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**The Effects of the National Minimum Wage as a Labor Market Mechanism
for Reducing Income Inequality in South Africa**

Muhammad Matola Alli

2481147

University of the Witwatersrand, Johannesburg

School of Social Sciences

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Faculty: Humanities

Supervisor: Dr. Christine Bischoff

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Declaration

I, **MUHAMMAD ALLI**, student number **2481147**, earnestly declare that this research report is my own work, and it has not been submitted for examination at any other academic institution. I'm fully aware of the ethical implications of plagiarism, as well as the significance of academic integrity. Therefore, all external sources used in this research have been cited and referenced in accordance with standards of the University of the Witwatersrand.

Signature:  Date: ...29/07/2024.....

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Abstract

South Africa has stood among the most unequal countries in the world in terms of income differentials between the highest-paid and the lowest-paid workers for the past four decades. Local and international reports on inequality indicate that in the post-apartheid era, inequality has been sustained or increased. The post-apartheid state adopted the National Minimum Wage (NMW) in 2018 as part of its extensive social policy initiative to help address the challenge of income inequality. While there are enough data that attribute the reduction of income inequality in some developed as well as developing countries to statutory minimum wages, it is not clear to what extent the NMW in South Africa can achieve the goal of reducing income inequality. This study assesses whether the NMW is an effective tool for addressing income inequality in the labor market. A qualitative approach was adopted and interviewed experts in labor market policies in South Africa and supplemented by an analysis of some key documents related to this study. Tesch's 1990 data analysis model was utilized to analyse data according to the objectives of the study.

The findings of this study reveals that the NMW if well implemented, is an effective mechanism for reducing income inequality in the labor market. However, in the context of South Africa, poor implementation and setting at a low level has weakened the effectiveness of the NMW in achieving its objective of reducing income inequality. This study argues that the current rate of the NMW is influenced by the power and dominance of capital and operates to achieve the interests of capitalists. This means that the NMW could not achieve the intended objective of reducing income inequality as envisioned by the labor movements and activists that pioneered the NMW campaign. This study recommends adopting an integrated social policy approach in the implementation of the NMW to enable its beneficiaries to leverage other social policy initiatives. This approach entails allowing beneficiaries of the NMW to also benefit from other social policy initiatives in their communities. This approach aims to inspire a rethinking among the political, economic, and labor activists towards an effective approach that would enable the NMW to reduce income inequality in the labor market.

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Acronyms and Abbreviations

ANC	African National Congress
CCMA	Commission for Conciliation, Mediation and Arbitration
COSATU	Confederation of South African Trade Unions
DWCP	Decent Work Country Program
DoEL	Department of Employment and Labor
ILO	International Labor Organization
NEDLAC	National Economic Development and Labor Advisory Committee
NMW	National Minimum Wage
NMWA	National Minimum Wage Act
NMWC	National Minimum Wage Commission

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

The International Labor Organization (ILO) estimates that over 90% of all member countries across the world have adopted the Statutory or National Minimum Wage (NMW) as a mechanism for poverty and income inequality. South Africa started implementing the NMW in 2019 as a mechanism for reducing both poverty and income inequality (Aluwani et al., 2017). The past four years of implementing the NMW have proved that if well implemented, it is an effective social policy tool, not only for protecting vulnerable workers against capitalist exploitation but also for reducing income inequality in the labor market. This was also the key factor throughout the decade-long campaigns and debates by the labor movement, academic, political, and economic, and labor experts in South Africa. The most interesting part of these debates was that all stakeholders had a consensus opinion about the need to have an operational NMW in South Africa. These consensus were based on the fact an NMW has proved effective in addressing poverty and inequality in many countries in the world. However, some critics argue that a low NMW like the case in South Africa is equivalent to a poverty wage which could not help to address income inequality in the labor market. Many policy experts believe that it is too early to establish the effect of the NMW in South Africa. In one of his interviews in 1975, Milton Friedman observed that ‘one of the greatest mistakes that economists make is to judge policies by their intentions rather than their results’ (Friedman, 1975). This study probed whether the current performance of the NMW provides positive feedback to the intentions and spirit of the policy.

There is a lot of evidence that suggests that the NMW acts as an income redistribution tool, especially for low-income-earning employees but has little to no significance or impact on wages or income redistribution effect to the middle and high-income earning workers (Bhorat, Lilenstein & Stanwix, 2021). In 2014, the government of South Africa through the National Economic Development and Labor Council (NEDLAC) secured a national stakeholders’ commitment through the Ekurhuleni Declaration also known as ‘the Wage Inequality Declaration’ that was geared towards helping the state to reduce large-scale wage and income inequalities in the Labor market (NEDLAC, 2014). All submissions to NEDLAC from different stakeholders, including labor and economic experts, on the proposal to adopt the NMW attributed the NMW to reducing poverty and income inequality in the country. The adoption of the NMW in 2019 was a big achievement for the labor movement and a big step in the country’s commitment to reduce income inequality (Bhorat et al., 2021). However, income

inequality in South Africa continues to show no signs of retreating (Bhorat et al., 2021; Chancel et al., 2023).

The study acknowledges that labor market inequality in South Africa exists between and among both the employed and unemployed, however, the focus of this study is wage inequality between and among the employed. Wage inequality in the labor market during the apartheid era was characterized by race, however, post-apartheid regimes adopted an integrated social policy approach, including adoption of the NMW as a mechanism for bridging wage inequality in labor market. However, recent data shows that wage inequality continues to rise in the post-NMW. These findings have provoked new debates in South Africa among scholars, researchers, activists, and politicians on the extent to which the NMW can bridge wage inequality in the South African labor market. Most scholars are of the view that the impact of the NMW on income inequality cannot be assessed within a short period of time.

There have been no comprehensive research studies and literature on the impact of the NMW on income inequality since its adoption in 2019. This study seeks to bridge this gap in the existing literature and research by exploring the impact of the NMW as an instrument for reducing income inequality in the labor market. The main objective of this study was to explore whether the NMW is an effective tool for reducing income inequality in the labor market. This objective is achieved through a qualitative approach that addressed the main research question; can the NMW reduce income inequality in the labor market?

This study is grounded on Marx's Conflict Theory of Social Stratification which describes wages as a source of everlasting conflicts between workers and their employers in a capitalist society (Dahrendorf, 1959). This study argues that the NMW is an effective tool for reducing income inequality in the Labor market if it is allowed to operate as a living wage and not as the current poverty wage. This study further argues that the NMW in South Africa falls short of the ILO agenda for decent work which advocates for dignified wages for the worker and his family.

1.2 Problem Statement

The past four decades have been characterized by sustained and increased inequality at different levels in the South (Bhorat et al., 2009a; Chancel et al., 2023; STATSSA, 2019b). The post-apartheid government made important strides in adopting an expanded fiscal

redistribution policy to cushion the burden of poverty and income inequality. The adoption of the NMW in 2019 was one of such social policies and was touted as one of the biggest achievements of the post-apartheid state in its effort to fight inequality. Based on international experience and the impact of sectoral determinations in South Africa, the NMW was expected to significantly influence the labor market by increasing wages of the low-wage earners mainly in the informal sectors (Aluwani et al., 2017; Isaacs, 2016a; Labor Research Services, 2019; Mudronova, 2016). Despite the adoption of an extensive and attractive social policy initiative by post-apartheid South Africa which includes subsidies, cash transfers, social grants, Expanded Public Works Program, Unemployment Insurance, Youth subsidies, and many others, income inequality remains the highest four years since its enactment (STATSSA, 2019b). These programs aimed to boost the income of vulnerable citizens including those in vulnerable employment. The adoption of these programs aimed to address social inequalities which was the effect of discriminatory policies implemented by the apartheid regime. The enactment of the NMW in 2018 was mainly motivated by the impact of these social policy initiatives as mechanisms for addressing poverty and income inequality.

In the context of South Africa, studies have revealed that inequality is heavily rooted and generated in the labor market (Francis & Valodia, 2021; STATSSA, 2019a). This phenomenon is due to the high wage differentials between the lowest and the highest wage earners. The introduction of the NMW in 2019 was a direct labor market intervention to address these high wage and income differentials by increasing wages and in turn income of those in vulnerable employment and not covered by collective bargaining. The adoption of the NMW also demonstrates South Africa's commitment to the ILO Centenary Declaration which urged countries to adopt measures that ensure the protection of vulnerable workers including decent wages (ILO, 2020).

This study claims that the NMW is an effective tool for addressing income inequality in South Africa. There is a huge density of literature that supports this claim. However, the density of literature on the impact of the NMW on Inequality in South Africa remains small. The inclusion of reduction of inequality among the seventeen (17) 2030 Sustainable Development Goals demonstrates an acknowledgement that inequality is a challenge without borders and a call for countries, social movements, and researchers to commit joint efforts towards finding solutions to reducing income inequality. This study understands that inequality is among the biggest challenges of the 21st century and, therefore, this study contributes to literature and recommendations for addressing contemporary challenges. The inclusion of the concepts of

‘Living Wage’ and ‘Fair Wage’ in this study is a call for new thinking in the theory of the NMW on how it operates as a mechanism for bridging poverty and income inequality.

1.3 Main Research Question

1. Can the NMW reduce income inequality in the labor market?

The following sub-questions inform the main research question:

2. What is the impact of the NMW on income inequality in the labor market?
3. How would a living wage help to bridge income inequality in the labor market?
4. How would a Fair Wage system help reduce income inequality in the labor market?

1.4 Objective of the Study

The main objective of asking these research questions is to:

- a) Investigate whether the NMW is an effective mechanism for reducing income inequality in the labor market.

The secondary objectives of the study are:

- b) To assess the impact of the living wage on income inequality.
- c) To explore the fair wage as a tool for reducing income inequality.

A qualitative research methodology was used to explore these objectives.

1.5 Research Outline

The rest of this report is presented as follows: Chapter two presents a review of the literature that contextualizes the research questions. Chapter three provides the methodological approaches adopted by the study to achieve the research objectives. Chapter four presents an analysis of the data according to the findings of the study. In chapter five, the research report provides conclusions of the research and recommendations for future studies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents an overview of the literature on NMW and income inequality in South Africa. The discussion begins with an overview of the state of inequality and the key drivers in the context of South Africa. The discussion is then followed by a critical overview of the sociological underpinnings and the debates about the NMW in South Africa. A key part of this chapter is mainly on understanding the impact of the NMW in the labor market with a key focus on income inequality. It also highlights the impact of collective bargaining on the NMW. It further introduces debates on the living wage and fair wage on how it could boost the NMW and reduce income inequality in the labor market. The discussions conclude with a theoretical underpinning and legislation relevant to this study.

2.2 An Overview of Income Inequality in South Africa

The World Inequality Report (WIR) 2022 describes South Africa as the most unequal country in the world using all measurements including the Gini Coefficient (Chancel et al., 2023). The report attributes increased inequality in the post-apartheid era because of the government's failure to adopt social security reforms enough to challenge income inequality. According to Chancel et al., (2023), 'the bottom 50% income-earners earned under 5.3% while the top 10% earned more than 65% of the total national income in 2022 in South Africa'. This entails that a single individual from the 10% earns approximately R2,258,850 a year while an individual from the poorest half earns R72,520 a year. Another report by OXFAM in the same period stated that 1% of the richest people earned almost two-thirds of all wealth created in 2021 while 99% shared the rest (Oxfam, 2023). This demonstrates that wages are a key driver of income inequality in the South African labor market. The social structures created by the apartheid regime are also an important factor that drives and sustains inequality in South Africa (Bhorat et al., 2009; Francis & Valodia, 2021).

Income inequality is the highest in the labor market in South Africa due to structures created by the apartheid regime and continues to be sustained by the post-apartheid state (Bhorat et al., 2009b; Francis & Valodia, 2021). The apartheid system of racial discrimination significantly contributed to inequalities between racial groups with black Africans being the main victims. Bhorat et al (2009b) found that inequality is higher in the urban than in rural South Africa because of increased migration from the rural and across borders in search of employment.

Migrants were the most exploited labor during apartheid and remain exploited in the post-apartheid era through low wages due to their lack of skills (Bhorat et al., 2009a). Migrant workers in South Africa dominate the farming, domestic, and other informal sector occupations. The post-apartheid state adopted progressive labor laws including the Labor Relations Act no. 66 of 1995 and the Basic Conditions of Employment Act (BCEA) no. 75 of 1997 to help address labor exploitation facilitated by the apartheid regime. These laws facilitated the introduction of sectoral minimum wages in 2001 (Bhorat et al., 2013). The BCEA provided a mechanism for enforcing compliance with the sectoral minima and ensuring that defaulters were liable to prosecution. However, a study by [Bhorat et al. \(2012\)](#) discovered a high level of non-compliance against sectoral determination across sectors. This meant that sectoral minimum wage laws failed to break the apartheid legacy of wage discrimination that facilitated income inequality in the labor market. The adoption of the NMW in 2019 was a political as well as social response to the challenge of wage income inequality in the labor market with a view to equalize minimum wages across sectors. However other scholars argued that the current NMW is a poverty wage which could result in perpetuating and sustaining the apartheid legacy of income discrimination by endorsing low wages for vulnerable workers (Francis & Valodia, 2021; Francis & Webster, 2019).

2.3 The National Minimum Wage for South Africa

According to the ILO (2016), ‘a minimum wage is a minimum amount that an employer is required to pay a worker as compensation for work done during a given period, which cannot be reduced by collective agreement or an individual contract’. The historical objective of the minimum wage is to achieve a fair wage in the labor market across sectors (ILO, 1970). The objective behind minimum wages is to create a minimum floor below which no employer is permitted to pay. The National Minimum Wage Commission (NMWC) is the authority mandated to regulate the rate of the NMW in consultation with other stakeholders, including NEDLAC. The Commission is composed of representatives from the government through the Department of Employment and Labor (DoEL), Independent Experts, Organized Business, Organized Community, and Organized Labor. Among the objectives of the Commission is to investigate wage and income differentials in the labor market and recommend to the Minister of Employment and Labor the appropriate NMW that would help reduce such wage and income differentials at the same time sustaining the value of the NMW (National Minimum Wage Act no. 9, 2018).

Since the 1980's the world has seen a continuous trend towards increased income inequality and decreased real wage value. Doyle and Stiglitz (2014) argued that poor public policy choices contribute to this pennon. The ILO urges member countries to adopt statutory/national minimum wages as a mechanism for reducing income inequality in their respective countries (ILO, 2020). An ILO report in 2020 estimated that over 90% of global states were implementing a statutory minimum wage system. These minimum wages were attributed to the reduction in gender pay gaps during the study period. In South Africa, income inequality is also gendered with women among the lowest-income earners in the labor market (Francis & Valodia, 2021). The adoption of the NMW was a mechanism for bridging wage gaps between genders in the same labor market (Francis & Valodia, 2021). The Government of South Africa adopted the Employment Equity Act (EEA) as one of its key mechanisms for addressing pay gaps in the labor market (Bosch, 2015).

The adoption of the NMW in 2019 came after a long and protracted debate on the extent the adoption of the NMW would reduce the challenge of poverty and inequality. Based on different case studies from withing and outside South Africa, the NMW is an effective mechanism for reducing income inequality (Isaacs, 2016b). Majority of the contributors to the NMW debates generally supported the adoption of the NMW, however, a key area of contention was on the rate to be offered without affecting other labor market actors including employment (Isaacs, 2016a). Some labor activists argued that if the NMW is set at a low rate, its real value will be diminished thereby not able to reduce both poverty and inequality in the labor market (Seekings & Nattrass, 2014). Three theoretical camps emerged in the NMW debates in South Africa.

The first camp is the free-market advocates which could also be described as Neoclassical economic theorists. They argued that the NMW or generally minimum wages are bad because they distort free-market regulation (Isaacs & Fine, 2014). They believe that the NMW could make labor more expensive to other employers, a development that could lead to a huge labor surplus and thereby, unemployment.

The second group is the Coleman Camp which represented the labor movements and activists in South Africa. This group believed that 'the NMW should be imposed on the market because not doing so would allow capitalists to manipulate the market and exploit vulnerable labor' (Isaacs & Fine, 2014). They argued that fair wages for every employee should not be compromised in the name of employment effects rather as an obligation for all employers. Coleman argued that increasing the NMW would generate employment through increased

consumption (Seekings & Nattrass, 2014). The Coleman argument is supported by some labor market activists who believe that ‘it is illogical to think that higher wages hurt the labor market because it is neither the only nor the main factor that affects employment in the labor market’ (Herr et al., 2015; Isaacs & Fine, 2014). This was the position of COSATU which believed that the NMW would bridge a system of sectoral determination which failed to improve the living standards of vulnerable workers nor reduce the wage pay gap in the labor market.

The third group is called the middle view which believes that the NMW should be regulated to a certain extent that would avoid job destruction (Isaacs & Fine, 2014). This group argued that unregulated NMW would lead to an exponential increase rather than a decrease in both poverty and income inequality. This group supports the introduction of the NMW, however believes that any unreasonable wage increase could greatly affect employment.

The African National Congress (ANC) led government adopted the NMW as part of its 2014 and 2019 campaign manifestos with a firm belief that it is an effective mechanism for reducing poverty and income inequality. Through NEDLAC and the National Minimum Wage Commission (NMWC), the ANC government continues to demonstrate its commitment to ensure a successful implementation of the NMW. The NMW remains a key policy priority for the ANC and its allied partners as a mechanism for reducing poverty and inequality. However, despite recent studies revealing that the NMW have little to no significant impact on employment, the government remain coy on a higher NMW as presented by COSATU and the Coleman camp. This study believes that the ANC government adopted the middle view by adopting the NMW to achieve the aspirations of the labor camp while providing room for exemption to employers who cannot afford to pay the NMW. This decision aimed to balance the views of the free-market advocates and the labor camp. Although this is not the focus of this study, however, the study argues that this provision could provide room for sustaining capitalist and apartheid labor exploitation tendencies through low wages.

2.4 The Impact of the National Minimum Wage on Income Inequality

Can the NMW reduce income inequality in the labor market?

This question has been the subject of extensive studies and academic debates in South Africa and beyond. It is important to understand that wages have played a very key role in the fight against inequality across the world (Peet, 1975). In the context of South Africa, wages

contribute 20 to 65% of the total income of workers mainly in the lower income percentile (Chancel et al., 2023). This means that the majority of South Africans like many in sub-Saharan Africa rely on wages as a source of personal and household income. The introduction of sectoral minimum wages in South Africa was mainly to bridge the wage gaps in the labor market (Bhorat et al., 2009a; Lemos, 2009). According to a study in Brazil by Lemos (2009) from 1982 to 2004, evidence proves that the minimum wages were instrumental in addressing wage and income inequality in the period under study. A study by Isaacs (2016) also concluded that sectoral minimum wages contributed to the reduction in income inequality in both the formal and informal sectors in many developed and developing countries. This demonstrates that the adoption of minimum wages has been aimed at using them as mechanisms for addressing inequality across the globe.

A study in the USA attributed the Federal Minimum Wage to reducing income inequality in the late 1960s (Card & Krueger, 1995). According to the ILO (2020), in countries with a large informal sector, like the case of South Africa, the NMW would trigger higher wages in the formal sector which would, in turn, push upwards wages in the informal sector through the 'lighthouse effect'. South Africa is among the many developing countries with a large informal sector with Statista (2023) estimating approximately 4,8 million people working in the informal sector in South Africa. This sector is most vulnerable to exploitation due to the nature of their employment contract which is mainly informal. In these types of contracts, there are no written contracts to protect the employee. The adoption of the NMW was in response to the many exploitations faced by workers in the informal sector.

Bhorat et al (2011) found that setting minimum wages below the country's living wage contributes to a cycle of poverty and the reproduction of inequality. This entails that the current NMW rate of R25,42 is not enough to meet the current living wage in South Africa which in 2023 was at R5,300 for an individual and R8,92 for a family (Living Wage Update Report, 2023). Leibbrandt (2019) cautioned in his report for recommendations on the adoption of the NMW that an excessively high rate of the NMW could trigger loss of employment in some sectors. The ILO recommended an adequate minimum wage for all workers to act as a social protection policy against poverty and income inequality during COVID-19 pandemic (Global Wage Report. 2020/21, 2020). According to the ILO report, an adequate NMW would enable low-income earners to resist poverty and income shocks arising from the effects of COVID-19. However, a report by Bhorat et al (2021) found that the impact of the NMW

was higher on poverty than on reducing income inequality. This entails that the study of the impact of the NMW on income inequality remains the subject of continuous investigations.

2.5 Impact of Collective Bargaining on the National Minimum Wage

Collective bargaining is the process of negotiations between workers through their representative trade unions and the employer or his representative on employment-related matters involving the two parties (Labor Research Services, 2022b). Collective bargaining is a critical factor in the South African labor market considering the influence and power of trade unions. According to Budeli (2012), South Africa has the most powerful and developed trade unionism in Africa. South Africa enjoys the benefit of having one of the most progressive labor laws in the world (Francis & Valodia, 2021). South African Trade Unions have been instrumental in the political and economic decision-making in South Africa taking advantage of the presence of COSATU in the tripartite alliance. Collective bargaining plays an important role in the determination of the adjustment of the NMW (National Minimum Wage Act, 2018). The adoption of the NMW meant that South Africa became one of the few countries in the world to implement a mixed wage system where the NMW operates simultaneously with collective bargaining and sectoral determination of minimum wages. In 2023, over 23% of the total workforce in South Africa was represented by collective bargaining (South African Government, February 2023). However, this means that almost 80% of the total workforce was vulnerable to exploitation.

Sectoral determination involves the Minister of Employment and Labor in consultation with different stakeholders in the industry and sector, making a recommendation on the effective minimum wage to be implemented in that sector as provided by the BCEA of 1997. According to a report by the Labor Research Services (LRS), the NMW covered over 4,2 million workers while 4,9 million workers were represented by sectoral determinations (Elsley, 2019). By 2022, the NMWA was amended to allow for equalization of all minimum wages across sectors. This means that the NMW sets the minimum floor below which no employer is allowed to pay employees in any circumstance. Sectoral determinations are provided for and guided by the BCEA of 1997 which empowers the Minister to make wage determinations for particular sectors (Department of Employment and Labor, 2018). During the adoption of the NMW, South Africa was implementing eleven sectoral determinations, however, the NMW provides a floor above all sectoral determinations. Since the adoption of the NMW, no other sectoral

determination was approved in South Africa. In this sense, the NMW acts as a wage equalizer among and between sectors.

Collective bargaining in South Africa takes place in two levels (Labor Research Services, 2022b): The first is Plant/Company level bargaining where one or more unions engage with the employer in collective agreements. This is also known as decentralized bargaining which is growing in influence in the South African with increased dominance of capitalist policies in the economy and labor market. The second is Centralized bargaining where one or more unions may engage with one or more employers' organizations through bargaining councils at the national or regional level. In all these types of collective bargaining, the key factor is 'members' although some collective agreements i.e. wages may affect both unionized and nonunionized workers alike. The introduction of the NMW aimed to bridge the gap left by collective bargaining in representing many workers in vulnerable employment (Aluwani et al., 2017; Finn, 2015). In 2022, over 4 million workers were covered by collective bargaining from a total of 218 Trade Unions while over 863,000 wage-earners were covered by the NMW in the same year (Labor Research Services, 2022a).

The role of trade unions in addressing income inequality in South Africa like many other countries has been a contested subject. According to Altman (2005). Some of the market interventions by trade unions have been found to affect both unionized/employed and unionized/unemployed workforce (Altman, 2005). Trade unions reduce the wage pay gap between blue and white-collar jobs. These are the middle and high-income earning employees in the labor market. This negatively affects ununionized as well as unemployed members of the general workforce. The ILO report on 2030 Sustainable Development Goals found that collective bargaining is an important factor to consider in any determination of any level of statutory minimum wage (ILO, 2016).

In the context of South Africa, collective bargaining remains the dominant and popular wage system in the labor market even after the adoption of the NMW. This dominance is demonstrated through higher wage differentials between collective bargaining (Bargaining council) wages and NMW. However, a study in the USA by Kerr and Wittenberg (2021) found that higher wages due to collective bargaining weaken the value and influence of the statutory or NMW, a phenomenon that leads to low compliance with the NMW by employers. Despite the fact the NMW has at least boosted income and rescued many vulnerable workers from capitalist exploitation, it has a low value in the South African labor market compared to

bargaining council minimum wages. A study by Ntuli and Kwenda (2014) found that trade unions demonstrate both compressionally (within-group) and disequalising (between-group) effects on wages, however, the disequalising effect is most dominant. This entails increasing the minimum wages of its members in a particular sector at the expense of nonunionized workers. Although this study has no interest in pursuing the effect of strong trade unionism on the NMW, however, Ntuli and Kwenda's (2014) study findings cannot be ignored in this study because they lay the foundation for future comprehensive investigations into the impact of trade unions on income inequality in the labor market.

2.6 The Living Wage and Income Inequality in the Labor Market

A living wage has different connotations in many parts of the world. This means that the living wage in one area or region is different from another area. In 1946, the ILO defined a living wage 'as the wage adequate to maintain a fair standard of living for the employee and his family in the context of that particular country or area (Global Living Wage Coalition, 2018). The Committee of Fair Wages in India defined the Living Wage as 'one which enables the worker to provide for himself and his family not only on essentials like food, clothing and shelter but a decent standard of living including a good education, health services, social needs, and insurance for himself and members of his family' (Dayal, 1976). This definition entails that a living wage is not just about achieving one's basic needs but ensuring that the worker is also able to access other services previously meant for the elite.

Werner and Lim (2016) define the living wage 'as a wage level that helps the worker to sustain himself, his family, reward his efforts, and enhance the employees' capabilities as human beings, citizens, and workers. A living wage should be defined 'by the standards of the community where the worker lives and not in comparison with a different location' (Stabile & Stabile, 2008). This study has adopted the definition according to the Committee on Fair Wages in India.

The living wage became a key issue in the ILO from the Paris Peace Conference of 1919 until the Philadelphia Declaration urging the adoption of living wages as a mechanism for achieving decent living for all workers across the world (Marinakos, 2009; Reynaud, 2017). The living wage was one of the key policies implemented by the Independent Labor Party (ILP) in Britain as part of its socialist agenda after the defeat of the Labor government (Hurt, 1991). The ILP advocated for the adoption of a NMW sufficient for the worker and his family. The ILP used

the living wage as a political manifesto to attract working-class voters. In 1981, the Federation of South African Trade Unions (FOSATU) led a labor movement that called for the introduction of a living wage in South Africa through the famous ‘Living Wage Campaign’ (Hurt, 1991; Vavi, 2018). The living wage campaign under FOSATU aimed to secure minimum wages enough for every worker to achieve a dignified living for himself as well as members of his family. The call for a living wage was revived by COSATU in 1987 and became a key focus of the labor struggle in South Africa (COSATU, 1987). The local and international experience of the living wage demonstrates the desire to adopt the living wage across the world as a mechanism for addressing global inequalities sustained by the growth of the capitalist economy across the globe.

In 2018, the South African Federation of Trade Unions (SAFTU) though not entirely against the adoption of the NMW, presented its recommendations to NEDLAC, where it argued that the NMW would be of little significance in the labor market if its determination does not take into consideration the living wage (Vavi, 2018). SAFTU described the proposed 2018 NMW rate as ‘government-sanctioned poverty’ and called upon the labor movement in South Africa to stand against any low NMW. SAFTU believed that the only mechanism to address income inequality in South Africa is through the adoption of a living wage (Vavi, 2018). SAFTU’s argument echoes one living wage activist and writer Lloyd Jones who wrote in 1974 about the need for South Africa to adopt a living wage as a mechanism for addressing poverty and inequality. Jones writes:

‘The first thing that those who manage trade societies should settle is a minimum which they should regard as a point below which they should never go.....as will secure sufficient food, and some degree of personal and home comfort to the worker; not a miserable allowance to starve on, but living wages’ (Cottle, 2014).

Writing in his case for a living wage in South Africa, Rudi Dicks described the living wage as a system for achieving justice and equality (Dicks, 2012). A living wage ensures that every worker, whatever his status and sector, receives reasonable compensation in exchange for his labor-power. In this sense, a living wage ensures the creation of a society where everyone is happy and able to maintain a decent life with his family.

2.7 The Fair Wage in the Context of South Africa

‘All wage-earning workers should earn a wage sufficient to maintain a decent standard of living, defined as sufficient to support themselves and their families at a level that is both socially acceptable and economically viable.’

(National Minimum Wage Commission, May 2023).

The concept of Fair Wage has its roots in the ILO Charter on wages which advocates for collective bargaining based on principles of fair wages and fair labor standards (ILO, 1970).

The Charter states that ‘collective bargaining should be aimed at achieving fair wages for the workers and that bargaining agreements should be able to identify fair labor standards for each sector or occupation and use such standards to assess reasonable minimum wages for all workers’ (Cunningham, 2007). Achieving fair wages is a key component of the ILO decent work agenda which focuses on the protection of vulnerable workers against capitalist exploitation. The ILO’s decent work agenda also advocates for productive work that delivers and compensates the worker with a competitive and reasonable wage (Gammarano & Kapsos, 2018). An ILO research on decent work found that a fair wage reduces wage and income differentials in the labor market by ensuring that every worker has enough income to afford every need that would ensure the provision of a decent living (Gammarano & Kapsos, 2018).

The introduction of fair wages across sectors in India was aimed at protecting all workers including nonunionized ones through a wage system that ensured no high wage differentials between the low and the high income-earners as well as between unionized and nonunionized workers (LawPedia, 2023). The adoption of fair wages in some sectors in India is attributed to the reduction in income inequality and wage pay gaps in many sectors across India.

In the context of South Africa, the concept of Fair Wages is described through the Decent Work Country Program (DWCP) which the country adopted in 2010 (Mackett, 2020). The ANC government attributed the adoption of the NMW as a demonstration of its efforts towards achieving the goals of the DWCP (Mackett, 2020). In 2023, the NMWC adopted key medium-term targets for the NMW with a focus on achieving decent wages for all workers (National Minimum Wage Commission Medium-Term Targets, May 2023). These targets aim to call on all labor market actors to ensure the provision of fair wages across sectors through a value driven NMW.

The call for fair wages by the NMWC acknowledges the impact of fair wages in reducing income inequality in the labor market. However, achieving fair wages amidst an expanding and dominant capitalist economy would remain a socialist utopia of a fair world which Marx (1948) believed would never come or exist in a capitalist society. Though some studies and scholars found that fair wages could reduce poverty and income inequality in the labor market, this study acknowledges that the fair wage like the living wage are social-political tools advocated by the ILO to promote decent work and end capitalist labor exploitation. These concepts entail a dignified minimum which the COSATU camp advocated in the NMW debates. Because of the scope of this study, little attention was paid to debates on the impact of fair and living wages on income inequality in the labor market.

2.8 Theoretical Framework

Understanding inequality entails a critical analysis of the dynamics that impact and influence the labor market. This study investigates the impact of the NMW as a mechanism for reducing income inequality. These key concepts that are central to understanding and answering the study's main question include income inequality, NMW, Living Wage, and Fair Wage. These concepts and the study's methodological approaches are informed by Marx's Conflict Theory of Social Stratification which helps to answer the study's main research question; Is the NMW an effective mechanism for reducing income inequality in the post-apartheid South African labor market? Marx's Conflict theory of social stratification describes how the history of a capitalist society is characterized by a never-ending conflict between unequal social classes (Marx & Engels, 1848). The rise of industrial capitalism saw the Bourgeoisie (owners of the means of production) becoming more and more exploitative of the proletariat (working class) through cheap Labor and poor working conditions as a means of accumulation. Low wages became a tool for the Bourgeoisie to exercise authority over the working class. This phenomenon has been a source of conflict as the capitalists prioritize the accumulation of profits over workers' welfare while the workers individually or through social movements push the owners to offer good wages and working conditions. Conflict theory also argues that inequality in society exists because social positions are achieved not on merit or skill sets but by force and coercion of the dominant over the dominated (Marx & Engels, 1848). Marx believed that such a type of conflict is normal in a capitalist society such that working for the capitalist became the only available choice for the worker and his family to survive.

Marx believed that capitalism is a system that generates and sustains inequality in society and saw the emergence of a revolution of the working class to fight against inequality (Daoxin, 2020). Marx believed that the struggle of the working class would never end until the working class were emancipated from the capitalist oppression of cheap labor and poor working conditions (Marx & Engels, 1848). The Living Wage campaign from the early 1980s and later the NMW Campaign from around 2012 by the labor movements in South Africa were all motivated by such a Marxist spirit of emancipation and desire to continue the struggle against the capitalists. The NMW is a social policy that aims to address income inequality by promoting economic independence of the working class, especially vulnerable workers. In the South African labor movement, Marx's conflict theory is an important weapon that helps to sustain all labor struggles against capitalist labor exploitation and increased inequality in society.

2.9 Chapter Summary

This chapter provided a critical discussion and review of key literature on critical themes that have dominated debates and studies on the NMW and income inequality in South Africa. Some of these themes include the state of inequality, the impact of the NMW, and the impact of collective bargaining, the impact of the living wage and fair wage on inequality. The chapter also introduced the forgotten debates about the living wage campaign and the fair wage system which is a modern approach for addressing inequality in the labor market. The review aims to provoke a rethinking of contemporary market interventions for addressing income inequality. The chapter further brought forward the study's theoretical perspective that helps to answer the research question. The study's arguments are grounded on Marx's Conflict Theory of Social Stratification which helps to answer the research questions. This chapter has extensively engaged the Communist Manifesto (Marx & Engels, 1948) to answer the research questions. Chapter three will discuss the methodological underpinnings of the study.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This Chapter presents information on the methodological approaches used in the study. The chapter is structured according to sections which include the following: research approach, research design, Sampling techniques, research instruments, data collection and analysis, limitations of the methods, validity and reliability, ethical considerations, and the research plan. This chapter provides the methodological rationale of the study in answering the study's main question.

3.2 Research Approach

The study adopted a qualitative approach to answer the research question. A qualitative approach was chosen because it is appropriate when the study aims to comprehensively investigate a particular subject (Neuman, 2014). This helps to provide an in-depth meaning to data which makes it easy to understand. A qualitative approach is also appropriate for a comprehensive exploration and investigation of contemporary complex phenomena in their natural context (Gillham, 2010). Inequality is one of these contemporary challenges facing the world over. The NMW seek to provide a labor market policy alternative for addressing income inequality in South Africa. A qualitative approach allows participants to give an independent account of their knowledge and experiences of the subject matter (Watkins & Gioia, 2015). This approach entails accommodating other peoples' views and perspectives on a subject under study (Dangal, 2021). A major epistemological advantage of a qualitative approach is its ability to enable researchers to collect data from the point of view of those with vested knowledge of the phenomenon under investigation (Neuman, 2014). This enables the researcher to eliminate any prejudice during the study.

3.3 Research Design

A research design refers to the overall plan that outlines elements of the study and how they are related to each other (Greenstein, 2003). A research design is a plan that describes how the objectives of the study will be realized (Watkins & Gioia., 2015). This plan helps to determine the research approach to be adopted, identifying the right participants for the study, the necessary data collection instruments, and deciding on the type and nature of analysis to be

used (Cresswell, 2014)). A research plan is also important because it provides directions for the researcher to address challenges encountered during the study.

3.4 Sampling Procedure

This is the technique which the researcher will use in deciding about the choice of the study sample (Kothari, 2004). Sampling is also defined as ‘the process of selecting part of the population as a representative of the whole in a study (Chilisa & Preece, 2005). This study’s population are the labor market policy experts in South Africa with experience with the dynamics of the South African labor market. The subject of inequality and NMW is best understood by experts although it greatly affects vulnerable groups. South Africa is blessed with a powerful labor relations sector comprising trade unions, activists, labor policy and research institutions, and labor movements. The availability of strong labor movements, institutions, and activists is motivated by the availability of progressive labor laws in the country (Francis & Valodia, 2021). This is also a factor that influenced the choice of the research population to critically investigate the research question of this study. The choice of participants in this study was also motivated by the researcher’s experience and knowledge of the subject under investigation by virtue of being a labor activist himself.

Non-probability also known as Purposive Sampling has been adopted to identify participants in the study. This is a technique whereby the investigator selects a sample from the study population that in his judgment possesses the right information necessary for the study (Kothari, 2004). In this way, the researcher can locate an otherwise hard-to-reach population which may be instrumental to the study. The experts are such a hard-to-reach population because of the uniqueness of the information, skill sets, and status they hold in society. The ability to get in touch with these experts and convince them to participate was the researchers’ prerogative. A non-probability sampling approach is also convenient and low in sampling errors because the researcher has prior knowledge of the right candidates to provide the necessary information to answer the study’s questions. Some elements of stratification were used in the sampling frame to ensure that the sample was a true representation of the study’s population. The sample was selected from a population of labor market policy experts with a significant contribution to the South African labor market especially about inequality and minimum wages. Such contributions could be through academic writing, research, activism, or direct or indirect engagement on labor market policies in South Africa. The study’s sample

includes experts from the DoEL, NMWC, NEDLAC, research institutions, academic institutions, trade unions, and other labor policy activists from within South Africa. The inclusion of participants with multifaceted experiences of the dynamics of the South African labor market is important in boosting the trustworthiness of the study's findings and conclusions.

3.5 Research Instruments

Research instruments are defined as 'the tools used to collect and structure data by converting it into meaningful information' (Greenstein, 2003). When conducting research, the researcher needs to identify and use the right tools for collecting and measuring data to ensure the credibility of the findings. The study used semi-structured face-to-face interviews to collect data from research participants. This approach is ideal for encouraging participants to share an in-depth account of their experiences and knowledge of a particular subject under investigation (Greenstein, 2003). Semi-structured interviews enable the participants to disclose sensitive issues about the subject matter under investigation which would not be possible with other approaches like focus groups (Kothari, 2004). The study also analysed documents to support arguments raised by participants in this study. This method was adopted as a means of triangulation of the data. Document analysis involves reviewing or evaluating documents to establish a relationship with the subject matter under investigation (Bowen, 2009). This approach helps to corroborate data collected from face-to-face interviews with findings and conclusions made in previous studies and literature. Document analysis increases the trustworthiness of the data and the research findings (Bowen, 2009). In this study, previous research papers, research reports, Newspaper articles, legislations, and other documents relevant to this study were analysed.

These instruments were pre-tested for validity and reliability. Pre-testing is an approach that ensures that the instruments are error-free before they are applied for data collection (Kothari, 2014). In the social sciences, pre-testing ensures that research instruments are meaningful to the participants before being used. This is aimed at minimizing misunderstandings and subsequent measurement errors. In this study, the interview schedule was assessed for consistency, ambiguity, objectivity, coherence, and neutrality. Research instruments should also be evaluated for validity before being used for data collection. Construct validity and Statistical validity are the two important approaches for measuring the validity of research

instruments (Kothari, 2004). Construct validity is achieved when the instruments can measure or collect data the research is intended for. This may be the use of a pilot study in qualitative research. On the other hand, statistical validity is an internal statistical approach used to measure the validity and acceptability of research instruments (Kothari, 2004). A pilot study was conducted to assess the validity of the research instruments and ascertain whether they can achieve the intended purpose. A pilot study with four labor experts (trade union officials) who were on the Engage South Africa¹ short course program at Wits University. These experts are familiar with the subject of the NMW and income inequality which are instrumental to the study's research questions.

3.6 Data Collection

Data collection 'describes the process of preparing and collecting data for study (Greenstein, 2003). Interviews were the data collection tool for this study. An interview involves administering oral questions to participants to get oral responses from research participants on a particular topic (Kothari, 2004). Face-to-face as well as online interviews were the main instruments for collecting data for this study. Face-to-face interviews involve the use of structured or semi-structured tools and processes for data collection (Kothari, 2004). This approach is appropriate for in-depth interviews where the researcher intends to solicit more information from the participant's point of view. Micro Soft Teams meeting application was used for all online interviews. Due to the status of the respondents, this innovative approach proved to be the most favoured approach among the participants of the study. An online interview is the most convenient and cost-effective interview approach for both the researcher and the participants (James & Busher, 2016). Considering the wide location and tight schedules of prominent people in society like the case with the study's participants, online interviews enabled the participants to attend the interviews at their most convenient times.

The face-to-face interviews with the experts' participants took place at the participants' workspaces as suggested by the respondents themselves. The researcher did not influence in terms of the choice of site for the interviews. Details of the study and its objectives were shared with the participants before the interviews. This approach allowed the participants to prepare for the interviews and build confidence in the subject matter. The interviews took no longer

¹ Engage South Africa is a short course organized by the Global Labor University at Wits University for Trade Union officials from across world.

than 60 minutes. The process of data collection for this study lasted approximately 60 days. The interviews were recorded using an external audio recorder for face-to-face interviews and a Teams App Recorder for the online interviews on Teams App. The recordings were supplemented by field notes throughout the interviews.

3.7 Data Management and Analysis

Data analysis is the orderly presentation of raw data so that it can produce meanings (Greenstein, 2003). This process involves reading the data editing, demarcating the data, eliminating irrelevancies, grouping, naming data into constituents, and arranging the data into themes that accurately and fully describe the participants' responses (Greenstein, 2003). Considering the small size of the sample, the study also analysed documents that helped to support the data from the interviews to critically examine and answer the research question. This analysis is important in qualitative research because it helps to complement and validate the study's sample (Braun & Clarke, 2012). The study involved face-to-face and online interviews with eleven labor market policy experts in South Africa. The interviews were recorded and transcribed verbatim. All participants in this study were permitted to record and use their data for this study through the signed consent forms. The analysis was designed according to the main question and the objectives of the study.

The qualitative data was analysed according to the research objectives using Tesch's data analysis model of 1990. According to (De Vos et al., 2011), when analysing data, it is important to contextualize the findings according to the objectives of the study. The information below describes how this study used Tesch's data analysis model of 1990 extracted from (Tesch, 2013):

1. All recordings were transcribed into text (word document).
2. All transcripts were read, reread, and edited by the researcher to ensure the transcripts make sense according to the research objectives.
3. Colour codes were used with the manual coding while auto coding was used with ATLAS.ti to identify similarities and differences in the responses.
4. By using descriptive words, themes and sub-categories were identified.
5. The main theme and sub-categories were used to explore the research findings in depth.

Coding is one of the most important steps in thematic analysis which entails mining the data to discover the hidden meanings in the data (Corbin, 2007). Coding involves interacting with data by using such systematic approaches like questioning the data and making comparisons between data. Considering the large data from the transcripts, the manual thematic analysis was complemented by Qualitative Data Analysis Software (ATLAS.ti) was used in coding and generating themes from the transcriptions. This approach helped to minimize errors and biases in the selection of codes and themes (Drisko, 1998). It also helps to speed up the coding and theme identification process of the study but also entails generating unbiased themes that provide true meanings of the data. Throughout the analysis, I strived to be conscious of my prior biases, understandings, and experiences of the subject under investigation, thereby not allowing them to influence the outcomes of the study. Raw data was stored in a personalized computer to which only the researcher has access and will not be published.

3.8 Trustworthiness of the data

Trustworthiness is an important feature in qualitative research. It is the degree to which validity and reliability are achieved in qualitative research. To ensure trustworthiness in research findings and conclusions, (Lincoln & Guba, 1985) proposed the following four guidelines for achieving trustworthiness of the data; credibility, transferability, dependability, and confirmability. Credibility is the researcher's confidence in the truth value of the research findings (O'Leary, 2004). To achieve credibility, the researcher ensured that all participants had a proven experience on the research topic. Thus, only renowned labor market and economic policy experts, researchers, and activists were selected to participate in the study. Their credibility was also verified through the Institutional websites where the participants work or publish. Triangulation was also used to promote the credibility of the study. Triangulation entails the use of different sources of data or methods of data analysis to locate similarities or differences (Stahl & King, 2020). The researcher employed both interviews and document analysis to ensure corroboration of the findings and conclusion. The researcher further used manual and software data analysis (ATLAS.ti) to ensure that codes and themes unrelated to the research topic were easily eliminated and that the study stuck within its objectives. According to (Daniel, 2018), this is the emergence of a new scientific paradigm in data mining facilitated by AI. The use of AI in research helps to increase the validity and reliability of the study.

Dependability entails the transparency of the study and that it is possible to audit the findings or produce similar findings if repeated by others (Hanson et al., 2019). To achieve dependability, the researcher ensured that the research methods and design were clear, and its limitations described. Transferability entails the applicability of the research findings or conclusions in other contexts (Wagner, 2012). To achieve transferability, the researcher presented a detailed analysis of the methods used to ensure that the findings and conclusions of the study can be applicable in the contexts. Confirmability entails the ability of the researcher to be as objective as possible in the methodology of the study (Stahl & King, 2020). The researcher ensured that he was a neutral researcher and that any biases in the research process were eliminated to ensure that the findings were a true interpretation of the participant's narratives.

In qualitative research, credibility, dependability, transferability, and confirmability are the key elements for establishing the Validity and Reliability of the research findings (Wagner, 2012). Validity entails the accuracy and truthfulness of the findings and conclusions of the study (Brink, 1993). the level at which the findings of the study can be generalized for other cases and situations (Greenstein, 2003). Validity entails the extent to which research methods, approaches, and techniques demonstrate what the study intends to achieve (O'Leary, 2004). According to (Kirk & Miller, 1986), validity is the confidence with which the conclusions can be drawn from the findings. Reliability is the degree to which a study can be replicated, and whether, when there is more than one observer, members of the research team agree about what they see and hear (Trochim, 2007). Reliability entails the extent to which a measure, procedure, or instrument can produce the same results on different trials or repetitions (O'Leary, 2004). Validity and reliability describe the extent to which the findings and conclusions of the study have secured the trust of those reading or interested in the findings and conclusions of the study. In a qualitative study, validity and reliability act as quality assurance tools of the study.

3.9 Ethical Considerations

In social research, ethical considerations demand the professional conduct of the researcher in safeguarding the rights of the participants in the study (Babbie, 2013). The researcher was aware of the sensitivity of experts in terms of the extent they could share information for research. The researcher applied for ethics clearance from the faculty of Humanities at Wits University and the researcher started collecting data only when the ethics certificate (see

appendix) was granted. This is in line with the guidelines in social research which demands the researcher to ensure informed consent, voluntary participation, anonymity and confidentiality, and no harm to participants throughout the research process (Homan, 1991).

Informed consent entails providing detailed information about the study to all participants to ensure that participation in the study is made free from researcher coercion (Cresswell, 2014). This approach ensures that participants are not deceived into sharing information unwillingly. To ensure informed consent, an invitation to participate in the study was sent to all participants through their personal or institutional email accounts. The interview was only scheduled upon receiving a signed study invitation letter from the participant (see appendix attached). Voluntary participation entails that the participant holds the power to make any decision regarding participation in the study (Babbie, 2013). To ensure that participation was free from coercion, the details of the study were provided to the participants beforehand. Confidentiality in qualitative research 'is the agreement between the researcher and the participants that the researcher commits to protect the research data from unauthorised users (Babbie & Mouton, 2001). To ensure the security of the data, the interview recordings were transferred from the researcher's recorder to the researcher's personal computer accessed by the researcher only where the data will also be stored after the research process. Although there is a scare of hackers in online meetings, MS Teams is recommended by Wits University as a safe platform for online meetings and other forms of communication. Considering that the participants are all public figures holding public positions, the participants were reminded that their roles in society entail that their real names will be used in both the data and the final report. Anonymity in research is described as the guarantee that participants identities will not be identified by either the reader of the report or the researcher (Babbie & Mouton, 2001). The participants as experts entail that their contribution to this study is also a contribution to society. However, all participants were reminded about the lack of guarantee of anonymity in this study through the consent form and the study invitation letter. The researcher acknowledges that a research study may sometimes harm participants physically or mentally. Considering that the participants were all experts, the researcher was cautious throughout the research process by demonstrating utmost professionalism with due regard to the statuses of the participants in society.

3.10 Limitations of the Methods

Limitations in methods are ‘those areas in design or methodology that could alter the interpretations of the study findings’ (Price & Murnan, 2004). The study engaged labor market policy experts to understand their perspectives of the research question. However, the study acknowledges its failure to include the voice of those affected by the NMW and income inequality. This is the gap that could be addressed by future studies as could not be achieved within the scope, budget, and timeframe of this study. The study aimed to analyse Employment Equity Act 4 (EEA4) forms from the DoEL as part of the study’s document analysis. This is a mandatory form that requires organizations to declare wage structures in their organization. The study aimed to assess wage inequality by analysing wage structures between unionized and nonunionized workers in selected organizations. However, a request to access such data in the form of EEA4 forms was declined by the DoEL who the custodians of such data are. Although these limitations affected the study’s findings, the data provided by the experts was enough to assist in making the study’s conclusions.

3.11 Chapter Summary

In this chapter, the sociological basis for adopting a qualitative research approach, the research design, sampling, and analysis procedure were highlighted. The chapter also discussed the ethical considerations and the elements used by the study to achieve trustworthiness. The use of interview transcriptions and documents as key research instruments was discussed. Manual as well as ATLAS.ti software were used to analyse data. Thematic analysis using Tesch’s 1990 model for data analysis was adopted. In this chapter, the methodological limitations and plan of the study were also discussed. The preceding chapter will discuss an analysis and presentation of the study’s findings from the qualitative interviews and document analysis.

CHAPTER FOUR: THE IMPACT OF THE NATIONAL MINIMUM WAGE ON INCOME INEQUALITY

4.1 Introduction

This chapter presents an overview of the impact of the NMW as a mechanism for addressing income inequality and the framework for discussion of the findings of the study based on the methodological approach adopted. The data is presented and analysed based on the objectives of the study and the themes that are critical to answering the research questions. The findings provide a framework upon which recommendations are made in the next chapter. The focus of the study and the findings was on the NMW and income inequality between and among the employed in the labor market. The study did not intend to break the divide between the employed and the unemployed in the labor market.

4.2 Qualitative profile of participants

The study engaged participants who are labor policy and market experts in South Africa to investigate the research questions based on the participant's expert knowledge and experience. The main task of these experts was to help answer the main question; can the NMW help to reduce income inequality in the labor market? These experts were drawn from various labor policy institutions including the DoEL, NMWC, Trade Unions, Research Institutions, and Academic Institutions based on their personal or organizational engagement on issues related to wages and/or inequality in South Africa. Table 4.2 presents the qualitative profiles of the participants and their level of experience on labor policy issues in South Africa.

Table 2: Profile of Research Participants

S/N	PARTICIPANT NAME	ORGANIZATION	LABOR MARKET EXPERIENCE
1	Prof. Adriaan Van Der Walt	Chairperson: National Minimum Wage Commission Labor Law Professor: Nelson Mandela University	Over 20
2	Prof. Imraan Valodia	Director: Southern Centre for Inequality Studies (University of the Witwatersrand) Commissioner: NMWC Former Chairperson: Parliamentary Advisory Committee on the National Minimum Wage	Over 20

3	Masingita Mbele	Director (DoEL): NMW Research and Monitoring: DoEL	10-20
4	Unathi Ramabulana	Director (DoEL): National Minimum Wage, Basic Conditions of Employment Act, Policy and Administration	10-20
5	Dr. David Francis	Deputy Director: Southern Centre for Inequality Studies (University of the Witwatersrand) and Labor Market Economist	5-10
6	Matthew Parks	COSATU: Parliamentary and Policy Coordinator and NEDLAC: Labor Official	10-20
7	Amy Tekie	Coordinator: One Wage Campaign and Director: Izwi Domestic Workers Alliance	10-20
8	Trenton Elsley	Executive Director: Labor Research Services and Commissioner: NMWC	Over 20
9	Educated Nkosi	CEPPWAWU Provincial Secretary	Over 20
10	Loxten Alloney	CEPPWAWU Union Official and CCMA Representative	10-20
11	Kelly Gilliana	AMCU Provincial Secretary and CCMA Representative	5-10

Table highlighting Profile of participants of the study.

4.3 Participants Experience in Labor Market Policies

The table above shows that all participants are high-profile professionals with experience in Labor market policies in South Africa. Four of the professional participants have worked on issues related to wages and inequalities in South Africa for over 20 years. Five participants have between ten and twenty years while two have between five and ten years of experience related to issues of wages and inequality. This proves that the participants are people with a voice and influence on issues related to wages and inequality in South Africa. The most interesting part about the participants' profiles above is that they all took part in the NMW Campaign either directly in their ability or through their institutions.

4.4 Framework for Discussions

Table 2 below presents the themes and categories that were used to discuss the research findings, main conclusions and recommendations for this study.

Table 3: Framework for discussions

OBJECTIVE	THEME
To investigate whether the NMW is an effective mechanism for reducing income inequality in the labor market	1. NM and the labor market
	2. Achievements and Challenges with the NMW
	3. Compliance and Enforcement of the NMW
	4. NMW and income inequality
	5. Collective bargaining and inequality
To assess the impact of the living wage on income inequality in the labor market	The Living Wage and Income Inequality
To explore the Fair Wage as a tool for reducing income inequality in South Africa	The Fair Wage and Income Inequality

4.5 The Effects of the National Minimum Wage in the labor market

All the respondents showed that the adoption of the NMW increased the wages of the lower percentile workers. These are informal and vulnerable workers in the labor market. The estimate is that in 2023 over 4,3 million workers were beneficiaries of the NMW. Most of these beneficiaries are unorganized and vulnerable workers in the labor market.

Figure 1: The distribution of wages

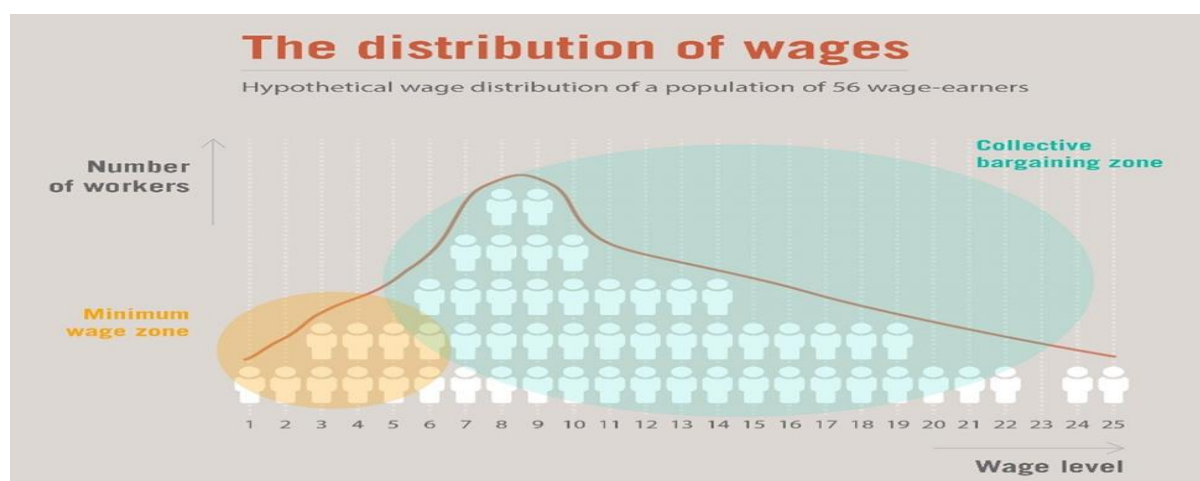


Figure 1 shows how the introduction of the NMW increased the wages and incomes of many vulnerable workers in the labor market.

The adoption of the NMW in 2019 was a victory for not only for the labor movement but also the tripartite alliance in South Africa.

According to Mathew Parks,

‘The adoption of the NMW was a big achievement for COSATU and the ANC tripartite alliance in the 2019 manifesto as drafted from the 1955 Freedom Charter.’

(Matthew Parks, September 2023)

The Freedom Charter among others outlined the need for all citizens to have equal rights to share the wealth of the nation (ANC, 2011). This means that the Freedom Charter aimed to end income and wealth inequality by promoting an income redistribution approach.

This narrative is supported by a study in South Africa which found little to no significant effect on employment in sectors under study resulting from the adoption of the NMW (Bhorat et al., 2021). A study on the impact of the NMW in the United States found Card and Krueger (1995) had no significant impact on employment (Card & Kruger, 1995). Although the findings of this study were criticized by neoclassical economic scholars who believe in the power of the theory of demand and supply, the latest study in South Africa by Bhorat et al (2021) also found no significant impact on employment. These latest findings removed fears posed by neoliberal economic supporters who argued against the adoption of the NMW in South Africa. However, all the participants acknowledged that the NMW has been at a low rate since its adoption in 2019 which makes it lose its real labor market value compared to bargaining council minimum wages.

According to Imraan Valodia,

‘The NMW is so low to think of reducing income inequality. There is much that the NMWC needs to do to achieve that level. But at the current unemployment levels in the Labor market, it is better to have the NMW than without. Remember, how domestic and farm workers were exploited before the NMW.’

(Imraan Valodia, September 2023)

The NMWA provides a legal instrument for the protection of vulnerable workers. Section 4 of the Act protects unfair labor practices including payment of any amount below the NMW and poor working conditions (National Minimum Wage Act 9 of 2018). Employers across sectors are duty-bound to ensure they abide by the provisions of the Act, otherwise, any contravention is punishable by law. The DoEL believes that the NMW should be given some time before making any conclusions about the challenges and successes. According to Masingita Mbele,

‘It is difficult to assess the NMW so far. Remember, it was introduced a few months before the COVID-19 pandemic and later the lockdowns when everything went back to zero. Let us make conclusions when all things are equal.’

(Masingita Mbele, September 2023)

The comments from the participants from the NMWC and the DoEL indicate that the Commission as well as the Department is pleased with the current market performance of the NMW. According to Imraan Valodia,

‘The adoption of the NMW did not bring any serious consequences like unemployment as feared by some economic experts.’

(Prof. Imraan Valodia, September 2023)

Despite the persistent issues of noncompliance and arguments against low rates, the NMW remain a powerful and valuable tool for regulating and enforcing fair labor practices in the South African labor market.

4.6 Factors that affect compliance and enforcement of the NMW in South Africa

The DoEL is the main actor in terms of ensuring compliance and enforcement of the NMW. However, despite constituting the NMWC and empowering the Commission for Conciliation, Mediation and Arbitration (CCMA) to help in the enforcement of the NMW, non-compliance remains the biggest challenge in the labor especially in precarious sectors like domestic services, farm work, wholesale and retail, and other informal sectors (Bhorat et al., 2021). All participants from the DoEL acknowledged this challenge.

According to Unathi Ramabulana,

‘The DoEL through our Labor Inspectors throughout the country and the CCMA are doing a wonderful job of enforcing compliance with the NMW. Some claims are also reported directly to the department, and we refer them to the right authorities. However, the department and the CCMA are receiving an overwhelming number of cases beyond their capacities.’

(Unathi Ramabulana, August 2023)

The use of Labor Inspectors to police the NMW is the main enforcement approach adopted by the DoEL. However, the department lacks adequate resources including numbers to reach out to every worker across the country.

In his response, Prof. Adriaan Van Walt commented:

‘We cannot deny that compliance is our biggest challenge so far. We need to do more in terms of mechanisms for enforcement. If checked every year, non-compliance keeps on increasing. As a Commission, we are doing all we can to ensure that there is full compliance with all the provisions of the NMWA.’

(Prof. Adriaan Van Der Walt, August 2023)

To help ensure compliance with the NMW, the BCEA 75 of 1997 was amended in 2018 to extend the mandate of the CCMA to enforcement of the NMW (CCMA, 2019). The CCMA through Labor Inspectors issues compliance orders against any suspected contravention of the NMWA. However, some labor expert expresses dissatisfaction with the reliance on this traditional wage enforcement approach in the case of the NMW.

According to Trenton Elsley,

‘The use of Labor Inspectors as a key mechanism for enforcing wages is not effective in a Labor market with high unemployment like the case of South Africa. We need to move away from these traditional approaches to new and innovative ways. Remember, today’s capitalist employers are careful and will do whatever it would take to avoid compliance. The department also needs to do likewise.’

(Trenton Elsley, October 2023)

Such remarks were echoed by Labor Activist Amy Tekie who believes the CCMA is incapacitated.

According to Amy Tekie,

‘The inclusion of the CCMA as an enforcement agency of the NMW is not working to the advantage of vulnerable workers. The CCMA does not have enough Labor Inspectors to reach out to every corner of the country. The most affected as usual are the nonunionized workers. When the worker reports to the CCMA, she spends months walking to push for her claim with the CCMA until she surrenders the case without justice. It is not as easy as it is said. When the worker is lucky enough to be invited for a hearing at the CCMA, the CCMA is always

negotiating with the employer for a compromise about the claim. How do you negotiate a violation of human rights? Justice is unreachable for the vulnerable workers when it comes to the NMW.'

(Amy Tekie, August 2023)

Amy Tekie's comments are echoed by a report by Weso and Brandt (2021) published by the Solidarity Centre in response to the demands of the One Wage Campaign on the challenges facing precarious workers in accessing justice against labor rights violations by employers in South Africa. This report detailed how vulnerable workers are poorly treated by officials of the CCMA, DoEL, and the Sheriffs of the Courts in their attempt to access justice against employer exploitation and abuse (Weso & Brandt, 2021). The report further claimed that workers without representation were disadvantaged in accessing justice and that Sheriffs could barely execute court orders in judgements for vulnerable workers (Weso & Brandt, 2021).

The adoption of the NMWA aims among others to address labor exploitation against vulnerable workers like those claimed in the report above. The challenge of access to justice by vulnerable workers was also noted by Prof. Adriaan Van Der Walt.

According to Prof. Adriaan Van Der Walt,

'Neither the CCMA nor the DoEL can provide a workable and realistic enforcement approach that would deal with issues on noncompliance of the NMW for once. It is difficult for migrant workers, for example, to access Labor Inspectors. The NMWC is committed to ensuring that all beneficiaries of the NMW get equal protection of the law. We are trying to find other alternatives for ensuring that NMW earners get easy access to justice against any form of exploitation.'

(Prof. Adriaan Van Der Walt, August 2023)

Non-compliance with minimum wages is not a phenomenon unique to South Africa. Non-compliance with minimum wages is a characteristic feature of all labor markets with high market disequilibrium (Starr, 1981). This entails a situation where the labor market is experiencing a higher number of unemployed workforces. This feature is also common in labor markets with a high informal sector a development which perpetuates exploitation through low wages and poor working conditions. A report published by Women in Informal Employment Globalizing and Organizing (WIEGO) in 2019 indicates that 30% of the employed workforce in South Africa is in the informal sector with over 24% in the Metropolitan area (Rogan, 2019).

This entails that a higher NMW would attract and push low-skilled workers into the formal sector which entails closing the wage and income inequality gap in the labor market. However, a higher unskilled labor force in South Africa poses a challenge to enforce compliance with the NMWA. A Global Wage Report for 2020/21 revealed that a highly informal labor market is likely to affect compliance and enforcement of minimum wages across the world. Unless informality in the labor market in developing countries is reduced, compliance and enforcement of minimum wages will remain a challenge. The ILO agenda for the formalization of the informal sector through ‘Recommendation 204’ is a call to end all forms of discrimination and exploitation against labor in the informal sector.

4.7 The Impact of the National Minimum Wage on Income Inequality

‘We need to ensure that the benefits of growth are more equitably shared. We need to confront poverty and inequality ... We need to examine and understand income inequality and develop measures to reduce it. Among other things, we need to examine the value and challenges of implementing an NMW.’

(Address by Deputy President Cyril Ramaphosa at the 19th NEDLAC Annual Summit, 5 September 2014. Extracted from Isaacs, 2016).

The above extract from the then Vice President’s (Ramaphosa) address in 2014, indicates that the adoption of the NMW was a priority for the ANC and the tripartite alliance to demonstrate its commitment to reduce the ever-increasing levels of inequality in post-apartheid South Africa (Isaacs, 2016a). The NEDLAC report which was released in support of the then Vice President Ramaphosa’s remarks noted that the adoption of the NMW would mean a significant achievement in the country’s policy initiatives to address inequality (NEDLAC, 2014). The NMWC report of 2021 expressed optimism about the impact of NMW as a mechanism for addressing income inequality in the labor (National Minimum Wage Commission, 2021).

However, some labor and economic experts in this study expressed scepticism about the extent to which the NMW can reduce income inequality in the labor market.

According to Prof. Imraan Valodia,

‘The NMW is a blunt policy tool for fighting income inequality on its own. However, it is an effective instrument for raising the income of low-wage-earners and thereby bridging wage

differentials by implication. Although the NMW is a valuable tool for addressing income inequality, it is not the only mechanism available in the labor market. There are a lot of other elements to consider in the fight against income inequality in the labor market.'

(Prof. Imraan Valodia, September 2023).

Prof. Valodia's comments were also echoed by a labor activist Kelly Gilliana who noted that,

'The government should complement NMW earners with a sort of subsidy or social grant that could boost their earnings and the income gap between the lowest and the highest earners.

Otherwise, the value of the NMW in reducing income inequality will never be achieved.'

(Kelly Giliana, September 2023)

Kelly Gilliana and Prof. Valodia's remarks echo recommendations of the final report of experts drafted by NEDLAC in 2016 to the presidency of the Republic of South Africa on the recommendations for the adoption of the NMW which expressly state that 'the NMW should never be seen or used as a lone instrument but designed to supplement and reinforce other social policy initiatives' (Aluwani et al., 2017). These recommendations entail that a deliberate policy should be adopted that would see NMW earners also receiving help from other social policy initiatives like public works programs, cash transfers, unemployment insurance, and many others. Such an approach would boost the income of NMW earners to such a level that would help the beneficiary achieve a decent life and bridge income inequality. In 1945, the Independent Labor Party in Britain advocated for the implementation of family allowances for every worker as part of its push for a socialist agenda (Hurt, 1991). The approach aimed to boost the income of the working people as a mechanism for reducing inequality generated by the then Labor government (Hurt, 1991).

On his part, Prof. Adriaan Van Der Walt comments that,

'The effect of the NMW on income inequality cannot be found at this level because there has not been any study to help understand the impact. What is clear is that there is a big gap between the NMW earners and those on the higher earning percentile. The NMW is not even closer to the living wage. This means most NMW earners continue to live in abject poverty. At the current state, we can say it has not shown any signs of reducing income inequality though it has the potential to do so in the long-term.'

(Prof. Adriaan Van Der Walt, August 2023)

The remarks above were echoed by the Director of NMW Research and Monitoring Masingita Mbele who believed that,

‘The COVID-19 pandemic affected the implementation of the NMW. Remember, it was adopted in January 2019, a year later everyone was at home until at least 2022 when everyone was back to work. It was difficult to do any assessment of the impact during that period. Even though compliance was low during the pandemic. However, we are back to normal life. We will be having a report from UCT very soon on the impact of reducing a wage. We will also have medium-term targets released very soon. It is too soon earlier to make any conclusions about the impact of inequality without any comprehensive research.’

(Masingita Mbele, August 2023)

The Covid-19 pandemic turned the global labor market into a global crisis (Global Wage Report 2020/2021, 2020). The pandemic pushed inflation higher a development which reduced the purchasing power of many minimum wage earners across the globe. This was the effect of many employers turning into bankruptcy due to the lockdown a development which affected the global labor market as many workers went into unemployment. During the COVID-19 pandemic, it is estimated that every minimum wage earner across the world lost about six weeks’ worth of wages from 2020 to 2021 (Global Wage Report 2020/2021, 2020). Some countries adopted wage subsidies to cushion workers against the impact of the COVID-19 crisis.

According to an economist Dr. David Francis,

‘It is difficult to understand how the NMW can reduce income inequality because the impact of the NMW is on people with jobs only. It does not affect those outside the labor market. If you understand the dynamics of income inequality in South Africa, it is between people with jobs and those without. So, the NMW has little significance in reducing income inequality outside the labor market.’

(Dr. David Francis, August 2023)

Dr Francis’s reservations were collaborated by a labor Activist and Labor Researcher Trenton Elsley who remarked that,

‘There is no argument about the effectiveness of the NMW in reducing inequality. Yes, it can reduce but I do not think that will happen any time soon at the current minimum. The

introduction of the NMW saw a trend towards a modest increase in wage distribution especially in the lower wage percentiles and little in the higher wage percentiles. This means that income inequality will still grow despite increasing the rate of the NMW.'

(Trenton Elsley, October 2023)

The introduction of the NMW was a blessing to many sectors that only relied on sectoral determinations for protection against employers. The equalization of the NMW ensured that all sectoral determinations except for public works followed the regulations of the NMWA. It should be noted that the main aim of the NMW is to reduce poverty, however, some scholars argue that poverty is the effect of inequality (Rohwerder, 2016). This entails that poverty reduction initiatives in South Africa should integrate inequality reduction initiatives which is the root cause.

According to Masingita Mbele, the NMW has for sure improved the standard of living of low-income earners.

'I do not think it has so far done anything with addressing income inequality. I believe that the issue of reducing income inequality is beyond the capacity of the NMW. It requires engaging the Employment Equity Act (EEA) and other social policies.'

(Masingita Mbele, August 2023)

The EEA requires employers to declare the wage structures of all their employees (EEA 55 of 1998). The Act aims to address unfair wage discrimination against Black people. The EEA enforces the NMW by punishing unfair wage discrimination in all sectors.

Calls for higher NMW have been received with different opinions by scholars and participants in this study.

According to Prof. Imraan Valodia,

'The South African labor market remains volatile with a remarkably high unemployment. It is a gamble to believe that any increase in wages including the NMW would not affect the economics of supply and demand for labor.'

(Prof. Imraan Valodia, September 2023)

The NMWC is the authority mandated to ensure the sustainability of the value of the NMW in the labor market. Another interesting point that emerged from the study is that the NMWA

mandates the NMWC to annually report to the Minister of Employment and Labor on the extent of wage differentials in the labor market. The NMWC is tasked to recommend a NMW which would be able to bridge any wage and income inequality in the labor market (National Minimum Wage Act, 2018). The Ekurhuleni Declaration also known as the Wage Inequality Declaration, adopted in 2014, affirmed the party's commitment to adopting the NMW as a mechanism for addressing wage and income inequality in South Africa (NEDLAC, 2014).

4.8 The Impact of Collective Bargaining on the National Minimum Wage

This question comes concerning section 2 of the NMWA of 2018 which provides the promotion of collective bargaining as one of the key objectives of the NMW (National Minimum Wage Commission, 2021). Although not a primary aim of this study, however, it is important to understand the relationship between the NMW and collective bargaining and explore, from the point of view of the experts, how this relationship affects or impacts each other. The expert participants in this study expressed differing opinions on the relationship between the NMW and collective bargaining. From this analysis, it remains unclear whether collective bargaining supports or weakens the NMW but what is clear from the conversations with the experts is that the current NMW is much lower than the average minimum wages from collective bargaining.

According to Prof. Van Der Walt,

'Despite collective bargaining being a factor that we consider when adjusting the NMW, it does not influence any decision on the level of the NMW. I do not think the NMW affects collective bargaining either. We have not experienced cases where the employer will consider reducing the bargaining council minimum wage to match with the NMW. If any, it has been the opposite.'

(Prof. Adriaan Van Der Walt, August 2023)

This indicates that the labor market has experienced an impact on the wages of unionized workers due to the introduction of the NMW. This is because the collective bargaining wages are already higher than the NMW. If any impact, it is on sectoral determinations which adopted the NMW except the public works program.

According to Kelly Gilliana,

'As trade unions, now we attempt to detach from collective bargaining in favor of company-level bargaining. The idea is to fight for a wage which is a true representation of the workers'

demands, unlike collective bargaining which is chaotic situation bargaining. Like collective bargaining, the determination of the NMW is influenced by powerful capitalists who lobby through their representatives in the NMWC. I do not think the NMW can achieve the aspirations of the labor movement in the current context. The NMW has been hijacked by capitalists, taking advantage of a disjointed labor movement in South Africa.'

(Kelly Giliana, September 2023)

The inclusion of labor in the NMWC was believed to be a catalyst for ensuring that the aspirations of vulnerable groups are represented in the NMW. Since the introduction of the NMW, the labor movement has been calling for an NMW which is competitive against other market wage systems including Bargaining Council minima. However, random data collected by this study to assess the wage pay gap between NMW and Bargaining Council minimum wages shows higher wage differentials between them. According to LRS (2023), in 2022 the NMW was at R23.19 representing a monthly average of around R3700 at 5 days a week while the lowest minimum in bargaining councils was at R4276 a month with some sectors getting as high as R16065. The data below provides a snapshot of average bargaining council minimum wages in some sectors.

Table 4: Minimum Wages Set by Bargaining Councils 2022

Bargaining Council	Monthly Wage 2022
Laundry, Cleaning & Dyeing Non-Commercial (Natal)	4276
Furniture Manufacturing (Johannesburg)	4418
Fast Food, Restaurant, Catering & Allied Trades	4434
Food Retail, Retail, Catering & Allied Trade Area B	4519
Hairdressing & Cosmetology Trade (Kimberley) Division 103 Kimberley	4522
Textile (Home Textile)	4676
Restaurant, Catering and Allied Trades Wits	4820
National Bargaining Council for the Private Security Sector (Area 3)	5025
Textile (Accessories)	6560
Petroleum (NBCCI)	7539
National Bargaining Council Road Freight Logistical Industry (NBCRFLI)	7640
South Africa Road Passenger Bargaining Council (SARPBC)	8351
Leather industry National BC (Footwear)	8374
FMCG (NBCCI)	8392
Civil Engineering	8727
Industrial Chemicals (NBCCI)	8892
South African Local Government Bargaining Council (SALGBC)	9043
Textile (Fibre)	9222
Pharmaceutical (NBCCI)	9770

Transnet SOC Limited	10610
New Tyre Manufactures Bargaining Council	16065

Extracted from LRS (2023). Actual Wage Rate Databases

This data entails the presence of higher wage differentials between the NMW earners and those determined by collective bargaining. Although the table above does not provide a comparison between wages of unionized and ununionized workers, however, this snapshot comparison of the NMW and Bargaining Council average wages of some sectors gives a sense of wage differentials between collective bargaining and the NMW. Bargaining Councils determine the average wages of workers represented in that sector. This assumption is corroborated by Kerr and Wittenberg (2021) who found high pay gaps between unionized and nonunionized workers in South Africa. Another study in South Africa also found that unions have both a compressionally (within-group) and disequalising (between-group) effect on wages, however, the disequalising effect dominates and influences the other (Ntuli & Kwenda, 2014). This means that whilst unions force an increase in wages of the low-wage-earners, its impact is less than it pushes middle to high-income-earning categories where unions in South Africa have a majority membership. The disequalising effect, therefore, means that trade unions contribute more to increasing inequality than they help to reduce.

According to Prof. Adriaan Van Der Walt,

‘It is very difficult to notice the contribution of trade unions to the NMW because trade unions do not represent the majority of NMW earners. This is the gap the NMW came to fill in the labor market. Unfortunately, when the government approves an increment of say 5% for the NMW in that year, trade unions will push for an increase above that of the NMW. In this way, I don’t see the NMW reducing the wage and income inequality gap any time soon.’

(Prof. Adriaan Van DeWalt, August 2023)

This finding entails that the sociological implications of trade unions, as pioneers of the call for the NMW, need to be critically investigated to establish the effect on initiatives and policies towards addressing inequality in the labor market. The study has noted a gap between the trade unions and the NMW. Despite leading the NMW campaign, trade unions including COSATU have demonstrated little willingness to support calls for higher NMW or efforts to promote the value of the NMW in the labor market. A snapshot review of the 2019 to 2023 annual reports

of COSATU, NUMSA, and SAFTU shows no activity related to promoting the value of the NMW.

4.9 Impact of the Living Wage on Income Inequality

The adoption of the NMW came after a failed attempt by the labor and other social movements in South Africa to push for a living wage. The abandonment of the living wage campaign and adoption of the NMW by the labor movements in South Africa is another interesting area this study investigated. All the participants in this study showed prior knowledge and understanding of the meaning and concept of the living wage and acknowledged that it was a key agenda for labor movements in South Africa before it was overtaken by the NMW campaign.

According to Educated Nkosi,

‘The living wage was a big issue for COSATU during the term of John Komomo, however, when the ANC and COSATU went into a tripartite alliance government in 1994, it abandoned this agenda. COSATU and other federations later started to mention the NMW which I believe is a capitalist market mechanism, unlike the living wage. Look, what the NMW has done to precarious labor today is nothing more than what Sectoral Determination did before. The employers are happy, but the workers are not.’

(Educated Nkosi, August 2023).

The sentiments of Educated Nkosi are echoed by a Strategist Mathew Parks who feels that the living wage is still an important labor market tool in the context of South Africa.

According to Mathew Parks,

‘High unemployment pushed the tripartite government to withdraw its push for a living wage, however, the living wage remains an agenda for COSATU. As COSATU, we believe that the living wage is what we need to address poverty and inequality. However, we are cautious with the dynamics of the labor market now. We need to balance the demands of the labor and the ambitions of the government.’

(Matthew Parks, September 2023).

These data acknowledge that despite the adoption of the NMW, the living wage remains an important intervention to help address increasing levels of income inequality in the labor market. The findings above are also supported by guidelines of the medium-term targets of the

NMW adopted by the NMWC in 2023. The NMW aims to achieve a median wage as per the recommendations in the ILO Global Wage Report 2020/2021 which recommended that minimum wages in developing countries should be set at approximately 67% of the median wage in developing countries (Global Wage Report. 2020/21, 2020). The Median wage is the middle wage from a range of employees' wages. That's, the wage whereby half the employees receive below and half the employees receive above (Salary.com, 2019). The call for a median wage aims to break wage inequalities in developing countries a development which sustains the vulnerability of low-wage earners. The aspirations to break income inequalities are also noted in the NMW medium-term targets as adopted in 2023.

The medium-term targets of the NMW declare that:

'All wage-earning workers should earn a wage sufficient to maintain a decent standard of living defined as sufficient to maintain themselves and their families at a level that is both socially acceptable and economically viable. The target will ensure that the value of the NMW does not decline relative to the median wage. To achieve this target, the NMWC will increase the value of the NMW gradually over time in real terms (relative to CPI).'

(National Minimum Wage Commission Medium-Term Targets, 2023)

The data above demonstrates the Commission's efforts to use the NMW as a tool for achieving the ILO's decent work agenda. The medium-term targets further support this study's findings that the NMW is currently at a low level to help reduce income inequality.

According to Prof. Adriaan Van Der Walt,

'The medium-term targets of the NMW aspire to get the NMW to the level of the living wage, but you can see that we have no specific targets and timeline for achieving these targets because the stakeholders meeting failed to agree on the mechanisms for achieving these targets. The labor side may argue for a higher increment. The business side argues against a higher increase. The government is worried about any effect on unemployment. So, it is a complicated thing to achieve a living wage in the medium term. But we are going closer to the living wage.'

(Prof. Adriaan Van Der Walt, August 2023)

Achieving a living wage is also the aspiration of the NMWC according to the medium-term targets above. This entails an acknowledgement that the NMW is not adequate to provide a

decent living for the worker and his family. By using an analysis of the cost of living, the NMW would be able to graduate the vulnerable workers out of poverty thereby reducing income inequality. The call for a living wage as a mechanism for addressing inequality is also supported by Labor Activists, Loxten Alloney and Trenton Elsley. According to Loxten Alloney,

‘The push for decent wages is what led to the Marikana struggle when workers complained about low wages with the excessive cost of living for themselves and their families. Unfortunately, the labor movements are now siding with the Capitalists in arguing against the living wage as well as a higher NMW.’

(Loxten Alloney, August 2023)

According to Trenton Elsley,

‘The failure of the living wage campaign was a self-defeat by the movement because they lacked unity of purpose and focus on their agenda. This is what I meant by saying the living wage is dead in one of my articles. The labor movement had no specific demands in the living wage campaign. I was not surprised when I saw the living wage campaign collapse and I am surprised to see the NMW campaign driven by capitalists.’

(Trenton Elsley, October 2023)

From the findings above, it is interesting to learn how the NMWC declares a medium-term target for achieving a living wage or what they described as a decent wage without providing specific mechanisms or approaches for achieving these targets. It is also interesting to note how power asymmetries play a vital role at the NMWC in debates about adjusting the NMW. It is clear from the findings that the living wage remains an important instrument for reducing poverty and inequality in South Africa, however, debates about the living wage or pushing the NMW to a level of the living wage are overshadowed by capitalist interests and unwillingness of Labor institutions including trade unions to pursue the agenda. These findings are not surprising, considering the status of most NMW earners who are mostly in precarious work. This means that the duty to protect and defend the interests of these workers rests with the state or state agents only.

The understanding that the living wage is a better market mechanism for addressing poverty and inequality in both developed and developing nations is supported by international initiatives including the ILO and the United Nations (UN) Global Compact on Decent Work which are geared towards advocating for a universally sustainable living wage (United Nations

Global Compact, 2023). Decent Work is defined by the ILO as work that pays a fair income, includes social protection for the worker and his family, provides equal opportunities and treatment in employment, and offers prospects for personal development (Anker et al., 2002). This global initiative on decent work encourages public and private employers to adopt a living wage as part of their commitment to the decent work agenda which aims to provide dignity to all workers (regardless of their status), families, and communities. In 2022, the International Labor Conference adopted a resolution that calls on all its members to push for the adoption and implementation of the living wage in their respective states (United Nations Global Compact, 2023). The UN Global Compact on Decent Work further calls upon countries and organizations that adopted Statutory wages or NMW to ensure that such wages support the decent work agenda, that is, wages that ensure a decent and dignified living for the worker and his family.

4.10 The Fair Wage in the Context of South Africa

The Fair Wage is a new concept supported and promoted by the ILO through the Decent Work agenda as an effective tool for achieving decent work. This study introduced this concept, though not a familiar concept in South Africa and many developing countries, however, it is an important concept promoted by the ILO through the decent work agenda. The concept of fair wage, though not a synonym for the living wage, has a lot of commonalities among them. The study believes that the concepts of fair wage and living wage are important in understanding what would take the NMW to achieve its objective of reducing both poverty and inequality in South Africa. To critically explore this hypothesis, the study engaged experts to help explore the impact of fair wages on income inequality.

Though it was a concept not familiar to some of the participants, the relationship of the concept with the living wage and decent work was the defining factor that helped to explain what it entails to some of the participants. In understanding whether the South African labor market should explore the fair wage as a mechanism to help address inequality, the participants had a divided conclusion although agreed that a fair wage is critical in dealing with inequality. According to Dr. David Francis,

‘This is an interesting debate to ignite in South Africa. What is key to understand is whether the current wage systems are working and achieving planned targets. We need to question whether the NMW has achieved its goals. These debates should happen side by side with

employment debates to ensure that a fair wage system does not compromise with employment.'

(Dr. David Francis, August 2023)

In the remarks above, Dr Francis cautions that it is important to ensure that any introduction of a new labor market system like the fair wage does not compromise on employment. Dr Francis believes that the South African labor market is sensitive to employment and that any alteration of the market may significantly affect the outlook of the whole market. According to Prof. Imraan Valodia,

'The Fair Wage could mean a wage that bridges the gap between the low and the high-income earners in the labor market. This is important for the economy and reducing income inequality. However, in a country like South Africa, with high unemployment in the labor market, it is unrealistic to adopt and achieve a fair wage. We all like to live in a fair world but how you get there is more complicated.'

(Prof. Imraan Valodia, September 2023)

These remarks entail that the fair wage, though being a useful tool for addressing income inequality, however, it is not clear to what extent a country like South Africa could achieve a fair wage. The remarks further acknowledge that a fair wage would be a better mechanism for reducing income inequality by promoting higher wages. However, any such type of idea should be challenged by the owners of capital who are a powerful stakeholder in the South African labor market and taking into consideration the extent of unemployment and growth of the informal sector in South Africa.

4.11 Chapter Summary

This chapter has presented the key findings of the study based on the research question using a thematic analysis approach. The chapter explored some key themes presented in the study including the effects of the NMW in the labor market, compliance, and enforcement of the NMW, the impact of collective bargaining on income inequality, collective bargaining and income inequality, the living wage and income inequality, as well as the fair wage and income inequality. These themes presented an analytical tool for understanding the findings of the study. The arguments and findings in this chapter are supported by an analysis of some literature and documents related to the research question. The experts agree that the Fair wage

present an opportunity for wage earners to get a dignified compensation for their labor, however, they also agree that it remains a socialist utopia that a fair wage or a living wage could be achieved in a capitalist dominated country with a high level of unemployment like South Africa. The findings in this study acknowledges that wages affect mainly the employed, and therefore, neither the NMW, Living wage, nor the Fair wage could break the inequality divide between the employed and the unemployed which was beyond the scope of this study.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS OF THE STUDY

5.1 Introduction

This chapter presents the main conclusions of the study based on the main research question. The conclusions provide a critical tool for understanding the basics upon which the recommendations are based upon. The purpose of this chapter is to provide an overview of the data from the qualitative interviews and document analysis which are the key instruments used for collecting data in this study. In this chapter, the main conclusions, limitations, and recommendations of the study are highlighted. The conclusions are presented according to the objectives of the study.

5.2 Main Conclusions of the research findings

The study used a qualitative approach to investigate the research question; Can the NMW reduce income inequality in the labor market? The main conclusions are discussed based on the objectives of the study as follows:

5.2.1 To investigate whether the NMW is an effective mechanism for addressing income inequality in the labor market.

The findings of the study demonstrate that it is difficult to ascertain the real impact of the NMW on inequality within the brief period of implementation and without the presence of a comprehensive study to that effect. The adoption of the NMW benefitted low-wage earners as noted from the perspective of the expert participants of this study and the documents analysed. The study noted that the participants' key reference point in addressing this question was Bhorat et al (2021) who attempted to assess the impact of the NMW in the labor market. However, this study found that Bhorat et al (2021) focussed on the impact on employment and not income inequality. This study's investigations found that there have been no comprehensive studies to investigate whether the NMW can reduce income inequality in the labor market. This entails that the experts' opinions were based on their professional and international perspectives only. This conclusion is supported by remarks made by Prof. Adriaan Van Der Walt, the chairperson of the NMWC who noted the same lack of assessment studies as a key challenge for understanding the impact of the NMW during its four years of implementation.

The findings of this study have also revealed that the impact of the NMW is obscured by its low value of development which makes it difficult to influence the labor market. In this regard, this study concludes that the impact of the NMW as a mechanism for reducing income inequality is eroded by its low value against other wage systems in the labor market like collective bargaining.

The adoption of the NMW was received with a mixed reaction as other experts feared that its adoption would result in job losses. This study noted the same fears from the perspective of expert participants in terms of any attempt to increase the NMW to the level of a living wage or fair wage. The participants' fears of job losses come because South Africa has many who are part of the unemployed workforce a development which gives employers the power to dictate terms in the market. This study believes that the impact of the NMW is weak because the South African labor market is dominated by middle to high-income earners, which means very few are impacted by the NMW. Such an environment contributes to the weakening of the NMW. However, the study has also noted that, by 2022, the NMW managed to equalize all minimum wages across sectors in South Africa. This has been a big achievement because it has taken care of all vulnerable workers and sectors at the same time.

Non-compliance to the NMW remains a critical concern as noted by the expert participants despite giving powers to the CCMA to assist in the enforcement of the NMW. However, from the findings of this study, it can be concluded that the NMW has become the new victim of noncompliance in the labor market. Poor enforcement mechanisms have been described as the main contributing factors in the context of South Africa as noted by the participants in this study. The lack of an adequate number of labor inspectors from the DoEL to enforce compliance with the NMWA was quoted in the findings as a key challenge contributing to this development. The DoEL has now turned the CCMA into the main enforcer of the NMW claims, according to some participants in this study. This approach has incapacitated the CCMA, a development which contributed to poor services. This study joins some experts who argue against the use of traditional minimum wage enforcement mechanisms (labor inspectors) with the NMW. This study calls on new and innovative approaches that could challenge innovative employers. High cases of noncompliance entail that many workers continue to receive low wages, a development which contributes to increased income inequality.

5.2.2 To assess the impact of the living wage on income inequality.

This study aimed to assess whether the adoption of the living wage could help reduce income inequality in the labor market. The idea is to establish a relationship between the living wage and the NMW when it comes to addressing income inequality in the labor market. This question comes amidst a failed attempt by the labor movement in South Africa to push for a living wage from the 1980s until the election of the ANC tripartite alliance which led to COSATU abandoning the living wage and joining the NMW campaign in 2014. The findings of this study demonstrates that a living wage like the NMW is a social policy mechanism aimed at increasing wages of the employed and has little effect on the unemployed. The participants acknowledge that unlike the NMW, a living wage provides wage earners with a reasonable wage enough to meet necessities for themselves and their families which could act as a bridge for reducing income inequality. The living wage in this sense achieves the decent wage agenda spearheaded by the ILO (United Nations Global Compact, 2023) to reduce labor vulnerability in a capitalist dominated world.

From these findings, this study concludes that a living wage could reduce income inequality in the labour market by boosting income and purchasing power of wage earners. However, COSATU and its allied labor affiliates abandoned the living wage campaign despite being pioneers and several findings acknowledging its impact as a mechanism for reducing both poverty and income inequality. The adoption of the NMW received criticism from some quarters of the labor movement including SAFTU which labelled the NMW as wearing a capitalist face being lower than the average cost of living in South Africa. Some participants in this study acknowledged that the NMW is overtaken by capitalists by weakening the labor movements and other stakeholders in the NMWC.

5.2.3 To explore the fair wage as a tool for reducing income inequality in the Labor market

The study aims to investigate the knowledge and feasibility of the concept of fair wages in the context of South Africa. The idea is to assess the extent to which adopting a fair wage is a better mechanism for addressing income inequality in South Africa. This thinking comes as inequality continues to increase in the South African labor market despite the adoption of the NMW. The fair wage has emerged as an important tool in the global labor market with the ILO promotion of the decent work agenda to end the exploitation of labor in vulnerable employment. The decent work agenda also comes as the ILO takes a leading role in the fight

against inequality in the world. This idea also comes amidst South Africa's implementation of the Decent Work Country Program which aims to align the decent work agenda with the country's National Development Plan with a key focus on reducing poverty and inequality by 2030 (ILO, 2018).

This study acknowledges that the concept of fair wage is not familiar in many developing countries unlike in the developed countries, however, the recent release of the medium-term targets for the NMW in South Africa demonstrates a rethinking towards the direction of a fair wage. From a point of view of many expert participants in this study, the visibility of a fair wage in South Africa is almost impossible due to a high unemployment rate. Although this study did not critically examine the impact of the Living wage and the Fair wage, it believes that the NMW should be increase to match with the current living wage as a transition to the Fair wage. This approach could be piloted in selected sectors like mining, finance, and public sectors as the case in India. In this regard, the study could not provide a comprehensive conclusion on the impact of the Fair wage due to a big philosophical gap among the participants' opinions which was beyond the scope of this study.

5.3 Recommendations for Future Research

In this section, the limitations of the study will be discussed and acknowledged. These limitations will be linked to recommendations for possible future comprehensive investigations on whether the NMW is an effective tool for reducing income inequality in the labor market:

- This study used a qualitative methodology to investigate the research topic drawing on the views of labor market policy experts in South Africa. However, the findings reveal that it was necessary to engage a wide range of stakeholders including NMW earners from different sectors. The future study should adopt a mixed method to provide a full insight into the economics of the NMW in South Africa. This approach would enable the study to engage a wide array of participants with different backgrounds and labor market experience.
- The study recommends a higher NMW to a level equivalent to a living wage if it could effectively be used as a tool for reducing income inequality. This approach would see the NMW earners getting a fair wage which is enough to achieve a decent and dignified wage for the worker and his family. This would also mean aligning the NMW with the

ILO decent work agenda which advocates for a reasonable and dignified income as compensation for the worker's labor. To achieve these aspirations, the labor movement in South Africa should revive and re-own the living wage campaign and push the government into adopting the living wage as a key factor for determining the annual NMW adjustments in South Africa. The study also recommends that the NMW be implemented as an integrated social policy program with other social policy initiatives like social grants and subsidies for NMW earners to cover the low wages from the NMW. This approach could strengthen the income capacity of the NMW earners thereby bridging the income inequality gap between high earners and low earners. To cover the gap created by the low NMW, all NMW earners should be aligned to benefit from programs like Public Works Programs, Unemployment Insurance Funds, Subsidies, and other social grants. These would cushion the cost of living of all NMW earners against others thereby reducing income inequality.

- This study joins other scholars that call for integration of the NMW with other social policy initiatives like social grants, Unemployment Insurance Fund (UIF), Universal Basic Income Grants (UBIG), Cash Transfers, Youth Subsidies, and others to boost the income of NMW. This recommendation is supported by the findings of a study by Rutkowski (2003) which found that the effectiveness of a statutory minimum wage is significant if it is aligned with other social policy initiatives and not operating in isolation.
- This study recommends a comprehensive theoretical and empirical study on the effect of the NMW as a tool for reducing income inequality in the labor market. This means that the NMWC or the DoEL should facilitate a study to that effect and use the findings as a baseline assessment of the NMW on income inequality.

5.4 Limitations of the study

- This study was conducted mainly to understand the effect of the NMW on income inequality in the South African labor market. The lack of an empirical study on the impact of the NMW on income inequality in South Africa since its adoption limited the depth of this study.

- The study data was collected mainly from market and labor policy experts only. This approach limited the depth of the study. Extending the study participants to include NMW beneficiaries from selected sectors would have provided balanced information that would strengthen the findings and conclusions of the study.

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7.0 Appendices

Appendix A: Research Invitation

Interviewee Name:

A. Introduction

1. My name is Muhammed Alli, a Master's degree student at the University of the Witwatersrand, Johannesburg. I am conducting this study under the supervision of Dr. Christine Bischoff.
2. This study is part of the requirements for the Master's degree course in the faculty of humanities.
3. The main objective of the study is to investigate whether the National Minimum Wage is an effective mechanism for reducing income inequality in the labor market.
4. To achieve this objective, the study seeks to answer the main question; Can the NMW reduce income Inequality in the labor market?
5. I invite you to participate in this study through a face-to-face/online interview.
6. My selection of you as a participant in this study is influenced by my knowledge of you as an expert in the dynamics of the South African labor market especially in the subject of income inequality and National Minimum Wage.
7. The interview will take no longer than 60 minutes.
8. You are free to stop or quit the interview at any point during the interview process.
9. Feel free to seek clarification or choose not to give information on any question.
10. For any further information or questions regarding this study, please don't hesitate to contact the researcher or the supervisor through the email addresses provided below.

Signature of Researcher.....Date.....

Email: 2481147@students.wits.ac.za

Signature of Supervisor.....Date.....

Email: Christine.bischoff@wits.ac.za

Appendix B: Consent Form

Title of the Project: The Effects of the National Minimum Wage as a Labor Market Mechanism for Reducing Income Inequality in Post-Apartheid South Africa

Name of Researcher: Muhammed Alli

I, agree to take part in this project.

I agree to the following: *(Please tick/circle where appropriate)*

1. The research study was explained to me, and I understand what the study is all about.
a) Yes b) No
2. I understand that taking part in this study is voluntary.
a) Yes b) No
3. I agree that the interview can be audio recorded and that the interview transcriptions can be used by the researcher in the final report.
a) Yes b) No
4. I agree that direct quotations from my interview transcriptions may be used by the researcher in the final report.
a) Yes b) No
5. I agree that based on my status as a professional expert in Labor market policies, the researcher is not obliged to keep my participation anonymous. Thus, my name and that of the organization I represent, or other identifying data will be used by the researcher in the final report. This is only to increase the credibility of the findings of this study.
a) Yes b) No
6. I agree that other researchers may use the information I provide in this interview (depending on their ethical clearance being obtained) with my name and any personal information used or passed on.
a) Yes b) No

Signature of Participant.....

Dare.....

Appendix C: Interview Guide

- A. What is your current role or position in this organization?
- B. For how long have you been engaged with this organization?
- C. For how long have you been active in Labor Market Policy issues in South Africa?
- D. The basis of this study is the fact that for over three decades, South Africa has remained the most unequal country in the world. The adoption of the NMW was believed to be a mechanism that would help reduce income inequality in the Labor market.
 - 1. What do you think are the key factors driving income inequality in the South African labor market?
 - 2. Why was the adoption of the NMW described as a victory for the Labor Movement in South Africa?
 - 3. The adoption of the NMW was linked to efforts to reduce income inequality in the Labor market. How can you assess the impact of the NMW on reducing income inequality since its adoption?
 - 4. Noncompliance has been another major challenge in the implementation of the NMW. Why does compliance remain such a big problem in the South African labor market?
 - 5. Before the adoption of the NMW, the labor movements in South Africa were calling for the adoption of the living. Why is the living wage campaign dead in South Africa?
 - 6. How would the living wage (if adopted) help reduce income inequality in the South African labor market?
 - 7. How would you describe the relationship between the NMW and other wage systems like sectoral determination of minimum wages in reducing wage differentials in the labor market?
 - 8. What can you explain about the impact of trade unions' wage determination minimum wages in terms of reducing income inequality in the labor market?
 - 9. Some countries like the US and India adopted the Fair Wage and Living wage systems as labor market mechanisms for reducing both poverty and income inequality.
 - 10. How would a fair and living wage approach be achieved in the context of the South African labor market as a mechanism for reducing income inequality?

E. **Conclusion:** It has been a great pleasure discussing with you some of the most important concepts affecting the labor market in South Africa. Briefly, our discussion covered the following: The concepts of the NMW, Living Wage, and Fair Wage and how they affect Income Inequality in the labor market. You are free to offer any contribution that may be important and related to this interview topic. You are also free to contribute any point related to my study though I didn't ask.

UNIVERSITY OF THE
WITWATERSRAND,
JOHANNESBURG



GLOBAL LABOR UNIVERSITY ETHICS COMMITTEE

**CONSTITUTED UNDER THE UNIVERSITY HUMAN RESEARCH ETHICS COMMITTEE
(NONMEDICAL)**

CLEARANCE CERTIFICATE

PROTOCOL NUMBER: GLU-2023-02

PROJECT TITLE:

The Effects of National Minimum Wage as a Labor Market
Mechanism for Reducing Income Inequality in South Africa

INVESTIGATOR

Mr Muhammad Ali

SCHOOL/DEPARTMENT OF INVESTIGATOR

Global Labor University, School of Social Sciences

DATE CONSIDERED

21 June 2023

DECISION OF THE COMMITTEE

Approved unconditionally

RISK LEVEL

MINIMAL RISK

EXPIRY DATE

21 June 2024

ISSUE DATE OF CERTIFICATE 07 July 2023 **CHAIRPERSON**

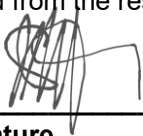

(Professor Devan Pillay)

cc: Supervisor: Dr Christine Bischoff

DECLARATION OF INVESTIGATOR

To be completed in duplicate and **ONE COPY** returned to the Chairperson of the School/Department ethics committee.

I fully understand the conditions under which I am authorized to carry out the abovementioned research and I guarantee to ensure compliance with these conditions. Should any departure be contemplated from the research procedure as approved I/we undertake to resubmit the protocol to the Committee.


Signature

02 / 08 / 2023
Date

PLEASE QUOTE THE PROTOCOL NUMBER ON ALL ENQUIRIES

Appendix E: Plagiarism Declaration Form



PLAGIARISM DECLARATION TO BE SIGNED BY ALL HIGHER DEGREE STUDENTS

SENATE PLAGIARISM POLICY: APPENDIX ONE

I Muhammad Alli Student number: 2481147am a student registered for the degree of Master's in Labor Policy and Globalization in the academic year 2023.

I hereby declare the following:

- I am aware that plagiarism (the use of someone else's work without their permission and/or without acknowledging the source) is wrong.
- I confirm that the work submitted for assessment for the above degree is my unaided work except where I have explicitly indicated otherwise.
- I have followed the required conventions in referencing the thoughts and ideas of others.
- I understand that the University of the Witwatersrand may take disciplinary action against me if there is proof that it is not my unaided work or that I have failed to acknowledge the source of the ideas or words in my writing.
- I have included as an appendix a report from "Turnitin" (or other approved plagiarism detection) software indicating the level of plagiarism in my research document.

Signature: _____ Date: 27th December 2023 _____