CHAPTER 1: INTRODUCTION

1.1 Background to the Research

Government intervention in the labour market in Swaziland can be traced as far back as 1937 when the Wages Proclamation, 1937 was enacted to protect the disadvantaged employee categories.

According to the Wages Proclamation (1937), a legislative board of not more than three members would be tasked with the responsibility to enquire and report to the Resident Commissioner as to the rates of wages and conditions of employment in any occupations if the Resident Commissioner was of the opinion that the wages paid were unreasonably low. The Proclamation had some weaknesses. For example, wages and conditions would only be reviewed if the Resident Commissioner felt they were unreasonably low, and that the expression "unreasonably low" was not explicit enough to be understood by every reasonable man. Further, the Proclamation was silent as to how the Resident Commissioner would get to know whenever any wages and conditions of work were unreasonably low at any particular time.

Having realized the failure of the Proclamation to achieve its objective, the Swaziland Government appointed a commission of enquiry headed by Catchpole (May, 1960) to identify the loopholes and irregularities in the legislation and make recommendations to the Resident Commissioner. The Commission observed, among other things, that the Proclamation itself was unworkable; and therefore recommended that a new legislation be enacted with the involvement and participation of all stakeholders which included government, workers' and employers' representatives (Catchpole Commission's Report, 1960). However, the Catchpole recommendations were not implemented until another Commission of Enquiry four years later chaired by Whitson was appointed to investigate how wages and conditions of employment could be regulated in the country (January, 1964). The reasons for the delay in implementing the recommendations of the Catchpole Commission were not revealed.

Like the Catchpole Commission, the Whitson Commission (January, 1964) also made a similar note to the effect that, in spite of the Proclamation being in operation at the time, wages and conditions of employment in various industries in the private sector continued to be determined and laid down by the unilateral decision of the employer (often based on the law of demand and supply) or by the mutual agreement between the individual job seeker and the employer.

Although the Whitson Commission (1964) was convinced that the workers' rights could be best protected through their own organisations (unions and associations) negotiating with the employers in each industry, that was found not possible at the time because such organizations still existed only on paper. Among its recommendations, the Whitson Commission recommended the enactment of a wages Act which recommendation was adopted by Government. This recomme-ndation resulted in the enactment of the Wages Act, 1964 in the same year (1964).

Since its enactment, the Wages Act of 1964 (as amended) has been the instrument that provides for the establishment of a Wages Advisory Board, wages councils and for the regulation of the minimum wages and conditions of employment and incidental matters thereto (Wages Act, 1964). The main function of the Wages Advisory Board was to inquire into the wages and conditions of employment of any employees in Swaziland, or in any part of the country and submit to the Minister responsible for labour recommendations as to the minimum wages which should be paid to all or any of the employees coming within its terms of reference (Wages Act, 1964). However, the Wages Advisory Board was short lived because its functions were later taken over by the Wages Councils which were also charged with a similar function but operating at the industrial level (Wages Act, 1964).

There are at present sixteen wages councils in number, which determine minimum wages and other terms and conditions of employment and publish wages regulation orders for the following economic sectors:

(a) Agricultural Industry
(b) Building and Construction Industry
(c) Forestry and Forest Industry
(d) Hotel and Catering Industry
(e) Manufacturing and Processing Industry
(f) Mining and Quarrying Industry
(g) Motor Engineering Trades
(h) Retail, Wholesale, Distributive Trades and Salons
(i) Road Transportation Industry
(j) Security and Protective Services Industry
(k) Textile and Apparel Industry
(l) Manufacture of Handicrafts
(m) Domestic Employment
(n) Funeral Undertakers
(o) Micro-Moneylenders
(p) Pre-Schools and Day Care Centres

For many years, minimum terms and conditions (including minimum wages) in the textile and apparel industry have been regulated by the Manufacturing and Processing Industry Wages Regulation Orders. These Wages Regulation Orders were intended to be inclusive of all employee categories in the manufacturing and processing sector which was not possible. Instead, these orders left out a lot of occupational categories as they cut across quite a number of unrelated activities. These activities included, among others, shoe manufacturing, dry cleaning, cattle slaughter, printing and publishing, block and brick making, textile and garment manufacturing.

Feeling that they were unfairly classified under the Manufacturing and Processing Industry Wages Regulation Order alongside with unlike activities, a result, the textile and apparel manufacturing companies filed a petition with the Government calling upon the establishment of a wages council exclusively for the Textile and Apparel Industry which it hoped would take into account problems of this industry (Swaziland Textile Exporters Association's Position Paper, 2005)

In response to the petition, and following some discussions between government and the different stakeholders in the industry which included textile companies and union representatives, a wages council for the industry was established in October, 2003 (Legal Notice No. 23 of 2003).

1.2 Problem Statement

There has been instability in the textile industry which has become a cause of great concern to different stakeholders in the sector such as employers, unions, government and others such as academics. This industry has seen withdrawal of orders that have already been placed by some United States markets, reduction in production and sales (scale effect), closure of firms resulting in retrenchment of thousands of employees (National Development Plan, 2004/05-2007/08)

There have been mixed guesses in different quarters (employers, employees, government, academics) as to the cause of this economic downturn. These guesses included: attributing this state of the economy by most investors in this sector to the high statutory minimum wage for the industry. This group of stakeholders strongly felt that the minimum wages for the industry were very high and that they therefore considerably inflated their wage bills without commensurate measures being put in place to increase productivity to justify the additional labour cost (Swaziland Textile Exporters' Association's Position Paper, 2005).

Monopsonists, government officials and those subscribing to the Card and Krueger findings (1995) thought differently from the neoclassicists; they focused the blame on other factors besides wages, such as loss of overseas markets, the appreciation of the local currency (Lilangeni/Rand) against the United States Dollar (National Development Plan, 2004/05-2007/08). Trade unionists and the employee community pointed a finger at the investors themselves in this sector as instrumental to this predicament because of their persistent violation of national labour standards which discredited the country to the labour fraternity globally thus losing United States markets as a negative sanction (National Development Plan, 2004/05-2007/08).

Given the loss of foreign direct investment (FDI) relocating to neighbouring countries such as South Africa and elsewhere, the massive retrenchments of employees in this industry, and closure of quite a large number of firms in this sector, an assessment of the impact of minimum wages on employment has therefore become necessary.

1.3 Purpose of the Study

The goal of this study was to assess the impact of minimum wage hike on employment and related topics such as existing jobs, employment opportunities, fringe benefits, to mention but few in the textile industry in Swaziland. The study sought to gather as many views, attitudes and perspectives of the participants in the research on the impact of minimum wage hike on employment as possible, analyse and interpret that data (Neumark, Schweitzer and Wascher, 1999:2).

Being a qualitative research, and therefore concerned with developing research questions and gathering "hypothesis-generating data", rather than "hypothesis-testing" (Merriam, 1998), it would lay the basis for quantitative research for future studies on the subject.

The research therefore sought to investigate and understand the perceptions, feelings, views and attitudes of different stakeholders such as employers, employees (and their organisations), wages councils advisors and/or minimum wage legislation enforcers on the extent of compliance and the effects of minimum wage hike on the pay of low wage employees in the textile industry.

In particular, the study focused on both the positive and negative sides of the impact of minimum wages on employment as seen by those directly affected in the two textile and garment manufacturing firms studied namely: Tuntex Textiles (Pty) Ltd. and Tex Ray Textiles (Pty) Ltd. both situated in the Matsapha Industrial Area in Swaziland.

During the study, the researcher examined the following research question:

> What impact does minimum wage hike have on employment in the textile industry?

1.4 Significance of the Study

The study offers reference and guidance for the understanding of the often neglected aspect of the studies that have been carried out over the decades to establish whether or not minimum wage hikes from the stakeholders' perspective do adversely impact on jobs as claimed by different researchers such as O'Brien-Strain and MaCurdy (2002:210); Saget (2001:21); Sehkaran (2001:4); Ghellab (1998:6). These writers (ibid.) and others hold that in the competitive labour market situation higher minimum wages (set above equilibrium level) may result in the fall in labour demand.

Most of the studies conducted in the past, particularly those supporting the so-called conventional wisdom (that minimum wage rise results in the fall in labour demand and subsequently loss of jobs and prospects for employment) have been based on commonsense assumption (McKenna, McMartin, Terada, Sirivedhin and Agogino, 2001, 2). However, the study does not necessarily seek to dispute or discredit these studies in any way, but to replenish the gap that seems to exist in the body of knowledge amassed so far on the minimum wage-employment relationship.

The study attempts to get first-hand information on the stakeholders' understanding, views, and perspectives of the minimum wage-employment correlation as it impacts and indeed impacted on their lives over the last few years (2000-2004) rather than as theorists predict it or empiricists observe it. It is therefore the researcher's belief that exploring the dimension which this study seeks to address will help to add a new reflection on the existing body of knowledge in the area under study.

1.5 Organization of the Report

This section summarises the contents of each of the chapters that comprise the report. The purpose of this section is to apprise the reader of what information will be found in each chapter and to facilitate finding specific information without having to search through the report page by page in order to do so.

The contents of the report have been synthesized into a five-chapter document with the chapters outlined below and summarised in the model in Figure I:

Chapter 1

In Chapter 1 the background to the research has been given, the research problem stated, the purpose and significance of the research explained. The Chapters have also been outlined, technical terms defined, and the scope of the research coverage demarcated.

Chapter 2

Chapter 2 lays down the conceptual framework for the research. It briefly gives the literature review overview, rationale for government intervention in the labour market. An exploration of the models that have been put forward by economists and other academics to explain certain behaviours of role players in the labour market scenario has also been made in this chapter. An evaluation of the models, research methods and findings of some researchers has also been done in this chapter. Identification of the best practices that emerged from the literature has been made in this chapter; and the role of the literature in the research has been explained here.

Chapter 3

Chapter 3 states the research method used in this enquiry and its justification. It also gives the details of the specific steps used in the literature review and the collection of data for the study and their justification. The chapter also details the research strategy, that is: the nature of the research problem and question, skills of the researcher, expenditure on resources used during the study and account of time spent. Limitations of the research, the researcher's qualifications and assumptions, attempts made to ensure validity of the study and to adhere to ethical issues are contained in this chapter.

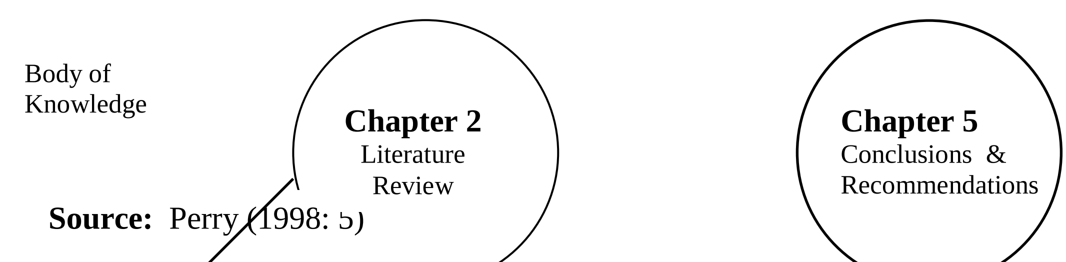
Chapter 4

Chapter 4 spells out how collected data were analysed and presented.

Chapter 5

Chapter 5 draws conclusions on the research and makes recomme-ndations.

Figure I: Model of the Chapters of the Report



Source: Perry (1998: 5)

1.6 Definition of Terms

The following definitions are provided to ensure uniformity and understanding of these terms wherever they are used in the study. Where definitions are not accompanied by citations, this will indicate that the authors' names and the other details such as year and page number were not given in the sources of the terms defined. Further, where definitions were developed by the researcher, that will be indicated accordingly:

"child labour"

Employment of persons of 15 years of age (in Swaziland) (Employment Act, 1980).

"equilibrium wage"

The wage which exactly balances supply and demand for labour, meaning that the labour market is at rest and no changes in wage and quantity of labour will occur unless conditions of supply and demand change. At this point, the wishes of employers and labour coincide, leaving no surplus or shortage of labour (Beardshaw et al, 2003:16).

“Emalangeni”

The plural form for Swaziland’s currency unit “Lilangeni”. Always used in the plural, and often abbreviated as “E” in all cases. For example, “One Lilangeni” is always written in the plural form as “One Emalangeni”, or E1.00 (Developed by Researcher).

“impact of minimum wage hike on employment”

As used in the study, is a collective expression of those effects that emerge as a result of employer response to the increased production and/or service delivery costs brought about by an increased wage bill (Developed by Researcher).

“minimum statutory/mandatory wage or wage floor”

Government-determined wages below which no employer covered by the relevant wages regulation order is allowed to pay his/her employee categories to which such minimum wages are applicable (Black’s Law Dictionary, 1983).

“minimum wage legislation”

The body of laws regulating minimum rates of pay. It also refers to a particular wages regulation order/s. In this study, the term has been in some places used interchangeably with wages regulation order/s (Developed by Researcher).

"national minimum wage"

That minimum wage covering all employee categories in a country (European Foundation for the Improvement of Living and Working Conditions, 2002:13).

"Resident Commissioner"

The political representative of the British monarch in the former British colonies during the colonial rule. These former colonies include Swaziland (Developed by Researcher).

"state/regional minimum wage"

That minimum wage covering all employee categories in a state or region (whichever is the case) (European Foundation for the Improvement of Living and Working Conditions, 2002:13)

"underground economy"

The aggregate of unrecorded economic activity which escapes measurement and tax assessment due generally to its reliance on cash transactions but also for other reasons such as illegality. Examples are: drugs, prostitution and gambling (Noble, 1995:25).

1.7 Delimitations of Scope of Research

The researcher determined what the scope of the research would be, that is: identified the research problem and focused his attention on the impact of minimum wage on employment rather than on the other factors also said to be directly or indirectly influenced by wage increases. The researcher identified four (4) employers' representatives, ten (10) employees from the two firms and two (2), union officials from the two unions active in the industry (but only one union official was available for interview), two (2) labour inspectors from the Manzini Labour Office as units of analysis.

The study was confined to the Matsapha Industrial Area where many low-wage workers were employed, so that the minimum wage had real potential to have a noticeable important minimum wage impact on employment (Castillo-Freeman and Freeman, 1991 cited in Machin, Manning and Rahman, 2002:2). Another reason was the proximity of these firms to one another which made access to them easier and convenient for the researcher during data collection.

The research itself focused on the Textile and Apparel Industry. From this industry, two (2) firms were selected on non-random basis as a sample for the research. One reason for this choice was that the textile and apparel industry employs predominantly women, one of the employee categories often occupying low -pay occupations.

The period within which the trend of minimum wage change was assessed was delimited to five (5) years viz.: from 2000 to 2004 as the economic downturn in the textile industry was reportedly at its worst during this period.

The qualitative research method was deemed to be the appropriate research method to get the different views of "representatives" of the different stakeholders in the textile industry. The field data collection method was predominantly via interviews, although triangulation (use of several other methods as shown in chapter 3) was used to close observed gaps in the interview method.

The major reason for the delimitation of the research itself to the minimum wage-employment correlation was the protracted debate for, and against the adverse impact of minimum wage hike on employment, and the failure on the part of all concerned to isolate the impact of minimum wage hike on employment from that of other factors.

1.8 Chapter Summary

The chapter introduced the research preliminary topics and provided some explanation on how the research idea came about and why it had to be explored further.

It started with a broad and general picture of the study and then went to the immediate issues giving rise to the research problem. The chapter then explained the purpose of the research, articulated the research question which the study sought to answer, and explained the significance of the study.

The chapters of this report were also outlined in this chapter to give the reader an overview of how the chapters were arranged and an indication of what to expect in the chapters ahead. Technical terms were defined and the extent of coverage of the research was determined in this chapter.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

Chapter1 identified the research problem, briefly stated why the research had to be carried out in the textile industry in Swaziland, formulated the research question, explained why a qualitative research method was preferred to the quantitative approach, outlined the chapters of the report, defined technical terms used in the report and determined its scope.

The study seeks to address the research problem arising from the prevailing debate within the labour relations fraternity i.e. employers, labour and government that the rise in the minimum wage in the textile industry has had a negative impact on employment in the sector which manifested itself in the form of retrenchment of large numbers of employees, ban on recruitment of new employees and even closure of firms (Position paper of the Swaziland Textile Exporters' Association, January, 2005).The research therefore has to answer the question whether indeed, minimum wage hike has had any impact on employment in the textile industry and in what form, if any.

This chapter is organised around eleven (11) major topics: namely: Brief History of the Minimum Wage Legislation, Review Overview, Rationale for Minimum Wage Legislation in the Labour Market, Wage Differentiation Criteria, Minimum Wage Fixing Machineries and Minimum Wage Determination, Minimum Wage Legislation, Dominant Labour Market Models on the Linkage of Minimum Wages and Employment, the Most Vulnerable Employee Groups to the Spill over effects of Minimum Wage Legislation, Critique of the Literature, Best practices from the literature and What the Literature meant for the research.

2.2 Brief History of the Minimum Wage Legislation

The International Labour Organisation (ILO) in Geneva, Switzerland adopted the Minimum Wage Fixing Machinery Convention as early as the late twenties (1928). The purpose of this Convention was "…to prevent the payment of very low wages in industry or in certain trades in which there was no effective arrangement for fixing minimum wage (Convention No. 26 of 1928). Having observed the valuable purpose served by this Convention and the Equal Remuneration Convention (1951) in most Member States in protecting underprivileged groups of wage earners, the ILO adopted the Minimum Wage Fixing Convention (C131 of 1970). Although the adoption of this Convention did not give it a legal force, it however, did influence to a considerable extent quite a number of Member States towards fixing minimum wages for certain disadvantaged employee categories in their areas of jurisdiction.

Sarlo (2000:13) reports that Australia was the first nation to have minimum wage legislation as early as 1896, while Sennholz (1983:1) argues that the idea of a minimum wage legislation originated in New Zealand in 1894. According to Sarlo (2000:ibid.), the major reason for this policy initiative in Australia was to combat overwork and underpayment (referred to as "sweating") that was apparently rampant in certain industries and trades at the time. Britain and other European countries (France, Norway and Germany) followed with legislation of their own in the ensuing years (Sarlo, 2000: ibid.).

The minimum wage concept in the United States has undergone several rhetorical permutations. It first emerged as a living wage (a wage enough to support a family), and later (in the late thirties) it became a matter of macroeconomic policy (Levin-Waldman, 1999:4). The Fair Labour Standards Act, 1938 in the United States was one of the first national (federal) minimum wage pieces of legislation which was enacted to address the deplorable conditions of the vulnerable working groups, and particularly "…eliminating labor conditions detrimental to the maintenance of the minimum standards of living necessary for health, efficiency, and general well-being of workers without substantially curtailing employment or earning power" (Abowd, Margolis, Kramrz & Philippon, 2000:2). According to these writers (Abowd, et al, 2000: 4), the American minimum wage has never been indexed, but increases only when legislative changes are enacted.

The need for a living wage in Brazil was first recognised in that country's 1934 constitution (ILO, 1999:2). It was not until 2 years later (1940) that a regulation detailing its implementation gave it effect (ILO, 1999: ibid.).

According to writers such as Machin, Manning and Rahman (2002:1); Stewart (2003:1) for example, national minimum wage legislation in the United Kingdom was introduced in 1999 and that, prior to that year, there was a minimum wage legislation covering only workers in the agricultural industry.

This brief history of the minimum wage legislation suggests that the minimum wage concept is not a new area of concern to governments. This is seen in the case, for example, of New Zealand where it dates as far back as 1894 (Sennholz, 1993:1); Australia where it was introduced as early as 1896 (Sarlo, 2000:13); the United States of America which enacted the Fair Labour Standards Act in 1938 (Levin-Waldman, 1999:4). This section shows that the minimum wage legislation was intended to protect certain employee categories such as the unskilled and semi-skilled employees, for example, against "overwork and underpayment" (Sarlo, 2000:ibid.) and to improve working conditions of these working groups (Levein-Waldman, 1999:ibid.).

2.3 Review Overview

While making no attempt to present an exhaustive discourse on the topic of the research in this section, different "experts" in the field of the study are engaged in a form of a conversation (Descartes, 1596-1650).

The literature review was concerned with the history of minimum wage legislation, the nature and extent of the impact of minimum wages on employment. This chapter examined how the introduction, operation and/or minimum wage hike impacted on employment at different times in history, what the attitude of neoclassicists such as the mainstream economists and the majority of employers has been over the years towards this form of government intervention. It also looked into how monopsonists and the Card and Krueger disciples and advocates of their findings such as most governments and labour organisations viewed the minimum wage-employment relationship.(Dickens et al, 1999: Lang and Kahn, 1998; Machin and Manning, 1996 cited in Dowrick and Quiggin, 2003:12).The research therefore drew material from a wide range of literature sources on labour economics topics, and other related social science disciplines as its conceptual framework, in order to set a clear picture of the existing relevant theories, models, studies and methodologies to the topic under study.

Notwithstanding the fact that the main objective of this study was the exploration of the impact of minimum wages on employment, the literature review casually touched on other issues seemingly outside the ambit of this study; such as the impact of minimum wage on the size of the operation of the organisations, its impact on fringe benefits, for example. It did so only as far as such issues related to minimum wages and their impact and implications on employment.

However, in this chapter conclusions from previous studies were not drawn at face value as a matter of fact, but an evaluation was made whether these conclusions were grounded on reasonable premises and/or consistent with economic theory and empirical robustness (Federal Bank of San Francisco, 1999:2).

The literature review looked at two broad dimensions in addressing the research question namely: arguments for and against minimum wages which needed to be considered from a range of perspectives, such as the coverage of minimum wage policies; their effectiveness; the costs involved and who bears them, and the likelihood of positive or negative spin-offs or perverse effects (Rubery, 2003:19). To achieve this objective, the review took cognisance of several dimensions such as, for example: the different types of minimum wages by coverage i.e. national (countrywide) and sectoral (industrial) minimum wages.

The review looked into the employee categories most vulnerable to the negative impact of minimum wages viz.: teenagers, women, unskilled and semi-skilled and the disabled. It also took on board the most popular theoretical models that have been used in previous studies relating to the research topic to explain certain phenomena and/or peoples' behaviour patterns in each labour market situation such as the conventional view (the classical model), the monopsonistic models and the efficiency wage theories.

2.4 Rationale for Minimum wage legislation in the Labour Market

There is no single purpose or goal of minimum wage legislation. West and McKee (1980 cited in Sarlo, 2000: 14) observe, "…evidently, its goals could be described as multipurpose, with the added restriction that none of these is entirely satisfied by the minimum wage itself." According to these writers (West and McKee, 1980 cited in Sarlo, 2000:ibid.), minimum wage legislation serves:

(a) To ensure that all workers receive a "living wage".
(b) To prevent unfair wage competition among employers.
(c) To protect the physical, moral, and intellectual well-being of women and children in the labour market.
(d) To serve as a stabilizing tool during a recession.
(e) To counter exploitation.
(f) To narrow the gap between the organised and unorganised sectors, such that the relative position of lower paid workers does not deteriorate.
(g) To reduce poverty.
(h) To increase firms' productivity and efficiency, thus contributing to economic growth.
(i) To maintain an incentive to work among low-wage employees.

Notwithstanding these seemingly differing intentions for introducing minimum wage legislation, the bottom line is to "…ensure a fair income distribution…" particularly among the most vulnerable working groups with an ultimate aim of reducing poverty in society (Fortin and Lemieux, 1998:2; Hinnosaar and Room, 2003:10; Nuemark et al., 1998 cited in Rubery, 2003:35; Kuttner, 1997 cited in Donahue, 2000:4).
However, the poverty reduction goal for minimum wages is open to criticism (West and McKee, 1980 cited in Sarlo, 2000: 14.) as such benefit will be enjoyed only by the covered working population and their families to the exclusion of all others. United States Labour Secretary, Elizabeth Dole clarifies:

> *We need to recognise that the poverty population and the minimum wage earners are different people, by and large. If we want to help people out of poverty, then we need to look at literary and basic skills, which are the root to the better-paying jobs our economy is creating. Raising the minimum wage has little relation either to skills provision or to the poverty population (US. Senate, 1989: 20 cited in Levin-Waldman, 1999:15)*

Some researchers such as West and McKee (1980 cited in Sarlo, 2000:15) also argue that there are many reasons why people are poor, most of which cannot be dealt with by minimum wage legislation. The OECD (1997:4) therefore finds that the role of a minimum wage legislation as a tool for poverty alleviation should be seen in the context of other policies aimed at poverty alleviation. This presupposes that its effectiveness in raising the incomes of low-paid workers will depend on its interaction with tax/benefit systems, including in-work benefits.

Writers such as Fortin and Lemieux (1998:3); Patricia Jones (1997:1); West and McKee (1980 cited in Sarlo, 2000:15) observe that minimum wages may not be an effective tool for poverty reduction. Jones (1997: 1-2) further advances some reasons to motivate this argument:

(a) Many workers are not covered by minimum wage legislation, e.g. Ghana and several other African countries, where employers have no legal obligation to pay apprentices and casual workers the minimum wage. Some of these workers are in the informal sector, i.e. outside the wage sector. West and McKee (1980 cited in Sarlo, 2000:15) share the same sentiments.

(b) Some firms evade minimum wage legislation when either the probability of detection is low or the compliance costs are high. Lax enforcement of minimum wage legislation may also account for the failure of minimum wages to reduce poverty.

(c) Even where coverage and compliance is high, minimum wage legislation may have the effect of reducing the demand for low-skilled labour as firms may prefer to hire (or maintain in employment) those workers whose wages have risen by the smallest proportion as a result of the minimum wage legislation.

However, the International Labour Organisation (ILO) (Paukert and Robinson, 1992:71) accepts government intervention as both desirable and, in some situations necessary to ensure some minimum standards (including setting minimum wages) and to provide protection of workers' basic human rights.

The primary objective of introducing minimum wages in the United States for example, was "…eliminating labour conditions detrimental to the maintenance of the minimum standards of living necessary for health, efficiency, and general well-being of workers without substantially curtailing employment or earning power" (Fair Labour Standards Act, 1938). Finnemore and van Rensburg (2000: 155) in support of this perspective maintain that, like any other market, the labour market cannot fairly operate without government intervention. The justification of minimum wage laws is further affirmed, although from a slightly different perspective, by writers such as Standing, Sender and Weeks (1996:211) in their argument to the effect that economic growth is impossible when the larger portion of the working population still lives in poverty.

Most countries having minimum wage legislation in place have enacted them to address a number of labour market irregularities, such as: protecting covered employees (in the case of sectoral or industrial minimum rates) or all employees (in the case of national minimum rates) against exploitation by their employers (Paukert and Robinson, 1992:87). Neumark et al (1998 cited in Rubery, 2003:35) note that the primary goal of a national minimum wage floor is to raise the incomes of the poor or near-poor families with members in the workforce.

It can be concluded from this section that minimum wage legislation serves a variety of purposes depending on the policy priority areas of each government, the perspectives from which those in government view the legislation, its structure and focus (West and McKee, 1980 cited in Sarlo, 2000:14)

The effectiveness of the poverty alleviation function of the minimum wage legislation is questionable in the sense that, this policy instrument is usually targeted only to those who are employed, to the exclusion of those employed but not covered by the legislation and the unemployed. Further, minimum wage legislation cannot solve the poverty problem when one looks at the level at which minimum wages are usually set (very low) in most countries. The trend of the minimum wage rise in the textile industry in Swaziland, as an example, over the period 2000 - 2004 as shown in Appendix I of this report is supportive of this observation. One of the major reasons for not setting minimum wage rates too high (i.e. above the market clearing level) is the often-feared adverse impact of inflating the payroll - job losses.

The inclusion of this section (Rationale for Minimum wage legislation in the Labour Market) in the report was deemed necessary to provide a theoretical framework to be used in comparing the different rationales of the minimum wage legislation discussed in the literature review. It also served as a yardstick against which success or effectiveness of the minimum wage legislation could be measured. It was also in relation to these rationales that positive and/or negative impact on employment could be assessed.

The purpose of regulating wages and conditions of work in Swaziland, for instance, is to protect the unskilled, semi-skilled, among other employee categories which, for some reasons or other cannot organize themselves for bargaining purposes against exploitation by their employers. Assessing the impact of minimum wage hike on employment in the textile industry was therefore carried out in the light of the minimum wage legislation's objectives and other themes.

2.5 Wage Differentiation Criteria

Some governments differentiate minimum wage rates according to certain criteria such as, for example, national and sectoral coverage, age, gender, location of industry or individual firms. This is done for a variety of reasons. For example, Convention No. 99 of the International Labour Organisation encourages ILO Member States to waive the binding force of minimum wage rates or permit exceptions to the minimum wage rates in individual cases to prevent curtailment of employment opportunities of physically and mentally handicapped workers.

2.5.1 By National/Countrywide Coverage

Advocates of national minimum wage such as, for example, Rubery (2003:7) finds that a universal minimum wage represents the interests of all workers (including the informal sector) within the wage determination system. In keeping with its Declaration "Poverty anywhere constitutes danger to prosperity everywhere" (Declaration of Philadelphia, 1944), the ILO promotes the application of minimum wage to the informal sector as well to ensure that all sectors and employee categories are taken on board (Convention C131 Minimum Wage Fixing Convention, 1970).

The purchasing power of a given level of the minimum wage may differ significantly across regions, and a differentiated minimum wage may help in establishing a more equitable structure of real minimum wages across a country albeit this may pose monitoring and enforcement problems (OECD, 1997: 18). For example, responding to the popular Twenty-seven "Demands" submitted by the Swaziland Federation of Trade Unions (1998), the Swaziland Government observed:

> *Because of the varying levels of income and the profitability of business operations, it is felt that a national minimum wage would tend to discourage the payment of higher wages while at the same time forcing out of business those organizations whose profit margins are very narrow thereby increasing unemployment (Government response, 1998).*

Although there seems to be a consensus as to the need for a national minimum wage in the majority of cases for political motives, the many economic, social, commercial and other implications that have to be taken into account necessitate the provision for the granting of exemptions and the making of numerous exceptions (Ringrose, 1976:12).The OECD (1997:17) sends a caveat to the effect that national minimum wage poses a risk of having a large number of workers being unable to price themselves into work in certain areas.

Wage differentiation by national coverage has both advantages and disadvantages, whatever the form it takes. For example, the Labour Government in the United Kingdom preferred the national minimum wage in order to cover every employee in the economy (Machin, Manning and Rahman, 2002:1). While this form of minimum wage was intended to encompass all workers in the country, it tends to overlook the varying profit margins of industries, firms and individual employers. In some countries the national minimum wage option has a political motive, particularly where the ruling party has committed itself to alleviate poverty for all citizens and thereby strengthening its political position. If this is what governments advocating for the national minimum wage are looking for as one way of rent seeking, such governments are likely to lose favour from the employer population particularly the small and medium size employers whose profit levels are mostly likely to be narrower to afford an across-the-board wage increase.

2.5.2 By Sectoral (Industrial) Coverage

Bearing in mind the heterogeneous nature of industries and/or types of firms in terms of their operational methods, the profitability levels of their operations etc. some governments differentiate wages by industry or sector (Paukert and Robinson, 1982:89).

Sectoral minimum wage covers a certain designated sector or industry (a group of firms producing the same or similar commodity) (European Foundation for the Improvement of Living and Working Conditions, 2002:13). Lester (1964:507) notes that industry- based minimum wage differentiation is preferred in some countries, states and regions for the belief that an increase in the minimum wage directly affects only a minor fraction of the labour force, and hence has a relatively small impact on total costs and total employment.

It has also been seen from this section that wage differentiation by industry has some loopholes as well. Swaziland, on which this research focuses, for example, preferred wage differentiation by industry. In doing this, the Swaziland Government took into account the varying operational methods, profitability levels and other differences among industries, firms and individual employers. Notwithstanding this precaution, this system of wage differentiation is not without weaknesses as it leaves out of coverage of the minimum wage legislation many occupational categories (including those in the informal sector), for example.

2.5.3 By Age

Youth have unique characteristics that make them significantly different from the adult labour market, and hence there have been quite a number of recent studies focusing on youth in the labour market. These studies include those carried out by Deakin, 1996; Dustmann et al., 1996; Roberts, 1995 cited in Sehkaran, 2001:3). Such studies find a justification for dichotomising the minimum wage structures in an economy to take into account these adult-youth characteristic differences.

Advocating the differentiation of minimum wages (DMW) by age, Gutierrez Hevia and Schwartz (1997 cited in Larrain and Poblete, 2004:1) recommend:"…if the government's priority is to increase employment of young workers it should seriously consider the possibility of…lowering the minimum wage of this age group…."

Machin, Manning and Rahman (2002: 10) note that some countries concerned with both investment growth and job security differentiate minimum wages by age to have in place adult and young workers' rates in order to match these wage rates with the marginal productivity levels of these different working groups.

The OECD (1997:17) reveals that the rationale behind the teenage-adult wage differentiation is based on the argument that high minimum wage for teenagers and inexperienced young workers may negatively affect their employment opportunities. One example of this adult-youth minimum wage differentiation is that provided by writers such as Machin, Manning and Rahman (2002: 10) who cite the 1999 UK National Minimum Wage. According to these writers, workers aged 22 or more years were rated at £3.60 sterling and those aged 18-21 at £3.00 sterling per hour. The purpose for this dichotomy is based on retention of the young workers in order to give them adequate exposure to more skills (OECD, 1997: 17).

While at first being skeptical that differentiating minimum wage rates between adults and young workers may result in the exchange between these groups of workers because of the lower price (wage) for young workers, Lucas and Langlois (2000 cited in Sahkaran, 2001:11) find no evidence for this fear as the "development" (young workers' rate) does not result in any substitution effect.

Differentiated minimum wage has been critiqued by some economists such as Larrain and Poblete (2004:1) as having a negative impact of forcing less-skilled workers to remain longer in the uncovered sector, leading to a worsening in the wealth distribution. This, according to these writers (ibid.) is due to the stability in the covered sector (where employers pay lower minimum wages to young workers as against paying a single wage (SW) that would force young and inexperienced workers out of employment).

Another finding by the ILO (2004:34) regards minimum wage differentiation by age as an obstacle for integrating young people into the labour market, and that their downward adjustment is presented as an appropriate way of getting them into jobs. The ILO (2004:ibid.) notes that a single minimum wage may provide an incentive to young people to work; and that it may motivate employers to invest in human resource development. Brazil provides one example of the countries which no longer subscribe to wage differentiation by age. It ceased this practice in 1946 (ILO, 1999:2).

Advocates of minimum wage differentiation by age justify it by advancing the argument for the protection of employment opportunities for young employees. While this reason may appear valid, it may open room for exploitation by employers of young employees whose minimum wage rates are lower that the adult wage. Child labour may be preferred by employers to adult employment. However, minimum wages in the textile industry in Swaziland are not differentiated by age. (Wages Regulation Order, 2004).

2.5.4 By Gender

While mainstream economists such as Rubery (2003:1), for example, strongly believe that minimum wages can be an efficient and effective tool for reducing gender inequality, some governments still institutionalise pay discrimination (so-called indirect discrimination) under the pretext of female employment protection (Pylkkanen, n.d.:6). An example of such countries is Brazil, which still differentiates its wage structure at different levels for the various regions with women workers being among those having a lower minimum than their male counterparts (ILO, 1999:2).

While some governments have used occupational characteristics such as education, experience, location etc. to differentiate minimum wages (Assaad and Arntz, n.d.: 17), cases still exist where wage differentiation is based on gender-specific considerations such as the premise that "women are less productive than men" (Ponthieux and Meurs, 2005: Abstract), and that they therefore deserve lower pay than men (Cooper, 2000: 3). According to Cooper (2000:11), jobs that women are often found in, are low paying service occupations, while men are often involved in higher-paying jobs such as construction. Paylkkanene (n.d.: 6) finds that this male-female wage disparity brings about side effects the most serious of which is that, wages across different sectors differ remarkably along the gender line.

2.5.5 By Location of Industry or Individual Firms

It does happen that some pieces of wage legislation such as, for example, the Swaziland Wages Regulation Order for the Retail, Hairdressing, Wholesale and Distributive Trades (2004) differentiate wages by the location of the firms such as wages applicable to those establishments in urban or industrialised areas and those applicable to firms located in other or "less busy" or non-industrialised areas such as rural areas. These Wages Regulation Orders specify those areas falling under "urban and industrialised" localities and designate all those left out as falling under the "All- Other- Areas" category (Wages Regulation Order, Retail, Wholesale, Distributive Trades and Hairdressing Salons, 2004).

Saget (2001:7) provides an example of Malawi where wages are differentiated between the urban and rural sectors. Livington (1995 cited in Saget, 2001: ibid.) notes that this dichotomy poses a problem of wage disparity between Malawi's small urban sector and its large and impoverished informal rural sector.

2.6 Minimum Wage Fixing Machineries and Minimum Wage Determination

Minimum wage fixing machineries in different countries vary in terms of scope of their mandates; for example, the Low Pay Commission in UK functions differently from the Wages Councils in Swaziland. Some countries have supplemented their minimum wage legislations by collective bargaining and agreements (Paukert and Robinson, 1992:88).

In Scandinavian countries such as Sweden, minimum wages are subject to bargaining between employers and unions, and are part of collective agreements. The agreements apply to all firms in the industry, whether the workers are unionised or not (Institute of Labour Market Policy Evaluation, 2002:7).

In Brazil, wage determination is entrusted to regional Minimum Wage Commissions, one for each of the 20 states and 2 territories (ILO, 1999:2). Each of these Commissions is tripartite, i.e., it consists of employers', employees' and government representatives or appointees (ILO, 1999: ibid.).

In Swaziland wages are fixed by the Wages Councils for the respective sectors of the economy (Wages Act, 1964). These Councils are tripartite in composition, i.e. each is made up of employers', employees' and government appointees (independent members). The Wages Act (1964) in Swaziland empowers the Minister for Enterprise and Employment to establish wages councils in relation to certain sectors to regulate terms and conditions of work (including minimum wages) where the Minister is satisfied that no adequate machinery exists for the effective regulation of the wages or conditions of employment in those sectors.

According to an observation by Rubery (2003: 41), some governments have decided either to hand over the determination and control of minimum wages to social partners or have adopted systems of indexation which are automatic to reduce charges of interference with the free operation of the labour market, and to distance themselves from its outcomes. Although this decision may be viewed by some quarters as laissez faire, advocates of the new public management (NPM) concept may view it as one way of availing governments of the opportunity to concentrate on matters of policy and execute those public functions they "can do best."

While encouraging member states to have minimum wages in place, the ILO advises that, in determining the levels of such minima, member states should take into account "…the economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment." (Article 3 (b) of Convention 131-Minimum Wage Fixing Convention, 1970).

2.7 Enforcement of Minimum Wage Legislation

Minimum wage legislation cannot achieve its objective without an enforcement system such as labour inspection and other monitoring mechanisms being put in place. Although the Low Pay Commission in the U.K., for example, first believed that it could achieve compliance merely through intensifying awareness among employers of the requirements of the National Minimum Wage legislation, this was not enough (Machin, Manning and Rahman, 2002:5).

Although collective agreements are usually not enforceable through labour inspection, if not complied with they are enforceable by the courts in a similar way as statutory minima (Conventions 81 of 1947 and 129 of 1969 on Labour Inspection and Labour Inspection (Agriculture) respectively). In Swaziland, collective agreements reached between workers' unions and employers may be registered with the Industrial

Court so that they have the force of a court order (Industrial Relations Act No.1of 2000).

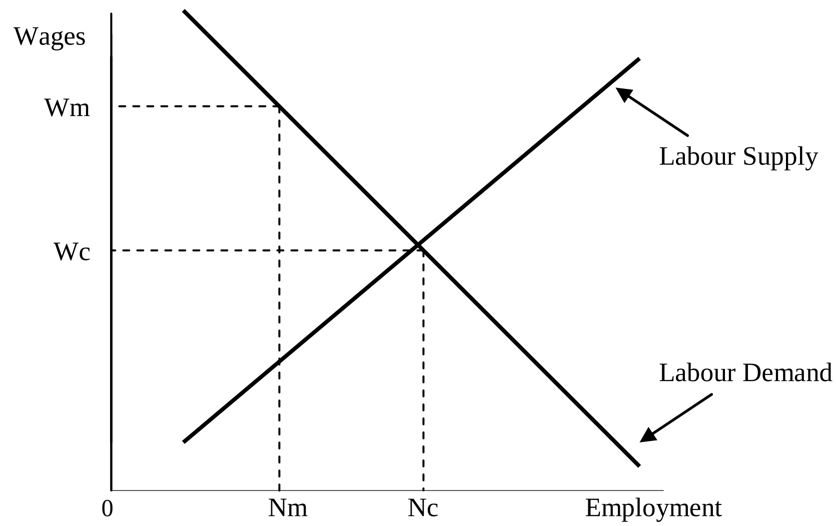
2.8 Dominant Labour Market Models (Theories) on the Linkage of Minimum Wages and Employment

Economists and other academics have carried out a number of studies and formulated theories to explain certain phenomena characterising the labour market, and advanced certain predictions on transactional outcomes of the labour market. These predictions explain what linkages there are between minimum wages and employment and/or unemployment; and how these correlations impact on other factors. The earliest of these models to be brought forward is the traditional or competitive labour market theory also known as “the conventional wisdom” (Brown, 1995:827 cited in Watson, 2004; Saget, 2001:20; Sehkaran, 2001:4).

2.8.1 The Competitive Labour Market (The Neoclassical) Model

There has been a consensus for many years among economists that the imposition of minimum wages above the “equilibrium” level adversely affects employment. This labour market model relies on the simple supply and demand’ approach, holding all other factors constant, and assuming that the labour force is homogeneous, labour market information is perfect and that there are many suppliers (job-seekers) and fewer buyers of labour (employers) (O’Brien-Strain and MaCurdy, 2000: 21; Saget, 2001:21; Sehkaran, 2001:4). The graph in Figure II (below) summarises the neoclassical labour market model:

Figure II: The Competitive Labour Market Model



Source: Ghellab (1998:5)

Key:

- Wm: Minimum wage
- Wc: Equilibrium wage
- Nm: Demand for labour if the MW is set above the equilibrium
- Nc: Demand for labour at the equilibrium wage

The minimum wage employment impact tends to disadvantage the least-skilled workers whom minimum wage legislation purports to protect (Employment Policies Institute, 2004:12; Sarlo, 2000:4). While opinions may vary among economists as to the severity of the negative linkage between minimum wages and employment, the overall message could not be clearer.

Some economic research findings by Edwards and Gilman (1999); Lucas and Langlois (2000b cited in Sehkaran 2001:6) reveal that this model tends to oversight the heterogeneity of firms that greatly influences the ways in which minimum wages impact on employment and unemployment.

Paukert and Robinson (1992: 75-6) suggest that the labour force homogeneity assumption gives birth to the thinking that labour can easily be substituted for "cheaper" or cost-effective production methods in the event of a wage hike exceeding the market-clearing level.

Studies that have attempted to directly assess the impact of minimum wages on fringes and work requirements as well as the overall value of jobs reveal:

(a) Hashimoto (1982 cited in MacKenzie, 1999: 10) reports that, following the 1967 minimum wage rise in the United States, workers benefited 32 cents per hour in nominal income but lost 41 cents per hour in training.

(b) Leighton and Mincer (1981 cited in MacKenzie, 1999: ibid.) note that minimum wage increases reduce on-the-job training and, as a result, dampen growth in the real long-run income of covered workers.

(c) Wessels (1987 cited in MacKenzie, 1999: ibid.) notes that retail outlets in New York were compelled by the increased minimum wages to increase work requirements such as working hours, for example. A further observation made was that, in response to a minimum wage hike, only 714 of the surveyed stores (in New York) cut back store hours, but 4,827 stores retrenched workers and reduced the hours of work (Wessels, 1987 cited in MacKenzie, 1999).

(d) Studies by Alpert (1986 cited in MacKenzie, 1999: ibid); Dunn (1985 cited in MacKenzie, 1999: ibid); Fleisher (1981 cited in MacKenzie, 1999: ibid.) suggest that minimum wage increases result in reduction of fringe benefits and worsening of working conditions.

2.8.1.1 The Substitution Effect

The substitution effect emanates from the competitive market situation where minimum wages are set at a higher level (above equilibrium). This scenario raises the costs of labour which themselves result in the fall of demand for labour (Ghellab, 1998:6).

Decades of economic research (Employment Policies Institute, 2004:20) prove that, in order to remain competitive, and of course holding all other factors constant; employers will consider taking the following steps in response to a minimum wage increase:

(a) Hire skilled applicants with more experience.
(b) Automate services once performed by entry-level employees.
(c) Cut back on customer service and products.
(d) Inflate prices of goods and services - pass the extra labour cost to the consumer (although they may lose customers as a result) (O'Brien-Strain, MaCurdy, 2000: 21).

However, if employers choose to substitute capital for labour in the form of labour-replacing equipment, the net employment effect may also be adverse (Borland and Woodbridge, 1999:95 cited in Watson, 2004: 2). Where it does suit an employer to choose new machinery over labour, the time involved in its installation may result in considerable delays before the impact of an increase in minimum wages on employment becomes evident. This is confirmed by Borland and Woodbridge (1999: ibid. cited in Watson, 2004: ibid.) who observe:

> *The variety of factors that account for the potential difference between short-term and long-term adjustment include time-lags involved in recruiting and training substitute labour for low-wage*

> *workers, organisational costs in restructuring production processes, time taken to identify and install new capital, and the cost of severance payments [such as severance allowance, wages in lieu of notice, wages for unutilised vocational leave etc.].*

2.8.1.2 The Scale Effect

This effect follows the fall in firms' sales owing to the dearth of labour (including low-skilled labour) and capital (Ghellab, 1998: 6). Se'bastian (2000:8) observes that a mandatory rise in wages raises the firm's production cost, hence a negative effect on its output. This, according to Se'bastian (2000:ibd.) implies a consequential decline in the demand for low-skilled labour.

2.8.1.3 Who Bears the Costs (Spill-over Effects) of Minimum Wage Increases as a Result of Factor Substitution?

Both the substitution and scale effects apply in different forms and affect different players in the labour market scene – somebody somewhere has to bear the additional cost (or be affected by the externalities of the wage increase) in one way or another. Lees Smith (1907 cited in Leonard, 1999:124) notes "… [raising minimum wages] is likely to involve both the laborers and the employers in a loss". For example, an employer may opt to reduce employment either by the retrenchment of some of the present workforce, or ban of employment of new recruits or passing of the extra cost to the firm's customers by raising prices of the firm's products and/or services (although the employer may be limited in this option in the case of those products which are basic necessaries of life and whose prices are controlled by government) (Machin, Manning and Rahman, 2002:8), cutting costs in other company investment options or reducing production and sales etc. Thomas MaCurdy and Frank McIntyre (2001: Executive Summary) sound a caveat regarding certain employer possible responses to a minimum wage rise:

(a) Employees bear the cost for the higher wage in their reduced work if the employer decides to cut down the number of hours per employee or the number of employees in their reduced work;

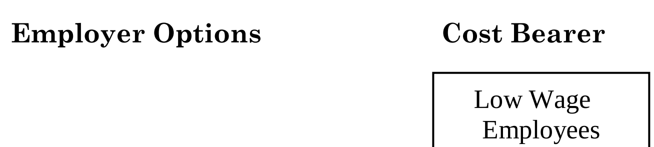
(b) the employer may have to bear the cost if he decides to accept lower profits in view of the competitive business environment in which he may be operating; and

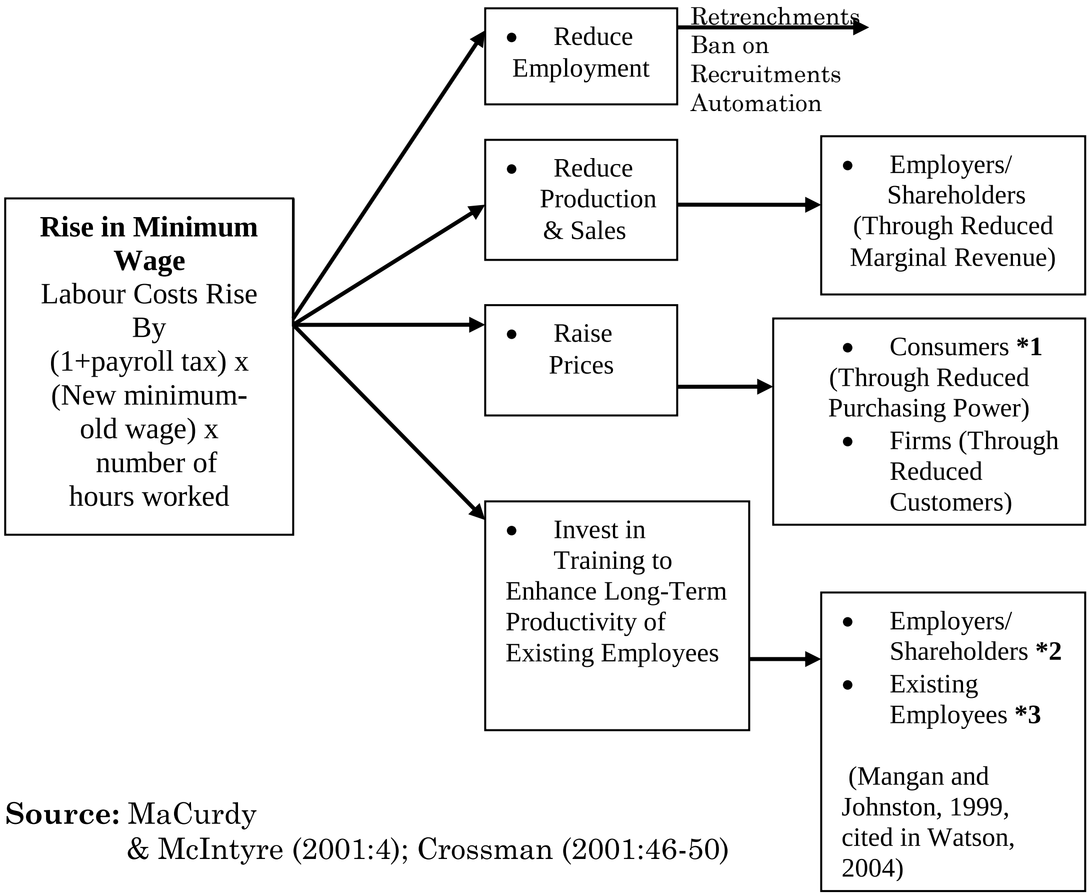
(c) if the employer decides to raise the prices, he may still have to bear the cost by losing customers or business, particularly if competing with other firms not covered by the minimum wage such as out-of-state or overseas firms.

Some writers feel that employees may have to forgo part of the minimum wage if offered some training by the employer. For example, Becker (1964 cited in Strobl and Walsh, 2003: Introduction) is of the view that workers will pay for general human capital in the form of lower starting wages, whereas Hashimoto (1981 cited in Strobl and Walsh, 2003: ibid.) argues that the costs of specific training will be shared by the firm and worker in a way that optimally shares the risk of separations that will be costly for either party. Figure III illustrates some of the above employer options in response to a minimum wage rise and costs that may be incurred directly or indirectly by different categories of players in the labour market arena:

Figure III:

Some Employer Options in Response to a Minimum Wage Rise and Costs Incurred (Directly or Indirectly) in the Process and their Bearers





Source: MaCurdy & McIntyre (2001:4); Crossman (2001:46-50)

Key: ***1** Which may also include the beneficiaries of minimum wages
***2** In the employer's share of the training expenses
***3** In forgone difference between minimum and training wage

2.8.1.4 New Versions of the Competitive Model (Gramlich, 1976 cited in Hinnsaar and Room, 2003:12; Mincer, 1976 cited in Ghellab, 1998:6; Welch, 1974 cited in Brown, Gilroy & Kohen, 1982)

(i) Two-sector model

This prediction of the competitive labour market presupposes that, although a hike in minimum wages is expected to raise the cost of labour and reduce its demand, this may not be the case with all sectors of the economy (Mincer, 1976 cited in Ghellab, 1998:6). Factors accounting for this dichotomy include the exemption of certain sectors from the application of the minimum wage legislation, problems of compliance, for instance (Ghellab, 1998: ibid.). As a result, the economy emerges having two broad, although not necessarily equal sectors, i.e. the covered and uncovered sectors. These sectors may not be equal in terms of number of firms falling under them, because: the legally uncovered sector may be paying the minimum wage or more in order to remain competitive; while the legally covered sector may be illegally paying less than the minimum wage (Ashenfelter and Smith, 1979; Chang and Ehrlich, 1985 cited in Wessels, 2004:4).

Assuming that labour is mobile across sectors, and minimum wage increases in the covered sector, the tendency will be a fall in employment in the covered sector as labour may be forced to flock to the uncovered sector. Conversely, more skilled labour will move from the uncovered to the covered sector (where skilled workers are given preference) (Hinnosaar and Room, 2003: 11).

The argument about victims of minimum wage hikes moving to the uncovered sector may not always be valid even in the case of skilled workers. Coulson (1986:7) contends that most people are educated and trained with a career in mind, and that jobs nowadays require extensive education and experience which involve skills that are not easily transferable; and that being the case, employees easily switching from one job to another may not be as easy as it may be imagined.

Studies by the World Bank (1987:123 cited in Paukert and Robinson, 1992:99) reveal that minimum wage laws also increase inequalities between the formal and informal sectors. The incomes imbalances between these sectors may result from the reduction in the employment of those covered by the minimum wages; which may in turn increase the supply of labour to the informal sector, thereby driving down wages there (Paukert and Robinson, 1992:99).

(ii) Two-sector model with queuing for covered-sector jobs (Mincer, 1976 cited in Ghellab, 1998: 6)

The above model is an extension of the two-sector model. In the event of minimum wages being set above the market clearing level, those who are either retrenched or unemployed queue for employment in the covered sector. According to Ghellab (1998:6), the process of queuing (waiting) for job openings to become available constitutes unemployment in itself. The longer the period of such queuing the worse the impact of such unemployment. Gramlich and Mincer (1976 cited in Hinnosaar and Room, 2003:12) find that, depending on certain initial conditions, labour force can move both ways i.e. either to the covered or uncovered sector. Gramlich and Mincer (ibid.) further argue that the net effect of labour movements depends on the elasticity of labour demand in the covered sector and the rate at which the vacancies arise in that sector.

2.8.1.5 Determinants of the Elasticity of Labour Demand (Drolet and Morissette, 1997; Ghellab, 1998:6)

Researchers such as Crossman (2001: 46); Sarlo (2000:4) affirm that the size of the minimum wage disemployment effect on labour in a competitive labour market depends upon the elasticity of the demand for labour which itself also depends upon other factors such as:

(a) The substitutability of the labour force

Minimum wage hikes in a competitive labour market could affect employment through factor substitution, depending of course on the technological possibilities for switching as well as relative prices (Paukert and Robinson, 1992:101).

(b) Countrywide minimum wage legislation

The wider the coverage of minimum wage legislation, as in the case of national (countrywide) minimum wage legislation, the more comprehensive the impact of a minimum wage hike may be on employment (positively or negatively), whichever is the case. Brozen (1962:103) predicts that broadening of coverage to uncovered occupations such as household work will increase structural unemployment.

(c) Compliance with the minimum wage legislation by all employers in the country

The direct minimum wage effect, both positive and negative depends not only on their level but also on the extent to which they are actually implemented or enforced (Paukert and Robinson, 1992:96). For example, Islam and Nazara (2000:7) observe that in quite a number of developing countries minimum wages exist on paper, and they are hardly effectively implemented, and as a result, the impact of a minimum wage hike is negligible or not felt at all.

(d) ***Employers having no power or influence on wages***

Disemployment is a logically *necessary* result if one assumes that (i) firms maximise profits and (ii) the low-skilled labour market is competitive; that is: firms have no monopsony power (Kennan, 1995 cited in Leonard, 1999: 120). This presupposes that the operation of the neoclassical theory can be weakened in a monopsonistic labour market, ie. where firms exercise their market power and pay a wage lower than workers' marginal revenue product (MRP).

2.8.2 Alternative Labour Market Models (Theories)

The conventional thinking was largely based on theoretical considerations which *decreed* that, if minimum wage is set at a level above the market-clearing wage, then labour demand would drop and employment fall (Brown, 1995:827 cited in Watson, 2004: bid.).

In recent decades, the belief that increasing the minimum wage leads to employment losses has intrigued economists; particularly since the mid-1990s when the work by American economists, Card and Krueger unsettled the conventional wisdom (Watson, 2004:2). Writers such as Ahn and Arcidiacono (2003:2); Falk, Fehr and Zehnder (2003:2) argue that the alternative labour market models were developed in response to the Card and Krueger studies to explain the observed minimum wage impact on employment as opposed to the predictions of the classical thinking. These theories have been developed to support the Card and Krueger studies (Ahn and Arcidiacono, 2003:2; Falk, Fehr and Zehnder, 2003:2).

Other economists view the linkages between a minimum wage hike and employment from different perspectives. They observe that minimum wages do not have negative impact on employment and that in some cases they have positive effects on employment (Card and Krueger, 1995; Dickens et al, 1999; Lang and Kahn, 1998 and Machin and Manning, 1996, 1997 cited in Dowrick and Quiggin, 2003: 12). Dickens et al (1999 cited in Dowrick and Quiggin, 2003: ibid.) eloquently argue:

> *Using this theoretical framework and empirically implementing the approaches that we favor to examine the effect of minimum wages in Great Britain, we find strong evidence that they have compressed the distribution of earnings and no evidence that they have reduced employment, the latter being a result that would be regarded as anomalous in a competitive model, but one that can easily be explained in our framework.*

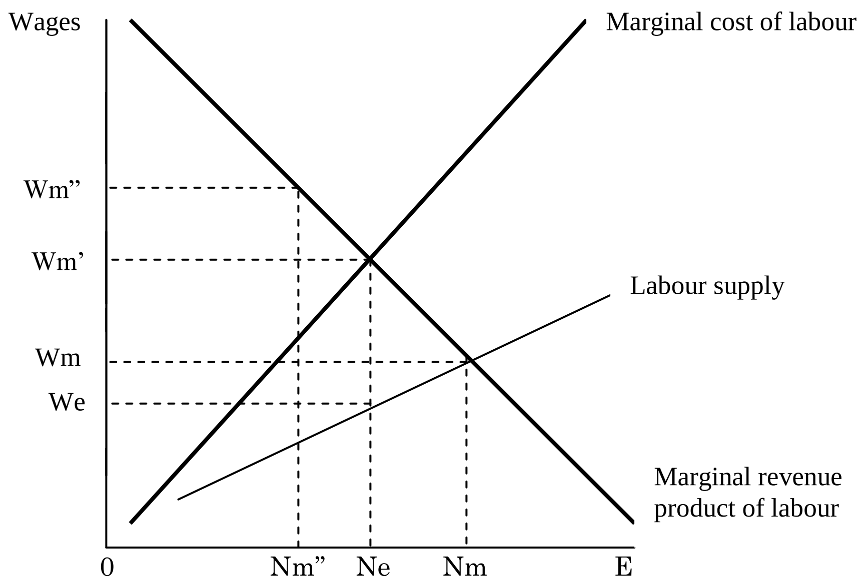
Employee groups and policy makers were greatly impressed by the Card and Krueger findings, particularly workers' organizations (Katz and Krueger, 1992 cited in NCPA, 1996:5; Watson, 2004: 2). Another category of academics such as Aizenman (1999 cited in Saget, 2001:4); Kerlof (1984); Leibenstein (1957, cited in Maechler and Roland-Holst, 1995); Solow (1979) brought to the limelight another set of theories, the efficiency wage models which recognise that workers' productivity depends not only on human endowments, but on the perceived reward for effort – that higher wages lead to productive employees.

2.8.2.1 The monopsonistic models

These models envision a labour market scenario where a single employer or group of employers possesses some market power to set wages so that he/she/they can easily hire the workers they need as well as motivate a larger part of the work force (Ghellab, 1998: 8; Sowell, 2003:1). Ghellab (1998:8) makes a further observation that the basic idea of this theory is the assumption that workers are immobile – confined to one defined locale; do not have sufficient knowledge of job opportunities offered by different employers in the labour market elsewhere; and that workers therefore cannot easily find better job offers in the labour market because of this lack of access to information so that if an employer reduces wages he or she is bound to lose the labour force.

Recent studies by Card and Krueger (1995); Dickens, Machin and Manning (1999) have revisited the perfectly competitive labour market theory and challenged its validity. The results of these studies refute the classical wisdom (that increases in minimum wages have negative impact on employment), but confirm the monopsonistic view that such changes do not have a disemployment impact, and that in some cases they even lead to increased employment opportunities (Neumark and Wascher cited in Bamboo web Dictionary, 2001). A supportive observation of positive impact of wage increases on employment also emerges from studies by Bhasker and To (1999 cited in Falk, Fehr and Zehnder, 2003:2). Figure IV graphically explains the operation of the monopsonistic labour market models:

Figure IV: The Monopsonistic Labour Market Model



Source: OECD (1997:17)

Key:

- E: Employment level
- Wm”: Binding minimum wage
- Wm’: The equilibrium wage rate
- Wm: Non-binding minimum wage
- We: Monopsony wage
- Ne -Nm”: Induced unemployment from minimum wage
- Nm - Ne: Rise in employment from Wm

Moore (2002: 5) also subscribes to the monopsonistic line of thinking. He advances the reason for his point of view that, when a monopsonistic employer hires an extra unit of labour, he must not only increase the wage to attract the extra worker but also pay all of his other workers the wage increment.

Indirect support for the Card and Krueger results comes from Blanchflower and Oswald (1994 cited in Dowrick and Quiggin, 2003). These writers (Blanchflower and Oswald, ibid.) find that higher levels of unemployment tend to be associated with lower levels of wages contrary to the predictions of the demand and supply model. The OECD (1996:76 cited in Dowrick and Quiggin, 2003) adds:

> *…there is little solid evidence to suggest that countries where low-paid work is less prevalent have achieved this at the cost of higher unemployment rates and lower employment rates for the more vulnerable groups in the labour market, such as youth and women.*

Statistics from the National Economic Council (March, 2000:5) provide empirical backing to the Card and Krueger positive findings (1995). The Council (ibid.) finds that since the 1996-97 increase in the minimum wage, the American economy and labour markets in particular, have continued to perform very strongly with 10.2 million jobs being created between September, 1966 and February, 2000 contrary to the predictions of the neoclassical theory.

2.8.2.2 The efficiency wage theories

The efficiency wage models, a brainchild of Leibenstein (1957 cited in NCPA, 1996:5); Agenor and Aizenman (1999 cited in Saget, 2001:4), advance a different prediction from the neoclassical notion of the correlation between minimum wages and employment.

Since the introduction of these models in the labour economics literature, arguments in their support abound. Economists such as Wieland (2003:2) advance various reasons in support of the positive linkage between minimum wage hike and labour productivity. Some of these reasons are based on the following assumptions:

(a) Higher wages make nutrition more affordable. The assumption of this version is that the better-paid employees will eat balanced diet, live better and happier life.

(b) Some workers may be reluctant to leave the firm if they are not performing up to the expected level, and hence, work harder to keep their better paying jobs. Salow (1979 cited in Saygili, 1998: 2) argues that payment of higher wages increases the cost of losing the job.

(c) The employer gets a choice of the cream of the crop. This version of the efficiency wage models predicts that offering a higher wage will increase the average quality of the job applicants, and thus raise the average quality of the worker that the firm hires (Weiss, 1980 cited in Saigili, 1998: 2)

(d) Higher wages save the employer the cost of higher turnover by reducing turnover costs (Salop, 1979 cited in Saygili, 1998: ibid.). No one or very few employees will want to leave the firm in search for greener pastures.

(e) There is "sociology" of the workplace. According to Akerlof (1982 cited in Saygili, 1998: ibid.) the sociological version of efficiency wage models states that a higher wage can build loyalty among workers, and hence increase workers' effort.

2.8.2.3 Factors favourably influencing the predictions of the alternative labour market models

The advocates of the alternative labour market theories such as Dickens et al (1999; Lang and Kahn, 1998; Machin and Manning, 1996 cited in Dowrick and Quiggin, 2003: 12) advance several reasons in support of these models:

(a) Non-binding (unenforced) minimum wages.
(b) The positive effect of minimum wage increase (reducing turnover, increasing loyalty, increasing morale, increasing employment).
(c) Likely employer response by reducing benefits.
(d) The argument that a firm's expenses (including wages) are passed on to consumers.
(e) Wages implemented at times when they are likely to have minimum impact on employment.
(f) The exclusion (exemption) of some sectors from the application of the minimum wage legislation.

Other writers such as Rebitzer and Taylor (1991 cited in Falk, Fehr and Zehnder, 2003) find that an increase in the minimum wages may enhance employment if firms use the threat of dismissal to elicit high levels of work effort.

Table I:

Summary of the Obtaining Models (Theories) and their Predictions on the Minimum Wage-Employment/Unemployment Correlation

Economic Model (Theory)	**Predicted impact of Minimum Wage on Employment/Unemployment**
1. Standard Competitive Model	
1.1 The Supply-Demand Model	Negative effect on employment if minimum wage is fixed above the equilibrium level (market clearing wage)
1.2 Two-Sector Model	Depends on: (i) the elasticity of labour supply to wages: (ii) the reservation wage of those in the covered sector; (iii) the relative size of the covered sector.
1.3 Two-Sector Model with Queuing for Covered-Sector Jobs	Effect on unemployment depends on: The elasticity of the activity-rate vis-à-vis minimum wage as well as change in employment rate.
2. Alternative Models	
2.1 Monopsonistic Model	Positive effect on employment in case of small increase in minimum wage
2.2 The Efficiency Wage Theories	There might be a positive effect on employment

Source: Ghellab (1998: 9-10)

2.8.3 The Most Vulnerable Employee Groups to the Spill over effects of Minimum Wage Legislation

2.8.3.1 Unskilled and Semi-skilled Employees

As firms become faced with increased minimum wages, employers may determine by trial and error whether it makes financial sense to retain all or some, or any of the existing workers. Thus the existing level of employment could potentially be adversely affected (Hutchison, 1997:8). Firms may start looking for "cheaper" or cost-effective production methods such as the employment of more skilled workers who are attracted by the higher wages. Deere, Murphy, Welch (2004: 5) and the

National Centre for Policy Analysis (NCPA) (2004: 3) view the impact of minimum wage on the unskilled and those with less skills as “very harsh” in the sense that the substitution of the more productive for the less-productive workers appears to undermine the latter employee category.

2.8.3.2 Teenagers

Economic theory and empirical evidence suggest that a minimum wage hike would more likely affect teens than any other age group since teens hold a larger fraction of minimum wage jobs (Turner and Demiralp, 2000:4; OECD, 1998:31 cited in Watson, 2004:5).

Studies carried out respectively by institutions such as the Organisation for Economic Co-operation and Development (OECD, 1997:17) and the National Centre for Policy Analysis (2001:1) reveal that this likely scenario may impact more adversely on the employment opportunities of certain employee categories such as teenagers and inexperienced young workers. However, findings of economists such as Card and Krueger (1995) show that there is no negative employment impact of minimum wage rise even on teenagers (National Economic Council, 2000:15).

Brown, Gilroy and Kohen (1982 cited in Bazen, 2000: 3) using time series data, reveal that a 10% increase in the minimum wage reduces teenage employment by one to three per cent in the United States. Later researches (Bernstein and Schmitt, 1998 cited in Bazen, 2000: ibid; Card and Krueger, 1995.) using cross-section data (experiences in certain sectors or particular states) refute the negative impact on youth employment. However, Charles Brown (1995 cited in Bazen, 2000: ibid.) notes that there may be negative impact in the long run which is not picked up in cross-section setting.

Economic theory predicts that minimum wages reduce on-the-job training for teenagers and that they may lead to lower educational attainment in the long run, yet very little empirical research has validated these assumptions (Turner, 2004: 7). Turner (2004: ibid.) further argues that minimum wages may reduce low-skilled workers' desire to obtain additional formal education, and that they may foreclose opportunities for employer-provided training.

Opponents of minimum wage legislation hold the view that it reduces teenager employment and prompts teenager to drop out of school to seek employment in the covered sector (OECD, 1997:17). However, economic theory suggests that the effect of minimum wage on employer-provided training is negative. Turner (2004:8) contends that employer-provided training is firm-specific rather than general.

2.8.3.3 Women

In many developing countries women are the most discriminated against group in the labour market (Jones, 1997:10).

Studies carried out by researchers such as Appelbaum et al (2004: 5); Nelson (2004:4) reveal that since women typically earn less than men, more women tend to work at or near the minimum, and are thus more likely to benefit from a minimum wage increase in the short run although they turn to be losers in the long run (Nelson, 2004:4). However, studies by OECD (1998:31 cited in Watson, 2004:5) reveal no evidence for adverse impact on employment for women.

Using a range of statistical indicators and econometric analysis, Islam and Nazara (2000, 4) provide an empirical evidence by their finding that, since 1989 Indonesia experienced negative effect on the creation of employment especially of women and other vulnerable working groups following the introduction of a minimum wage legislation.

2.8.3.4 Disabled

Disabled workers are often not covered or come under the scope of separate regulations (OECD, 1997:9). This arrangement often disregards the nature and extent of each type of disablement. Indiscriminate categorization of disabled persons for the purpose of minimum wage legislation poses a problem. This is to say that, disablement does not take one and the same form in terms of degree, gravity or seriousness and productivity.

2.8.4 Critique (Evaluation) of the Literature

2.8.4.1 Research methods used

A recent report by Neumark and Wascher (1995) reexamines the employment effects associated with the 1992 increase in the state minimum wage of New Jersey. The data initially used by Card and Krueger (1994) relied on telephone surveys of fast-food restaurants and were confined to the fast-food restaurants.

This method has been criticised for not providing a sufficient context for reliable responses, particularly with respect to the relevant time period (e.g., daily, weekly, or monthly). The Card and Krueger (C&K) study did not collect information on hours of work, making it difficult to interpret the reported change in full and part-time employment (Orazem and Mattila, 1998:3).

2.8.4.2 Quality of findings and conclusions

Richard Berman (1995) criticises the Card and Krueger telephone survey responses as "grossly inaccurate". Berman compared the Card-Krueger data with some data collected later from 71 New Jersey and Pennsylvania fast-food restaurants and found that these data showed much smaller variations in employment than those implied by Card and Krueger's data cited in Schmitt (1996: 2). Berman argues that since the payroll data are inherently more accurate than a telephone survey, economists and policy makers should discard the Card and Krueger results in favour of those obtained with his new data (derived from the payroll). Berman's data showed that the minimum wage increase reduced employment in New Jersey (Schmitt, 1996: 3).

Although found not to be theoretically sound and empirically robust, the findings of the Card and Krueger studies have been useful in selling minimum wage policies to governments (Rubery, 2003:6). An example of these governments is the United States of America when Robert Reich was Secretary of Labour (Congress of the United States, 1995:1). Supporting a minimum wage increase, Reich (Congress of the United States, 1995: ibid.) argues: "raising the minimum wage increases job growth".

However, many scholars that include Hammermesh (Congress of the United States, 1995:ibid.); Welch (1995) criticise the quality of the Card and Krueger findings as biased and restricting their attention to fast-food restaurants.

2.8.4.3 Strengths of both the Competitive and Alternative Labour Market Models

The advocates of both the competitive labour market theory and those of the alternative labour market models seem to be in agreement that if a minimum wage is set above the market clearing level it may have adverse impact on employment (OECD, 1997:15).

An example of an empirical evidence of the negative impact of minimum wage rise on employment is that of California's minimum wage increase of July 1988 which resulted in the decline in teenager employment (Deere, Murphy and Welch, n.d.: 7).

2.8.4.4 Strengths of the Competitive Labour Market Model

Coutts (2004:2) contends that labour markets are complex, dynamic institutions, and that it is therefore difficult to disentangle the impact of a change in the minimum wage from other factors such as economic growth. "An increase in aggregate employment in tandem with an increase in the minimum wage does not constitute evidence that the minimum wage has no negative impact on employment…" argues Coutts (2004: ibid.).

2.8.4.5 Weaknesses of the Competitive Labour Market Model

While setting a statutory minimum wage above the market clearing level may adversely impact on employment, however, the prediction of this theory tends to overlook other factors that also impact on employment such as competition, hiring practices, variations in the prices of raw materials, economies of scale, taxes etc. (Deere, Murphy and Welch, n.d.: 5). Burkhauser, Couch and Glenn (1995: 12); observe that any policy that alters the relative price of work and leisure or modifies income levels would be expected to alter labour market behaviour.

Some studies in the United States and elsewhere have come to various conclusions supporting the neo-classical theory. The mixed results falsely claim that raising the minimum wage always results in increased unemployment. Dannin (2005:3) argues that, if this line of thinking were true, increases in the minimum wage should *always* lead to more unemployment.

Bartik, (2002:6) notes that the perception of minimum wages as a single and major cause of unemployment is myopic in the sense that jobs have more characteristics than just wages – employers have many options in responding to pressures for higher wages. Because of these employer options, government regulation of wages faces some practical limitations.

Employers may respond to higher wage requirements by increasing the credentials expected of new hires, reducing fringe benefits, degrading working conditions, or cutting back on training (Bartik, 2002:7). Government regulation of wages must take into account that wage standards that are too high may be evaded in ways that are socially undesirable.

2.8.4.6 Strengths of the Alternative Labour Market Models

Saget (2001:20-21) finds that minimum wage seems to be gaining favour as a means of providing unskilled workers with decent conditions. She (2001:ibid.) refers to the Card and Krueger studies as having provided policy makers with an empirical reference, the global call for decent employment and poverty reduction.

De Fraja (1999 cited in Natalie, 2002:6) maintains that positive impact of minimum wage on employment is likely to manifest itself in motivating those employees not retrenched to train themselves to increase their productivity (the bunching effect).

Writers such as, for example, Basu (2000:c50); De Fraja (1999:488 cited in Natalie, 2002:6) bring forth a positive empirical evidence of an American wage increase during the Clinton Administration where unemployment decreased. Walker (2003:1) reports a similar trend in the United Kingdom following the introduction of the national minimum wage in 1999.

However, Basu (2000:61) sends a caveat to the effect that minimum wages set too high or too low may result in the demand for child labour more particularly in developing countries.

2.8.4.7 *Weaknesses of the Alternative Labour Market Models (As portrayed by the Card and Krueger studies)*

Advocates of the alternative labour market models, such as, Card and Krueger (1995); Manning (2001:2) and others, seem to overlook the underlying economic labour market realities. Proponents of the competitive labour market model among which is, for example, McKenzie (n.d.: 4) contend that such monopsonistic thinkers tend to forget that profit maximising employers still face competitive pressures when minimum wages are imposed, and that such increase is bound to cost more than it is worth to the workers.

Manning (2001:1) contends that the monopsony models are implausible in that it is incredible that the wage elasticity of labour supply to an individual firm is infinite and to believe that the only thing an employer can do to raise employment is to raise the wage.

A submission of the New Zealand Business Roundtable to the Statutory Minimum Wage Review Commission (1996:2) reveals that empirical research is likely to understate the adverse impact of an increase in the minimum wage because:

(a) The impact of small changes at the margin is difficult to measure because the ultimate incidence may not fall on the employers and employees most immediately affected;

(b) adverse impact extends beyond wages; and

(c) in some cases employers may anticipate a change to the minimum wage and adapt slowly *ex post,* and such responses would escape the empirical net. Some externalities may take years to show up.

The problem with empirical studies is not just the data, but also the whole issue of linking one set of data with another; yet just because one observation occurs at the same time as another doesn't necessarily mean one causes the other. It is sheer folly to isolate one factor among the complex mix of factors playing a role in economic activity. Correlation does not mean causation (Friedman cited in Reason, 1995).

Friedman, cited in Reason (1995) recalls an example of a time several years ago where, in the midst of a recession, the state of Utah raised taxes. "Since then, the economy has boomed not because of the tax increase but of other factors which include a huge transfer of people and wealth from California to Utah and other problems which caused Californians to flee the state", adds Friedman, cited in Reason (1995). California's loss was Utah's gain.

Friedman, cited in Reason (1995) further argues, "…trying to prove or disprove a theory through empirical observation is highly problematic." Ludwig von Mises (1966:41) also observes "Laboratory experiments are proper in the physical sciences, but they are practically impossible to duplicate in economics".

The Card and Krueger results were flawed. Critics include Burkhauser, Couch and Wittenburg (2000), Neumark (2001), Neumark and Wascher

(1995, 2000), Partridge (1999a, b) and Williams and Mills (2001). The argument advanced by these writers against the Card and Krueger results is '…the finding of a positive employment response to increases in minimum wages amounts to a denial of the "law of demand"'

The Card and Krueger study uses data collected from telephone survey of managers or assistant managers in fast-food restaurants in New Jersey and Pennsylvania before and after a minimum wage increase in New Jersey (Card and Krueger, 1994 cited in Neumark, 2004:8). Not only do these data fail to indicate a relative employment decline in New Jersey, but instead they indicate that employment rose sharply there (with positive employment elasticities in the range of 0.7).

One of the findings of the Card and Krueger studies was that the hike in minimum wage does not reduce employment. However, Neumark and Wascher (2002 cited in Neumark, 2004:9; Donahue, 2000:8) observe that some of the small or zero estimated disemployment effects in the Card and Krueger studies appear to be from regions or periods in which minimum wages were much less likely to have been binding or enforced. Neumark (2004:9) finds that the original telephone surveys used by Card and Krueger were "plagued" by severe measurement error, and that better payroll data generally point to negative employment elasticities.

If we accept as valid the data from Messrs Card and Krueger, how is it possible for employment to rise following an increase in the minimum wage? One possible explanation, as an example, is that New Jersey raised its minimum wage in early 1992, just when it was emerging from a recession (Friedman, cited in Reason, 1995). Friedman, cited in Reason (1995) suggests that a sufficiently strong recovery in the New Jersey economy could easily mask the ill effects on an 18 per cent jump in the minimum wage.

Neumark and Wascher (1995) suspect that the problem with the Card and Krueger findings was with their survey technique – the telephone survey method. These writers (Neumark and Wascher, 1995) note that the Card and Krueger studies were solely based on telephone interviews, thus depriving the respondents of the time to define employment. The weakness with this data collection method is that the respondents' answers may have covered only those who were on shift work at the time of the survey rather than covering the entire payroll (Neumark and Wascher, 1995).

Neumark and Wascher (1995) also find the Card and Krueger findings highly questionable in that, it is more likely that the responses of the different managers who were interviewed in the first two waves of the survey may have been based on different definitions of employment rendering the results unreliable.

In response to the widely publicised Card and Krueger results, Neumark and Wascher (1995) acquired payroll data from 230 fast-food restaurants in select zip codes in which Card and Krueger surveyed. The findings by Neumark and Wascher (1995) showed that average employment decreased in New Jersey fast - food restaurants after the New Jersey minimum wage increase. Table II is illustrative of the Neumark and Wascher findings:

Table II: Illustration of the Card and Krueger versus the Neumark and Wascher Findings

State	Minimum Wage		Average Change in Fast Food Employment	
	Feb.-Mar. 1992	*Nov.-Dec. 1992*	*Card/Krueger Survey data*	*Neumark/ Wascher Payroll data*
New Jersey	$4.25	$5.05	+0.8	+0.1
Pennsylvania	$4.25	$4.25	-3.0	+1.0

Source: Neumark and Wascher (1995)

Studies by economists such as Edwards and Gilman (1999:23 cited in Sehkaran, 2001:6) find flaws with the efficiency wage theories in assuming that higher wages are a substitute for the costs of supervision as workers in receipt of such wages become motivated to honestly and efficiently discharge their duties.

Critics such as, for example, Mankiw (2003:7 cited in Wieland, 2003:5) critique the efficiency models as causing more unemployment, because of the high wage. Mankiw (2003:ibid.); Borjas (2000 cited in Wieland, 2003:ibid.) observe that this is due to the lower rate of job finding and greater unemployment due to the limited worker mobility, lack of information on employment opportunities elsewhere, etc (Ghellab, 1998:8).

2.8.5 Gaps in the Minimum Wage Literature

The economics of minimum wage has been an area of intense academic interest over the past decade such as that showed by Card and Krueger (1995), for example. Notwithstanding that quite an extensive ground has been covered in the literature, it appears that there is still much that needs to be done to properly address the minimum wage-employment correlation. Rubery (2003: 59) among other researchers, finds that the underlying problem is that: (i) researchers have not asked the right questions with respect to the impact of minimum wages on employment, and (ii) researchers have not collected the right data to enable them to arrive at the correct answers. Rubery (2003: ibid.) wonders whether researchers should continue basing the minimum wage-employment relationship question on the assumption that the minimum wage is the key distortionary element in the employment system; and that lower wages will lead to higher employment levels; or whether they should start thinking of basing such question on the principles of decent work.

In support of Rubery's argument (2003: ibid.) is the observation by writers such as Stigler (1970); Shavell and Polinsky (2000 cited in Weil, 2002:3) that relative to this large and growing literature on the minimum wage-employment relationship, comparatively little attention has been paid to the compliance behaviour of employers subject to the minimum wage, yet there are strong reasons to believe that many employers will choose to violate minimum wage standards when evaluating the benefits and costs (benefit–cost analysis)of compliance.

Weil (2002:7) finds that, from an empirical point of view, the literature on minimum wage legislation compliance implies that the incentives for non-compliance in general will more likely to be found where:

(a) Labour market clearing wage is substantially below the statutory wage (where the gap is too wide between the two levels to be afforded by the employer and still make high profits).

(b) Employer business characteristics lower the probability of detection of non-compliance such as:

- High levels of industry exit and entry.
- Size of establishment (in terms of labour strength and volume of operation).
- Ability to evade public scrutiny by operating in the underground economy.

Although there are a number of empirical studies testing efficiency wage models, very few have attempted to test directly the effect of wage increases on the performance of a firm (Katz, 1986 cited in Saygili, 1998:2). Previous empirical studies have instead adopted the indirect approach to test the robustness of the efficiency wage theory which involves examining wage differentials across industries, firms and occupations (Saygili, 1998: 3). These studies have been criticised for using the indirect testing approach as differences in wages for workers can be largely attributed to compensating differentials or unobservable worker quality (Weiss, 1986 cited in Saygili, 1998:3).

Existing literature has largely neglected in previous empirical studies the impact of incomplete coverage on wages and employment (Jones, 1997:12). Given the large proportion of workers who are not employed in the formal sector, this neglect leaves much to be desired. Jones (1997:ibid.) further notes that currently, the assumption of complete coverage produces misleading results because models which assume complete coverage overlook how minimum wage laws affect workers in the informal sector.

Another observation made by Cooper and Cooper (n.d.: 19) is that more often when the minimum wage impact on employment is considered, other factors that may, and do influence the shift of both supply and demand for labour are overlooked. These factors may include, for example: tax changes, technological advance, and population growth

(Cooper and Cooper (n.d: ibid.). These writers further note that some way of isolating these other factors is needed in order to focus our attention directly on the impact of minimum wages vis-à-vis that of the other factors on employment. Economists such as Rubery (2003: 59) argue that as a result of lack of data in this regard it becomes difficult to safely or even impossible to generalise about the impact of minimum wage hike on employment for the reason that, the impact of minimum wage depends on the social, economic and political context in which it is implemented. We also need to develop our understanding of the types of minimum wage systems that are likely to promote pay equity and job security and those which are not (Rubery, 2003: 61).

2.8.6 Best Practices from the Literature

From the literature it has been learned that the delegation of minimum wage determination by some governments particularly Member States of the International Labour Organisation (ILO) to social partners (employers through their organizations, employees through their unions and/or associations and independent members appointed by governments) has proved to be a fair way of sharing responsibility and also one way of saving governments from unnecessary accusations of interfering in labour relations (Rubery, 2003:4).

While the ILO has been often accused of being more sympathetic with employees vis-à-vis employers and governments, it has been gathered from the literature that the ILO also encourages Member States to take into account economic factors, requirements of economic development and levels of productivity and the desirability of attaining and maintaining a high level of employment when determining minimum wages (Article 3 of Convention 131 of 1970).

The predictions of the different labour market models send some caveats to all concerned against certain dangers in the labour market. For example, the competitive labour market model predicts a gloomy economic situation regarding employment opportunities in the event of minimum wage rates being set too high (above the market clearing level) (O'Brien-Strain and MaCurdy, 2000:21; Seihkaran, 2001:4).

The literature reveals that the competitive labour market theory ignores the fact that firms are not the same for example in terms of size, production and/or service delivery methods, and that such being the case, the ways in which minimum wages impact on employment and/or unemployment may not be the same across industries and firms (Edwards and Gilman, 1999; Lucas and Langlois, 2000b cited in Sehkaran, 2001:61). For example, it may be easier for some firms to substitute labour for machinery in capital intensive operations in response to a wage rise, but may be difficult to substitute labour for labour in a labour intensive undertaking, assuming that all other factors are equal.

The literature has also shed some light regarding the difficulty that may be encountered by employers deciding to substitute labour for capital because of certain factors that often become involved in restructuring. These factors include: the delays that are often involved in getting operators ready (through training) to use the new machines, the separation costs e.g. severance allowances that should be paid to employees to be retrenched as part of their terminal benefits (Paukert and Robinson, 1992:76).

It has also been seen from the literature that the impact of minimum wage hike affects different stakeholders directly and indirectly even beyond the targeted employee categories. For example, the employer's wage bill may be inflated adversely affecting employers, employment opportunities may diminish through retrenchments and ban on recruitment of new employees (negatively affecting those in employment and prospective employees), reduction in the volume of production and sales (scale effect) negatively affecting the firms' investment plans, rise in prices of the firms' products and/or services (adversely affecting the firm's customers), shareholders (losing in reduced revenue and dividends due to reduction in volume of production and sales) (MaCurdy and McIntyre 2001:4; Crossman:46).

The negative impact of minimum wage rise may not affect all cases. For example, the disemployment effect of minimum wage rise predicted by the competitive labour market model may be minimal or zero where firms or employers have control of the labour market (monopsoistic labour market) (Kennan, 1995 cited in Leornad, 1999:120).

The literature has also exposed that in some situations (in the monopsonistic labour market) for example, lower wages may make employment unattractive and hence bring about lower levels of employment (Blanchflower and Oswald, 1994 cited in Dowrick and Quiggin, 2003).

2.8.7 What the Literature has meant for the Research

In order to evaluate the impact of minimum wages on employment and related issues, it has become necessary to identify some themes in the literature in order to use in evaluating the impact of minimum wage legislation on employment. These themes included the following: purpose of the minimum wage legislation, effectiveness of the minimum wage legislation, level of minimum wage generally in the textile industry, impact of minimum wage rise on fringe benefits, effectiveness of enforcement of the minimum wage legislation, factors that have caused massive retrenchments and closure of firms in the textile industry, vulnerable employee categories to retrenchment, periodicity of wage review, suppressive effect of minimum wage legislation on wages in the textile industry generally, volume of business, size of workforce, number of people hired and number of people retrenched over last two years. These themes were those that were thought to elicit some impact in one way or another on employment and related issues.

These themes were also used as guidelines when designing the questionnaires in order to set the trend for the research. The same themes also formed the basis for analyzing and interpreting the data. Let us now look at how the identified dimensions would set the trend for the research and provide a framework for answering the research question:

One dimension in which the impact of the minimum wage hike has elicited itself is "the purpose of the minimum wage legislation" itself. While some interviewees viewed the purpose of the minimum wage in terms of the legislators' intention – to protect the unskilled and lowly paid employee categories against exploitation by their employers, to other participants in the research, the protection impact was neither here nor there. Instead, the legislation was seen by some participants to have had a negative impact and yet by others not to have any impact at all on employment.

The study also expressed the impact of the minimum wage hike in terms of the effectiveness of the minimum wage legislation – whether it did achieve its objective. This dimension helped to spell out whether there was any impact on employment or not, positive or negative. Via this dimension, the research showed that without adequate enforcement mechanisms, the negative impact of minimum wage hike on employment would be negligible.

The "factors impacting negatively on the effectiveness of the minimum wage legislation" theme sought to elicit those factors that handicap the operation of the minimum wage legislation in the industry. The reason for the inclusion of this theme in the study was that, with factors impairing the effectiveness of the minimum wage legislation, the impact of minimum wages on employment is more likely to be minimal.

The impact of minimum wage hike would normally be hardly felt if the level of the minimum wage generally in the industry is very low. It was therefore necessary to assess if the level of minimum wages would justify the claim by the textile industry employers that the economic downturn in that sector was brought about by the minimum wage level. The inclusion of the minimum wage impact on fringe benefits as a theme was intended to show whether this theme held true with the operation of the minimum wage in the textile industry in Swaziland during the period 2000-2004).

The researcher earlier talked about the effectiveness of the minimum wage legislation as a government policy tool for achieving workplace equity, *inter alia,* but here the researcher looks at another theme – the effectiveness of the enforcement mechanism/s of the minimum wage legislation itself. This dimension would determine whether or not the enforcement efforts yielded good results in terms of compliance with the legislation by covered employers.

The themes also brought forward those factors which often bring about retrenchments and closure of firms other than "higher" minimum wages. The theme "factors that have caused massive retrenchments and closure of firms…" would help demonstrate that minimum wages may not always be the sole and only cause for job losses as often conceived. The literature also brought forward those employee categories which are considered to be beneficiaries of minimum wages and are often the most vulnerable in the long run. The suppressive effect of minimum wage legislation as a theme would help to set a dimension to be used in assessing the impact of minimum wage legislation in the textile industry in Swaziland – its tendency to suppress wages generally in the industry because of some employers perceiving the minimum wages as ceilings above which they were not supposed to pay their employees.

2.8.8 Chapter Summary

Chapter 2 provided the theoretical framework for the research. It reviewed the obtaining theories and models formulated by academics in labour economics at different times in history

The chapter briefly looked into the emergence of the minimum wage concept, and the reasons why it ultimately won the support of many governments, particularly the member states of the International Labour Organisation.

The chapter took a glimpse of minimum wage determination mechanisms, and how these structures were constituted. It also looked at the characteristics used by some countries to determine and justify wage differentiation for certain industries and/or employee categories. The chapter reviewed the dominant labour market models, starting with the conventional theory - the competitive labour market which has dominated labour economics for decades.

However, in this chapter, the other models, collectively referred to as the alternative labour market models, although predicting slightly different labour market behaviour patterns and outcomes, they have one common factor - to challenge the neo-classical theory which predicts that a rise in labour costs may lead to a decline in the demand for that "commodity".

The chapter also identified who the beneficiaries of minimum wages (under the "Rationale for Minimum Wage Legislation"). It also pointed out likely factor substitution options at the employer's disposal in the event of wage hikes, and identified potential bearers of the costs (including spill-over effects) of high minimum wages.

Under the so-called new versions of the competitive labour market model, the chapter briefly discussed the two-sector model and the two-sector model with queuing for covered-sector jobs. The first model predicts that, as employees in the covered sector are likely to lose jobs due to increased labour costs following wage rises they are likely to seek jobs at the sector not covered by minimum wage legislation. The second model predicts that some jobseekers who still hope to secure jobs in the covered sector of the economy may choose to queue (wait) until job vacancies become available in the uncovered sector,

The chapter also puts forward those factors which have been found to favourably influence the elasticity of labour demand, such as the substitutability of the labour force, the scope or extent of the coverage of minimum wage legislation, the compliance with the minimum wage legislation by covered employers and the mobility of employees.

Here, identification has been made of certain employee categories most likely to be adversely affected by minimum wage hikes such as: unskilled and semi-skilled employees, working teenagers, women and disabled employees.

The chapter has also looked into the strengths and weaknesses of the different models, research methods used in studies of the impact of minimum wage hike on employment and/or unemployment, and further evaluated the quality of the findings of some of the studies that have been carried out on the topic in the past. The evaluation has been based on the consistency of such findings with economic theory and empirical robustness.

The chapter explored and identified some gaps in the minimum wage literature reviewed in order to provide some bases and/or hypotheses for further research in this area. Lastly, the chapter picked up some best practices from the literature and spelt out the contribution of the literature review on the research.

CHAPTER 3: METHODOLOGY

3.1 Introduction

Chapter 2 developed research issues which included research questions unearthed in the process of literature review. This chapter therefore describes the methodology used in collecting data which were used to investigate these questions.

The chapter is organised into nine (9) major topics: justification of the qualitative research method, criteria for selection of subjects, data collection methods, research strategy, expenditure on resources used and account of times spent, the researcher's qualifications and assumptions, validity of the research, ethical issues and the chapter summary.

3.2 Justifications of the Qualitative Research Method

Most of the findings arrived at in previous studies on the minimum wage-employment relationship have predominantly been based on quantitative studies, predictions (assumptions) and empirical observations and comparisons such as, for example, time series studies, cross sectional studies (Nair Sehkaran, 2001:9), but the views, assessments, feelings, observations of the subjects being studied and/or stakeholders have often been overlooked. These studies have tended to ignore the "human element" of these enquiries – what the target population feel, say, see about the impact of the minimum wage legislation said to be benefiting and/ or disadvantaging them in one way or another rather than what figures indicate, or what outside observers perceive to be actually happening.

Recognising that gap, amongst other reasons, the qualitative research method was therefore preferred for its exploratory nature and its quest for a rich description and a broad view of the processes and events being studied (Reason and Rowan, 1981:7; Leedy and Ormrod, 2005:133).

Writers such as Coolican, for instance, have even succinctly remarked in support of the appropriateness of the qualitative research method in phenomenological studies such as this one:

> *There is too much measurement going on. Some things which are numerically precise are not true; and some things which are not numerical are true. Orthodox research produces results which are statistically significant but humanly insignificant: in human inquiry it is much better to be deeply interesting than accurately boring (In Reason and Rowan, 1981).*

The researcher's intention in opting to use the qualitative research method was therefore to get the missing information - what the affected groups of the minimum wage legislation feel and think about its impact on their employment.

This research method was also chosen because of its flexibility; meaning that, the researcher could change an approach to his subjects as and when circumstances so dictated, and even switch from some data collection methods to others as and when it became necessary for him to do so to suit particular environments and/or circumstances. The researcher could change questions and rephrase them as would suit given circumstances.

A non-random sample method was used as the study would be assessing people's perceptions, feelings, judgments and phenomena that do not necessarily have much to do with quantities (Leedy and Ormrod, 2005:134).

3.3 Reasons for Choosing the Purposive Sampling Method

Although purposive sampling is regarded as prone to bias, and theoretically less sound than probability (random) sampling particularly in quantitative studies, some researchers hold that it can be safely used on some studies, while others argue that with adequate safeguards it can be made highly reliable (Moser and Kalton, 1980).

This study is a qualitative research, and therefore expectations were to get people's views, feelings, attitudes, and hypotheses in order to have a "feel" of what the groups from which the subjects of the study were drawn thought and/or were likely to think about the relationship of minimum wages and employment in the textile and apparel industry in the country. The researcher therefore merely decided on those groups which could form the unit of analysis for the study in order to achieve its objective (Leedy and Ormrod, 2005:206).

Apart from the nature of this study, the researcher's decision towards this judgmental sample method was influenced by the fact that it was found cheaper and administratively convenient as compared to random sampling (Moser and Kalton, 1980).

3.4 Criteria for Selection of Subjects

In an attempt to ensure that the subjects of this study gave informed and reasoned responses, the researcher used the following criteria or variables in their selection:

(a) Employees with an educational qualification of Junior Certificate and above.
(b) Labour Inspectors either stationed in or exercising jurisdiction in the area under study.
(c) Employer representatives of not less than three years experience as employers or employees in the textile industry.

3.5 Mode and Means of Data Collection (Instrumentation)

In conducting this study, the following data collection methods were used:

(a) Personal interviews (primary data)
(b) Questionnaire
(c) Review of related literature (secondary data)
(d) Non-participant observation

3.5.1 Personal Interviews

A semi-structured questionnaire was used as a guide in conducting personal interviews and transcribing of data collected. Most of the interview questions were open-ended and others closed. The closed-ended questions were useful in gathering factual data, while the open-ended were useful in gaining opinions or descriptions of behaviour, events and attitudes etc. (Stone, 1984). There was a considerable degree of flexibility to allow for the exploration of the subjective meanings or interpretations that were encountered during the interview process (Banister and Burman (1994:50). This emphasis on the interviews was to enable the researcher to get as much information as possible from the respondents as one of the purposes of a qualitative research is to generate hypotheses for future studies on the topic of the research. The researcher further allowed flexibility on his part in the timing of the interviews to conveniently fit into the respondents' work schedule.

Further advantages of the interview method over other data collection methods like telephone interviews and posted questionnaires for the purpose of this type of research were:

(a) The researcher could develop a rapport with the respondents and might be able to get replies to sensitive questions that could otherwise not be possible.

(b) This method placed the researcher in a better position to dispel any suspicion of the interviews.

(c) It was possible for the researcher to appraise the validity and reliability of the data collected during the interviews.

(d) Having a questionnaire administered by the interviewer or researcher rather than by the respondent attained higher response rates than by mail questionnaire (Babbie, 1992).

(e) Some respondents preferred speaking to completing forms.

3.5.2 Questionnaire

While questionnaires could be mailed or given to large numbers of people at the same time, unclear or ambiguous questions could not be clarified, and the respondents would have no chance to expand on, or react verbally to a question of particular interest or importance (Babbie, 1992). For this and other possible reasons, questionnaires could not be sent to respondents for them to fill in on their own.

Further, by virtue of the nature of this research, the questionnaire was used by the researcher as a guide and checklist of the questions to be asked for consistency during the interviews and to record responses. Where more information was obtained than was anticipated, recording was made on a supplementary sheet of paper. This was intended to avoid restricting the discussion and preventing full exploration of the interviewees' views on the topic of the research (Sudman and Bradburn, 1973:208).

Review of Related Literature

This study drew its data from various literature sources as well, such as published and unpublished materials, official reports, statistical bulletins, seminar and workshop papers, and research reports on the topic of the research (Leedy and Ormrod, 2005).

3.5.4 Non-Participant Observation

As a qualitative research, observations of certain behaviours and practices could also be made during the interviews if, and whenever deemed necessary. This method was used mainly to replenish observed deficiencies in the data collected via the other data collection methods used in the study, and /or to verify such data.

While this method of data collection had disadvantages such as, for example, that it was difficult to be fully objective with it, it has the following advantages:

(a) Data could be collected at the time of occurrence (Cooper and Schindler, 2001)

(b) Data that respondents would otherwise not supply because they thought were less important could be captured (Cooper and Schindler, 2001).

(c) Observation proved to overcome the deficiencies of questioning (Cooper and Schindler, 2001).

3.5.5 Triangulation

Before the interviews began, the researcher had planned to predominantly base the interviews on semi-structured questions, but later decided to use a tape recorder to enable the interviewees to be at liberty to give as much information as they might have and wish, and a digital camera to capture those places and/or people he would like to include in his report as illustrations of some points. This is one example of the flexibility of the qualitative research design. Rubin and Rubin observe (1995:44):

> *Adjusting the design as you go along is a normal, expected part of the qualitative research process. As you learn how the interviewees understand their world, you may want to modify what it is you are studying and rethink the pattern of questioning. Such flexibility is much better than persisting in a design that is not working well or that doesn't allow you to pursue unexpected insight.*

3.6 Research Strategy

3.6.1 The nature of the Research Problem and Question

The research was based on the phenomenological paradigm which "advocates the study of direct experience taken at face value and one that sees behaviour as determined by the phenomena of experience rather than by external, objective and physically described reality" (Cohen and Manion, 1987 cited in Remenyi, Williams, Money and Swartz, 1998). The research therefore took a qualitative form of enquiry with small purposive samples of informants.

The study took an empirical form as it was intended to be completed within a very short space of time. The research was planned to come up with findings within the period between its proposal's approval date and the planned submission date.

3.6.2 Skills of the Researcher

The Researcher had some idea of the topic of study in which the research is carried out by virtue of his earlier undergraduate academic interests and current working experience in industrial relations (Remenyi, Williams, Money and Swartz, 1998:95).

Although the researcher qualified to carry out the research on the subject of the study in terms of past experience in carrying out other similar studies. The researcher's position in the Swaziland Public Service as an *ex-officio* Labour Inspector (empowered to check and enforce compliance with minimum wage legislation by employers in covered sectors) at first aroused suspicion particularly in the employer component of his sample who thought that he might be on a witch hunt mission to get them unawares underpaying their employees.

However, after the researcher had explained the actual purpose of the exercise and produced his letter of introduction from the University, the fears were allayed and the interviews went on well.

On the other hand, the respondents from the employees' side were optimistic that the appearance of the researcher (knowing his position and duties) would help to improve their working conditions (including the enforcement of the minimum wage legislation). Although this assumption did not work against the progress of the interviews, the researcher also thought it wise to explain to these respondents that the study was purely academic and not a "policing" exercise, and that whatever concerns they might have about their working conditions would be conveyed in due course to the local Labour Office for further investigation and necessary action.

3.6.3 Resources

3.6.3.1 Costs involved in carrying out this research

The costs involved in the research process, include stationery items such as printing papers, traveling expenses to and from the Matsapha Industrial Area, electronic recording and transcribing equipment which included an audio cassette recorder, batteries, mini TDK audio cassettes, earphone, AC adaptor, digital camera and accessories, editing of report and binding expenses.

The Researcher saved on questionnaires because of the small number of the research sample. This was because there was no need to administer questionnaires to larger samples. Notwithstanding the inability on the part of the Researcher to meet the Faculty's submission deadline (31st August, 2005), it cannot be argued that there was saving on time as well with all other things being equal, if one would have to compare this study with a quantitative research where a bulk of questionnaires would have to be administered to large numbers of subjects (Remenyi, Williams, Money and Swartz, 1998:46).

There were savings also on personnel, in that the researcher personally carried out the initial interviews, elaboration and clarification probes, and data analysis. As a result there was no need for him to engage research assistants which would need some training and payment for the services such assistants would have rendered.

Breakdown of Expenses Incurred

- Traveling expenses @ R6.00x2 (per day) x40 days = R240.00
- Stationery about R60.00 (including interview questionnaires)
- Cassette Recorder/Player, R260.00

- Earphone used to transcribe the interviews data, R89.50
- Editing of report about R250-00
- Binding of first copies of report for examination about R75.00
- Binding of the hardcover copy R55.00
- Printing stationery for all copies of report about R100.00

Total **R1, 129.00**

3.6.3.2 Time spent in carrying out and finishing the research

The research was initially supposed to be started immediately after the Researcher's proposal had been approved by the Proposal Committee on 4th March 2005 (while the last block was still in progress), and the research report was expected to be submitted on 31st August 2005. Owing to the pressure of school assignments and preparations for examinations at the School during the last block and other responsibilities off the campus thereafter, that could not be possible. With the approval of the Faculty Office, the research times were therefore rescheduled as shown on the chart below:

Table III: Gantt chart showing the Research Progress Time Distribution

Activity	July 2005	Aug. 2005	Sept. 2005	Oct. 2005	No v. 2005	Dec. 2005	Jan. 2006	Feb. 2006	Mar. 2006	April 2006	May 2006	June 2006	Jul. 2006	Aug. 2006	Sept. 2006	Oct. 2006	Nov. 2006
Structuring of Draft Literature Review																	
Review of Related Literature																	
Reading of Related Literature																	
Data Collection & Transcription of recorded interviews																	
Analysis & Interpretation of Data																	
Writing up																	
Submission of Draft Report to Supervisor																	
Addressing Supervisor's Comments																	
Resubmission of Draft to Supervisor																	
Editing of Draft & Final Submission for Examination																	

3.7 Limitations of the Research

Chapter 1 outlined major limitations of the research that were a deliberate part of the research such as the delimitation of the study and geographical delimitation etc. This section discusses other limitations that became apparent during the progress of the research.

These limitations include, but are not limited to the following:

(a) The research was time-intensive as the purpose of the research was to seek deeper understanding of the specific phenomenon and understanding therefore developed over time.

(b) As a qualitative study, the research had an inherent subjectivity, in the sense that the researcher had substantial control over both the design and analysis – the study was influenced by the researcher's perceptions.

(c) The purposeful and selective nature of the qualitative design for the study reduced the generalisability chances of its findings. In addition, the size of the study sample limits its replicability and decreases the external validity of its results (Marine-Dershimer, 1985).

However, some researchers argue that qualitative research results can be generalised to other people, settings, and times to the degree that they are similar to the people, settings, and times in the original study-"naturalistic generalisation" (generalisation based on similarity) (http://www.cedu.niu.edu/, February, 2006). Note should be taken that mentioning these limitations to the readers is merely to sensitise them so that when weighing the results and conclusions drawn from this study, that could be done with this caveat in mind in order to draw out meaningful extrapolations.

3.8 Validity of the Research

In order to ensure validity of the research, the researcher took the following steps (Wolcott, 1990):

(a) Devoted much of his time during the interviews listening to what the respondents were saying;

(b) tried as much as possible to accurately record the responses from the interviewees and later checked their correctness during transcription of the interviews;

(c) decided to include excerpts from the primary data (transcribed versions of the interviewees' responses) in the report as evidence of his findings; and

(d) sought feedback and clarifications from the respondents as and when it became necessary.

3.9 Ethical Issues

To ascertain that no one was hurt in anyway in the interviewing process, soon after permission was sought and obtained from management of the two firms, and before the commencement of the interviews, the researcher explained to the Human Resource Managers of the two selected firms that only those respondents that would be willing would be interviewed. In a nutshell, no respondent was compelled to come for the interviews.

Respondents were assured of the confidentiality with which information gathered from them (including its source) would be treated, as the researcher was well aware that very few people would be willing to express certain details, opinions and emotions they considered private if the source could sooner or later become public knowledge.

Respondents' names were recorded on the questionnaire only for ease of reference during elaboration and/or clarification probes (Patton, 1990). In the case of statements or direct quotations from the respondents being included in the report, names of participants were excluded, but instead "interviewee" was used. The reason for this was to hide the participants' identity.

In the event of an indication being expressed by an interviewee of sensitivity of a question which was not obviously so to the researcher, the question would be withdrawn and rephrased in a way acceptable to the interviewee and also beneficial to the researcher (Weiss, 1994:134).

3.10 Chapter Summary

The chapter indicated how the research was carried out; i.e. showing the size of the sample used for the study, giving the justification for the research method chosen, the sampling method used, setting out the criteria for selecting the subjects for the study, outlining the mode and means of data collection, stating the researcher's reasons for opting to use certain methods vis-à-vis others at certain times and/or cases and stating the limitation on the research itself which were outside the researcher's control. This chapter also highlighted the researcher's capabilities in terms of being able to carry out the research, and also identified some assumptions which might in one way or another impact on the study.

The chapter also detailed the research strategy which included resources used and mapped out the time distribution schedule, and gave a summary of resources used during the research process.

CHAPTER 4: PRESENTATION OF RESEARCH RESULTS AND ANALYSIS

4.1 Introduction

The previous chapter (Chapter 3) explained what the researcher did in the data collection process and how he did it – stating, *inter alia,* who the subjects for the study were, how the subjects were selected and how they were treated.

Readers will remember that it is not easy to understand and use data in their raw state unless and/or until they are further subjected to another process called data analysis (Hawe et al, 1990:148). The purpose of this chapter therefore is to detail how this process was carried out. It sought to provide answers to the research question from the perspective of the interviewees in order to address the research problem.

4.2 Tools, Form of Data Analysis and Presentation of Results

Analysis of the data for this study was manually done, i.e. the researcher served as a kind of instrument in the analysis process (McCracken, 1988: 18 cited in Oka and Shaw, 2000:8), while MS. Word software was used for graphical presentation and illustration of data and reporting the research results as text.

Data analysis was carried out using the Barrit method of data analysis (1986 cited in Leedy and Ormrod, 2005:140). The researcher started the data analysis process by listening and transcribing each recorded interview and discussion. The next step was to peruse the transcripts and identify statements, phrases, sentences (themes) each reflecting a single, specific thought relating to the research question which were given numerical codes. These themes were then broken down into sub-themes (responses) which were also numerically coded.

The analysis process followed the trend below (Creswell, 1998 cited in Leedy and Ormrod, 2005: ibid.):

Stage I: Transcription of recorded interviews (Transcripts could not be reproduced here)

Stage II: Identification of Statements, Phrases, Sentences that Each Reflects a Single Specific Thought Relevant to the Research Question with Numerical Codes (Table IV)

Table IV:

Statement/Phrase/Sentence	**Numerical Code**
Purpose of the minimum wage legislation	(1)
Effectiveness of the minimum wage legislation	(2)
Factors impairing the effectiveness of the minimum wage legislation	(3)
Level of minimum wage generally in the industry	(4)
Impact of minimum wage rise on fringe benefits	(5)
Effectiveness of enforcement of the minimum wage legislation	(6)
Factors that have caused massive retrenchments and closure of firms in the industry in the past few years	(7)
Most vulnerable employee categories to retrenchment	(8)
Periodicity of wage review	(9)
Suppressive effect of minimum wage legislation on wages in the industry generally	(10)
Volume of business	(11)
Size of workforce	(12)
Number of people hired	(13)
Number of people retrenched over last two years	(14)

Stage III

Table V: Break down of the identified Statements /Phrases/ Sentences (Themes) into Sub-Themes Reflecting the Interviewees' Perceptions on the different Themes in Table IV

Statement/Phrase/Sentence (Theme)	**Coded Responses (Sub-Themes)**
❖ *Purpose of the Minimum Wage Legislation (1)*	• It is to alert employees to the basic minimum salary scales that should be paid to them (1.1).
	• It helps put in place proper remuneration guidelines in the industry for the betterment of the socioeconomic needs of the people involved (1.2)
	• The legislation seeks to protect employees against unreasonable and "insultive" wage rates offered by employers (1.3).
❖ *Effectiveness of the Minimum Wage Legislation (2)*	• The legislation used to be effective in the past each time a new wages Order became operative, we used to get increments, but it is no longer so (2.1)
	• It is not as effective as some people might expect (2.2)
	• It is effective given the enforcement it deserves (2.3).
	• It is effective provided there is an effective enforcement mechanism in place (2.4).

- *Effectiveness of the Minimum Wage Legislation (2)*

  - The minimum wage legislation is an effective instrument given the necessary enabling environment and support (2.5).
  - The minimum wage legislation is effective, but would be more effective if compliance monitoring could be intensified (2.6).
  - It is effective, but it could be more effective if unions could be given the responsibility to monitor compliance (2.7).
  - The legislation is effective (2.8)
  - It is an effective policy instrument given a rigorous enforcement (2.9)
  - It is an effective policy instrument given the necessary enforcement and prosecution (2.10).
  - It is an effective instrument (2.11).
  - It is an effective instrument because it distorts the labour market (2.12).
  - It is an effective instrument because workers are now aware of the basic minimum pay rates (2.13).
  - It is not effective (2.14).

❖ *Factors Impairing the Effectiveness of the Minimum Wage Legislation (3)*	• Some employers merely not willing to comply with what the legislation stipulates (3.1) • Compliance is not closely monitored (3.2). • There is lack of enforcement of the Legislation (3.3). • Enforcement mechanism not effective (3.4). • Lack of adequate publicity of the Wages Regulation Order (3.5). • Shortage of, or insufficient enforcement personnel (3.6).
❖ *Level of Minimum Wages Generally in the Industry (4)*	• Level of minimum wage in the industry is too low (4.1). • It is about moderate (4.2). • It is moderate (4.7) • It is too low (4.8) • It is too high (4.9) • It is too low as compared with that of South Africa (4.10).
❖ *Impact of Minimum Wage Rise on Fringe Benefits (5)*	• It is difficult to know if a wage rise has any impact on fringe benefits because even if we see reduced pay, there is usually no explanation as to the reason (5.1) • I have no knowledge if wage increases do affect any of our fringe benefits (5.2)

❖ *Impact of Minimum Wage Rise on Fringe Benefits (5)*	• When we last got a wage increase our employer reduced the number of hours by 2.5 hrs Effectively reducing a day's wage (5.3) • I have not seen any of our fringe benefits being reduced following a wage rise (5.4) • When we got a wage increase in September, 2004 our bonuses were reduced and we were told that it was because of the minimum wage increase (5.5) • It is those employers that pay above the minimum wage whom I have seen reducing fringe benefits to compensate themselves for the extra labour cost (5.6) • Minimum wage increases have affected fringe benefits as trade-off between increased minimum wage and the fringe benefits such as bonuses (5.7) • Our bonus has decreased by half because of the last minimum wage increases (5.8) • Minimum wage increases have resulted in the reduction of our insurance, housing and other allowances (5.9)
❖ *Effectiveness of Enforcement of Minimum Wage Legislation (6)*	• Minimum Wage Legislation has been effectively enforced by the Department of Labour (6.1).

❖ *Effectiveness of Enforcement of Minimum Wage Legislation (6)*	• Minimum Wage Legislation has been effectively enforced during the past few years (6.2). • Some employers are not aware even when Inspectors visit the firms (6.3). • Since there is no compliance in the firm, I think enforcement of the legislation has not been effective (6.4). • The Department of Labour Inspectors seem not to have effectively enforced the Legislation (6.5).
❖ *Factors that have Caused Massive Retrenchments and/or Closure of Firms in the Industry (7)*	• Opening of American markets to Asian countries like Republic of China on Taiwan, Cambodia etc where labour is not organised and production costs are very low (7.1) • High rate of stealing by some employees of the firms of their products (7.2). • People are retrenched at the end of the peak period i.e. after finishing a large and urgent order (7.3) • Shrinkage of markets for textile and apparel products abroad (7.4). • International market trends, e.g. exchange rate, escalation of operation costs (7.5).

❖ *Factors that have Caused Massive Retrenchments and/or Closure of Firms in the Industry (7)*	• Opening of American market to textile and apparel firms producing same or similar products as local firm cheaply (7.6). • Appreciation of the local currency (7.7). • Exorbitant local taxes (7.8) • The amendment of the USA legislation regarding the textile and apparel industry in China which allowed China to sell its products in the USA (7.9)
❖ *Most Vulnerable Employee Categories to Retrenchment (8)*	• The often sick (8.1) • Those with less skills and every employee (8.2) • Unskilled employees and women (8.3) • Newly employed employees (8.4) • Casuals and new employees (8.5) • Unskilled employees (8.6) • Those groups that have finished their given tasks (8.7) • All categories (8.8).
❖ *Periodicity of Wage Review (9)*	• Should be reviewed annually (9.1) • Should be reviewed on annual basis (9.2)

❖ *Suppressive Effect of Minimum Wages Legislation on Wages Generally within the Industry (10)*	• Some employers use minimum wages as referral for not giving increases (10.1).
❖ *Volume of Business (11)*	• It has decreased (11.1)
❖ *Size of Workforce (12)*	• Size of workforce has been reduced due to downturn in business performance (12.1)
❖ *People Hired over Last 12 Months (13)*	• Over 800 people hired (13.1)
❖ *People Retrenched during last 2 years (14)*	• About 450 people due to increased labour cost related to high minimum wage (14.1) • About 400 people due to increased labour cost related to high minimum wage (14.2) • None (14.3)

Stage IV: Construction of a General Picture of the Various Meanings Expressed by the Interviewees

The next step was to construct a general picture of the various meanings or perceptions expressed to develop an overall description of the impact of minimum wages on employment as the respondents experienced it. This step involved categorising the responses (perspectives) into three stakeholder groups which were also assigned alphabetical codes i.e. Employer Perspective (A), Employees perspective (B) and Government perspective (C). This decision was found necessary because of the varying interests of the different stakeholders who might influence them to look at issues from different perspectives. Table V, below illustrates this step:

Table V: Coding of Interviewees' Categories

Stakeholder Category	Category Code
Employers' Perspective	A
Employees Perspective	B
Government Perspective	C

However, it should be noted that the interviewees were not categorised by firms, the reason being that the focus of the research was not on comparing the operation of the minimum wage legislation among firms but within the industry. Let us now look at what the different stakeholder categories had to say about the different themes identified for the purposes of answering the research question

Employers' Perspective (A)

Purpose of the Minimum Wage Legislation (1)

All the interviewees on the employers' side understood the purpose of the minimum wage legislation as being protective of the vulnerable employee categories although from slightly different perspectives. For example, one interviewee viewed the purpose of the minimum wage legislation as, "…to put in place proper remuneration guidelines in the industry for the betterment of the socioeconomic needs of the people involved".

Some interviewees who were representing employers elicited some feelings of sympathy towards those employee categories covered by the minimum wage legislation. For example, responding to the question as to what he thought was the purpose of the minimum wage legislation, one interviewee on the employers' side described the rates paid in the industry as "unreasonable and insultive".

Effectiveness of the Minimum Wage Legislation (2)

Some of the interviewees on the employers' side agreed that the minimum wage legislation was effective, but they viewed this issue from a different perspective. They did not perceive it as effective as its advocates and proponents might expect, but in distorting the reality of the labour market. The following extract from the transcripts is supportive of this point of view:

Researcher: *Do you think that the minimum wage legislation is an effective instrument to achieve what it was intended to achieve?*

Interviewee: *I think it is an effective instrument because it distorts the labour market.*

The other employers' representatives interviewed such as those at the levels of Personnel Officer and Personnel/Human Resource Manager seemed to share the sentiments of the rank and file employees covered by the minimum wage legislation. Even where they felt the legislation was not effective, it was not because it was a bad policy instrument but because the minimum rates of pay themselves were perceived as too low to improve the lives of the targeted employee categories. This was seen in statements such as, for example: "Yes, [it is effective] because employers are now aware of the basic minimum pay…." and "No, I do not think it is an effective policy instrument because it gives the people concerned very low wages."

Factors Impairing the Effectiveness of the Minimum Wage Legislation (3&6)

Those employers' representatives interviewed who felt that the minimum wage legislation had not performed well in terms of protecting the vulnerable employee categories, advanced different reasons for its poor performance. One interviewee said, "the way the [occupational categories are arranged and defined] in the wages regulation orders leads to employers choosing the lowest wage rates to remunerate people who should be getting higher rates of pay and thus disadvantaging them."

Level of Minimum Wages generally in the industry (4)

One interviewee, an administrative chief of one of the firms studied, perceived the level of minimum wages generally in the industry as too high; and attributed this trend to exogenous factors such as regional and international integration. He cited the influence of South African trade unions as an example. Surprisingly, another interviewee on the employers' side submitted that the level of minimum wages generally in the industry was too low as compared to the neighbouring South Africa. The interviewee, however, was of the view that the level of minimum wages was moderate as compared to wage rates in other local industries. Another view was that the level of wages in this industry was almost at par with rates prevailing in other industries locally.

Impact of Minimum Wage Rise on fringe Benefits (5)

Although one employers' representative interviewed observed no impact minimum wage increase had on any of the fringe benefits enjoyed by the covered employee categories, the rest of the interviewees under this category admitted that wage increases did adversely affect some fringe benefits that were received by the covered employee categories such as the end-of-year bonus. Two of these interviewees agreed that end-of-year bonuses were reduced by half during the last two years (2004-2005). This was, according to the interviewees, a trade-off between the increased minimum wages and the bonus enjoyed.

Factors that have Caused Massive Retrenchments in the Industry (7)

There were various perceptions regarding the question on the above subject. While one interviewee perceived depreciation of the U.S. Dollar and the escalation of operating costs due to high overheads such as taxes, electricity bills and wages as causative factors, some held the view that the intensification of competition abroad was one major factor. Others believed that those firms that retrenched employees to the point of closing down the operations altogether had a drive to relocate where market conditions were more favourable. One interviewee in support of this view said, "After realising that they made a wrong location choice at the beginning, some companies decided to relocate to other countries where they were convinced would maximise profits".

Most Vulnerable Employee Categories to Retrenchment (8)

Contrary to popular belief in most industries, that the unskilled, less skilled, the disabled, women and others are the most vulnerable employee categories to retrenchment, according to the findings of this study all employees were said to be vulnerable. This was the submission of all the employer representatives interviewed. Some of them responded saying "all categories", and others confirmed that "everyone" was vulnerable. One reason expressed for this treatment was that employees in the textile industry were grouped into rows according to their task specialisation. For instance, when retrenchment became inevitable those who might be retrenched were those who, by that time would have finished their given tasks. For example, if those putting on collars and buttons, would have by that time finished their given tasks,, those employee groups would be the ones to be retrenched first.

Volume of Business (11)

All responses from the employers' representatives interviewed were unanimous that the volume of business decreased over the last five years as a result of minimum wage rise. However, the reasons advanced for this state of the economy were not the same except that minimum wage hike was mentioned as one among other reasons which contributed to the decline in the volume of business. Some cited exogenous factors as the fluctuation of the exchange rate, lack of viable markets, as examples. Shrinkage of markets for the industry's products, the acceptance of China to the U.S.A markets by the World Trade Organisation (WTO), depreciation of the US Dollar and exorbitant wage rates locally were cited as major causes of the economic downturn in the textile industry in Swaziland.

Size of Workforce/People Hired over last 12 months (12&13)

Some of the responses were that the size of the workforce decreased following wage increases. This was when one looked at the question from the industry perspective. But the other interviewees approaching the question from the firm perspective submitted that the size of the workforce at the firm level increased. They gave the reason for such increase as the absorption by some firms of those employees retrenched by the other firms in the industry and the taking over of their orders.

People Retrenched during last 2years (14)

One of the firms studied had reportedly retrenched around 450 employees during the last two years (2004-2005), while the other firm had retrenched none. The reason for Tuntex Textiles to have retrenched was said to be its operation from two firms. One of these firms (both styled Tuntex Textiles) retrenched and ultimately closed down. Tex Ray, the other firm did not retrench. Instead it absorbed the employees retrenched by the other firms in the industry and also got more orders from markets abroad.

Employees' and Union Perspective (B)

Purpose of the Minimum Wage Legislation (1)

Although there was a general understanding of the purpose of the minimum wage legislation among the interviewees on the employee side, there were some "deliberate" misconception in some cases of the purpose of the minimum wage legislation. This was seemingly influenced by the ineffectiveness of the legislation in achieving its objectives. Although the possibility of genuine ignorance of the purpose of the legislation on the part of the respondents could not be ruled out, there is however, no basis in the data collected from any of them supporting such an assumption. Some respondents believed that the minimum wage legislation was a policy instrument designed to correct labour market imperfections such as unfair discrimination in remuneration in the industry. Other respondents were aware that the minimum wage legislation also regulated other terms and conditions of employment other than minimum wages. For some reasons, other interviewees under this category perceived the minimum wage as government means to woo investors who were believed would be attracted by the low wages in order to maximize profits.

Effectiveness of the Minimum Wage Legislation (2)

When the question on whether the minimum wage legislation was effective in the opinion of some interviewees, it transpired that their observation in the past was that it was effective in achieving its objective, but that later it turned to be ineffective. The following extract from the transcripts bears witness:

> *Yes, in the past there used to be wage adjustments whenever a wages regulation order came into effect, but that practice stopped at some point in time, I do not know what happened.*

Some of the interviewees were of the view that, although the legislation was in their view serving its purpose, it was not as effective as it was supposed to be. In support of this perspective, one interviewee had this to say: "In my view, it is not as effective as I would expect.... The reason is probably lack of monitoring and/or enforcement." One interviewee responding to the same question added, "Yes, it is an effective policy instrument so long as it could be effectively enforced." The general feeling expressed here was that the minimum wage legislation could be very effective given the necessary support that it required.

Factors Impairing the Effectiveness of the Minimum Wage Legislation (3&6)

Some of the employees interviewed expressed a strong feeling that the fact that trade unions were not also charged with the responsibility to monitor compliance with the minimum wage legislation by employers in the industry rendered the legislation less effective or even ineffective in some cases. This sentiment was, among other employees interviewed, expressed by one interviewee when he observed, "…the fact that unions are not given the responsibility of monitoring compliance by covered employers with the minimum wage legislation impacts adversely on the effectiveness of the minimum wage legislation in this industry." Another interviewee noted that inadequate enforcement of the minimum wage legislation was another reason that impaired its effectiveness.

Some of the interviewees felt that one of the handicaps in the operation of the minimum wage legislation was its ineffective enforcement or lack thereof by the Department of Labour Inspectors. One of the responses to the question on whether the minimum wage legislation was effectively enforced by the Labour Inspectors, was: "I don't think that the Department of Labour has put enough effort to effectively enforce the minimum wage legislation." Although not presupposing that inspections had not been carried out at these firms, other interviewees submitted that they had not seen Inspectors from the Department of Labour for quite a long time "…until last year [2005] when they had been invited to discuss retrenchments."

Level of Minimum Wages generally in the industry (4)

The level of wages in the textile industry was generally assessed by most of the interviewees on the employees' side as too low when comparing it with the standard of living at the time. One example of such interviewees had this to say:

> *I would say [the level of wages generally] is too low. I say this because, as for me in particular, it is very difficult to make ends meet. For instance, out of the gross pay of E650 I earn per month, I remain with a net of E600 after deductions; from which I pay E200 rent for the one room flat I occupy at Ezulwini, and pay*

> *E100 for using electricity, buy food for about E150, which is also not sufficient to carry me through the month with my 7 year old daughter and on top of that, I have to pay E10 for transport every working day to and from the Matsapha Industrial Area. I cannot mention things like sending my daughter to the crèche; I am just talking about basic human needs. As a result, I find myself every month being forced to try other ways of supplementing my income whether fair or fowl, I have no choice.*

However, not all the interviewees shared the same point of view. One interviewee had a slight problem in assessing the level of minimum wage in the textile industry as she was comparing with other pay rates she had been getting at other firms in the industry which she said were all lower than what she was getting under her employer then. She said, "I can say it is moderate, because I have worked at other firms in the same industry paying lesser that what is being paid here."

Impact of Minimum Wage Rise on fringe Benefits (5)

Responding to a question as to whether during the last two years, minimum wage rises have affected receipt of any fringe benefits, some interviewees submitted that they had not experienced anything of that sort. Others said that they had such experience when their bonuses were cut down at the end of the year. In confirmation one of these interviewees submitted:

> *Yes, our bonuses were reduced when we last got an increment in September 2004; and when we enquired from our employer, we were told that it was because of the increases in the minimum wages which had in turn increased the firm's wage bill.*

Yet others reported that following the September 2004 wage increases, the number of working hours were reduced by 2.5 hours per day, this effectively meaning that their day's wage was reduced by 2.5 hours' wages.

Although not denying the above submission, the union spokesperson, further explained:

> *I have not come across such a thing in this industry. What I have observed is that, it is those companies that pay far above the minimum wage that have [reduced bonuses following minimum wage reviews]; but with the others, there has been no problem regarding the relationship between minimum wage rise and fringe benefits.*

Factors that have Caused Massive Retrenchments in the Industry (7)

The responses of almost all the interviewees under this category were to the effect that the intensification of competition in foreign markets was the major cause of the massive retrenchments in the textile industry. However, there was a slightly modified version of this submission by one interviewee which took cognizance of other possible causes for this economic downturn. This interviewee noted:

> *I think there are several factors that contributed to [the massive retrenchments] in the industry. One of them is the intensification of competition in Asian countries in the textile and apparel industry. High rate of stealing by some employees of the firm's products may also lead to retrenchments if done on a larger scale or intensified. Poor visioning on the part of the firm's owners when starting the business may also end up in its collapse.*

Most Vulnerable Employee Categories to Retrenchment (8)

Most of the responses from employee interviewees were that the unskilled, less–skilled, women, every employee, the often sick, newest employees, casuals were the most vulnerable employee categories at the firms studied. However, it was explained by some of the interviewees that those categories distinguished by certain weaknesses or type of handicap, would only be vulnerable if all other factors were held constant, and that otherwise, all employees were vulnerable to retrenchment. It was also submitted that what had become common practice was that employees would be given an opportunity to voluntarily opt for exit with an enhanced package.

Suppressive Effect of Minimum Wage Legislation on Wages Generally within the Industry (10)

Submissions made by some of the employees interviewed revealed that some dishonest employers had a tendency of pretending not to understand what "minimum wage rates" meant as against "maximum wage rates". In support of this observation, the union official added saying, "…some employers in the industry tell their employees that Government says they should pay them barely the wage rates appearing in the Wages Regulation Order for the industry and not more."

Government Perspective (C)

Purpose of the Minimum Wage Legislation (1)

There was an agreement between the Labour Inspectors concerning the protective role of the minimum wage legislation. Supporting this view, one of the inspectors, for instance responded:

> *It is to protect low skill and unskilled workers against exploitation by their employers. It is basically for ensuring that employers in the sector do not pay anything below the stipulated minimum wage. It also informs the covered employees of what wage rates each covered employee should expect.*

Effectiveness of the Minimum Wage Legislation (2)

Responding to the question whether the minimum wage legislation was an effective policy instrument in achieving its objective, both Labour

Inspectors replied in the affirmative. One of the Inspectors summarised their view in the following terms:

> *Yes, [the legislation] does serve its purpose, although there are still instances where underpayments do occur. But at least, most employers in the industry are aware of the statutory requirements regarding their remuneration.*

Factors Impairing the Effectiveness of the Minimum Wage Legislation (3&6)

The Inspectors had different views regarding the above subject. One of them had a strong feeling that, while the legislation was a good policy instrument, it probably "…[lacked] publicity [it was not widely announced to all concerned]. He felt "…some employers [might] not be aware of the operation of the wages regulation orders", and hence non-compliance.

Level of Minimum Wages generally in the industry (4)

The general view expressed by the Labour Inspectors was that the wage level generally in the textile industry was too low to enable the covered employees to subsist when one looked at the then prevailing cost of living in the country and responsibilities which single mothers had to shoulder like any other parent around. One inspector in his submission supported this perspective in the following terms:

> *I say this because looking at an employee earning E200 per week, it is hard to imagine how a woman can afford to pay rental for a one- room flat each of most of these women used to occupy, buy food for herself and her children, [as most women employed in this industry are single parents], pay bus fares to and from the factory every working day.*

Impact of Minimum Wage Rise on fringe Benefits (5)

The Labour Inspectors were not in the position to know if minimum wage rise had any impact on any of the fringe benefits enjoyed by the covered employee categories

Factors that have Caused Massive Retrenchments in the Industry (7)

Both of the Labour Inspectors submitted that the intensification of competition in foreign markets, particularly American markets, as a result of the inclusion of exporters from Asian countries where there were reportedly no minimum wages contributed greatly to the retrenchments and closure of local textile firms in the industry.

Suppressive Effect of Minimum Wage Legislation on Wages Generally within the Industry (10)

Although the Labour Inspectors did not have much to say about this allegation, one of them admitted that there was a tendency of some employers misleading their covered employees into believing that Government did not want them to be paid better wages or anything higher than the statutory minimum wage rates.

4.3 Discussion of the Findings and how they fit in the Body of Knowledge

The research focus area was to answer the research question: "How does minimum wage hike impact on employment in the textile industry?" In order to interpret the findings of this study therefore, the research question guided me in selecting portions of data for interpretation.

The interpretation process involved looking at categories that contained large amounts of data which enabled me to identify important concepts, connections and common aspects for interpretation (Retrieved February 24, 2006 from http://www.cedu.htm). In this section I therefore tried to explain what the interrelationships between the identified categories and the research question suggested. The existing studies related to the topic of the study were also examined to assist in the interpretation process.

The rationale for introducing the minimum wage legislation has been one policy intervention of the Swaziland government to protect those employee categories generally regarded as vulnerable, such as the unskilled, less-skilled, the handicapped, females, and those who for any reason could not negotiate their terms and conditions with their employers. However, the idea of mandatory minimum wages has been criticised by neoclassicists such as employers in the textile industry in Swaziland as having caused job losses and resulted in massive retrenchments and even closure of firms. The findings in this study suggest that there is no clear evidence that the minimum wage level has been too high to have such a great impact on employment. The findings showed that there were other factors such as the competition that had intensified in the foreign markets which led to the reduction of the profit levels of the local textile firms. Lower operating costs for most Asian textile firms have been instrumental to this problem.

Other factors that have reportedly led to the economic downturn in the textile industry included: the strengthening of the local currency which placed the local firms in a disadvantageous position. Exorbitant overheads, such as electricity bills, taxes, for example were also cited as other factors that have contributed in worsening the gloomy economic situation in the textile industry in Swaziland.

While the employers' submission that minimum wage legislation distorts the labour market may be true, holding all other factors constant, it is difficult here to accept this conception when looking at the level of minimum wages generally over a period of five years i.e. 2000-2004 as shown in Appendix I. The minimum wage level should be looked at alongside with other factors such as taxes, overheads, utilities (such as electricity and water bills), competition, the enforcement of the minimum wage legislation itself and the effectiveness of such effort (Bartik, 2002:6). Although labour inspection has been conducted in most firms in the industry (although some may have been left out inadvertently), there have been no prosecution until 2005, when the Department of Labour started prosecuting employers for non-compliance with the minimum wage legislation. Looking at the trend of minimum wage increase over the five years without prosecution, it is difficult to believe that minimum wage hikes could have had a comprehensive impact on employment in this sector during that period.

The fact that the effectiveness of the minimum wage legislation is impaired by various factors such as the wage level generally, weak enforcement mechanisms or lack of enforcement (Paukert and Robinson, 1992:96), very small fine that can be imposed on employers on conviction (as little as one hundred Emalangeni (E100)) makes the claim that minimum wage hikes have been instrumental to the economic downtown in the industry during the five years not realistic.

Normally, the nature of the operations in this industry is labour intensive; and such being the case, labour is not easily substitutable by mechanisation. Minimum wage increases in this sector is therefore less likely to affect employment through retrenchments. With all other things being equal, it would be illogical to reduce staff that cannot be replaced by any other cost-effective methods. For example, if all the firms would have the same amount of orders from their customers all the time, it would not make an economic sense to retrench any number of employees and sooner or later, replace them (with of course all other factors being equal). According to the findings, the situation that has obtained in the textile industry suggests that quite a number of factors accounted for the state of the economy in the sector. Although there has been insistence in some quarters that the minimum wage legislation had been the major causative factor of this crisis, at a closer look, it transpired that this argument was far-fetched.

Where employers are faced with a situation of wage hike and there are ways of passing the extra labour cost to somebody else, such as by reducing fringe benefits or passing the extra labour cost to the consumer, retrenchments become the last resort, again holding all other factors constant. Although most of the findings did not support that minimum wages adversely impacted on any of the fringe benefits, there were some submissions in support of this claim.

Other interviewees were not sure whether any fringe benefits were affected in any way by statutory wage increases or not, because even if they noticed that their wages had been reduced, they usually failed to get an explanation from the pay office as to the reasons for such reductions.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

Many views have been expressed in the literature by various researchers in the field of the study and opinions put forward by the different participants in this research on the minimum wage – employment relationship; but it seems one should still tread with caution towards reaching a conclusion as to how exactly minimum wage rise impacts on employment. This is because each participant during the interviews approached each dimension or question from his/her own perspective which was more likely to be influenced by personal biases; i.e. how he/she generally perceived things, or how a particular dimension or question affected him/her.

Notwithstanding the neoclassical thinking that minimum wage hike was the major reason for the economic downturn in the textile industry in Swaziland during the period 2000-2004, there were mixed feelings in the research findings in this regard. For instance, some participants, particularly those from the employers' side insisted that the minimum wage hike was instrumental to the economic crisis in the sector, while others from both employers' and employees' sides strongly felt that other factors besides wages were also responsible.

A scenario of job losses could not be anticipated in a monopsonistic labour market (where employers were in control of the market and employees were not mobile and/or had no information on job opportunities elsewhere) and where minimum wage hikes did not exceed the equilibrium level – where the demand for labour was at par with its supply (West and McKee, 1980 cited in Sarlo, 2000:14). Given the high specialization of tasks and length of training and exposure of most workers in the textile industry, mobility of labour was likely to be more difficult as most of the workers in this sector would end up building a career in textile and garment manufacturing.

Contrary to popular belief that poverty alleviation is one of the major objectives of the minimum wage legislation, the study has shown that this legislation does not serve this purpose well, because it only targets part of the working population and excludes the unemployed and those in the uncovered and informal sectors. The marginalization of these categories therefore makes the minimum wage legislation short of the potential to realise this objective.

Although there have been employee categories that have been identified as the most vulnerable groups such as women, teenagers, the handicapped, in the firms studied, it was seen that almost every employee category was vulnerable in the sense that several selection criteria were used whenever retrenchments were contemplated. For example, those employees who would have finished their tasks would be the first to be selected for retrenchment, and voluntary exit option was given to those who would like to exit for some reasons such as those approaching the normal retiring age for the industry or firm.

The findings suggested that the level of minimum wages in the textile industry was generally low coupled with the operation of other factors impairing the effectiveness of the minimum wage legislation such as lack of prosecutions at the time (2000-2004) and inadequate and ineffective enforcement. Given such a situation, it is therefore unimaginable how the minimum wage legislation then in force could have considerably pushed up the wage bills, and subsequently reduced demand for labour. It is recommended that all other factors impacting on job security should be taken on board in looking for a solution to the statutory wage employment relationship problem.

In view of the questions that have arisen in the course of this study, there is a need for further investigation to address such questions as for example, whether it is always safe to rely on quantitative research results to the exclusion of the qualitative element – the feelings, attitudes, perceptions, judgements of the people being studied. To address this dimension, it is recommended that further research be undertaken to explore the qualitative aspect of the statutory wage–employment relationship.

The study established that direct minimum wage impact on employment, both positive and negative depended not only on the level of the minimum wages, but also on the extent to which they were actually implemented or enforced (Paukert and Robinson, 1992:96). This means that the minimum wage level may be very high, but if employers simply choose not to comply (as there are strong reasons to believe that many employers choose whether to comply or not on the basis of what suits them most at a particular time) and there is no enforcement mechanism in place, the minimum wage legislation cannot achieve its objective. In order for the minimum wage legislation to achieve its objective, it is recommended that the control and enforcement of minimum wage legislation should be delegated to the social partners (employers and employees) as well. The social partners should be authorized to carry out inspections in liaison with the designated inspectors of the Department of Labour as this would:

(a) Alleviate the monitoring and enforcement burden of government;

(b) reduce the cost of enforcing the minimum wage legislation (towards the payment of inspectors' salaries and instituting legal proceedings against recalcitrant employers);

(c) reduce charges (accusations) of interference by government with the free operation of the labour market;

(d) avail government of the opportunity to concentrate on policy issues and carry out those functions it can do best.

The legal process that has to be followed in the country in bringing employers not complying with the minimum wage legislation to court is rather too technical, lengthy and tedious so much that inspector's end up deciding to abandon cases of violation of minimum wage regulation orders because of the preparation, paperwork, interviews and waiting that is often involved. Simplification of the legal provisions and procedures, shortening of the period that is often involved and putting in place other appropriate means of enabling workers to effectively exercise their rights under the minimum wage legislation including the rights to recover amounts by which they may have been underpaid is therefore recommended.

From the results of this study, it has been established that production declined in the firms following a minimum wage hike, but it could not be established whether the reduction in production was indeed due to the wage rise and not other factors. It was therefore found that the competitive labour market model did not apply indiscriminately in all cases, but that other factors did influence the labour market behaviour regarding the minimum wage-employment correlation. It is recommended that further research be undertaken to explore the qualitative aspect of the statutory wage-employment relationship in order to address those often ignored dimensions on the subject such as this one.

The fine provided in the penalty clause of section 1 (2) of the Wages Act, 1964 is too small to be a deterrent to non-complying employers. As a result, it seems not to have saved any useful purpose even if prosecutions have been taking place as and when necessary. The penalty clause in the Wages Act (1964) should be reviewed to make the fine higher enough to be a deterrent to non-complying employers.

The Regional Labour Office is not adequately staffed with labour inspectors to effectively monitor compliance and promptly bring culprits to book. The employment of a sufficient number of adequately trained inspectors equipped with the powers and facilities necessary to carry out their day to day duties is recommended.

Looking at the arguments that have emerged from the literature review and the submissions of the various participants during the research, it can now be said that minimum wage hike cannot alone lead to a drastic fall in labour demand. The other factors likely to affect production and/or service delivery costs therefore need to be taken into account in trying to access the minimum wage – labour relationship.

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Appendix I

Minimum wage Increases Trend in textile Firms in the Manufacturing And Processing Industry in Swaziland (2000 – 2004)

Year & Time Covered ⇨	2000 01.10.1999 to 31.07.2001	2001 01.082001 to 30.11.2002	2002 01.12.2002 to 30.06.2004	2003 (Review Deferred)	2004 01.07.2004 to 31.08.2004
Occupational Category ⇩	MW (E/R) (p.w.)	MW (E/R) (p.w.)	MW (E/R) (p.w)	MW (E/R) (p.w.)	MW (E/R) (p.w.)
Dispatch Clerk	201.78	218.93	238.63	238.63	257.72
a.j.s. Operator	176.53	192.06	209.35	209.35	226.10
Assembler-socks	163.93	177.86	193.87	193.87	209.38
Re-cutter	176.53	192.06	209.35	209.35	226.10
Office Clerk	184.61	200.30	218.33	218.33	235.80
Bagger	141.87	153.93	167.78	167.78	181.20
Driver/Messe-nger	195.45	212.06	231.15	231.15	249.64
Carton sealer	149.75	162.48	177.10	177.10	191.27
Security Guard	170.26	184.73	201.36	201.36	217.47
G./Labourer	170.26	184.73	201.36	201.36	217.47
Charge hand	238.04	258.27	281.51	281.51	304.03
Sewing machinist II	163.93	177.86	193.87	193.87	209.38
Presser attendant	184.61	200.30	218.33	218.33	235.80
Hand trimmer	156.07	169.34	184.58	184.58	199.35
Layer	149.75	162.48	177.10	177.10	191.27
Sewing machinist I	176.53	192.06	209.35	209.35	226.10
Totals	2,799.90	3,039.45	3,313.02	3,313.02	3,578.08

Appendix I (Cont'd)

Minimum wage Increases Trend in textile Firms in the Manufacturing And Processing Industry in Swaziland (2000 – 2004)

Year & ⇨ Time Covered	2000 01.10.1999 to 31.07.2001	2001 01.082001 to 30.11.2002	2002 01.12.2002 to 30.06.2004	2003 (Review Deferred)	2004 01.07.2004 to 31.08.2004
Occupational Category ⇩	MW (E/R) (p.w.)	MW (E/R) (p.w.)	MW (E/R) (p.w)	MW (E/R) (p.w.)	MW (E/R) (p.w.)
Sorter	156.07	169.34	184.58	184.58	199.35
Presser	149.75	162.48	177.10	177.10	191.27
Packer	149.75	162.48	177.10	177.10	191.27
Folder	149.75	162.48	177.10	177.10	191.27
Handyman	230.13	249.69	272.16	272.16	293.93
Table hand	149.75	162.48	177.10	177.10	191.27
Trimmer	141.87	153.93	167.78	167.78	181.20
Textile preparer	156.07	169.34	184.58	184.58	199.35
Foam attacher	156.07	169.34	184.58	184.58	199.35
Foam strip cutter	163.93	177.86	193.87	193.87	209.38
Clicker-textile	212.84	230.93	251.71	251.71	271.85
Quality controller	201.78	218.93	238.63	238.63	257.72
Forklift operator	195.45	212.06	231.15	231.15	249.64
Messenger	170.26	184.73	201.36	201.36	217.47
Kardex Clerk	209.66	227.48	247.95	247.95	267.79
Invoice Clerk	201.78	218.93	238.63	238.63	257.72
Totals	2,794.91	3,032.48	3,305.38	3,305.38	3,569.84

Appendix I (Cont'd)

Minimum wage Increases Trend in textile Firms in the Manufacturing And Processing Industry in Swaziland (2000 – 2004)

Year & Time Covered ⇨	2000 01.10.1999 to 31.07.2001	2001 01.082001 to 30.11.2002	2002 01.12.2002 to 30.06.2004	2003 (Review Deferred)	2004 01.07.2004 to 31.08.2004
Occupational Category ⇩	MW (E/R) (p.w.)	MW (E/R) (p.w.)	MW (E/R) (p.w)	MW (E/R) (p.w.)	MW (E/R) (p.w.)
Switchboard Operator	195.45	212.06	231.15	231.15	249.64
Weight Clerk	167.06	181.26	197.57	197.57	217.47
Box Labeler	167.06	181.26	197.57	197.57	213.38
Cleaner	110.88	120.30	131.13	131.13	141.62
Inspector	204.93	222.35	242.36	242.36	261.75
Checker	110.88	120.30	131.13	131.13	141.62
Copy Typist	170.26	184.73	201.36	201.36	217.47
Totals	1,126.52	1,222.26	1,332.27	1,332.27	1,442.95
Grand Totals	**6,721.33**	**7,294.19**	**7,950.67**	**7,950.67**	**8,590.87**

Data Source: Wages Regulation Orders and Minutes of the Manufacturing and Processing Industry Wages Council in Swaziland (2000 – 2004)

Key: **MW** - Minimum Wage

E/R - Emalangeni/Rand

p.w. - Per Week