MIND THE GAP

Assessing the possibilities of a national statutory minimum wage in South Africa to address inequality
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A Policy Note By:
Rethink Africa/South Africa Network on Inequality (SANI) at the Economic Justice Network
Supported by Oxfam in South Africa (OiSA)

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Rethink Africa NPC is a youth-led pan African social enterprise focused on issues of African development. Rethink Africa conducts work in Policy Research, Advocacy, Thought Leadership, Stakeholder Engagement and Impact Advisory.

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The debate on the possibilities of a national minimum wage has begun in earnest. The following Policy Note is an outcome of engagement between Oxfam Great Britain in Southern Africa, the Economic Justice Network and Rethink Africa NPC, looking at the possibilities of pursuing a national minimum wage to address income and asset inequality. Former Minister in the Presidency, Trevor Manuel, in the foreword of the National Development Plan, states that the Plan aims to transform the South African state into a developmental state that is capable to intervene to correct historical inequities. A proposed national minimum wage would be an intervention of this kind, aiming to address historic labour market failures and socio-economic challenges.

The Policy Note centrally argues that a proposed national minimum wage will be ineffective in addressing historic inequality, without the effective intervention of a social investment and development-minded state. The study looks at the income trends that have emerged as a result of Apartheid, and how these have reinforced inequality post 1994. Even when compared with other emerging middle income economies such as Brazil, India and Indonesia, South Africa’s income inequality is at stark levels. The differences between the income shares held by the top and bottom 10% of the income distribution have shown that the bottom 10% has received the short end of the stick since 1994, while the top 10% earners have seen an improvement in their share of the domestic income. This is what, structural economists such as Lance Taylor have identified as a strong characteristic of capitalist economies; a distributional conflict between profit earners and wage recipients.

Most analyses of inequality trends in South Africa, as the data presented indicates, tend to focus on income inequality, without understanding the holistic challenge of inequality, which includes asset inequality. The study explores the historic dispossession of the majority of black Africans in South Africa, who suffer from asset deficits which in conjunction with meagre wages reinforces their position at the bottom of the wealth and income distribution. In so, doing the study analyses how the wage is an important determinant of economic health and survival for the majority of South Africans who have very little non-wage sources of income. The track record of sectoral determinations, has done very little to ensure that people receive a living wage. However, in light of this many argue, using the neoclassical economic theories discussed in this study that a national minimum will lead to employment losses and declines in the competitiveness of domestic industry.

The study also looks at the success of the Brazilian social protection mechanism, the Bolsa Familia. For South Africa to benefit from a similar program, it is suggested that the South African state change from being a ‘transfer welfare state’, that seeks mainly to distribute funds through early retirement programs and lengthy unemployment benefits to a ‘social investment state’, like Brazil, where it is actively interested in continued health and education initiatives and investments. The central argument that then emerges, is that a national minimum wage in conjunction with other socio-economic investments will reduce inequality.

Therefore, a national minimum wage rolled out in conjunction with an industrial and social investment policy, which offers among other things, improved research and development, management skills, export subsidies, training and alternative energy resources, can ensure businesses can remain competitive without wage increases affecting industrial competitiveness, and also address income and asset inequality.
In an attempt to change the apartheid-wage structure, certain reforms have been called for to tackle the growing deadlocks in the bargaining councils and the low wage structures that are symbolic of many sectors in the South African economy. The Congress of South African Trade Unions (COSATU) proposes, among others proposals, the implementation of a national minimum wage. This is an effort to protect low-paid workers and reduce the continual increase of the income gap; the discrepancy between the average wage and median wage.

The national minimum wage which will be set by policy will make room for sectoral wages to be set above the minimum wage proposed. This policy should be accompanied by a suitable industrial, macroeconomic and trade policy that ensures that a national minimum wage is a ‘means to an end’ and not the end-product. What is sought is the restructuring of the labour market and not replacing collective bargaining with a national minimum wage. This could be in the form of a more innovative social protection system, similar to that employed in Brazil, which will see the country adapt to become a social investment state that is proven to be more sustainable than its current operation as a social transfer state. A social transfer state according to Philippe Burger, is a state that dedicates a large component of spending to passive social transfers (pensions and generous unemployment compensation) without prioritizing social investments in education, infrastructure and healthcare. The European Commission defines a social investment state as a state that integrates its ‘economic, social and employment policies, with a clear goal that these policies should be mutually reinforcing’.

The central argument made with regard to the impact that a national minimum wage will make to South Africa’s levels of inequality is a rather straightforward one. A national minimum wage needs to be accompanied by a significant social wage in the form of public investment in the spheres of education, healthcare, transport, communications infrastructure and income and asset transfers. The provision of a social wage is an important function of a state with a focus on social investments that can eradicate intergenerational poverty and inequality. In sum, the argument is that a national minimum wage policy will only be effective when accompanied by an extensive social investment programme buttressed by a developmental trade and industrial policy.

The intention is to offer social protection deemed primarily to prevent workers from earning very low wages since currently, many sectoral wages or bargaining council contracts set wages below the minimum living level, approximated at a monthly income of R4000. A national minimum wage floor is not anticipated to solve the current labour issue in the country, on its own but if it is coupled with other sectoral agreements and an effective social wage, it has the potential to get the country out of its current wage crisis. The Policy Note will discuss the issues around minimum wages by firstly examining the income trends that arose as result of the apartheid era and will expand on the issue of inequality that is often misunderstood, as an issue of income differentials. However, asset inequalities are key in understanding the historical issue of inequality.

Secondly, it will explore international trends in minimum wages, examining their origin and successes. Sectoral minimum wages will be examined together with the difficulty incurred in correcting the apartheid wage structure. This will specifically focus on the agricultural sector and the mining sectors, which advocate for a living wage and the protected services sector. To gain perspective on the potential of a holistic social protection programme, the case of Brazil’s Bolsa Familia programme will be analyzed to see how it managed to alleviate poverty and inequality in Brazil.

The last section will focus on the post-apartheid policies implemented, that attempted to improve employment and growth such as GEAR and RDP, thereafter we will be examining the culture of social protectionism and whether it may lead to a dependent state; this will be further explored when defining what the social wage is in South Africa, and the potential impact it has in reducing South Africa’s levels of inequality. The concluding section will briefly discuss a few policy recommendations that civil society actors can organize themselves and their advocacy efforts around.

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1 Philippe Burger, *How suitable is a developmental state to tackle unemployment, inequality and poverty in South Africa* Econ. 3x3, 26 March 2014
2 Jorma Sipila, *Social Investment State: something real or just a new discourse* Paper prepared for presentation at the 2nd Annual RECWOWE Integration Week, Oslo, 10-14 June 2008.
This Policy Note aims to assess the potential that a national minimum wage can play in reducing asset and income inequality in South Africa. The assessment is carried out for two important reasons. Firstly there is a need to create a body of knowledge and research around creating a coherent social protection regime that can address historical legacies of inequality. At the centre of such a social protection regime, is a need to regulate wages in the face of significant and historical labour market failures that prevent many working people from earning a living wage.

Secondly, there is a need for popular civil society voices to engage in policy processes, in a manner that is representative of the constituencies that they serve, in particular the poor. Such an endeavour requires informed and rigorous debate around these issues. As Deprose Muchena notes;

‘...if governments and civil society are going to be successful in efforts (aimed) at reducing poverty and inequality, understanding the cause, nature, level and impact of inequality on society, the economy, and on governance is a central objective of that endeavour’

The central objective of this note then, is to create a resource that can inform the strategies and work of civil society actors involved in debates, campaigns and policy processes aimed at achieving effective wage and non-wage forms of survival for the poor in South Africa. Moreover, the Policy Note makes the case that a national minimum wage needs to be analysed in conjunction with existing and potential social protection measures that can ensure sustainable livelihoods for all. In so doing, the Note explores the need to locate a discussion of the possibilities that a national minimum wage presents, in the existing thinking around how we can create an effective social wage and asset transfer, as part of a far reaching project of redistribution. In this regard, it is hoped, that the Note will play a significant role in igniting rigorous debate and policy reflection across different sectors of society, on this important issue.

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SECTION I: Inequality and Income trends among the poor in democratic South Africa since 1994
There is increasing evidence that South Africa’s Apartheid-inherited triple challenges of unemployment, inequality and poverty have persisted into the democratic dispensation. Looking at the industrial and community-level unrest since 1994, one can already see that the fault-lines of our democratic landscape reveal some uncomfortable truths. A common view is that South Africa is one of, if not the most unequal societies in the world. This view is reinforced by the data which indicates a rising trend in inequality, as can be seen in Figure 1.

What the figure above indicates is an increasing inequality trend between 1995 and 2010. Even when compared with other emerging middle income economies such as Brazil, India and Indonesia. South Africa’s income inequality is at stark levels. Further analysis of the data indicates a widening gap, albeit one that is tapering off, between the income shares held by the top and bottom 10% of the income distribution. This is what, structural economists such as Lance Taylor have identified as a strong characteristic of capitalist economies; a distributional conflict between profit earners and wage recipients.

This distributional conflict, lies at the centre of the inequality challenge in South Africa. As Figure 2 shows, the proportion of income going to the top and bottom 10% earners in South Africa between 1995 and 2010, indicates that the largest income gains in post democratic South Africa have accrued to income earners in the highest decile.

The trend of the lines above indicates a steady decline in the total income share of the accruing to the bottom 10% earners in the economy. Another defining feature of the wage income gap is its racialized nature. According to Bloomberg, black household incomes in South Africa increased on average 169% between 2002 and 2012, with annual earnings reaching R60 613 by 2012. Average incomes in white households increased by 88% to R365 134 over the same period. In a country where 80% of the 51.8 million people (according to the 2012 National Census) are black, this is a clear indication of the difficulty of meaningfully addressing historic income and asset inequalities in South Africa. This, coupled with a crisis of unemployment has meant that there are many in addition to those accounted for in the earnings figures above, who aren’t in any employment and whose story doesn’t make it into the picture told by the numbers above.

The World Economic Forum Global Risk 2014 report estimates that more than 50% of young South Africans between 15 and 24 are unemployed, and form part of the 73 million-strong cohort of unemployed in the same age bracket, the world’s ‘lost generation’.

These are the young people whose frustration at the challenge of underemployment and lost potential, finds expression in the service delivery protests that have become an increasingly familiar feature in South Africa’s social landscape.

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IB. Income and Asset Inequality Trends in South Africa over the past 20 years

Most analyses of inequality trends in South Africa, as the data presented above indicates, tend to focus on income inequality, without understanding the holistic challenge of inequality, which includes asset inequality. Numerous authors have written about the wars of dispossession that robbed the indigenous people of their land and other means of survival. The 1913 Land Act, was but a continuation of a history of dispossession, which begun in South Africa in 1652. A young Thabo Mbeki, in his well-quoted 1978 address, *The Historical Injustice*, says the following about this stage in South Africa’s economic development;

‘The settlers of 1652 were brought to South Africa by the dictates of that brutal period of the birth of the capitalist class which has been characterised as the stage of the primitive accumulation of capital’\(^6\)

Primitive accumulation refers to the genesis of capital, and the capital owning classes of society, and one of the actors in the distributional conflict between wage and profit. The concept refers to the experiences that have led to the development of class distinctions between wage-earners and profit recipients. In South Africa, the wars over land, cattle raids and other socio-political events between the 17th and 20th century, have led to a situation where the majority have been dispossessed of non-wage forms of income and survival. Fundamentally, there exists an asset deficit among the black African community in South Africa, in addition to a widening income gap between this community and their white counterparts. Stellenbosch economist, Prof. Servaas van der Berg argues that the main explanation for differences in consumer patterns between white and black middle class, after considering their incomes is the difference in the assets that they own\(^7\). Van der Berg argues that;

‘Buying patterns show that black households are spending much of their income on reducing these deficits, acquiring cars, property and durable goods and spending on education. In so doing, they are left with less money to consume other goods and services’\(^8\)

What Prof. van der Berg also implicitly directs us towards, is that the pursuit of both consumption and more long term focused spending such as that on education, leaves little for investment, and thus the creation of wealth. Looking at two areas; black ownership of equity in the Johannesburg Stock Exchange and track record of land reform and redistribution, the argument is made that the track record of asset transfer in South Africa has been dismal, and this has made the asset inequality picture in South Africa starker.

Firstly, a look at the JSE is justified particularly due to the structural features of the South African economy that the Exchange depicts; an economy with strong links between mining, finance, construction, wholesale, retail and manufacturing as its building blocks\(^9\). Only 21% of the JSE equity is owned by black Africans; 9% of this is held directly through empowerment stakes, and 12% through mandated investments such as pension funds and unit trusts. However, the figures on direct ownership include

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6 Thabo Mbeki, *The Historical Injustice*, Speech delivered in Ottawa, Canada, February 1978
8 Ibid
many black economic empowerment (BEE) share ownersh
many black economic empowerment (BEE) share ownership deals that were financed through debt, and which in a way dilute the 9% figure, as true ownership of those shares vests with the commercial finance entities that provide the finance for these deals.

Secondly, in the area of land reform, in addressing the legacies of the 1913 Land Act, South Africa has fallen short of the expectations that its people had of what freedom and liberation would mean on the countryside. Land reform in the post-Apartheid era ultimately had to address this unequal pattern of ownership and accumulation in South Africa’s agrarian economy. As current Minister of Rural Development and Land Reform, Gugile Nkwinti notes in explaining the post 1994 government’s approach to land reform, that it aims to take reasonable legislative and other measures within its available resources to foster conditions which enable our country’s citizens to gain access to the land on an equitable basis. According to government statistics, ‘4813 farms were transferred to black people and communities through the various redistribution programmes, from 1994 to the 31st of January 2013, benefitting 230 886 persons, including women, young people and persons with disabilities.’

In a country, according to the statistics presented by Sender and Johnston, that has 3.3 million rural households, these statistics also support the assertion that land reform has clearly failed to make a significant dent in the landlessness of the black African people. The link between wage income and asset ownership is an important one, particularly in an economy built on migrant labour from the countryside. Therefore the transformation of social and property relations in the agrarian economy is important.

Indeed, many have called for significant asset transfer in the form meaningful community share ownership, and significant worker ownership of equity in the firms in which they are employed. A similar argument is being made by the Minister of Rural Development and Land Reform, Gugile Nkwinti, in his proposal of joint 50/50 ownership of commercial agricultural land earmarked for land reform. This signals a significant shift in thinking, and represents urgency on the part of the government to solve the distributional conflicts in the agrarian sector in South Africa, and civil society voices need to ensure its implementation and monitoring of performance successes and challenges.

In the context of the outlined issues of inequality and asset deficits, wages are then usually the only source of material survival for many working people in South Africa. The imbalances in asset ownership and control, then serve to reinforce intergenerational asset inequality.


\[11\] Ibid
IC. The working poor: a brief discussion of precarious employment in South Africa

The argument pursued by many analysts has been that South Africa’s labour legislation is one of the factors that are discouraging investment, growth and employment creation. The World Economic Forum Global Competitiveness Index, takes into account the efficiency and flexibility of the labour market, and this is seen as key indicator and influencer of investor sentiment. Flexibility looks at the ease of hiring and firing, wage determination and labour-employer relations. South Africa’s ranking in these areas was as follows out of 148 countries:

- 116 for labour market efficiency
- 144 for flexible wage determination
- 147 for hiring and firing practices

If one reads this report in isolation, one would argue that South Africa’s labour market is among the world’s least flexible. This is an ahistorical reading that overlooks the need for wages to take into account historic income and asset deficits in an economy built on super-exploitation of cheap African labour. That said, the reality is somewhat more complex, as South Africa’s labour market has become multi-layered. Many of those employed in South Africa are in precarious employment. Precarious employment here includes those in temporary contract work, who are not unionized and whose conditions of employment often represent breaches of labour legislation.

According to COSATU, collective bargaining covers only a third of the South African workforce. This means that two thirds of South African workers are employed in sectors where they have no access to unions, bargaining processes or any other collective avenues to advocate for improved conditions of employment. This has been a result of weaker unions and shifting trends in production in particular in services and the retail sector, where competition with low labour cost economies makes for precarious employment. The statistics on unionization, indicate declining levels of workplace organization. Private sector union density, declined from 36% in 1997 to 24% in 2013\(^1\), while the absolute number of unionized private sector workers remained at the same levels. This means that the growth rate of employment in the private sector, outstripped the growth rate in unionization. Bhorat, Naidoo and Yu argue that the decline in union density since 2010 has been at a sectoral level, driven by declining membership numbers in manufacturing, construction, finance and agriculture.

Theron and Visser argue the following with regard to third party non-union contract labour which has become an important feature of the South African labour market;

“The factories and the mines that in the 1980s were the workplaces in which the trade union movement in South Africa rose to prominence are today a more unequal place than they were then, as a result of a proliferation of service providers, labour brokers and others that operate there. These satellites of the core business many employ up to half, or more than half of workers on site, sometimes at less than half the wages of workers employed by the core employer doing the equivalent work”\(^13\)

What this then indicates is an important feature of the 21st century post-Apartheid workplace. A work place that is defined by intense competition due to regional political challenges that have given rise to a large migrant community and high levels of unemployment, has led to a low reservation wage in South Africa. A reservation wage is the lowest wage at which a worker would be willing to accept a particular job. This situation leads many workers to accept any job that comes their way, as the prospect of joining the large mass of unemployed is far worse than employment below the level one needs for survival.

\(^1\) Bhorat,H; Naidoo, K and Yu,D. Trade Unions in an emerging economy. The case of South Africa. WIDER Working Paper 2014/055

SECTION II: Why a Minimum Wage? Lessons from across the world.
IIA. A Brief History of Minimum Wages across the globe

Since the transformation of the world economy that began with the Industrial Revolution, discussions around minimum wages have raged alongside, and because of this transformation from agriculture into new forms of manufacturing & industrialization. Industrialization lead to unprecedented & sustained economic growth and population growth and a dramatic general increase in human standards of living. It also lead to unprecedented levels of inequality and cost of living. A source of this, economists of the structuralist and dependency schools of development have theorised, is that rapid industrialization required reinvestment of profits, which required downward pressure on wages.

Minimum wages have existed since around 1896 when New Zealand and Australia began with the setting of basic wages in low-paying industries, followed by the United States with national minimum wages around 1938, and a Latin America trend in the 1960s. Currently 90 percent of countries globally have legislation supporting minimum wages.\(^{14}\)


A glance at international minimum wage policy

International data on minimum wages show the extremely varied set of indicators minimum wages are based on: including sector; region; occupation or a mixture of these. Although not directly comparable, all data sets show that global minimum wage policies vary from country to country and within countries with various criteria for adjustment eligibility. The United Kingdom, France and most recently Germany, for example, have a single hourly minimum wage rate, that is revised every year. On the other hand, Kenya and China have more complex minimum wage regimes that factor in geographic location (such as whether workers work in urban, semi-urban areas etc.), occupation, and other factors all at once leading to a multiplicity of minimum wages. In addition to this, different minimum wage regimes either codify the minimum wage rate into law, or allow ministries, statutory or ministerial bodies or commissions to determine minimum wage scores.

Very broadly, developing countries since they usually have higher levels of income and labour market disparities cater for this with complex minimum wage regimes.
Economic theories of labour markets

Neoclassical economists argue that minimum wages distort the labour market, by disrupting the labour market price (wage) mechanism. Minimum wages set an “artificially” high price for labour and this then drives down demand for labour while increasing the supply of labour-the oversupply of labour being unemployment. This model of the labour market treats labour as a commodity like just like other inputs. The claim is that the inefficient use of resources caused by this distortion of the labour price creates a “deadweight loss” of utility to society.

As Mike Schussler argues,15 the situation of the price of labour in South Africa is bad enough in South Africa, and his comments imply it would be worsened by a national minimum wage. Schussler argues that the wages of “unskilled & semi-skilled workers”, when compared to rich countries, have risen too quickly. This has driven up the cost of producing goods and services, made South Africa’s productive sector less competitive than comparable countries, and is the source of South Africa’s chronic unemployment.

Schussler claims South Africa’s productivity is on par with developing countries although its wages are on par with rich countries. Schussler recommends that wages be lowered for certain categories of work, in order for the economy to properly absorb the unemployed and solve the problem of economic stagnation. The fact South Africa has a severe labour market mismatch between high demand for high skilled workers and a high supply of low-skilled and unskilled workers exacerbates this situation.

However, contrary to Schussler’s claim, there are reasons to think that a national minimum wage would have positive effects on the South African economy. As Senior Business Support Manager at the Industrial Development Corporation and Secretary General of the Association of Black Securities and Investment Professionals, Sibongiseni Mbatha argues;

‘a national minimum wage has the benefits of shifting distribution (towards the poor) and increasing the salaries of the poor, in the market this means, the masses have a better purchasing power, which will drive consumption and ultimately production’16

In supporting this view, COSATU Affiliates Co-ordinator, Jane Barrett argues that the national minimum wage should be rolled out in conjunction with an industrial and trade policy focused on encouraging the labour intensive and absorbing manufacturing sector17

The different views around a national minimum wage, as the preceding discussion indicates, show that it doesn’t automatically follow, that the implementation of a national minimum wage will lead to job losses, and lower output growth. In fact, as the views of Barrett and Mbatha show, a national minimum wage through consumption channels, may lead to employment and output growth.

Organised labour and the political economy of labour market outcomes

However, in addition to arguments about poverty & inequality, the increasing historical success of lobbies for minimum wages can be attributed to the strength of organized labour as a political interest group, as well as organized labour’s increasing ability to conduct industrial action that affects labour price more effectively. Recently, this strength was shown in the protracted strike in the mining sector in 2014, the longest in South African history. Thus, the evolution of organized labour power is an extremely important part of the evolution of labour market outcomes. South Africa’s organized labour has long enjoyed significant and varied types of influence in labour markets in South Africa. It currently exercises this influence in the roles of contributing to macroeconomic and social policies through NEDLAC18, and through both direct job creation & indirect job creation through skills development.

However, the extent of trade unions’ influence in South Africa is only partially captured by their membership levels, their impact on average wage levels, and their pursuit of strike action, when measured in the context of the country or in comparison to other countries. That is, trade unions, COSATU in particular, in South Africa do not play a mere factory floor role. Due to its importance in the apartheid struggle, much of the federation’s power is derived from its position as an alliance partner with the ruling party. It is partially because of this power, to influence and engage with ruling party policy processes, that the debate around minimum wages has been pushed forward.

16 Sibongiseni Mbatha speaking at speaking at the Oxfam/Rethink Africa/EJN Minimum Wage Roundtable Discussion, Wits Origins Centre, 22 July 2014
17 Jane Barrett speaking at speaking at the Oxfam/Rethink Africa/ EJN Minimum Wage Roundtable Discussion, Wits Origins Centre, 22 July 2014
IIB. The Track Record of Sectorial Minimum Wages in South Africa

South Africa does not have a national minimum wage but has a number of sectoral determinations on minimum wages, which are the responsibility of the Department of Labour. The Minister of Labour is empowered by the Basic Conditions of Employment Act 97 of 1997 to make sector determinations around minimum wages, and conditions of employment such as maximum working hours and number of leave days. Only a specific set of nine sectors, where labour is considered “vulnerable”, is governed by the Department of Labour’s sectoral determinations. Other sectors are covered by individual, collective or centralized bargaining agreements.

Although government determines sectoral determinations unilaterally, consultation occurs with interest groups such as employer groups, registered trade unions and trade union federations. The lack of compliance and enforcement threatens the gains of minimum wage policies. A Department of Labour investigation found that about 45% of complaints had been ignored although 800 inspectors oversee the dispute resolution process.\(^\text{19}\) Non-compliance is affected by characteristics such as education and age, as well as sectoral, contractual, and spatial characteristics.\(^\text{20}\) As COSATU Affiliate Development Officer, Jane Barrett has noted;

‘….with a multiplicity of minimums in the current system….compliance is difficult to enforce’\(^\text{21}\)

As such Barrett and labour federation, COSATU are in favour of a national minimum wage;

‘….a national minimum wage would make compliance easier because of the statutory nature of the minimum’\(^\text{22}\)

In addition, there would still be scope for sectoral and sub-sectoral minimum wages. As Sibongiseni Mbatha observes;

‘A minimum wage has to be informed by sectoral and sub-sectoral minimum wages, it cant come from a blind spot or a vacuum, it has got to be informed…..we cant say that the national minimum wage must be X without interrogating sectoral and sub-sectoral wages. Take for instance, in the mining sector there are differences, there is a platinum mine and a coal mine, and these products don’t cost the same to extract’

A national minimum wage would solve the problems of the current minimum wage regime by avoiding the multiple minimums that often confuse employers and employees, and make enforcement difficult. Moreover, a national minimum wage would create certainty in the labour market and improve the livelihoods of workers. The next section will briefly discuss various findings on the impact of sectoral minimum wage policies.

Agriculture

Considering the year 2007\(^\text{23}\), and examining only the agriculture sector, the implementation of the minimum wage law in the agriculture sector was found to have positive farmworker-wage, wage-gap and contract coverage results. Farmworker wages rose


\(^{21}\) Jane Barrett speaking at the Oxfam/Rethink Africa/EJN Minimum Wage Roundtable Discussion, Wits Origins Centre, 22 July 2014

\(^{22}\) Ibid

by about 17 percent. In those districts with a higher wage gap, where, compared to other districts, the farmworker wage was much lower than some control group wage, there was a more extensive shrinking of the wage gap. In terms of contract coverage, the implementation of the law increased the number of workers with employment contracts to about 57 percent.

On the other hand, the minimum wage law had negative results on levels of employment in the agriculture sector. This is in agreement with international findings24, which find that the more aggregated data is used, especially data examining unskilled workers, the higher the likelihood of disemployment effects becoming manifest.

### Mining

The mining sector is not covered by a sectoral minimum wage. However, the topical “living wage” of R12 50025 lead to the longest strike in South African history. A living wage based on the household dependants- and the resultant core monthly consumption profile of a South African mine worker calculated by SPII justifies a wage of R4850 which is still far from the R12500 wage that was a rallying call for the main organised labour forces involved in that industrial action. However, this amount is nowhere near a living wage as it does not include school fees, transport and other costs associated with the daily lives of workers, let alone savings and investment. In terms of the dependents that would rely on the monthly income of the workers, who may receive child support grants or old age pensions which are R260 and R1450 respectively.

Therefore if a miner’s wage stood at R9000 a month, and he or she had two children and one parent on pension, the total family income would be around R11000, which would meet the basic monthly requirements and nothing more26. This then validates the R12500 wage demand that workers make, as a wage that would allow workers to meet their monthly needs. This is the case especially if one takes into account that most workers support more than three or four dependents, and as migrants often support families in the rural homelands or neighbouring countries.

### Protected Services

The majority of protected sectors are service sectors. After the introduction of the laws, there was an increase in real hourly wages, in areas with the highest wage gaps, as well as an increase in monthly wage figures in retail, domestic work and security. Forestry experienced no significant change in real monthly wages, while the Taxi sector experienced increases in real hourly wages that were offset by “negative adjustments at the intensive margin”. This refers to increases in working intensity and hours that offset gains in wages. In this sector, these ultimately lead to an insignificant effect of the minimum wage law on real monthly wages.

For most sectors, the minimum wage is usually high relative to the mean or median wage. Minimum wage also positively influenced employment and output, although this is influenced by the employment-output elasticity of the sector.27 In the end, most sectors experienced wage increases. The policy recommendations that follow from the general statistical results are that on the one hand, government must focus on the strength of enforcement, in the form of labour inspector personnel to curb non-compliance.
IIC. Wage struggles in undoing Apartheid’s inherited poverty, unemployment and inequality in democratic South Africa

Origins of the apartheid wage gap

Debate about South Africa’s economy usually revolves around the issues of unemployment, poverty inequality as well as economic growth. However, there are (at least) two deeper issues that contribute to these challenges and these inform the debate about the adoption of a national minimum wage. A major argument for the adoption of a minimum wage is based on the claim that the ‘apartheid wage’ has persisted beyond the transition into democracy. The argument is that this wage level has been perpetuated, firstly, by the maintenance (albeit in a transformed manner) of the historical structure of the South Africa’s economy, and secondly, the adoption of neoliberal policies, which have failed to reverse the exclusionary nature of the apartheid economy, and at times, made it worse.

South Africa’s economic structure

Historically, the core of South Africa’s economy was the apartheid racist state support and promotion of large business. Economic activity was highly concentrated in the so-called mineral-energy complex- the mining, minerals and energy sectors which is sometimes termed the Mineral-Energy-Complex or MEC, a concept introduced by Ben Fine and Zavareh Rustomjee in their book on the political economy of South Africa. South Africa’s extractive economy was supported cheap Black labour, the abundance of cheap Black labour itself being caused by numerous land reform laws that largely prevented the majority from owning land and having access to other forms of income.

Part of South Africa’s problem is that it has not experienced a linear evolution of its economy as is generally observed in orthodox economic theory. The conventional path of developing countries’ economy would be a move from agrarian economy to value-added manufacturing or diversification of economic activities and then tertiary sector activity. Rather, its strongest sectors include its financial sector and services sectors that are high on the production value chain. The crucial step in the direction of manufacturing, taken by the developed countries, has not occurred in a significant way, leaving many of those who have been historically deprived of skills, unemployed. According to findings by Seeraj Mohamed, the liberalization and internationalization of financial markets in South Africa since 1994 has led to significant increases in foreign capital flows, but there were significant costs to the economy in terms of economic growth, investment and employment. This is because the increases in liquidity were channelled to increasing consumption, imports, share price and capital flight.

Foreign capital flows were not absorbed well enough into South Africa’s real economy. The increased liberalisation of financial markets increased uncontrolled flows of volatile foreign capital and with this volatility came macroeconomic and financial instability which dampened confidence for long-term investment and employment creation. The longer-term impact of this has been an economic growth path that has shifted allocating capital, skills and infrastructure towards speculation, consumption, unproductive services and has led to industrialisation.

Neoliberal policy regime

Post-apartheid South Africa has had a number of national policy programmes from the RDP to GEAR to the current NDP. These programmes have all become...
progressively more neoliberal- or market-centred- in their approach for a number of reasons. Amongst others, the global consensus in economics (after the end of the Cold War) and the desire to recover from the effects of the divestment that had helped end apartheid, were reasons why neoliberal policies were pursued in South Africa. The recommendations from these policies, included trade liberalization, financial liberalization, labour market deregulation, the limited role of the state, fiscal austerity, tight monetary policy & central bank independence.28

There were many effects of these policies that, when taken together with the historical nature of the apartheid economy as a concentrated, non-diversified exclusionary economy, could be argued to have contributed to the maintenance of the ‘apartheid wage’. The individual effects are too numerous to mention individually. However, the

draft of neoliberalism is for the state to recede and shrink- and merely play a ‘regulatory’ role, while the conditions to be created are those that allow and promote the private sector to drive the economy. This is since, plausibly, on the one hand the concentrated private sector had little incentive to reform and increase economic participation, and on the other hand, the now merely regulatory state did not actively pursue developmental aims, the apartheid wage remained intact.

Finally, this second point, about the role of the state further supports the importance of rectifying the apartheid wage: the role of the state. Neoliberal policy, including measures like tight monetary policy and tight fiscal austerity also lead to the state withdrawing a number of services it had traditionally provided, such as free electricity and free water. The impact of this has been great on the poor. The struggle for a decent standard of living rests on the need to overcome the above outlined structural and ideological challenges.

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Existing minimum wage landscape

14 sectoral determinations covering 3.5 million workers.

Minimum wage of a farm worker (R2275 per month), Petrol attendant (R2280 per month), and an urban cleaner (R2550).
The National Minimum Wage and Bolsa Familia in Brazil

Brazil is showing the world that it can manage to extend beyond assistance by becoming involved in the socioeconomic changes in the country that have seemed to lift the country out of the poverty line and see a closing of the inequality gap. Bolsa Familia or “Family Grant” has been described as a “social innovative initiative” enforced by the Brazilian Government that seeks to cater for 11 million families, roughly 46 million people, which is a significant percentage of the low-income groups who had never received any form of social assistance prior to this. Hence, it is labelled as one of the world’s best targeted programs. Its objective is to decrease poverty and actively invest in the country’s future, in order to break the “intergenerational” cycle of poverty.\(^\text{29}\)

**How it operates**

Bolsa Familia resulted from the merging of four separate schemes that were part of the ‘Zero Hunger’ initiative brought on by then President Lula’s administration, in October 2003, that sought to tackle poverty head on. These included the Bolsa Escola (School Grant) where mothers received benefits if their children had a school attendance rate of 85% or more while the Bolsa Alimentacao, was mainly for maternal nutrition and sought to reduce malnutrition and infant mortality rates by giving grants with evidence of prenatal care and vaccination schedules. The PETI programme \(^\text{7}\), sought to protect against child labour that is prevalent in Brazil, where grants disincentivized families from letting their children work rather than attend school. The Auxilio Gas, a cooking gas subsidy, to allow families to use affordable and clean gas.\(^\text{30}\)

This initiative was pursued in the hope of enhancing collaborations between governments and families at a grassroots level. Conditional agreements from each programme were combined while the benefits from the grant have been rising over the years\(^\text{31}\).

The initiative is funded mainly by the government’s social grant program, with 87% of the funds coming from the Provisory Contribution over Financial Movements (CPMF) tax.\(^\text{32}\) It also received substantial loans from international banks, as documented in 2004, from the World Bank and the Inter-American Development Bank.\(^\text{33}\)

The programme sought to make the female head of household the beneficiary who receives payments after showing evidence to program officials of “regular school attendance, proof of children’s vaccination, visits to health clinics and other activities such as participation in nutrition and vocational training courses”.\(^\text{34}\)

Individuals are grouped into various income groups and receive payments accordingly; for instance, the very poor that earn up to $60 a month receive monthly payments of $35. The grant receipts are tracked using a database to maintain the transactions payment. The household head (usually the female) receives payment through an electronic benefit card, after approval from program officials, allowing for an efficient tracking system.\(^\text{35}\)

**Evident Benefits**

Conditional cash transfers have gained popularity in that they are designed to defend against long-term poverty by ensuring that grant payments depend on the outcome of healthcare participation and school attendance especially, which is monitored by a universal attendance monitoring system under

\(^{29}\) World Bank, Bolsa Familia: Changing the Lives of Millions in Brazil, News and Broadcast, 2013.

\(^{30}\) Hall, A, (2008), Brazil’s Bolsa Familia: a double-edged sword? Oxford Publishing

\(^{31}\) Ibid

\(^{32}\) COHA (2007), Brazil’s Bolsa Familia at Risk

\(^{33}\) Hall, A, (2008), Brazil’s Bolsa Familia: a double-edged sword? Oxford Publishing

\(^{34}\) Ibid

\(^{35}\) Kathy Lindert et al. (2007) The Nuts and Bolts of Brazil’s Bolsa Familia Program: Implementing Conditional Cash Transfers in a Decentralized Context

\(^{36}\) World Bank, Bolsa Familia: Changing the Lives of Millions in Brazil, News and Broadcast, 2013.
an 'Attendance Project'. This boosts demand in the economy and supports human capital growth an intended dual responsibility between families and government, with positive externalities.

The income inequality gap has seen a successful drop by 4.6% since the initiation and expansion of the program in 2003, as was measured between 1995 and 2004. This is highlighted in Figure 3, which shows how Brazil’s Gini coefficient having fallen over time below South Africa’s. A 3.6% increase in school attendance and a lower dropout rate for beneficiaries were noted among Bolsa Familia members. There was a rise in labour participation rates by 2.6% and 4.3% among women as areas benefiting from the programme showed evidence of increased economic activities.

The initiative has spread to neighbouring countries such as Chile, Mexico and is crossing international borders to Turkey, Morocco and South Africa. The metropolitan city of New York has adopted this programme for use in a ‘conditional transfer of income program’ titled Opportunity NYC. The programme is composed of three projects: a Family Rewards programme that concentrates on education, health and parents work-efforts; a Work Rewards project focusing on work-efforts of adults earning low incomes and a Spark project focusing on children and their performance at school. Developed by a Harvard team, the antipoverty initiative applies a similar method of conditional cash transfers showing that developed nations can learn from the emerging economies.

For South Africa to benefit from a similar program, it is suggested that it change from being a ‘transfer welfare state’, that seeks mainly to distribute funds through early retirement programs and lengthy unemployment benefits to a ‘social investment state’, like Brazil, where it is actively interested in continued health and education initiatives and investments.

The graph below illustrates the number of families benefiting from the Bolsa Familia initiative as recorded between 2001 and 2007. This clearly shows its success throughout the years.

Source: Hall (2008)

The Bolsa Familia programme has improved Brazil’s economy by contributing to a diminishing inequality gap and by increasing the level of human capital. This has had positive effects as productivity within participating sectors has risen in the form of high labour participation, lower dropout rates but most importantly, it has allowed families to sustain themselves in a decent and sustainable manner.

The implications of the outlined success of the Bolsa Familia programme, for South Africa, are that an integrated and holistic social protection strategy can meaningfully deal with inequality. Indeed as Rethink Africa NPC Chair Ayabonga Cawe argued at the Oxfam/EJN/Rethink Africa Minimum wage Roundtable, the country ‘needs to address the backlogs in the delivery of a social wage, for example in the healthcare, education and transport sectors’.

Due to the multiplicity of backlogs in these social areas, there is a need for a coordinated strategy that will address these multiple concerns

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**Figure 3:** Growth in the Number of Families (in millions) Benefiting from Major Cash Transfers Programmes (Bolsa Escola & Bolsa Familia) Brazil, 2001-2007

The graph below illustrates the number of families benefiting from the Bolsa Familia initiative as recorded between 2001 and 2007. This clearly shows its success throughout the years.

### References

37 Kathy Lindert et al. (2007) The Nuts and Bolts of Brazil’s Bolsa Familia Program: Implementing Conditional Cash Transfers in a Decentralized Context
40 Manpower Demonstration Research Corporation, (2014), Opportunity NYC Demonstrations
41 P.Burger, Facing the Conundrum: How Useful is the ‘developmental state’ concept in South Africa?
42 Ayabonga Cawe speaking at the Oxfam/EJN/Rethink Africa Roundtable on Minimum Wages, Wits Origins Centre, 22 July 2014
SECTION III: Policy and Impact Analysis
IIA. Economic Policy and Governance

As the country gained its independence from the apartheid regime in 1994, the government of South Africa needed a plan of action, one that would foster inclusive growth and sustainable economic development. With heightened expectations from the citizens, the Reconstruction Development Plan (RDP) was formed in 1994. Its aim was to push for immediate and equitable redistribution of existing resources, addressing the legacies of inequality. Its underpinnings also stipulated that workers in industry be in a position to negotiate better wages vis-à-vis collective bargaining. The RDP raised attention to the “living wage” which would act as a benchmark in industry ensuring that all workers received enough to maintain humane living conditions. Collective bargaining was legalized and promoted thus ensuring that workers were empowered to play an active role in the decision making and be able to liaise with their employees for better wages when the need arose in different sectors across the spectrum.

Two years following the inception of the RDP, consensus shifted to focusing on redistribution through growth instead of focusing on redistribution from existing resources. It is in this light that the Growth Employment and Redistribution Policy (GEAR) was formulated and adopted in 1996. GEAR aimed to reduce the government’s intervention in the economy by creating jobs so as to ensure that people would be empowered and self-reliant. GEAR’s goal was to create 400 000 jobs and promote ‘flexible’ minimum wages across the various economic sectors taking cognizance of the different contexts. GEAR’s main aim was to create formal employment which is easier to regulate thus paving way for a more organized and regulated workforce ensuring that worker’s rights were monitored and protected and people earned decent wages thus perpetuating macro-economic growth.

Despite GEAR pushing for a flexible minimum wage across various economic sectors and backing the ideals of collective bargaining and reducing unemployment rates from above 35% to about 25%, a decade into democracy, the people were still entrenched in poverty in conjunction with job losses and low wages. In a bid to address deteriorating conditions, Accelerated and Shared Growth Initiative for South Africa (ASGISA), focused on promoting equality, alleviating poverty and matters of distribution by identifying what was binding the economy from continued growth. ASGISA singled out broad base black economic empowerment (BBBEE) as a way in which to reduce inequality and create employment. The BBBEE spoke to the transfer of production and ownership to black people thus resulting in a continued move towards employment creation as well. ASGISA also spoke to issues of improving education, skill development and affirmative action to be adhered to if South Africa’s social challenges were to be addressed. However, ASGISA was met with criticism for being vague and broad with the government not only single handily making decisions without including the private sector but also failing to take into account other crucial economic binding restraints such as crime and not necessarily putting forward strong solutions to the nation’s problems.

With the continued prevalence of poverty and inequality in South Africa over the years, it was evident that the policies mentioned earlier were not producing the required results and this led to the introduction of yet another policy; the recent National Development Program (NDP) of 2012. It sought to look at growth in a more holistic manner and not fragmenting attention towards economics. In line with the issue of minimum wage, the NDP proposed the basic income grant (BIG), an initiative which aimed to assist all South African citizens with a minimum level of income so as to ensure that everyone especially the poor were subsidized, so as to enable them to

### Notes

44 Ibid
46 Ibid
49 Ibid
meet their day to day social needs and costs. The BIG
would act as an enabling and empowering instrument for the nation’s poorest such that they would be able to find their way out of the poverty trap snared by the apartheid legacies, paving the way for development and an equal and stable society to grow.

IIIB. Social Protection Debates

Social protection refers to the governments’ responsibilities and actions in a bid to protect its vulnerable citizens thus ensuring the wellbeing of its entire population. South Africa, a nation with one of the world’s most unequal societies, has had to establish means and ways in which to steer a very complex social protection system to curb social issues such as poverty, inequality and unemployment; problems inherently linked to the countries apartheid history. The South African government has made progress towards improving its people’s social welfare through a system of “specific” social grants enabling cash transfers from the “haves” towards the “have nots”. This comprehensive social protection regime plays an active role in society not only to aid its citizens in times of extreme need but to also play a nurturing developmental role which will help South Africa as a nation to meet its Millennium Development Goals (MDG’s).

South Africa’s social protection regime is broad and there are seven types of social grants which are the war veteran, old age, care dependency, foster, disability, child support and the social relief of distress grants. These grants, with particular reference to the old age and child support grant, have made a significant impact in curbing and reducing the probability of the elderly and children to experience extreme poverty and deprivation. The old person’s grant of R1370/month and the child support grant of R310/month have also been seen to help finance entire families. In as much as this reduces the quality of life and services that the government intends for the beneficiaries, it cannot go unnoticed that over 10 million children have benefited from this system and protected from experiencing extreme poverty.

It is evident that the government has made commendable efforts to ensure that its citizens are able to meet and acquire basic needs and therefore reduce poverty, as 12% of the governments total expenditure is directed towards social protection.

IIIEE. III. Institutional Arrangements


56 Ibid.
However, despite South Africa having one of the best social protection programs in Africa, there are still many challenges that have arisen. For example, the grant system is very specific and this has resulted in some people in need not being able to tap in and access government assistance as they do not meet the criteria for the particular grants available. The system also assumes that all able bodied adults (18 years+) will be able to find employment and earn enough to sustain themselves and their families. However, this is not the case as evidenced by the high unemployment rate of 25.2%.\(^58\)

High levels of unemployment subsequently resulted in civil society lobbying for the social assistance package to include a BIG.\(^59\) The BIG would then ensure universal access resulting in all people in need that had been previously excluded, gaining access to government financial assistance. However, the BIG was met with some resistance from the government and some policy makers citing that the initiative was not feasible or sustainable as it required large sums of money that were not available. Those against the BIG also noted on how inequality had been reduced and how it had changed from being a racial issue but rather, that of employment creation and improving education and skills development if equality was to be attained.\(^60\) On the other hand, proponents of the BIG believe that this initiative is pro-development, accommodates everyone and will ensure the reduction of poverty.

In as much as both arguments hold value, they should both take into account the context in which they are operating in and most importantly reflect on a comprehensive approach to ensure poverty eradication and equality by addressing issues such as service delivery in health and education. With globalization and the entrenchment of neo-liberalism and privatization, there is evidence that focus on monetary transfers is alone not enough as the money falls short to maintain a basic living with the ever increasing life costs.\(^61\) Moves to subsidize water, electricity, health care and education aid the cause and such comprehensive measures will complement the cash transfers and hopefully see to the creation of a poverty free and equal society in the long run.

**IIC. Post 1994 Social Wage**

The term social wage generally denotes social benefits that are available to all individuals. In essence these social benefits encompass free education, minimum national health services, adequate and safe housing, water and sanitation, accessibility to areas via safe roads and transportation mediums, social development and public amnesties. The underpinnings for a social wage is to enhance the welfare of the populace, social security and social protection in a bid to “fulfil wider societal needs that reinforce economic policy, redistribute wealth to achieve social justice and equality, institute social change and be a means of ensuring social order”\(^62\), in the broadest sense, welfare is the wellbeing of a person in which their best interest is compared against a standard.\(^63\) Benefits from a social wage can be curative and directly assist a person in the instance of health care, benefits can be developmental in the sense that they help a person realize their potential for example through quality education. Lastly, benefits can comprise “safety nets with services such as pensions that may help to remove uncertainty associated with need, disability, poverty and old age.”\(^64\)

Economists, academics and social theorists have been at loggerheads for decades with regard to provision and distribution of social wages being spearheaded

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by market forces or the state. Left or right, Post-Apartheid South Africa has looked more to this as the mandate of the government, but the public and private sector have been important entities as well in its implementation.

One of the first essential steps towards improving the welfare of South Africans was the 1996 Constitution. Section 27 guarantees a number of social wage rights. It notes, “Everyone has the right to … social security, including if they are unable to support themselves and their dependents.” In the Bill of Rights there is the right to education and healthcare, subject 27 (2): “The state must take reasonable legislative and other measures within its available resources to achieve the progressive realization of each of these rights.”

Furthermore, the South African government has made strides in trying to foster inclusive growth and the social wage through its various developmental plans discussed earlier, such as the RDP, ASGISA, and its White Paper on Social Welfare, GEAR and the NDP.

The following aims to show initiatives and programmes the government has made in order to deliver and rollout social wages:

Recently, the United Nations Development Programme 2013 Millennium Development Goals Country Report for the republic, states that about 60% of government spending has been allocated to the realization of the social wage with expenditure on social services doubling in the last ten years. This year, delivering his state of the nation address, President Zuma spoke in detail of 100 local infrastructure and sanitation projects government was embarking on this year. Some include: electrification of household in Umzinyati District Kwazulu Natal, Water provision in Alfred Nzo Eastern Cape, Water and sanitation in Ngaka Modiri Molema in North West and resolving water billing in Gauteng. One cannot disregard that the South African government has set up important initiatives and programmes to provide a social wage, unfortunately despite the efforts implementation has been far from perfect as evidenced for example, by the text book saga in Limpopo (2012) and the massive number of strikes and protests over the years on service delivery. It has been written that “widespread ‘service delivery protests’ may soon take on an organizational character that will start off as discrete formations and then coalesce into a full-blown movement.”

Although government may be constricted in terms of finance, using available

Table 1: Government service delivery initiatives and programmes

<table>
<thead>
<tr>
<th>Target Sector</th>
<th>Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Children and Adults</strong></td>
<td>Social Assistance Act of 2004 - Basic Child Support Grant, Foster Child Grant, Care Dependency Grant, State Old Age, Pension disability grant, War Veterans’ Grant</td>
</tr>
<tr>
<td><strong>Health</strong></td>
<td>Primary Health Care Services, South African AIDS Vaccine Initiative, National Health Insurance (forthcoming initiative), Reach Every Child District (free immunization), Voluntary Counseling and Treatment, Integrated Management of Childhood Illnesses (IMCI), Lubombo Spatial Development Initiative (LSDI) on malaria, Vision 2020 Prevention of Blindness Programme, Quality of Care Initiative in Hospitals, South African AIDS Vaccine Initiative (SAAVI)</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>Free primary education in some schools, NSFAS, National School Nutrition Programme (NSNP), Leaner Transport Initiative, Girls Education Movement, Accelerated Schools Infrastructure Delivery Initiative (ASIDI), Dinaledi schools and the adopt-a-school programme, Integrated School Health Programme (ISHP), Care and Support for Teaching and Learning (CSTL) Programme, Inclusive Education programme, the Quality Learning and Teaching Campaign (QLTC), Quality Education Development and Upliftment Programme (QEDSUP), Girls Education Movement (GEM)</td>
</tr>
<tr>
<td><strong>Housing</strong></td>
<td>Social Housing Policy</td>
</tr>
</tbody>
</table>

(Source: Data compiled from; Part Two: The Presidency http://www.thepresidency.gov.za/docs/pcs/social/millenium2.pdf)


resources efficiently is of the utmost importance. Recent reports have shown that in the last decade or so South Africa has had escalating strikes and public protests since 2004.

On televisions, the newspapers, radios one cannot ignore the countless number of strikes and protests occurring on a daily basis. This year Municipal IQ Hotspots Monitor reveals that since January 2014, there have been 48 major service delivery protests against local government, with Gauteng and Eastern Cape being the most protest-ridden provinces. Estimates have revealed the following:

**Figure 4:** Major Service Delivery Protests from 2004-2014 & 2014 Major Protest % by Province

<table>
<thead>
<tr>
<th>Year</th>
<th>Norther Cape</th>
<th>Cape</th>
<th>Eastern Cape</th>
<th>Free State</th>
<th>KwaZulu-Natal</th>
<th>Gauteng</th>
<th>Mpumalanga</th>
<th>Limpopo</th>
<th>North West</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2%</td>
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<tr>
<td>2005</td>
<td>34</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0%</td>
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<tr>
<td>2006</td>
<td>32</td>
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<tr>
<td>2007</td>
<td>27</td>
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<td></td>
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<tr>
<td>2008</td>
<td>107</td>
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<td></td>
<td></td>
<td></td>
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<td></td>
<td>0%</td>
</tr>
<tr>
<td>2009</td>
<td>111</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>2010</td>
<td>82</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>2011</td>
<td>173</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>2012</td>
<td>155</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>2013</td>
<td>48</td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<td></td>
<td>0%</td>
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<tr>
<td>2014</td>
<td>-</td>
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<td></td>
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<td>0%</td>
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</tbody>
</table>

**Figure 5:** Percentage, by Province, of Major Protests


**Table 2:** Causes of Strikes and Protests in South Africa in 2014

<table>
<thead>
<tr>
<th>Causes of Strikes and Protests in South Africa in 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unequal and segregated distribution of land in urban and rural areas</td>
</tr>
<tr>
<td>Inadequate disaster relief</td>
</tr>
<tr>
<td>The demands for adequate housing</td>
</tr>
<tr>
<td>Poor service delivery and water</td>
</tr>
<tr>
<td>Removals and evictions which are forced</td>
</tr>
<tr>
<td>Escalating transport prices</td>
</tr>
<tr>
<td>Electricity disconnections, supply especially to shacks</td>
</tr>
<tr>
<td>Overcrowding in schools</td>
</tr>
<tr>
<td>A lack of traffic control in shack settlements or police facilities</td>
</tr>
<tr>
<td>Unanswered memorandums</td>
</tr>
</tbody>
</table>
Instead of a celebratory spirit of 20 years democracy, the country deeply laments years of escalating inequality and poverty entrenching wages. With a Gini Coefficient of 0.70 based on the income expenditure survey, South Africa is one of the most unequal societies across the globe and depressing wages continue to escalate this. In landscape strife with poverty, continuing strikes and protests, labour movements and civil society have been making strides in soliciting change. As Vilakazi and Ndlovu note:

“People’s practices of collective action have existed throughout history; political, socio-cultural, and socioeconomic changes over the last decades, however, have provided a uniquely fertile ground for the emergence of new forms of civic engagement on an unprecedented scale.”

Since the early days of apartheid, South Africa has experienced a growth of collective action from within. Collective action is any action taken by a group in unity, with a goal of achieving a common objective or outcome. Collective action has served to form a powerful space for solidarity and social cohesion and a platform to critique and voice concerns. In the country collective action solidifies a free and democratic society. Different from the days in the struggle when civil society supported either the apartheid regime or those fighting against it, it has now renegotiated its position and stands to air challenges and reforms for all.

Trade unions in South Africa have been described as the largest and most disciplined on the continent, playing very influential roles in determining labour market and industrial relations policies. Democratically, the 1996 Constitution not only recognizes labour unions, but provides for the right of an individual to join and for unions to collectively bargain for mutual outcomes and strike. Legislatively, the Labour Relations Act has furnished workers and unions with avenues for redress through arbitration, conciliation and mediation. With over 191 labour unions in South Africa, excluding federations, workers have been equipped with the tools to construct change.

Labour unions have been vocal on issues of inequality and wages. At an ACTRAV Symposium on Income Inequality, Labour Market Institutions and Workers Power in Geneva COSATU, the biggest labour federation expressed that “(the country has) failed to fundamentally transform apartheid labour structure, particularly its cheap labour basis, and excessive levels of income inequality.” COSATU presented its recommendation for a new policy largely driven by the successful Brazilian experience that calls “for a national wage, social protection, and economic policy to address inherited inequality and poverty in the labour market.” COSATU like many other unions want government to adopt a national minimum wage, universal income support for all adults and New Collective bargaining (CB) strategies to reconfigure the wage structure, based on comprehensive centralized bargaining.

Civil society has ample space in the public and private sphere, to tackle poverty and inequality, through robust advocacy and producing well informed and sound research for policy makers. In a democratic society were spaces to call for public hearings are available, civil society can capture opportunities to contribute immensely for policy change with regard to the debate of the national minimum wage. As Senior Researcher at the Studies in Poverty and Inequality Institute (SPII) Taku Fundira proposes;

“I think we also need to get people involved to hear what they say, once you get people involved and make their voices heard(sic) government will be able

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71 ibid.

72 ibid.

73 ibid.
to devise strategies that go a long way in addressing some of the structural imbalances that currently exist.

With ever-growing forms of media, the voices of civil society must be accentuated to capture support of the public mass. As networks among civil society exist such as SANI (South African Network on Inequality), Earthlife Africa (EA), Equal Education (EE), South African Regional Poverty Network (SARPN), collective action is strengthened to lobby for reform and transformation. Spaces for campaigns, and public engagement, have been heavily influenced by growing forms of media. Petitions have been shared on Facebook; activism has found expression on Twitter; blogs have allowed expression of thoughts; visuals on YouTube and ever growing apps such as Flipboard, WhatsApp, Viber, We chat, have been able to relay information and news for the consumption of ideas.

IIIIE. Minimum Wages and Industrial Competitiveness

Grapping with today’s economy in South Africa and much of the developing world is the conundrum of a minimum wage against industrial competitiveness. Business, economists, the government and labor unions have been in strong contestation over the issue. Is it a matter of theory, statistical inference, ideology or hard proven evidence that justifies more importantly a minimum wage?

In Defence of scrapping a minimum wage - The case made by business

Wages in essence are major production costs incurred by business in South Africa and pretty much across the globe, in the wake of other costs such as electricity and fuel. Wage increases, standard economic theory notes, have the potential to tip the scales under, particularly for labour intensive industries. Business has largely argued against a minimum wage, with fears that industrial competitiveness can be relegated and affect the economy negatively. Labour intensive industries such as the mining sector, have stressed that a minimum wage simply disrupts an efficient competitive labour market and generates surplus labour. Ideally business proposes a non-expansionary wage regime with any revisions being based on productivity or incentives for workers and employees to increase production.

With a minimum wage, business has noted that, industry is forced to reduce benefits and ultimately charge higher prices for goods. Over the decades economists have used different types of models, to explore minimum wages and industrial competitiveness. Research has shown the Competitive Model and the Institutional Model produce results that the business will make changes to adapt to higher wages mostly through trimming jobs. With business increasing wages, the following has been known to be possible: a rise and likelihood for unemployment, a longer duration of unemployment particularly in periods of economic downturn, a cut in employee training, a scraping of part time work hence reduction in school attendance, removal of benefits such as health or housing insurance and a compromise in safety issues. Business has also highlighted that inflation may escalate; crime may rise due to unemployment and possibly the hiring of cheap unregulated immigrant labour.

In Defence of a National Minimum Wage - The case made by union and the rising working poor.

One case that has made major headlines for a minimum wage is Brazil’s success story. Since Brazil consolidated its National minimum wage and formalized labour markets with a combination of

74 Taku Fundira speaking at speaking at the Oxfam/Rethink Africa/EJN Minimum Wage Roundtable Discussion, Wits Origins Centre, 22 July 2014


76 ibid
comprehensive social protection, 17 million jobs were created. In 2003-2010, the Brazil’s National Minimum Wage increased by 81% in real terms. There were more formal jobs in relation to informal jobs with a ratio of 3:1. In addition, inequality was reduced as a result of improvements in wage equity. This experience largely provided the evidence and statistics that a national minimum wage can create employment and allow for bargaining of purchasing. The Brazilian experience contradicts the idea that a Minimum Wage negatively affects the economy, for Brazil, it fuelled domestic demand from -0.5% to 9.1%, which was essential for continued production and hence undisturbed competitiveness. In five years 2003-2008, poverty dropped down by 20 million, from a massive 61.4 million to 41.5 million.77

Keynesian and Structuralist economists like Lance Taylor, argue that a minimum wage has the positive effect of increasing the purchasing power for low wage earners. With a higher purchasing power, the propensity to spend also increases. This steers aggregate demand and drives consumption of goods such as food, clothes or furniture which is ultimately beneficial for industry as production is boosted and business continues to flourish.78 The wellbeing of an individual can improve relatively from a minimum wage, with that productivity of the worker also improves in the workplace, enhancing competitiveness. In societies like South Africa were income disparities are wide and at times unwarranted, increasing wages of the bottom tier, from the distribution of the surplus will not affect competitiveness. A national minimum wage rolled out in conjunction with an industrial policy, which offers among other things, improving research and design, management skills, export subsidies, training and alternative energy resources, will ensure that businesses can remain competitive without wage increases affecting industrial competitiveness. 78

77 COSATU, 2013, ACTRAV Symposium on Income Inequality, Labour Market Institutions and Workers Power in Geneva


Wages count toward 66% of income across most households, 62% for poor household, even though only 22% of people in poor households were employed.
IIIF. Inequality and the precarious state of Mandela’s Rainbow Nation.

“Twenty years into democracy, the issue of inequality has continued to dominate the post-Apartheid landscape. Deep anger and frustrations that is highly flammable, currently prevails amongst the marginalized and poverty stricken millions.”79 - Economic Justice Network and Oxfam, 2013.

The Mandela Rainbow Nation envisions peace and stability, sustained by inclusive economic growth. However, growing income disparities and poverty entrenching wages are exacerbating inequality and poverty. The mass, in the city, the rural areas and purportedly women, still live under conditions characterized by poverty, and a lack of access to essential resources and assets. Statistics reveal, 50% of the South African population resides below the poverty line and sadly of that 90% is made up of the Black populace. As stated earlier inequality levels are at a staggering Gini coefficient of 0.7, one of the highest in the world. At the other end of the spectrum, 10% of the country’s richest own 68% of total income80.

Table 3: Some trends in Income Inequality

<table>
<thead>
<tr>
<th>Year</th>
<th>Gini Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>0.60</td>
</tr>
<tr>
<td>1995</td>
<td>0.58</td>
</tr>
<tr>
<td>2000</td>
<td>0.59</td>
</tr>
<tr>
<td>2006</td>
<td>0.68</td>
</tr>
<tr>
<td>2013</td>
<td>0.70</td>
</tr>
</tbody>
</table>

(Source: Data Derived from World Development Indicators and Stats SA 2012 in The Mind Gap, Assessing Nature of Trends and analysis of national policies to address inequality in South Africa Composite Report)

Table 4: Inequality Gini coefficients among different races

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate</td>
<td>0.67</td>
<td>0.67</td>
<td>0.72</td>
<td>0.7</td>
<td>0.61</td>
<td>1%</td>
</tr>
<tr>
<td>African</td>
<td>0.55</td>
<td>0.61</td>
<td>0.62</td>
<td>0.62</td>
<td>-</td>
<td>-13%</td>
</tr>
<tr>
<td>Coloured</td>
<td>0.43</td>
<td>0.53</td>
<td>0.6</td>
<td>0.5</td>
<td>-</td>
<td>-16%</td>
</tr>
<tr>
<td>Indian</td>
<td>0.46</td>
<td>0.5</td>
<td>0.58</td>
<td>0.61</td>
<td>-</td>
<td>-33%</td>
</tr>
<tr>
<td>White</td>
<td>0.42</td>
<td>0.47</td>
<td>0.51</td>
<td>0.5</td>
<td>-</td>
<td>-19%</td>
</tr>
</tbody>
</table>


With 20 years of democracy, a historic legacy of dampened wages for a large chunk of the work force still prevails, with increases only accruing to top earners in the industry. Inequality has become the most defining challenge of our time. The dangers of inequality are detrimental and precarious to the state. As Taku Fundira argues, with regard to the ticking time bomb of youth unemployment:

It is important to highlight the fact that inequality differs immensely among different races, and gender in South Africa. The Annual Report revealed by the Institute of Race Relations last year, highlighted that “the level of poverty for black Africans sits at 42% whilst that of whites is just 1 percent”81. Within households themselves, income disparities between men and women affects the upward mobility and potential of each group.

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‘…there is a lost generation of the unemployed between the ages of 18 and 59, these people don’t receive a regular income, and they will only access a regular income once they reach retirement age and access an old age grant’.

This indicates that the ‘Mandela generation’ of ‘born-frees’, who have limited prospects of economic participation, may be a significant threat to social stability and peace, and ultimately the development project that the democratic government is trying to pursue.

Inequality serves to:
- Detract the populace at large from democracy and freedom.
- Citizens become highly atomized and withdraw from the public sphere.
- Inequality greatly undermines health and trust. “As society becomes more unequal, the classes interact less frequently”. It has been emphasized that “citizens of more highly stratified societies suffer from increased status anxiety, stress, and mental illness”
- More unequal societies have higher rates of violence, addiction, teenage pregnancy, obesity, and imprisonment.

Inequality has caused a lot of unrest in the country which has resulted in strikes, protests and crime within the provinces.

**Table 5:** Recent Strikes As A Result of Inequality of Low Wages

<table>
<thead>
<tr>
<th>Recent Strikes As a Result of Inequality and Low Wages</th>
<th>Year Occurred</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Macassar Village Land Occupation</td>
<td>May 2009</td>
</tr>
<tr>
<td>The Durban proletarian shopping protest</td>
<td>July 2009</td>
</tr>
<tr>
<td>The Abahlali base Mjondolo march on Jacob Zuma in which City Manager Mike Sutcliffe tried to ban the shack dwellers from occupying the CBD</td>
<td>March 2010</td>
</tr>
<tr>
<td>Marikana Mine Strike</td>
<td>August 2012</td>
</tr>
<tr>
<td>Protests on grape farms in the Western Cape</td>
<td>November 2012, January 2013</td>
</tr>
<tr>
<td>Post Office Strikes</td>
<td>January 2014 to February 2014</td>
</tr>
<tr>
<td>BUVUSA Strike (Building and Allied Workers Union)</td>
<td>September 2013</td>
</tr>
<tr>
<td>National Union of Metalworkers South Africa (NUMSA)</td>
<td>June 2014</td>
</tr>
<tr>
<td>Ford /Toyota Strike by manufacturing workers in automotive industry</td>
<td>July 2014</td>
</tr>
</tbody>
</table>

**Table 6:** Summary of Important Protest Areas and Reasons Behind The Protest

Most strikes and protests have occurred in both rural and urban centres of the of the country riddled with inequality.

Such as:
- Harris smith, Kennedy Road, Down town, Diepsloot, Balfour, Thohokolo, Khutsong, Macsaar, Village, Mandela Park, Khayelitsha, KwaZakale, Masiphumelele, Emelo, Thembelihle - Lenasia, Grahamstown

Reasons for protests and strikes which may cause instability
- Low wages, unemployment, inequality due to racism, discrimination, a lack of distribution of assets and finance
SECTION IV:

Conclusion and Way Forward
Having considered the discussions in favour of, and those opposed to a minimum wage, one central assertion emerges from the discussion above; a national minimum wage alone, will not lead to a decline in levels of income and asset inequality in South Africa. Indeed, the argument has been made that such a national minimum wage would present an important tool in the fight against inequality, only if accompanied by an extensive social investment framework accompanied by enabling economic and industrial policy that prioritises labour absorption and a more equitable distribution of factors of production and income. The discussion below, synthesises the recommendations of the report in terms of economic and social wage policy, which can address the challenges of income and asset inequality.

IVA. Economic Policy

There are a range of things civil society voices need to consider in their analysis of how policy can be geared towards the eradication of inequality. Firstly shifts in economic policy since 1994 have left industry and the working class largely unsubsidized and unprotected. Secondly these policy shifts have reinforced the distributional conflict between labour and business, and the increasing cost pressures have been transferred to consumers, who in many instances are the same group of people as the workers.

This cycle of conflict over the surplus and the transfer of cost pressure, has made South Africa a lot more unequal. The Policy Note has highlighted the importance of pursuing economic policy that can ensure that there is a globally competitive and expanding industry for business and living wages and a lower cost of living for workers in South Africa.

As the Deputy Director at the Department of Basic Education, Prathima Garbharran notes;

'South Africa needs to look at itself globally, in terms of competitiveness and productivity, and we need to look at the underlying causes of our lack of competitiveness, such as the education system. Increasing the national minimum wage will not look at issues of productivity, innovation, or design or moving up from being a middle income developing country.'

In essence, the policy recommendations that emerge from this Policy Note, clearly make the case for a national minimum wage as a means of ensuring a living wage for all. In addition to this, we argue that a national minimum wage will have very little impact on inequality, if unaccompanied by a raft of social protection measures characteristic of a social investment state. The following recommendations reinforce the argument;

i. A national minimum wage needs to be accompanied by an industrial policy that promotes labour intensive sectors, in activities characterised by increasing return to scale, such as the manufacturing sector. Such policy needs to consist of incentives, concessional financing and other forms of support, tied to agreed-upon performance and employment targets.

ii. Significant government and private sector investment, and accompanying incentives that encourage investment in research and development (R&D) related to our natural endowments, manufacturing and areas of competitive advantage (tourism, agriculture, mining)

iii. State led investment (through procurement, financing and legislation) in alternative energy, green businesses and training in enterprise management in targeted sectors.

iv. Prioritised investment, as per the NDP in undoing the Apartheid spatial planning in locating enabling transport and communication infrastructure and other social wage elements (health, educational and recreational facilities) close to underserved areas and markets, i.e. townships and rural and semi-rural areas.

These investments will ensure that we crowd in private sector investment in our labour intensive and tradable sectors that ensures continued employment. This will ensure that a national minimum wage in conjunction with these elements forms an integral part of the policy arsenal of the social investment and developmental state, the South African government aims to become.
It is essential to acknowledge and comprehend that South Africa after twenty years of democracy still needs to remedy the effects of apartheid and complications emanating from global recessions and economic downturns. Although great strides have been taken in formulating national plans and visions, to foster inclusive growth and development, inequality and poverty has escalated at length, posing a threat to peace and wellbeing of the nation. With this, the impact of economic and social policy in South Africa serves to be continuously revisited and revised to suit the needs of the populace. Ultimately it needs to “fulfil wider societal needs that reinforce economic policy, redistribute wealth to achieve social justice and equality, institute social change and be a means of ensuring social order”.

It is not uncommon in developing countries for finance to be a factor constraining development. However, it is a different story when available resources are utilized efficiently and in a strategic manner, to ensure the vulnerable and less privileged needs are catered for. In the current environment filled with disdain and growing unrest, protests and strikes, active citizenry is required from both the public, private, the communities at large. A system where people participate in their capacities contribute to the end goal is essential instead of fostering dependency. A recent suggestion to the text book saga, suggested that government could buy text books and the issue of logistics could be resolved with the help of SAB Miller or Cashbuild which delivers to many stores urban and rural in Limpopo, in fulfilment of its corporate social responsibility (CSR). This would be similar to projects where multinational beverage companies with extensive supply and distribution chains in rural Africa, use these chains to deliver much needed medicine in rural African communities. The cross-fertilisation of development ideas would go a long way in ensuring the delivery of important public goods.

In the health sector for example, continued training of the community in basic medical care and rolling out more mobile facilities can, in the interim resolve the lack of renovation and maintenance of health facilities. With an assortment of organisations and initiatives working in social and humanitarian spaces, access to and information about these entities is important. Minimum wages also need to be reviewed yearly in accordance with movements in consumer goods price inflation. A national minimum wage policy supported and aligned with social policy will serve as an efficient mechanism against poverty and income erosion of the poor and vulnerable.


**AVERAGE MONTHLY REQUIREMENT**

**R7074 per month for a family of four.**

based on Dept of Health nutritional guidelines of 10 000-12 000 kilojoules per day.
Towards a new thinking on the wage question: policies aimed at addressing income and asset inequality

New thinking on the wage question involves thinking of wages as much more than just the price of labour. The importance of wages in determining chances of survival is very high, and cannot be overstated. The labour market framework is responsible for keeping the unequal structure in place. With labour force participation rates in the top income decile remaining high and the fact that this sector has the highest labour absorption rates, this implies the need for policies to address income and asset inequality, the two forms of inequity arising from the apartheid era.85

As Bhorat et al. find, inequality and poverty are strongly dependent on employment status and the largest proportion of household income in most households is made up of wages. Wages counted toward 66% across most households, 62% for poor household, even though only 22% of people in poor households were employed.86

In order for policies to fix the problem of inequality in South Africa adequately, two important aspects of the problem must be borne in mind. On the one hand, it is important to remember that inequality involves not only income inequality (related most importantly to wage inequality) but also asset inequality and lack of access to basic services. Secondly, there is a sense in which South Africa can actually be divided into two economies87 with the formal, industrialized, modern economy existing side-by-side but disconnected to the informal economy. Thus, even policy and discourse concerning redistributing wealth in South Africa must pay attention to this divide.

Broadly defined, asset (or non-wage) inequality is the disparity in the ownership of assets (or non-wage income). Apartheid laws such as the 1913 Land Act and other Acts precluded black South Africans from owning land, from most forms of employment and other opportunities for economic accumulation. Lack of assets such as property has further economic consequences, such as exclusion from participating in financial markets or access to capital.

Further, access to services is an important factor to consider about inequality. The post-apartheid government prioritised the provision of free basic services, such as water, electricity and sanitation and housing. Even though some commendable progress has been made in this regard,

The extremely crucial point is this: these multiple levels of exclusion require policies that are sensitive to the importance of the wage as sometimes the only barrier between the poor and absolute destitution, but also aim to provide other buffers to this destitution. In line with this view, the importance of other policies beyond just the national minimum wage can be seen.

Social grants

The use of child grants and the old-age pension grant, public healthcare and education are developmental achievements as they allow individuals access to resources they could never afford before. The quality of public education is below average in the country. It plays a vital role in determining where an individual ends up on the income scale. Hence, policies towards boosting the quality of the

85 Arden Finn, Murray Leibbrandt & Eva Wegner, (2011), Policies for reducing income inequality and poverty in South Africa
88 ibid
education system should be at the forefront in the reduction of the income and asset inequality gap. Government expenditure directed towards social grants have increased over the years but so have the number of recipients, with the majority of these at the lower income decile. Social grants serve as the main source of income for majority of people in the lowest income groups implying that the fiscal budget on social security systems has been widening in the post-apartheid years that could pose a threat to the long run macroeconomic stability.

The fear that social grants may create dependency among citizens implies that more innovative policies are called for. These may include policies focusing in employment at a large scale, in line with the National Development’s “Vision 2030”. The South African Government has also implemented the Expanded Public Works Programme (EPWP) in 2004 and the EPWP Phase 2 in 2009 which aims to provide “poverty and income relief through temporary work for the unemployed to carry out socially useful activities.” This provides opportunities for individuals with unskilled labour, allowing them to learn useful skills to ensure they earn a salary once competed the programme. However this needs to be linked to short term training in artisanal and other scarce skills that can allow EPWP beneficiaries to access gainful and permanent employment.

**Wealth Tax**

Andrew Donaldson, from the Stellenbosch University’s Department of Economics and a Deputy Director General responsible for Public Finance in South Africa’s National Treasury, suggested that to address the austere inequality in South Africa, a larger share of the government budget should be dedicated to redistribution. This larger share would come from redirecting tax income towards the poor.

However, the issue of redistribution is highly contested. Some economists argue that it will have a negative effect on economic growth by reducing productivity and entrepreneurship. Donaldson, referring to an IMF report, argues that this is inconsistent with a number of countries that have shown no significant tradeoff between redistribution and growth, a motivation for governments to increase redistribution.

Redirecting tax income to the poor would occur through a labour subsidy across the country for the lowest income earners and not only for the youth, like the South African youth-wage subsidy implemented. This is to create incentives for businesses to increase hires and generate employment of unskilled jobs, as this is tantamount to a negative income tax. Implementing a wealth tax, at the global level, may give governments room to reinforce income distribution at lower income deciles by using social grants without risking the economy’s productive ability.

**Conditional Cash Transfers**

As mentioned in the section under Bolsa Familia, Conditional Cash Transfers (CCT) seek to mitigate poverty and inequality by making welfare programmes conditional upon the recipients’ action. The Government can use this form of social grant system to transfer money to persons who meet certain criteria. This as shown in Brazil’s case will foster a culture of industriousness among lower income group members to strive to meet these conditionalities by giving their families a better life. Increasing school participation and health among these individuals enables them and the generations thereafter to be more equal with the rest of society and a closing of the inequality gap is inevitable.

Concerning health care, South Africans high usage of private care by low-income households is partly due to the inaccessibility or unavailability of clinics and the low quality of care provided in clinics in their areas. The National Health Insurance (NHI), which will be phased into the economy in the next fourteen years will seek to reduce disparities between public and private health care, rural and urban special differences with rural inhabitants having to travel miles to access appropriate health services. This is a significant move to address inequality.

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89 Sudhanshu Sharma, (2012), Rising inequality in South Africa: Drivers, trends and policy responses
90 Sudhanshu Sharma, (2012), Rising inequality in South Africa: Drivers, trends and policy responses
91 Johan Fourie, (2014), Is a wealth tax the pragmatic solution to South Africa’s inequality?
92 ibid
93 ibid
95 Poverty and Inequality Report
96 Dorothy Matebeni, (2011), Universal Access to Health Care: Addressing Inequalities South Africa
Industrial Policies

An increase in international competitiveness strategies is called for to benefit poor people, and reduce the income gap. This can be done by encouraging more labour-intensive technologies and taking precautions to ensure that the impacts of globalisation do not adversely affect low-income individuals in the short run i.e. where increases in trade liberalisation may increase competition in export industries leading to a reduction in unskilled labour offered by low-income individuals. Hence, a carefully structured competitiveness strategy should be adopted.97

Public Sector Restructuring

An increase in the efficiency of public spending through the restructuring of the public sector is a factor that should be integrated in policy. The objective is to reduce excessive government spending as funds saved from this restructuring can be used for distributive purposes. “Public sector restructuring programmes includes mechanisms for transforming public corporations, the sale of non-strategic assets and the creation of public-private partnerships in transport, telecommunications, and other areas of service provision.”98 If the restructuring of state assets is successful it would imply that there is a reduction in government costs, leading to an expansion of services at a lower cost, increasing accessibility for these services and helping to reduce poverty and inequality.99 Moreover there is a need to restructure the governance of procurement spending in government, as the decentralised nature of procurement spending has meant that multiple sites of decision making on social spending has created scope corruption. Research by the Public Affairs Research Institute (PARI) shows that there are tens of thousands of procurement points in the Eastern Cape provincial government alone, creating pockets of different political economies with their own contestations around resources, and in most cases to the detriment of social wage delivery.100

Polices on Infrastructure

There are evident inequalities in South African infrastructure provision that arose mainly from the historical repression that range from transport, access to water and sanitation, communications and reliable energy. These hinder the productivity of low-income earners as they are prevented from accessing these resources at a relatively low cost and must engage in time-consuming activities to gain access. Investment in infrastructure is needed to resolve this since improving infrastructure implies long-term improvement in employment and hence, a reduction in inequality.

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97 Poverty and Inequality Report
98 ibid
99 ibid
100 Brunette, R; Chipkin and Tshimomola, G. Decentralised procurement fails the state. Mail and Guardian, 1 August 2014

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Economic Policy and Governance

12% of the government’s total expenditure is directed towards social protection programs.

R1370/month

R310/month

Over 10Mil South Africans

Mind the Gap


11. COHA, (2007), Brazil’s Bolsa Familia at Risk.


18. DPRU (2010) pg. 30


29. Johan Fourie, (2014), Is a wealth tax the pragmatic solution to South Africa’s inequality?

30. Jorma Sipila, Social Investment State: something real or just a new discourse Paper prepared for presentation at the


43. PBurner, Facing the Conundrum: How Useful is the ‘developmental state’ concept in South Africa?

44. Philippe Burger, How suitable is a ‘developmental state’ to tackle unemployment, inequality and poverty in South Africa, Econ 3x3, 26 March 2014.

45. Poverty and Inequality Report.


47. SAPA, Business Report, Racial Inequalities Found in Report, http://www.iol.co.za/business/companies/racial-inequalities-found-in-report-11576888#.U6vOg9tBvqA


## APPENDIX 1:
COSATU TABLE OF SECTORAL DETERMINATIONS AND EXTENDED PUBLIC WORKS PROGRAMME MINIMUMS

### As at 1st July 2014

<table>
<thead>
<tr>
<th>Sector</th>
<th>Min ph</th>
<th>Min pd (9 hour day)</th>
<th>Min pm</th>
<th>Review date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Domestic metro</td>
<td>9.63</td>
<td>86.67</td>
<td>1877.70</td>
<td>30th Nov 2014</td>
</tr>
<tr>
<td>Domestic non metro</td>
<td>8.30</td>
<td>74.70</td>
<td>1618.37</td>
<td></td>
</tr>
<tr>
<td>2. Security Officer Grades D&amp; E Area 1</td>
<td>14.12</td>
<td>*-</td>
<td>2938.00</td>
<td>31st August 2014</td>
</tr>
<tr>
<td>Security Officer Grades D&amp; E Area 2</td>
<td>12.92</td>
<td>-</td>
<td>2688.00</td>
<td></td>
</tr>
<tr>
<td>Security Officer Grades D&amp; E Area 3</td>
<td>11.74</td>
<td>-</td>
<td>2441.00</td>
<td></td>
</tr>
<tr>
<td>3. Forestry</td>
<td>12.41</td>
<td>111.69</td>
<td>2420.41</td>
<td>31st March 2015</td>
</tr>
<tr>
<td>4. Farm</td>
<td>12.41</td>
<td>111.69</td>
<td>2420.41</td>
<td>28th Feb 2015</td>
</tr>
<tr>
<td>5. Contract Cleaning Area A metros ex KZN</td>
<td>15.66</td>
<td>140.94</td>
<td>3051.35</td>
<td></td>
</tr>
<tr>
<td>Contract Cleaning Area B all other ex KZN</td>
<td>14.19</td>
<td>**127.71</td>
<td>2764.92</td>
<td></td>
</tr>
<tr>
<td>6. Hospitality 10 or &lt; workers</td>
<td>13.34</td>
<td>600.48</td>
<td>2601.88</td>
<td>30th June 2015</td>
</tr>
<tr>
<td>Hospitality &gt; 10 workers</td>
<td>14.87</td>
<td>669.30</td>
<td>2900.08</td>
<td></td>
</tr>
<tr>
<td>7. Taxi drivers and admin workers</td>
<td>13.68</td>
<td>657.05</td>
<td>2847.01</td>
<td>30th June 2015</td>
</tr>
<tr>
<td>Taxi rank marshals</td>
<td>10.94</td>
<td>525.23</td>
<td>2275.81</td>
<td></td>
</tr>
<tr>
<td>Wholesale &amp; Retail shop ass. Area B</td>
<td>13.16</td>
<td>118.44</td>
<td>2556.30</td>
<td></td>
</tr>
<tr>
<td>Wholesale &amp; Retail sales person Area A</td>
<td>19.83</td>
<td>178.47</td>
<td>3866.20</td>
<td></td>
</tr>
<tr>
<td>Wholesale &amp; Retail sales person Area B</td>
<td>16.73</td>
<td>150.57</td>
<td>3261.51</td>
<td></td>
</tr>
<tr>
<td>9. EPWP (Ministerial Determination)</td>
<td>8.82</td>
<td>***70.59</td>
<td>31st October 2014</td>
<td></td>
</tr>
</tbody>
</table>

### Notes

1. Rates are all for those working more than 27 hours per week. All sectors except security guards in the Security Sector and EPWP are based on a 45 hour week.

2. *Almost all security guards work 12 hour shifts based on a compressed working week, so the daily rate is not meaningful.

3. **Most contract cleaners work less than nine hours a day. Historically employers have cut hours whenever there is an increase. For this reason, since 2012, employers must pay for a minimum 6 hours per day. So the actual legislated minimum per day is R89.46 for a six hour day.

4. ***EPWP workers’ conditions are governed by a Ministerial Determination. The maximum hours per day is 8 hours, and 40 hours per week.

5. A Bargaining Council exists for the Contract Cleaning sector in KZN. The SD therefore excludes KZN in its entirety.

6. Some sectoral determinations have only one minimum e.g. Domestic and contract cleaning. However others such as wholesale and Retail have multiple minimums linked to a range of job categories. For the purposes of this table, where there are multiple grades/wages, the dominant grades are recorded.

7. Sectoral determinations set wages for three years. Every SD has a different three year cycle. Increases for the second and third years are set in advance. The current ECC trend is to set the increases as CPI plus a percentage (sometimes plus 1% sometimes plus 2%). The review dates indicate when the current wage expires. This does not necessarily mean a complete new sectoral determination will follow. But in all cases a new wage will follow.