

https://dspace.org/

Minimum wage legislation, training and personnel policies: a comparison between law and practice in South Africa and the United States America

Coles, Sylvia Mary

2015-02-13
http://hdl.handle.net/10539/16985

Downloaded from a DSpace repository. https://dspace.org/

Table 3 : US Average Hourly Earnings of Production or Non-Supervisory Workers on Private, Non-Agricultural Payrolls, by Selected Industry Divisions, 1948 to 1976 (Current Dollars)

Year	Minimum Wage	Private, Non-Agricultural Industries					
		Total	Manufacturing Industry[×]	Retail Trade	Services Industry[†]	Mining Industry	Construction Industry
1948	0,40[ø]	1,23	1,29	0,90		1,66	1,71
1949		1,28	1,34	0,95		1,72	1,79
1950	0,75	1,34	1,39	0,98		1,77	1,86
1951		1,45	1,51	1,06		1,93	2,02
1952		1,52	1,59	1,09		2,01	2,13
1953		1,61	1,68	1,16		2,14	2,28
1954		1,65	1,73	1,20		2,14	2,39
1955		1,71	1,79	1,25		2,20	2,45
1956	1,00	1,80	1,89	1,30		2,33	2,57
1957		1,89	1,99	1,37		2,46	2,71
1958		1,95	2,05	1,42		2,47	2,82
1959		2,02	2,12	1,47		2,56	2,9[illegible]
1960		2,0[illegible]	2,20	1,52		2,61	3,08
1961	1,15	2,14	2,25	1,56		2,64	3,20
1962		2,22	2,31	1,63		2,70	3,31
1963	1,25	2,28	2,37	1,68		2,75	3,41
1964		2,36	2,44	1,75	1,94	2,81	3,55
1965		2,[illegible]	2,52	1,82	2,05	2,92	3,70
1966		2,56	2,59	1,91	2,17	3,05	3,89
1967	1,40	2,68	2,72	2,01	2,29	3,19	4,11
1968	1,60	2,85	2,88	2,16	2,43	3,35	4,41
1969		3,04	3,06	2,30	2,61	3,61	4,79
1970		3,22	3,24	2,44	2,81	3,85	5,24
1971		3,43	3,44	2,57	3,01	4,06	5,69
1972		3,65	3,65	2,70	3,18	4,38	6,06
1973		3,92	3,89	2,87	3,46	4,73	6,37
1974	2,00	4,22	4,24	3,09	3,76	5,21	6,75
1975	2,10	4,54	4,66	3,34	4,06	5,90	7,25
1976	2,30	4,87	5,00	3,55	4,36	6,42	7,68

× Earnings in Manufacturing Industry exclude overtime payments.

† Services Industry data was not available before 1964.

ø 0,40 was the minimum wage imposed in 1945.

Source: US Dept. of Labor, Handbooks of Labor Statistics 1973 and 1977, Op.Cit; Table 97

The services and retail trade industry divisions would be the largest employers of the occupational group 'service workers'. This group is one which is generally classified as unskilled and low paid. Table 3 shows that average hourly earnings in the services and retail trade industry divisions are indeed lower than for the other divisions, and hence closer to the minimum wage rates. It should be noted that Negroes and teenagers are employed in large numbers in these sectors. The earnings figures are calculated for all workers in the industry group, some of whom may be higher paid than the minimum wage, and they include enhanced payments for overtime. They are not, therefore, strictly comparable with minimum wage rates, which represent only basic hourly payments for the lowest paid workers in each industrial division.

Table 4 : Percentage Change in the Federal Minimum Wage and Average Hourly Earnings, in current dollars, of Production Workers in Selected Industry Divisions, between 1950 and 1968

Sector	1950 Dollars	Differential (Per Cent)	1968 Dollars	Differential (Per Cent)	Per Cent Change 1950 - 1968
Minimum Wage	0,75	100,0	1,60	100,0	213,3
Total Private Industry	1,34	178,7	2,85	178,1	212,6
Manufacturing Industry	1,39	185,3	2,88	180,0	207,2
Retail Trade	0,98	130,7	2,16	135,0	220,4
Mining Industry	1,77	236,0	3,35	209,4	189,3
Construction Industry	1,86	248,0	4,41	275,6	237,1

Source: Table 3 above.

Table 4 indicates that between 1950 and 1968, current earnings in the low paying retail trade industry did, in fact, increase faster than minimum wages, as did earnings in the highest paying industry group: construction. Earnings in the intermediate mining and manufacturing industries, on the other hand, did not increase as fast as the minimum wage rates. The proportion of unskilled labourers in the construction industry and retail trade is probably higher than in manufacturing and mining, hence rises in the minimum wage rate (affecting unskilled workers more than others) would tend to increase average earnings in the former two industrial divisions more than in the latter two. There is little doubt that increases in the minimum wage rates had at least some effect on average hourly earnings in all sectors.

In the present context, it is perhaps more indicative to compare legislated minimum wages with minimum hourly rates negotiated by trade unions.

Table 5 shows the average union-negotiated rates for journeymen and labourers working in the building trade, in major cities, in selected years when Federal minimum wages were increased.

Rates for both skilled and unskilled workers were considerably higher than the legal minima, as would be expected since the building trade is highly unionised. However, it is important to note that apparently legal minimum wages, in conjunction with market conditions, have helped to reduce the differential between the two groups. Over the period 1950 to 1968, journeymen's wages increased by 221,6 per cent, while labourers' wages increased by 245,5 per cent. In 1950, labourers' wages were 67,3 per cent of journeymen's wages. By 1968, this proportion had increased to 74,6 per cent. Legislated minimum wages are designed to have a greater effect on rates for unskilled workers than on those for skilled labour, and they would appear to have had some success in this instance, especially as union pressure would have been aimed at maintaining differentials, as well as raising rates.

Table 5 : Percentage Change in the Federal Minimum Wage and Average Union Rates for the Building Trade in Major Cities, by Selected Occupations and in Selected Years (Current Dollars)

Year	Minimum Wage		Building Trade : Union Rates			
			Journeymen		Labourers	
	Dollars	Per Cent Change	Dollars	Per Cent Change	Dollars	Per Cent Change
1950	0,75	-	2,45	-	1,65	-
1956	1,00	133,3	3,22	131,4	2,29	138,8
1961	1,15	115,0	4,02	124,8	3,06	133,6
1963	1,25	108,7	4,31	107,2	3,26	106,5
1967	1,40	112,0	5,09	118,1	3,83	117,5
1968	1,60	114,3	5,43	106,7	4,05	105,7

Note: 1) Average Union Rates are average minimum rates negotiated by Unions.
2) Major cities are those with a population of 100 000 or more.

Source: US Dept. of Labor, Handbook of Labor Statistics 1973, Op.Cit; Table 96.

1.4.3 The Problems of Full or Partial Coverage

The preceding discussion of the effects of Federal minimum wage legislation on unemployment, occupations and earnings, has taken no account of the very important fact that the legislation does not apply to all workers. The US has a sector which is covered by the Fair Labor Standards Act, and another which is not. In 1976, coverage was almost complete in the mining, manufacturing, construction and transportation industries. It was less than 85 per cent in the wholesale and retail trade, finance, insurance and real estate, and the services industries, and was as low

as 63 per cent in retail trade.[51] The uncovered sector accounted for 17 per cent of aggregate non-farm private employment.

In all industries, therefore, there are some employers who do not have to pay wages at least equal to the legal minimum rate. It is the existence of this uncovered sector which has allowed several American writers to prove that minimum wages do reduce employment, and that they are, therefore, a dangerous policy measure to pursue at a time when the economic labour absorption rates are low. Welch, for example, maintains that, in regard to minimum wage legislation, a 'full coverage' situation is completely different from a situation with partial coverage.[52] In a competitive market, where there is full coverage and a legal minimum wage, employment is determined by demand alone, since supply is entirely elastic, i.e. there is an excess supply of labour at above-equilibrium wages. With partial coverage, there are, in effect, two labour markets. In the covered sector, employment is demand-determined. Hence, if wages are set above equilibrium levels, fewer people will be employed than would otherwise be the case. The excess supply of labour which remains unemployed in the covered sector, will move to the uncovered sector, where legal minimum rates do not apply. In this market, employment is jointly determined by supply and demand, as it would be in a free, competitive labour market. In the covered sector, "a rigorously enforced minimum wage law is quite simply a law that excludes hiring persons with productivity below the legislated floor."[53] It is these people who are forced to move to the uncovered sector, where wage rates are depressed, partly because of the increased supply, and partly because labour's productivity is low (or, at least, lower than the legal minimum wage).

In the US, there are high proportions of low productivity workers amongst Negroes, teenagers and women, usually as a

---

51) F Welch, Op.Cit; pp.3-5
52) Ibid; p.8
53) Ibid; p.16

result of low educational levels, lack of training, and/or lack of working experience. Most of these 'disadvantaged' groups are caught in a vicious circle, in that a low level of education prevents them from obtaining a job where training would be provided; lack of training prevents job advancement; and both provide a hindrance to any kind of job experience other than of the unskilled, labouring variety. The system is, therefore, self-perpetuating. Such people tend to remain in the low productivity class of workers, and are commonly forced to remain in the uncovered sector. Minimum wage laws which, in theory, would enable them to earn an income sufficient to break out of the circle, do not come to their assistance.

The disemployment and redeployment effects of minimum wages on the disadvantaged groups have been well documented by Welch, who reports on two studies, one by Kaitz and one by Hashimoto and Mincer.[54] The findings show significant disemployment effects for all teenagers (16 to 19 years old), for White females (20 years and over), and for all young males (20 to 24 years old). The lack of significant disemployment effects for Negroes generally, is attributed by Welch to sampling errors. However, Bell suggests certain factors which may have removed some Negroes from the disadvantaged class.[55] Between 1949 and 1971, Negroes raised their general standard of education, moved from the South to the less racially-discriminating Northern areas, and thereby generally moved into higher paying jobs. Whether minimum wages contribute significantly to Negro disemployment seems, therefore, to be unproven.

---

54) Ibid; pp.13-16; namely (a) Hyman B Kaitz, Experience of the Past: The National Minimum, in Youth Employment and Minimum Wages, Bulletin 1657, US Department of Labor, Bureau of Labor Statistics, 1970; and (b) Masanori Hashimoto and Jacob Mincer, Employment and Unemployment Effects of Minimum Wages, unpublished manuscript, National Bureau for Economic Research, April 1970.

55) D Bell, The Economic Impact of the Social Legislation of the 1960's on Blacks in the Labor Market, The Rand Corporation, Santa Monica, California, March 1974; p.5

But there is no doubt that minimum wages play an important role in causing unemployment amongst teenagers and White women.

The redeployment effects of minimum wage legislation arises from the incomplete coverage of the Fair Labor Standards Act.[56] Prior to 1938, nearly half of all employed teenagers worked in manufacturing industry. The initial legislation, and subsequent extensions of coverage, placed almost all manufacturing establishments in the covered sector. Teenage employment in this sector fell to 17 per cent in 1955, and has probably fallen further since then, as coverage increased with later amendments to the Act.

Although coverage has increased in wholesale and retail trade, and the services sector, it still remains low, and teenage employment in these sectors has increased. "Evidently, uneven industrial coverage had changed the industrial pattern of teenage employment."[57] It first moved from manufacturing to retail trade and services. With increased coverage, it then moved from retail trade to services, and with further coverage amendments, teenage employment shifted away from services too. The pattern is presumably the same for all low skilled workers.

Retail trade and services are the two largest industry groups with a relatively large uncovered sector, and are, at the same time, characterised by a high proportion of low-productivity and low-wage workers. Employers in this group expect workers to be less productive than average, and their employees expect to receive lower than minimum wages. Minimum wage legislation scarcely affects such firms and workers, except in so far as rising rates and increased coverage in other sectors, augments the supply of labour, and the degree of competition between workers for jobs in this uncovered sector.

---

56) F Welch; Op.Cit; pp.37-43 passim.
57) Ibid; p.42

But there is no doubt that minimum wages play an important role in causing unemployment amongst teenagers and White women.

The redeployment effects of minimum wage legislation arises from the incomplete coverage of the Fair Labor Standards Act.[56] Prior to 1938, nearly half of all employed teenagers worked in manufacturing industry. The initial legislation, and subsequent extensions of coverage, placed almost all manufacturing establishments in the covered sector. Teenage employment in this sector fell to 17 per cent in 1955, and has probably fallen further since then, as coverage increased with later amendments to the Act.

Although coverage has increased in wholesale and retail trade, and the services sector, it still remains low, and teenage employment in these sectors has increased. "Evidently, uneven industrial coverage had changed the industrial pattern of teenage employment."[57] It first moved from manufacturing to retail trade and services. With increased coverage, it then moved from retail trade to services, and with further coverage amendments, teenage employment shifted away from services too. The pattern is presumably the same for all low skilled workers.

Retail trade and services are the two largest industry groups with a relatively large uncovered sector, and are, at the same time, characterised by a high proportion of low-productivity and low-wage workers. Employers in this group expect workers to be less productive than average, and their employees expect to receive lower than minimum wages. Minimum wage legislation scarcely affects such firms and workers, except in so far as rising rates and increased coverage in other sectors, augments the supply of labour, and the degree of competition between workers for jobs in this uncovered sector.

---

56) F Welch; Op.Cit; pp.37-43 passim.

57) Ibid; p.42

Minimum wage legislation which only applies to part of the labour force and only to some firms, means that workers in the covered sector, and those who are skilled, trained and educated, gain from the laws, at the expense of workers in the uncovered sector, and those who are unskilled, untrained and badly educated. In terms of money income, it is the already well-off who benefit rather than the disadvantaged. However, partial coverage does mean that there are work opportunities for this latter group, in a sector in which wages are determined by the free forces of supply and demand. Hence those workers who have low productivity are catered for by partial coverage, whereas with full coverage they would tend to be unemployed.

1.4.4 US Minimum Wage Legislation: Conclusions

US wage legislation has resulted in two separate labour markets: one in which a single minimum rate is applicable to all workers, and one where the free forces of supply and demand determine a variety of wage rates for different employees.

It has been shown that minimum wage rates and increased coverage in all sectors of the economy, have been two of the factors behind the rising rates of unemployment amongst certain groups of workers. The groups affected most adversely are teenagers, women and some Negroes. More positively, minimum wage legislation appears to have had little or no effect on the employment of adult males. Not only are the latter the largest single group in the labour force, they are also normally heads of families. This leads to the conclusion that whatever adverse results the law has had on particular groups, the overall effect has been to maintain employment levels for the socially and economically most important section of the labour force. Teenagers possess possibilities for alternative employment, namely schooling and vocational training. It can also be argued that most women also have an alternative to working for a wage, in the form of raising children and maintaining homes. Adult males, on the other hand, are more dependant on their work incomes.

Legislation which aids a large majority of adult males should not be completely condemned because it has harmful effects on minority groups. These should rather be helped by supplementary measures, such as the US Youth Corps programmes of the 1960's.

It should be noted that the 'coverage' argument has mainly centred around the rising unemployment rates amongst teenagers, and the fact that their employment opportunities are becoming more and more confined to firms in the uncovered sector. The point is, there are still jobs available for many of the unskilled and inexperienced workers in this sector. Employers do not have to pay the legal minimum rate to employees whose productivity is below that figure. This does not mean, of course, that all wage rates in the uncovered sector are below the minimum. It merely implies that people working in this sector are paid according to supply and demand; in other words, wages will tend to equal labour's marginal revenue product.

The existence of this freely competitive market allows a similar process to work in the covered sector. In the latter, wages must at least equal the legal minimum rate, but employers use the same criterion of marginal revenue product when offering particular rates. There is, thus, a range of wages which varies with the productivity of labour. However, the law provides a bottom limit, with the result that an employer will continue to employ workers until their marginal revenue product is just equal to the minimum wage, but will not employ those who are below the legal limit.

Such workers are not, however, automatically unemployed. There are still opportunities in the uncovered sector where they may obtain work at prevailing market rates.

The above discussion has concentrated on the movement of unskilled workers from the covered to the uncovered sector. But it is not necessarily a one-way process. A worker may start as an unskilled labourer in the uncovered sector, but in time, he may gain sufficient

experience and formal training to qualify for skilled operator status,[58] and his marginal revenue product may then be well above the legal minimum wage. In such a case, the worker could seek employment in the covered sector, although there is no compulsion to do so.

There is continual movement of labour, with varying degrees of skill and experience, between the two sectors. In general terms, the covered sector offers the skilled worker a chance to improve his position, while the uncovered sector provides opportunities both for people with low levels of skill, and also for those who need training and experience before they can move up the occupational ladder.

The mutual existence of the two sectors also allows wage differentials, based on skill and experience, to be maintained. A typical employee in the covered sector would be skilled, experienced and, hence, better paid than the typical labourer in the uncovered sector. Differentials are important in encouraging people to forego earnings while they undergo training for professional and technical posts. On the other hand, people who, for various reasons, do not have the characteristics which will enable them to obtain better paid occupations, are not excluded from employment. The uncovered sector generally has a variety of positions requiring only low levels of skill and little experience. The combined effect of the two sectors is to provide job opportunities for all types of employees.

By legislating a minimum wage rate, even though it is not applicable to everyone, the government has set a standard which operates in two ways. It provides a base line for

---

58) Peter M Blau & Otis D Duncan, The American Occupational Structure, John Wiley & Sons Inc., New York, 1967; p.424.
The authors claim that there tends to be upward mobility amongst people whose first job is in low-status white-collar jobs, or in farm work. By contrast, those who enter the labour market as blue-collar workers, tend to remain in such jobs throughout their working lives.

experience and formal training to qualify for skilled operator status,[58] and his marginal revenue product may then be well above the legal minimum wage. In such a case, the worker could seek employment in the covered sector, although there is no compulsion to do so.

There is continual movement of labour, with varying degrees of skill and experience, between the two sectors. In general terms, the covered sector offers the skilled worker a chance to improve his position, while the uncovered sector provides opportunities both for people with low levels of skill, and also for those who need training and experience before they can move up the occupational ladder.

The mutual existence of the two sectors also allows wage differentials, based on skill and experience, to be maintained. A typical employee in the covered sector would be skilled, experienced and, hence, better paid than the typical labourer in the uncovered sector. Differentials are important in encouraging people to forego earnings while they undergo training for professional and technical posts. On the other hand, people who, for various reasons, do not have the characteristics which will enable them to obtain better paid occupations, are not excluded from employment. The uncovered sector generally has a variety of positions requiring only low levels of skill and little experience. The combined effect of the two sectors is to provide job opportunities for all types of employees.

By legislating a minimum wage rate, even though it is not applicable to everyone, the government has set a standard which operates in two ways. It provides a base line for

---

58) Peter M Blau & Otis D Duncan, The American Occupational Structure, John Wiley & Sons Inc., New York, 1967; p.424.
The authors claim that there tends to be upward mobility amongst people whose first job is in low-status white-collar jobs, or in farm work. By contrast, those who enter the labour market as blue-collar workers, tend to remain in such jobs throughout their working lives.

negotiated wage claims in the covered sector, and at the same time, employers and employees in the uncovered sector can regard it as a sort of socially desirable norm, to which wage rates should tend to conform. It allows change to take place gradually, as firms become more, or less, able to pay higher wages according to the vicissitudes of market conditions. It also enables the labour force to adjust to changing demands for different types of workers with varying degrees of skill and experience.

In summary, then, the US minimum wage legislation with its two sectors, encourages able workers to train for better and higher paid posts, but does not bar less able people from employment; it allows opportunities for all. There is free movement of labour between the two sectors, which enables actual wages to be largely determined by competitive forces, and hence maintains differentials. Moreover, as firms adjust their capital-labour ratios in accordance with relative factor scarcities, commodities are priced competitively. Finally, the interaction between minimum wages and actual wage rates, in both sectors, allows changes in the demand for and supply of labour to work through the economic system gradually, rather than by a series of major disequilibrium periods.

1.5 Minimum Wage Legislation : The South African Experience

In order to consider the possible effects of adopting US wage regulating measures in South Africa, it is first necessary to discuss the existing South African machinery in detail.

For a variety of reasons, minimum wage legislation in South Africa differs in several respects from that found in the US. Firstly, in the US, the Fair Labor Standards Act is the only statute involved, whereas a number of South African acts affect minimum wages. Secondly, while a single rate is specified in the US, in South Africa different rates are applicable to specific occupations and vary between different geographical areas.

Thirdly, over 80 per cent of the US labour force is subject to the minimum wage, whereas only about 20 per cent [59] of South African workers are so affected. Lastly, social mores, developed over three centuries, have introduced strong racial elements into the South African wage structure, while the US, especially in the post World War II era, has attempted to remove race as a factor in wage determination, both by legal measures and social pressures.

Historically, South African wage legislation can be divided into five periods, the first of which dates from the end of the First World War.

1.5.1 The Period Prior to 1924

During most of the nineteenth century, there was little wage employment in South Africa, apart from traders, a few skilled artisans and people employed on farms. It was basically an agricultural economy. Where wages were paid, they were often only small cash payments, the balance being paid in the form of free board and lodging. For example, in 1860, the average wage for a white farm overseer was just over £3 per month, with food and accommodation provided. In contrast, a journeyman received between 8 and 9 shillings per day, without board and lodging.[60]

The discovery and development of the diamond and gold mines in the last third of the century, marked the beginning of the transition to an industrial wage-earning economy. Mine workers were paid in cash, although housing and food were often provided at low cost to attract labour to the mining areas. The importance of the mines as an alternative form of employment can be seen from the fact that

---

59) Calculated from the number of employees subject to Industrial Council Agreements and Wage Board Determinations in December 1976. Report of the Department of Labour for the Year Ended 31 December 1976. RP90/1977, Govt. Printer, Pretoria, December 1977; pp.10 and 15.

60) D Hobert Houghton in M Wilson and L Thompson (Eds), The Oxford History of South Africa, Vol.2, South Africa 1870 - 1966, O.U.P., London, 1971; pp.2-3.

in 1899, they employed some 119 000 workers, and this figure had grown to 325 000 by 1912.[61)]

The skilled mine workers were mostly immigrants from Europe, and they received high wages, reflecting their scarcity value and the competitive situation vis-à-vis their countries of emmigration. Unskilled labour was in relatively plentiful supply from local Blacks, and their wages were between 10 and 20 per cent of those paid to skilled workers.[62)]

The growth of urban areas around the mines, encouraged domestic manufacture of goods designed to meet the immediate needs of the mines and their workers. The First World War provided an extra stimulus for the infant industries, which expanded and diversified their output.

Two other factors influenced the form of early labour legislation. In the first instance, many of the skilled White miners were accustomed to trade union activities.[63)] They were generally against the use of Black labour for anything except unskilled work, and they also tried to maintain their scarcity value by limiting the number of Blacks which a skilled miner could supervise.

The principle of reserving certain classes of work for a particular racial group, was first placed on the Statute book by the Mines and Works Act of 1911. The Interpretation of Terms in the Act, stated that four categories of employees must be White men in the Transvaal and Orange Free State mines, although 'competent' persons could do the same work in Natal and the Cape.[64)] In spite of this legal protection, disagreements continued to take

---

61) Ibid; pp. 15 and 19

62) Ibid; pp.21-22

63) John Fisher, The Afrikaners, Cassell & Co. Ltd, London, 1969; p.243

64) The Mines and Works Act, 1911, 'Interpretation of Terms'.
See also: D Hobart Houghton & J Dagut, Source Material on the South African Economy 1860-1970, Vol.2, 1899-1919, O.U.P. Capetown, 1972; pp.116-118

place between miners and the mining companies, often resulting in strike action. By the 1920's, the unions were in a sufficiently strong position, vis-à-vis their employers, to have gained acquiescence, if not acceptance, of their principles. Certain tasks could only be performed by skilled miners, who were all White men. The ratio of skilled to unskilled workers (which, effectively, meant the White-Black ratio), settled at about 1:10.[65]

The second factor which influenced labour legislation, was the growing presence in urban areas of a class of people known as the 'poor Whites'.[66] These were mainly ex-farmers who, for a variety of reasons, had been forced out of their traditional agricultural way of life, and moved to the towns in search of employment. The majority did not have the necessary skills and experience which would have ensured them a position in the growing industries. Unemployment was a serious problem amongst them. Moreover, their unskilled status placed them in direct competition with the Black labour force.

The problem of the miners and the poor Whites, together with certain political factors, led to a change of government in 1924, whose members were well aware of the need for comprehensive legislation in the field of labour relations.

1.5.2 The Civilised Labour Period: 1924 to 1936

The new coalition government, between the National and Labour Parties, led by General J B M Hertzog, set out to prevent further disruptive action by the miners and other skilled workers, and to solve the poor White problem.

---

65) F Wilson, Labour in the South African Gold Mines 1911-1969, C.U.P., London, 1972; p.10

66) Carnegie Corporation Commission, The Poor White Problem in South Africa, Part I: Economic Report, Joint Findings and Recommendations, Stellenbosch, 1932.
See also: D Hobart Houghton & J Dagut, Source Material on the South African Economy: 1860-1970, Vol.3, 1920 - 1970, O.U.P., Capetown, 1973; pp.55-58.

The civilised labour policy was first defined by the Prime Minister, in October 1924, when he circularised all government departments: "it has been decided as a matter of definite policy that, wherever possible, civilised labour shall be substituted in all employment by the Government for that which may be classified as uncivilised. Civilised labour is to be considered as the labour rendered by persons whose standard of living conforms to the standard generally recognized as tolerable from the usual European standpoint. Uncivilised labour is to be regarded as the labour rendered by persons whose aim is restricted to the bare requirements of the necessities of life as understood among barbarous and undeveloped peoples."[67] Unskilled posts were made available by government departments, particularly the railways, 'at a living wage.'[68] The policy objective for government departments was rapidly adopted by private firms. When the Economic and Wage Commission of 1925 reported on its findings, it stated, "there is a widespread desire amongst employers to make openings for whites and a growing realisation that only by making such openings in the lower ranks of industry can the necessary number of skilled men for higher posts be obtained. The effect of basing an industry entirely on the employment of low-paid uncivilised labourers (and) closing avenues of employment for whites who have not acquired a considerable degree of skill, is becoming clear to an increasing number of the white population, and the aggrevation of that effect by the importation of native labourers is also becoming more widely understood."[69]

---

67) Circular No.5, 31 October 1924; quoted in: Union of South Africa, Office of Census and Statistics, Official Year Book of the Union of South Africa, No.9, 1926-7, Government Printer, Pretoria, 1928: pp.202-203

68) Department of Labour, Work Reservation: its background, motivation and application to the benefit of all racial groups in South Africa, Government Printer, Pretoria, 31 December 1960; p.5

69) Union of South Africa, Report of the Economic and Wage Commission, 1925, UG 14/1926, The Government Printer, Pretoria, 1926; para.188

Success in public tendering depended, to a large extent, on contractors including a 'Fair Wage Clause', stating that they would employ a high proportion of White workers at civilised wages.[70] In addition, the Customs and Excise Act was amended to allow for tariff walls to be lowered, if employers receiving protection did not follow similar practices.[71]

The policy was based on the 'rate-for-the-job' principle. "It was assumed that if an employer was compelled to pay the same wage for similar work ... he would prefer to employ a skilled worker and especially the more efficient White employee."[72] Minimum wages were, therefore, set fairly high, in order to cover the costs of food, housing, education and medical expenses, which the typical White worker with a wife and, say, three children, would need to maintain a civilised standard of living.

The Apprenticeship Act, passed in 1922, was also used to help unskilled White workers learn a recognised trade. Wage rates were raised in accordance with the general policy, but Whites were given a virtual monopoly of this type of training by setting the entrance qualifications at the level of Standard 6, which few Blacks had attained.

In addition to the general policy directives, the two main pieces of legislation which, even today,[73] form the core of South African labour laws, were formally enacted. These were the Industrial Conciliation Act of 1924, and the Wage Act of 1925.

---

70) A Spandau, South African Wage Board Policy: An Alternative Interpretation, SAJE, Vol.40, No.4, December, 1972; p.37

71) Ibid; p.38

72) Department of Labour, Work Reservation; Op.Cit; p.5

73) Note that at the time of writing (December 1978) two Commissions of Enquiry into labour legislation, chaired by Professor N E Wiehahn and Dr P Riekert, are studying the existing position, and their reports are expected to be published early in 1979. See Chapter 3, section 3.2.2.5, below.

The former laid the foundations for collective bargaining in industry.[74] Inter alia, it provided for Industrial Councils to be formed by an equal number of employers and employees, in any industry where representative trade unions and employers' associations existed. The Councils were empowered to formulate wage rates for different occupations, set general terms and conditions of service, settle disputes, and to consider any "matter of mutual interest to employers and employees."[75]

The intention of the Act was to ensure that only Whites took part in this self-governing process. This was made clear by defining an employee "in such a way as to exclude Natives entirely."[76] In fact, Coloureds and Asians may also form Industrial Councils.

During the period 1924 to 1936, the Act succeeded in gaining industrial peace in industries where organised groups of workers existed, and especially amongst miners. The latter were further aided by the new Mines and Works Act of 1926, which, inter alia, re-established the legal enforcement of the industrial colour bar for a wider range of positions than had been listed in the 1911 Act.[77]

The Wage Act was designed to be supplementary to the Industrial Conciliation Act, and was a recognition that not all employees and employers were, or could be, organised. "The policy of the Department (of Labour) is to apply the Wage Act only when, through lack of organisation among employees and employers ... wage regulation under the Industrial Conciliation Act is not practicable."[78]

During the 'civilised labour' period, Wage Board determinations prescribed minimum rates for large numbers of

---

74) A de Kock, Industrial Laws of South Africa, Second Edition, Juta & Co. Ltd, Capetown, 1973; pp.502-560 passim.

75) Ibid; p.538.

76) Ibid; p.508.

77) F Wilson, Op.Cit; p.11.

78) A de Kock, Op.Cit; p.401; the quotation is from UG 37/1935, para.499.

different occupations, in separate industries and areas, but always with the implied objective of providing a reasonable standard of living for Whites. Custom soon allocated work into two classes: some posts were commonly accepted as 'White', and others were considered 'non-White'.[79)]

Both Wage Board determinations and Industrial Council agreements based wage structures on this division. The minimum rates for 'White' grades of work were approximately four times higher than those for 'Black' grades.[80)]

These two Acts, together with other measures, ensured the success of the civilised labour policy.

1.5.3 The Period from 1937 to 1949

This era started with an amendment to the Wage Act of 1925, under which new clauses introduced the concept of firms' "capacity to pay", and the need to consider the cost of living in separate parts of the country.[81)] The civilised wage criterion was dropped, and the Wage Board adopted a policy of recommending minimum rates for unskilled workers, at wages below civilised standards.[82)] The previous policy had succeeded in raising the standards of White workers, hence the Board concentrated its attention on the "betterment of the economic conditions of the lower-paid workers", i.e. non-Whites.[83)]

The Second World War played an important role in this change of emphasis. Shortages of skilled White labour

---

79) Department of Labour, Work Reservation, Op.Cit; p.5.

80) Ibid.

81) F McGregor, Wage Regulation in South Africa, Race Relations Journal, Vol.7, No.1, 1940; p.5.

82) D E Pursell, South African Labour Policy: 'New Deal' for Non-whites?, Industrial Relations Journal, Vol.1, February 1971; p.39.

83) W F J Steenkamp, In Quest of Aims and Norms for Minimum-Wage Fixing in Terms of the Wage Act, SAJE, Vol.31, No.4, December 1963; p.250.

resulted in many Blacks being employed in skilled and semi-skilled work, previously performed by Whites. The industrial labour force increased by 125 000, of whom, 106 000 were Blacks.[84] White artisans were prevented from using their scarcity position to gain higher and higher wages, by the appointment, in 1941, of a Controller of Industrial Manpower, empowered to fix their wages and places of employment.[85] Although the wage gap between skilled and unskilled workers was reduced, most employees suffered a drop in real incomes, as the retail price index rose by 32 per cent between 1939 and 1945.[86]

It was largely as a result of rising prices, and the consequent fall in real incomes, that 'cost of living allowances' were introduced in 1941. Since the Wage Board's policy was now aimed at improving the position of the lowest paid, the allowances favoured this class of workers more than others. War-time work dilution resulted in noteworthy occupational advances for the non-White labour force, which further reduced the White-Black wage differential.

The ability of firms to pay higher wages, had, on occasions, already been considered by the Wage Board, before the War. The post-war slump re-emphasised the need to take this factor into account.

The Chairman of the Board stated, in 1940, that the ability to pay "is certainly one of the most important influences which affect the Board's proposals."[87]

As a result of the changes which took place during this period, the actual number of minimum wage rates prescribed by the Board, proliferated. Minimum rates now varied according to levels of skill, the accepted standards of

---

84) Wilson and Thompson, Op.Cit; p.36.

85) A Spandau, Op.Cit; p.38.

86) Wilson and Thompson, Op.Cit; p.36.

87) F McGregor, Op.Cit; p.5. Mr McGregor was Chairman of the Wage Board at this time.

living of different racial groups, the cost of living index for specific areas, and the ability of firms to carry on business when higher rates were proposed. Employees were assured of receiving wage rates which allowed them to maintain living standards customary to their skills and life-styles, in all parts of the country.

Industrial Councils followed the Board's lead, by setting wage rates at levels which each industry's marginal firm in an area, could afford to pay. Firms operating above the margin, either gained extra 'rent' on their labour, or could pay above-minimum wages.

Figure 2 is a hypothetical diagrammatic representation of the wage-fixing procedure.

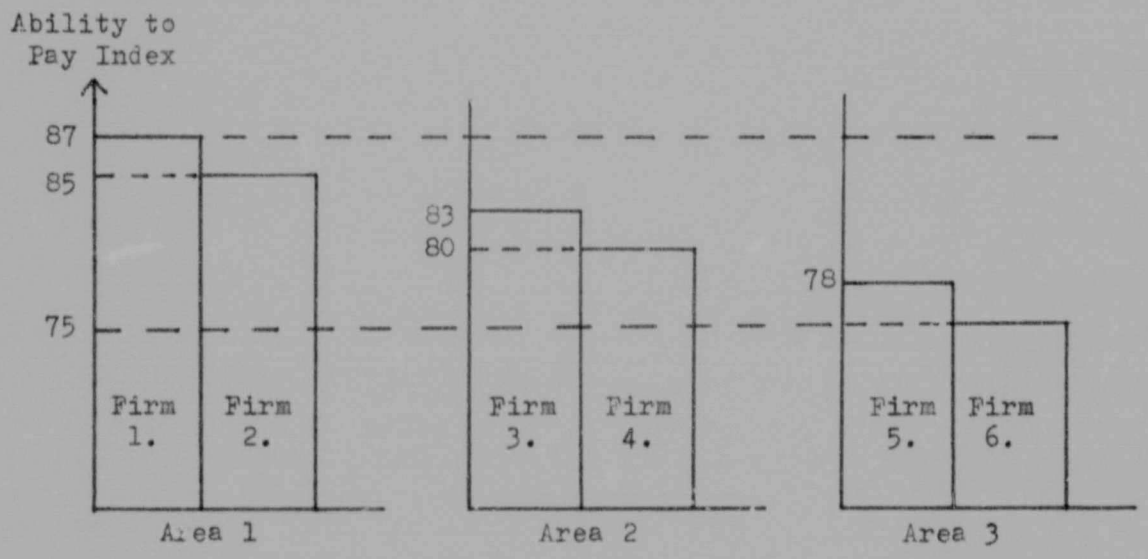


Figure 2: Diagrammatic Representation of the Wage-Fixing Procedure followed by the Wage Board and Industrial Councils since 1937.

Suppose there are six firms in an industry, two in each of three different areas of the country, and all employing lathe operators. Of the firms in Area 1, say Johannesburg, Firm 2 is the marginal one, and has an 'ability to pay index' of 85 for this grade of employee. Minimum wages are, therefore, set at 85 cents per hour for all firms in this industry in Johannesburg. Firm 1, however, has an index of 87, and hence has the choice of paying up to 2 cents an hour above the minimum, or gaining 2 cents per hour 'rent', by paying its lathe operators the minimum

rate. Similarly, the marginal Firm 4 in Area 2, say Bloemfontein, only has an 'ability to pay index' of 80, hence the minimum wage for lathe operators in Bloemfontein, is set at 80 cents per hour, and Firm 3 has 3 cents per hour 'rent'. The process applies equally to Firms 5 and 6 in Area 3. Had the 'ability to pay index' of Firm 1 been applied throughout the country, all the other firms would have had to dismiss their lathe operators, or would possibly have gone out of business, thereby causing unemployment amongst the lathe operators concerned.[88] On the other hand, if the index of Firm 6 had been made a national minimum wage, it could have had two effects. Firstly, the other firms could actually have paid less than their individual marginal revenue products (or marginal revenue product indices), and hence gained rent on their labour. Moreover, the employees would have found it impossible to maintain their standards of living in Areas 1 and 2. They would have attempted to find work in Area 3, with the result that the firms in Johannesburg and Bloemfontein would have been unable to attract lathe operators, and some would have been unemployed. Secondly, the first five firms could have competed with one another by offering different wage rates according to their individual 'ability to pay indices'. The lathe operators would have offered their services to each of the higher paying firms, until each firm had the number of operators it required, at the wage rate it was capable of paying. In this case, the final position would have been similar to that determined by the Wage Board, or Industrial Councils, in the hypothetical example, in that all firms would still be operating, and all lathe operators would be employed, although at different rates.

By specifying the legal minimum rates that must be paid in each area, the Board provided for the wage flexibility necessary in a large geographical area.

---

88) This result is based on the assumption that the demand function is constant and horizontal.

Author Coles S M
Name of thesis Minimum wage legislation, training and personnel policies: a comparison between law and practice in South Africa and United States of America 1979

PUBLISHER:
University of the Witwatersrand, Johannesburg
©2013

LEGAL NOTICES:

Copyright Notice: All materials on the University of the Witwatersrand, Johannesburg Library website are protected by South African copyright law and may not be distributed, transmitted, displayed, or otherwise published in any format, without the prior written permission of the copyright owner.

Disclaimer and Terms of Use: Provided that you maintain all copyright and other notices contained therein, you may download material (one machine readable copy and one print copy per page) for your personal and/or educational non-commercial use only.

The University of the Witwatersrand, Johannesburg, is not responsible for any errors or omissions and excludes any and all liability for any errors in or omissions from the information on the Library website.