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Revisiting Minimum Wage-Fixing in South Africa

Submitted by

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This work has not been previously submitted in whole, or in part for the award of any degree. It is my own work. Each significant contribution to and quotation in, this dissertation from the work, or works, of other people has been attributed and has been cited and referenced.

Signature.....

Date.....

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RESEARCH ABSTRACT

It is often argued that the working of the laws of supply and demand would naturally regulate or eliminate the evil of sweated labour. Where there is no organisation and no parity of bargaining the good employer is undercut by the bad and the bad employer is undercut by the worse. Where these conditions prevail in the labour market you have no condition of progress but a condition of progressive degeneration (Bisset, 1983:5).

Many authorities view the fixing of statutory minimum wages at appropriate levels as an important way of arriving at a solution to eliminate the evil of sweated labour and a compromise between conflicting social and economic goals (ILO, 1988: v). The International Labour Organisation (ILO) has for many years advocated direct action by means of establishing legally binding lower limits to wages, below which no person should be employed.

The original constitution of the ILO established in 1919, clearly states that member states should as one of their objectives ensure that employees are paid an adequate living wage to maintain a reasonable standard of life as it is understood in their time and country because poverty anywhere constitutes a danger to prosperity everywhere. According to the Minimum Wage-Fixing Machinery Convention of 1928 (No. 26), it is necessary to create and maintain machinery for fixing minimum wages in manufacturing and commercial trades (and in particular home-working trades) where no arrangements exist for the effective regulation of wages by collective agreements or otherwise and where wages are exceptionally low (Starr, 1981: v).

The question of the introduction of a minimum wage in South Africa is an old one. The discussion around the minimum wage issue has been the subject of representations to bring it to the Government's attention for consideration. This matter is often an emotional one, eliciting sharp reactions from various opposing parties and even carrying political overtones (National Manpower Commission, 1982:1).

The debate about minimum wage fixing has been ongoing since the introduction of

the Wage Act of 1925. The Act established a Wage Board, a body appointed by the Minister of Labour to make recommendations on the determination of minimum wages and working conditions. Its original aim was to provide a minimum floor predominately for white workers in those sectors and areas where there were no Industrial Councils (Lewis, et al. 1996: 63). The criterion of the 'civilized' wage was dropped in 1937, and now the Act is more deliberately and more vigorously applied in the interests of all races.

For decades economists in the country have been debating the problem of raising wages for the poorly paid labour force without affecting employment negatively as the commentaries of Steenkamp (1962, 1965, 1971), Viljoen (1961), Katzen (1961), Horwood (1962), Hume (1970), Pursell (1968) and Hofmeyr (1995) indicate.

This paper examines the situation in the nineties when the number of areas of economic activity covered by minimum wage-fixing has been dramatically reduced from the situation in earlier years covered by the commentators mentioned above.

This debate remains unresolved.

Nevertheless this study shows that the Wage Board in the late 'nineties was preserving the value of the minimum wage in three areas of economic activity, reducing area wage differentials but the level of wages set remained very low.

ABBREVIATIONS

BMR	Bureau of Market Research
CPI	Consumer Price Index
EC	Eastern Cape
FS	Free State
GG	Government Gazette
GP	Gauteng Province
ILO	International Labour Organisation
KZN	Kwazulu-Natal
MP	Mpumalanga Province
NC	Northern Cape
NP	Northern Province
NW	North West
r.p.h.	Rands per hour
r.p.w.	Rands per week
SLL	Supplemented Living Levels
WC	Western Cape
WD	Wage Determination
WF	Wage Fixing

Note: All wage rates in the tables in appendix A, are weekly wages.

Required conversion can be made using the following formulae:

- **Hourly Wage Rates** = Weekly Wage Rates/Weekly Hours of Work.
- **Monthly Wage Rates** = Weekly wage Rate x 4.33.

RESEARCH METHODOLOGY

The economic rationale and understanding of the important role played by minimum wages in economic growth and development raises concern about, the low levels of minimum wages in the South African labour market and whether the adjustments made in the minimum wages in the past decade improved the living standard of the minimum wage earners.

The study seeks to analyse minimum wage rate trends and socio-economic status of the minimum wage earners using the CPI and the SLL for a period from 1989, to 1998.

In order to address the study objectives, minimum wage data were extracted from Department of Labour Notices printed in the government gazette and the Supplemented Living Level data for relevant years were extracted from the Minimum and Supplemented Living Level reports published by the Bureau of Market Research (BMR), for the period 1989 to 1998 (there was no data yet available for 1999). Therefore the wages and the SLL data are primary and quantitative in nature. The nominal figures (wage data) were then converted to real wage rates using the deflated Consumer Price Index (CPI) (1995=100) for the purpose of analysis. The nominal minimum wages were compared with the corresponding supplemented living levels (SLL) to evaluate the minimum wage earner's socio-economic status in the South African labour market.

The Data

The analysis is based on minimum wage data derived from Wage Determinations issued by the Department of Labour and published in the Government Gazettes listed in Appendix B. The following job categories were selected within the areas of economic activity – Civil Engineering, Security Services and Contract Cleaning; Watchman and Labourer, except for Security Services where Artisan and Labourer were the choice. In calculating the real wage for the sectors concerned the corresponding Consumer Price Index (CPI) was used. In the case of Gauteng the metropolitan CPI for Pretoria was utilised. In the case of Mpumalanga and the

Northern provinces the annual average figures for the CPI for all provinces were calculated given the absence of a corresponding CPI for the areas concern.

The February figures of the Supplemented Living Level (SLL) issued by Unisa's Bureau for Market Research were used for consistency purposes for the relevant years in order to assess the living standard of the minimum wage earners by comparing the SLL with the respective minima.

The minimum wage rates figures were expressed in Rands per hour to take into account that different job categories have different weekly working hours. Therefore this conversion enables or allows all job categories' minimum wages to be expressed in a common denominator for easy analysis. These were then converted where appropriate to monthly wages.

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CHAPTER 1

1.1 Introduction

Shaheed, (1994:18) maintains that labour standards should ensure that competition, both nationally and internationally, is not primarily based on cheap labour but rather on the pursuit of better products, work processes and market opportunities.

ILO Convention No.26 of 1928 requires a country to create and maintain machinery whereby minimum wages can be fixed in areas of economic activity where no arrangements exist for effective collective bargaining.

Amongst the 170 ILO member states 98 of them have ratified convention No.26 of 1928 and 72 have not. In the group of seven (now eight) most developed nations, five countries have ratified it (Canada, France, Germany, Italy and Japan). The U.S.A and the UK have never ratified it.

Thirty-six African member states have ratified it and ten have not. Six of our immediate neighbours in Africa have ratified it (Angola, Lesotho, Malawi, Swaziland, Zambia, Zimbabwe) and three have not (Botswana, Mozambique and Namibia).

In South Africa's case where there is a need to eradicate poverty and income inequality, caused in part by apartheid there is also a need for considerable distribution improvements, not just within the labour force but between rural and urban communities, between blacks and whites, between men and women (Standing, et. al, 1996:24). This can be simultaneously achieved through government intervention by implementing convention No. 26 effectively.

A legally enforced minimum wage in the South African labour market, especially in the low paid, poorly unionised and the most vulnerable section of the working class, (for example farm labourers and home-workers) should be considered as an instrument of social policy, providing a safety net through which no one should fall, ensuring that the relative position of the low paid does not get worse. For such a policy to be effective in eradicating poverty and creating economic growth and development it would require that, the tax and benefit system adjusts to avoid new

poverty traps (Unison, 1997:7). It will need to be introduced carefully to ensure that low paid employees' earnings are not eroded by inflation. A legally enforced minimum wage should be seen primarily as an instrument of labour market policy, designed to raise the earnings of the low paid relative to those who are paid reasonably high wages and make the distribution of pay less unequal. For example, if farm labourers' wages were increased the effect of such adjustment would be a decrease in the wage gap that exists between those employed in the rural areas and those employed in the towns. According to the efficiency argument, gross inequality results in market distortions, inadequate utilisation of resources, weak incentives to invest or to work, and a remarkably high propensity to import consumer goods. All these have adverse effects on economic growth and development.

There is considerable international evidence, that at least within a wide range, the reduction of inequality in a society is a way of promoting economic growth and development, not an impediment to growth, as used to be presumed in the Kaldor-Solow growth model (Standing, et al. 1996:7).

However it is increasingly being recognised that, this form of government intervention must be exercised with considerable care and caution if the basic objective of a reduction in poverty and inequality is actually to be achieved. Even though it is accepted that minimum wage fixing may be successfully used to raise excessively low wages to levels more in line with the "going rate", there is also an increasing awareness that if these rates are set higher than overall average wages, the adverse effects on employment, unemployment, inflation, growth and the distribution of income are likely to predominate (ILO, 1988: 3).

According to the International Labour Organisation (ILO, 1968:65), it becomes necessary to avoid imposing conditions which industry is unable to support. For instance, determining minimum wage laws requires the wage fixing authorities to take account of capacity to pay. In more explicit terms by:

- i. Prescribing that account should be taken for the economic capacity of the activity concerned

- ii. General conditions within the industry and special conditions within the undertaking.
- iii. The price of the commodity produced and economic conditions of the undertakings and market conditions affecting the products in question.

Opinions remain sharply divided when it comes to the question of fixing legally binding lower limits to wages in the South African labour market. The potential for job loss is the most controversial aspect of the minimum-wage increase. Those who argue against a legally enforced minimum wage have consistently contended that it lowers employment opportunities for teenagers and to a lesser extent to young adults. Supporters of minimum wage fixing have disagreed, citing much empirical research showing little or no disemployment effects in other countries (Bernstein, et al. 1997:6).

Basically there are three points of views. There are those who have argued that there should be a national minimum wage; others have argued that there should be sectoral minimum wages; others have opposed any kind of minimum wage (Standing, et al. 1996:211).

A lot of research work has been done on the impact of a minimum wage increase on employment opportunities in the South African labour market, which is not the focus of this study. As cited by Barker (1999:150), findings by two studies one by the World Bank and one by Bowles and Hertz, revealed that, a 10 percent increase in real wages correlates with a 7 percent decline in employment levels.

Standing, et al. (1996:202) has criticised all these findings basing his argument on different reasons, which will be discussed later in the chapter. This research only focuses on analysing minimum wage trends in the South African labour market, not on assessing the impact of the minimum wages on employment because a lot has already been done regarding this issue. The analysis is therefore across three sectors, namely, the civil engineering trade, the security trade and the contract cleaning trade covering two provinces, namely Gauteng and Mpumalanga province.

The reason for selecting these sectors for the study is because of the availability of data and national coverage, thus they are a good representation of minimum wages paid in the South African economy.

Two jobs categories were then selected from each sector for the purpose of analysing the differences in minimum wages between high paid employees and poorly paid employees within the same trade; from the civil engineering trade there are only two jobs categories covered by minimum wage fixing mechanism, namely watchman and labourers, both of them were selected for analysis, from the security trade two job categories were selected namely artisans and labourers, finally watchman and labourers were selected from the contract cleaning trade.

Chapter 1 of the study covers an introduction and brief description of the South African labour market and the different ways of fixing minimum wages in the South African labour market. Chapter 2 covers the assessment of the debate. Chapter 3 describes the different methods of determining a minimum wage. Chapter 4 covers data analysis showing the minimum wage trends during the past decade both in nominal and real terms, and minimum wages as a percentage of the SLL. Chapter 5 presents the study findings.

1.2 Review of the South African Labour market

During the apartheid era, Standing has characterised the South African labour market as paranoid “built on fear and based on fear-which would be worthy of caricature were it not for the terrible suffering and human degradation that it entailed” (Standing, 1996:12).

This was accompanied by a negative stereotyping which resulted in systematic under-evaluation of the productivity of black workers at every level, combined with under-evaluation of the differential productivity caused by the qualifications of black workers (e.g. education and experience) one result was slower promotion for black

workers, or the imposition of a ceiling beyond which they cannot progress (Moll, .1998:1).

Following Standing (1996:12-13) “the labour market began with a highly flexible phase, which became increasingly rigid... The 1924 Industrial Conciliation Act was designed to protect unionised white workers; succeeding legislation entrenched the ‘civilised’ labour policy and extended labour security to poor whites”. When the National government came to power in 1948, “an attempt was made to create a system of regulated rigidity, reflecting the tensions...and the pass laws, influx controls, job

reservation and the regional development policy, whose intention was to direct and redirect labour mobility” (Standing, et al. 1996:13).

The most remarkable features of the labour market during the apartheid era “was the complex structure of regulations-wage determinations, industrial councils, labour orders, apprenticeship regulations, conciliation board agreements, arbitration awards and so on. This complexity could be interpreted as reflecting the schizophrenia of apartheid” (Standing, 1996:13).

As a result of discriminatory practices during the apartheid era, whites enjoyed rents. Whites with low ability and skills that would ordinarily have been labourers and semiskilled workers were made foremen or supervisors. The white unions engineered a protective environment, which kept non-whites out of certain occupations and in which no more than a certain number of blacks could be hired for each white employed. As a result of these practices, whites were promoted more quickly in all occupations and sectors of the South African economy. This resulted in Africans being over represented in lower-level occupations (labourers and semiskilled occupations) characterised by very low wage rates and whites were over-represented in higher-level occupations (management, professional and technical positions) characterised by very high wage rates. All these contributed to the wage differentials, which today are hindrances to economic growth and development of the South African economy (Moll, 1998: 3).

Although major changes started in the 1970s, but economic apartheid started to fall away during the 1980s as certain government institutions such as the postal services were desegregated and as a larger number of black students were permitted into the historically white universities. Removal of discrimination caused several changes in the distribution of earnings in the economy. The wage gap between white and black workers of equivalent experience and qualifications has narrowed. Most of this change is concentrated at the middle of the wage-and occupation distribution, where blacks and whites with similar educational backgrounds compete for similar jobs. What is also being observed is that, poorly skilled whites fall back into labourers and semiskilled occupations, so that earnings inequality among whites tends to rise. As more blacks are promoted into the professional class, but due to their small numbers they do not reduce significantly the rents that this class enjoys. This results in an increase in inequality within blacks. Although more blacks are able to move out of the lowest occupation (labourers) into semiskilled, artisan and clerical positions, but due to the large number of labourers this does not significantly decrease earnings inequalities as well as poverty to the low paid employees.

Therefore the results of these changes in the South African labour market is that, white inequality rises into the highest occupations and because skill differentials are rewarded with differential pay. While intra-racial inequality increases, inter-racial inequality decreases (Moll, 1998: 3).

Therefore, for the South African economy to realise economic growth and development, the challenge now is to reduce and eventually eliminate these inequalities that exist in her labour market. Therefore minimum wage is one of the many approaches that can be employed to overcome the problem of earnings differentials so as to realise economic development.

Barker, (1999:107) points out that the South African labour market is still experiencing a number of inequalities, which are found along both racial and gender lines and in many instances, amount to direct and indirect discrimination.

The author argued that, one of the causes of inequalities in the South African economy relate to the sharp differences in wage earnings and income, with Africans earning on average only 37 percent of what whites earn.

This makes it clear that; the group that would benefit most from minimum wage fixing would be the African majority.

1.3 Minimum wage fixing mechanisms in South Africa

In South Africa, there are two main mechanisms that regulate minimum wages in various sectors of the economy. These are Bargaining Councils (previously known as Industrial Councils) and the Wage Board.

The Bargaining Council is a statutory collective bargaining forum, which normally bargain over minimum wages, hours of work, leave and bonus provisions, retrenchment procedures and conditions of employment. The Bargaining Council is made up of equal representatives of employers and employees bodies, half from management or employers associations and the other half being members of registered unions (Barker, 1998: 85).

The Bargaining Council determines minimum wage rates in a collective bargaining environment comprising of employer associations and trade unions which are registered with the Department of Labour (Horner, et al. 1990:1). Industrial level bargaining has been in existence in South Africa since 1919.

It was initially racial exclusive and designed to protect white workers. This changed dramatically from 1979 onwards after black trade unions were legalised. Industrial Councils were then rapidly transformed into bargaining arenas for predominately black unskilled and semiskilled workers (Nattrass, 1998:13).

In the old Labour Relations Act 28 of 1956 parties to the Industrial Council could request the minister to reduce the terms of their agreement binding on non-party firms. Under the new Labour Relations Act 66 of 1995 (which came into effect in 1997), the

Minister of Labour is obliged to extend agreement as long as the parties to the agreement are sufficiently representative (Nattrass, 1998:13).

In those sectors where proper collective bargaining does not exist, wages were regulated by the Wage Board until the end of 1998, which was appointed by the minister of labour who also designated the chairman and it could investigate any trade or industry at the Minister's discretion and report to him on wages and working conditions and make recommendations in this connection. The Board's history goes back to the Wage Act, No 27 of 1925.

The Board is subject to the minister's control and influenced by government policy (Horner, 1995:64).

The minister could at any time request the Board to investigate wages and working conditions in particular trades and industries outside the scope of industrial councils, and submit a report concerning any trade to the Minister of Labour. The minister could accept the recommendations made by the Wage Board or reject them.

The minister could on the recommendations of the Wage Board also make any amendment to a determination, including a complete revision of the wage clause (Williams, et al. 1989:4).

CHAPTER 2

2. The minimum wage debate

A minimum wage is the minimum rate of employee remuneration fixed by a government for an hour's work in a particular industry region or whole economy. Many countries including France and Australia have long used this policy response to the problem of low pay, (Ruthford, 1995:300).

2.1 Who needs the minimum wage?

Minimum wage helps the low-paid workers who are considered to be in an especially vulnerable position in the labour market. The workers concerned are those who are generally poorly unionised and poorly paid. The greatest majority of these workers are women, those working part-time, home-workers, farm labourers and young people.

For example, in South Africa there are approximately 700 000 domestic workers in the society and about 1 000 000 farm labourers. About 96% of domestic workers are female, while about 73% of farm workers are male. Domestic workers on average earn plus/minus R300 per month, while farm workers earn approximately R400 per month. These two occupations are by far the lowest paid in the South African labour market. To understand how low these earnings are: domestic workers earn a third of what the average miner earns, and fourteen times less than the average skilled professional (Bhorat, 1999: 1). High wage differentials in any economy is an impediment to economic growth and development, thus leading to the familiar outcome of individuals having a job yet living in deep poverty.

If the South African economy wants to realise economic growth and development a minimum wage fixing should be called for, especially in the low paid, poorly unionised and the most vulnerable section of the working classes.

2.1.1 Why minimum wage fixing is important.

According to the ILO (ILO, 1968:5) there are four reasons for fixing a minimum wage:

“The *first* purpose for a minimum wage fixing is to raise undesirable low wages up towards an acceptable level as to exert upward pressure on the general level. This is because the prevailing market wages in an economy are not a good standard for statutory wage fixing, and the statutory wage is limited to certain occupations it does not cover all employees, especially unskilled labour force, for example farm workers and home-workers, and it also fails to adjust with the increase in the standard of living or inflation rate.

The *second* purpose of fixing a minimum wage in the labour market is to prevent sweating of labour through undesirable low wages and bad conditions of employment. In this case government intervention to prevent sweating of labour is desirable because of the relatively weak bargaining power of unorganised labour. This conception of the purpose of minimum wage fixing is one that seems to underlie the minimum wage fixing machinery convention No 26 of 1928.

The *third* purpose of a minimum wage fixing is a desire to reduce and finally eliminate unfair competition. There is a strong support for the view that, while producers should be free to compete in matters of price design and quality of product and so on, such competition should not be at the expense of employees and should not involve unfair labour standards whether in some absolute sense or in a relative sense. Therefore minimum wage fixing may thus be viewed to be in the interests of, and may be welcomed by, not only the workers concerned but also by those employers who provide better wages and conditions of employment (ILO, 1968: 7).

The *last* purpose of minimum wage fixing is that, while still serving as an instrument to improve conditions for low paid workers, it should also be perceived as an instrument of a general policy aiming at rapid growth and equitable distribution of national income. Economists argued that, the success of a country's plans or policies for economic and social development might be jeopardised if there are substantial unplanned changes in income, including wages."

In the South African case, a survey of industrial council agreements in 1988 revealed that not a single prescribed wage for the labourers' grade exceeded the Supplemented Living Level (Young, 1997:3).

Recognition of the fact that decisions regarding minimum wage fixing affect a country's prospects of attaining its other social and economic objectives is conducive to acceptance of the view that minimum wage fixing should be used as an instrument of a more general policy aiming at rapid growth and equitable distribution of the national income.

2.2 Possible positive effects of minimum wage fixing

According to the British Department of Employment in 1969, "in a situation where low wages are associated with inefficient industrial organisation, in many of these cases improvement in productivity could readily be made by increasing wages of the low paid employees, but given the existing supply of cheap labour such improvements are simply not economically worthwhile" (Unison, 1997:20).

Supporters of minimum wage fixing argue that low pay is inefficient. It obstructs effective competitiveness, as reliance on it discourages proper investment in technology and training. It is argued that industries, which muddle along with cheap labour force, have no incentive to invest in better means of production or training.

Those who seek a short-term competitive advantage, which rarely offers a quick return, by cost cutting, threaten those who do risk the investment in training.

Wilkinson in 1992 cited “firms become caught in a low productivity trap, which they have little incentive to escape. When these firms are subjected to competition from effective producers, improved technology and products, their only hope of survival is to reduce wages” (Unison, 1997:21).

Therefore higher wages encourage firms into adopting better management practices leading to gains in output and employment. Unison maintained that, if you have decent pay then you can enter the positive circle where you train people, they become more motivated and you produce a better product.

A minimum wage allows companies to compete on the basis of quality and encourages staff to work harder and be more productive. Therefore companies should be deprived of unreasonably cheap labour so to encourage them to use manpower more efficiently.

In any labour market that does not have minimum wages, taxpayers find themselves subsidising poverty pay; the taxpayers end up subsidising low paid employees through the social security system. By using state benefits such as food subsidies to supplement the income of those on low pay, employers transfer the burden of low pay from themselves to taxpayers. It also costs a large amount of money a year in benefits like housing benefit for people who are in work but cannot earn enough to live on.

2.2.1 Impact on Management

It is widely argued that high wage increases give entrepreneurs an incentive to substitute capital for labour and that higher wages mean a rise in the price of operative labour compared with managerial and supervisory labour. To some extent this claim is true. It may substitute some of the latter for the former, or at least increase the input of

managerial and supervisory labour so as to achieve better training, planning, supervision and control of the work of the highly paid operative workers, on the assumption that management was not fully extended. This may be achieved without additional money costs by means of harder and more intelligent work on the part of an

existing managerial and supervisory staff, but more often increased managerial input seems unlikely to be costless even in the monetary sense. Therefore if higher labour

productivity is achieved through larger capital or managerial inputs, or both the higher costs resulting from these as well as from the payment of higher wages will have to be offset by the higher productivity (ILO, 1968:26).

2.2.2 Impact on workers

Besides providing incentives to management to increase the inputs of capital and managerial skills, higher wages may strengthen both the physical capacity and the willingness of workers to improve their performance.

The argument that higher wages make for higher productivity by improving the physical capacity of workers breaks down into two propositions. The *first* proposition is that higher wages lead to improved physical capacity and the *second* is that improved physical capacity makes for greater output. These two propositions take place under the following circumstances:

Higher wages will make for improved physical capacity if the physical capacity of the workers concerned is impaired by poverty and if the higher wages are spent partly at least in ways that improve their health, including nutrition. If this is the case, there is no doubt that the physical capacity of many workers in developing countries is impaired by malnutrition, diseases, bad housing and sometimes by inadequate protective clothing. These are for the most part, symptoms of poverty, but they cannot all be overcome by paying higher wages alone.

The second argument is that improving physical capacity makes for greater output. This is true because many workers in developing countries impaired physical capacity is the limiting factor on their output although it is impossible to know to what proportion of wage earners it would apply (ILO, 1968:26).

2.2.3 Promotion of industrial peace

Supporters of minimum wage fixing consistently argue that, in industries with powerful organisations of employers and workers, wages can usually be regulated, more or less satisfactorily, by collective agreement. However agreement is not always possible, and disputes can result in a cessation of work causing serious dislocation in the economic life of the community (Richardson, 1927:26). The author further pointed out that, in certain countries laws have been passed for the purpose of removing this danger. One method is to make strikes and lockouts illegal. The prohibition of strikes takes away one of the weapons of the workers for improving their conditions. In a case where the state adopts this course, it must provide a satisfactory alternative system of wage regulation. The system employed is generally that of arbitration. Where arbitration machinery is established for disputes involving wage issues all for the fixing of minimum wage rates of wages for different categories of workers by an arbitrator or arbitration court.

2.2.4 Prevention of sweating

Low wages may also be the result of exploitation of labour. Exploitation of labour may be defined as taking advantage of the inferior bargaining power of the workers to pay them a lower wage than that justified by the economic value of their work.

If the worker's productive capacity is impaired by wages insufficient for reasonable subsistence this evil tends to be perpetuated owing to the impossibility of supplying the needs of his children. However, exploitation may cause the productive capacity of

the worker to fall to the level of the wage paid. It is one objective of the minimum wage machinery to prevent exploitation and to endeavour to restore the efficiency of workers whose productive capacity has been reduced by exploitation (Richardson, 1927:16).

2.2.5 Willingness to work

The likelihood that higher wages will lead to an increase in productivity is further strengthened when one takes into account their potentially beneficial effects on the willingness as well as the capacity of workers to work.

It is generally argued that higher wages reduce labour turnover – a major source of waste and low productivity in many developing countries. This is common in countries, which are at an early stage of industrial development, where a larger proportion of urban workers retain close links with the countryside and return periodically to their rural homes. Therefore higher wages make it possible for such workers to establish themselves and their families in towns; this helps to build up a stable “committed” industrial labour force. It is also that higher argued that higher wages create greater stability of the labour force and promote a favourable attitude to work, and may lead workers to value their jobs more highly and to be more anxious to retain them and to give satisfaction in them. (ILO, 1968:30).

2.3 Possible negative effects

There are forceful arguments such as those advanced by Fallon (1992) that high wage increases impact negatively on the growth of the economy as whole.

2.3.1 Effects on the supply of labour

It is important to know that wage increases may not only increase productivity but also the supply of labour. The argument being made here is that substantially, numbers of workers in developing countries are target workers with relatively fixed wants. This implies that if higher wages were offered they would work for shorter spells.

Some individuals may react in this way, but the highly inelastic demand for income in terms of leisure, which this reaction presupposes, seems likely to be widely encountered only among people in the earliest stages of familiarising themselves with the things that money can buy (ILO, 1968:34). This reaction to higher wages is possible if and so long as people with relatively fixed wants predominate over those with an elastic demand for money that wages increases will have a negative effect on the supply of labour force as a whole. Even in such circumstances individual employers are likely to be able to attract more labour by offering higher wages.

2.3.2 Effects on employment

When discussing the effects of higher wages on employment we are of course, interested in the functional, not the historical, relationship between the two. The relevant way of assessing the effects of wage increases on employment is not a comparison of employment before and after a wage increase, but a comparison between actual employment after a wage increase and the amount of employment

there would have been, but for the wage increase if and insofar as that can be ascertained.

The argument being made here is that wages may affect employment through their effects not only on the pace but also on the path or pattern of development. This comes from the concept that higher wages give employers an incentive to substitute labour with capital. In this way they may make a more capital-intensive pattern of development in the modern sector of a country's economy and result for slower a slower growth of employment opportunities, at least in the short run, than would otherwise occur (ILO, 1968:43). It is often argued that large wage increases tend to divert resources from investment towards consumption and therefore have a negative impact on economic growth and development (ILO, 1988:3).

Although those who argue against minimum wage fixing stress that minimum wage has negative effects on employment, there is no strong evidence on how severe is the effect of a minimum wage on employment but what is known is that wage increases will affect the employment prospects of some workers more adversely than those of others. Those who feel the effects most will be those who find it most difficult to get and keep jobs.

2.3.3 Effects on the distribution of income

It is often argued that higher wages reduce employment opportunities in sectors covered by wage regulation because, at least a part of the increased income of workers who benefit is transferred to them at the expense of other workers who lose jobs or fail to get jobs in those sectors. Such transfers are likely to result in greater inequality of income distribution.

It is further argued that income distribution tends to be more unequal in developing countries than in developed countries, despite the fact that agriculture plays a greater role in the economies of developing countries and in both developed and developing

countries income distribution tends to be more equal in the agricultural than in the non-agricultural sectors (ILO, 1968:55).

Therefore the greater inequality of income in developing countries is associated with a greater discrepancy between agricultural and non-agricultural incomes.

2.3.4 Effect on Inflation

The argument that is being made here is that minimum wages raise the cost structure of an individual firm because of an increase in labour costs unless an improvement in productivity compensates for it. Due to the increase in production costs caused by an increase in labour cost, entrepreneurs will, depending on the price elasticity of demand for labour and the price elasticity of the demand for the final product, be able to pass through these increased costs on to consumers, thus creating an inflationary effect. Furthermore, increasing the incomes of the lower income class with a higher consumption propensity may raise the average demand level in the country and this reduces the average propensity to save. If the greater demand is not accompanied by higher productivity; it will lead to higher inflation (National Manpower Commission, 1982:9).

2.4 Efficiency wage model

According to Fields the efficiency wage model came after the institutional models; the efficiency wage model shares two key behavioural assumptions (Rogers, 1994:125);

- A worker who is paid a higher wage will be more productive.
- Paying an efficiency wage may be in the firm's profit-maximising interest.

This theory comes with two variants; one variant maintains that by offering higher wages, a firm may be able to induce higher productivity from a given individual. This may be because higher paid workers are better nourished and hence stronger, or more

willing to work harder or faster, or less likely to quit or be absent and less likely to shirk or commit malfeasance on the job.

The second variant of efficiency wage theory maintains that by offering higher minimum wages, a firm may be able to attract more productive individuals. This may be because the firm can attract individuals with more education and training and select those who score better on tests, appear more qualified in job interviews, or possess observable correlates of high productivity such as good work histories.

Given the positive relationship between higher wages and productivity, now the question is when would a firm be willing to pay an efficiency wage? A firm will offer higher wages if and only if the marginal proportionate increase in efficiency is greater than the marginal proportionate increase in the wages. For example, suppose that by paying a 10 percent higher wage the firm gets a more than 10 percent increase in productivity of its labour input, then in this case an efficient wage is justified. This means that setting minimum wages for low paid workers would lead to higher productivity, which would result in economic growth and development.

In Rogers (1994:12) Fields maintains that those cases where the motivation for efficiency wages is better nutrition, the employer who offers today's worker a higher wage does not get higher productivity today. It is much less applicable to situations in which the efficiency gains are immediate, for instance, when the pace of work is increased and higher wages are paid to reward workers for working faster.

2.5 How do economists perceive the minimum wage?

If we imagine the total output of the economy as a pie, then the minimum wage can accomplish two things. First, it can alter the size of the overall pie. Second, it can change the size of the slice that those different groups namely low-wage workers, high-wage workers, and business owners receive.

According to conservative economists the minimum wage helps no one. They argue that it substantially shrinks the size of the overall pie and reduces the size of the slice that low-income people receive. Even liberal economists find fault with the minimum wage. The argument is that, even though the minimum wage might give a slightly large slice of the pie to some low-wage workers, other equally deserving workers are shut out of the labour market by the minimum wage. Card, et al. (1995:7) cited that, the final outcome of minimum wage law is not an increase in the incomes of the least skilled workers but a restriction of their employment opportunities. However, on the other side of the debate, social activist, policy makers and other non-economists often argue for an increase in the minimum wage.

2.6 Limitations of minimum wage fixing as an instrument for eradicating poverty

Although the minimum wage is seen as an effective instrument for any of the purposes distinguished, it is also vitally important to note its limitations if it is to be used as an instrument for eradicating poverty.

When the minimum wage is conceived as an instrument for relieving or overcoming poverty of workers with low incomes, the effectiveness of the minimum wage fixing is limited in all countries by the fact that low wages are only one of many causes of poverty. Others include a large size of family, sickness or death of the breadwinner, old age and infertility, unemployment (associated with lack of education and/or training) and among rural communities, low or fluctuating prices for farm produce, disabilities etc.

As the ILO (ILO, 1968:10) points out, in developing countries like South Africa there are two further factors limiting the results that can be expected from minimum wage fixing.

Firstly, only about half of the economically active population is engaged in formal wage earning employment, the rest being unemployed or self-employed in agriculture or other low-income generating activities.

Secondly, a low general level of wages is partly a symptom rather than a cause of poverty – many other incomes besides wages are also low. Conceived as an instrument of broader economic and social policy, the effectiveness of minimum wage fixing is limited by the fact that it is concerned with wages only and not with other incomes. Thirdly, it directly affects only those wages that are or otherwise would be below the levels fixed. Collective negotiators or individual decision-makers determine wages above the minimum and in market economics are not normally subject to such control. Given these limitations to minimum wage fixing, however, the fact that it improves the living standard of those who are employed yet living in poverty cannot be ignored. It is important to realise that minimum wage fixing is only one of a number of instruments of wage or income policy.

Therefore the question is, does the minimum wage address poverty alleviation?

The main criticism of the minimum wage is that it is not very effective in reducing poverty, as most of the poor are not in work. This misses the point. Unison, (1997:27) cited that “nobody claims that in its first round effects a minimum wage can improve the lot of those out of work, it’s like blaming a new university policy for not tackling the problems of primary education”. As Unison (1997:27) cited it is unrealistic to expect a single measure to help a large proportion of the low-income population. Similarly increasing child benefits for example can only help families with children. Improving the state pension can only help the elderly and thus the minimum wage mainly helps the working poor. Therefore a minimum wage would not solve the problem of poverty by itself: that is not its aim. But as part of a comprehensive tax and benefit reform policies it is an extremely valuable tool, to improve work incentives, reduce the implicit subsidy on low wage jobs and halt the rise in benefit dependent and work-less families (Unison, 1997:27).

2.7 Novel new findings on the minimum wage

Past studies have found negative employment correlations associated with a minimum wage, particularly for teenagers. It has been recently argued that, a large increase in the minimum wage, either at the federal or state level in the US gives researchers a unique opportunity to ascertain subsequent employment effects. Many labour economists were surprised therefore by a recent study by Card and Krueger, (1995:21) which suggested a positive relationship between an increase in minimum wages and employment in fast foods industries in the New Jersey. The study examined the impact of the 1992 rise in the New Jersey minimum wage on employment in the fast food restaurants in the state. Their findings revealed that those restaurants in New Jersey that paid high wages before the minimum wage hike did not have faster employment growth than those that paid low wages. Thus the authors concluded that the minimum wage did not decrease employment.

Another study by Card in California on minimum wage increases found similar results. He reported that the boost in the minimum wage raised the earnings of California teenagers, but it did not lower their employment rate relative to workers in other areas (Mc Connell, et al. 1999:216).

2.8 The Reality

The main argument used by opponents of the minimum wage is that other workers will want to restore differentials in wages and that it will lead to pay inflation and job losses. This means that workers will want pay rises of a similar size to maintain their position relative to the low paid (Unison, 1997:24).

Recent crude estimates of the SA labour market claim that if wages of low paid employees were increased by 10 per cent, employment would be reduced by about 7per cent. These are also based on the assumption that employees not covered by the increase would want pay rises of a similar size to maintain differentials in wages relative to the low paid.

This argument maintains further that such a restoration of differentials would wipe out any gains made by the low paid following the introduction of a minimum wage and would re-establish existing inequalities.

There is little evidence to suggest that other workers would respond to the introduction of a minimum wage in the way described. Pay differentials have at different times been narrowed by equal pay legislation, job evaluation and restructuring. Furthermore, trade unions and employees often sign agreements giving larger increases at the lower end without an obvious sign of job losses without discontent among workers higher up the scale.

In most cases workers who are most likely to be affected by a minimum wage are in sectors dominated by low pay. Therefore any increase in the pay is unlikely to cause demands for higher rises in other better-paid sectors.

A study by Dickinson conducted for the Economic and Social Research Council (ESRC) "found that fairness is the most important factor for most employees. It also found that the demands for increased differentials only arise when workers feel they have been treated unfairly. The study suggests that many employees could adapt to a minimum wage for their lower-paid colleagues." "Furthermore, the break up of national collective bargaining in many sectors means many traditional differentials no longer exist. It is therefore less likely that one group of workers would automatically call for the restoration of differentials with another group" (Unison, 1997:24).

Shaheed (1994:11) argues that, arguments against minimum wages usually assume a simplistic negative relationship between rising minimum wage levels and declining employment and detailed work in this area has been carried out in isolated instances. The author cited an example of an international workshop, which examined a number of such studies, and the general consensus seems to be that the minimum wage had at best a modest or no impact on employment. Where it does have an effect, it is mostly on the employment of young workers, and here too the findings are not-too robust. Moreover, there are also indications that a too low minimum wage might have negative effect in terms of labour supply. A study of the fast food industry in New

Jersey, U.S.A. found that after an increase in the state minimum wage, employment in fast- food restaurants, an industry where many employees were paid close to the minimum, went up.

Another question, which it is necessary to address, is the question of whether minimum wages increase inequalities between the formal and the informal sectors. This could happen if a rise in the minimum wage led to a reduction in the employment of those covered, and this in turn increases the supply of labour in the latter. This standard approach to analysing the effects of the minimum wage concentrates exclusively on the supply side of the labour market, which is on the sectoral reallocation of labour. It thus ignores the fact that employment in the informal sector is directly linked to the overall demand for its goods and services. It is important to recall that there are many factors other than the minimum wage affecting employment. Employers offer jobs not only on the basis of pay, but also other factors such as product market conditions, credit rates, fiscal incentives, size of firms, sector of activity etc. (Shaheed, 1994:12).

In the case of the South African labour market empirical research has been done to assess the impact of wage increases on employment. Most of the research found that a minimum wage has a negative impact on employment. A study by Fallon and Lucas found that a rising real product wage has substantial dampening effects on the demand for black workers. An econometric analysis has indicated that a 10 percent increase in the real product wage would eventually lead to a 7.1 percent decrease in black employment (Fallon, et al. 1998:11).

Barker (1999:150) cited another econometric analysis of South African data for 1974-1987 by Lawrence and van der Westhuizen (1990) which gave similar results that, “an increase of nominal wages of say 10 percent would lead to a decline in employment levels of around 3 percent. In addition, the wage increase would also lead to a loss of foreign exchange, as it would result in a 4 percent drop in exports.

Standing, et al. (1996:202) oppose these econometric estimates suggesting a negative relationship between wages and employment. The authors argue that, most often the estimates cited cannot be taken as a guide to policy for the following reasons:

- “The model on which the estimates are based makes assumptions about the South African economy that the modellers conceded were false.
- The estimates derived from the theoretical model that does not incorporate actual changes in factor proportions.
- The corollary of the trade-off between higher wages and employment that capital-labour ratio rose is inconsistent with macroeconomic data showing a decline in investment and stagnant labour productivity.
- Disaggregated data on factor inputs shows no significant tendency towards rising capital-labour ratios.
- If the estimates are taken seriously, they imply a capital stock in the South African economy at the end of the 1980s a third larger than the actual level. No attempt was made in the model to show how much an increase would have occurred that would have been consistent with constant factor price ratios.
- Available evidence does not support the view that policy-induced distortions shifted the composition of manufacturing output in an employment –reducing manner”.

The authors stress that the estimates most often cited cannot be taken as a guide to policy makers.

One study submitted to the labour market commission reported a very high negative relationship between wages and employment. While this study is also interesting and provocative, it is also criticised for the following reasons:

It referred only to manufacturing. Second, it did not explore the impact of wage costs on employment in the long run; third, it treated manufacturing labours as homogeneous, and did not make an attempt to distinguish between skill levels.

Fourth, it divided the

hypothesised labour-cost effect into a capital-labour substitution effect, a composition of-output effect (with the latter being called the scale effect). Fifth, it failed to specify a production function, which a model trying to estimate a

substitution effect should do. Sixth, it used ordinary least square regression applied to levels of the variables. Seventh, no attempt was made to incorporate the effect of technical change, although the time series cover two decades (Standing, et al. 1996:203). Therefore, for these above-mentioned reasons, the evidence should not be used to support the policy of cutting real wages as the means of raising employment.

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CHAPTER 3

3. Important elements of minimum wage implementation

Introduction

This chapter provides an overview of different important elements of minimum wage implementation, with the hope of finding a meaningful and relevant way of fixing minimum wages in the South African labour market.

The chapter deals with the following subsections; debates regarding the type of minimum wage legislation, criteria for fixing a minimum wage, finally it describes the different ways of enforcing minimum wages.

3.1 Debates regarding the type of minimum wage legislation

The Minimum Wage fixing debate in South Africa has been pursued for some 75 years but has not been satisfactorily resolved.

Much has been said and written of late about the advisability of a minimum wage in South Africa. In all research that has been done which assesses the impact of minimum wage fixing on the economy, no one has yet succeeded in proving that an increase in wages of low paid employees would exert net unfavourable effects upon the economy.

Even today certain questions regarding minimum wage fixing in the South African labour market remain unanswered.

As stated by Viljoen (1961:35) the main common questions that worry economists and minimum wage advocates are:

- (1) "Will the minimum wage apply to all sectors of the economy, including agriculture, home-workers and mining, or will it apply to the secondary and tertiary sectors only?"

- (2) Will the minimum wage or standard be differentiated according to:
- (a) **Different areas:** Since different areas have different needs i.e. for transport and housing as well as different standards of living and different industrial backgrounds. Under this proposition it would be very generally agreed that the minimum should be higher for the metropolitan areas than for towns of medium size, and higher for these towns than for small rural towns.
 - (b) **Different categories of employees:** In this case, the minimum wage has to be set for unskilled employees only. The problem about this proposition is that, no wage increases can remain an isolated fact and an increase in minimum wages would involve a proportionate or at least a corresponding absolute increase in the wages of other categories.
 - (c) **Different industries and services:** the same standard would have to be set for higher competitive industries, i.e. the textile industry, as for industries in which the Unions has a comparative advantage, and this means that the wages have to be adapted to the requirements of the most competitive trade.”

Steenkamp in (Viljoen, 1961:41) argues that for humanitarian as well as social and political reasons, the raising of the real income of the poor mass of our population is an important issue, but the question of the economic feasibility of an increase in the wages of the lowest paid labour categories still raises questions as to:

- “Under what conditions will a wage increase have a favourable effect upon the economy of a country?
- To what extent these conditions fulfilled in South Africa, and how substantial can any wage increase in the short run be without undue harm to the economy?
- Finally, what is the best approach of bringing about such a wage increase?

All these long standing questions have not yet been answered satisfactorily. The more precise our answers to these questions are, the more certainly we can proceed to act against the undesirable low level of wages in the labour market.

Therefore chapter 4 is going to shed some light as to how minimum wages should be fixed in the South African labour market and whether considerations are given or not to the different criteria of MW fixing when making adjustments on wages.

3.2 Criteria for fixing a minimum wage

In fixing minimum wages, many governments have sought to give guidance to those responsible for minimum wage fixing by formulating certain criteria to be borne in mind when deciding what rates to fix. Such criteria are sometimes included in legislation or sometimes in the terms of reference or instructions given to minimum wage fixing bodies. Most of the criteria formulated in different countries are the variants of one or the other of the four propositions by the ILO (ILO, 1968:58), namely that account should be taken of:

- “The needs of workers (with or without special mention of the needs of their families).
- Capacity of an industry to pay.
- Wage paid for comparable work elsewhere in the economy or, more generally, the standard of living of other social groups.
- The requirements of economic development.”
- The supplemented living level of a country or province.

In countries where minimum wages are fixed not only for unskilled labour but also for different grades of skills, it may be considered desirable to formulate further criteria to guide the authorities in determining appropriate skill differentials.

3.2.1 Needs of workers

It may be desirable before deciding on the level of a minimum wage to determine ‘a living wage.’ The idea that everybody who works full-time in a job should receive at least a living wage in return, with the corollary that any industry or firm that cannot pay a living wage should go out of business rather than paying less, has a strong appeal, but at the same it raises at least three questions.

- “What is meant by a living wage?
- For how many people should the minimum wage serve as a living wage?
- Granted that elimination of poverty is one of the most urgent objectives of policy, how far should this objective be sought through raising minimum wages and how far through other means?”

In defining what is meant by a living wage, i.e. if a living wage means a wage that will enable people to satisfy their basic needs, it is necessary to establish the minimum needs of individuals and families (ILO, 1968:60).

In chapter 4 it has been noted that, workers in the South African labour market are living in poverty yet they are employed. This is shown by the decrease in the percentage figure of the minimum wages when the MW is expressed as a percentage of the SLL, which measures the basic needs of people. This shows clearly that minimum wage authorities do not take into account the increase in the basic needs of workers when making adjustments on minimum wages. Therefore it is imperative that, when minimum wage authorities make adjustments on minimum wages, consideration should be given to the increase in the living levels as well as the inflation rate.

3.2.2 Capacity to pay

Many minimum wage laws require the wage fixing authorities to take account of capacity of an industry to pay, by prescribing that account shall be taken, for instance, of the economic capacity of the activity concerned, general conditions within the industry and special conditions within the undertaking, the price of the commodity produced and conditions of the undertaking and 'the market condition affecting the products in question.' It is particularly important that such information should be put at the disposal of the representatives of workers, as of employers, in tripartite wage fixing bodies.

Capacity to pay is an extremely elusive and difficult concept to define.

The main questions that arise are the following:

- "At what level should capacity be evaluated i.e. at the level of the economy as a whole, of a particular industry or of an individual undertaking?"
- What should be the test of capacity to pay?"

Regarding the first question, for practical purposes it is generally argued that the choice is usually between trying to evaluate capacity to pay at a level of the industry or at the level of the economy as a whole. Evaluating capacity to pay industry by industry will make for different minimum wages in different industries, because some industries are more prosperous than others are.

This is considered acceptable as a way of making sure that workers share in the prosperity of a country's more prosperous industries.

3.2.3 Relative living standards

In fixing minimum wages, account should be taken of wages paid for comparable work elsewhere in the economy, or more generally, of the standard of living of other social groups.

Minimum Wage-Fixing Machinery Recommendation No.30 of 1928, provides that “regard should primarily be had to the rates of wages being paid for similar work in trades where the workers are adequately organised and have concluded effective agreements, or, if no such standard of reference is available in the circumstances, to the general level of wages prevailing in the country or in the particular locality.”

Many minimum wage researchers recognise that account should be taken not only of wages prevailing elsewhere in the economy but of the standard of living of other social groups besides wage earners. From the point of view of social justice this seems clearly desirable.

3.2.4 Requirement of economic development

As capacity to pay is often interpreted, to mean the capacity to pay of an economy as a whole the capacity-to-pay criterion largely merges with that of the requirements of economic development. Richardson (1927:40) makes the following points regarding fixing a minimum wage:

“In a case where adequate information is not available as to the capacity of industry in general to pay, the best alternative is to secure statistics with regard to the prevailing standards of living. The most suitable data for this purpose is the wage census data. These data show the different levels of wages in different industries and districts, and thus enable attention to be directed particularly to cases where conditions are considerably below the general prevailing standard.

For the purpose of determining a practicable minimum wage below which wages should not be allowed to fall, information with regard to the wages of

unskilled workers in different industries may be considered as a guide.

In order to avoid the effects of temporary features, account should as far as possible be taken of wages over a sufficiently long period with reasonably stable conditions.

The main disadvantage about this method is that it is arbitrary. For example there is no systematic procedure that needs to be followed in selecting the industries to be taken as a guide in determining the minimum wage.”

3.3 Wage enforcement

Provisions on the enforcement of minimum wage legislation are included in the ILO's Minimum Wage Fixing Machinery Recommendations. These include provisions relating to giving publicity to legal requirements the keeping of records by employers, inspection, supervision, the right to recover wages due and penalties for infringement of legal requirements.

Such provisions are frequently incorporated in national legislation and though valuable, are not sufficient to prevent abuses. Especially when workers are ignorant, illiterate and unorganised, unscrupulous employers may infringe minimum wage laws in many ways. At other times workers may be exploited on account of their fear of losing jobs and they may be induced to sign receipts for larger amounts of wages than they have received, they may be deterred from going to court, or suborned, because of their ignorance (ILO, 1968:163).

Therefore the prevention of such abuses depends on hiring enough inspectors who are adequately paid and trained. Moreover, we need a gradual process of educating employers as well as workers and the strengthening of the trade union movement to the point at which workers can defend themselves effectively through collective actions.

The following measures can help to limit breaches of the law.

- “There should be improved publicity for the provisions of minimum wage laws, adapted where necessary to the needs of illiterate workers and employers and should be provided in all languages used by workers who need protection.
- Unnecessary complicated legal provisions should be simplified
- There should be penalties for infringement of the minimum wage law.
- There should be laws that protect workers against victimisation.”

It is important that, inspection designed to enforce minimum wage legislation should cover all workers for whom minimum wages have been fixed including those engaged in agriculture, transport and mining.

All the above-mentioned procedures would not be sufficient on their own. Workers would still need a well-defined way to cope with employers who break the law. This could take three forms:

1. “The use of industrial tribunals: where individuals and groups of workers can take grievances and be represented by their unions. As they will be concerned about anonymity and victimisation of workers who challenge their employer, then, there would be a need of other forms of enforcement. For example existing legislation could be extended to protect workers from victimisation. In addition trade unions should be allowed to bring claims of their members or groups of workers, including their members.
2. Central Arbitration Committee: this committee would have power to settle disputes and determine claims in relation to collective agreements rather than for individuals.

The advantage of using Central Arbitration Committee is that it involves parties, unions and employers in finding constructive solutions.

3. Administrative Inspectorate: this can be integrated into current form of business inspection such as tax collection. Then the powers of the inspectorate

4. should include the following:

- The right to inspect employers' premises and inspect employers' records.
- The power to prosecute employers who underpay their workers. Although this is not likely to happen often, offenders would find themselves in the criminal courts.
- The power to initiate tribunal claims against employers on behalf of individuals."

Although in the South African labour market, measures had been put in place to fight low pay in the economy but even today low pay exists in different geographic locations, different industries, and in different jobs categories. This is because even under statutory collective bargaining low wages are the norm for unskilled workers in the South African labour market. The main cause of unduly low pay in the South African economy is due to geographic coverage of the wage determinations, which seems to be inefficient. As Young (1997: 3) argued that "only 10 wage determinations out of 52 surveyed in 1988 were national in scope". Another survey of 120 employers, who collectively employ 1.25 million workers, examined the wage setting practices in these companies in 1990; it was discovered that both industrial agreements and wage determinations did not cover 29% of these employers. It was also found that, 17% of companies paid no more than the minimum rate prescribed for their industry (Young, 1997: 3). This is the result of inefficient of minimum wage enforcement in the country.

Given the inefficiency of the minimum wage fixing mechanisms in South Africa with respect to their coverage, frequency of revision and enforcement, a National Minimum Wage becomes a solution below which no person should be employed. Since low pay is widespread, many workers will benefit from a National Minimum Wage. A move towards a National Minimum Wage is shown by the successive Wage Boards in the 'nineties which were aiming to simplify the complex minimum wage instruments inherited from the past by dramatically reducing the number of job categories covered in the targeted sectors and reducing areas covered to conform with new provincial boundaries demarcated in 1994 as well as reducing differentials

between low and high pay areas.

The 1994 move of reducing or simplifying the complex minimum wage instruments, extension of their geographic coverage to rural areas and improving their frequency of revision is the only effective way of fighting low pay in the South African labour market.

University of Cape Town

CHAPTER 4

4. Sectoral analysis

Introduction

Minimum Wage fixing (MWF) is a wide spread phenomenon, which appears in different guises. As Horner has indicated we all know that the Judicial Services Commission fixes the wages of our Judges. The wages of our lawyers are fixed in terms of the Advocates and Attorney's Act; there are similar provisions for our doctors, nurses, accountants etc. The Commission for Administration also fixes wages for our public servants. Therefore if MWF is a sin there are many sinners (Horner, 1995:62).

During the early 1970s there were over 70 wage determinations in force. Resulting from the amalgamation of some orders and wage determinations, the wage determinations decreased from 51 to 29 between 1989 and early 1991. At the end of June 1994 the number of WD in effect had been reduced from over 70 in the 1970s to 19 by the mid-nineties. (Horner, 1995:66).

Therefore this chapter examines the situation in the nineties when the number of areas of economic activity covered by the minimum wage fixing has been reduced from the situation in early eighties.

This chapter discusses minimum wage rates trends in the South African labour market over a period of nine years (1989 to 1998). To achieve the objective of the chapter two provinces were selected for analysis, namely: Gauteng and Mpumalanga province. The provinces were selected on the basis that Gauteng is a high wage area in the country while Mpumalanga is a low wage area as can be seen from the data in Appendix A. Minimum wages in the other provinces range around the Mpumalanga and Gauteng minimum wages. Three sectors or trades were then selected from each province, namely: civil engineering, security services and contract cleaning. Within

each sector two job categories covered by the minimum wages were selected to facilitate useful comparison.

While there are formally some 19 wage determinations in force in the country, some eight are dormant in that the sectors in which they are located have since 1994 been engaged in forming bargaining councils in terms of the Labour Relation Act. Four further determinations covering different aspects of the hospitality trade are being investigated with a view to merging them into a single wage determination (since 1999, a sectoral determination). Four other sectors in which determinations are in force have not been investigated since 1995 and therefore do not lend themselves to full analysis in the decade of the nineties.

4.1 CIVIL ENGINEERING

4.1.1 Introduction

The construction sector consists of two divisions, the civil engineering and the building sector, where the civil engineering sector covers the construction of roads, bridges, tunnels reservoirs, railways, harbours and other concrete related works. Minimum wages for the building industry are regulated through the Bargaining Council (previously Industrial Council) system whereas minimum wages in the civil engineering sector are regulated by a single Wage Determination (previously labour order), which is national in scope (Saldru, 1989). Therefore, this analysis focuses only on the civil engineering sector and it does not cover the building sector.

Before 1989, the minimum wage fixing machinery covered 36 job categories and the coverage was limited to metropolitan and fringe towns. After the demarcation of the old provinces, namely Orange Free State, Cape Province, Natal province and the Transvaal in 1994 into nine new provinces, the coverage became national in scope.

From 1989 to date, the minimum wage fixing machinery became limited to only the most vulnerable workers in the sector, namely watchman and labourers. The other workers bargain for their wages through collective bargaining or individual contracts.

Below are the statutory minimum wages for watchmen and labourers.

4.1.2 GAUTENG PROVINCE

4.1.3 Nominal vs. real wages

Watchmen

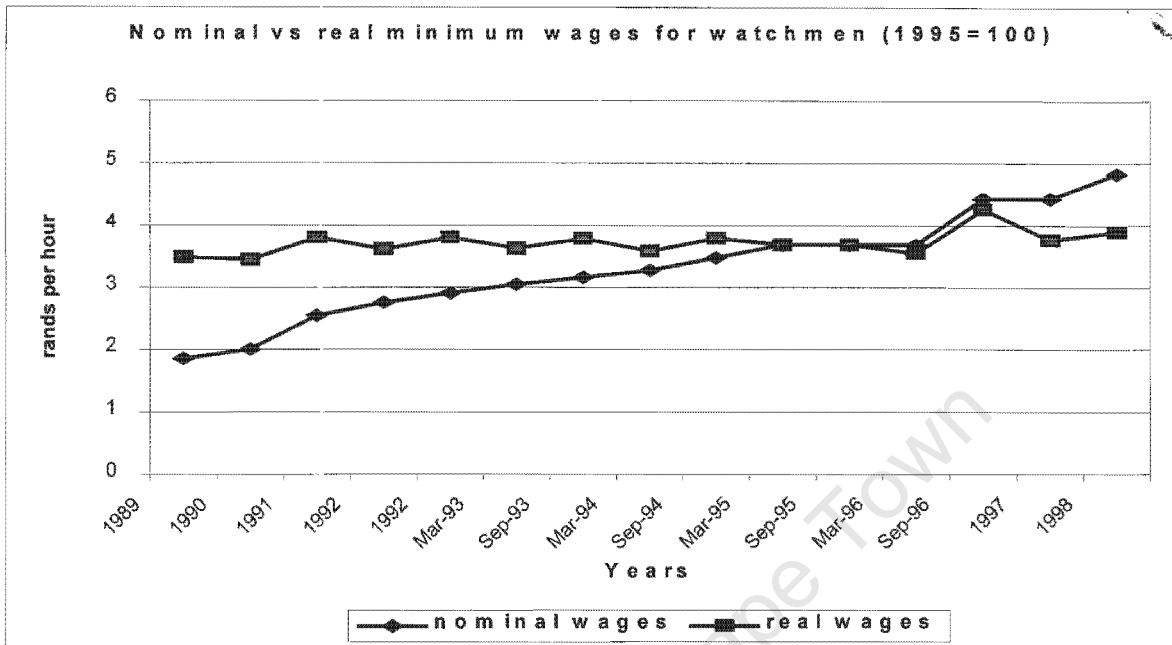
For the 9-year period under review watchmen's nominal wages grew by 159 per cent. On the other hand real wages increased by 11 per cent for the same period. This is shown in table 4.1 below. The trend in the purchasing power of the minimum wages for watchmen as shown by the real wage index fluctuates throughout the period. Except for the year 1990 the Wage Board preserved the 1989 value of the minimum wage with a particularly significant increase in September 1996.

Table 4.1: Watchmen minimum wage rates (r.p.h.)

Year	Nominal wages	Real wages	Real wage index
1989	1.86	3.49	100.00
1990	2.00	3.44	98.57
1991	2.54	3.80	108.88
3/1992	2.75	3.61	103.44
9/1992	2.90	3.80	108.88
3/1993	3.04	3.63	104.01
9/1993	3.16	3.78	108.31
3/1994	3.27	3.58	102.59
9/1994	3.47	3.79	108.60
3/1995	3.68	3.68	105.44
9/1995	3.68	3.68	105.44
3/1996	3.68	3.54	101.43
9/1996	4.42	4.25	121.78
1997	4.42	3.76	107.74
1998	4.82	3.89	111.46

Source: see appendix A

Figure 4.1



Source: see appendix A

Labourers

Labourer's nominal wage rates grew by 96 percent over the period under review, while their real wages declined by 16 per cent over the same period. Labourer's minimum wage rates performed more poorly than watchmen's wage rates. The trend in the purchasing power of the minimum wages began with an upward pattern except in 1990, and was followed by a downward pattern in later years as shown by the real wage indexes.

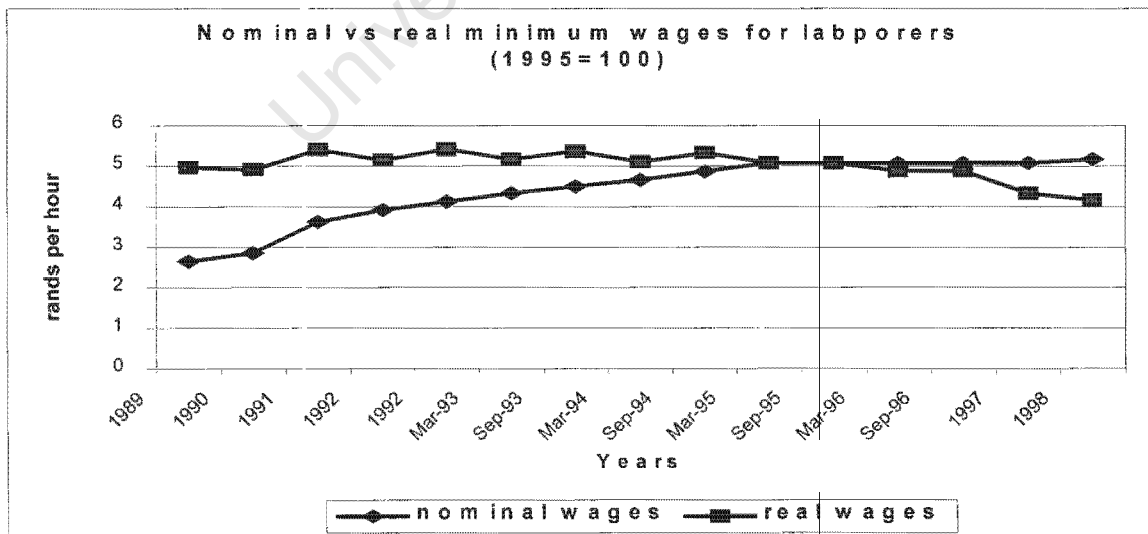
Wage adjustments have not consistently protected the real value of the minimum wages for labourers in this sector.

Table 4.2: Labourer's minimum wage rates (r.p.h.)

Year	Nominal wages	Real wages	Real wage index
1989	2.64	4.96	100.00
1990	2.85	4.90	98.79
1991	3.62	5.40	108.93
1992	3.91	5.13	103.43
1992	4.12	5.41	109.07
3/1993	4.33	5.16	104.03
9/1993	4.50	5.36	108.06
3/1994	4.66	5.09	102.62
9/1994	4.86	5.31	107.06
3/1995	5.07	5.07	102.22
9/1995	5.07	5.07	102.22
3/1996	5.07	4.88	98.39
9/1996	5.07	4.88	98.39
1997	5.07	4.32	87.10
1998	5.17	4.15	83.67

Source: see appendix A

Figure 4.2



Source: see appendix A

4.1.4 Minimum wages as a percentage of the SLL (r.p.m.)

Watchmen

The purchasing power of the minimum wage can also be assessed by comparing the minimum wages with movements in the value of the SLL as shown in table 4.3 below. It is clear that the adjustments made in the nominal minimum wages over the period under review have not been sufficient to keep up with the increase in the standard of living as shown by the SLL. Between 1989 and 1995 they were pitched at between 85%-90% of the SLL but had fallen sharply by 1998. This shows that, wage adjustments in the last half of the period failed to keep up with the increase in the standard of living.

Table 4.3: Watchmen minimum wages as a percentage of the SLL (r.p.m.)

Year	Nominal wages	SLL	Min. wages as a percentage of the SLL
1989	578.40	677.80	85.33
1990	624.43	784.45	79.60
1991	793.13	874.20	90.73
1992	856.69	989.61	86.57
1992	902.68	989.61	91.22
3/1993	948.66	1119.72	84.72
9/1993	985.94	1119.72	88.05
3/1994	1020.97	1196.31	85.34
9/1994	1082.20	1196.31	90.46
3/1995	1147.10	1353.62	84.74
9/1995	1147.10	1353.62	84.74
3/1996	1147.10	1459.67	78.59
9/1996	1147.10	1459.67	78.59
1997	1147.10	1628.24	70.45
1998	1147.10	1757.24	65.28

Source: see appendix A

Labourers

When Labourer's minimum wage rates are compared with the SLL as shown in table 4.4, it is clear that Labourer's minimum wages in the civil engineering industry are far below the SLL. The minimum wages as a percentage of the SLL on average display a downward trend throughout the period under review. Minimum wages have declined from 77.59 per cent of the SLL in 1989 to 57.33 percent in 1998. It is clear that, wage adjustments made during this period have not improved the living standards of labourers in this sector.

Table 4.4: Labourer's minimum wages as a percentage of the SLL (r.p.m.)

Year	Nominal wages	SLL	Min. wages as a percentage of the SLL
1989	525.84	677.80	77.59
1990	567.66	784.45	72.36
1991	721.03	874.20	82.48
3/1992	778.79	989.61	78.70
9/1992	820.62	989.61	82.92
3/1993	862.45	1119.72	77.02
9/1993	896.31	1119.72	80.05
3/1994	928.18	1196.31	77.59
9/1994	968.01	1196.31	80.92
3/1995	1009.84	1353.62	74.60
9/1995	1009.84	1353.62	74.60
3/1996	1009.84	1459.67	69.18
9/1996	1053.75	1459.67	72.19
1997	1053.75	1628.24	64.72
1998	1007.37	1757.24	57.33

Source: see appendix A

4.1.5 Wage differentials

Differentials between labourer's and watchmen's minimum wages

The wage gaps between labourer's and watchmen's nominal wages have decreased from 1.42:1 in 1989 to 1.07:1 in 1998. This has been caused by the higher rate at which the minimum wages for watchmen has been increasing during the last decade.

Table 4.5: Differentials between labourers and watchmen minimum wages

Year	Watchmen nominal wages	Labourers nominal wages	Differential
1989	1.86	2.64	1.42
1990	2.00	2.85	1.43
1991	2.54	3.62	1.43
1992	2.75	3.91	1.42
1992	2.90	4.12	1.42
3/1993	3.04	4.33	1.42
9/1993	3.16	4.50	1.42
3/1994	3.27	4.66	1.43
9/1994	3.47	4.86	1.40
3/1995	3.68	5.07	1.38
9/1995	3.68	5.07	1.38
3/1996	3.68	5.07	1.38
9/1996	4.42	5.07	1.15
1997	4.42	5.07	1.15
1998	4.82	5.17	1.07

Source: see appendix B

4.2 MPUMALANGA PROVINCE

4.2.1 Nominal vs. real minimum wages

Watchmen

In the Mpumalanga province, for the 9-year period under review watchmen's nominal wages grew by 105 per cent. However, on the other hand real minimum wages grew by 22 per cent for the same period. The trend in the purchasing power of the minimum wages for watchmen as shown by the real wage index follows a systematic upward movement throughout the period. Although the increase in nominal minimum wages became stagnant between March 1995 and March 1996, and between September 1996 and 1997, there had been an improvement thereafter. Figure 4.3 below further illustrates the relationship between nominal and real minimum wages for watchmen in the sector.

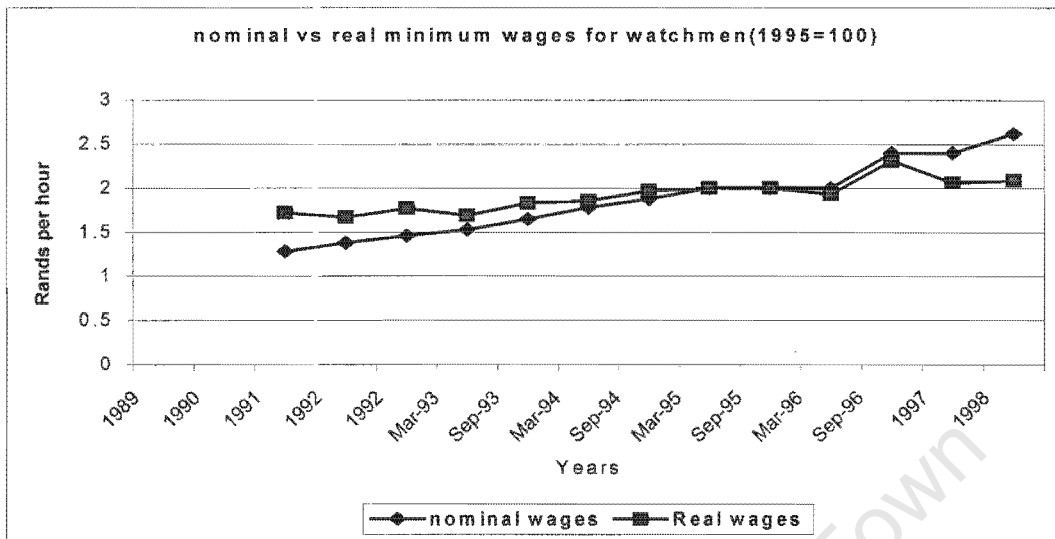
Table 4.6: Watchmen minimum wage rates (r.p.h.)

Year	Nominal wages	Real wages	Real wage index
1989	-	-	-
1990	-	-	-
1991	1.28	1.72	100.00
1992	1.38	1.67	97.09
1992	1.46	1.77	102.91
3/1993	1.53	1.69	98.26
9/1993	1.65	1.83	106.39
3/1994	1.78	1.86	108.14
9/1994	1.88	1.97	117.96
3/1995	2.00	2.00	116.28
9/1995	2.00	2.00	116.28
3/1996	2.00	1.93	112.21
9/1996	2.40	2.31	134.30
1997	2.40	2.06	119.77
1998	2.62	2.09	121.51

Source: see appendix A

*Wages for 1989 and 1990 are not available for this job category

Figure 4.3



Source: see appendix A

Labourers

In nominal terms, wages for labourers in the civil engineering sector in the province grew by 160 per cent during the period under review, whereas inflation grew by 124 per cent for the same period. The trend in the purchasing power of the minimum wages for labourers follows a different pattern through out the period under review. The adjustments made between 1989 and 1994 were eroded by inflation as shown by the real wage index. The adjustment made in September 1994 and March 1995 simply served to maintain the 1989 real wages, however the adjustment of September 1996 brought about an improvement of 20 per cent. This improvement was eroded by inflation in 1997 and 1998.

Generally, the buying power of the minimum wages for labourers in this sector has been constantly increasing up to the point that, in 1998 the value of the real wage was 16 per cent more than its 1989 value.

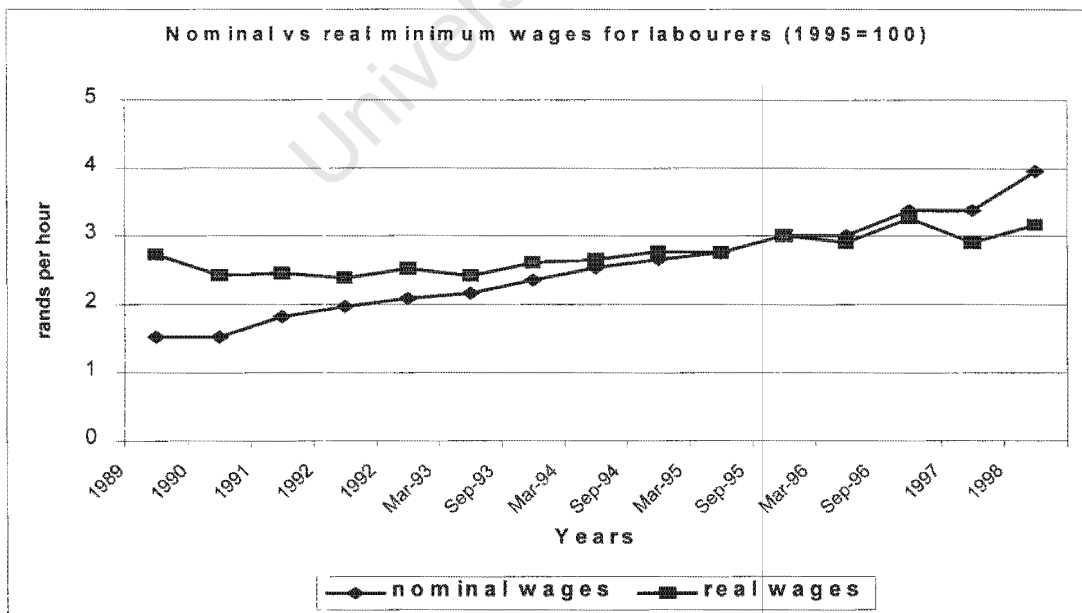
The relationship between nominal and real minimum wages is shown in table 4.7 and figure 4.4 below.

Table 4.7:labourers wage rates (r.p.h)

Year	Nominal wages	Real wages	Real wages index
1989	1.52	2.72	100.00
1990	1.52	2.42	88.97
1991	1.82	2.45	90.07
3/1992	1.96	2.38	87.50
9/1992	2.08	2.52	92.65
3/1993	2.16	2.41	88.60
9/1993	2.35	2.60	95.59
3/1994	2.53	2.65	97.43
9/1994	2.65	2.77	101.84
3/1995	2.75	2.75	101.10
9/1995	3.00	3.00	110.29
3/1996	3.00	2.90	106.62
9/1996	3.38	3.26	119.85
1997	3.38	2.90	106.62
1998	3.95	3.16	116.18

Source: see appendix A

Figure 4.4



Source: see appendix A

4.2.2 Wage differentials

Differentials between labourer's and watchmen's minimum wages

The wage gap between labourer's and watchmen's nominal wages show an increasing trend. From 1991, the differential between watchmen and labourers increased from 1.42:1 to 1.51:1 in 1998.

Table 4.8: Differentials between watchmen and labourers minimum wages

Year	Watchmen nominal wages	Labourers nominal wages	Differential
1989	-	1.52	-
1990	-	1.52	-
1991	1.28	1.82	1.42
1992	1.38	1.96	1.42
1992	1.46	2.08	1.42
3/1993	1.53	2.16	1.41
9/1993	1.65	2.35	1.42
3/1994	1.78	2.53	1.42
9/1994	1.88	2.65	1.41
3/1995	2.00	2.75	1.38
9/1995	2.00	3.00	1.50
3/1996	2.00	3.00	1.50
9/1996	2.40	3.38	1.41
1997	2.40	3.38	1.41
1998	2.62	3.95	1.51

Source: see appendix A

4.2.3 Minimum wages as a percentage of the SLL (r.p.m.)

Watchmen

When minimum wage rates for watchmen are compared with the SLL as shown in table 4.9, minimum wages for watchmen in the Mpumalanga province are far below the SLL. The minimum wages have declined from 50 per cent of the SLL in 1991 to 38 percent in 1998. It is clear that, wage adjustments made during this period have not improved the minimum wages against the SLL. Watchmen's minimum wages in the province are less than half of the SLL.

Table 4.9: Watchmen minimum wages as a percentage of the SLL (r.p.m.)

Year	Nominal minimum wages	SLL	Min. Wages as a percentage of the SLL
1989	-	628.18	-
1990	-	724.54	-
1991	398.75	799.90	49.85
1992	429.45	932.53	46.05
1992	455.69	932.53	48.87
3/1993	477.60	1019.61	46.84
9/1993	514.88	1019.61	50.50
3/1994	554.28	1107.43	50.05
9/1994	587.54	1107.43	53.05
3/1995	622.78	1276.04	48.81
9/1995	622.78	1276.04	48.81
3/1996	622.78	1380.73	45.11
9/1996	622.78	1380.73	45.11
1997	622.78	1536.23	40.54
1998	622.85	1658.94	37.55

Source: see appendix A

Labourers

Labourer's minimum wage rates are less than half of the SLL as shown in table 4.10 below. The labourer's minimum wages as a percentage of the SLL display a static trend throughout the period under review. The minimum wages have declined slightly from 48 per cent of the SLL in 1989 to 46 percent in 1998. It is clear that, wage adjustments made during this period have not improved the minimum wages against the SLL.

Table 4.10: Labourer's minimum wages as a percentage of the SLL (r.p.m.)

Year	Nominal wages	SLL	Min. wages as a percentage of the SLL
1989	302.75	628.18	48.19
1990	302.75	724.54	41.79
1991	362.51	799.90	45.32
3/1992	390.39	932.53	41.86
9/1992	414.29	932.53	44.43
3/1993	434.21	1019.61	42.59
9/1993	468.07	1019.61	45.91
3/1994	503.93	1107.43	45.50
9/1994	527.83	1107.43	47.66
3/1995	547.75	1276.04	42.93
9/1995	597.54	1276.04	46.83
3/1996	597.54	1380.73	43.28
9/1996	702.50	1380.73	50.88
1997	702.50	1536.23	45.73
1998	769.66	1658.94	46.39

Source: see appendix A

4.3 Provincial differentials

Watchmen

Table 4.11 presents minimum wage differentials between watchmen in Gauteng and Mpumalanga province. The wage gap between watchmen in the two provinces has decreased over the years.

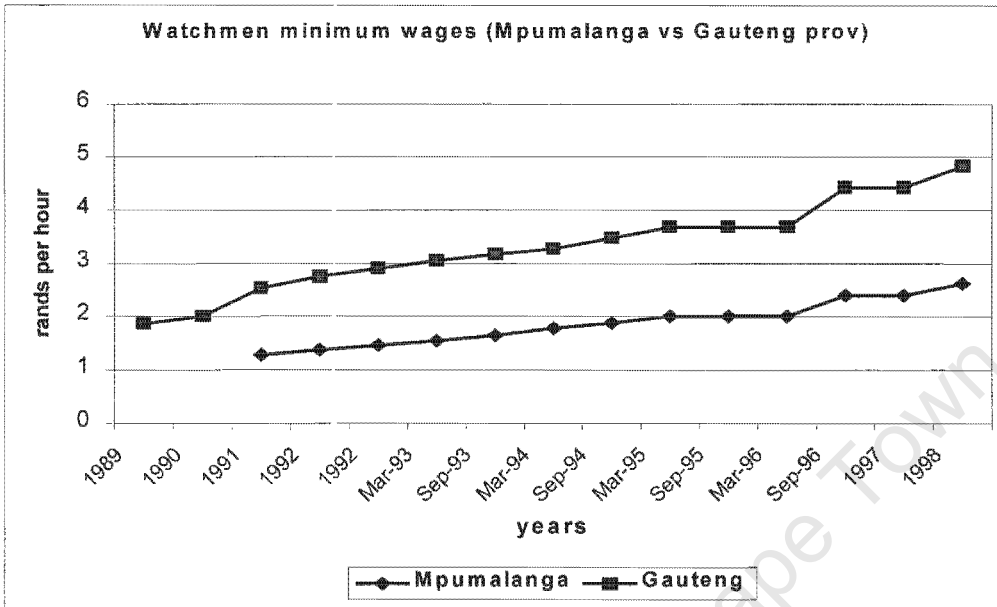
Table 4.11: Provincial differentials in Watchmen minimum wages (r.p.h.)

Year	Nominal Wages Mpumalanga prov.	Nominal Wages Gauteng prov	Differential
1989	-	1.86	-
1990	-	2.00	-
1991	1.28	2.54	1.98
3/1992	1.38	2.75	1.99
9/1992	1.46	2.90	1.99
3/1993	1.53	3.04	1.98
9/1993	1.65	3.16	2.07
3/1994	1.78	3.27	1.92
9/1994	1.88	3.47	1.85
3/1995	2.00	3.68	1.84
9/1995	2.00	3.68	1.84
3/1996	2.00	3.68	1.84
9/1996	2.40	4.42	1.84
1997	2.40	4.42	1.84
1998	2.62	4.82	1.84

Source: see appendix A

Figure 4.5

Source: see appendix A



Labourers

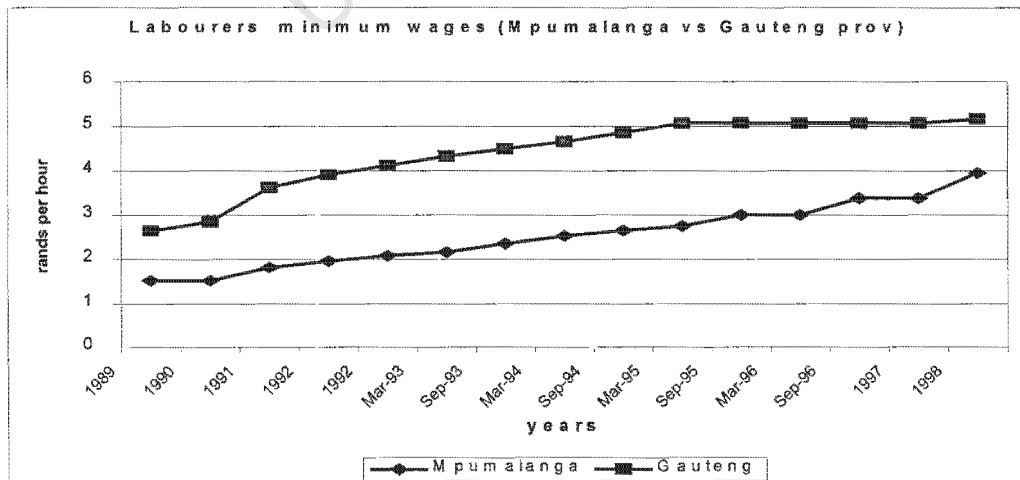
The minimum wage gap between labourers in the two provinces has decreased over the years as shown in table 4.12 below.

Table 4.12: Provincial differentials in labourer's minimum wages (r.p.h.)

Year	Nominal wages Mpumalanga prov	Nominal wages Gauteng prov	Differ
1989	1.52	2.64	1.74
1990	1.52	2.85	1.88
1991	1.82	3.62	1.99
3/1992	1.96	3.91	1.99
9/1992	2.08	4.12	1.98
3/1993	2.16	4.33	2.00
9/1993	2.35	4.50	1.91
3/1994	2.53	4.66	1.84
9/1994	2.65	4.86	1.83
3/1995	2.75	5.07	1.84
9/1995	3.00	5.07	1.69
3/1996	3.00	5.07	1.69
9/1996	3.38	5.07	1.50
1997	3.38	5.07	1.50
1998	3.95	5.17	1.31

Source: see appendix A

Figure 4.6



Source: see appendix A

4.3.1 Highest and lowest hourly minimum wage in the sector

Watchmen

The highest paid watchman in the civil engineering industry earns R 4.82 per hour. This wage is paid in the metropolitan areas of Gauteng province, Western Cape, Kwazulu Natal and Northwest province. The lowest paid watchman earns R2.62 per hour and this wage is paid in the urban areas of Mpumalanga province yielding a differential of R 2.20 per hour.

Labourers

The highest paid labourer in this industry earns R 5.25 per hour and this wage is paid in the metropolitan areas of the Western Cape and Eastern Cape provinces. The lowest paid labourer earns R3.95 per hour and this is paid in Mpumalanga and Northern province yielding a differential of R 1.30 per hour.

4.4 SECURITY INDUSTRY

4.4.1 Introduction

Security services or trade means the trade in which employers and their employees are associated for the purpose of guarding or protecting fixed property, premises, goods other persons or transporting money for or on behalf of a client, including depositing or withdrawing of money, the placing of specified amounts in envelopes or other containers and the handing thereof to persons, as instructed by the client, and transporting any other goods that have to be guarded or protected while in transit (G.G. No. R 1187. 1998).

4.4.2 GAUTENG PROVINCE

4.4.3 Nominal vs. real wages

Artisan

In nominal terms, minimum wages for artisans grew by 159 per cent during the period under review, whereas inflation grew by 134 per cent for the same period as shown in table 4.13 below.

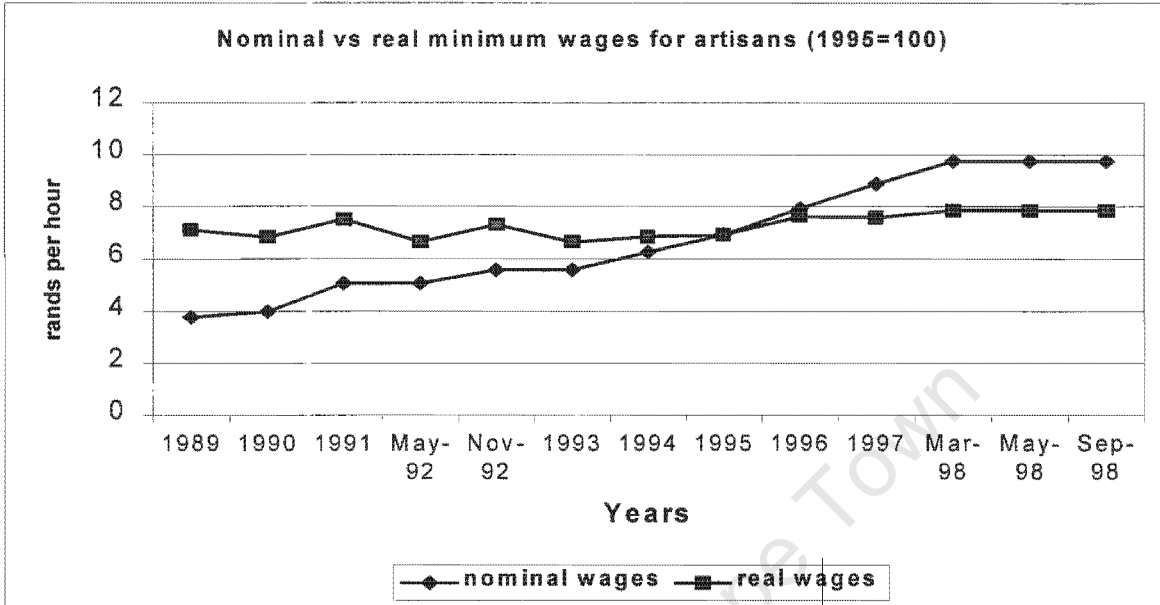
With some fluctuations the purchasing power of the minimum wage was retained over the period rising from a real wage of R 7.08 in 1989 to a real wage of R 7.83 in 1998, an increase overall of 10.6 %.

Table 4.13: Artisan minimum wage rates (r.p.h.)

Year	Nominal wages	Real wages	Real wage index
1989	3.77	7.08	100.00
1990	3.97	6.82	96.33
1991	5.06	7.5	106.60
5/1992	5.06	6.64	93.79
11/1992	5.56	7.30	103.11
1993	5.56	6.63	93.64
1994	6.26	6.83	96.47
1995	6.93	6.93	97.88
1996	7.92	7.62	107.63
1997	8.87	7.56	106.78
3/1998	9.75	7.83	110.59
5/1998	9.75	7.83	110.59
9/1998	9.75	7.83	110.59

Source: see appendix A

Figure 4.7



Source: see appendix A

Labourers

In nominal terms the minimum wages for labourers have increased by 167 per cent over the period under review. In this job category the increase made in nominal wages has translated into greater purchasing power as shown by the real wage index. Adjustments made in nominal wages over the period increased the real minimum wages by some 14%.

Figure 4.8 presents the relationship between nominal and real minimum wages for labourers.

Table 4.14: Labourer's minimum wage rates (r.p.h.)

Year	Nominal wages	Real wages	Real wage index
1989	1.63	3.06	100.00
1990	1.79	3.08	100.65
1991	2.29	3.42	118.80
5/1992	2.29	3.01	98.37
11/1992	2.52	3.31	108.17
1993	2.52	3.01	98.37
1994	2.84	3.10	101.31
1995	3.15	3.15	102.94
1996	3.54	3.41	111.44
1997	3.96	3.38	110.46
3/1998	4.35	3.49	114.05
5/1998	4.35	3.49	114.05
9/1998	4.35	3.49	114.05

Source: see appendix A

Figure 4.8



Source: see appendix A

4.4.4 Wage differentials

Wage differentials between artisan's and labourer's minimum wages

The differential between artisan's minimum wages and labourer's minimum wages appears to be very wide. In 1989 the differential between artisans and labourers was 2.31:1 decreasing slightly to 2.24: 1 in 1998. Artisans (skilled workers) continued to earn much more than labourers (unskilled workers) do.

Table 4.15: Differentials between artisans and labourers minimum wages (r.p.h.)

Year	Labourers minimum wages	Artisans minimum wages	Differential
1989	1.63	3.77	2.31
1990	1.79	3.97	2.22
1991	2.29	5.06	2.21
5/1992	2.29	5.06	2.21
11/1992	2.52	5.56	2.21
1993	2.52	5.56	2.21
1994	2.84	6.26	2.20
1995	3.15	6.93	2.20
1996	3.54	7.92	2.24
1997	3.96	8.87	2.24
3/1998	4.35	9.75	2.24
5/1998	4.35	9.75	2.24
9/1998	4.35	9.75	2.24

Source: see appendix A

4.4.5 Minimum wages as a percentage of the SLL (r.p.m.)

Artisan

When the purchasing power of the minimum wage for artisans is compared with movements in the value of the poverty line, using the supplemented living level (SLL)

as shown in table 4.16 below, it is clear that minimum wages for artisans in this trade are slightly above the supplemented living levels.

Table 4.16: Artisans wage rates as a percentage of the SLL (r.p.m.)

Year	Nominal wages	SLL	Min. wages as a percentage of the SLL
1989	750.43	677.80	110.72
1990	790.40	784.45	100.76
1991	1007.24	874.20	115.22
5/1992	1007.24	989.61	101.78
11/1992	1108.13	989.61	111.98
1993	1108.13	1119.72	98.96
1994	1246.65	1196.31	104.21
1995	1381.05	1353.62	102.03
1996	1577.51	1459.67	108.07
1997	1766.73	1628.24	108.51
3/1998	1942.01	1757.24	110.51
5/1998	1942.01	1757.24	110.51
9/1998	1942.01	1757.24	110.51

Source: see appendix A

Labourers

When the minimum wages for labourers are compared with the SLL as shown below in table 4.17 it is clear that, the minimum wages for labourers in the security trade are far below the SLL.

Labourer's minimum wages as a percentage of SLL display a constant trend throughout the period under review, with a maximum of 50.79 per cent of the SLL in November 1992 and a minimum of 44.89 per cent of the SLL in 1993. It is clear that the wage adjustments made during this period have not improved the minimum wages against the SLL. Therefore it can be concluded that, the adjustments made in

minimum wages over the period under review have not improved the living standards of the minimum wage earners in this trade.

Table 4.17: Labourers wage rates as a percentage of the SLL (r.p.m.)

Year	Nominal wages	SLL	Min. wages as a percentage of the SLL
1989	324.75	677.80	47.91
1990	356.71	784.45	45.47
1991	456.64	874.20	52.24
5/1992	456.64	989.61	46.14
11/1992	502.63	989.61	50.79
1993	502.63	1119.72	44.89
1994	565.45	1196.31	47.27
1995	626.42	1353.62	46.28
1996	705.10	1459.67	48.31
1997	788.75	1628.24	48.44
3/1998	866.43	1757.24	49.31
5/1998	866.43	1757.24	49.31
9/1998	866.43	1757.24	49.31

Source: see appendix A

4.5 MPUMALANGA PROVINCE

4.5.1 Nominal vs. real minimum wages

Artisan

Table 4.18 presents artisan's minimum wages in the Mpumalanga province. For the 9-year period under review artisan's nominal wages grew by 165 per cent. However, on the other hand real wages grew by only 41 per cent over the same period as table 4.18 shows.

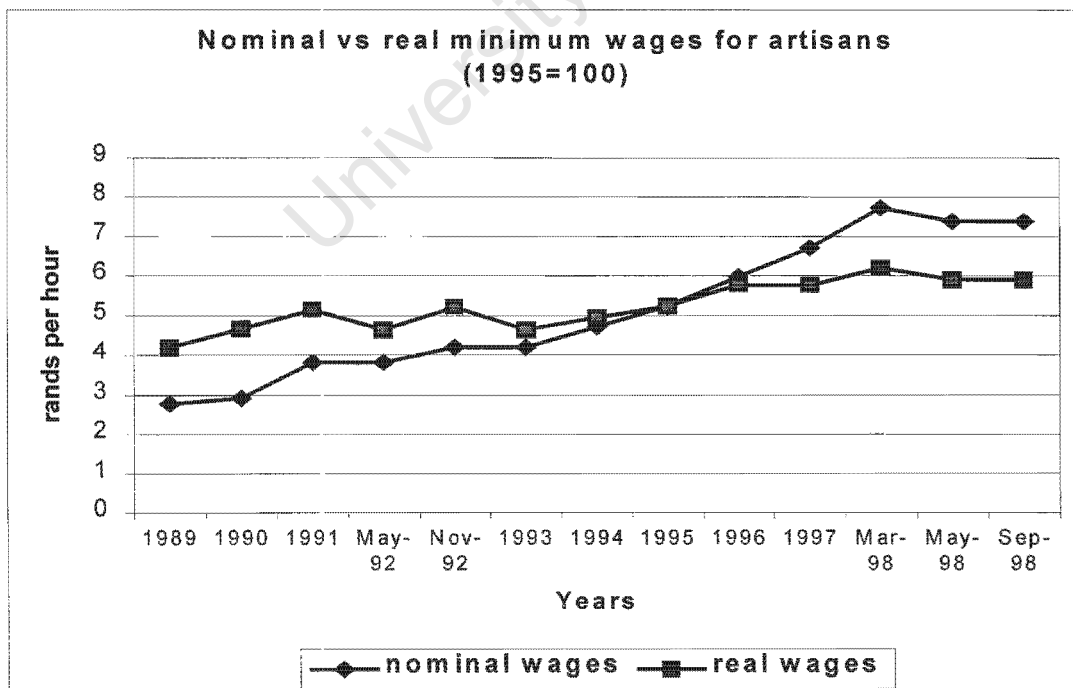
The trend in the purchasing power of the minimum wages for artisans as shown by the real wage index follows an upward movement through out the period.

Table 4.18: Artisan minimum wage rates (r.p.h.)

Year	Nominal wages	Real wages	Real wage index
1989	2.78	4.20	100.00
1990	2.92	4.66	110.95
1991	3.82	5.14	122.34
5/1992	3.82	4.63	110.24
11/1992	4.20	5.20	123.81
1993	4.20	4.64	110.48
1994	4.72	4.95	117.86
1995	5.23	5.23	124.52
1996	5.98	5.77	137.38
1997	6.70	5.75	136.90
3/1998	7.73	6.19	147.38
5/1998	7.37	5.90	140.48
9/1998	7.37	5.90	140.48

Source: see appendix A

Figure 4.9



Source: see appendix A

Labourers

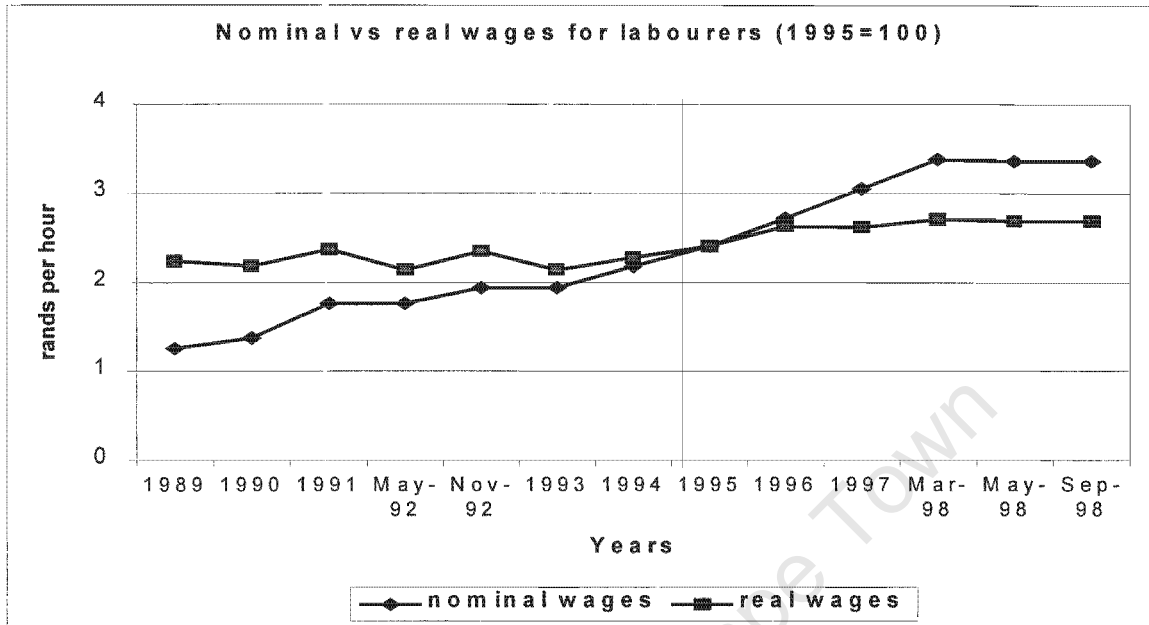
Labourer's nominal wage rates grew by 169 per cent over the period under review, while their real wages increased by 18 per cent over the same period as shown in table 4.19 below. Labourer's minimum wage rates performed better in later years. The trend in the purchasing power of the minimum wages follow an upward pattern as shown by the real wage index for the different years by moving further away from the 1989 wage index. Although the adjustments made in nominal wages in 1990 and March 1992 failed to maintain the real value of the 1989 minimum wage, the adjustment made in 1998, brought about an improvement of 20 per cent. The relationship between the nominal and real minimum wages is presented in figure 4.10 below.

Table 4.19: Labourers minimum wage rates (r.p.h.)

Year	Nominal wages	Real wages	Real wage index
1989	1.25	2.24	100.00
1990	1.37	2.18	97.32
1991	1.76	2.37	105.80
5/1992	1.76	2.14	95.54
11/1992	1.94	2.35	104.91
1993	1.94	2.14	95.54
1994	2.18	2.28	101.79
1995	2.41	2.41	107.59
1996	2.72	2.63	117.41
1997	3.05	2.62	116.96
3/1998	3.38	2.71	120.98
5/1998	3.36	2.69	120.09
9/1998	3.36	2.69	120.09

Source: see appendix A

Figure 4.10



Source: see appendix A

4.5.2 Wage differentials

Differentials between artisan's and labourer's minimum wage rates

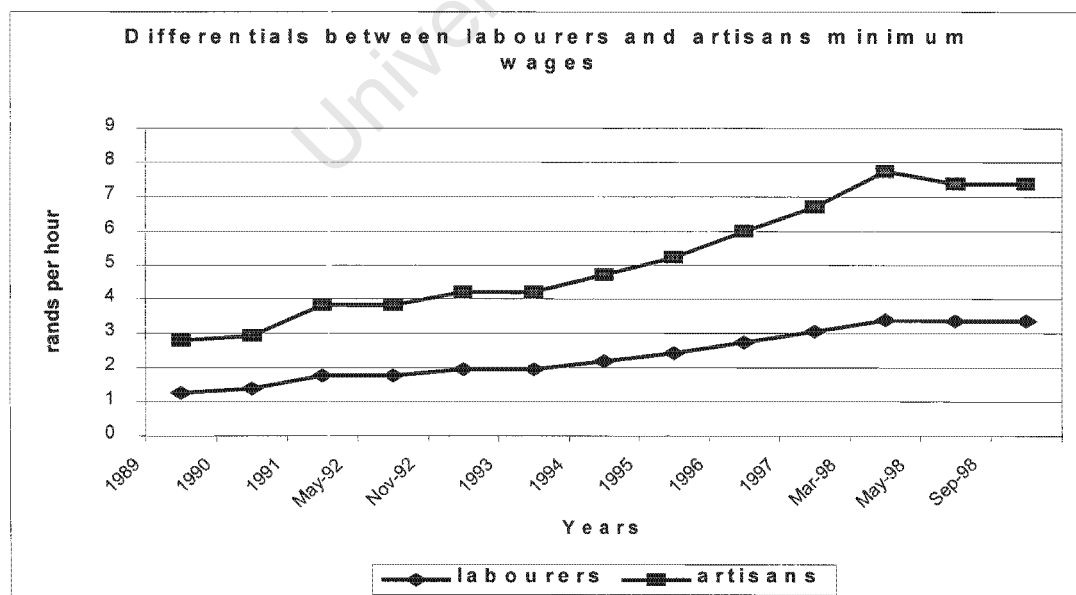
Table 4.20 presents minimum wage rate differentials between artisans and labourers in the province. The differences between artisan's minimum wages and labourer's minimum wages appear to be very large and have been maintained over the period.

Table 4.20: Differentials between Artisans and Labourers minimum wages (r.p.h.)

Year	Nominal wages labourers	Nominal wages artisans	Differential
1989	1.25	2.78	2.22
1990	1.37	2.92	2.13
1991	1.76	3.82	2.17
5/1992	1.76	3.82	2.17
11/1992	1.94	4.20	2.16
1993	1.94	4.20	2.16
1994	2.18	4.72	2.17
1995	2.41	5.23	2.17
1996	2.72	5.98	2.20
1997	3.05	6.70	2.20
3/1998	3.38	7.73	2.29
5/1998	3.36	7.37	2.19
9/1998	3.36	7.37	2.19

Source: see appendix A

Figure 4.11



Source: see appendix A

4.5.3 Minimum wages as a percentage of the SLL (r.p.m.)

Artisans

Table 4.21 below presents artisan's minimum wages as a percentage of the SLL. Artisan's minimum wage rates fall below the SLL as shown in the table below. Artisan's minimum wages as a percentage of the SLL display a static trend throughout the period under review. It is clear that wage adjustments made during this period have not improved the artisan's minimum wages against the SLL. On average, the artisan's minimum wage as a percentage of the SLL is 85 percent; this is far better than labourers minimum wages expressed as a percentage of the SLL.

Table 4.21: Artisans wage rates as a percentage of the SLL

Year	Nominal wages	SLL	Min. wages as a percentage of the SLL
1989	553.59	628.18	88.13
1990	581.56	724.54	80.27
1991	760.43	799.90	95.07
5/1992	760.43	932.53	81.54
11/1992	836.34	932.53	89.69
1993	836.34	1019.61	82.03
1994	940.87	1107.43	84.96
1995	1042.27	1276.04	81.68
1996	1191.10	1380.73	86.27
1997	1334.51	1536.23	86.27
3/1998	1539.66	1658.94	92.81
5/1998	1467.96	1658.94	88.49
9/1998	1467.96	1658.94	88.49

Source: see appendix A

Labourers

Labourer's minimum wage rates are less than half of the SLL as shown in table 4.22. Although the minimum wages as a percentage of the SLL display an upward trend throughout the period under review the adjustment made has not been enough to bring about an improvement in the living standard of the minimum wage earners. The minimum wages as a percentage of the SLL have increased from 31 per cent of the SLL in 1989 to 40 percent in 1998, which is still far below the living levels. It is clear that wage adjustments made during this period did not take into account the increase in the standard of living as shown by the SLL.

Table 4.22: Labourers wage rates as a percentage of the SLL (r.p.m)

Year	Nominal wages	SLL	Min. wages as a percentage of the SLL
1989	248.80	628.18	31.61
1990	272.79	724.54	37.65
1991	350.73	799.90	43.85
5/1992	350.73	932.53	37.61
11/1992	385.72	932.53	41.36
1993	385.72	1019.61	37.83
1994	433.95	1107.43	39.19
1995	480.72	1276.04	37.67
1996	541.77	1380.73	39.24
1997	607.50	1536.23	39.54
3/1998	673.23	1658.94	40.58
5/1998	669.24	1658.94	40.34
9/1998	669.24	1658.94	40.34

Source: see appendix A

4.6 Provincial differentials

Artisan

Table 4.23 below presents the differential in minimum wages between artisans in Gauteng and Mpumalanga province. Artisans in Gauteng province earn on average about 30 percent more than their counterparts in the Mpumalanga province. The wage gap between artisans in Gauteng and in Mpumalanga dropped from 36 per cent in 1989 to 32 percent in 1998.

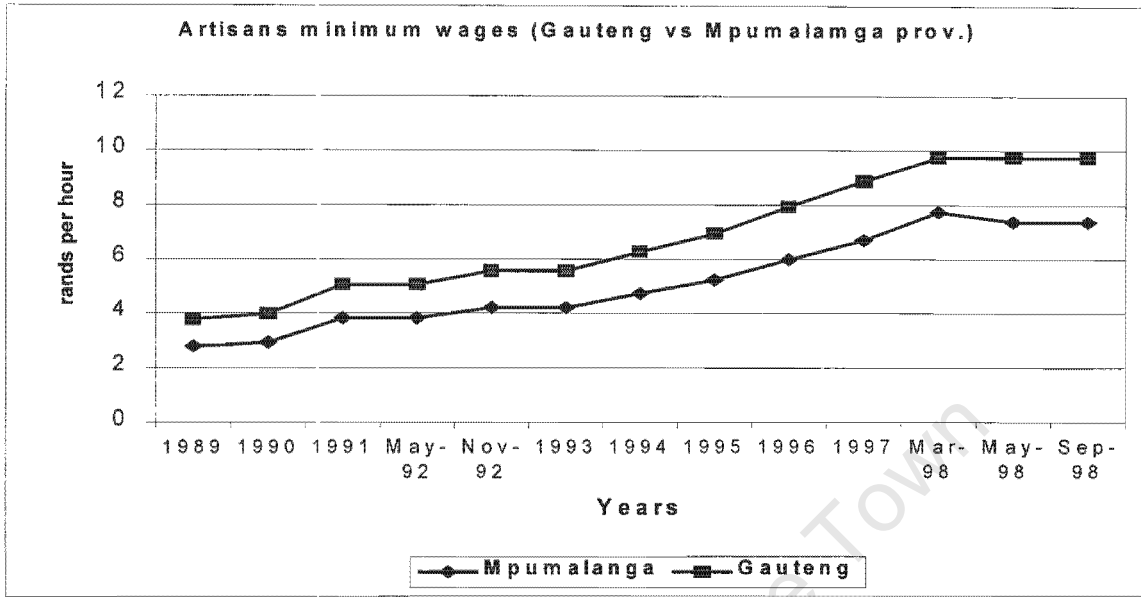
Figure 4.12 below shows trends for minimum wages for artisans between the two provinces.

Table 4.23: Provincial differential in Artisans minimum wages (r.p.h.)

Year	Nominal wages Mpumalanga prov.	Nominal wages Gauteng prov.	Differential
1989	2.78	3.77	1.36
1990	2.92	3.97	1.36
1991	3.82	5.06	1.32
5/1992	3.82	5.06	1.32
11/1992	4.20	5.56	1.32
1993	4.20	5.56	1.32
1994	4.72	6.26	1.33
1995	5.23	6.93	1.33
1996	5.98	7.92	1.32
1997	6.70	8.87	1.32
3/1998	7.73	9.75	1.26
5/1998	7.37	9.75	1.32
9/1998	7.37	9.75	1.32

Source: see appendix A

Figure 4.12



Source: see appendix A

Labourers

Table 4.24 presents wage differentials between labourers in Gauteng province and Mpumalanga province. The wage gaps between the two provinces for this job category have been static over the period under review. Labourers in Gauteng province earn about 30 per cent more than their counterparts in the Mpumalanga province.

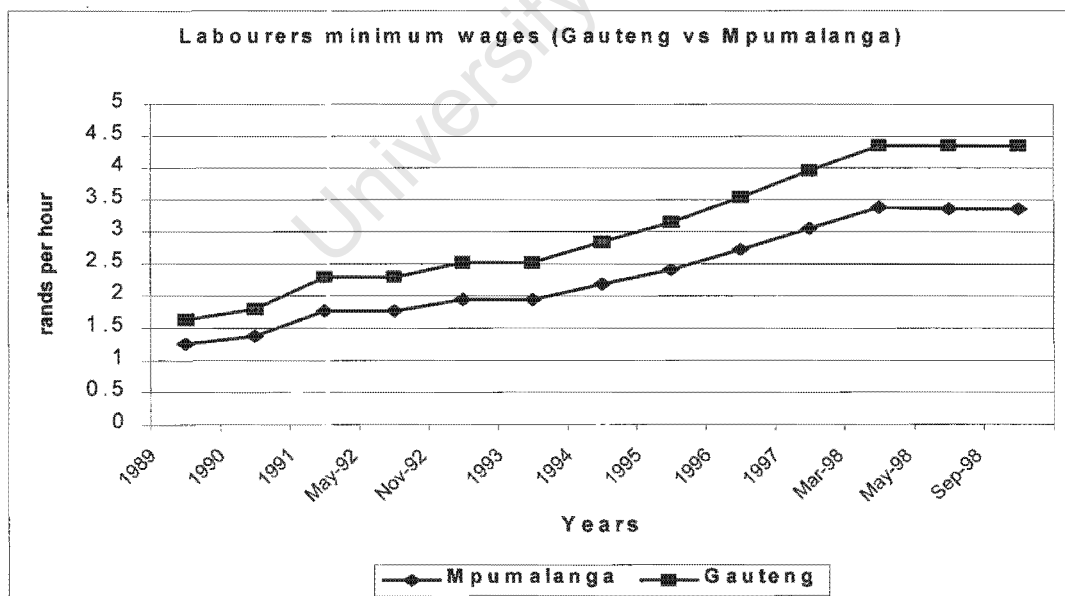
Figure 4.13 below show minimum wage trends for labourers in the two provinces.

Table 4.24: Provincial differentials in Labourers minimum wages (r.p.h.)

Year	Nominal wages Mpumalanga prov	Nominal wages Gauteng prov	Differ
1989	1.25	1.63	1.30
1990	1.37	1.79	1.31
1991	1.76	2.29	1.30
5/1992	1.76	2.29	1.30
11/1992	1.94	2.52	1.30
1993	1.94	2.52	1.30
1994	2.18	2.84	1.30
1995	2.41	3.15	1.31
1996	2.72	3.54	1.30
1997	3.05	3.96	1.30
3/1998	3.38	4.35	1.29
5/1998	3.36	4.35	1.29
9/1998	3.36	4.35	1.29

Source: see appendix A

Figure 4.13



Source: see appendix A

4.7 Highest and lowest hourly wage in the sector

Artisan

The highest paid artisan in the security industry earns R9.75 per hour. This wage is paid in the metropolitan areas of Western Cape, Gauteng, Kwazulu Natal and the Eastern Cape. The lowest paid artisan earns R 5.92 per hour and this is paid in the urban areas of Mpumalanga and Northern province yielding a differential of R3.83 per hour.

Labourers

The highest paid labourer in this industry earns R4.35 per hour. This wage is paid in the metropolitan areas of Western Cape, Gauteng, Kwazulu Natal and Eastern cape.

The lowest paid labourer earns R 3.36 per hour and this is paid in the urban areas of Mpumalanga and Northern province yielding a differential of R0.99 per hour.

4.8 CONTRACT CLEANING

4.8.1 Introduction

Contract cleaning trade means the trade in which employers and employees are associated for the purposes of (i) cleaning or washing by hand or machine, of furniture, doors, floors, tools, machine and guarding services, supervision at industrial and commercial premises, industrial flats that are let commercially, but;

(ii) Excludes employers and employees engaged solely in the Construction, Civil Engineering Industry and domestic employees engaged in in-house cleaning (GG, No.R1484. 1998).

4.8.2 GAUTENG PROVINCE

4.8.3 Nominal vs. real minimum wages

Watchmen

After 1994 in the contract cleaning industry, this job category is no longer covered by the minimum wage fixing machinery as can be seen from table 4.25.

From the earlier data it is clear that the adjustments made during the period 1989 to 1994 had been sufficient to improve the purchasing power of the minimum wages in the industry as shown by the increases in the real wage indexes.

Table 4.25: watchmen minimum wage rates (r.p.h.)

Year	Real wages	Nominal wages	Real wage index
1989	4.29	2.28	100.00
1990	4.55	2.65	106.06
1991	4.59	3.07	106.89
1992	4.68	3.56	109.90
1993	4.65	3.90	108.39
11/1994	4.60	4.22	107.23
12/1994	4.60	4.22	107.23
1995	-	-	-
1996	-	-	-
1997	-	-	-
3/1998	-	-	-
9/1998	-	-	-

Source: see appendix A

Labourers

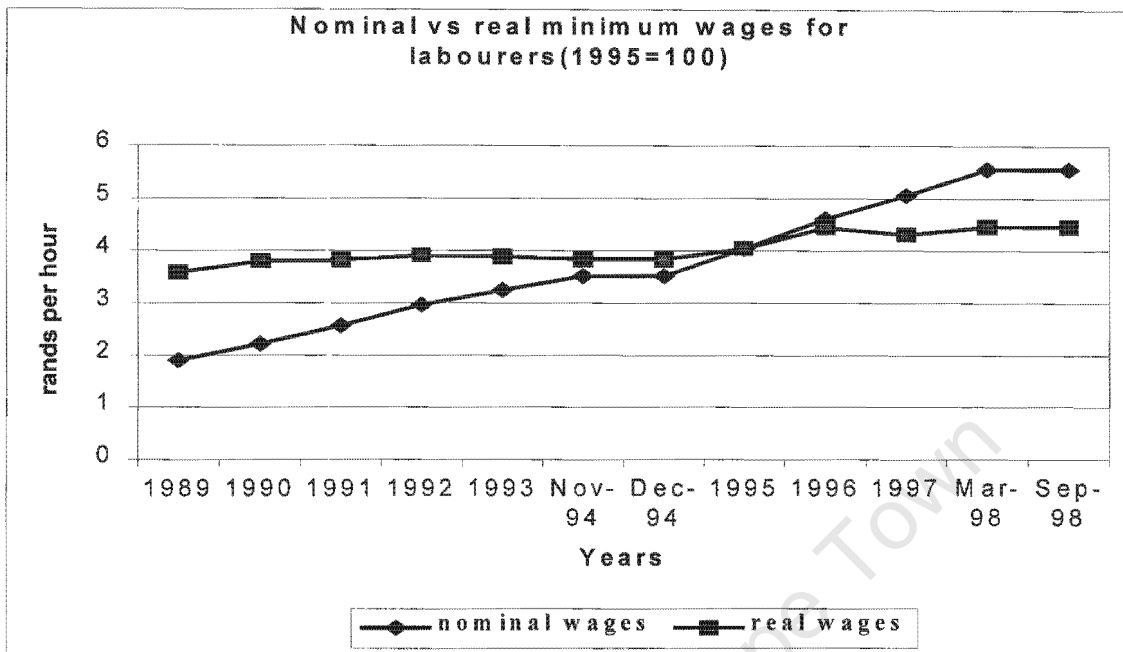
In the contract cleaning industry the labourer's nominal wage rates grew by 192 per cent over the period under review, while their real wages increased by nearly 25 per cent over the same period. Labourer's minimum wage rates performed well over the period under review. The trend in the purchasing power of the minimum wages has been constantly increasing over the period as shown by the real wage index.

Table 4.26: Labourers minimum wage rates (r.p.h)

Year	Nominal wages	Real wages	Real wage index
1989	1.90	3.58	100.00
1990	2.21	3.79	105.87
1991	2.56	3.82	106.73
1992	2.97	3.90	108.94
1993	3.25	3.88	108.38
11/1994	3.51	3.84	107.26
12/1994	3.51	3.84	107.26
1995	4.04	4.04	112.85
1996	4.61	4.44	124.02
1997	5.05	4.31	120.39
3/1998	5.55	4.46	124.58
9/1998	5.55	4.46	124.58

Source: see appendix A

Figure 4.14



Source: see appendix A

4.8.4 Minimum wages as a percentage of the SLL (r.p.m.)

In this industry only labourer's minimum wages have been compared with the SLL, since there are no minimum wage figures available for watchmen from 1995 to 1998.

Labourers

Table 4.27 presents' labourer's minimum wages as a percentage of the SLL in the contract cleaning industry. From table 4.27 it is clear that minimum wages for labourers in the contract cleaning industry have risen from some 56% to some 62% of the SLL.

Table 4.27: Labourers minimum wage rates as a percentage of the SLL (r.p.m.)

Year	Nominal wages	SLL	Min.wages as a percentage of the SLL
1989	378.96	677.80	55.91
1990	439.58	784.45	56.04
1991	509.90	874.20	58.33
1992	591.48	989.61	59.77
1993	647.68	1119.72	57.84
11/1994	700.03	1196.31	58.52
12/1994	700.03	1196.31	58.52
1995	804.69	1353.62	59.45
1996	918.22	1459.67	62.91
1997	1005.86	1628.24	61.78
3/1998	1105.45	1757.24	62.91
9/1998	1081.42	1757.24	61.54

Source: see appendix A

4.8.5 MPUMALANGA PROVINCE

4.8.6 Nominal vs. real minimum wages

Watchmen

Although there are no minimum wage data for this job category from 1995 to 1998 it is clear from the available data that, wage adjustments made during the period 1989 to 1994 were high enough to improve the purchasing power of the minimum wages in the industry as shown by the upwards trend of the real wage index in table 4.28.

Table 4.28: Watchmen minimum wage rates (r.p.h.)

Year	Nominal wages	Real wages	Real wage index
1989	1.81	3.24	100.00
1990	2.10	3.35	103.40
1991	2.43	3.49	107.79
1992	2.82	3.43	105.86
1993	3.09	3.42	105.56
11/1994	3.34	3.50	108.02
12/1994	3.34	3.50	108.02
1995	-	-	-
1996	-	-	-
1997	-	-	-
3/1998	-	-	-
9/1998	-	-	-

Source: see appendix A

Labourers

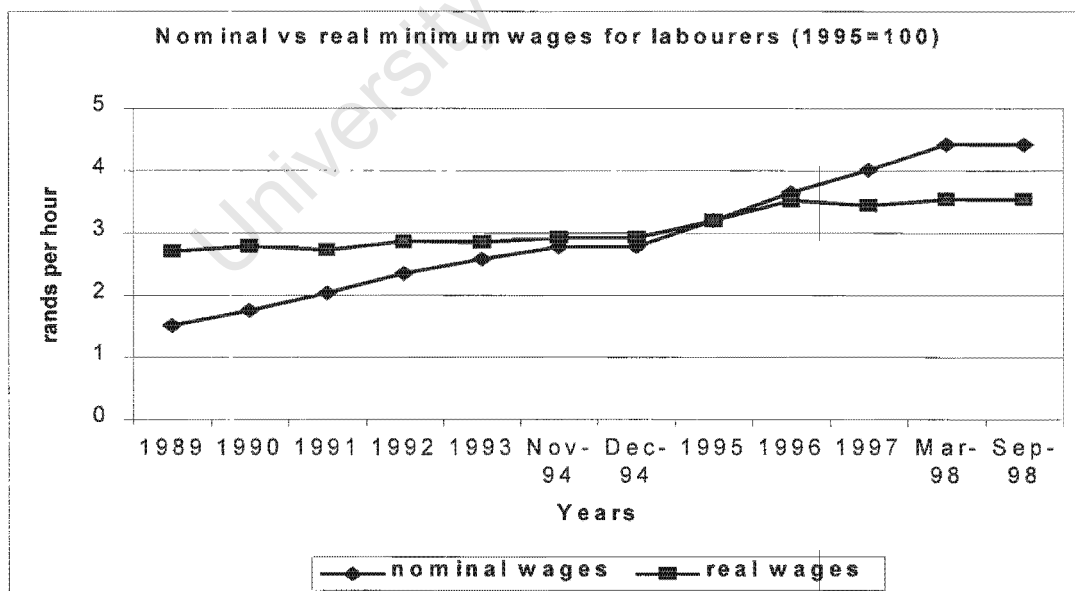
In Mpumalanga province labourer's nominal wage rates grew by 193 per cent over the period under review, while their real wages increased by 31 per cent over the same period. The trend in the purchasing power of the minimum wages increased steadily throughout the period under review.

Table 4.29: Labourers minimum wage rates (r.p.h.)

Year	Nominal wages	Real wages	Real wage index
1989	1.51	2.70	100.00
1990	1.75	2.79	103.33
1991	2.03	2.73	101.10
1992	2.35	2.86	105.93
1993	2.58	2.85	105.56
11/1994	2.78	2.92	108.15
12/1994	2.78	2.92	108.15
1995	3.20	3.20	118.52
1996	3.65	3.52	130.37
1997	4.01	3.44	127.41
3/1998	4.42	3.54	131.11
9/1998	4.42	3.54	131.11

Source: see appendix A

Figure 4.15



Source: see appendix A

4.8.7 Minimum wages as a percentage of the SLL (r.p.m.)

Labourers

Table 4.30 below presents labourer's minimum wages in the Mpumalanga province as a percentage of the SLL. The minimum wage rates rose from 48% to 52% of the SLL.

Table 4.30: Labourers minimum wage rates as a percentage of the SLL (r.p.h.)

Year	Nominal wages	SLL	Min. wages as a percentage of the SLL
1989	300.20	628.18	47.79
1990	348.22	724.54	48.06
1991	409.95	799.90	51.25
1992	468.59	932.53	50.25
1993	513.11	1019.61	50.32
11/1994	554.54	1107.43	50.07
12/1994	554.54	1107.43	50.07
1995	637.38	1276.04	49.95
1996	727.01	1380.73	52.65
1997	798.71	1536.23	51.99
3/1998	880.38	1658.94	53.07
9/1998	861.24	1658.94	51.92

Source: see appendix A

4.8.8 Provincial differentials

Labourers

The minimum wage gap between labourers in the two provinces remained static at 1.26:1 over the period under review, with Gauteng province showing higher minimum wages than Mpumalanga province as is shown in table 4.31 below.

Figure 4.16 illustrates minimum wage trends for labourers in the two provinces. Although in ratio terms the differences between the minimum wages for the two provinces have not increased, in value the gap has been widening. The gap between

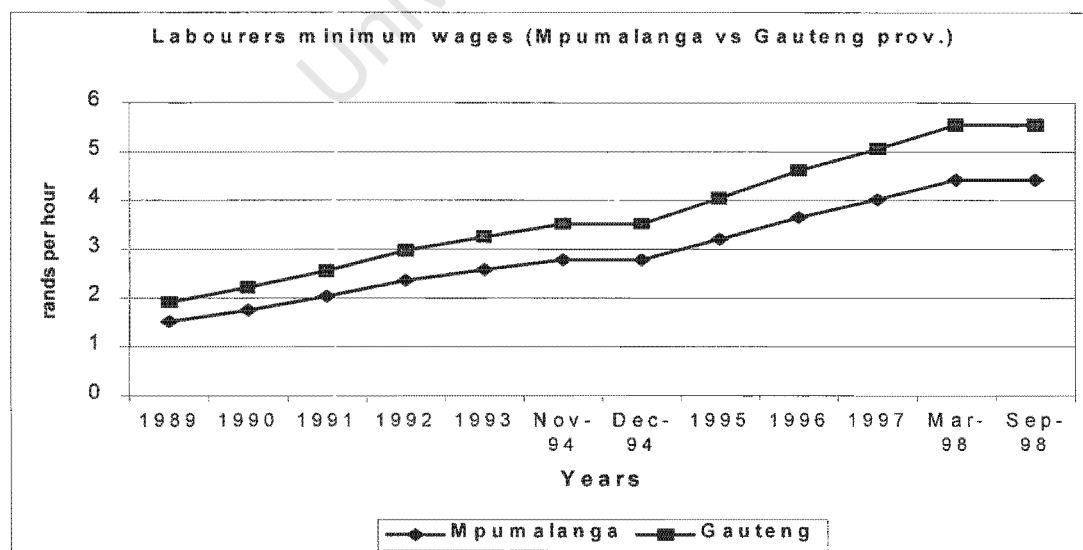
Gauteng labourers and Mpumalanga labourers was R0.39 per hour in 1989, but increased to R1.13 cents per hour in 1998.

Table 4.31: Provincial differentials in Labourers minimum wages (r.p.h.)

Year	Nominal wages Mpumalanga prov	Nominal wages Gauteng prov	Differential
1989	1.51	1.90	1.26
1990	1.75	2.21	1.26
1991	2.03	2.56	1.26
1992	2.35	2.97	1.26
1993	2.58	3.25	1.26
11/1994	2.78	3.51	1.26
12/1994	2.78	3.51	1.26
1995	3.20	4.04	1.26
1996	3.65	4.61	1.26
1997	4.01	5.05	1.26
3/1998	4.42	5.55	1.26
9/1998	4.42	5.55	1.26

Source: see appendix A

Figure 4.16



Source: see appendix B

4.8.9 Highest and lowest hourly wage in the sector

Labourers

The highest paid labourer in the contract cleaning industry earns R5.55 per hour. This wage is paid in the metropolitan areas of Western Cape, Gauteng, Kwazulu Natal and the Eastern Cape. The lowest paid labourer earns R 4.42 per hour and this is paid in the urban areas of Mpumalanga and Northern province, Northern Cape, Orange Free State and Northwest province yielding a differential of R 1.13 per hour.

Conclusion

Based on the current data the chapter has shown that a lot still needs to be done in improving minimum wages to an acceptable level in different areas of the economy. It is also noted that MW authorities do not take into account the different criteria for fixing MW when making wage adjustments in the country.

The analysis also reveals that different areas have different levels of SLL and it also shows that, minimum wages as a percentage of the SLL, for all job categories fall far below the SLL in all provinces, except for artisans in Gauteng where the minimum wage as a percentage of the SLL is well above the SLL.

Therefore these findings warrant Minimum Wage Fixing Authorities to fix MW according to area using the SLL for that particular area as a benchmark and this should apply to all sectors of the economy. This would ensure that even the most vulnerable employees such as farm and homeworkers in different areas are covered by the MW fixing mechanisms, but should not be fixed according to employee category and industrial sector because this would complicate the minimum wage fixing mechanism in the country yet important steps have already been taken by the Wage Board to simplify the system. Therefore the SLL should be used as the first step to achieve a National Minimum Wage.

CHAPTER 5

5.1 Findings

The previous chapter presented and discussed data on minimum wages with regard to province, sector and job category. It has shown that the adjustments made in minimum wages for watchmen in the two sectors where they are covered and in both provinces during the period under review were well above the inflation rate during the same period. For example in the civil engineering trade, the purchasing power of the minimum wages for watchmen between 1989 and 1998 increased by 11% in Gauteng and 22% in Mpumalanga province. In the contract cleaning sector or trade it increased by 7% in Gauteng and 8% in Mpumalanga, in the period 1989 to 1994 when they ceased being covered. In the security service sector the artisan's wage reflected an increase of 11% in Gauteng and 40% in Mpumalanga province.

In the civil engineering sector, the purchasing power of the minimum wages for labourers actually fell by 16% in Gauteng but increased by 16% in Mpumalanga province. In security services, the purchasing power of the minimum wages for labourers increased by 14% in Gauteng and by 20% in Mpumalanga province. In the contract cleaning trade, the purchasing power of the minimum wages for labourers increased by 25% in Gauteng and 31% in Mpumalanga province.

Provincial wage differentials between watchmen and labourers minimum wage rates have been decreasing during the period under review, except for civil engineering in Mpumalanga province where the wage gap between watchmen and labourers increased from 1.42:1 in 1991 to 1.51:1 in 1998 compared with Gauteng where the wage gap decreased from 1.42:1 in 1989 to 1.07:1 in 1998.

In the security services sector the differentials in minimum wages between artisans and labourers decreased from 2.31:1 in 1989 to 2.24:1 in 1998. However in the contract cleaning trade there are no wage differentials since job categories were reduced to a single category from 1995 on.

The analysis also shows that, minimum wages as a percentage of the SLL, for all job categories fall far below the SLL in all provinces, except for artisans in Gauteng where the minimum wage as a percentage of the SLL is well above the SLL. For watchman, in Gauteng, the minimum wage rates as a percentage of the SLL fell from 85% in 1989 to 65% in 1998, and in Mpumalanga province from 50% in 1991 to 38% in 1998. In the contract cleaning trade, the minimum wage rates for watchmen as a percentage of the SLL increased by 1% in Mpumalanga province between 1989 and 1998. Labourer's minimum wage rates in the civil engineering sector as a percentage of the SLL fell from 78% to 57% in Gauteng and from 48% to 46% in Mpumalanga province. In security services, labourer's minimum wages as a percentage of the SLL increased from 48% to 49% in Gauteng and from 32% to 40% in Mpumalanga province during the period under review. Whereas in the contract cleaning trade it increased from 56% to 62% in Gauteng and in Mpumalanga it rose from 48% in 1989 to 52% in 1998.

The study has also shown that, provincial wage differentials are decreasing in all three sectors. In the civil engineering sector the wage differentials for watchmen in Gauteng and Mpumalanga province decreased from 1.98:1 in 1989 to 1.84:1 in 1998, whereas for labourers it decreased from 1.74:1 to 1.31:1 for the same period.

In security services, the artisans wage differential decreased from 1.36:1 in 1989 to 1.32:1 in 1998. However labourer's wage differentials decreased by only 1% from 1.30:1 to 1.29:1 during the same period under review. Surprisingly, in the contract cleaning trade the wage gap for labourer's minimum wage remained unchanged at 1.26:1 throughout the period under review.

It is important to note that although the purchasing power of the minimum wages as shown by the wage index have increased during the period under review, this does not necessarily translate into a better living standard for the minimum wage earners. When the minimum wages are expressed as a percentage of the SLL, they fall far below the SLL, and in some job categories remain at levels lower than 50% of the SLL. This clearly shows that, minimum wage earners are living in poverty although

they are employed in formal sectors of the economy.

Another finding is that the number of job categories covered by the MW mechanism in each sector is decreasing. For example, the number of job categories in the civil engineering sector decreased from 36 in 1989 to only 2 categories in the nineties, whereas in the contract cleaning trade the job categories decreased from 4 in 1994 to 1 job category from 1995 on.

It seems clear that successive Wage Boards in the 'nineties were aiming to simplify the complex minimum wage instruments inherited from the past by dramatically reducing the number of job categories covered in the targeted sectors and reducing areas covered to conform with new provincial boundaries demarcated in 1994 as well as reducing differentials between low and high pay areas. Nevertheless minimum wages in low pay provinces such as Mpumalanga remain very low indeed being pitched at less than 50% of the relevant SLL for their area.

It has been noted that there are 19 Wage Determinations legally in force at the turn of the millennium. Obviously it would be desirable and useful to analyse the minimum wage movements in all these minimum wage fixing instruments. Table G in **Appendix A** lists all the determinations in effect. This shows that 16 have not been investigated or revised since January 1996 and they do not therefore lend themselves to examination of Wage Board activities in the later nineties. Labour legislation was extensively revised after the 1994 general election and Wage Board activities were absorbed from 1999 in those of the Employment Conditions Commission (ECC) appointed in terms of the Basic Conditions of Employment Act No. 75 of 1997. Presumably when the ECC advises the Minister to make sectoral Determinations data will be forthcoming to enable more extensive analysis of minimum wage fixing in South Africa.

APPENDIX: A

PROVINCIAL MINIMUM WAGE DATA

Civil Engineering

Table A: Minimum wage rates for watchmen (r.p.w)

Year	1989	1990	1991	3/92	9/92	3/93	9/93	3/94	9/94	3/95	9/95	3/96	9/96	1997	1998
Prov															
W C	126.50 250.50	136.62 237.19	178.62 268.60	192.79 252.01	203.41 265.90	214.54 255.10	225.17 267.74	235.79 256.29	249.93 271.66	264.92 264.92	264.92 264.92	264.92 255.47	264.92 255.47	264.92 226.82	264.92 213.30
G P	133.58 251.09	144.21 247.78	183.17 273.39	197.85 259.65	208.47 273.58	219.09 261.13	227.70 271.39	235.79 257.41	249.93 272.85	264.92 264.92	264.92 264.92	264.92 254.98	264.92 254.98	264.92 225.85	264.98 212.79
E C	101.20 194.24	108.79 187.57	169.51 252.25	183.17 240.70	193.79 254.65	204.42 245.99	214.54 258.17	225.17 246.90	238.68 261.71	253.00 253.00	253.00 253.00	253.00 244.44	253.00 244.44	253.00 217.35	176.80 143.04
N C	126.50 244.21	136.62 236.37	149.27 225.82	149.27 197.71	155.34 205.75	161.41 191.70	161.41 191.70	161.41 175.64	171.09 186.17	181.35 181.35	181.35 181.35	181.35 184.86	181.35 184.86	181.35 155.93	181.35 144.73
O F S	133.58 250.62	144.21 240.35	164.96 244.75	178.11 234.05	185.19 243.35	192.78 228.41	201.38 238.60	210.46 228.51	223.11 242.25	236.49 236.49	236.49 236.49	236.49 228.71	236.49 228.71	236.49 202.30	236.49 189.50
KZN	133.58 256.39	144.21 240.35	183.17 267.79	197.85 254.63	208.47 268.30	219.09 258.97	227.70 269.15	235.79 255.46	249.93 270.78	264.92 264.92	264.92 264.92	264.92 254.49	264.92 254.49	264.92 225.08	264.92 210.76
N W	133.58 252.51	144.21 245.26	183.17 270.96	197.85 257.62	208.47 271.45	219.09 260.20	227.70 270.43	235.79 256.29	249.93 271.66	264.92 264.92	264.92 264.92	264.92 257.20	264.92 257.20	264.92 229.97	176.80 145.63
MP	- -	- -	92.09 123.94	99.18 120.36	105.24 127.72	118.91 131.54	110.30 122.01	128.01 134.04	135.69 142.08	143.83 143.83	143.83 143.83	143.83 138.83	143.83 138.83	143.83 123.35	143.83 115.16
NP	- -	- -	116.38 171.40	125.49 161.92	133.07 171.70	148.25 174.41	139.65 164.29	157.36 169.94	166.80 180.13	176.80 176.80	176.80 176.80	176.80 170.82	176.80 170.82	176.80 150.85	176.80 143.39

Source: see appendix B

Note: first line: nominal wages

Second line: real wages

Civil Engineering

Table B: Minimum wage rates for Labourers (r.p.w)

Year	1989	1990	1991	3/92	9/92	3/93	9/93	3/94	9/94	3/95	9/95	3/96	9/96	1997	1998
Prov.															
W C	115.00 227.72	124.20 215.63	162.38 244.18	175.26 229.10	184.92 241.73	195.04 231.91	204.70 243.40	214.36 233.00	229.08 249.01	237.82 237.82	237.82 237.82	237.82 229.33	248.16 239.31	248.16 212.47	236.25 190.22
G P	121.44 228.27	131.10 225.26	166.52 248.54	179.86 236.04	189.52 248.71	199.18 237.40	207.00 246.72	214.36 234.02	223.56 244.06	233.22 233.22	233.22 233.22	233.22 224.47	243.36 234.23	243.36 207.47	232.65 186.87
E C	92.00 176.58	98.90 170.52	154.10 229.32	166.52 218.82	176.18 231.51	185.84 223.63	195.04 234.71	204.70 224.45	218.96 240.09	228.16 228.16	230.00 230.00	230.00 230.00	240.00 231.88	240.00 206.19	236.25 191.14
N C	115.00 222.01	124.20 214.88	135.70 205.30	135.70 179.74	141.22 187.05	146.74 174.28	146.74 174.28	146.74 159.67	153.64 167.18	159.62 159.62	159.62 159.62	159.62 162.71	185.76 189.36	185.76 159.72	177.75 141.86
O F S	121.44 227.84	131.10 218.50	149.96 222.49	161.92 212.77	168.36 221.24	139.65 165.46	183.08 216.92	191.36 207.77	200.56 217.76	208.38 208.38	208.38 208.38	208.38 201.53	217.44 210.29	217.44 186.01	220.50 176.68
K Z N	121.44 233.09	131.10 218.50	166.52 243.45	179.86 231.48	189.52 243.91	199.18 235.44	207.00 244.68	214.36 232.24	223.56 242.21	233.22 233.22	233.22 233.22	233.22 224.03	243.36 233.78	243.36 206.76	228.15 181.50
N W	121.44 229.57	131.10 222.96	166.52 246.33	179.86 234.19	189.52 246.77	199.18 236.56	207.00 245.84	214.36 233.00	223.56 243.00	233.22 233.22	233.22 233.22	233.22 226.43	243.36 236.27	243.36 211.25	232.65 191.64
MP	69.92 125.30	69.92 111.52	83.72 112.68	90.16 109.42	95.68 116.12	100.25 110.90	108.10 119.58	116.38 121.86	121.80 127.54	126.50 126.50	138.00 138.00	138.00 133.20	162.24 156.60	162.24 139.14	177.75 142.31
NP	76.82 146.32	82.80 140.34	105.80 155.82	114.08 147.20	120.98 156.10	137.78 162.09	126.96 149.36	143.06 154.49	149.96 161.94	155.48 155.48	155.48 155.48	155.48 150.22	162.24 156.75	162.24 138.43	177.75 144.16

Source: see appendix B

Note: first line: nominal wages

Second line: real wages

Security Service Industry

Table C: Minimum wage rates for artisans (r.p.w)

Year	1989	1990	1991	5/92	11/92	1993	1994	1995	1996	1997	3/98	5/98	9/98
Prov													
W C	173.30 343.19	182.54 316.91	232.62 349.80	232.62 304.08	255.92 334.54	255.92 304.30	287.91 312.95	318.95 318.95	364.32 351.32	408.02 349.33	448.50 361.11	448.50 361.11	448.50 361.11
G P	173.31 325.77	182.54 313.64	232.62 347.19	232.62 305.28	255.92 335.85	255.92 305.03	287.91 314.31	318.95 318.95	364.32 350.64	408.02 347.84	448.50 360.24	448.50 360.24	448.50 360.24
E C	173.31 332.65	182.54 314.72	232.62 346.16	232.62 305.68	255.92 336.29	255.92 307.97	287.91 315.69	318.95 318.95	364.32 352.00	408.02 350.53	448.50 362.86	448.50 362.86	448.50 362.86
N C	156.46 302.05	164.31 284.27	212.54 321.54	212.54 281.51	233.77 309.63	233.77 277.64	262.99 286.17	291.34 291.34	332.58 339.02	372.60 320.38	409.86 327.10	409.86 327.10	409.86 327.10
O F S	156.46 293.55	164.31 273.85	212.54 315.34	212.54 279.29	233.77 307.19	233.77 276.98	262.99 285.55	291.34 291.34	332.58 321.64	372.60 318.73	409.86 328.41	409.86 328.41	409.86 328.41
KZN	173.31 332.65	182.54 304.23	232.62 340.09	232.62 299.38	255.92 329.37	255.92 302.51	287.91 311.93	318.95 318.95	364.32 349.97	408.02 346.66	448.50 356.80	448.50 356.80	448.50 356.80
N W	156.46 295.77	164.31 279.44	212.54 314.41	212.54 276.74	233.77 304.39	233.77 277.64	262.99 285.86	291.34 291.34	332.58 322.89	372.60 323.44	409.86 337.61	409.86 337.61	409.86 337.61
MP	127.85 229.12	134.31 214.21	175.62 236.37	175.62 213.13	193.15 234.41	193.15 213.66	217.29 227.53	240.71 240.71	275.08 265.52	308.20 264.32	355.58 284.69	339.02 271.43	339.02 271.43
NP	127.85 243.52	134.31 227.64	175.62 258.65	175.62 226.61	193.15 249.23	193.15 227.24	217.29 234.65	240.71 240.71	275.08 265.78	308.20 262.97	355.58 288.39	339.02 274.96	339.02 274.96

Source: see appendix B

Note: first line: nominal wages

Second line: real wages

Security service Industry

Table D: Minimum wage rates for Labourers (r.p.w)

Year	1989	1990	1991	5/92	11/92	1993	1994	1995	1996	1997	3/98	5/98	9/98
Prov.													
W C	75.00 148.51	82.38 143.02	105.46 158.59	105.46 137.86	116.08 151.74	116.08 138.03	130.59 141.95	144.67 144.67	162.84 157.03	182.16 155.96	200.10 161.11	200.10 161.11	200.10 161.11
G P	75.00 140.98	82.38 141.55	105.46 157.40	105.46 138.40	116.08 152.34	116.08 138.36	130.59 142.57	144.67 144.67	162.84 156.73	182.16 155.29	200.10 160.72	200.10 160.72	200.10 160.72
E C	75.00 143.95	82.38 142.03	105.46 156.93	105.46 138.58	116.08 152.54	116.08 139.69	130.59 143.19	144.67 144.67	162.84 157.33	182.16 156.49	200.10 161.89	200.10 161.89	200.10 161.89
N C	96.00 185.33	75.92 131.35	97.15 146.97	97.15 128.68	106.85 141.52	106.85 126.90	120.21 130.81	133.17 133.17	150.42 153.33	168.36 144.76	184.92 147.58	184.92 147.58	184.92 147.58
O F S	96.00 180.11	75.92 126.53	97.15 144.14	97.15 127.66	106.85 140.41	106.85 126.60	120.21 130.52	133.17 133.17	150.42 145.47	168.36 144.02	184.92 148.17	184.92 148.17	184.92 148.17
KZN	75.00 143.95	82.38 137.30	105.46 154.18	105.46 135.73	116.08 149.40	116.08 137.21	130.59 141.48	144.67 144.67	162.84 156.43	182.16 154.77	200.10 159.19	200.10 159.19	200.10 159.19
N W	96.00 181.47	75.92 129.12	97.15 143.71	97.15 126.50	106.85 139.13	106.85 126.90	120.21 130.66	133.17 133.17	150.42 146.04	168.36 146.15	184.92 152.32	184.92 152.32	184.92 152.32
MP	57.46 102.97	63.00 100.48	81.00 109.02	81.00 98.30	89.08 108.11	89.08 98.54	100.22 104.94	111.02 111.02	125.12 120.77	140.30 120.33	155.48 124.48	154.56 123.75	154.56 123.75
NP	57.46 109.45	63.00 106.78	81.00 119.29	81.00 104.52	89.08 114.94	89.08 104.80	100.22 108.23	111.02 111.02	125.12 120.89	140.30 119.71	155.48 126.10	154.56 125.35	154.56 125.35

Source: see appendix B

Note: first line: nominal wages

Second line: real wages

Contract cleaning

Table E: Minimum wage rates for watchmen (r.p.w)

Year	1989	1990	1991	1992	1993	11/94	12/94	1995	1996	1997	3/98	9/98
Prov												
W C	105.03 207.98	121.83 211.51	141.32 212.51	163.93 214.29	179.50 213.44	194.00 210.87	206.43 224.38	-	-	-	-	-
G P	105.03 197.42	121.83 209.33	141.32 210.93	163.93 215.13	179.50 213.95	194.00 211.79	206.43 225.36	-	-	-	-	-
E C	105.03 201.59	121.83 210.05	141.32 210.30	163.93 215.41	179.50 216.00	194.00 212.72	206.43 226.35	-	-	-	-	-
N C	95.67 184.69	110.98 192.01	128.74 194.77	149.34 197.80	163.53 194.22	176.74 192.32	176.74 192.32	-	-	-	-	-
O F S	95.67 179.49	110.98 184.97	128.74 191.01	149.34 196.24	163.53 193.76	176.74 191.90	176.74 191.90	-	-	-	-	-
KZN	105.03 201.59	121.83 203.05	141.32 206.61	163.93 210.98	179.50 212.17	194.00 210.18	206.43 223.65	-	-	-	-	-
N W	95.67 180.85	110.98 188.74	128.74 190.44	149.34 194.45	163.53 194.22	176.74 192.11	176.74 192.11	-	-	-	-	-
MP	83.19 149.07	96.49 153.89	111.93 150.65	129.84 157.57	142.17 157.27	153.66 160.90	153.66 160.90	-	-	-	-	-
NP	83.19 180.85	96.49 188.74	111.93 190.44	129.84 194.45	142.17 194.22	153.66 192.11	153.66 192.11	-	-	-	-	-

Source: see appendix B

Note: first line: nominal wages

Second line: real wages

Contract cleaning trade

Table F: Minimum wage rates for Labourers (r.p.w)

Year	1989	1990	1991	1992	1993	11/94	12/94	1995	1996	1997	3/98	9/98
Prov.												
W C	87.52 173.31	101.52 176.25	117.76 177.08	136.60 178.56	149.58 177.86	161.67 175.73	172.02 186.98	185.84 185.84	212.06 204.49	232.30 198.89	255.30 205.56	249.75 201.09
G P	87.52 164.51	101.52 174.43	117.76 175.76	136.60 179.27	149.58 178.28	161.67 176.50	172.02 187.79	185.84 185.84	212.06 204.10	232.30 198.04	255.30 205.06	249.75 200.60
E C	87.52 167.98	101.52 175.03	117.76 175.24	136.60 179.50	149.58 180.00	161.67 177.27	172.02 188.62	185.84 185.84	212.06 204.89	232.30 199.57	255.30 206.55	249.75 202.06
N C	79.72 153.90	92.48 160.00	107.28 162.30	124.44 164.82	136.26 161.83	161.67 175.92	147.07 160.03	152.72 152.72	167.90 171.15	184.46 158.61	203.32 162.27	198.90 158.74
O F S	79.72 149.57	92.48 154.13	107.28 159.17	124.44 163.52	136.26 161.45	161.67 175.54	147.07 159.69	152.72 152.72	167.90 162.38	184.46 157.79	203.32 162.92	198.90 159.38
KZN	87.52 167.98	101.52 169.20	117.76 172.16	136.60 175.80	149.58 176.81	161.67 176.24	172.02 186.37	185.84 185.85	212.06 203.71	232.30 197.37	255.30 203.10	249.75 198.69
N W	79.72 150.70	92.48 157.28	107.28 158.70	124.44 162.03	136.26 161.83	161.67 175.73	147.07 159.86	152.72 152.72	167.90 163.01	184.46 160.12	203.32 167.48	198.90 163.84
MP	69.33 124.25	80.42 128.26	93.29 125.56	108.22 131.33	118.50 131.08	128.07 134.10	128.07 134.10	152.72 152.72	167.90 162.07	184.46 158.20	203.32 162.79	198.90 159.25
NP	69.33 132.06	80.42 136.31	93.29 137.39	108.22 139.64	118.50 139.41	128.07 138.30	128.07 138.30	152.72 152.72	167.90 162.22	184.46 157.39	203.32 164.90	198.90 161.31

Source: see appendix B

Note: first line: nominal wages

Second line: real wages

Table G: Wage Determinations

W.D.	Trade/Industry	Amendment/ Revision	With effect from
479	Accommodation Establishment Trade, CA	R	15/01/96
476	Business Equipment Industry, CA	R	26/09/94
478	CDT, CA	R	11//09/95
461	Catering Trade, CA	A	21/09/92
448	Cement Product Industry, CA	A	01/10/90
471	Clothing and Knitting Industry, RSA	A	28/02/94
470	Funeral undertaking, CA	A	20/03/95
451	Glass and Glassware Industry, RSA	A	27/08//90
457	Hotel Trade, CA (Hotel and Liquor Trade)	A	12/08/91
474	Laundry, Dry-cleaning and Dyeing Trade, CA	R	24/05/93
463	Meat, Cold Storage, etc. Industry, CA	A	09/11/92
408	Metal Containers and Allied products Industry, CA	A	No wages
452	Road Passengers Transportation Trade, CA	A	25/08/91
475	Stone crushing Industry, RSA	R	13/09/93
468	Sweets Industry, CA	A	15/11/93
477	The Trade of letting Flats or Rooms, CA	R	19/06/95
480	Civil Engineering	R	9/98
467	Unskilled Labour, CA	A	18/10/93
481	Security Service	A	10/98
482	Contract Cleaning	A	12/98
472	Goods Transportation	R	4/96

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APPENDIX B

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