student Signature: OGuzi

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Abstract

The introduction of a National Minimum Wage (NMW) in South Africa precipitated contentious debates between and within organised labour, business and government. This research report analyses the pre-implementation and post-implementation concerns and issues that were raised by these stakeholders. The two issues most in contention were the wage level and an exemption, with a lower minimum wage, for domestic, farm and Expanded Public Works Programme (EPWP) workers. To analyse the arguments and positions of organised labour, business and government, discourse analysis was applied as a methodology to analyse newspaper articles, press release statements, workshop reports, public hearings and discussion papers between 2014, when the Ekurhuleni Declaration was signed and social partners committed to engage in a process of social dialogue regarding the NMW, and 2020 when I completed research. This report situates these arguments within the tension between Keynesian and neoclassical economic frameworks, which it is argued frame these key disagreements. It explores these tensions within an analysis of who the stakeholders represent, their conflicting ideological positions, power dynamics, class interests, and issues of race and gender inequality.

The findings illustrated that prior to the implementation of the NMW, labour organisations such as the Congress of South African Trade Unions (COSATU) and the Federation of Unions of South Africa (FEDUSA) took a politically pragmatic approach which aligned with the interests of business and government, accepting a NMW level of R20 per hour, while South African Federation of Trade Unions (SAFTU) and the National Union of Metalworkers South Africa (NUMSA) argued that the level was set too low and was far from a "living wage" and called for a NMW of R12 500 per month. However, post-implementation of the NMW, labour organisations ultimately joined forces in calling for an increase that keeps up with inflation and facilitates the phase-in of domestic, farm and EPWP workers at a single NMW. Labour organisations declared that the tiered wages were exploitative and discriminatory.

Business initially opposed the introduction of a NMW in South Africa and proposed the adjustment of sectorial minimum wages instead. The concern for business was that a NMW would fail to account for the various economic factors in different sectors, strain the economy and lead to job losses that would particularly affect low-skilled and low-wage workers.

However, business eventually accepted a NMW at a level of R20 per hour and supported the tiered system as an ideal strategy that aligned with international trends and would avoid negative employment effects. Aligning with the concerns raised by business, government accepted the proposal to set the NMW at R20 per hour and supported the tiered system as a strategy to allow business and the economy to adjust to the NMW, with minimal job losses.

Dedication

This research report is dedicated to my late mother Natasha Nyasha Guzha-Guzi. The memory of you keeps me going each day. Thank you for all the sacrifices you made for me. I am a product of your grace, patience, love, and prayers. I love you mhamha.

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Thank you to my family and friends for supporting me and encouraging me through this journey. In loving memory of my grandparents Muzuva Michael and Theresia Guzha, affectionately remembered as Sekuru and Gogo Guzha.

"For I know the plans I have for you says the lord, plans to prosper you and not to harm you, plans to give you hope and a future" _ Jeremiah 29 verse 11

Acronyms

ANC	African National Congress
BUSA	Business Unity South Africa
COSATU	Congress of South African Trade Unions
CSAAWU	Commercial Stevedoring Agricultural and Allied Workers Union
DA	Democratic Alliance
EFF	Economic Freedom Fighter
EPWP	Expanded Public Works Programme
FEDUSA	Federation of Unions of South Africa
IDWA	Izwi Domestic Workers Alliance
ILO	International Labour Organization
JSEC	Job Seekers Exemption Certificate Stock
NEASA	National Employers Association of South Africa
NEDLAC	National Economic Development and Labour Council
NMWAP	National Minimum Wage Advisory Panel
NMW	National Minimum Wage
NMWC	National Minimum Wage Commission
NMWRI	National Minimum Wage Research Initiative
NUMSA	National Union of Metalworkers South Africa
NUPSAW	National Union of Public Services and Allied Workers
SACP	South African Communist Party
SADSAWU	South African Domestic Service and Allied Workers Union
SAFTU	South African Federation of Trade Unions
SANTACO	South African National Taxi Council
STATSSA	Statistics South Africa
TAU SA	Transvaal Agricultural Union of South Africa
UIF	Unemployment Insurance Fund

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CHAPTER 1|INTRODUCTION AND RESEARCH PROBLEM

1. Introduction:

The National Minimum Wage Act, 2018 came into effect on the 1st of January 2019 following the signing into law of the Act by President Cyril Ramaphosa in November 2018 (Omarjee, 2019). According to Section 2 of the National Minimum Wage Bill, 2018, “the purpose of this act is to advance economic development and social justice by improving the wages of lowest paid workers and protecting workers from unreasonably low wages”. It can be deduced from the above that the intended results of implementing a national minimum wage are to reduce income inequality and poverty. This is emphasised by Bhorat, Kanbur, & Stanwix (2014) who propose that the aim of implementing a NMW is to safeguard employees in low-paid vulnerable occupations from exploitation and ensure that they are afforded a basic living wage. While there isn’t a single definition of a living wage or a specific methodology of measuring it, the Global Living Wage Coalition (2018) defines a living wage as

> The remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events

A National Minimum Wage Commission (NMWC) was also established in terms of Section 8 of the NMW Act, 2018. The NMWC’s responsibilities are, amongst others, to “review the NMW and recommend adjustments, investigate and report annually to the Minister on the impact of the NMW on the economy, collective bargaining and the reduction in income differentials, and to advice the Minister of any matter concerning basic conditions of employment and on measures to reduce income differentials” (Elsley, 2019).

1.2 Problem Statement:

The introduction of a NMW in South Africa was a result of contentious debates by organized labour, business, and government following the signing of the *Ekurhuleni Declaration* at the Labour Relations Indaba in November 2014, under the auspices of the National Economic Development and Labour Council (NEDLAC) (Omarjee, 2019). The Indaba was a response to the call by then President Jacob Zuma, five months prior, in his state of the nation address for the engagement of social partners in addressing issues of poverty, unemployment, low-wages and wage inequality (National Economic and Development Council, 2014). Given that the Act only came into effect on the 1st of January 2019, it is too soon, at the time of writing this report, to conclude the extent to which the Act may reduce income inequality or alleviate poverty. However, it is important to gain an in-depth understanding of the concerns and issues that were presented by stakeholders regarding the introduction of the NMW. These insights will be beneficial for further debate and research into the progress of the NMW and for the NMWC to recommend appropriate adjustments that address or take into consideration the concerns and issues which were raised by stakeholders.

Therefore, it was against this background that this report analysed pre-implementation and post-implementation concerns and issues raised by organised labour, business and government regarding the setting of the South African NMW. Particularly, this report looks at the concerns and issues raised regarding the setting of the NMW level, as well as the exemption of domestic, farm and EPWP workers from the general NMW. The research adopted a qualitative method because “qualitative research is especially effective in obtaining culturally specific information about the values, opinions, behaviours, and social contexts of particular populations” (Mgaga, 2016, p. 14). To investigate the concerns and issues raised by stakeholders, comments in contemporary articles, newspaper articles, press release statements, workshops, reports, public hearings and discussion papers were analysed because they formed part of the public discourse around the NMW. These are also dated, which allowed for comparison of pre-implementation and post-implementation concerns and issues.

1.3 <u>Research Questions:</u>

In this research report, I set out to explore the pre-implementation and post-implementation concerns and issues raised by organized labour, business and government regarding the setting of the South African National Minimum Wage. Specifically, the report responds to the following questions:

1. What concerns and issues did stakeholders raise regarding the NMW level?
2. What concerns and issues did stakeholders have regarding the exemption of domestic, farm and EPWP worker’s wages from the general NMW?

3. What positions did stakeholders adopt and who do they represent?

1.4 <u>Report structure overview:</u>

This research report is organised into five chapters. Chapter 1 outlines the background and situates the research context. It also provides the research questions which guide this research report. Chapter 2 provides a brief history of minimum wages and outlines the two economic schools of thought; Keynesian economics and neo-classical economics, which have dominated the debate on minimum wages. Keynesian economics posits that higher minimum wages have a positive effect on the economy and employment as workers have more income to spend thus increasing production, while neo-classical economics is sceptical of NMW's and suggests that they can have a negative effect on the economy and employment. The chapter contextualizes the historical systemic implications of the Apartheid system and the economic environment of South Africa. It outlines the effects of NMW on employment and explains how sectoral determinations set or determined wages in South Africa before the NMW was introduced. The processes of setting NMWs as well as the three main approaches to the debate on the NMW in South Africa are also discussed. This is followed by an explanation of the politics of policy making and structural issues related to the implementation, compliance, and enforcement of the NMW, including the exemption of industries such as domestic, farm and EPWP work from the general NMW.

Chapter 3 explains the research methodology. It begins by exploring the use of data analysis as the research methodology. It details the process of data collection and concludes by reflecting on the research limitations and ethical considerations. Chapter 4 outlines and discusses the research findings of pre-implementation and post-implementation concerns and issues that were raised by organised labour, business and government regarding the NMW level and exemption of domestic, farm and EPWP workers from the general NMW. It is divided into the following sections and subsections. Section 4 introduces the results chapter. Section 4.1 provides an overview on the setting of the NMW level. Section 4.2 to subsection 4.4.1 provides pre-implementation and post-implementation concerns and issues that were raised by organized labour, business and government regarding the NMW level. Section 4.5 concludes the findings on the setting of the NMW level. Section 4.6 provides an over of the exemption of domestic, farm and EPWP workers from the general NMW. Section 4.7 to subsection 4.9 discusses pre-implementation and post-implementation concerns and issues that were raised by organized labour, business, and government regarding the exemption of domestic, farm and EPWP workers from the general NMW. Section 4.10 concludes the findings on the exemption of domestic, farm and EPWP workers from the general NMW. Chapter 5 provides an overall summary of the research findings in relation to the research topic and questions. It outlines the limitations of the report and further proposes areas of future research as well as recommendations.

CHAPTER 2|Literature Review

2. Introduction

The chapter provides literature on the history of minimum wages, outlines the two economic schools of thought which have dominated the debate on minimum wages, contextualizes the historical and systemic implications of the Apartheid system and the economic environment of South Africa, outlines the effects of NMWs on employment, the processes of setting NMWs, the main approaches to the debate on the NMW in South, the politics of policy-making and structural issues related to minimum wages.

2.1 The History of Minimum Wages:

The adoption of a minimum wage is not a new or unique phenomenon. Its history can be traced back to New Zealand and Australia, although they (minimum wages) were not at a national level, at the very end of the 19th century (Belser & Rani, 2015). In the United Kingdom, minimum wages were introduced in 1909 and spread to parts of the United States of America, whereby in 1938 the U.S Congress passed a federal [i.e. national] minimum wage law under the Fair Labour Standards Act (Neumark and Wascher, 2008, p. 11). Minimum wages were originally introduced as a mechanism to standardize wages following the expansion of 'sweatshops' in manufacturing industries which commonly employed women and youths and paid them meagre wages (Neumark and Wascher, 2008, p. 11). A crucial factor in favour of minimum wages was the imbalance of bargaining power between employers and employees, hence minimum wages were proposed to ensure that workers were adequately compensated for their labour. According to Huysamen (2018, p.278) "it has been argued that in light of trade unions' declining bargaining power, especially when faced with high unemployment rates, legislated minimum wage levels play an increasingly important role in the protection of workers". Thus, the resurgence of interest in NMWs globally reflects growing labour casualization and declining power of labour organisations to set wages through collective bargaining agreements. Today millions of workers throughout the world in various developed and developing countries are covered by minimum wage legislation; hence minimum wages are almost a universal social policy instrument (Vishnevskaya, 2016).

Although there is little academic literature specifically on NMWs in South Africa given that the NMWs are recent, the history of regulated minimum wages traces back to the 20th

century. Following the strike on the Witwatersrand in 1922, resulting from the introduction of labour-saving machinery in mines, industrial councils were established under the Industrial Conciliation Act of 1924 with the aim of regulating trade unions and employer organisations and resolving industrial disputes (Jordaan & Ukpere, 2011). Industrial councils can be considered "the first institutionalised representation of collective bargaining in the South African labour market" (Bhorat et al, 2009, p. 3). The Wage Act No. 44 of 1925, an extension of the Industrial Conciliation Act, established a wage board to provide for the determination of conditions of employment and minimum wages for white workers who did not fall within the industrial council system (Bhorat et al, 2009). Considering that black people were regulated under native pass law and were excluded (then) from the category of 'worker', they were not allowed to join unions and therefore were not represented on industrial councils (Rheinallt, 1947). However, the Industrial Conciliation Act of 1924 was amended in 1981 to include black workers and its name was changed to the Labour Relations Act (Bhorat et al, 2009). Industrial councils became known as bargaining councils and extended their scope to include the public sector under the Labour Relations Act 66 of 1995 of the democratic government (SA Board for People Practices, 2013).

Prior to South Africa adopting a NMW, sectoral minimum wages were introduced in some sectors by the Employment Conditions Commission, and gazetted by the Minister of Labour in terms of the Basic Conditions of Employment Act (Seekings & Nattrass, 2015). According to Huysamen (2018, p. 276) "since the adoption of the Constitution in the 1990s, labour market regulation is rather firmly embedded into South African employment law by virtue of various statutes and related pseudo-legislation such as sectoral determinations". Sectoral determinations stipulate general employment conditions and guidelines such as minimum wages, working hours, termination procedures, and leave entitlement for specific economic sectors. They were meant to act as a protective mechanism in sectors where there is no strong trade union and workers are vulnerable to exploitation. Nonetheless, there were reports that some employees in sectors such as domestic and farm work were earning less than the wages stipulated in their industries sectoral determination (Murahwa, 2016). This highlights an issue of compliance by employers, which will be discussed in section 2.6 of this report.

2.2 Keynesian economics versus neo-classical economics:

There are two theoretical economic schools of thought that have dominated the debate on minimum wages and its effects, especially on employment. These theoretical perspectives are the Keynesian economic argument, which suggests that higher minimum wages can have positive effects because markets are imperfect and require such interventions, and the neo-classical economic argument which is more sceptical of the effects of minimum wages. The neo-classical economic model predicts that prices fluctuate because of shifts in supply and demand, thus market actors act to maximize production and efficiency as a reaction to these influences. From this perspective, the standard neoclassical model assumes that an increase in wages through legislation such as the NMW results in some employers reducing employment as a strategy to save costs and maximize profits. Huysamen (2018, p. 275-276) indicates that supporters of the neoclassical school of thought advocate for the deregulation of labour markets because

> It is said that a regulatory approach… leads to the absence of any real flexibility to adjust wages freely to the marginal productivity of labour; a regulatory approach often prevents labour markets from spontaneously adjusting to acute economic changes and shocks; and regulation has the potential to reduce profits, which in turn could result in the reduction of investments and, ultimately, market growth

Supporting the neoclassical argument, John Bark Clark proclaimed that “binding minimum wages were a grave danger that could potentially do more harm than good (owing to disemployment) and that, perversely, the greatest harm will come to the least productive” (Leonard, 2003, p. 524). However, it must be noted that Leonard (2003, p. 535) believed “Clark’s position was un-progressive in its marginal productivity theory of wage determination, and in its limited, market-failure-based rationale for policy intervention”. Herr and Kazandziska (2011, p.2) argued that “the simple neoclassical approach was seriously challenged when a whole series of studies did not show negative employment effects from even substantial minimum wage increases; some analyses even found positive employment effects”. Therefore, the strengths of this argument do not hold weight as these claims have been challenged.

The Keynesian argument is premised on the idea that demand creates supply. According to Herr and Kazandziska (2011, p.2) “the Keynesian paradigm stresses that output and employment are determined by goods market demand and not by supply factors like the level of real wages”. A lack of demand in the economy leads to companies producing less and thus reducing the incentive to employ more people, whereas, an increase in wages creates more demand as people are able to buy more on the market, thus increasing production and employment (Khanacademy, n.d). However, just because there is an increase in wages does not mean there will be more demand for labour. This is because the effects of minimum wages on employment cannot be predicted a priori, and country specificities that consider the socio-economic environment of that country need to be considered. At the same time there is little economic inquiry to the effects of minimum wages in the case of South Africa. This could be attributed to the fact that, social policies such as the minimum wage take time to implement, and their effects can only be measured after an extensive period.

2.3 <u>Effects of a National Minimum Wage:</u>

The International Labour Organization (ILO) defines minimum wage as “the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract” (Belser & Rani, 2015, p. 124). According to the Durban Chamber of Commerce and Industry (2015), a traditional minimum wage considers its adequacy to provide for basic necessities such as food, clothes, and housing, represents the lowest level at which an employee should be paid and enforces a punishment by law resulting from failure to abide to the minimum wage.

The majority of research conducted on minimum wages has focused on its relationship to employment, and the results remain highly contested. Scholars have argued that the impact of minimum wages on employment is negative in a competitive equilibrium, affecting mostly unskilled workers (Bhorat et al., 2013). According to Bhorat et al., (2014) studies which focused on low-skilled workers showed overwhelming evidence that a minimum wage has direct and stronger disemployment effects on this low-skilled group. However, the rhetoric that NMW’s have a negative effect on employment is not entirely correct as effects of NMW differ depending on different factors (Dinkelman and Ranchhod, 2012). Thus, other scholars have argued that the effects are positive or at times neutral. According to Valodia (2017) the experience around the world from countries that have implemented a NMW is that, not only has it (NMW) had positive effects on poverty alleviation, but on employment too. Furthermore, Belser & Rani, (2015) support this positive effect correlation by explaining that if minimum wage policies are carefully designed, they can have the effect of reducing income inequality and the gender pay gap with little or no adverse cost to employment. Ultimately, the effects of NMW's on employment differ between countries, hence the ILO (2013) highlights the importance of contextualization and emphasis that factors such as economic context, the level of the minimum wage, enforcement and labour practices need to be considered when measuring its impact.

If we are to debate whether short-term considerations outweigh long-term benefits, Meer and West (2013, p.2) suggest that a "minimum wage will impact employment over time through changes in growth rather than an immediate drop in relative employment levels". It must be noted that Meer and West are arguing that the effects of minimum wages are felt over a long period of time in the form of reduction in job growth affecting younger employees and workers in lower-wage industries. According to Bhorat et al., (2013, p. 23) "the theoretical wage-employment trade-off is not always readily observed in practice, and furthermore, the medium-term labour market consequences of minimum wage policy are far more varied and unpredictable than most theory would suggest". In other words, research conducted on the effects of minimum wages has often produced contending results, depending on the theoretical framework that has been used to analyse its effects.

Considering the contrasting perspectives on the effects of wages on employment, Belser and Rani (2015) suggest that careful policy design is important when determining the holistic potential of minimum wages. Furthermore, other factors such as labour inspection services, employment opportunities and compliance rates need to be taken into account when determining the potential effect of minimum wages on society. According to Herr, Kazandziska, and Mahnkopf-Praprotnik, (2009, p. 1) "minimum wages must ultimately be judged as part of general labour market institutions which reflect a country's specific developments and constellations". Thus, understanding the effects of the minimum wage has to take into consideration the historical context and specific environment of individual countries, as a country specific analysis is important. Belser and Rani, (2015, p. 133) expand on this point by stating that "it is also difficult to make comparisons across countries or within a country because of the different periods studied, the different data sources, different sectors, as well as different methodologies".

2.4 National minimum wage: South African context

South Africa is one of the most unequal societies in the world riddled by challenges of unemployment, poverty, and inequality. A report by Statistics South Africa (STATSSA) (2019) highlighted that two-thirds of the country's overall inequality was attributed to inequality in earnings and half of this was the result of extremely high levels of unemployment. Currently, unemployment levels are sitting between 25% and 30% and is inclusive of all the labour force that is unemployed and seeking a job (STATSSA, 2019). Those who become unemployed often seek benefits such as the unemployment insurance fund (UIF), given as a short-term relief to workers when they become unemployed or unable to work due to various reasons such as illness or maternity leave. With such high unemployment rates, compounded with a lethargic economy, majority of the poor often rely on social welfare such as child support grant and care dependency grant provided by the state in its attempts to improve standards of living and redistribute wealth to create a more equitable society (Kelly, 2017).

According to Gindling (2018, p. 2) "the relationships between minimum wages, worker incomes, and employment levels, and the incidence and depth of poverty are complex". Thus, contextualizing this complexity involves taking into consideration the historical context and specific economic environment of South Africa. Historically, racial segregation was entrenched in South African labour markets from the colonial period (Mariotti, 2012). However, Apartheid policies further intensified this segregation and prevented the economic development of historically disadvantaged groups, particularly black Africans. The implications of the Apartheid system have been linked to socio-economic disparities, such as those found in education levels, skills development and employment opportunities of the different races that characterize South Africa today. Therefore, social policies such as the NMW must be understood as mechanisms that attempt to redress and ultimately alleviate these intergenerational inequalities. However, while the NMW aims to eradicate poverty and income inequality, it is important to highlight the sentiments shared by the ILO that "the national minimum wage should not be used in isolation but should be linked to other progressive policies that bring about meaningful socio-economic change" (Valodia, 2017, p. 2). According to Herr and Kazandziska (2011, p. 1) "minimum wage policy supported by a strong social policy is an efficient mechanism against poverty and income erosion of the poorest households because minimum wage is one of the instruments which can control wage dispersion and, in this way, reduce income inequality".

In South Africa, the idea or proposal for a NMW can be traced to the Freedom Charter of 1955, were there was a call for work and security, a forty-hour working week and a NMW. A NMW was implemented on the 1st of January 2019. The advantages of a NMW are that it covers all workers in the formal sector, is easier to enforce and is not affected by narrow sectoral specificities (Isaacs, 2016). It is a wage floor that determines the level below which no employer is permitted by law to pay its employees. It is stipulated in the National Minimum Wage Act, 2018 that "every worker is entitled to payment of a wage in an amount no less than the national minimum wage" (National Minimum Wage Act, 2018). Thus, one can concur that motivation and influence surrounding the implementation of the NMW was grounded on the aim of improving the wages of the lowest-paid workers and the lives of the many working people who live in poverty.

According to Mncayi and De Jongh (2017), a large proportion of those in employment fall under the category of vulnerable workers with some labelled as the working poor. The term working poor refers to people whose jobs and wages "cannot keep them and their dependants out of poverty" (National Minimum Wage Research Initiative, 2015). One of the purposes of a NMW is thus to ensure that lowest paid workers earn at least a wage that affords them a standard of living, considering that despite being employed one can still live in poverty, a condition known as working poverty (Mncayi and De Jongh, 2017). Evidence from both developed and developing countries that have a NMW show that a NMW has the potential and has been successful in raising the wages of the lowest paid earners and has directly reduced inequality in both formal and informal sectors (Isaacs, 2016). Although formal wage-work has always been the exception in the global South, minimum wages have functioned as a marker, influencing wages in the informal economy.

Studies conducted by the National Minimum Wage Research Initiative (NMWRI) set out to investigate the feasibility of introducing a NMW in South Africa amidst high levels of unemployment and poverty. The results indicated that in addition to historic systemic challenges, inequality in South Africa, which has the effect of retarding economic growth and undermining social cohesion, is also a consequence of wage differentials (Isaacs, 2016). Resultantly this has emanated into sporadic social and economic protests and upheaval, depicting the tenseness of the country's social structure. According to Isaacs (2016), to reduce working poverty and inequality, and increase economic growth without hampering the economy, the NMW needed to be set at an appropriate level. This begged the question, what was an appropriate level and what factors were to be considered in determining this level? According to Belser and Rani, (2015, p. 123)

> minimum wages must be set at a level that guarantees a minimum living wage to all employed and in need of protection, without jeopardizing employment… when minimum wages are set too low they fail to provide workers and their families with a decent standard of living, when they are set too high, employment trade-offs become inevitable

The ILO's Minimum Wage Fixing Convention (1970) advises that the following factors should be considered by policy makers when determining the level at which to set the NMW: the needs of workers and their families, including the cost of living and all economic factors (Seeking and Nattrass, 2016). According to Castel-Branco, (2016, p. 8) "most countries use a cost-of-living indicator or define a basic basket of goods and services to set or adjust minimum wages such as in Brazil, where the national minimum wage must cover housing, food, education and sanitation". Isaacs (2016) suggests that the three most common factors that are considered when determining the level at which to set a NWM are, average wages, existing collective bargaining agreements and poverty lines.

According to STATSSA (2017), half the population in South Africa is living below the poverty line. In 2019, the three national poverty lines for food, lower-bound and upper-bound poverty were R561, R810 and R1, 227 respectively, per person per month (STATSSA, 2019).

> Food poverty line refers to the amount of money a person will need to afford the minimum required daily energy intake, while lower-bound poverty line refers to both food poverty line plus the average amount derived from non-food items of households whose total expenditure is equal to the food poverty line; and upper bound poverty line refers to the food poverty line plus the average amount derived from non-food items of households whose food expenditure is equal to the food poverty line (STATSSA, 2019, p. 3).

These figures were formulated by linking social benefits to consumption of goods and services. Since the NMW is a policy aimed at alleviating poverty, poverty lines are vital indicators of poverty levels and patterns in South Africa which aid in the planning, monitoring and evaluation of this policy (STATSSA, 2019). However, it must be noted that poverty lines were not designed to set the NMW. Instead, they should be used as an informative guideline for consideration in policy formulation and implementation. Thus, other factors need to be considered in setting the NMW in accordance with South Africa's political, social, and economic climate.

A NMW can either be calculated on an hourly, daily, weekly, or monthly basis. In South Africa and some countries such as the United Kingdom and Germany, the NMW is calculated on an hourly basis (Castel-Branco, 2016). For the year 2019, the NMW in South Africa was set at R20 for each ordinary hour worked, with the minimum wage taking precedence "over any contrary provision in any contract, collective agreement, sectoral determination or law" (National Minimum Wage Act, 2018, Section 4). However, there were exemptions for some sectors where the R20 per hour NMW did not apply and a tiered or pegged system set different wage levels from the NMW (National Minimum Wage Bill, 2018). These include farm workers whose minimum wage was set at R18 per hour (90% of the NMW), domestic workers at R15 per hour (75% of the NMW) and EPWP workers at R11 per hour (55% of NMW). While there are no rules stipulating who should be covered by a NMW, Konopelko (2016), a researcher who worked with the NMWRI, points out that where it is not feasible to introduce a single minimum wage due to factors such as high levels of inequality, a tiered system would be ideal to ensure that no sector is excluded from the NMW.

The NMW Act, 2018 in South Africa also entitles employers to apply for an exemption of up to a year, which relieves them temporarily of adhering to the stipulated minimum wage. Exemptions are awarded on the basis that employers prove they cannot afford to pay the minimum wage and meaningfully consult every trade union representing affected workers or directly consult with affected workers who may not be unionized (Department of Labour, 2018). Castel-Branco, (2016) warns that while exemptions can be deemed necessary to ease the transition to a NMW system for employers, they are also subject to abuse.

ILO Convention 131 of 1970 highlights the importance of full consultation and involvement of social partners in the dialogue around setting and adjusting the NMW (Castel-Branco, 2016). The government consulting with social partners is a common approach to wage-setting, with a few cases involving full decision-making by a specialized body such as the National Salary Council in Costa Rica (Castel-Branco, 2016). The NMW debate in South Africa has been engaged with by labour organizations, business, as well as government, who provided contending arguments about the potential effects of the Act. The vast array of research centred on the level at which the NMW would be set, its effects to employment, and on issues of implementation and enforcement.

There are three main approaches to the debate on the NMW in South Africa. Firstly, there is the free market or libertarian view which emphasizes that wages should not be regulated and the labour market should be independent to determine wages through the interaction of supply and demand, as wage regulation hinders economic growth and job creation (Seekings & Nattrass, 2015). Advocates of labour market flexibility have proclaimed that South African workers cannot compete with, for example, Chinese workers in terms of wages, or German workers when comparing skills and productivity, to highlight that the only viable strategy to ensure that there is employment is to avoid the implementation of a minimum wage and allow markets to determine that process (Independent Online, 2016).

The second approach has been advanced by the Congress of South African Trade Unions (COSATU). Formed in 1985, COSATU is the largest trade union federation in South Africa, representing over two million workers, and is part of a tripartite alliance with the African National Congress (ANC) and the South African Communist Party (SACP) (Pillay, 2018). In August 1997, COSATU advocated for a NMW as an approach to discourage the re-emergence of apartheid-type employment strategies (Omarjee, 2019). Since then, COSATU had been clear that it supported the implementation of a NMW provided that it was substantially higher than the sectoral minimum wages (Seekings & Nattrass, 2015). Neil Coleman of COSATU argued that higher wages would reduce the exploitation of lower-paid workers, enable higher consumption, thus boosting employment and growth, provided that other necessary policies were in place (Seekings & Nattrass, 2015). However, Buhlungu (2008, p. 31) contends that "an examination of the social characteristics of the membership of COSATU shows that the federation represents an ever-diminishing section of the working class". According to Buhlungu (2008), the federation's support for the ANC-led tripartite alliance has remained strong because of opportunities to extract benefits and make new gains. This begs the question of COSATU's independence, power, and influence as a labour organization in policy formulation and debates. For Buhlungu (2008 p.32) "the realignment of class forces under the democratic dispensation as well as the acceleration of processes of globalization is threatening to diminish labour's power and influence".

The third position was articulated by the South African Federation of Trade Unions (SAFTU) which disagreed with COSATU and strongly condemned the implementation of the NMW, unless the wage level was drastically increased from the R20 per hour minima. SAFTU declared that the 'below poverty' NMW of R20 was not a living wage as it forces millions of workers and their families into government-sanctioned poverty (Vavi, 2018). Valodia, (2017) representing the advisory panel of the NEDLAC clearly stated that "nobody believes R20 an hour (R3, 500 a month for 40 hours a week) is a decent wage that will provide the means for a decent life". However, it was this implied mentality that 'anything is better than nothing', which COSATU seemed to promote, that SAFTU deemed outrageous for union federations whose mandate is to represent workers and the poor. Furthermore, the devil is in the detail as the NMW does not guarantee that a worker will be paid R3, 500, which is determined instead by the actual number of hours worked. SAFTU demanded a NMW of R12, 500 per month instead (Vavi, 2018).

The third view highlights the concern about the level at which wages should be set, as well as the procedures for setting that minimum. Researchers have often explained the importance of setting the minimum wage at a rate which covers the basic needs of workers and their families and taking into account relevant economic factors (Isaacs, 2016). Those who support the NMW are concerned about its ability to afford workers and their families a decent minimum living standard, and therefore endorse state intervention as a means to ensure the achievement of these broader national goals (Mgaga, 2016).

2.5 <u>The Politics of policy making</u>

There are power relations which underlie policy making processes generally, and the NMW in particular. According to VeneKlasen et al (2006, p. 38) "power can be defined as the degree of control over material, human, intellectual and financial resources exercised by different sections of society". Power is not always a visible or measurable phenomenon but can also be hidden. An example is when powerful people or institutions use their influence to control decision making processes, whereby such dynamics devalue and ignore the concerns and issues of those not represented (VeneKlasen, 2006). Arts and Van Tatenhove (2004, p.14) remind us that "in policy making, actors struggle for certain individual outcomes, and a victory for one may be a loss for another… while at the same time policy making aims at achieving common ends for the benefit of a policy community". Newark and Wascher (2008, p. 253) highlight that some political scientists and economists hypothesis that political and strategic reasons have driven particular stakeholders or policy-relevant groups to support or oppose a minimum wage policy in line with their own self-interests. This could be achieved through organized constituent group's exertion of pressures on policymakers, stemming from their ability to mobilize on particular issues, competing interests, persuasion through arguments or from their power or financial influences (Neumark and Wascher, 2008, p. 253).

Typically, labour organisations have been recognised to support NMW policy "because it shifts labour demand toward higher-skilled unionized workers" (Tyler, 1959). However, Herr and Kazandziska (2011, p.1) assert that "the power of trade unions has declined in many countries and as a result, collective bargaining has been weakened and a low-wage sector in almost all OECD countries has developed". Neumark and Wascher (2008) suggest that government are usually utility maximisers who respond to minimum wage legislation in favour of their re-election probabilities based on the preferences of their supporters and the power they have in aiding this re-election. For business, higher wage employers could have an economic incentive to support minimum wage legislation while lower wage employers may oppose it, although this is not always the case because the economic conditions of a country also play a factor (Neumark and Wascher, 2008).

2.6 <u>Structural issues and challenges to the national minimum wage:</u>

The debate on minimum wages is premised on theoretical, political, and structural issues especially in the developing economies. One of the issues that is raised in the debate on the NMW is that it affects workers in the formal sector which covers a minority of the population in most developing countries (Gindling, 2018). Resultantly, its aims of alleviating poverty and reducing income inequalities become irrelevant as a section of the population comprised of those outside the formal labour market, particularly the informal sector is beyond the direct reach of statutory provisions (Herr et al., 2009). Furthermore, the minimum wage does not impact all the people who need to benefit from it, and neither does it affect them equally; in South Africa industries which consists of some of the vulnerable workers in the country such as farm work and domestic work have different wage standards which are below the prescribed national minima of R20 per hour. In addition, low-skilled workers and low-wage sectors with higher levels of casualization often lack trade union support (Murahwa, 2016).

Another issue is that employers may fail to comply with the minimum wage policy. There are high levels of non-compliance and minimum wage violation in most developing countries, despite legislation and mechanisms put in place to ensure compliance (Murahwa, 2016). According to Bhorat et al., (2012, p. 277) a "key issue is a lack of compliance among employers, due to imperfect enforcement". Mildred Oliphant, former Minister of Labour, reported that "the government was aware of a new tactic; that of firing workers to undermine the labour laws that seek to address unemployment, inequality and poverty" (Somdyala, 2019). This is despite Section 4(8) of the National Minimum Wage Bill, 2018, which stipulates that it is an unlawful labour practice for employers to deliberately manipulate wages or working hours and engage in unfair dismissal practices of employees in relation to the implementation of the NMW (National Minimum Wage Bill, 2018).

2.7 Conclusion:

According to the NMW Act, 2018, the introduction of a NMW in South Africa is premised on the need to address challenges of inequality, unemployment, and poverty, by setting a national wage floor below which no worker can be paid, in order to improve the economic development and standards of living for lowest-paid workers. While there isn't much consistent economic inquiry of the effects of minimum wages in the case of South Africa, the introduction of the NMW was a result of collaborations and debates by organised labour, business and government who expressed different concerns and issues and adopted divergent positions regarding its implementation. Three main approaches dominated the debate on NMW's in South Africa. Firstly, the free-market or libertarian view was premised on the need to allow markets to self-regulate and determine prices without interference by economic policies such as the NMW which risk affecting economic growth and employment. The second approach, advanced by COSATU, supported the introduction of a NMW set at a level that would improve wages of low-wage workers whilst safeguarding the economy. The third approach, advanced by SAFTU, rejected the implementation of a NMW that was not a living wage or could significantly provide a decent standard of living.

CHAPTER 3 |Methodology

3. Introduction:

This chapter provides an outline on how the research was conducted. It begins by exploring the use of data analysis as the research methodology. It details the process of data collection and concludes by reflecting on the research limitations and ethical considerations.

3.1 Methodological Design:

To investigate the concerns and issues raised by organised labour, business and government, discourse analysis was applied as a methodology to textually analyse arguments and positions in newspaper articles, press release statements, workshop reports, public hearings and discussion papers which formed part of the public discourse around the NMW. As a methodology, discourse analysis allows for "interpretive claims based on a description of power relations in the context of historically specific situations" (Powers, 2001, p. 53). Furthermore, discourse analysis is a tool that enables the interpretation of the effects of the discourse, within the nexus of social power relations, in a power analytic (Powers, 2001, p. 54). In this case, the concerns and issues raised by stakeholders which analysis showed were the NMW level and phase-in of domestic, farm and EPWP workers into the general NMW. According to Hajer (2002, p. 62), discourse analysis "has repercussions for politically essential questions such as 'who is responsible?' 'What can be done?' 'What should be done?'". This is relevant because discourse analysis allowed me to explore essential questions, specifically: What concerns and issues did stakeholders raise regarding the NMW level? What concerns and issues did stakeholders have regarding the exemption of domestic, farm and EPWP worker's wages from the general NMW? What positions did stakeholders adopt and who do they represent? This research was qualitative in nature because "qualitative research is especially effective in obtaining culturally specific information about the values, opinions, behaviours, and social contexts of particular populations" (Mgaga, 2016, p. 14). Furthermore, using qualitative methods allows me to attain the opinions and concerns which were put forward (in written format) by organised labour, business, and government, who formed part of this policy discourse.

3.2 Data collection process

I selected articles from 2014, the year in which the Ekurhuleni Declaration was signed (see chapter 1 section 1.2) and social partners committed to engage in dialogue regarding the NMW, until the end of 2020 because my master's report was due for submission in March 2021. I used the internet to locate secondary or desk research material of newspaper articles, press release statements, workshop reports, public hearings, and discussion papers, which addressed my research question, and from a number of websites such as *Parliamentary Monitoring Group, Mail & Guardian, BusinessTech, Business Day and Sunday Times*. A table of sources and the number of sources which were drawn from each source is provided in section 3.3. Overall, one hundred relevant documents were assessed which provided the findings of my analysis presented in chapter 4. Of the one hundred documents, there were forty-nine online newspaper articles, twenty-three press release statements, twelve workshop reports, eight public hearing documents and eight discussion papers. I used keywords and phrases such as 'minimum wage in South Africa', 'labour organisations position on NMW level', 'COSATU/FEDUSA/NUMSA/SAFTU and the NMW in South Africa', 'NMW exemptions in South Africa', and 'NMW negotiations at NEDLAC', to aid me in my search on the internet for sources. Due to time and logistical constraints resulting from the lockdown imposed by the South African government during the Covid-19 pandemic, I was only able to conduct one interview; with Ruth Castel-Branco, a knowledge expert on the South African minimum wages, who was part of the research team that produced findings on the possibility of implementing a NMW in South Africa for the NMWRI.

I summarised and identified patterns within the texts to establish differences within and between stakeholder's positions regarding the NMW level and the phase-in of domestic, farm and EPWP workers into the general NMW, and corroborated different sources to establish the consistency of these patterns. I chose to use secondary sources because it is cost-efficient and time-effective, as opposed to conducting primary research, and in consideration of the lockdown restrictions that were imposed at the time of my research due to the Covid19 global pandemic. I situated the research in Keynesian and neoclassical economics as theoretical frameworks and investigated the different positions within a broader analysis of who the stakeholders represent, ideological positions, power dynamics, class interests, and issues of race and gender inequality. I used this dyadic economic framework for my analysis because, while there isn't a single universally accepted view, Keynesian economics and neoclassical economics historically have been two competing perspectives in the debate on minimum wages.

To analyse the concerns and issues that were raised by labour regarding the NMW level I specifically focused on COSATU, FEDUSA, NUMSA and SAFTU. These labour organizations were selected to compare the concerns and issues raised by labour organizations represented during negotiations at NEDLAC, which were COSATU and FEDUSA, and those not represented, which were NUMSA and SATFU. Regarding the exemption of domestic, farm and EPWP workers from the general NMW, I struggled to obtain sources that provided pre-implementation commentary by labour organisations within these sectors. This could have been attributed to the fact that organizing farm, domestic and EPWP workers is a challenge due to several reasons, including the seasonal, isolated, and casual nature of work that is common within these industries. The challenges of organizing farm, domestic and EPWP workers will be expanded on in chapter 4.

I selected the following business stakeholders; Business Unity South Africa (BUSA), AgriSA, the National Employers Association of South Africa (NEASA) and the South African National Taxi Council (SANTACO), because they formed part of business representatives who participated during NMW debates and negotiations at NEDLAC. It is important to note the possible bias in my findings of business concerns and issues, as the findings only represent the arguments and positions of business representatives who participated or had the capacity to be involved in the negotiations at NEDLAC, at the exclusion of other business representatives, including small businesses who may not afford to pay minimum wages, or who might have had differing opinions and positions.

Regarding political parties' positions or objectives, I looked at the ruling party, the African National Congress's (ANC) concerns and issues and juxtaposed these with those of the official opposition, the Democratic Alliance (DA), and the left-wing Economic Freedom Fighters (EFF).

3.3 Table of sources:

Online Newspaper Articles	Number of sources
Business Insider	1
Business Live	1
BusinessTech	8
Daily Maverick	2
Fin24	2

Foodformzanzi	1
Groundup	3
Hortidaily	1
Independent Online	2
Mail&Guardian	4
Newframe	3
News24	3
Polity	3
Politicsweb	6
SANews	1
SABC News	3
The Citizen	1
The Mercury	1
The South African	1
Timeslive	2
Sub-total	49
Discussion Papers	
Agrink	2
AgriSA	1
Business Unity South Africa	1
Democratic Alliance	2
Izwi Domestic Workers Alliance	1
One Wage Campaign	1
Sub-total	8
Press Release Statements	
COSATU	1
NEASA	1
NUMSA	9
NUPSAW	1
FEDUSA	4
SAFTU	7
Sub-total	23
Public Hearing Documents	
Department of Employment and Labour	1
The Presidency	1
Parliament of South Africa	1
Statistics South Africa	5
Sub-total	8
Workshop Reports	
Institute of Economic Justice Report	1
National Minimum Wage Panel	1
National Minimum Wage Research Initiative	2
Parliamentary Monitoring Group	6
Pietermaritzburg Economic Justice & Dignity	1
Portfolio Committee on Labour	1
Sub-total	12

Interviews	
Ruth Castel-Branco	1
Sub-total	1
Overall Total	101

3.4 Research bias and limitations:

A hybrid approach: complimenting desk research with interviews with organisation representatives, would have been ideal for validating the credibility of the online material used in my report. Resultantly, the report predominately relies on information provided from the internet sources that were used in this report and acknowledges that information might contain biases based on possible self-interests of the data source where the information was obtained. Furthermore, desk research was limited to what was accessible and available for free online, as access to some articles required paid subscription, thus the report potentially provided limited arguments and positions.

3.5 Ethical considerations:

An ethical clearance waver (Protocol number DVS20190107) for this research report was granted by the School of Social Sciences, University of Witwatersrand. The research fell in the no risk category because the only interview it involved was with an expert, Ruth Castel-Branco, and did not include classified and sensitive information.

CHAPTER 4 |RESEARCH FINDINGS

4. Introduction:

In responding to the research questions, the purpose of this chapter was to investigate pre-implementation and post-implementation concerns and issues raised by organized labour, business and government regarding the setting of the NMW level and exemption, with a lower minimum wage, for of domestic, farm and EPWP workers. The chapter is organized as follows, section 4.1 until 4.5 presents findings on the setting the NMW level, while section 4.6 until 4.10 presents findings on the national minimum wage exemption of domestic, farm and EPWP workers from the general minima.

In each section, I analysed comments in newspaper articles, press release statements, workshops, reports, public hearings and discussion papers, which formed part of the public discourse around the NMW. These are dated which allowed for comparison of pre-implementation concerns and issues from 2014, when social partners committed to engage in a process of social dialogue regarding a NMW, and post-implementation concerns and issues after the 1st of January 2019 when the NMW was implemented.

4.1 Setting the NMW level:

In 2016, then Deputy President Cyril Ramaphosa as chair of the Committee of Principles for NEDLAC appointed a NMW Advisory Panel (NMWAP) which was tasked with determining the NMW level (Smith, 2016). According to Castel-Branco (2020), he “had been charged with overseeing this process both because of his historic relationship with the unions and his own positioning around being a negotiator and an interlocutor between labour and capital”. Following considerations of “the wage distribution in South Africa; poverty lines and a living wage; employment effects (particularly on small businesses); effects on youth employment; and affordability” the NMWAP proposed setting the NMW level at R20 per hour (National Minimum Wage Panel, 2016). The process of determining the NMW has been discussed in chapter 2 section 2.3 of this research report. Subsequently, organized labour, business and government presented different concerns and issues and adopted divergent positions regarding the proposed R20 per hour NMW level. The contentious question amongst labour, business and government was whether the proposed R20 per hour was a realistic wage floor that would safeguard the economy and employment while affording workers their basic needs and improve the standards of living for low-wage workers.

In the following section I discussed pre-implementation and then post-implementation labour concerns and issues regarding the NMW level of R20 per hour. I specifically focused on the concerns and issues raised by COSATU, the Federation of Union South Africa (FEDUSA), the National Union of Metal workers of South Africa (NUMSA), and SAFTU. These labour organizations were selected in order to compare and contrast the concerns and issues raised by labour organizations which were represented during negotiations at NEDLAC and those which were not. The labour organizations which were represented at NEDLAC were COSATU and FEDUSA, whilst NUMSA and SATFU were not represented. The reasons for their exclusion from NEDLAC were discussed below. Additionally, I discussed pre-implementation and post-implementation concerns and issues raised by business stakeholders, namely Business Unity South Africa (BUSA), AgriSA, the National Employers Association of South Africa (NEASA) and the South African National Taxi Council (SANTACO). These stakeholders were selected because they formed part of business representatives who participated during NMW debates and negotiations at NEDLAC. This was followed by an analysis of pre-implementation and post-implementation concerns and issues raised by government.

4.2 Labour concerns and issues pre-implementation:

Pre-implementation of the NMW, COSATU and FEDUSA accepted the R20 per hour NMW level arguing that it was a starting point that should be accepted for its potential to benefit over 6.4 million workers who earn below this level. In contrast, NUMSA and SAFTU outright rejected the proposed R20 per hour NMW level arguing that the level was set too low and was far from a “living wage”. The concept of a living wage was discussed in Chapter 1 section 1 of this research report. The following subsection analysed COSATU’s pre-implementation concerns and issues regarding the proposed NMW level of R20 per hour.

4.2.1 COSATU supported the NMW level for a number of reasons

For COSATU the proposed NMW level of R20 per hour was an opportunity to increase the wages of over 6.4 million workers, thus the federation accepted the proposed NMW level, which translates to a monthly wage of R3, 500 (for 40 hours a week), to avoid further delays in securing a NMW in South Africa. The federation’s decision to accept the proposed R20 per hour NMW can also be attributed to the fact that government supported this level (SANews, 2018). This is in consideration of the fact that COSATU is part of a tripartite alliance with the African National Congress (ANC); an alliance which has seen COSATU support ANC-led neo-liberal policies despite the federations aims and objectives of supporting and advancing policies in the interest of workers (COSATU Constitution). As previously mentioned in chapter 2 section 2.3, Buhlungu (2008) believed the federation’s support for the ANC-led tripartite alliance has remained strong because of opportunities to extract benefits and make new gains. This draws attention to the politics of policy making (discussed is chapter 2 section 2.5) whereby Newark and Wascher (2008) highlighted that stakeholder’s influence to support or oppose minimum wage policy may be driven by political and strategic reasons. Thus, according to Pillay (2011, p. 57), “the federation has gradually moved from a more robust social movement unionism towards a narrower form of party-led political unionism”.

COSATU argued that those who opposed the proposed level were not considering that this wage level would increase the take home wages of over 6.4 million workers who earned below R3, 500 a month. Then COSATU president, Sdumo Dlamini (2018) responded to critics who had labelled the federation a sell-out for agreeing to the R20 level, by explaining that it was merely an entry level that would lead to a proper debate towards what should be a living wage in South Africa. Dlamini (2018) added that the level was not intended to solve the life problems of low-wage workers but rather begin to facilitate a more positive life. COSATU had a different position to other trade unions regarding the proposed NMW level. While NUMSA and SAFTU demanded a NMW of R12, 500 a month (R72, 50 per hour for 40 hour a week), COSATU’s Deputy Parliamentary Coordinator, Matthew Parks (2018), contended that this demand was impractical as there was a difference between a minimum wage and a living wage which the latter required union mobilization to drive businesses and government to give to workers. Parks (2018) further argued that a wage level of R12, 500 “would be tantamount to economic suicide in an economy of …, thousands of retrenchments, 36 percent long-term unemployment and the overwhelmingly majority of workers earning nowhere near R12, 500”. He further accused labour organizations like SAFTU who were demanding a minimum wage of R12, 500 of being disingenuous as they have failed to secure such wage levels in their collective bargaining (Parks, 2018).

COSATU had expressed that for the NMW to have a significant impact in improving the lives of low-wage earners; it must be set at a decent level (COSATU, 2015). The federation suggested that a Minimum Living Level (MLL) as well as the ratio of the NMW to the average wage should form useful international benchmarks to gauge the level at which to set the NMW (COSATU, 2015). Based on 2012 calculations, "the MLL was around R4, 500 to R5, 500 [a month], while the ratio of the minimum to the national average, where internationally the yardstick is that the national minimum wage should be 40-50% of the national average wage, the national average was around R15, 000, so 40-50% of the average wage would be R6, 000 to R6, 750" (COSATU, 2015). However, there is a difference between the rhetoric adopted by COSATU and its actions, considering that the federation supported setting the NMW at R20 per hour or R3, 500 per month which is below the MLL and the ratio of the minimum to the national average.

The common position which aligned COSATU with labour organisations such as NUMSA and SAFTU was in acknowledging that there is a high dependency on social grants for the provision of goods and services. According to then COSATU National Spokesperson Patrick Craven (2015), the federation campaigned for and reinforced the views put forward by NUMSA and SAFTU that a NMW must be complemented with comprehensive social security. Taking into account that a minority of the population is wealthy with access to private services while the majority are poor and struggling to survive (*The Mercury*, 2016), COSATU believed there was need for the NMW to be complimented with comprehensive social security such as UIF, pension fund, child support and disability fund, as these are vital for the poor who often depend on social welfare to support entire households. COSATU's proposal was that other strategies be implemented with the NMW to transform the wage structure, including capping top management salaries and introducing higher pay increases for low-wage earners through a collective bargaining strategy (COSATU, 2015). However, the NMWAP announced that "given the short timeframes under which the Panel had worked, and the need to focus on the NMW issue itself, the Panel was not able to seriously deliberate any further measures to address poverty and inequality" (National Minimum Wage Panel, 2016, p. 103).

4.2.2 FEDUSA's Pre-implementation Position on the NMW level

FEDUSA's position to support the proposed NMW level of R20 per hour aligned with that of COSATU. According to FEDUSA's media and research officer Frank Nxumalo (2018a), the proposed NMW level of R20 per hour was a starting point that would "set in motion the long-delayed process towards a living wage". This is a similar argument that was presented by COSATU, which highlighted the concern that further negotiations about the wage level could have prolonged or jeopardised securing a NMW in South Africa.

Although the federation had previously expressed that "it wanted a minimum wage of R26 an hour based on the research it had commissioned on the poverty datum line in South Africa" (Nxumalo, 2018a), it eventually settled for R20 per hour "following difficult negotiations with business and government at NEDLAC (Nxumalo, 2018b) and "to secure the buy-in of other social partners, especially business" (Nxumalo, 2018c). This highlights power relations which underlie policy making, whereby the ability to persuade through arguments, put pressure on policymakers or mobilize for a specific outcome impact the policy outcomes (discussed in chapter 2 section 2.5).

According to Nxumalo (2018b), FEDUSA acknowledged that R3, 500 per month was "not a living wage but it would lift more than 6.4 million workers or about 47% of South Africa's total workforce who earned below this amount out of abject poverty". The federation went on to criticise SAFTU for rejecting the "hard won national minimum wage of R3, 500" arguing that this position was against workers interests (Nxumalo, 2017). According to FEDUSA's General Secretary, Dennis George, "this figure was, and still is a big compromise by the three federations who signed it alongside business, the Department of labour and [then] Deputy President Cyril Ramaphosa on the realization that anything above it would embolden employers to start laying off workers, which any federation acting in their best interest will avoid at all costs" (Nxumalo, 2017).

4.2.3 NUMSA rejected the proposed NMW level

NUMSA's General Secretary, Irvin Jim (2016), stated that for NUMSA, the debates surrounding the setting of the NMW level were a façade by government to pretend that they are concerned and considerate of workers interests while instead pushing the economic interests of business. The issues for NUMSA were that the proposed NMW level was set too low, the interests of workers were not taken into consideration and decisions on setting the wage level were made without the consultation and involvement of the working class, taking into account the exclusion of SAFTU from NEDLAC (Jim, 2016).

NUMSA is the biggest metalworker's trade union in South Africa representing workers in the engineering, motor, auto/tyre, and electronics sectors (NUMSA). The union is anti-capitalist, proclaiming that "capitalism is a system in which many people contribute their labour to produce commodities, but only a few derive benefits…, thus there is need for a revolutionary overthrow of capitalism" (NUMSA, 2012). For NUMSA (2012), "socialism is the only alternative". In line with NUMSA's aims and objectives of improving the wages of workers and fighting against oppression and economic exploitation (NUMSA, 2014), NUMSA's Spokesperson Hlubi-Majola (2018) expressed that the union rejected the proposal by the NMWAP to set the NMW level at R20 per hour because the level did not constitute a living wage. This position differentiates NUMSA from the position adopted by COSATU and FEDUSA who accepted the NMW level of R20 per hour.

NUMSA argued that the R20 per hour wage level was "shameful as it would not have any meaningful impact on improving the livelihood of low-wage earners but instead degenerates the living conditions of workers" (TimesLive, 2018). Hlubi-Majola (2018) stated that the union opposed the signing of the National Minimum Wage Bill by President Cyril Ramaphosa which legalized a wage level of R20 per hour, which the union deemed a "poverty wage" because as a monthly wage of R3, 500 (for 40 hours a week) it would not be sufficient for workers to afford necessary goods and services such as housing, water, electricity, transport, food and education. Hlubi-Majola (2018) added that the signing of the bill perpetuated the exploitation of cheap African labour, considering that most of the low-wage and low-skilled workers in South Africa are black people. Taking into account that historically "the accumulation strategy of South African capitalism was based on the super-exploitation of black and African labour" according to NUMSA's General Secretary, Irvin Jim (2016), NUMSA therefore indicates that the issue of wages is racial. It argued that the consequences of implementing a "poverty" NMW of R20 per hour would result in the living conditions of poor black workers being worsened while affording businesses the flexibility to capitalise on cheap labour (Hlubi-Majola, 2018). Thus, according to Jim (2016, p.1), the union was "extremely disgusted by the mission of the ANC and Cyril Ramaphosa to legislate slavery wages, maintain super-exploitation of Black and African labour under the disguise of a national minimum wage".

Since the ANC government came into power in 1994, NUMSA has held the party liable to ensuring that the lives of workers were improved (NUMSA, 2014). However, the ANC's adoption of neo-liberal policies such as the *National Development Plan* (NDP) in 2012, its refusal to ban labour brokers and support of privatization (NUMSA, 2014) exposed the government's obsequious attitude towards white monopoly capital interests which has dominated policy making in South Africa. According to NUMSA's Deputy General Secretary Karl Cloete (2014), NUMSA "concluded that the ANC led-Alliance had become dysfunctional and incapable of defending working-class interest in the midst of the implementation of anti-working-class policies". Jim (2016) added that NUMSA was convinced the government did not care about the interests of workers considering that even after "the massacre of the Marikana workers, who were demanding a wage increase of R12, 500, the government still had the audacity to announce a NMW of R3, 500 per month". Jim (2016) expressed that NUMSA believed Cyril Ramaphosa was dangerous as he did not support the interests of the working class or the fight for a living NMW. Thus Jim (2016, p. 2) asserted that

> government and business is motivated less by sympathy for the plight of the poor workers than for a move to placate ratings agencies by trying to create the false impression that there is now a national consensus between government, business and labour to patch up the widening cracks in a monopoly capitalist system which is in a deep, protracted crisis, to which they have failed to find a solution

In highlighting that there was a false impression of a national consensus, Jim brings to our attention the fragmented relationship between labour organizations. In 2014, NUMSA was expelled from COSATU and the union was adamant the reason was because it (NUMSA) "democratically, in its own congress, argued for the political independence of the Federation, given the worsening material conditions of the working class as a result of neo-liberal ANC policies" (NUMSA, 2014b). Subsequently, Jim (2016) accused COSATU and FEDUSA of being "sell-outs for siding with capitalist interests that benefit businesses at the expense of workers". In addition, Jim (2016) labelled COSATU as having a weak political leadership that destroyed, weakened and fragmented the federation while FEDUSA was labelled a puppet manipulated by the interests of this (ANC-led) bourgeois state.

Following NUMSA's expulsion from COSATU, the union became affiliated with SAFTU, which was established in April 2017 and is the second biggest labour federation representing workers from all sectors of the economy (Morken, 2017). The concerns and issues raised by NUMSA predominately overlap with those raised by SAFTU. Considering that SAFTU was excluded from the NEDLAC negotiations, Jim (2017) contends that the proposed NMW level was agreed upon "without the consultation of the working class who would be directly affected by this low wage level". NUMSA brings to our attention that the exclusion of SAFTU from NEDLAC meant that a large percentage of the working class represented by the federation was not given a voice and their concerns were not taken into consideration. This is an example of hidden power, whereby the exclusion of SAFTU from the policy making process devalued and ignored the demands and concerns of those represented by the union (discussed in chapter 2 section 2.5). Amongst NUMSA's aims and objectives is ensuring that there is "full and effective participation by workers in all decision-making affecting them in the workplace" (NUMSA, 2014). This puts emphasis on the ILO's recommendation that it is important to have full consultation and involvement of social partners in the dialogue around setting and adjusting the NMW (discussed in chapter 2 section 2.3). Thus, according to NUMSA's first deputy president Basil Cele (2017), "NEDLAC cannot claim to have consulted labour if SAFTU is not part of that structure". This was both a call against the proposed NMW level of R20 per hour which both NUMSA and SAFTU rejected and NUMSA's protest against SAFTU's exclusion from NEDLAC.

Having criticized the ANC government of "neglecting the *Freedom Charter* in pursuance of its neo-liberal *National Development Plan* interests" (NUMSA, 2015), NUMSA conveyed the need to structure a NMW policy that would address the apartheid wage gap (NUMSA, 2015). According to NUMSA "the Apartheid system created wage differences between skilled and unskilled workers and this gap was mostly a gap between white and black workers". Thus, according to Hlubi-Majola (2018), NUMSA's request was that government should have taken time to research wage differentials to determine a fair NMW level, taking into account the exorbitant salaries of most senior executives, like the 2016 salary of Shoprite chief executive Whitey Basson which was 3, 500 times more than that of a typical casualised worker at his stores. The point for NUMSA was that the proposed NMW level of R20 per hour sustained wage inequalities that further intensified and prevented the economic development of low-wage and low-skilled workers who are a historically disadvantaged group.

For NUMSA, economic policies such as Black Economic Empowerment have failed to elevate majority of workers out of poverty and into the middle class and instead created a "niche class of wealthy black crony capitalists" (Jim, 2016). Thus, NUMSA believed that implemented alone, the NMW level at R20 per hour would not be sufficient for low-wage workers to afford basic goods and services such as housing, food, electricity, education and transport or provide them with a decent standard of living. Taking into account the fact that in 2015 “the number of households receiving at least one form of social grant was 45.5% of the population” (STATSSA, 2016), the union believed it was imperative that economic policies such as the NMW served their intended purpose of uplifting the standard of living for majority of workers whose labour is exploited and are forced to live in poverty. The union further stressed the need to couple the NMW policy with other comprehensive social security systems such as unemployment grant, improved UIF contribution by employers and quality service delivery (NUMSA, 2015).

According to Hlubi-Majola (2018) it remains NUMSA’s mandate to mobilize workers in the fight for a living wage as NUMSA accepts that change will not be the result of negotiations and debates at NEDLAC, but of workers uniting and demanding a dignified standard of living through increased wages. Furthermore, Jim (2016) advanced the Keynesian economic argument (discussed in chapter 2 section 2.1) that “paying workers more promotes growth, because they spend more on goods and services which stimulates more production and more jobs”. Thus, according to Jim, NUMSA “would not back down until the ANC government introduced the living wage of at least R12, 500, as demanded by the Marikana martyrs” (Khumalo, 2018). NUMSA (2015) also demanded the “restructuring of the economy to provide more government investment, lower interest rates, preferential financing for chosen industries who apply the NMW and limiting financial market speculation”.

4.2.4 SAFTU objected the NMW level

SAFTU’s position regarding the NMW level aligned with that of NUMSA as both union and federation rejected the proposed NMW of R3, 500 per month and demanded a wage of R12, 500 per month. For SAFTU, the proposed NMW level of R20 per hour was an unrealistic wage floor that protected capitalist interests, was out-dated as it did not take into account factors such as tax and increases in the cost of living and it was agreed upon without the consultation of the working class.

SAFTU is an independent militant federation that is not aligned with any political party but is not apolitical as it believes trade unions need to campaign on political matters such as housing, education, healthcare and social security which affect workers beyond their working life (SAFTU, 2019). Thus, for SAFTU, setting the NMW level was about accounting for these broader social issues. The federation has a “socialist orientation and advocates for the transformation of society to counter capitalism which the federation proclaims is an exploitative system” (SAFTU Constitution, 2017a, p. 13). As a federation which represents the working class and the poor and which is committed to fighting for better wages (SAFTU Constitution, 2017a), SAFTU rejected the NMW level of R20 per hour calling it a “slavery wage” as it would be insufficient for workers to afford their basic needs. SAFTU declared R20 per hour an unrealistic wage floor claiming that the level would “legitimise the poverty of the working poor and force millions to survive on a pittance” (SAFTU, 2017b).

SAFTU rejected claims by FEDUSA that if the NMW was set above the proposed level of R20 per hour, businesses could not afford to pay or would begin to lay-off workers. On the contrary, SAFTU, together with NUMSA, believed that if businesses restructured and reduced the increased wages and bonuses paid to executives, companies would be able to pay workers a higher decent living wage (SAFTU, 2018a). Taking into account the wide income disparities between employees in executive or senior positions, who are often white, compared to employees in lower positions who are often black (Isaacs, 2016), SAFTU, together with NUMSA, bring to our attention the fact that accepting a NMW of R20 an hour would further widen the wage gap and entrench the black working class into poverty. Despite the fact that the NMW level had the potential to increase the take-home pay of over 6.4 million workers who earned below R3, 500 per month, the point being made was that this increase would be insignificant to address the issue of poverty or to “narrow the disproportionate wages between the highest and lowest paid workers in society” (BusinessTech, 2019b). Reminding the ANC government that the wealth of the country is created by workers, the federation also advanced the Keynesian economic argument which supports increasing wages and asserted that a wage level of R20 per hour was detrimental to the existing crisis of falling markets for goods and services and would further lead to more retrenchments (SAFTU, 2017b). This was a call for government to realise that low wages do not only affect low-paid workers but have a negative effect on the country’s economy.

Furthermore, the federation argued that the wage level was out-dated as it was agreed upon in 2017 and did not take into account factors such as value added tax increases, fuel price hikes, increases in food, transport and goods and services (SAFTU, 2018a). According to the NMWRI (2015), a worker needed a monthly minimum wage of R4, 125 in 2015, not including social grants, to keep them and their dependents out of poverty, taking into account that in most South African households only one family member works and is responsible for supporting on average three dependents. A NMW of R3, 500 per month was in deficit by R625 before accounting for increases in cost of living since 2015. Thus SAFTU (2018b) highlighted that by the time the NMW would be implemented on the 1st of January 2019, it would be worth even less in real terms.

Considering that SAFTU was excluded from negotiations at NEDLAC, the federation expressed that critical views of and engagement with the working class was ignored during these negotiations. SAFTU's then Spokesperson, Patrick Craven (2018) mentioned that "SAFTU was denied admission to NEDLAC following a change in NEDLAC's protocol, *made at the suggestion of the labour constituency*, which requires new federations applying for admission to have been in existence for two years and to have submitted audited accounts for that period" (emphasis is the original). By emphasising that the suggestion to change admission protocols was made by the labour constituency, Craven implies that there were factions advancing self-interests within organized labour, thus highlighting tensions of the politics of policy making. SAFTU was angered and disappointed that COSATU and FEDUSA aligned with business and government and supported capitalist interests while falsely portraying the idea that labour organizations unanimously accepted the NMW level of R20 per hour. Furthermore, by suggesting that there were different objectives amongst labour organizations, Craven (2018) argued that "SAFTU was in no doubt that this (exclusion from NEDLAC) was a conscious move [on the part of COSATU and FEDUSA] to keep out a new militant federation which would expose and oppose the sell-out deals which they were negotiating and later signed". SAFTU believed their exclusion from NEDLAC would result in business and government legitimizing a "poverty wage" of R20 per hour, a level which perpetuates wage inequalities (SAFTU, 2020).

Disappointed with the NMW level, SAFTU lamented that this was a failed opportunity to uplift workers from poverty and inequality which was institutionalised by the previous apartheid regime (SAFTU, 2017b). The federation was adamant to continue the fight for a living wage and proposed that the NMW level should be set at R12, 500 (SAFTU, 2018b). Considering that

SAFTU is a socialist federation which believes that workers are exploited by capitalists who do not pay the value of their labour but are concerned about making profits (SAFTU, 2017b), the federation posited that the demand for a NMW of R12, 500 per month was "not a plea for charity but for workers to get back a bigger share of the stolen wealth which their labour created" (SAFTU, 2017b). However, the demand for a NMW of R12, 500 can also be viewed as a statement of discontent considering that this is "the amount for which the martyrs of Marikana gave their lives" (SAFTU, 2018b).

4.2.5 Labour concerns and issues post-implementation:

One year post implementation of a R20 per hour NMW, labour organizations COSATU, FEDUSA, NUMSA and SAFTU jointly requested for the wage level to be reviewed and increased by 12.5% for the year 2020 (BusinessTech, 2019a). These labour organizations agreed that the NMW was a wage that was agreed on in 2017 and had since not taken into account factors such as inflation and the increased cost of living (Van der Merwe, 2020). Supporting these demands, COSATU and FEDUSA's position, which previously supported business and government, shifted to align with NUMSA and SAFTU in demanding a 12.5% wage increase for the year 2020.

At the start of 2020, the government announced that the NMW would be increased by 5% as opposed to the 12.5% increase that labour organizations were demanding. Following the government's announcement, COSATU, FEDUSA, NUMSA and SAFTU collectively rejected the government's proposal to increase the NMW by 5% branding it as totally unjustifiable (Van der Merwe, 2020). They demanded a 12.5% increase to ensure that it is reflective of the socio-economic needs of working people in South Africa, and to ensure that it has a realistic impact on the improvement of standards of living for poor workers (Van der Merwe, 2020). Following the recommendation of the NMWC, to increase the NMW at the rate of inflation for the poorest decile of households in the year 2019 to March 2020, (Department of Employment and Labour, 2020) the government subsequently dropped the NMW increase to 3.8% which was implemented on the 1st of March 2020, when the inflation rate was 4.1% in the same period (STATSSA, 2020b). This illustrates that the demand for a 12.5% increase made by these labour organizations and the working class was completely disregarded by government. Mathew Parks (2020) argues that the NMWC failed to adequately review the wage and recommended an ill-informed increase of 3.8%, because such a meagre increase does nothing for the impoverished workers who are already exploited and struggling to survive against inflation hikes. Labour organizations are demanding that wages should account for inflation in the three years since the initial agreement in March 2017 (BusinessTech, 2020a). According to Zwelinzima Vavi, Secretary General of SAFTU "those who agreed to this adjustment must hang their heads in shame, as this increase will not support the working poor against inflation which stood at 4%, according to December 2019 statistics” (Khumalo, 2020). For organized labour, the NMWC has thus failed its legal and moral responsibilities.

COSATU raised the concern that by proposing a blanket wage increase of 3.8% across all sectors, the NMWC compromised any efforts to close the wage gap between pegged levels for farm and domestic workers who are expected to be brought to par with the NMW (discussed in section 4.6) (Parks, 2020). Since SAFTU rejected the NMW level from the onset of negotiations, the federation is adamant that they will continue the fight for a higher minimum wage. The federation expressed that the current NMW reflects “colonial apartheid wage systems” meant to entrap black people in a system of perpetual poverty (Singh, 2019). In other words, the NMW level reinforces the historic systemic inequalities that function within the South African economic environment to hinder the social and economic progression of black people.

Although COSATU and FEDUSA’s position has shifted to align with NUMSA and SAFTU in supporting a 12.5% NMW increase, they were criticized by SAFTU for positioning themselves with business and government interests to begin with and were urged to withdraw from the NEDLAC agreement and unite with workers in rejecting an “apartheid wage structure and poverty wage” (SAFTU, 2020). According to the managing director of SIP Media, Sello Ivan Phahle (2020), even if COSATU vows to continue negotiating with the government to increase wages, “its alliance with the ANC proves that the union does not have a backbone and has become complacent, considering that all neo-liberal policies that disadvantage workers have been passed by the ANC showing COSATU the proverbial middle finger”. Phahle (2020) adds that “COSATU, for positions and attainment of political favour, has abandoned its mission of prioritising workers and ensuring that they are not tyrannised”.

4.3 <u>Business concerns and issues pre-implementation:</u>

The following section discusses pre-implementation and then post-implementation concerns and issues raised by business stakeholders, particularly BUSA, AgriSA, NEASA and SANTACO, regarding the setting of the NMW level. These stakeholders were selected because they formed part of business representatives who participated during NMW debates and negotiations at NEDLAC.

Although Business eventually accepted the proposed NMW level of R20 per hour, BUSA and AgriSA had initially proposed that sectoral wages (discussed in chapter 2 section 2.3) be restructured – in regard to minimums - instead of introducing a NMW, citing the need to safeguard employment and the interests of business [particularly small business], including their capacity to pay the NMW. NEASA rejected the proposal for a NMW and advanced the free market or libertarian view (discussed in chapter 2 section 2.3) arguing that regulation of wages through NMW's would affect economic growth and hinder job creation. SANTACO supported setting a NMW but cited the need to consider various options to achieve an ideal level while ensuring mass employment.

Pre-implementation of the NMW, BUSA, which represents sectorial organizations, corporate representative organizations, chambers of commerce and industry and professional organizations and is the formally recognized representative of business at NEDLAC, initially proposed that sectoral wages be restructured – in regard to minimums - instead of introducing a NMW. It presented the neo-classical economic argument (discussed in chapter 2 section 2.2) that an increase in wages through legislation such as the NMW would have negative effects on the economy and employment. For BUSA, a NMW was one mechanism amongst several to address challenges of poverty and inequality, but employment was the best mechanism to address these challenges (TimesLive, 2016). The concern for business was that if the NMW level was set too high it could lead to unemployment and businesses would not afford to pay the NMW, resulting in employers reducing or retrenching workers. This response would be detrimental to a country that was already battling high unemployment rates. Furthermore, Business was concerned that the NMW would fail to accommodate the diverse economic dynamics in different sectors. Supporting the proposal to restructure sectoral wages, Hendrik Ackermann, Chairperson of Agri-SA, a federation of (generally large-scale) agricultural organizations raised the concern that for the agricultural sector, if the NMW was set higher than the then sectoral wage of R2, 420 per month (R15 for 40 hours per week), this could result in job losses or exacerbate import competition (Parliamentary Monitoring Group, 2014b).

NEASA represents the interests of employers across all industries and multiple bargaining councils and provides industrial relations services, labour law representation, compliance, and support services. NEASA, whose aim is to help members increase profitability and efficiency, contended that employees were already governed by sectoral wages, thus it rejected the introduction of a NMW arguing that markets should be left to self-regulate. In an interview on SABC News (2015), Gerhard Papenfus, Chief Executive of NEASA, warned that going beyond market forces would lead to unemployment and increase the divide between the rich and the poor. He further proclaimed that the idea to introduce a NMW was a result of political pressure on the government by COSATU as a tripartite alliance (NEASA in SABC News, 2015). NEASA was concerned about the unfairness of lower qualified workers earning similar income to those with qualifications. According to Papenfus (2015) "it made no sense to 'reward' or protect an unskilled and poorly educated workforce with inflexible wage arrangements and high wages, or rather wages not justified within a market". The point was that a NMW could lead to a decrease in demand for these low-skilled workers, thus increasing the rate of unemployment in South Africa. Taking into account the fact that the (narrowly defined) unemployment rate in the third quarter of 2015 was 25.5 % (STATSSA, 2015) Papenfus (2015) added that "in a situation where almost half the population was unemployed, and youth unemployment was even higher, such a policy direction was short-sighted, even reckless".

Having lost the argument for restructuring sectorial wages because sectorial wages did not apply to all employees as there were workers in sectors which were not covered by a sectorial agreement (BusinessTech, 2016), business proposed a NMW level of R11 per hour, translated to R1, 760 a month [for 40 hours a week] (Nicolson, 2018). Ruth Castel-Branco, who was part of the research team that produced findings on the possibility of implementing a NMW in South Africa for the NMWRI, commented that initial proposals coming from business for a NMW were extremely low and their attitudes portrayed one narrative; a NMW having negative effects regardless of the level at which it would be set (Castel-Branco, 2020)

For BUSA, there needed to be a balance between protecting the interests of vulnerable workers and safeguarding the economy from any negative effects (Parliamentary Monitoring Groups, 2014a). After the NMWAP recommended that the NMW be set at R20 per hour, BUSA's submission to the Parliamentary Monitoring Group (2018) indicated that it believed that while a NMW level of R20 per hour was not economically efficient, research from the NEDLAC process had informed this amount in the interest of safeguarding employment. Furthermore, the NMWAP's recommendation to peg agricultural sector wages at R18 per hour (discussed in chapter 2 section 2.3) addressed AgriSA's concern about accommodating the diverse economic dynamics in that sector. According to a statement issued by Tanya Cohen, then Chief Executive Officer (CEO) of BUSA, "In the end we did manage to find a sweet spot, between what is socially acceptable and economically efficient" (Omarjee, 2019). Cohen added that a NMW level of R20 per hour was a "South African crafted product uniquely designed for the country's circumstances and needs" (BizCommunity, 2018).

However, labour organizations such as NUMSA and SAFTU contested that the proposed level of R20 per hour was not socially acceptable and the interests of workers were not taken into consideration. This could be because the notion of 'affordability' was not conceptualized by BUSA as workers purchasing power to afford essential goods and services such as housing, education, food and transport on a monthly wage of R3, 500, but rather as the capacity for businesses to pay the NMW. Castel-Branco (2020) believes that "business had effective lobbyists who eventually accepted the R20 an hour NMW level, but then let it regress or reduce in value over those last two years before the NMW was implemented in 2019". South Africa's inflation between 2016, when the NMWAP proposed a NMW level of R20 per hour, and the year 2019, when the NMW was implemented, was 16.81% (Inflation Tool, 2020). This meant that as a result of inflation, R20 in 2019 had reduced in 'real' (i.e. 2016) value by R3.36 to R16.64.

In its submission to the Parliamentary Monitoring Group (2014b), SANTACO, which represents over 90% of taxi operators, had over 100, 000 members in 2014 and employed over 600, 000 people, fully supported setting a NMW in South Africa. While SANTACO did not propose a NMW level, it recommended that in consideration of the fact that a NMW would be difficult to implement in some industries, such as in the taxi industry were employees' wages were paid based on a system of commission and depending on how much a driver made [or claimed to have made], there was need to consider various options available to achieve an ideal level that would promote employment. According to Nkululeko Buthelezi, then CEO of SANTACO, it was important to ensure that the NMW level was not set too high, because like in the taxi industry driver wages depend on whether someone works in urban or rural areas, cost of living and routes (Parliamentary Monitoring Group, 2014b). For SANTACO, consideration of different industry dynamics was important for determining the setting of the NMW level.

4.3.1 Business concerns and issues post-implementation:

Post-implementation analysis of comments by business about the 3.8% NMW increase for the year 2020 revealed that most businesses were in favour of this wage increase. Agri SA (2020) conceded that the proposed 3.8% increase to the NMW which came into effect on the 1st of March 2020, was in line with the recommendations that were made to the Minister of Employment and Labour by the NMWC. Jahni de Villiers, policy head of the Labour and Development Centre of Excellence at AgriSA commented that the 3.8% increase was reasonable and would not put pressure on employers or affect employment within the agricultural sector (Hortidaily, 2020). De Wet (2020), writing for Business Insider South Africa, added that the increase was roughly in line with the then inflation rate of 4%, counting from when the NMW was first introduced in January 2019. A 3.8% wage increase means that employers now must pay general workers a new minimum wage of R20.76 while farm, domestic and EPWP workers new minimum wages are R18.68, R15.57 and R11.42 per hour respectively (The Citizen, 2020).

4.4 Political parties concerns and issues pre-implementation:

The following section discusses political parties' pre-implementation and post-implementation concerns and issues regarding the NMW level. While the ANC-led government accepted the proposed NMW level of R20 per hour, its official opposition party the Democratic Alliance (DA) rejected the implementation of a NMW in support of sectoral wages while the Economic Freedom Fighters (EFF), a left-wing political party, lamented that R20 per hour was a level that would be insignificant in addressing poverty and inequality in South Africa.

Castel-Branco (2020) described that the debates about introducing a NMW in South Africa took place in a time when the country had just experienced the Marikana massacre which had then spiralled into a range of strikes in the mining and agricultural sector, out of which came a political commitment by government to engage the discussion on wages. According to Castel-Branco (2020) the impetus for the idea to discuss NMW's by then President Jacob Zuma was a response to these earlier strikes and forms of contestation and concerns with wage inequality. Thus, in his 2016 State of the Nation Address, former president Jacob Zuma emphasised the importance of ensuring that the NMW was implemented "in a manner that would not undermine employment creation, affect small businesses or sustained economic growth" (The Presidency, 2016).

The ANC is South Africa's ruling party since 1994. In line with its aims and objectives to tackle inequalities perpetuated by apartheid's system of national oppression and to facilitate economic development which benefits all (African National Congress, 2019), the ANC supported the R20 per hour NMW level as the balance to lift the wages of lowest paid workers and prevent massive job losses. In an interview on SABC News, Chief Director of Labour Relations Thembinkosi Mkalipi (2018) asserted that the government's concerns were to ensure that the NMW was set at a level that would not affect employment and create vulnerability for workers. The government reiterated the concerns addressed by business; that setting the NMW too high would be detrimental to the economy and adversely affect employment. Thus, according to Lumka Yengeni, former chairperson of the Portfolio Committee on Labour, R20 per hour was an entry level that would safeguard the most vulnerable workers against exploitation (Parliament of South Africa, 2016). The ANC government further warned against conflating the NMW with a living wage, adding that a NMW was merely a legislated level below which no employer could pay an employee. For government, a NMW provided a firm and unassailable foundation for business and labour to engage in the quest for a living wage (Nicolson, 2018).

However, considering the fact that South Africa is the most unequal society in the world, particularly in relation to income distribution as a function of wage differentials and a fragmented social security system, Mbuyiseni Ndlozi (2018) former National Spokesperson of the EFF, a radical and militant political movement with the aim of pursing economic emancipation, argued that the NMW should have gone beyond establishing a minimum wage floor. According to Ndlozi (2018) the proposed NMW level of R3, 500 per month was institutionalized poverty considering that as early as 2011, evidence showed that anything below R3, 033 constituted poverty. The EFF rejected the NMW level of R3, 500 per month adding that the level deserved contempt as it was a plot to maintain the apartheid wage structure (Smit, 2018b). Considering that the EFF's voter demographic is comprised of predominantly young black people between the ages of 18 and 34 (Head, 2018), who also make up the group of most affected by unemployment (STATSSA, 2020), the party stressed that setting the NMW level required genuine, aggressive and speedy resolution in order to solve the issues of inequality, unemployment and poverty in South Africa (Wicks, 2016). The EFF proposed the following monthly wage levels, "R4, 500 for general full-time workers, R12, 500 for mine workers, R5, 000 for farm workers, R6, 500 for manufacturing workers, R5, 000 for retail workers, R7, 000 for builders, R5, 000 for petrol attendants, R4, 500 for cleaners, R5, 000 for domestic workers, R5, 000 for private security guards and R4, 500 for waiters and waitresses" (Ndlozi, 2018). However, then Minister of Labour Mildred Oliphant condemned those who opposed the R3, 500 per month level, expressing that they should not discredit the huge difference it would make for majority of the vulnerable workers (Smit, 2018a). She further asserted that those who condemned the NMW did so for "nothing but pure electioneering and attempts to score cheap political points" (Smit, 2018a). This was a tactical comment on the EFF's left-wing radical and militant 'politicking'.

The ruling party's official opposition, the DA, rejected the implementation of a NMW and argued that wages should be sector specific (discussed in chapter 2 section 2.3). This position was in-line with the one presented by NEASA. The DA argued that a policy such as the NMW was not in the best interests of unemployed persons as it would deter businesses from hiring workers, thus inhibiting efforts to address the issue of unemployment. According to former DA leader Mmusi Maimane (2018a) sectoral wages were more feasible as they would take into account peculiarities and challenges in different sectors. Considering that 45.5% of the population relied on one or more forms of government social security in 2015 (STATSSA, 2016) Maimane (2018b) declared that it was the DA's task to ensure that every individual in South Africa was afforded the opportunity to live an independent and dignified life that removes them from depending on government aid. Resultantly the DA proposed the idea of a Job Seekers Exemption Certificate (JSEC). A JSEC would allow people who have been unemployed for 12 months or more to take-up employment based on wage agreements with an employer even if this wage were below the NMW level of R20 per hour. However, the challenge of a JSEC is that it would promote cheap labour and would be subject to exploitation by employers who would take advantage and employ workers willing and desperate to accept minimal wages for employment. Thus, SAFTU argued that the DA's proposal that 'any job is better than nothing' was ignorant of the power dynamics that exist between employers and employees and merely forces desperate job seekers to accept a job and settle for any wage even if it is not a living wage (SAFTU, 2018c).

4.4.1 Government concerns and issues post-implementation:

Following recommendations by the NMWC, the government announced that from the 1st of March 2020, the NMW would increase by 3.8% (BusinessTech, 2020c). However, was no further explanation by the government detailing their decision for accepting the 3.8% increase level. According to Julie Smith, a researcher of the Pietermaritzburg Economic Justice and Dignity Group, the underlying data and rationale motivating the government's decision to accept the 3.8% increase must be made public as this decision has a direct effect on worker's cost of living (Cabe, 2020). The Department of Employment and Labour's response was that the basis of the increase was the law, which mandates them under the National Minimum Wage Act, to review the NMW at the beginning of year (Cabe, 2020).

4.5 Conclusion

Pre-implementation of the NMW, COSATU and FEDUSA, acknowledging that R20 per hour was not a living wage, accepted the proposed level on the basis that it was a starting point or entry level that would benefit over 6.4 million workers and ensured the approval or support of other stakeholders, particularly business who had proposed that sectoral wages be restructured instead of introducing a NMW. On the other hand, NUMSA and SAFTU rejected the proposed level and demanded a NMW of R12, 500 per month arguing that R20 per hour was not a living wage that considered workers interests but instead protected business interests. For NUMSA, debates and discussions at NEDLAC were also a façade to portray the inclusion and consultation of all interests, even though SAFTU was excluded from these debates. SAFTU was also concerned that the proposed level of R20 per hour was out-dated and did not account for price increases and inflation.

While business had proposed the restructuring of sectoral wages, they eventually accepted the NMW of R20 per hour. The concern for business was that if the NMW level was set to high, there would be detrimental effects on the economy and employment. BUSA and AgriSA were also concerned that a NMW would not account for different sector dynamics. However, NEASA opposed the introduction of a NMW in support of free-market regulation. NEASA believed a policy such as the NMW would result in the decline for the demand of low-skilled workers, thus exacerbating unemployment. Government supported the proposed NMW level and raised similar concerns as those projected by business; that setting the wage too high would affect employment and economic stability. The government's official opposition, the DA rejected a NMW and proposed sectoral wages. The EFF aligned with NUMSA and SAFTU in rejecting a NMW of R20 per hour, labelling it an exploitation and refusal by government to improve standards of living for low-wage workers.

Post-implementation of the NMW, there was a shift in position for COSATU and FEDUSA who had previously aligned with business and government. Following the NMWC's recommendation to increase the NMW level by 3.8%, labour organizations jointly rejected this increase and demanded a 12.5% increase. However, business and government accepted the 3.8% NMW increase as being in-line with the inflation rate which was 4.1% at the beginning of the year 2020.

4.6 <u>Exemption of domestic, farm and EPWP workers from the general NMW:</u>

To protect vulnerable sectors such as domestic, farm and EPWP workers from disemployment as a result of introducing a NMW, the NMWAP supported a tiered or pegged system which set different wage levels for these sectors (Isaacs and Choga, 2019). Domestic, farm and EPWP workers are vulnerable to disemployment because of the low-skills, low wages, casualization, and lack of unionisation that is prevalent in these sectors. The NMWAP proposed setting farm workers NMW at R18 per hour (90% of the NMW), domestic workers at R15 per hour (75% of the NMW) and EPWP workers at R11 per hour (55% of the NMW). According to Castel-Branco (2020),

> when the NMWRI introduced the notion of tiered wages, the idea wasn't that they would be tiered forever… ultra-low wages were being used as an excuse by business to lower the national minimum wage but the line of working poverty was significantly higher than these ultra-low wages for domestic work and agricultural work, so to establish a wage that was closer to the line of working poverty but also realistic, as doubling the wage of domestic workers overnight would either result in retrenchments or… in total non-compliance, this was in consultation with the unions … of domestic workers and of agricultural workers who also felt that … a tiered system might work at the short term

The NMWAP thus proposed that tiered NMWs for farm and domestic workers be phased-in within a period of two years from the date of implementation of the NMW, which was the 1st of January 2019 (National Minimum Wage Panel, 2016). However, there was no mention of the recommendation in the National Minimum Wage Act. The following section discusses pre-implementation and post-implementation concerns and issues raised by organized labour, business, and government regarding the exemption of domestic, farm and EPWP works from the NMW of R20 per hour.

4.7 Labour concerns and issues pre-implementation:

Pre-implementation of the NMW, there was little commentary by farm, domestic and EPWP worker unions and organizations regarding the proposed tiered NMW levels. This could be because organizing farm, domestic and EPWP workers is a challenge due to several reasons, including the seasonal, isolated, and casual nature of work that is common within these industries. The challenges of organizing farm, domestic and EPWP workers will be expanded on in the sections to follow.

The proposed R18 per hour NMW for farm workers is an increase from the sectoral determination 13, under which farm works earned R16 per hour (Webster, 2018). However, the Commercial Stevedoring Agricultural and Allied Workers Union (CSAAWU) rejected the proposed R18 per hour NMW and argued that the level was insignificant for farm workers who form part of the lowest paid sectors in South Africa. South African Domestic Service and Allied Workers Union (SADSAWU) also raised concerns about low wages, harsh working and living conditions of domestic workers who often reside on the premises they work. The National Union of Public Services and Allied Workers (NUPSAW), which represents public servants in industries such as cleaning, security, education, care giving and community health work, who fall under the tiered wage system for EPWP workers, rejected the tiered system and instead supported SAFTU’s demand for a R12, 500 per month NMW for all workers.

CSAAWU is a trade union which was formed in 2006 and aims to address rural low wages and the harsh living and working conditions of farm workers in South Africa. CSAAWU together with other labour unions and organizations such as Women on Farms Projects had supported the 2012 farmworkers strike in the Western Cape in which farm workers protested low wages of R69 per day and high unemployment (Polity, 2012). Farm workers in the 2012 Western

Cape strike demanded wage increases, equal pay for men and women and better living and working conditions, which resulted in a 52% sectoral minimum wage increase from R69 per day to R105 per day for farm workers (Polity, 2012).

With regards to the tiered NMW of R18 per hour for farm workers, CSAAWU General Secretary Trevor Christians expressed that the proposed farm workers NMW was an insult to workers who were demanding a living wage (Webster, 2018). He added that the proposed NMW of R18 per hour for farm workers must be rejected considering the excessive wage differentials with top managers who earned R8, 600 per hour (Webster, 2018). This was a highlight of the extent of wage differentials between high and low paid workers within the farm industry. Thus, CSAAWU demanded a NMW of R8, 500 per month for all workers, including farm workers. For CSAAWU, a monthly NMW of R8, 500 would facilitate better standards of living for farm workers who are often subjected to harsh living and working conditions on farms.

SADSAWU was formed in the year 2000 and aims to provide representation, education, and advice for domestic workers in South Africa. In 2014, SADSAWU President Hester Stephens, together with SADSAWU union leader Gladys Mnyengeza declared that SADSAWU’s demands were for a unitary minimum wage, a minimum wage of R3, 000 per month for full time employees, R20 per hour for casual workers, and no less than R150 for day workers (Stephens and Mnyengeza, 2014). Although there is not much commentary or literature from SADSAWU regarding the tiered R15 per hour NMW for domestic workers, SADSAWU did propose a NMW of R5, 000 per month for all workers to ensure that they are afforded a decent quality of life (Portfolio Committee on Labour, 2017).

The National Union of Public Service and Allied Workers (NUPSAW) is a SAFTU affiliated trade union which was formed in 1998 and aims to promote and protect the interests of its members from exploitation, oppression, and discrimination by employers. It is part of the Public Service Co-ordinating Bargaining Council (PSCBC), major Sectoral Councils, Departmental and Provincial Chambers in the Public Service. NUPSAW was against the implementation of tiered wages and the level of the NMW. According to Success Maitatsane, General Secretary of NUPSAW, the proposed tiered wages were a “starvation wage” that would trap millions of people into poverty (NUPSAW, 2019). Instead, NUPSAW supported SAFTU’s demand for a NMW of R12, 500 per month (Postman et al, 2018). NUPSAW also declared that a NMW was not the only mechanism to tackle issues or poverty and inequality, thus NUPSAW's Provisional Administrator, Omar Parker, expressed to the Portfolio Committee of Labour during a workshop that the removal of labour brokers was also vital to achieve economic emancipation (Parliamentary Monitoring Group, 2014d).

4.7.1 Labour concerns and issues post-implementation:

Post-implementation of the NMW, Minister of Employment and Labour, Thembelani Nxesi, announced that the NMW would be increased by 3.8% from the 1st of March 2020. This means that the NMW for farm, domestic and EPWP workers is now R18.68, R15.57 and R11.42 per hour, respectively. Taking into account the fact that farm, domestic and EPWP workers are amongst the lowest paid in society; Izwi Domestic Workers Alliance (IDWA) and One Wage Campaign are arguing that a 3.8% wage increase is insignificant. This is because workers are not able to provide for their families or afford basic goods and services as a result of the low wages prescribed to them by the tier system, considering that in most South African households only one family member works and is responsible for supporting on average three dependents (NMWRI, 2015) and that the 2019 national poverty lines for food, lower-bound and upper-bound poverty were R561, R810 and R1, 227 respectively, per person per month (STATSSA, 2019). Thus, they are demanding that tiered wages should be brought to par with the NMW of general workers and for a wage increase that is reflective of a living wage.

IDWA was launched in 2018 and started as a support network to provide information and advice relating to employment issues for domestic workers. IDWA co-founded and coordinated the One Wage Campaign and has been vocal about its dissatisfaction with the exclusion of domestic, farm and EPWP workers from the NMW. According to Amy Tekié, cofounder of IDWA and One Wage Campaign coordinator, a NMW increase of 3.8% would have been meaningful if domestic workers earned higher wages, however for domestic workers working 40 hours a week this increase is insulting as it is equating to a difference of less than R100 per month (Cabe, 2020b). According to Pinky Mashilane (in Postman, 2020), a domestic worker and founder of United Domestic Workers of South Africa, "we buy in the same shops, we pay the same transport, so we must be treated like all workers and get the same minimum wage". Thus, Amy Tekié (in Cabe, 2020b) adds that

> Where every other worker gets R20 an hour, to [then] say to a domestic worker, but you only deserve R15 an hour, what does that say about the value of your work? It says it's less important than the work everybody else in the country is doing, which is absolutely not true. And the same for farm workers…

Considering that domestic workers on farms or in private households are predominantly women who are amongst the most vulnerable and low-paid workers, Rebecca Mort, Health and Empowerment Coordinator for Women on Farms Project argues that there should be more benefits targeted at female workers (hest, 2019). Women on Farms Project highlights that

> women who live and work on farms face particular challenges: often they are seen as an extension of male farm workers; their contracts are in their husband's or male partners' names; their labour is valued less than that of men, they are therefore paid less than their male counterparts for the same work; and, in general, are denied opportunities to develop themselves (Tekie and Khunou, 2019).

The domestic and farm work industry is dominated by black workers because of the historical colonial and apartheid cheap wage labour system which segregated and concentrated black workers into specific industries which controlled and confined their social and economic progression in society (Tekie and Khunou, 2019). Therefore, IDWA argues that subjecting these industries to lower NMW levels further perpetuates racialised wage inequalities that hinder the socio-economic development of black workers. Additionally, the exclusion of domestic workers from the NMW exacerbates gender inequality considering that of the more than "1 million domestic workers in South Africa, 95% are women, and majority of them are primary providers for their families" (Izwi Domestic Workers Alliance, 2020). This emphasises the need to consider the gender impact of the tiered NMW system. Alternatively, increasing the wages of domestic, farm and EPWP workers, "who make up the largest portion of SA's working poor" (Tekie and Khunou, 2019), reduces their vulnerability by providing them with the financial impetus to improve their social conditions.

Considering that the apartheid system separated housing according to race, most black workers live in townships that are far away from the urban areas of work. Resultantly, workers within the tiered system must still bear large costs from transportation to farms or households where they work on a lower monthly wage. Alternatively for the convenience of the farmer or homeowner, farm and domestic workers live on their employer's property, however they may be vulnerable to "endure long working hours; racist paternalism from employers; verbal, physical and sexual abuse; and constant threats of dismissal" (Tekie and Khunou, 2019). Thus, farm and domestic worker unions and organizations suggest that these are all issues that a decent wage would address by affording them better housing options.

One Wage Campaign, an amalgamation of worker unions and civil society organizations launched in August 2019, is demanding wage parity and the implementation of a living wage (discussed in chapter 1 section 1) for all workers. In its legal document submitted to the NMWC, One Wage Campaign (2019) argues that "the tiered system was introduced in the NMW Act by a flawed process, with an absence of consultation with the specifically affected sectors as is required by law". This is in reference to the ILO Convention 131 of 1970 (discussed in chapter 2 section 2.3). However, Castel-Branco (2020) is of the opinion that a living wage requires a level of political mobilization that did not take place during debates and negotiations pre-implementation of the NMW. Nonetheless, One Wage Campaign can be said to be one of the pioneering organizations for wage parity and a living wage that has emerged post-implementation.

It is difficult to organize farm and domestic workers due to several reasons. One Wage Campaign (2019) declares that slightly over 6% of farm workers are unionized while a little above 0.5% of domestic workers are unionized. Organizing farmworkers is often a challenge because of resistance or hostility from farm owners while domestic workers work in private residences, often without access or time to engage with other domestic workers or unions. Castel-Branco (2020) concurs that trying to organize workers on farms can be very dangerous especially in areas where farmers have hired private security. Additionally, labour dispute resolutions for domestic workers are a challenge considering that there is often an absence of written contracts or payslips within this industry.

Taking into account the difficulty of organizing farm, domestic and EPWP workers, Castel-Branco (2020) cautions that while policy makers and researchers are important in policy formulation, it is also important to involve and inform all social forces, including those at the grass roots level to ensure that policy considers and accommodates all interests. She suggests that a solution to the challenge of unionization within these sectors is having outposts in farm areas and residential areas where domestic workers work, that take the form of worker centres where casual or informal workers can participate, get advice and receive some kind of mediation (Castel-Branco, 2020).

Considering that the ILO recommends a unitary NMW system, One Wage Campaign argues that there is no evidence that bringing the wages of farm, domestic and EPWP workers to par with the NMW will have negative effects on the economy (One Wage Campaign, 2019). Instead, One Wage Campaign (2019) supports the Keynesian economic argument (discussed in chapter 2 section 2.1) that increasing wages "raises household consumption expenditure and ultimately stimulates economic output, which leads to an increase in GDP growth rates and productivity". It also declares that the exclusion of domestic, farm and EPWP workers from receiving the same NMW as general workers is a breach of the constitutional right to equality. According to One Wage Campaign "such a system … breaches the rights to equality, dignity and fair labour practices and perpetuates the existence of sub-classes, members of whom have been historically discriminated against and whose work is treated as less worthy than that of others," (Postman, 2020). Sanja Bornman (in Cabe, 2020a), Lawyers for Human Rights attorney which represents One Wage Campaign explained that

> When law or policy treats certain groups of people less favourably than others, as the NMW Act does, there had better be a compelling reason to do so, especially if those groups have historically been disadvantaged and exploited. Based on the current economic evidence, there simply is no good reason for the existence, or continuation, of the tiered system. This means that the tiered system constitutes unfair discrimination, in that it unreasonably and unjustifiably limits the rights, particularly the right to dignity, of domestic workers, farm workers and EPWP workers.

One Wage Campaign (2019) declares that 89.4% of farm workers and close to 95% of domestic workers earn below the poverty line (discussed in chapter 2 section 2.3). According to Castel-Branco (2020), one of the crucial factors to consider when setting the NMW level is what the people need to survive. Therefore, taking into account the highly casualised and part-time nature of farm, domestic and EPWP work, tiered wages for these sectors could affect their ability to afford a decent standard of living or essential needs such as food, water, shelter, and transportation (Cabe, 2020a). Castel-Branco (2020) agrees with One Wage Campaign that “there needs to be clear guaranteed way in which the wages of agriculture and domestic workers will be phased into the national minimum wage and increase wages at a level that not only keeps up with inflation but reduces the wage gap”.

The NMW for EPWP workers is lower than that of farm and domestic workers. According to Castel-Branco (2020), “there is this profound contradiction where you have EPWP workers doing essential work whether in construction or for the state using public funds and their paid ultra-low wages because their considered welfare recipients as opposed to wage workers”. In other instances, EPWP workers end up working on contracts for years even though they are meant to do temporary work and despite receiving less pay and no benefits (Tekie in Cabe, 2020a). Taking into account that the “principle of equal pay for work of equal value was enacted as part of the Employment Equity Act in the form of the Code of Good Practice on Equal Pay for Work of Equal Value” (One Wage Campaign, 2019), One Wage Campaign is demanding wage parity in order to eliminate the exploitation of these workers and alleviate public service inequality by highlighting the power dynamics, the class conjectures, and issues of race and gender inequality that underlie the NMW exclusion of these workers.

4.8 Business concerns and issues pre-implementation:

There was little commentary by BUSA specifically addressing the proposal to tier the NMW for farm, domestic and EPWP workers, presumably because BUSA does not (directly) represent employers within these sectors. However, for AgriSA, a tiered NMW for farm workers was ideal if it was informed by in-depth research and consultation with all agricultural stakeholders, particularly those in drought-stricken areas, given the vulnerability of the sector (Agrink, 2016).

AgriSA supported the tiered NMW level for farm works on the basis that the farm industry was still dealing with drought effects in which many farmers had not recovered from the effects thereof. According to De Villiers, to avoid negative employment effects from introducing a higher NMW than was currently being applied in the industry, AgriSA believed that the tiered NMW level for farm workers was in accordance with international trends, were domestic and farm worker’s wages are often lower than the NMW, or completely excluded in some cases. Neil Hamman, chair of AgriSA’s labour committee added that the farm sector was also still recovering from big wage increases which had been introduced in 2013 (Agrink, 2017)

Neil Hamman acknowledged that “while labour costs were a major cost driver, a satisfied labour force was equally important for optimum production, thus failure to safeguard the balance between wages and the sustainability of farm enterprises would result in negative consequences such as job losses and a move to mechanisation” (Agrink, 2016). In AgriSA’s submission to the Parliamentary Monitoring Group (2014c), and with reference to a study conducted by Professor Haroon Bhorat from the University of Cape Town on the impact of the minimum wage on the agricultural sector, Hans Van Der Merwe, Executive Director of AgriSA argued that while it was difficult to estimate how much labour force would be lost as a result of introducing a NMW, the trend in job losses seemed to indicate that the farm industry could not accommodate higher wage increases. Van Der Merwe thus suggested that “sectoral considerations, rural *versus* urban labour characteristics, skills availability, employer contribution to the social wage and differing minimum wages” would have to be considered to prevent unintended consequences (Parliamentary Monitoring Group, 2014c). He also cautioned that it was important to consider that productivity determines the success of farming as opposed to demand stimulation from increased wages (Parliamentary Monitoring Group, 2014c). This aligned with the neo-classical economic argument (discussed in chapter 2 section 2.1) which states that market actors act to maximize production and efficiency as a reaction to shifts in supply and demand thus increase in wages through legislation such as the NMW results in some employers reducing employment as a strategy to save costs and maximize profits.

4.8.1 <u>Business concerns and issues post-implementation:</u>

Post-implementation of the NMW, AgriSA supported the 3.8% NMW increase for 2020 as fair. However, the Transvaal Agricultural Union of South Africa (TAU SA), advancing the free-market or libertarian view (discussed in chapter 2 section 2.3), expressed discontent with the NMW arguing that it has done more harm than good.

The Transvaal Agricultural Union advocates in the interests of commercial farmers. It distances itself from political affiliation and promotes private property rights, with majority of its members being white Afrikaans farmers. It is also against economic policies such as BEE and the Restoration of Land Rights. According to Louis Meintjes, president of TAU SA, the NMW for farm workers has done more harm than good (Phillips, 2020). This is despite the fact that the NMW increase of 3.8% is lower than the 12.5% increase that labour organisations were demanding. Instead, Meintjes aligned with the DA in proposing that a farm worker willing to work for a wage below the NMW should be permitted to do so as this gives the worker the dignity and impetus to be independent of social welfare for their livelihood (Philips, 2020). Meintjes further added that the NMW is counterproductive to an economy with a 29.1% unemployment rate (in the fourth quarter of 2019) as it makes it difficult to employ workers (Phillips, 2020). In contrast to the position adopted by TAU SA, policy head of the Labour and Development Centre of Excellence at AgriSA, Jahni de Villiers, argued that the NMW level for farm workers was fair (Philips, 2020). De Villiers added that AgriSA did not believe that the NMW would add pressure on employers or have disemployment effects, as suggested by TAU SA (Philips, 2020).

4.9 Government concerns and issues pre-implementation:

There is not much pre-implementation literature available from government pertaining to the tiered wages of domestic, farm and EPWP workers, however, the government supported the proposal to tier the wages for these sectors on the basis that this would safeguard against job losses. According to Bagraim (2020), DA Shadow Deputy Minister of Labour, the government needed to set lower wages for these categories to ensure minimal job losses from the introduction of a NMW. A phased approach was necessary to allow businesses and the economy to gradually adjust to the NMW.

4.9.1 Government concerns and issues post-implementation:

Mkalipi announced that the NMWC had until the end of 2020 to finalise their research on equalizing wages for domestic and farm workers, which would depend on the research results of NMW effects on employment since implementation (Postman, 2020). At the end of 2020, majority of the commissioners, particularly representatives from community, labour and independent experts, suggested that "the NMW in 2021 be increased by 1.5% above inflation rate, measured by the consumer price index" (Stent, 2020). The inflation rate as of November 2020 was 3.2% (STATSSA, 2020). This recommendation is in consideration of wage inequality and the fact that inflation affects lower-income households on a greater scale than higher-income households. Therefore, to maintain the purchasing power of the NMW, the increase must be above headline inflation (Department of Employment and Labour, 2020).

The NMWC proposed that farm worker's NMW "should be brought to par with the NMW in 2021 (an effective increase of R350 per month), while domestic worker wages should be increased from 75% to 88% of the NMW by 2021 (to approximately R19 per hour), and to parity by 2022” (Stent, 2020). Increase in food prices attributed to these recommendations as the NMWC acknowledged that the “current minimum wage was below the lower poverty line of R3, 360 a month for a household of four people” (Stent, 2020). However, three members of the NMWC, representing business, advanced the neo-classical economic argument (discussed in chapter 2 section 2.1) and argued that increasing wages above the inflation rate would put a financial strain on business, resulting in potential job losses (Stent, 2020). The business representatives suggested that domestic and farm wages should be phased in over a four-year period (Stent, 2020). This is despite research conducted by the NMWC which revealed that the NMW policy did not place an undue burden on employers, and it did not lead to job losses in its first year of implementation (Department of Employment and Labour, 2020).

With regards to the exclusion of EPWP workers, Deputy Director-General for Public Finance in the National Treasury, Andrew Donaldson, argued that exclusion of EPWP workers from the NMW “is morally cynical and institutionally impractical” (Quoted in One Wage Campaign, 2019). He further adds that

> It is mistakenly thought that the minimum wage would be “unaffordable” for EPWP projects — in fact, current levels of EPWP participation are still well below what they should be, and the costs of phasing in compliance with a R20 an hour minimum wage by 2019 are modest. This would send a clear message of the government’s intent to respect the new standard (Quoted in One Wage Campaign, 2019).

4.10 Conclusion:

While there was little pre-implementation commentary by farm, domestic and EPWP workers, attributed to the fact that organizing these workers is difficult because of the nature of their work, what was common amongst them was their rejection of the tiered system and the NMW level’s prescribed to them. Labour unions representing these workers, such as CSAAWU, SADSAWU and NUPSAW, opposed the tiered system arguing that such a system was discriminatory and unacceptable especially in these sectors where workers are part of the lowest paid in society. These sentiments were echoed post-implementation of the NMW through labour unions and organizations such as One Wage Campaigns demands for wage parity. The tiered system has been labelled by One Wage Campaign as unconstitutional and exploitative to domestic, farm and EPWP workers, whose work is often viewed as less important.

Business predominantly supported the idea of a tiered system as a solution to avoid disemployment effects from introducing a NMW. However, there were business organisations and unions such as TAU SA who were against the introduction of economic policies such as the NMW and advanced free-market or libertarian views that the economy should be left to determine prices and wages. For the government, a tiered system was ideal to safeguard against job-losses in low-skilled and low-wage sectors such as domestic, farm and EPWP work and to gradually allow businesses and the economy to adjust to the NMW.

CHAPTER 5|CONCLUDING CHAPTER

5. Introduction

By assessing comments in contemporary articles, newspaper articles, press release statements, workshops, reports, public hearings and discussion papers, this report analysed pre-implementation and post-implementation concerns and issues which were raised by organised labour, business, and government regarding the setting of the NMW level as well as the exclusion of domestic, farm and EPWP workers from the general NMW. This chapter discusses the conclusions, limitations, and recommendations of the report.

5.1 Conclusion

The findings of this research report revealed the importance of social dialogue, consultation, and consideration of all stakeholder concerns to ensure that policies are well informed and reflective of the interests of those who stand to benefit from them. Further, however, the report contributes to our understanding of designing a NMW for South Africa by exposing the power dynamics which underlie policy making processes in general, and the NMW in particular. This was achieved through the analysis in chapter 4 of two key debates: the level at which the NMW should be set and the decision to phase-in domestic, farm and EPWP, which revealed conflicting ideological positions by organised labour, business, and government.

In the pre-implementation phase of the NMW, there were conflicting positions between the organizations of labour regarding the NMW level of R20 per hour. COSATU and FEDUSA supported the level of R20 per hour as it had the potential, as an entry level, to benefit over 6.5 million workers and because the organisations were concerned that a wage level higher than R20 per hour would result in a resistance by business to accept the NMW policy or be detrimental to the economy. Their position and concerns aligned with those raised by business and government. By contrast, NUMSA and SAFTU rejected the R20 per hour NMW level, arguing that the level was too low, exploitative, and not a living wage that could improve the social and economic conditions of low-wage workers. It became apparent from the data analysis that COSATU and FEDUSA, who participated in the negotiations at NEDLAC did not effectively mobilise their power base to guarantee a higher minimum wage, and rather accepted the level of R20 per hour. A possible reason could be that much of their membership is covered by collective bargaining contracts or earned above the proposed NMW. However, Herr and Kazandziska (2011, p.1) believe that “the power of trade unions has declined in many countries and as a result, collective bargaining has been weakened and a low-wage sector in almost all OECD countries has developed”. COSATU and FEDUSA settled for the level of R20 per hour because they were concerned that prolonging the negotiations could have risked securing a NMW in South Africa. This was corroborated by COSATU’s Deputy Parliamentary Coordinator, Mathew Parks’ (2018) remark that a demand for higher wages required union mobilisation to drive business and government to give to workers.

The issue of SAFTU’s exclusion from the NMW debates not only implies that there were factions advancing self-interests within organised labour, but also highlights the tensions and politics of policy making. This puts emphasis on the importance of consultation and participation of all stakeholders and interest groups in the formulation and implementation of policy, to ensure that there is representation of all interests. By highlighting that most of the low-wage and low-skilled workers are black people, NUMSA and SAFTU also revealed that the issue of wages is not only about the economy, but also about broader social issues of class and racial inequality.

Post-implementation of the NMW, there was a shift in position for labour federations COSATU and FEDUSA as they aligned with NUMSA and SAFTU in demanding a 12.5% NMW increase for the year 2020. This shift in alignment was in acknowledgment of the fact that the NMW had not taken into account factors such as inflation in the three years since the initial agreement on introducing a NMW. NUMSA and SAFTU expressed the need for COSATU and FEDUSA to withdraw from the NEDLAC agreement for organised labour to effectively mobilize in the fight for better wages.

The initial proposal by business was to restructure sectoral wages instead of introducing a NMW in South Africa. The concern for business was that a NMW would fail to account for the various economic factors in different sectors, strain the economy and lead to job losses that would particularly affect low-skilled and low-wage workers. Despite these concerns, business eventually accepted a NMW level of R20 per hour, moderated with tiered levels for some sectors, as an economically viable level. This might have been influenced in part by the research that had been provided by researchers, economists, labour organizations and institutions such as the NMWRI, on the need and benefits of a NMW in South Africa. Castel-

Branco (2020) suggested that it was because business knew it could stall the process of introducing the NMW while it reduced in value before it was implemented, a reflection of how power is used to influence policy outcomes.

Government accepted R20 per hour as a level that would address issues of poverty and inequality by lifting the wages of lowest paid workers without hindering employment or affecting business and economic growth. However, the EFF opposed the government's approval of the NMW level arguing that the level was set too low and would perpetuate the state of poverty for low-wage workers and be futile in solving issues of poverty, unemployment, and wage inequality. The opposition, the DA, resisted the implementation of a NMW, arguing that sectoral wages were preferable as a NMW would deter employers from hiring thus affecting employment. The alternative for the DA was to introduce a Job Seekers Exemption Certificate with the NMW, to allow people to accept employment based on wage agreements with employers, even if the wage was below the NMW. According to the DA, this would promote a life of independence and dignity for many people who are dependent on social welfare.

While the challenge of setting the NMW level was finding a balance between safeguarding the economy, which operates amidst low skills levels, high unemployment and high poverty rates, with meeting demands to improve standards of living through wage increases, domestic, farm and EPWP workers were excluded from the NMW level of R20 per hour, in order to protect these vulnerable sectors from disemployment effects as a result of introducing a single NMW. Although there was little pre-implementation commentary available from organised labour regarding the exemption of these sectors, because they have few members due to the difficulty of organising workers in these sectors, the findings from this report revealed that labour was dissatisfied with the exclusion and rejected the NMW levels set for these sectors. The consensus amongst labour was that the NMW levels for domestic, farm and EPWP workers should be brought to par with the general NMW. These demands were reiterated by labour organisations post-implementation of the NMW, who argued that the tiered system was exploitative and unconstitutional. The findings of this report also linked the NMW exemption of these sectors to issues of race and gender inequality considering that black workers dominate these industries and women make up 77% of domestic workers

In contrast with labour, business supported the tiered system as an ideal strategy that aligned with international trends and to avoid negative employment effects. Business also supported the 3.8% NMW increase in 2020, stating that it was a fair increase, though other business organizations such as TAU SA advanced the free-market or libertarian view that economic policies such as the NMW are counterproductive and not beneficial for the economy. On the other hand, government supported the tiered system to allow business and the economy to adjust to the NMW, with minimal job losses.

Considering that the NMW Commission is responsible for monitoring the implementation and impact of the NMW, as well as producing a review report that reflects all stakeholder views and concerns to recommend informed adjustments to the NMW (Department of employment and labour, 2020), the findings of this research report would be assistive to the commission in their considerations. Though the research findings cannot determine the extent to which the NMW policy has improved challenges of poverty, inequality and unemployment, the analysis of concerns and issues raised by stakeholders exposed the social and power dynamics which underlie policy making processes and showed the importance of consulting and considering all stakeholder interests to ensure that policies such as the NMW are well informed and reflective of the interests of those they are intended to benefit. It is also important for future developments around the NMW in South Africa to be monitored by the Commission and fellow researchers and to track the progress of this development pol

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