1.5.4 The Period from 1950 to 1956

The disruption of the economy caused by the initial post-war boom and subsequent slump, and the shortage of capital, necessitated a period of control. During these years, the economy grew fairly steadily. The average annual growth rate of gross domestic product, at constant prices, was 5,0 per cent, and only in 1952 did it fall noticeably below the average, to 3,5 per cent.[89] Spandau describes government policy during this period as one of wage and price restraint.[90]

The Wage Board certainly followed a policy of restraint. During the period from January 1950 to December 1956, only 18 wage determinations were made, i.e. less than 3 per year on average.[91] This compares with an average of 14 per year during the 1960's and as many as 25 or more in the 1970's. As far as artisans were concerned, minimum wages in money terms, were set at R16,00 per week in June 1951, and remained at that figure until July 1956, when Wage Determination Number 173 was passed for the Metal Containers Manufacturing Industry, which raised wages for artisans in that industry to R17,25 per week. With minor variations from year to year, and industry to industry, the picture was much the same for the other five categories of employees listed in Table 6, below. As the consumer price index rose by 29,3 per cent between 1950 and 1956, inevitably, real minimum wages for workers subject to Wage Board determinations fell substantially. The recorded decreases in real minimum wages were:

artisans (Whites)	16,6 per cent
male clerks (mainly Whites)	22,7 per cent
female clerks (mainly Whites)	15,6 per cent
adult male labourers (Blacks)	16,9 per cent
junior male labourers (Blacks)	8,3 per cent
female labourers (Blacks)	6,0 per cent

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89) South African Statistics 1976, Government Printer, Pretoria; p.21.4

90) A Spandau, Op.Cit; p.35

91) This information was obtained from an examination of the Government Gazettes published during the period under consideration.

Table 6 : Real Average Minimum Wages set by Wage Determinations, for Selected Occupations, 1950 to 1977, and Real Average Earnings in Manufacturing Industries for Whites and Blacks, 1960 to 1977.
(Rands per Week, at Constant 1950 Prices)

Year	Minimum Wages set by Wage Determinations						Earnings in Manufacturing Industries	
	Artisans	Qualified Clerks		Labourers				
		Male	Female	Adult Male	Junior Male	Female	Whites	Blacks
1950	16,00	12,70	7,62	3,26	1,92	2,00	-	-
1951	14,91	10,65	6,15	2,96	,26	2,28	-	-
1952	13,71	9,95	5,50	2,64	99	1,95	-	-
1953	13,25	9,55	6,31	2,78	09	2,15	-	-
1954	13,01	10,33	6,76	2,65	1,99	2,11	-	-
1955	12,61	8,31	6,23	2,30	1,93	1,83	-	-
1956	13,34	9,82	6,43	2,71	1,76	1,88	-	-
1957	12,96	9,54	6,24	2,63	1,71	1,83	-	-
1958	12,53	8,16	5,24	2,34	1,76	1,92	-	-
1959	12,37	9,1[illegible]	5,39	2,48	1,92	2,04	-	-
1960	12,24	9,33	6,22	2,51	1,92	2,07	26,51	4,94
1961	14,74	10,65	7,41	3,52	2,59	2,56	26,92	5,07
1962	17,06	14,34	9,96	3,75	2,81	2,83	27,06	5,07
1963	17,91	15,62	10,6[illegible]	3,93	2,80	2,96	27,76	5,35
1964	18,19	14,06	9,50	3,82	3,00	3,15	29,33	5,85
1965	21,70	14,68	9,96	4,24	3,19	3,40	30,80	5,99
1966	20,33	14,78	11,18	4,43	3,33	3,54	32,10	6,10
1967	21,60	14,72	10,42	3,70	2,78	2,89	32,94	6,08
1968	21,56	15,13	10,12	3,94	3,00	3,22	34,47	6,44
1969	22,73	15,83	10,19	4,37	3,15	3,24	35,32	6,30
1970	21,97	15,17	9,86	3,82	2,88	3,06	38,05	6,53
1971	22,08	15,27	9,76	3,90	3,36	3,12	40,13	6,66
1972	20,98	14,41	9,23	3,76	2,84	3,02	40,23	6,84
1973	21,07	16,22	10,85	4,65	3,53	3,80	39,86	7,38
1974	21,24	15,96	10,75	4,93	3,68	3,94	41,33	8,08
1975	20,33	14,42	10,02	4,80	3,58	3,81	41,40	8,59
1976	20,26	14,68	10,39	4,81	3,65	3,89	41,67	9,11
1977	19,18	14,31	9,95	4,67	3,52	3,79	40,92	9,27

Notes : - indicates data not available.

Sources : 1) Minimum Wages set by Wage Determinations:
a) 1964 to 1972 from South African Institute for Race Relations, Wage Determinations Current in South Africa as at 15 April 1974 : A Fact Paper, compiled by D. Horner, et al, for the SAIRR, Johannesburg, 30 April 1974.
b) All other years from Government Gazettes.

2) Earnings in Manufacturing Industries:
1960 to 1975 from South African Statistics 1976, p. 7.9.
1975 to 1976 from South African Statistics 1978, p. 7.6.

3) Consumer Price Index:
Union Statistics for 50 Years, Table H-23; South African Statistics 1968, p. 1-19; South African Statistics 1976, p. 8.21; South African Reserve Bank Quarterly Bulletin, December 1978.

Table 6 shows the real average minimum wages determined by the Wage Board for six selected occupations, from 1950 to 1977, compared with real average earnings in manufacturing industry of White and Black employees, from 1960 to 1977. Average earnings of manufacturing employees are derived from official data showing the number of employees and the total value of salaries and wages, by race, for each year. Average minimum wages determined by the Wage Board for each of the occupations in each year were computed from an examination of all determinations passed in those years. For each occupation, all the minimum wages prescribed were summed and averaged. Thus, the figure for, say, male clerks in 1961, is the average of Wage Board determinations for 12 different industry divisions, one of which specified different rates for two areas, and another listed different rates for four areas. The actual rates, in current terms, varied from R9,93 to R23,10, giving an average for all 16 rates of R15,29 per week. The average minimum wages for all other years, and the other five occupations were computed in the same manner. Both average earnings in manufacturing industry and average minimum wages determined by the Wage Board, were deflated by the Consumer Price Index, in order to express the data in constant 1950 prices.

Because minimum wages in South Africa vary between industries and areas in each year, Table 6 is the nearest comparison which can be made with the US data shown in Table 4 on page 33, above. The latter shows the single US minimum wage in 1950 and 1968 (in current terms), compared with average earnings in, inter alia, US manufacturing industry, in the same two years.

In contrast to South African employees covered by Wage Board determinations, who suffered a fall in real minimum wages between 1950 and 1956, workers who were members of trade unions bargained for higher wages with a reasonable degree of success. Using industrial census data for private manufacturing and construction industries, Steenkamp points out that average real earnings of White workers rose by 19,4 per cent between 1949/50 and 1955/56.

This compares with only a 2,8 per cent rise for Black workers, few of whom were trade union members.[92] It must be noted in this context, that the comparison is between minimum wages as determined by the Wage Board, and actual average earnings as determined by union-employer negotiations. Similarly, Table 5, on page 35, above, compares the US minimum wage with minimum rates determined by union negotiations for two occupations in the building industry.

The data given in Table 6 is shown in graph form in Figure 3 below, except that minimum wages for junior male labourers are excluded, as they vary little from the rates specified for female labourers. The Figure shows the movements in real wages for seven of the selected occupational groups, both on a year-to-year basis, and between each group.

The overall result of South African Wage Board policy, between 1950 and 1956, therefore, was a significant increase in the White-Black wage differential, which effectively represents the skilled-unskilled gap. The Board's efforts to narrow this gap were not only discontinued, but their earlier successes were wiped out.

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92) W F J Steenkamp, Bantu Wages in South Africa, SAJE, Vol.30, No.2, June 1962; p.96

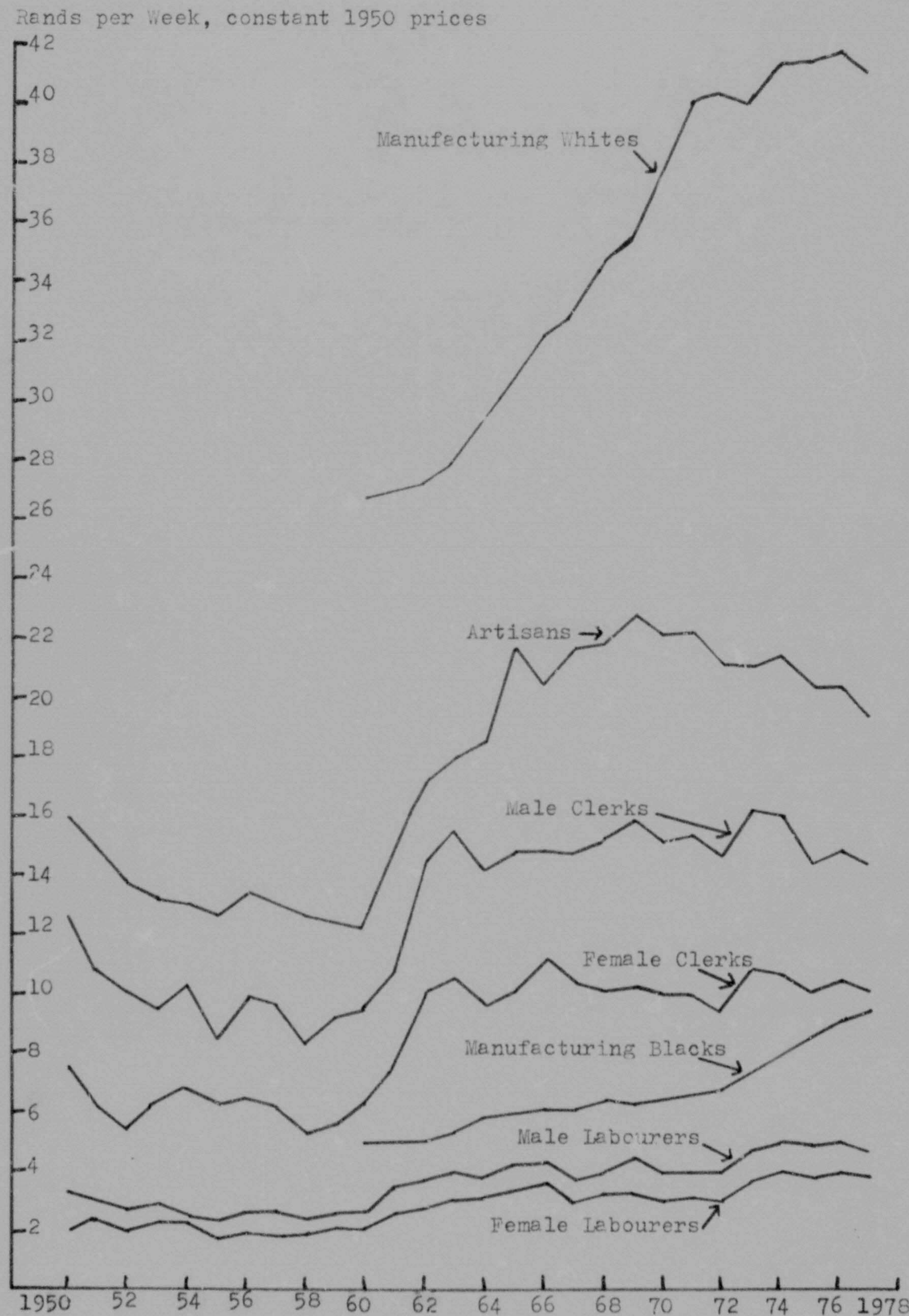

Figure 3 : Real Average Minimum Wages for Selected Occupations, 1950 to 1977, and Real Average Earnings in Manufacturing Industries for Whites and Blacks, 1960 to 1977

Source : Table 6

1.5.5 South African Labour Policy since 1956

Between 1955 and 1960, the average annual growth rate of gross domestic product dropped to 3,8 per cent. The Wage Board continued its policy of restraint, although less harshly, and also concentrated more attention on the lower-paid classes of employees. One determination was passed in 1956, none in 1957, four in 1958 and six in 1959. While the consumer price index rose 11,0 per cent between 1955 and 1960, average minimum wages for artisans, female clerks and junior male labourers fell in real terms, although only marginally. By contrast, real wages for adult male labourers, female labourers and male clerks showed a fairly marked increase, as indicated in Table 7 below.

Table 7: Per Cent Change in Real Minimum Wages for Selected Occupations, 1955 to 1960

Artisans	- 2,9
Male Clerks	12,3
Female Clerks	- 0,2
Adult Male Labourers	9,1
Junior Male Labourers	- 0,5
Female Labourers	13,1

Source: Table 6

During the same period, in the private manufacturing and construction industries, real average annual earnings of White employees rose by 9,5 per cent, and of Blacks by 7,7 per cent.[93)]

This period of relative economic stagnation, was followed by a decade of sustained growth, with gross domestic product rising at an annual average rate of 6,2 per cent in the first half of the 1960's, and 5,6 per cent in the second half.

The Wage Board was particularly active in raising minimum wages for all employees, between 1960 and 1965. Artisans received the largest increases: their real minimum wages

93) W F J Steenkamp, Op.Cit; p.96.

rising by 77,3 per cent over the five year period; but all other workers recorded rises of between 57,3 per cent (male clerks) and 68,9 per cent (adult male labourers). Most of the increases were granted in 1961 and 1962, with labourers' real minimum wages rising by nearly one-half, and artisans' by more than one-quarter.

Throughout most of the period 1950 to 1977, adult male labourers' minimum wages have been slightly less than one-fifth of artisans' rates, but during the early 1960's, this figure rose above the 20 per cent mark, and was as high as 23,9 per cent in 1961.[94)]

These substantial increases in minimum wages prescribed by the Wage Board, compare favourably with wage movements in the private manufacturing and construction industries. I these sectors, real earnings of White employees rose by 2 ,5 per cent and those of Blacks by 27,9 per cent, between 1960 and 1965.[95)] Moreover, the largest annual increases were not received until 1964.

It is apparent that the Wage Board maintained its position as 'pace-setter', at least during the early years of the 1960's, and particularly in respect of raising wages for the lower-paid classes of workers more than the higher-paid. However, between 1965 and 1970, the Board appeared to reverse its policy of concentrating on the lower-paid. Real minimum wages of all labourers decreased by about 10 per cent during these five years, compared with a small increase of 1,2 per cent for artisans. Once again, the ratio of adult male labourers' minimum wages to artisans' rates dropped below 20 per cent, to a low of 17,1 per cent in 1967. There has been another reversal of policy since the beginning of the 1970's. During the first five years, 1970 to 1975, while labourers' minimum wages rose by one-quarter, equivalent artisans' rates fell by 7,5 per cent. The consequence has been a steady rise in the relationship

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94) See Table 6 above, and Table 9, p.65 below.

95) Steenkamp, Op.Cit; p.96. Note that Table 6 shows data for manufacturing industries only.

between minimum wages of adult male labourers and those of artisans. In 1970 the ratio was 17,4 per cent. By 1975 it was 23,6 per cent, and the trend has continued up to 1977, when it was 24,4 per cent.

To summarise, Table 8 shows the movements in (1) real average minimum wages for selected occupations determined by the Wage Board, (2) real average earnings of White and Black employees in manufacturing industry, (3) the ratio of adult male labourers' real minimum wages to those of artisans, (4) the ratio of White employees' real average earnings to those of Blacks in manufacturing industry, and (5) gross domestic product, at constant 1963 prices, and the consumer price index. Each of these movements is shown in five-yearly periods.

One method of evaluating the minimum wages [illegible] by the Wage Board, is to consider whether they are suf[illegible]ently high to allow employees to make contributions to the Unemployment Insurance Fund. Black workers who earn less than R10,50 per week are excluded from making payments into the Fund, and hence cannot claim benefits either.96)

The lowest paid group of workers in all Wage Determinations is the junior male labourer. In 1977, the average statutory minimum wage for this occupational class was R12,40 per week, well above the lower limit for payment of contributions to the Unemployment Insurance Fund. However, this all-industries and all-areas average masks the fact that 16 groups of junior male labourers working in different industries and areas, actually had a legal minimum wage of less than R10,50 per week. For example, junior male labourers in Areas D and E of Wage Determination Number 293, effective March, 1977, for the Woodworking Industry, earned R9,80 and R7,10 respectively. (Area D consists of Bloemfontein, Kimberley, Klerksdorp, Oberholzer, Paarl, Sasolburg, Somerset West, Stellenbosch, Strand, Uitenhage, Welkom, Wellington, Westonaria, Worcester, the Municipal Areas of East London and Pieter-

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96) Ringrose, <u>Op.Cit</u>; p.26.

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96) Ringrose, Op.Cit; p.26.

Table 8 : Movements in Selected Wage Rates and Other Economic Indicators, in Five-Yearly Intervals, 1955 to 1975

Per Cent Change In:	1955-60	1960-65	1965-70	1970-75
1. Real Average Minimum Wages of:				
Artisans (Whites)	- 2,9	77,3	1,2	- 7,5
Labourers (Blacks)	9,1	68,9	- 9,9	25,7
2. Real Average Earnings in Manufacturing Industry of:				
Whites	9,5	16,2	23,5	8,8
Blacks	7,7	16,5	10,1	27,7
3. Real Minimum Wages of Adult Male Labourers as per cent of Artisans' Wages	19,7	21,5	18,9	20,3
4. Real Average Earnings of Black Employees as per cent of Whites in Manufacturing Industry	1) 18,4	21,9	20,6	20,5
5. Gross Domestic Product (1963 Prices)	20,3	35,0	31,3	22,4
Consumer Price Index	11,0	11,2	16,2	56,2

Note: 1) includes Construction Industry.

Source: 1) Items 1, 2, 3 and 4: Table 6
2) Gross Domestic Product: South African Statistics 1976, p.21.4
3) Consumer Price Index: Union Statistics for 50 Years, Table H-23, South African Statistics 1968, p.1.19, South African Statistics 1976, p.8.21.

maritzburg, and the Magisterial District of Port Elizabeth. Area E covers the Magisterial Districts of Caledon, George, Hankey, Heidelberg (CP), Humaansdorp, Knysna, Mossel Bay, Riversdale, Swellington and East London). Similarly, the statutory minimum rates for junior male labourers in Wage Determination Number 345, effective July 1977, for the Clothing Industry, varied from a maximum R9,20 per week to a minimum of R7,70. In Area E of Wage Determination Number 367, effective September 1977, for the Cold Storage, Bacon Curing and Small Goods Manufacturing Industry, the minimum wage for junior male labourers was R9,90 per week. (Area E comprises the Magisterial Districts of Aliwal North, Barkly West, Estcourt, Inanda, Klip River, Mooi River, Parys, Potchefstroom, Queenstown, Richmond, Standerton, Vryburg and the Municipal Areas of Pietersberg and Witbank).

Similarly the average minimum wage for female labourers in 1977, of R13,34, includes 11 groups earning less than the Unemployment Insurance Fund's lower limit (which is the same for males and females), and even two groups of adult male labourers are excluded, because their minimum wages are less than R10,50 per week.

Although it is possible to argue that male youths under 18 years of age, and women, can be supported by their families whilst unemployed, the same argument cannot be used for adult males. One of the excluded groups of adult male labourers is those employed in Area E of the Woodworking Industry (see above for definition of Area E). This Wage Determination, Number 293, was originally passed in March 1975, and stipulated the minimum wage rates which were to become applicable from March 1975 to February 1976, from March 1976 to February 1977, and after March 1977. In this instance, the Wage Board was, effectively, forecasting wage movements two years in advance, so perhaps it is not surprising that the increases in general wage rises were underestimated. However, the other case refers to adult male labourers in the Clothing Industry in the Magisterial District of Klip River.

This determination became effective in February 1977, and it can only be assumed that, in the current recessionary economic conditions, the clothing firms in that area are unable to pay more than the R10,20 per week specified. It would appear from this, that the firm's ability to pay is still an important factor in the deliberations of the Wage Board.

Moreover, the low minimum rate in this example may also be indicative of the Board's desire to prevent a further increase in the level of unemployment, even if employment is maintained by the use of a relatively low wage.

Since minimum wage legislation does not apply to all South African workers, it is instructive to consider what proportion of the labour force is protected in this way. In 1972, Wage Board determinations applied to 481 000 workers, of whom 23,3 per cent were Whites and 60,9 per cent were Blacks. Similarly, Industrial Council agreements specified legal minimum wages for 1,1 million workers (21 per cent Whites and 55 per cent Blacks), in the same year.[97)] Hence, of a total economically active population of 8,3 million,[98)] only 1,5 million, or approximately 18 per cent, are subject to minimum wage legislation, compared with the US figure of 83 per cent.

The national minimum wage in the US has tended to be about half the level of average earnings in the manufacturing sector. It is therefore, of interest to compare this with the South African situation. Table 9 compares (1) minimum wages for adult male labourers with those for

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97) Trade Union Council of South Africa, Official Trade Union Directory 1973. These figures were obtained from a special survey conducted by TUCSA for the year 1972. Later figures are not available, but it is thought that the percentage of the economically active population subject to minimum wage legislation is still in the region of 20 per cent.

98) South African Statistics 1976; Op.Cit; p.7.6. The 1977 mid-year estimate of the economically active population was 9,8 million (excluding citizens of Transkei and BophuthaTswana). See South African Statistics 1978; p.7.5

artisans, (2) average earnings of Black employees in manufacturing industry with those of Whites, (3) minimum wages of artisans with average earnings of Whites in manufacturing industry, (4) minimum wages of adult male labourers with average earnings of Blacks in manufacturing industry, (5) minimum wages of female clerks compared with male clerks, and (6) minimum wages of female labourers compared with male labourers. Comparisons are made between Blacks and Whites, as well as minimum wages and average earnings, in order to make allowances for the racial characteristics of the South African labour force and wage rates.

The data in column 3 of Table 9 show that during the 1960's, minimum wages for artisans were mostly well above 60 per cent of average earnings of Whites in manufacturing industry, and in 1965 topped the 70 per cent mark. Minimum wages of adult male labourers as a percentage of average earnings of Blacks in manufacturing industry (column 4), tended to fluctuate during the same period, between a high point of 74 per cent and a low of 61,2 per cent (ignoring the very low 1960 figure). Nevertheless, except for 1967 and 1968, they were usually well above 65 per cent. However, since 1970, minimum wages have tended to form a smaller proportion of average manufacturing earnings, falling consistently in the 'White' sector, (column 3), and somewhat less consistently in the 'Black' sector, (column 4). Overall, South African Wage Board determined minimum wages are generally more than half the level of average earnings in the manufacturing sector, as opposed to less than half in the US. The proportion of Black employees' wages compared with White employees' rates is much the same for both minimum wages determined by the Wage Board, as it is for average earnings in manufacturing industry, i.e. approximately 20 per cent on average, although since 1973, there has been a consistent rise in this ratio, which is currently approaching 25 per cent. The last two columns in Table 9 indicate clearly, that females have received lower minimum rates than males, and the proportion has varied little over the

Table 9 : Relationships between Real Minimum Wages and Real Earnings in Manufacturing Industry, Selected Occupations, 1960 to 1977 (Per Cent)

Year	Labourers/ Artisans	Manufacturing Blacks/Whites	Artisans/ Mf.Whites	Labourers/ Mf.Blacks	Clerks Female/Male	Labourers Female/Male
	(1)	(2)	(3)	(4)	(5)	(6)
1960	20,5	18,6	46,2	50,8	66,7	82,5
1961	23,9	18,8	54,8	69,4	69,6	72,7
1962	22,0	18,7	63,0	74,0	69,5	75,5
1963	21,9	19,3	64,5	73,5	68,0	75,3
1964	21,0	19,9	62,0	65,3	67,6	82,5
1965	19,5	19,4	70,5	70,8	67,8	80,2
1966	21,8	19,0	63,3	72,6	75,6	79,9
1967	17,1	18,5	65,6	60,9	70,8	78,1
1968	18,3	18,7	62,5	61,2	66,9	81,7
1969	19,2	17,8	64,4	69,4	64,4	74,1
1970	17,4	17,2	57,7	58,5	65,0	80,1
1971	17,7	16,6	55,0	58,6	63,9	80,0
1972	17,9	17,0	52,2	55,0	64,1	80,3
1973	22,1	18,5	52,9	63,0	66,9	81,7
1974	23,2	19,5	51,4	61,0	67,4	79,9
1975	23,6	20,7	49,1	55,9	69,5	79,4
1976	23,7	21,9	48,6	52,8	70,8	80,9
1977	24,3	22,7	46,9	50,4	69,5	81,2

Source: Table 6.

Note: The above data is the basis for Figure 4, overleaf, which shows in graphical form :-

1) the relationship between wages of Whites and Blacks, as indicated by columns 1 and 2;
2) the relationship between minimum wages determined by the Wage Board and average earnings of manufacturing industry employees, both for Whites (column 3) and Blacks (column 4);
3) the relationship between male and female employees' minimum wages determined by the Wage Board (columns 5 and 6).

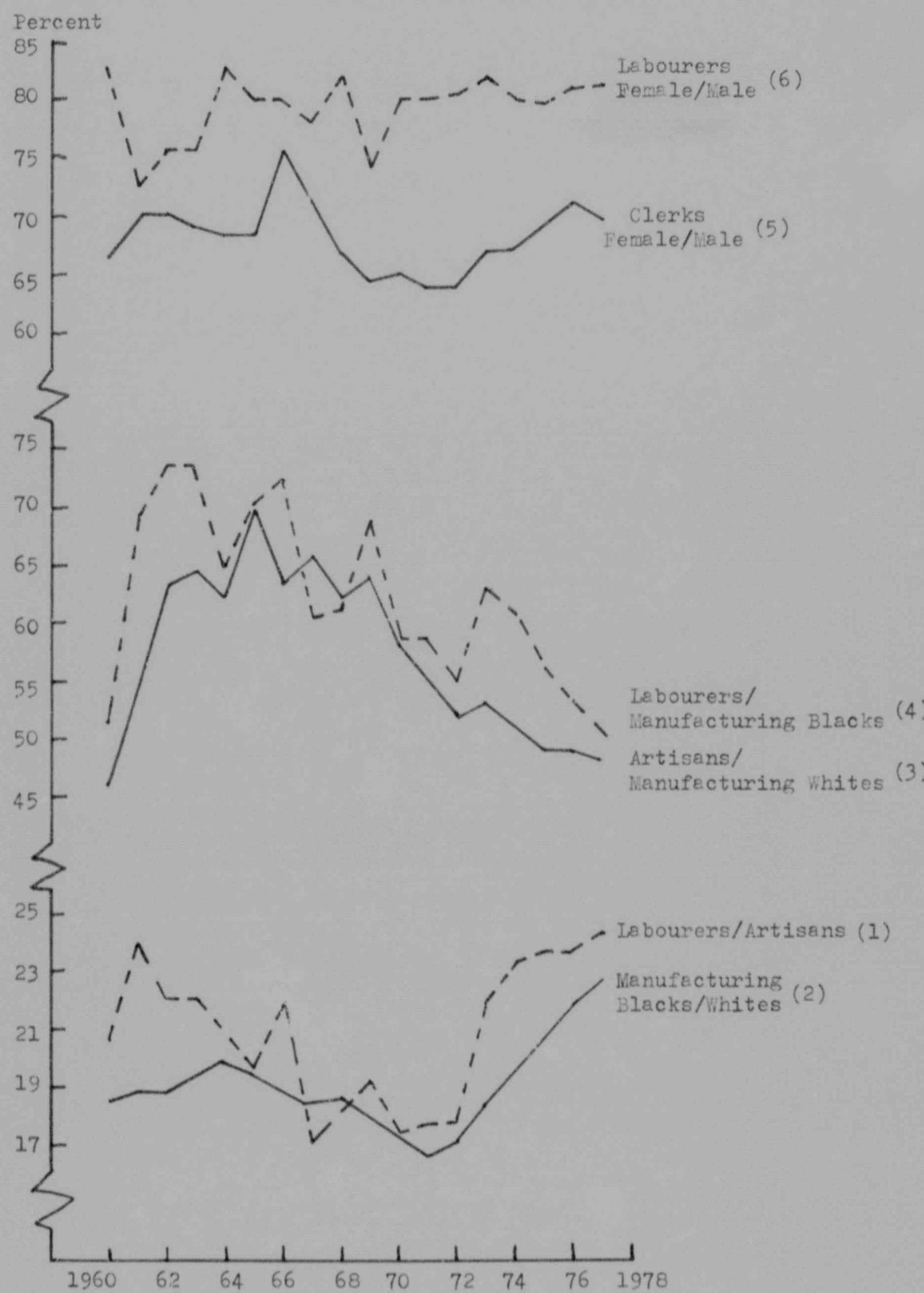

Figure 4 : Relationships between Real Minimum Wages and Real Earnings in Manufacturing Industry, Selected Occupations, 1960 to 1977

Source : Table 9 ; The numbers beside each graphed line correspond with the column numbers in Table 9 period 1960 to 1977: female clerks receive between 65 and 70 per cent of the minimum rate for male clerks, while female labourers' minimum wages are about 80 per cent of those for male labourers.

The general impression is that between 1960 and 1970, firms in the manufacturing sector, tended to pay their employees average wages which were about one-third more than the minima decided by the Wage Board, although Black employees received marginally more than one-third, whilst White employees received marginally less.

The reasons for the changes which have occurred in the 1970's are more ambiguous. There appear to be two influences involved, each working in opposite directions. In the first place, the private sector has consciously adopted a policy of paying higher wages to all employees, but with larger relative increases for their Black than their White staff. The percentage of average earnings in manufacturing industry of Blacks compared with Whites, has risen from 16,6 per cent in 1971 to 22,7 per cent in 1977, and this compares with an average differential of just under 19 per cent in the 1960's.

The second element affecting the relationship between minimum wages and average earnings in the 1970's, is the Wage Board, which appears to have adopted a policy of selected wage restraint, i.e. on occasions it has recommended that minimum wages be raised less rapidly than in the immediate past, and in other cases, it has recommended higher increases.

The policy of recommending greater increases in selected cases would be in line with the Board's former policy of raising the minimum wages of the lowest paid classes of workers more than the higher paid. But, in general, minimum wage increases have not been as great as in the past. The slowing down in the rate of growth of the economy, together with the likelihood of 'importing' inflation from the rest of the world, would be valid reasons for a State organisation to raise minimum wages less rapidly than in the early part of the 1970's.

Inflation and stagnation have been two of the reasons behind the number of firms going out of business, and those who have reduced their levels of output. Both have increased the level of unemployment. Wage restraint has been one of the factors which have helped some Western European countries to combat inflation, and encouraged economic growth again. There is every reason why the Wage Board should set a standard for employers in general, by following a policy of wage restraint within the industries and trades over which it has jurisdiction. Such behaviour is likely to assist in maintaining business activity, and hence the level of employment.

An interesting study of the comparative standards of living in May 1976, of several average employees in manufacturing industries around the world, was compiled by Spandau.[99)] He computed the approximate work-time required to buy selected commodities by an average White artisan and an average Black labourer in manufacturing industries on the Witwatersrand. This was then compared, inter alia, with the average work-time required by an average employee in manufacturing industries in Washington, D.C., to buy the same products. Table 10 shows the details for each of the three average workers, by selected commodity groups.

Looking at the selected food items alone, the Washington employee has to work 40,8 per cent longer than the Witwatersrand White artisan to purchase the same items, while the Black labourer has to work 461,8 per cent longer. When other, less essential, items are included, the Black labourer still has to work nearly five times longer than the White artisan to make the same purchases, but the Washington employee now only has to work 66 per cent of the time worked by the Witwatersrand White artisan.

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99) A Spandau, Economic Boycott against South Africa - Normative and Factual Issues, Labour Research Programme, Report No. 17, University of the Witwatersrand, Johannesburg, May 1978, pp.81-84

Table 10 : Approximate Worktime required by Average Manufacturing Employee to buy Selected Commodities in Washington, D.C. and Johannesburg during May 1976

Commodity	Washington	Witwatersrand	
		White Artisan	Black Labourer
Foodstuffs	176 Min	125 Min	581 Min
Total All Items	83 Hrs/48 Min	127 Hrs/6 Min	593 Hrs/5 Min

Foodstuffs Include : 1 kg white bread, 1 kg beef, 1 kg pork sausages, 1 kg potatoes, 1 kg apples, 1 kg sugar, 1 litre milk, 10 eggs.

All Items Include : Foodstuffs, plus 0,7 litres vodka, 20 cigarettes, 150 gr toilet soap, lipstick, panty hose, men's leather shoes, men's business suit, 150 ltr refrigerator.

Source : Adapted from A Spandau, Economic Boycott against South Africa, Op. Cit; p.82.

The relationship between the Witwatersrand Black and White employees serves as further documentation that average Black wages are approximately 20 per cent of average White wages. The relationship between the Witwatersrand White artisan and the average Washington manufacturing employee, indicates that, in very general terms, the standard of living of South African Whites is only slightly lower than that of all US employees.

This comparison also indicates that the Wage Board still needs to concentrate on raising the level of minimum wages of Black employees faster than that of Whites.

Indeed, if it was politically and economically possible, the Board should hold White minimum wages steady, while gradually increasing those for Blacks, if it is concerned with closing the White-Black wage gap. Of course, this does not allow for the fact that the White-Black wage gap is generally indicative of the skilled-unskilled wage gap, and to that extent, it might not be in the interests of the future growth of the South African economy, nor of maintaining or encouraging increases in employment levels, to raise the minimum wages of unskilled Black workers, while maintaining minimum wages for skilled White workers at a constant figure (even in real terms).

1.5.6 South African Minimum Wage Legislation: Summary

The State's direct influence on minimum wages is confined to those trades and industries which are not sufficiently organised to fall within the scope of the Industrial Conciliation Act. As has been noted above, employees subject to investigation by the Wage Board constitute only about 5 per cent of the total labour force. Some further 15 per cent are covered by Industrial Council agreements, leaving approximately 80 per cent whose wages are determined by the free forces of supply and demand.

South Africa has always had, and still has, a shortage of skilled workers, together with a surplus of unskilled employees. We have seen that, as a result of a variety of historical reasons, skilled workers are normally White and unskilled are mostly Black. This White-skilled and Black-unskilled division has been entrenched by certain legal restrictions on the mobility of Blacks, but the general attitude of the White population and of White employers and trade unions in particular, has been a far more decisive element in maintaining this race-skill division, at least until the beginning of the 1970's.

As US experience has shown, prolonged exposure to poverty conditions tends to make people unstable employees, and results in poorly educated workers who are not particularly interested in job advancement, or capable of adjusting to changing techniques, or willing to accept responsibility. Since 1970, therefore, South African employers in the private sector, have made greater efforts to reduce poverty amongst Blacks by, inter alia, raising the wages of their Black employees by a higher percentage than the increases in wages for their White workers.

In general, the Wage Board has followed the same policy for the past 25 years. However, when setting minimum rates, the Board is also concerned with the ability of firms to pay the wages specified, and the general economic conditions prevailing within the country. On several occasions, this has hindered the Board in its efforts to reduce poverty. Movements in average minimum wages have usually been counter-cyclical. During recessionary periods the Board has specified smaller wage increases, whilst in times of strong growth, it has raised minima noticeably. Sometimes, it has over-reacted, so that real minimum wages have fluctuated quite sharply. However, as a general rule, the Wage Board has acted in a manner designed to reduce unemployment levels and bankruptcies during recessions, and to spread the benefits of sustained growth in all income groups, and especially the lower ones.

The main argument concerning legislated minimum wages, centres around two issues: (i) coverage, and (ii) the level of the rates. Several writers have discussed the present methods in various countries, and suggested changes which should, or could, be made.

Friedman is one of the most outspoken critics of any kind of minimum wage legislation, claiming that raising minimum wages and extending coverage creates more unemployment, and especially amongst low-paid and unskilled workers.[100) US Negroes, on average, have lower levels of skills than Whites, and teenagers, inevitably, are less skilled than older and more experienced workers. Hence any wage

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100) Milton Friedman, Op.Cit; p.247

legislation which precludes such people from obtaining employment, has the opposite effect to its objective, namely providing a minimum income level for the poorer classes.

In a study of minimum wage legislation in less developed countries, Watanabe concludes that such legislation has failed to realise its objectives of providing an acceptable minimum standard of living for all workers, and their families, and of improving the distribution of incomes.[101] The main reason behind the failure is the existence of a surplus of labour, which means the minimum wage must be set low enough to encourage employment, but that level is too low to provide an acceptable minimum standard of living. Moreover, the existence of an abundant supply of labour precludes the enforcement of minimum wages outside the unionised sector. The legislation is, therefore, ineffective where trade unions do not exist, or are weak, and largely irrelevant where unions are strong.

Most South African writers agree that the wages of Black workers should be increased relative to the wages of White employees, but conclude that the problems involved necessitate a gradual narrowing of the gap. Steenkamp points out that "the need to create employment tends to clash with the desire to raise the real incomes of the already employed."[102] This claim is supported by a statement by the South African Reserve Bank, that in 1976/77, there was a "marked change in the distribution of income among the various sectors of the labour force ... real wages of Black workers were raised significantly during the past years, notwithstanding ... the decline in the level of economic activity ...(This) did not promote the creation of employment opportunities."[103]

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101) Watanabe, Op.Cit; p.345

102) W F J Steenkamp, Op.Cit; p.263

103) South African Reserve Bank, 1977 Annual Economic Report, Johannesburg, August 1977; p.13.

Where labour surpluses exist, as they do amongst Blacks in South Africa, the minimum wage debate resolves itself into two issues; namely (1) should minimum wage legislation exist at all?, and (2) if it should, at what level(s) should the minimum rate(s) be set?

Nearly 40 years ago, McGregor argued that minimum wages do not help those workers who are less efficient, i.e. whose marginal revenue product is less than some specified minimum wage. "The first effect (of fixing minimum wages) is usually to increase efficiency and the less efficient employee who might have been retained at a low wage will probably, under wage legislation, either have to raise his standard of service or give way to his more efficient competitor in the field of employment."[104] Since it is a long term process to raise a worker's standard of service, the initial effect of fixing minimum wages must be for the less efficient to give way to the more efficient. In the South African context, effectively that means there will be a strong tendency for Whites to be employed in place of Blacks. Thus, minimum wage legislation does not help South African Blacks to find wage employment.

Moreover, if minimum wage rates were specified for unskilled Blacks, and were raised from time to time, it would be unrealistic to assume that skilled White employees would not react by asking for wage increases which would maintain their differentials.[105] In fact, as the data in the first two columns of Table 9 show, wage rates for Blacks and Whites have tended to rise in such a way that the differential has remained much the same for the last 25 years, i.e. Blacks' wages are about 20 per cent of Whites' wages. This indicates that minimum wages have

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

105) D E Pursell, The Impact of the South African Wage Board on Skilled/Unskilled Wage Differentials, Eastern African Review, Vol.1, No.1, June 1969; p.79.