

# The Debate of Decent Work in Emerging Economies: Minimum Wage Policy in South Africa.

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## **8** DECENT WORK AND ECONOMIC GROWTH



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## Abstract

There exists considerable debate of the utility of ILO's decent work agenda and its four pillars of full employment, rights at work, social dialogue and social protection in the context of emerging economies. Whether these pillars be achieved in unison or if there a need to prioritise a pillar over another and whether the notion as whole is complementary with other development objectives like economic growth is dependant on how an emerging economy understand the issue at hand, which is itself a function of the historical and socioeconomic context in which the labor markets exists within. This thesis looks at the case of South Africa, a country entrenched in high levels of unemployment and burgeoning income inequality, with many continuing to live in poverty post-apartheid. Utilizing Carol Bacchi's (2009) "What's the Problem Represented to be?" (WPR) qualitative approach, this study analyses how the National Minimum Wage Act (NMWA) represents South Africa's priorities in achieving decent work and how it reflects the debate at large. To reflect its multidimensional nature, this thesis also includes quantitative evidence to explore how the framing of problems impacts the labor market in real terms.

The problem representation reflects an institutional approach, prioritising rights at work with an underlying assumption that it will not only empower the low wage working population, but population at large through consumption-based growth. Decent work is thus viewed as complementary to economic development. Heavily supported by prominent trade unions and the experience of minimum wages in other emerging economies, low wages were portrayed as the result of unfair and uneven capacities in previous wage setting mechanisms, argued to be an unfulfilled constitutional obligation on the part of employers in general. Naturally, this problem representation does not problematise other means of prioritising decent work in South Africa, particularly those from neoclassical economics. In quantitative terms, the national minimum wage act has not had the impact on the labor market as it was hoped it would. Employment levels remained stable, average wages and hours worked remained relatively unchanged, indicating that wage violation and use of the exemption system provided by the act has meant that not much has changed in the South African labor market for better or worse.

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## List of Abbreviations

ANC - African National Congress

BCEA - Basic Conditions of Employment Act 1997

COSATU - Congress of South Africa Trade Unions

ECC - Employment Conditions Commission

EPWP - Expanded Public Works Programme

ILO - International Labor Organisation

LRA - Labor Relations Act 1995

NMW - National Minimum Wage

NMWA - National Minimum Wage Act <sup>1</sup>

NMWC - National Minimum Wage Commission

NMWP - National Minimum Wage Panel

NGP - New Growth Plan 2010

NDP - National Development Plan 2030

SDG - Sustainable Development Goals

TES - Temporary Employment Services

WPR - Carol Bacchi's "What the Problem Represented to be?" approach.

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<sup>1</sup> NMWA is used to directly refer to the policy document of the act itself. NMW refers to the act in practice.

# 1. Introduction

## 1.1 Aims and Relevance of Study

The emerging economy of South Africa since the abolition of apartheid has despite a greater emancipation of the population failed to deliver on promises of social and economic development. In the modern day, 21 percent of the population lives under 1.90 USD a day, 28 percent are unemployed and the nation is widely considered to possess the highest degree of income inequality in the world (Bhorat et al. 2020a; Statsa, 2020, p.13). Whilst the legacy of the apartheid system can still be seen today in the composition of unemployment and low wage and unskilled labor, the growing income inequality is the result of a growing mismatch between the demand for and supply of labor. The South African economy has become increasingly capital intensive in relation to a labor supply that remains generally unskilled and consequently face limited employment opportunities. More so, the employment that is available is hardly capable of providing a source for labor intensive growth akin to the South East Asian miracles of the latter twentieth century, nor are they of sufficient quality to increase overall investment in human capital. In short, the nature and quantity of employment is problematic in South Africa (Bhorat et al., 2020a).

Issues with accessing employment and ensuring its quality has garnered more attention in both developed and developing economies, as was highlighted by goal 8 of the Sustainable Development Goals launched in 2015 which states the need to “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all” (SDG.UN, 2020). What comprises decent work is derived from the International Labor Organization (ILO), whose decent work agenda was officially announced in 1999. Decent work envisages employment in both quantitative and qualitative terms, which are encompassed by its four pillars; full employment, rights at work, social protection and social dialogue. Work as it should be is a multidimensional concept and should not be solely the tool of economic policy, but rather social and legal actions (Ghai, 2006, p.1 - 30,). The ILO itself describes the purpose of decent work as means of providing a legal basis for empowerment for the labor in both developed and developing countries. It aims to position itself as a universal yardstick for what kind of work should be acceptable (ILO, 2012).

Yet on a conceptual and theoretical level, decent work is far less straightforward depending on how one views the inherent legislative elements of the agenda and its relation to the labor market (Ghai, pp.1 - 30, 2006). Traditional neoclassical labor economists would view some of the pillars, such as rights at work or social dialogue, as inherently raising the cost of labor which may be counterproductive in emerging economies like South Africa that are characterised by unemployment and slow economic growth. In this view, there may be an inherent dilemma in achieving decent work as prioritising better rights for those at work could come at the expense of

job creation as labor costs increase, lowering the overall economic performance as employers struggle to compete in global markets. The provision of decent work should be the supposed natural development of a transitioning economy from low to high income, rather than a consequence of an external intervention. As such, the priority in achieving decent work should be full employment. On the other hand, institutional labor economists may view the pillars of decent work as complementary, in that each pillar can be achieved without subjugating one over the other. Rather than a hindrance on economic growth, decent work can help to empower developing markets by increasing their socioeconomic stability through increased incomes and legal protection. This debate of decent work has become more prominent as a result of growing socio-political concerns in relation to accelerating structural changes in the economy as a consequence of shifting patterns of globalisation and innovation. Technology like that of artificial intelligence poses serious questions to not only the labour markets where they are introduced but to the interconnected nature of global supply chains. These mechanisms are occurring alongside and because of generally increased levels of global inequality both within and between countries (Ferrero et al., 2016).

These complements and contradictions present in the concept of decent work deserves more scholarly attention, especially in relation to how this debate is approached in a labor market like that of South Africa. Perhaps no policy would better encompass the debate surrounding decent work than that of the recently implemented National Minimum Wage Act (NMWA) of 2018. Minimum wages are often held as vehicles for poverty reduction and fairer distribution in an economy, yet are simultaneously criticised for increasing the cost of labor and destroying present and future job opportunities. The aim of this thesis is to examine this act in the context of decent work and explore how the act reflects the different approaches to the decent work debate at large and its conceptual pillars. Accordingly, the research questions posed are;

1. Primary Question: How does the South African National Minimum Wage Act of 2019 reflect its priorities in achieving “Decent Work”?
2. Sub-question: What impact has the policy had on the South African Labor Market?”

The primary question highlights the decent work debate as South Africa’s priorities in achieving decent work will be dependent on how it approaches the debate outlined above. Most analysis of minimum wage policies rely on evidence-based approaches. Whilst this thesis will present some quantitative evidence as per the sub-question, it is based primarily on the qualitative “What’s the problem represented to be” (WPR) approach to policy analysis designed by Carol Bacchi (2009). This allows this thesis to explore how the four pillars are prioritised by the policy, and what conceptual and theoretical assumptions underpin the particular representation of the issue as presented by the NMWA and how that representation came to be. Policy is viewed not as a solution to a socioeconomic struggle, but rather a means of legitimizing a phenomenon as

problematic. Understanding policy in this way allows for this thesis to highlight the ways an emerging economy like that of South Africa justifies and legitimises its own actions. The quantitative indicators that will be included allow this thesis to ground these conceptual assumptions in real labor market dynamics in order to understand their impact on the labor market. This thesis allows for a holistic and comprehensive analysis of the NMWA in its entirety and embedded in surroundings. Context matters for policy making, and yet most research has hitherto undergone policy analysis without this same consideration.

## 1.2 Delimitations

This thesis limits its quantitative analysis of the NMWA to two years. Quarterly statistical data from one year, 2018, is used to provide a picture of the South African labor market precisely before the NMW's implementation, with quarterly data from 2019 used to analyse its impact. Whilst data on relevant statistics is available for 2020, the impact of the covid19 pandemic has likely obscured any possible conclusions one could make. Therefore, this thesis has chosen not to include this data as it would not be representative of the impact of the NMWA. The logic of analysing this act as opposed to other policy prescriptions in South Africa is due to not only its extensive coverage of the labor market but because of its controversial nature. The act itself was delayed one year from 2018 to 2019 due to reservations in regards to possible employment losses, and minimum wages in more general terms tend to evoke strong political reactions from both labor and employers respectively. As such, the NMWA provides a fruitful platform for discussion of the decent work agenda in its entirety.

## 1.3 Outline of Thesis

The structure of this thesis is as follows. Section 2 begins with a brief introduction of decent work from a historical perspective, ensued by a discussion of the four pillars of decent work and how they interconnect with one another. The thesis then turns to the context of South Africa and discusses the legacy of apartheid on the composition of the labor market and the structural obstacles present since its abolition. Lastly, section 2 reviews prior minimum wages and outlines the national minimum wage act of 2018. Section 3 presents a theoretical discussion of the impact of minimum wages in the labor market, whilst section 4 reviews existing literature on their impact on levels of poverty, inequality and employment as well as previous studies on notions of decent work in South Africa. Section 5 presents the methodological design of this thesis, and considers the WPR approach in greater detail. Section 6 presents this thesis's analysis and conclusions to the research questions, whilst section 7 discusses how these conclusions can be defended and critiqued. Section 8 concludes.

## 2. Background

### 2.1 The Four Pillars of Decent Work

The concept of “Decent Work” proposed in 1999 by the ILO was a continuation of the organisation's drive to promote employment opportunities in the global economy. The notion of decent work can be traced back to the ILO’s foundation in 1919 during the Treaty of Versailles where the importance of the nature of employment, rather than sheer availability, was established. Whilst the ILO has evolved since its inception, the fundamental belief that employment opportunities, social justice, stability and prosperity were intimately related has remained constant. The structure of the ILO is balanced between the three major stakeholders in the labour market; the state, the employers and lastly the employee (Ferrero et al., 2016). The concept of decent work is built upon four, interdependent yet distinct, components or pillars. What differentiates decent work from other conceptual understandings of employment is that it draws not only from economic notions of work but from social and legal perspectives as well. As such decent work involves legislative and policy level discussions in the promotion of better working opportunities in any given context (Ghai, 2006, pp.1 - 30).

The first component of workers' rights reflects this legal aspect. It provides the legal and ethical basis for decent work. Aside from being enshrined within the ILO, rights at work have evolved closely alongside ideas of human rights, again establishing the idea that employment and livelihoods are deeply intertwined. Some rights, like the abolition of child labor, gender and racial discrimination as well as the right for workers to organise themselves freely and bargain collectively are prerequisites for membership in the organization. Whilst ILO has been a major contributor to the development of workers' rights in the last century, its capacity to enforce such rights on its members in a situation when they are not followed is limited, and there are often difficulties ratifying new measures internationally. Even then, a breach of workers' rights is normally followed by condemnation by the ILO and little else. Sanctions are exceedingly rare yet has happened as was the case in apartheid South Africa (Ghai, 2006, pp.1 - 30).

The second component is that of full employment. In accordance with decent work, employment should provide individuals with the resources that meet the immediate needs of the worker and their household. Work should be freely chosen and without discrimination. Whether an individual is self-employed, wage employed, or working from home, employment opportunities should also be a source of satisfaction, dignity and fulfillment for the workers. In practice, however, these ideals are not always present. For many obtaining employment is a struggle. Whilst it should be noted that high levels of unemployment at a given time are not inherently indicative of a lack of opportunity, it is when it becomes persistent that one can conclude that significant structural barriers exist in the economy (World Bank, 2021). Conversely obtaining employment is not always indicative of a functioning labor market. Decent work emphasizes the importance of evaluating whether people are experiencing forms of underemployment, where an



individual is either not working as much as desired or overqualified in his job, or that of subsistence employment. This refers to work that does not meet the immediate needs of the individual (Ghai, 2006, pp.1 - 30).

Decent work also comprises the protection and empowerment of social dialogue in the workplace. Employment should be conducted under acceptable conditions, and contingencies should be in place to protect the workforce in case of poor health, maternity needs, natural disasters and even loss of employment. Furthermore, labor policies should also address the needs of vulnerable groups in society. The pillar of social protection also notes the diversity in contexts in its provision. In developed countries, these responsibilities are generally undertaken by the state through unemployment benefits and maternity leave policies. In developing countries on the other hand where the state apparatus is weaker or less inclined, informal institutions like that of the family are of more importance. Social Dialogue concerns itself with ensuring that labour can adequately and freely express as well as organise themselves (Ghai, 2006, pp.1 - 30).

Voice and representation are vital not only to decent work but to the overall structure of the ILO as previously mentioned. Trade unions as such have been viewed positively by the ILO, as improving the bargaining power of labor allows for more balance and leverage when entering into negotiations of employee wages and rights. The four pillars of decent work were designed to be viewed in its entirety. Rights at work and notions of social dialogue are inherently intertwined, as is the right to full employment. It should be noted that this conception of decent work is inherently normative, and entails the ILO considers acceptable work. This notion will inherently change depending on the context in which it is studied, which makes the policy analysis enacted by this thesis crucial in understanding how an emerging economy like South Africa approaches the decent work debate (Ghai, 2006, pp.1 - 30).

## 2.2 South African Development since Apartheid

Considering the subjective nature of decent work, a comprehensive reflection on the South African labor market is necessary to fully comprehend the motivations behind the NMWA and its consequences, and provide context for how it represents the problem. Prior to this a brief discussion of the legacy of apartheid will be brought forth. This is important as whilst the direct impact of apartheid policies has subsided, its legacy continues to shape the nature of inequality and work in South Africa, giving it a racial and spatial dimension. Thenceforth, the thesis describes how the labor market has changed over time since the abolishment of apartheid, discussing structural and institutional changes that characterise the present-day labor market. Lastly, the paper will review previous iterations of minimum wages in South Africa and outlines the composition of the new minimum wage act.

## 2.2.1 The Legacy of Apartheid on the Labor Market

The negative impact of a system of government built on the segregation and discrimination of people based on race in terms of access to and remuneration from employment opportunities should not be understated. The long-term effects of these policies give South Africa a racial and spatial dimension to its inequality. During apartheid, most employment opportunities, particularly the most productive ones, were located away from where the majority of the black South Africans lived. Even after the abolition of apartheid, these spatial inequalities have remained alongside relatively costly public transportation. Consequently, job opportunities in these regions become less attractive as transportation costs lower potential wages. Reservations wages, in this case, are not met (Lewis, 2001)<sup>2</sup>. Additionally, apartheid policies did not invest greatly in the education of the black population, which has left, what is in modern times, a substantial portion of the labor force with significant deficits in human capital which presents significant barriers to employment in an increasingly capital intensive economy (Bhorat et al., 2015).

The formal labor market in South Africa post-apartheid has struggled to provide full employment as envisioned by decent work. Additionally, the informal sector, which is generally considered to be a crucial element of most sub-saharan labor markets, is comparatively weak. One explanation for this is because apartheid actively discouraged small-scale businesses and entrepreneurship, two vital characteristics of most informal economies. Informal activities, usually exercised by the black community, were often negatively stereotyped by the government and were heavily policed through strict regulatory practices meant to suppress the sector. This invariably meant that capital and social capital accumulation crucial to starting up in the sector was not well developed (Kingdon and Knight, 2003). The informal sector post-apartheid has not yet received adequate attention from the State with access to credit and investment continuing to be limited (Bannerjee et al., 2007).

## 2.2.2 Overview of the South African Labor Market

The abolition of apartheid in 1994 in South Africa brought with it a degree of optimism for the future, as it was hoped that reintegration in the world economy would induce growth levels that had been essentially nonexistent towards the end of apartheid. As shown in Table 1 economic growth would average around 3.19 percent between 1995 and 2015 and was accompanied by moderate welfare gains in access to social services, housing, infrastructure, and extreme poverty (Bhorat et al., 2015, p.1). Further gains were constrained by the 2008 financial crisis, which slowed growth in the ensuing years and left the South African economy as visualised by Table 1, volatile. Poverty reduction has since 2008 reversed, with the proportion of South Africans living under 1.90 USD a day increasing from 16.2 percent to 18.7 percent in 2014 as depicted in Table

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<sup>2</sup> Reservation Wages refer to the minimum wage an individual is willing to accept in order to provide their services in the labor market. In the case described above, jobs may be available but do not reach this limit that would entice the unemployed into the labor market.

2. In 2020, 21.3 percent live beneath the lower bound poverty line of 881 rand a month, or an estimated 1.90 USD a day in 2021 prices. Counting those living under the upper bound poverty line, which translates to an estimated 2.90 USD a day, would comprise 37 percent of the population (Statsa, 2020, p.13). Furthermore, the growth experienced immediately after apartheid was not partnered by equivalent levels of job creation. Whilst not entirely fulfilling what would be considered jobless growth, as a one percent increase in GDP was associated with a 0.69 increase in employment, the growth was nevertheless unsubstantial to compensate for a growing labor force. Post financial crises, however, a 1 percent increase in GDP was partnered with a decrease of 0.16 in employment (Bhorat et al., 2014a, p.4). As outlined in Table 3, unemployment has increased since apartheid and is substantially higher compared to other emerging economies like Brazil and Thailand. This rapid increase in unemployment can be explained by the increase in the labor force by black communities, especially that of black women, alongside generally stagnant levels in the demand for labor (Hodge, 2009).

The increase in unemployment and volatile growth post-apartheid, is a consequence of structural changes in its sectoral composition. Primary sectors<sup>3</sup> and the manufacturing sector, have performed poorly (Banerjee et al., 2007). The mining sector fell from 15.5 percent of GDP to 8.5 percent, whilst manufacturing has been stagnant since apartheid (Bhorat et al., 2015, p.2.). Instead, a process of servicification has occurred, predominantly in the wholesale and retail, and financial service sectors. Employment levels in each sector reflect these trends as detailed by Table 4, with primary sector and manufacturing decreasing and stagnating respectively, with gains being experienced by the service sector at large. Liberalisation post-apartheid has left the manufacturing sector unable to compete in global factor markets, which in combination with volatile real exchange rates has meant the sector has been stagnant at best (Bhorat et al., 2015). The lack of international competitiveness can be attributed to technological changes that substitute labor for capital, referred to as automation (Acemoglu and Restrepo, 2019). Considering that the manufacturing sector often stimulates demand in other sectors like that of services, a decline in its contribution can have negative spillover effects for the rest of the economy (Tregenna, 2008). These structural changes away from primary sectors towards more capital intensive sectors have meant the demand for labor amongst many primary sector workers has been relatively low, and therefore they have been unable to transition into new employment opportunities (Banerjee et al., 2007).

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<sup>3</sup> Primary sectors refer to the Mining and Agriculture sectors of the economy.

Table 1. South African GDP Per Capita Growth 1994 - 2017.

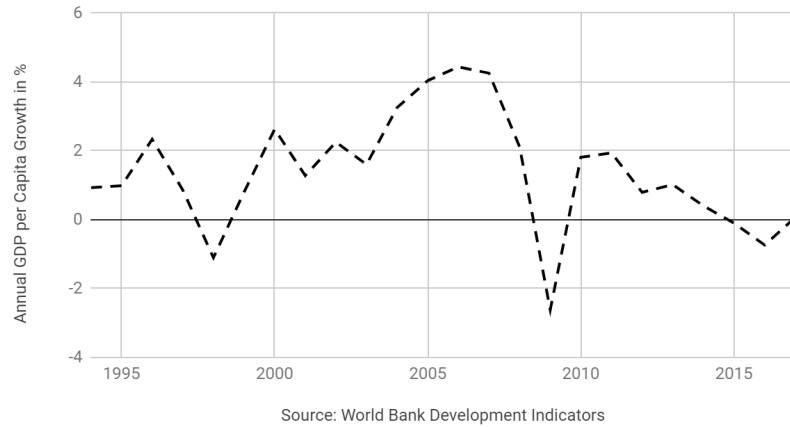


Table 2. Poverty Headcount at 1.90 USD (PPP 2011) per day in South Africa

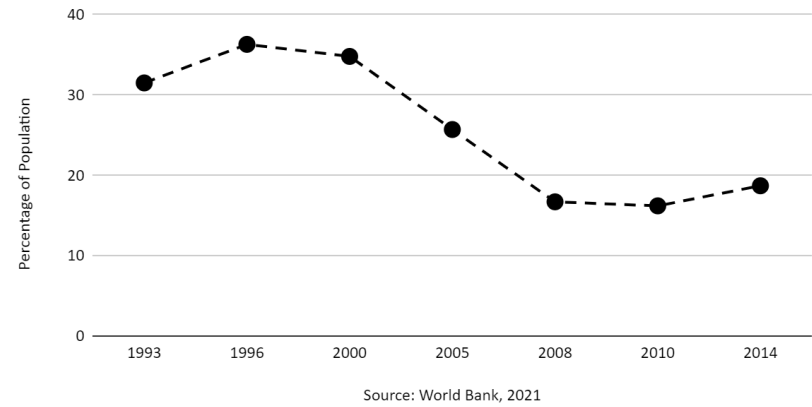


Table 3. Unemployment Rates in South Africa and other Emerging Economies 1994 - 2017

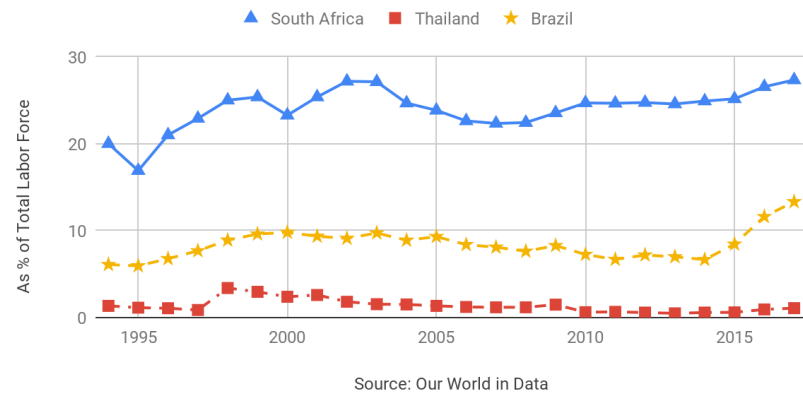
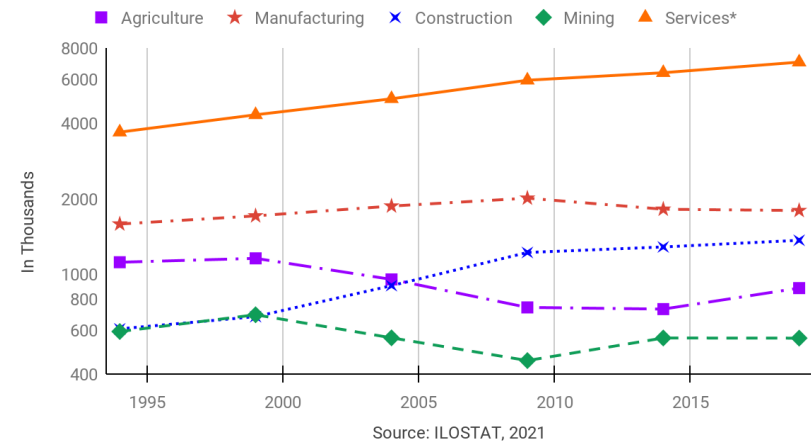


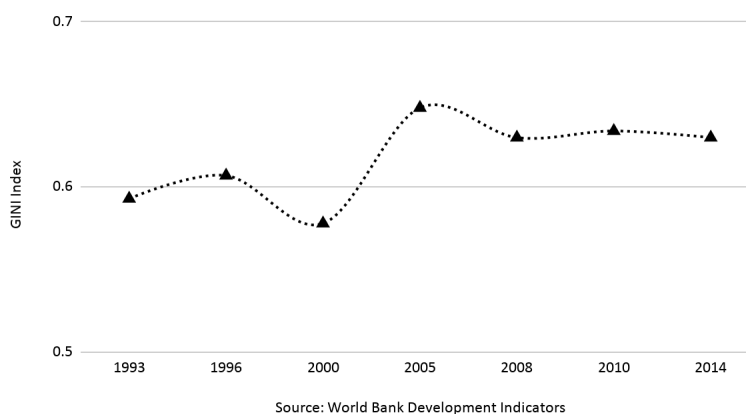
Table 4 South African Employment by Activity 1994 - 2019



<sup>4</sup> In Table 4 “Services” includes Trade, Transportation, Accommodation and Food, and Business and Administrative Services

With increasing returns to skill in the economy, the South African economy has become overwhelmingly skill-biased. Job creation since apartheid has been largely in favor of skilled labor. Consequently, there is a mismatch between the demand and supply of labor. Wage distribution since apartheid has resembled a U-shaped pattern, where the middle percentiles has experienced negative levels of wage growth whereas those towards the bottom and top of the distribution grew (Bhorat et al. 2020a). Automation, by removing routine and semi-skilled occupations, has left the labor market segmented between sectors consisting of unskilled, low wage and scarce employment opportunities and capital intensive sectors characterised by higher wages and job security, where the jobs themselves are also more accessible. Whilst South Africa is considered an emerging economy and is classified as an upper-middle-income country, transitioning to a higher income country historically has not occurred without a labor intensive manufacturing sector (Bhorat, et al., 2015). The increases towards the bottom end of the distribution are largely the result of minimum wage policies, which will be elaborated upon in the subsequent section. Consequently, these distortions in the labour market have meant that income inequality, as measured by the GINI coefficient, has increased as shown by Table 5 since apartheid. Ultimately, wage distribution has been characterised by the “rich getting richer” (Bhorat et al. 2020a, p.3).

Table 5. Income Inequality in South Africa 1993 - 2014.



The financial sector, unlike most other sectors in South Africa, is internationally competitive. However, the main beneficiaries of its success have continued to be predominantly larger firms (Bhorat et al., 2014a). Furthermore, the sector is problematic under the lens of decent work as it has become increasingly characterised by temporary employment services (TES)<sup>5</sup>. These forms of contracts are argued to decrease job security and operate as a loophole around working rights associated with permanent contracts. TES within financial services has more than doubled in its proportion since apartheid. The increase in labor brokerage poses questions to the regulatory environment imposed by the South African government. Post-apartheid, the labor market is

<sup>5</sup> In the context of South Africa, TES operates by firms hiring workers through a third party, referred to as labor brokers, and usually consist of labor related to cleaning and security services as well as secretaries.

largely regulated by the Labor Relations Act of 1995 (LRA) and the Basic Conditions of Employment Act of 1997 (BCEA). The former aims to encourage economic and social development in the workplace by regulating and facilitating trade unions and collective bargaining, as well as acting as a medium for dispute resolution. The increase in labor brokerage in this period is due to how the LRA defined a worker as an employee of the broker themselves, rather than that of the firm, which meant that the firm did not have to provide the same protections afforded to those employed directly (Van Eck, 2010). The latter operates as a benchmark for what would be considered the minimum acceptable working conditions that can be offered in the labor market, for example in matters pertaining to working hours, overtime, sick leave and notably, minimum wages (Bhorat et al., 2014b).

Trends in trade unionisation, a crucial aspect of both South African socio-economic development and conceptual understandings of decent work and social dialogue, have been characterised by a shift towards the public sector over the private sector (Bhorat et al., 2014b). As previously mentioned, the 2008 financial crisis slowed economic growth and in turn job creation. This however was not the case for the public sector, whose employment increased from 2.16 million to 2.69 million between 2008 and 2014 (Bhorat et al., 2015, p.18). This job growth can be attributed to the South African government's Expanded Public Works Programme (EPWP) launched in 2004. Its expansion in the post-crisis period is not only indicative of the private sector's inability to absorb labor, but also of the desire to essentially buy jobs for the unemployed. Consequently, a substantial portion of the public sector is composed of lower-skilled workers, so it is composed of more black men and women workers in comparison with the private sector (Bhorat et al., 2015).

### 2.2.3 Prior Minimum Wages in South Africa and the NMWA

The BCEA established the Employment Conditions Commission (ECC) and has up until the enactment of the National Minimum Wage Act in 2018 (NMWA) been responsible for determining minimum wages in South Africa. The ECC was organised in a tripartite-like structure and set minimum wages at the time by targeting sectors that employed a high number of low-wage workers (Seekings, 2016). This sectoral determination covered 46% of the workforce and 11 different sectors (Isaacs, 2016, pp.19 - 20)<sup>6</sup>. Since the establishment, the ECC were somewhat successful in raising the incomes of the poor as previously mentioned. However, minimum wages in these sectors tend to be further differentiated depending on various factors other than base salaries, such as location, firm size, and hours worked. Within these sectoral determinations, there existed 120 different wage levels. As such, this mechanism for setting minimum wages was burdened by high administrative costs due to the complexity involved in the system (Isaacs, 2016, p.19).

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<sup>6</sup> All sectors covered by a sectoral minimum wage as of 2013; Artistic and Cultural Activities; Children in the Performance of Advertising Sector, Civil Contract Cleaning Sector; Civil Engineering Sector; Domestic Worker Sector; Farm Worker Sector and Forestry Sector; Hospitality Sector, Learnerships; Private Security Sector; Taxi Sector; and Wholesale & Retail Sector.

Consequently, wage violations and enforcement in South Africa have been problematic. On average, about 45 percent of workers covered by sectoral determinations were paid 36 percent less than the minimum wage (Bhorat et al., 2011, p.7). The traditional criticism of minimum wages destroying jobs has, except for the agricultural sector, not been the case in South Africa. Whilst the number of hours worked did decrease after their implementation, the increase in wages was substantially high enough to compensate (Bhorat et al., 2013). Job losses in the agricultural sector were largely confined to small-scale farms, as they employed a greater number of unskilled and low-wage workers. In this sense, minimum wages in this sector favored larger farms, as they employed proportionally fewer low-wage workers, and utilized capital-intensive methods of production when possible which meant the impact of minimum wages was not felt as strongly (Piek and Von Fintel, 2018).

This brief description of sectoral minimum wages shows that their impact in South Africa is nuanced, with some sectors, like the wholesale and retail sectors, benefiting from real wages in the sector whilst other sectors, like agriculture, saw employment reduce substantially. However, whether it be through political or economic pressures, the NMWA has replaced the ECC and its sectoral determinations. Critics of ECC point out the complicated process in setting minimum wages which meant that they were hard to follow and enforce. COSATU, a prominent trade union, and supporters of the NMWA argued that the previous existing minimum wages were in fact below the poverty line, and as such were not high enough to meet the necessities of the poor (Seekings, 2016).

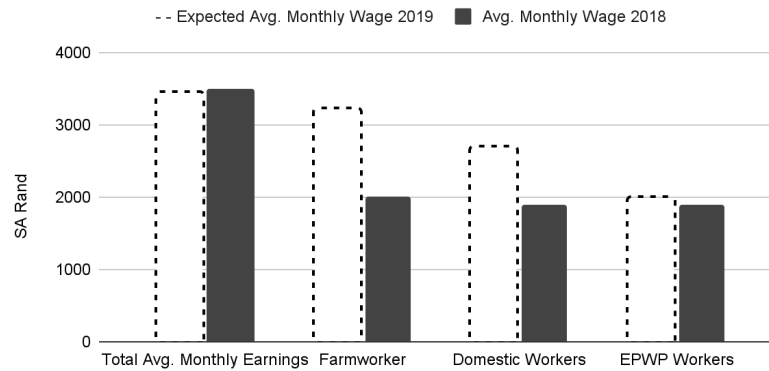
The NMWA, consists of a wage floor that for most South African workers resides 21.76 rand per hour as of 2021, up from the initial 20 rands an hour in 2019. Sectoral determinations were maintained initially for farmworkers, who were entitled to 18.00 rand in 2019 although this has been aligned with the base NMW in 2021. The initial act set a minimum wage for domestic workers at 15 rand, which is now 19.06 rand. Those employed in the EPWP earn a minimum of 11.93 rand an hour<sup>7</sup>. The yearly increases in minimum wage are in line with inflation rates since its implementation, both growing by 4 percent from 2019 to 2020, even surpassing inflation between 2020 and 2021<sup>8</sup> (Employment and Labor, 2020). The logic of why these specific sectors have been prescribed lower wages will be explored in the analysis. The ECC has been replaced by the new National Minimum Wage Commission (NMWC), which is also tripartite in structure. The main functions of this commission are to review the minimum wage over time, reporting on how the South African economy responds over time, both in terms of collective bargaining and wage differentials as well as being an advisor to the government on matters relating to the basic conditions of employment (Employment and Labor, 2019).

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<sup>7</sup> Domestic workers are expected to be fully aligned in 2022.

<sup>8</sup> Inflation was 3 percent, whilst the increases for the standard NMW and EPWP was approximately 5%.

**Table 6. Expected Changes in Monthly Wages post - NMWA**



Source: Statsa, 2019

The initial minimum wage of 20 rands an hour represents a substantial increase from the previous minimum wage in all sectors previously under sectoral determinations and covers approximately 5.2 million workers or 46 percent of all wage earners (Bhorat et al, 2020, p.6)<sup>9</sup>. Table 6 compares the total average monthly wages as well as the three exceptions in 2018 with what would be expected to occur to wages post implementation, assuming there are no issues with compliance and enforcement. The average monthly wage in South Africa in 2018 was 3500 rand, and the standard rate of the NMW is approximately equal to this level, which is relatively high in comparison to international standards, where minimum wages tend to be around half of the median wage (ILO, 2021). Domestic and farmworkers would also expect a large increase in earnings, with EPWP workers earnings growing slightly. Such an expansive NMW should have significant impacts on various labor market mechanisms, and on levels of poverty, inequality, and employment levels in general (Bhorat et al. 2020b).

Ultimately, the experience of the labor market in general and of minimum wages in post apartheid South Africa is indicative to the existence of various decent work deficits. The consistent high levels of unemployment, labor brokerage, wage violation, and growing disparities in income relate to problems in aspects of full employment and rights at work. Policy is shaped by these mechanisms discussed above, and the NMWA serves as reflection for how these deficits are perceived, and provides a degree of legitimacy to a particular problem representation, which this thesis aims to highlight and analyse critically. Additionally, the composition of the labor market is important to understand as the substantive impact of a minimum wage is generally thought to be primarily centered amongst low wage workers, and by extension unskilled labor. Therefore, understanding how these groups are organised and how they have changed over time is vital for a comprehensive understanding of both the quantitative and qualitative impact of policy.

<sup>9</sup> This accounts for the informal sector as well as part-time employees.



### 3. Theoretical Framework

Primary Question: How does the South African National Minimum Wage Act of 2019 reflect its priorities in achieving “Decent Work”?

Sub-question: What impact has the policy had on the South African Labor Market?

The priorities in achieving decent work and the underlying assumptions and expectation behind the implementation and impact of a minimum wage policy can first be understood through the theoretical lenses of neoclassical and institutional strands of labor economics. The inclusion of theory is crucial to this thesis, as the assumptions and legitimacy of minimum wage policies are to some extent based upon the frameworks that these theories provide and helps this thesis answer its research questions, as restated above. These theories allow for policymakers and researchers to posit what one can expect from a certain intervention and how the impact is likely to be distributed. These predictions can elucidate opportunities and potential obstacles that occur in the real world. As such, this section includes a brief description of how both neoclassical and institutional theorists imagine labor markets and what the potential impact a new minimum wage policy could have on a labor market, and its implications for decent work. Evidence for such expectations will be discussed in the ensuing section regarding previous literature.

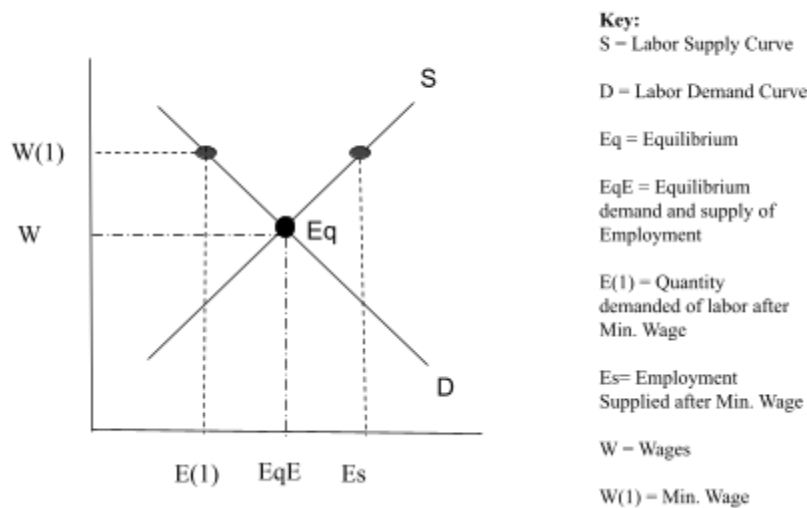
Neoclassical labor economists envisage a labor market governed by the invisible hand, that being supply and demand. This conceptual market builds on the assumption that all economic agents, in this case, employers and labor, are rational profit maximising entities. This to say that workers<sup>10</sup> provide their services in greater quantities when forms of remuneration, usually denoted in most models by wages, are high. Conversely, firms are seeking to maximise their profits, and thus demand cheap labor. As such, the supply and demand of labor comprise two opposing forces in the economy. Providing that the labor market is perfectly competitive, wages in the long run will settle at an equilibrium level where the quantity supplied and demanded of labor at this point is allocatively efficient<sup>11</sup>. Notional model as depicted in Figure 1 visualises this process of supply and demand. This simple model allows for this thesis to posit the implications of the national minimum wage act on the demand and supply for workers in the South African labor market (Borjas, 2020, p.1-10).

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<sup>10</sup> Workers in this sense refers to those who comprise the labor supply and offer their services in exchange for remuneration.

<sup>11</sup> Wages remain constant in this context as perfect information means firms who offer less than equilibrium wages are unlikely to attract labor, as workers offer themselves elsewhere and as such, this firm in question would struggle to be competitive and go out of business. Inversely, wages above equilibrium would induce workers to supply their labor in greater quantities, thereby lowering their bargaining power as workers can be easily substituted. This in turn means that labor would lower its wage demands to make it easier for them to be employed. As such, in the long run, equilibrium wages would theoretically remain the same.

Figure 1. Impact of Minimum Wage on Employment



The labor supply curve is upward sloping as workers supply more work as wages increase, whereas the demand curve is downward sloping as firms would ideally look to hire fewer workers if wages are high. As such these competing forces drive wages towards an equilibrium level (Borjas, 2020, p.1-10). Minimum wage laws increase the equilibrium wage above market level, and in situations where all other factors remain constant and its implementation is universal and is enforced, rising wages are thought to induce firms to hire fewer workers and utilise less labor in its production as its relative cost is now higher. This phenomenon is also shown in figure 1.  $E(1)$  signifies the new quantity of labor demanded after the implementation of a minimum wage, the higher wage means employment decreases from the initial equilibrium, indicated by  $EqE$ . In addition, unemployment increases as the minimum wage encourages those who were not actively engaged in the labor force to join, which leaves an excess supply of labor as firms are looking to hire fewer workers as is visualised by the point  $Es$  on the labor supply curve (Borjas, 2020, p.106 - 117).

These theoretical assumptions highlight neoclassical economists' skepticism of government intervention as it is argued to create new equilibriums that are not allocatively efficient (Brožová, 2015). This is not to say neoclassical labor economists are entirely against the minimum wage, as there are circumstances where equilibrium can be reached in accordance with theory. This can occur if for instance the policy is not universal in its application in the labor market and labor can freely migrate between covered and uncovered sectors (Borjas p.106 - 117, 2020). Whilst unemployment may increase in sectors covered by the policy, other sectors could experience an increase in the relative labor supply, which ultimately compensates for the loss of employment in the other. Alternatively, workers may move out of the uncovered sectors and into minimum wage sectors of the labor market, which may create labor scarcity in the sectors without a minimum wage which in turn raises the wages of those who remain, again counteracting potential

employment losses. As discussed previously, the NMWA is universal in its coverage (Borjas, 2020, p.106 - 117).

Notional models are useful in the context of this thesis as it contributes to the discussion of how South Africa gives weight to the different pillars of decent work, and how these pillars interact in practice. However, notional models to investigate decent work are inherently limited as they do not encompass the complementary and as discussed, at times contradictory nature of the concept. Whilst wages are certainly an aspect of decent work, it does not present an adequate representation of decent work as it is meant to be studied. Additionally, changing employment levels are not entirely indicative of whether progress is being made towards decent work as it comprises just one aspect of many that this concept represents. However, the use of notional models in analysing the minimum wage act is still useful as it can abet in investigating why the policy was introduced in the first place, as it can be said that its existence suggests that the labor market, for one reason or another, is not meeting an acceptable equilibrium for labor. These insights will be further addressed in this thesis analysis. For the context of this thesis, notional models should be embedded in the larger context of decent work and the qualitative elements of the minimum wage policy to be best understood (Borjas, 2020, p.106 - 117).

Institutional economics argues that whilst neoclassical labor market models of supply and demand possess some utility, their focus remains too narrow and does not consider the wide variation not only between different labor markets but within them as well. Institutionalists, in contrast to their neoclassical counterparts, tend to take a more favorable view on minimum wages, although this perspective is invariably dependent on the context in which it is studied. Bruce Kaufman (2010) outlines four theoretical justifications for the minimum wage. Firstly, assumptions of perfectly competitive markets are often unfounded in reality. Instead, labor markets are argued to operate imperfectly. This is to say that not all actors are wage takers<sup>12</sup>, and that these actors, usually employers, exercise more leverage in setting wage levels than labor does. Unequal bargaining powers allow firms to set a wage that is below equilibrium, which in itself may thus be lower than what would be needed for subsistence. Even if the labor market were to be competitive, the distribution of resources and rights tends to be in the interests of firms, who desire to increase their revenue, and consumers, who despite often being labor themselves prefer lower prices, which in combination results in lowering costs of labor (Kaufman, 2010).

Minimum wages provide wage floors that protect workers from this kind of exploitation and empowers their leverage in the labor market. Secondly, as most markets are imperfect, minimum wages can boost macroeconomic stability and employment. If we suppose that wages increase after its implementation, it is argued that an increase in aggregate demand for goods and services induces job creation as people are consuming more, a proposition that directly contradicts

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<sup>12</sup> Wage takers, like price takers, represent an individual firm's capacity in a perfectly competitive market. They are wage takers as a single firm does not have not market power to directly alter the equilibrium wage, meaning they must "take" the wage level set by the market.

neoclassical critiques of job destruction. As mentioned, in moments characterised by high unemployment wages would be expected to fall. However, Kaufman argues that unemployment is not guaranteed to drop as a decline in income may reduce expenditure, which in turn lowers prices which ultimately means that unemployment persists. This effect can induce a sort of race to the bottom as the unemployed become desperate to cover their fixed costs and consequently offer themselves at lower and lower wages and accept worse working conditions to get a job. Minimum wages therefore can operate against these mechanisms by ensuring that wages cannot fall below subsistence level. Additionally, they are often targeted towards lower-skilled workers, and as such inequality between them and higher-skilled workers and firms can be positively impacted as raising their wages results in a more even wage distribution (Kaufman, 2010).

Neoclassical labor economists often critique minimum wage for creating a situation that is not economically efficient. Yet institutionalists argue the opposite. The logic being that competitive markets create insecurity in the labor market from both a workers' and employers' perspective. Although it is accepted that some levels of insecurity can act as a form of motivation for labor to work harder, too much insecurity may lower productivity as workers get more stressed as they may be inclined to continue searching for jobs elsewhere as they do not feel secure in their employment. Furthermore, the constant changes in wages inherent under competitive models of employment may provoke employees who may therefore not be as committed to their job. As such, minimum wages can ensure a certain level of stability for workers which would promote efficiency (Kaufman, 2010).

Stability is also important for employers. Neoclassical economists may argue that minimum wages may induce less on-the-job training as employers can no longer cover its cost with cheap labor, which constrains human capital growth. Institutionalists on the other hand argue that the instability that is congruent in competitive markets makes these investments riskier on their own and less attractive to labor in general. Minimum wages, by helping stabilise labor markets, can thus contribute to promoting greater investment. Regulations can also create a shock effect, where employers cut unproductive costs elsewhere without firing those who are employed. Lastly, minimum wages can improve the overall welfare of the economy in question by providing incomes that cover the social cost of labor and protect against relevant externalities that may be present. As such, not only can minimum wages be beneficial for economic efficiency but also be a means of reducing poverty (Kaufman, 2010).

Neoclassical and institutional sentiments on the minimum wage differ substantially. The former emphasises the potential negative impact it can have on employment and economic efficiency, arguing that it creates disequilibrium in the labor market which would negate the benefits of increased wages on levels of poverty and inequality. The latter on the other hand emphasises the shortcomings of the neoclassical model by confronting assumptions of perfect competition and argues that minimum wages can help correct what are essentially market failures and in turn boost economic efficiency and employment, as well as overall welfare. Theoretical expectations allow for this thesis to posit the underlying logic present in the NMW policy in South Africa, and

speculate as to where this logic is derived from. Because most neoclassical economists are not convinced by minimum wages at large, it could be said that the policy reflects an institutional understanding of how labor markets react to interventions. This would also have implications for how the policy approaches the decent work debate as well. These notions will be revisited in the analyses, but the use of these schools of thought allows this thesis to highlight and critically analyse the NMWA from multiple perspectives, providing a more holistic view of the policy than any singular focus could.

## 4. Literature Review

As will be elaborated upon in the methodology section, the approach this thesis takes to understanding how an emerging economy, in this case, South Africa, represents the decent work debate relies on both qualitative and quantitative data and analysis. This section is concerned with reviewing existing literature on these grounds as well. The first two sections consider the research done on the potential impact of minimum wages in emerging economies on levels of poverty, inequality and employment. The recent implementation of the NMWA means that measurement of its impact is still in its infancy, and as such, there is not a burgeoning degree of literature to the same extent. The third section covers the studies so far of the NMWA, most of whom have relied on econometric models to predict its impact. Additionally, previous literature on how notions of decent work impact the South African labour market will be outlined and their conclusions and shortcomings highlighted. As will be shown throughout, the existing literature lacks the holistic understanding of decent work, with studies focusing either on work through strictly quantitative terms or institutional arrangements in general. This thesis synergises both strategies, albeit with a grounding in the qualitative approach. It takes an innovative and comprehensive method to policy analysis by showcasing how the priorities, and choices inherent to achieving decent work are handled by emerging economies and their governments, and operates from the notion that the NMWA is not just a solution to a supposed problem in the South African labor market, but an outcome of the said problem itself.

### 4.1 Poverty and Inequality

Research on the impact of minimum wages on poverty, inequality and employment in developing countries has shown mixed results. Lustig and Mcleod (1997) performed a cross-national analysis involving 22 developing countries from Latin America, Asia, and Africa and found that minimum wages are closely associated with poverty rates (Lustig and Mcleod, 1997). This relationship is supported by more specific case studies in India, where a simulated increase in coverage by the minimum wage would see a 7 percent reduction in poverty amongst low wage workers (Belser and Rani, 2015, p.137) and similarly in Thailand and the Philippines, where a 1 percent increase in minimum wage was correlated with 0.46 reduction in poverty (Saget, 2001,

p.262). On inequality, Isaacs (2016) and Mudrunova (2016) note that minimum wages in developing countries reduce inequality as a larger percentage of the workforce participate in low-wage employment which consequently means that an increase in their wages is likely to induce a fairer distribution of wages.

Maurizio (2016) shows in the case of Brazil that a drastic increase in minimum wages between 2000 and 2013 was associated with the gradual decline in inequality. Which according to Ferrero et al. (2014), declined from 0.5 to 0.4 as measures of the GINI coefficient (Ferrero et al., 2014, p.5). In the same study by Lustig and McLeod, minimum wages can also increase inequality if the minimum wage leads to significant reductions in employment as proportionally fewer are employed in wage employment and those now have higher wages. Additionally, economic efficiency and market competitiveness may also be hampered as larger firms may have an easier time adjusting to new minimum wages (Lustig and McLeod, 1997). On the other hand, legislated minimum wages could also produce a so-called lighthouse effect, where uncovered or informal sectors of the economy still experience wage increases as the new minimum wage raises their capacity to collectively bargain (Khamis, 2008, Beori et al. 2010).

## 4.2 Employment

As Gindling (2018) concludes, the impact of minimum wages on poverty and inequality is not uniform, and highly context-dependent. This internal complexity is also shown within studies of minimum wages and employment. Studies on the employment impact are generally inconclusive. Neumark and Wascher (2003) find that minimum wage reduces employment opportunities for the youth in developing countries. Fang and Lin (2015) found that minimum wages had a significant negative impact on employment levels in China, particularly amongst women and unskilled workers. Alatas and Cameron (2003) argue that this disemployment effect is larger for smaller firms, which was supported by their 2008 study of Indonesia. Additionally, Neumark and Corella (2019) contend that if more institutional factors are included in studies this negative relationship becomes increasingly apparent. Andalon and Pages' (2007) case study of Kenya shows that the minimum wage, whilst raising incomes, decreased formal employment and shifted labor to self-employment. Betchermen (2013) and Schmitt (2013) find conversely that the impact is small, if evident at all. It is argued that job losses are insignificant due to the often low levels of enforcement and thus high violation of policies. Furthermore, employers in developing contexts may choose to decrease hours worked rather than reduce the number of employees. Additionally, developing countries tend to be especially aware of which minimum wage level would cause greater degrees of job destruction, and thus avoid it. Schmitt reasons that minimum wages reduce job turnovers as it was easier to recruit workers who may have been previously suffering from excessive transportation costs, and in the long term the impact on employment could even be positive (Schmitt, 2013).

### 4.3 Previous studies of the NMWA and Decent Work

The diverse nature of minimum wage research is reflected in the case of the NMWA in South Africa, even although the body of research developed so far is relatively smaller in number. Borat et al. (2020b) argue that initial evidence shows that the impact so far has been insignificant, and that wage violations continue to be problematic as was the case under sectoral determinations. Adalzadeh and Alvillar (2016) use the Dynamically Integrated Macro-Micro Simulation Model of South Africa (DIMMSIM) and conclude that the potential impact of the national minimum wage could be positive in regards to poverty and inequality reduction which would outweigh a minimal decrease in employment in 85 percent of economic sectors. They argue that aggregate demand would increase due to increased income-expenditure which in turn would see increases in labor productivity and an outward shift in the labor supply (Adalzadeh and Alvillar, 2016, p.54). Patel et al (2018) on the other hand argue that whilst the national minimum wage could stimulate job seeking in South Africa's youth in the formal sector, considering the nature of youth unemployment, this is unlikely to occur. Taljaard and Van der Walt (2018) contend that the minimum wage has the potential to limit job opportunities and reduce employment in the agricultural sector, which could worsen both poverty and inequality. Seekings and Nass (2015) argue that the national minimum wage is out of line with international norms and would cause significant job destruction in the South African economy at large. Masango (2020) notes several issues that may come with the implementation of NMWA, ranging from wage violation to the uneven power dynamics between employers and employees which may inhibit enforcement.

This debate at large will inevitably be reflected in the discourse enacted by the NMWA, as will be explored in the analysis. Decent Work from this angle has not been sufficiently studied at a policy level. Whilst Webster and Lustig (2020) argue that the concept of decent work needs to be rethought in South Africa in light of persistent unemployment and be reframed to empower workers agency in its achievement. Symes (2013) on the other hand uses the WPR approach to explore how employment is represented in South Africa, concluding that there is an onus on the tripartite alliance between labor, business, and government (Symes, 2013). Ndung'u (2012) argues that whilst decent work has a solid foundation in legislation, notions of what the concept can achieve and what it implies has led to a significant decent work deficit, especially in the informal sector (Ndung'u, 2012). This conclusion is supported by Cohen and Moodley (2012), who further argue that these deficits are characterised by gender inequalities, with women tending to have less decent work.

Whilst these conclusions would certainly have implications for how policy is formulated, this thesis goes a step further by analysing a specific policy to see how these priorities are reflected, and what consequences these priorities may have for achieving decent work in South Africa. Studies so far of minimum wages, both in South Africa and in emerging economies in general, have largely focused on more evidence-based methods relying on quantitative indicators. The

subjective notions of what drives their implementation, how notions of decent work impact this process, have received far less attention. Therefore, this thesis fills a substantial gap in the literature by providing a more qualitative understanding of decent work. Quantitative indicators will be presented, but they will be done so on top of a qualitative foundation. Identifying the assumptions and priorities that formulate the NMWA in the manner of this thesis allows not only for an innovative, but critical approach to policy making as the act can be viewed in more holistic terms. In short, the act operates as much as a solution to a problem and as it does an outcome of it, a perspective that has not been tackled thus far.

## 5. Methodology

The method employed by this research proposal consists of an instrumental case study of South African labor policy that utilises Carol Bacchi's "What's the Problem Represented to be", (2009), henceforth referred to as WPR, approach to perform its analysis. Firstly, the use of a case study is crucial in the context of decent work as it allows for the implications of the relevant policy to be fully understood within the socio-political environments that invariably impact how a government prioritises different elements of decent work. It is an instrumental study as it investigates the South African labor market to provide insights into how government actors handle the pillars of decent work and thus highlight the implications of pursuing decent work in its entirety. Whilst it can be argued that case studies lack external validity due to the inherent limitations of deriving any generalisations from the conclusions made, it is not the intent of this thesis to be generalisable, nor is it necessarily beneficial for any study of decent work to be so.

Decent work in and of itself is difficult to standardise due to the priorities in achieving it are likely to be different depending on a myriad of contextual factors of the case at hand. This is to say that a case study approach is far more appropriate as it allows for these factors to be investigated and analysed in a far more holistic manner, even if it comes at the cost of replicability (Punch, 2009, pp.144-148). This discussion is similar to that between the different methodological approaches that comprise neoclassical and institutional labor economics. The use of a case study is in line with the institutionalist drive to embed analysis in a given context and to study their evolution over time (Boyer and Smith, 2001). This is reflected by the thesis's research question;

Primary Question: How does the South African National Minimum Wage Act of 2019 reflect its priorities in achieving "Decent Work"?

Sub-question: What impact has the policy had on the South African Labor Market?"

The questions posed do not intend to explore any explanatory aspects of decent work or minimum wages in the context of South Africa. Instead, it intends to describe the priorities at



play in policy in consideration of the pillars of decent work and further describe its impact on relevant quantitative indicators (De Vaus, 2001, pp.1-3). This description will be done through both qualitative and quantitative data although this thesis is grounded in the former. This element consists of the use of textual data, such as government policy documents and other relevant written reports and articles, which complements the overall framework as it allows for the logic behind the policy to be studied holistically to capture decent work prioritisation from the inside, which is highlighted by the primary question.

These documents will be subsequently coded in accordance with these 4 pillars. This coding will occur within Miles and Huberman's framework (1994, in Punch, 2009, pp.197 - 202) for qualitative analysis. The data used will be accordingly reduced, and displayed whilst conclusions are drawn from it. The data will be presented through direct quotation of the relevant documents, with specific attention given to phrases or concepts that indicate a certain conceptualisation of decent work and their priorities. Citing the document in this manner allows for these patterns and themes to be highlighted. Throughout the analysis, this thesis will draw conclusions from this process in order to answer the research questions. Quantitative data on the other hand, allows the impact of policy to be visualised in a manner that can be compared and investigated across space and time (Punch, 2009, pp.234 - 244). The data relies on secondary sources, and was collected from labor force surveys and labor market dynamics reports from the "Statsa", the official government department of statistics in South Africa, and other international data depositories such as the ILO, World Bank and Our World In Data (Punch, 2009, p.103). These international bodies represent reliable data sources due them being widely respected and it thus provides accessible data for the purposes of thesis.

The quantitative indicators consist of employment rates, average hours worked per week and average monthly wages. With respect to hours worked, the ILO considers acceptable working hours to range from 40 to 45 hours a week, an indecent working duration can be seen either as an indication that hourly pay is insufficient to cover basic needs, as workers are forced to work excessively to compensate. Alternatively, some may be underemployed in the sense that they do not work as long as they would like to, which in turn suggests labor is being underutilized and therefore not as productive (Anker et al., 2003). Data on average monthly wages is taken from the quarterly employment statistics (QES) published by Statsa. It should be noted that the QES is an enterprise based survey. As such, people working more than one job can be counted twice. Additionally, the data produced does not take into account differences in occupational tasks within enterprises, and which means the indicator should not be viewed as entirely indicative of an employee's monthly earnings. Despite these limitations, it is still useful to measure whether the NMWA has had the impact on wages that one would expect considering its expansive coverage and high level, as average monthly earnings would still reflect this substantial increase, or lack thereof, to an employee's wage. Additionally, partnered with working hours and employment rates allows for conclusions to be mutually enforced.

## 5.1 The WPR Approach

Considering the qualitative and quantitative implications of studying both the standards and levels of employment in the context of South Africa, a methodological approach that can encompass both approaches is useful for a thorough analysis of policy. This thesis utilizes the “What's the Problem Represented to be” approach, henceforth referred to as WPR, as devised by Carol Bacchi (2009). Whilst most policy analysis focuses on evidence-based methods, which this thesis will to an extent continue to employ through the use of quantitative indicators mentioned above, the WPR approach is centered on a qualitative understanding of policy. Bacchi conceptualises policy as an indication and declaration of a problem, and as such policies' goals are an inherent social construction of its environment. As such social problems, like that of low wages in South Africa, and policies that tackle them are not independent of one another. Instead governing bodies use policy as a manner of framing and conceptualising issues considered to be problematic. In short, the existence of a policy is, whether it is explicitly stated or not, a pronouncement that the current state of affairs is indeed a problem that needs addressing (Bacchi, 2009, pp. IX - XXI).

The notion that policy and social problems are one in the same presents interesting implications for analysis. Firstly, how policies are framed, either by the use of a given concept or category, becomes dependent on the governing body's understanding of the problem itself and what mechanisms are behind its creation. The subjective nature of policies as such leaves room for debate as to what underlying assumptions and presuppositions drive a given understanding of a problem. This is the inherent goal of a WPR approach, to highlight how problems are represented in policy, and to trace the conceptual roots and origins that allowed for such an understanding to be possible. Furthermore, the approach allows for insight into the less direct and observable impacts of policy, as it highlights the role policy plays in framing societal issues (Bacchi, 2009, pp. IX - XXI)

The approach is built upon six analytical questions as shown in Table 7. Question 1 is concerned primarily with clarifying what the problem presented in the policy implicitly represents. In this way, the WPR approach works backward to identify what the core issue is and what the policy considers to be problematic. In the context of this thesis, identifying what the problem is represented would be embedded in the concept of decent work. In this manner, question 1 would elucidate the priorities of the policy in the provision of decent work. The problem representation could reflect issues with the standards of social protection at work, or the lack of employment opportunities. Therefore, the inherent debate present within decent work can be analysed through how the policy frames the problem, which implicitly reflects government priorities. The first question builds the foundations for the rest of the analysis (Bacchi, 2009, pp. 1 -25).

*Table 7 - The 6 WPR Questions.*

Question 1.	What's the 'problem' represented to be in a specific policy or policy proposal?
Question 2.	What presuppositions or assumptions underpin this representation of the 'problem'?
Question 3.	How has this representation of the 'problem' come about?
Question 4.	What is left unproblematic in this problem representation? Where are the silences? Can the 'problem' be thought about differently?
Question 5.	What effects are produced by this representation of the 'problem'?
Question 6.	How/where has this representation of the 'problem' been produced, disseminated, and defended? How has it been (or could it be) questioned, disrupted, and replaced?

Question 2 allows for the underlying assumptions and conceptualisations present within policy to be brought into the foreground. The thesis is interested in the presuppositions that allow for said representations of a problem to occur in the first place. This question includes a form of discourse analysis to problematise the problem representations described by policy. Bacchi notes three ways in which the implications of policy can be understood. Firstly, the use of binary conceptualisations, like that of employed or unemployed workers, represent the problem as being the result of or is between, two groups with opposing characteristics or values, and is often innately hierarchical. This is not to say that binary understandings are not useful, the decent work debate itself is predicated on the discussion of the quality or quantity of employment, a binary distinction (Bacchi, 2009, pp. 1 -25).

Highlighting when these kinds of comparisons are used allows again for the prevailing assumptions behind the policy to be analysed. Secondly, the use of categories in the sense of different social groupings, which can be based on age, gender, or ethnicity, can be indicative not only of what the problem is represented to be but as a broader means of social organization. Lastly, the use of concepts within policy requires reflection as to what meaning is being operationalised in a given context. This notion is especially relevant to the concept of decent

work, which is operationally defined by the ILO as discussed in the background, but may not be universal in the manner by which some countries apply these concepts in reality. As will be discussed shortly, the WPR approach is not just concerned with the presence of different concepts and categories, but with what is left unproblematized by the policy, or what Bacchi refers to as “silences” (Bacchi, 2009, pp. 1 -25).

Question 3 demarcates the historical origins of the representation of a given problem. Historical analysis enables this thesis to uncover how views and relevant priorities in decent work have potentially changed over time, and how these mechanisms contributed to the understanding presented within policy. Furthermore, it would also be useful to highlight competing views over time as policy in Bacchi's mind acts as a means of legitimizing a certain conceptualisation of a problem, one that may have come at the expense of another. Question 4 in this sense can help underline the available conceptualisation not utilized by the policy. In this way, the limits of prevailing problematization can be discussed, and importantly highlights the critical potential of the WPR approach (Bacchi, 2009, pp. 1 -25).

Question 5 ponders the effects of the problem representation. Effects within this approach are not meant in the sense of more evidence-based approaches, rather Bacchi focuses on three qualitative effects; discursive, subjectification, and lived effects. Discursive effects constitute the effects of supposed limitations on acceptable expression present concerning the representation of the problem. How problems are represented can have implications for the kind of social intervention deemed necessary, which can impact people both positively and negatively. Subjectification effects occur in the process in which subjects are framed in discourses. As discussed, binary representations have implications for people who pertain to either group, which again can have a real impact on people as such representations tend to implicate who is responsible for the social problem. Lived effects refer to the material impact of a policy on an individual's life, such as someone who is kicked off welfare by a new policy (Bacchi, 2009, pp. 1 -25).

Whilst question 5 by Bacchi's admission is not devised with the intent to measure these effects, the inclusion of quantitative evidence helps ground this thesis in ongoing trends of the labor market in South Africa and further elaborates on how the prioritisation of the decent work agenda translates into the real world. Furthermore, Bacchi poses sub-questions that relate to what changes and the real impact, positive or negative, that result from the problem representation in a given policy. Quantitative indicators allow for the extent of change to be measured and can work in tandem to present a holistic depiction of not only the priorities of South African policy concerning decent work but the impact a particular understanding can have in a given context. Question 6 relates to where a policy is produced, disseminated, and defended. How a problem is represented occurs not only within the policy document itself but through mediums in which it is discussed and diffused. In addition, the question also posits what has been levied against the prevailing problem representation. This thesis uses this question to form a discussion of the validity of the policies differing priorities concerning the decent work agenda (Bacchi, 2009, pp. 1 -25).

To summarise, the WPR approach allows for the qualitative analysis of labor policies in addition to the standard evidence-based approach utilised by a majority of other studies. In this manner, as was discussed in the literature review, this mixed methodology allows for decent work to be captured in its entirety and in doing so, fill a substantial gap in the literature and answer the research questions posed by this thesis. As described in the background section, decent work on a conceptual level is normative, and like individual policies, highly prescriptive by nature. The decent work agenda itself represents a problem in the way labor is organised and how it is treated. The ILO recognised the lack of “decent work” as they described it to be a problem. Unlike public policy, however, most of these conclusions presented are indeed explicitly stated by the ILO, whereas the sort of policy that will be analysed in this thesis is less obvious, and thus requires the use of the WPR approach to highlight the implied problems present in the labor market (Bacchi, 2009, pp. 1 -25).

## 5.2 Limitations

The proposed strategy of research has a few limitations. Firstly, just as policy can be biased towards a certain mode of thought and reasoning so too can the researcher. This thesis understands the difficulties in trying to highlight the implicit logic behind the policy, as one can easily become susceptible to making assertions dependent on their presumptions and biases, which in turn would impact the interpretation and conclusions of the WPR approach and weaken the overall validity of the research. To combat this, this thesis will embed itself deeply into the context in which the policy was produced and disseminated, and rely on other mediums in which the policy was discussed to flesh out the analysis and in a way triangulate the conclusions made. The use of both quantitative and qualitative data comes with a few limitations. The former is deprived to an extent of context, while the latter is difficult to measure consistently and lacks replicability and generalizability. The combination of these two however is argued to compensate for their respective flaws, and in turn, strengthen the analysis by facilitating a holistic depiction of decent work in South Africa. The quantitative aspect of this thesis serves to describe the initial impact of the minimum wage. It should not be viewed as an evaluation of the policy, as the limited time frame that study situates itself in does not allow for these conclusions to be made. This thesis is more interested in how the NMWA represents the issue at hand, and how this relates to the complex nature of decent work. The use of quantitative data is useful in grounding this abstract understanding of policy making in a more traditional evidence based approach.

## 6. Analysis

### 6.1 What's the Problem Represented to be?

The problems represented by the NMWA are outlined in the acts preamble, stating 4 key points;

“ (1.) RECOGNISING that the Republic of South Africa is one of the most unequal societies in the world and that there are huge disparities in income in the national labour market;

(2.) NOTING the need to eradicate poverty and inequality; (...) ”(Republic of South Africa, 2018, p.2)

The first two points made by the act reflect the general logic behind universal minimum wages discussed throughout this paper, as being a vehicle for poverty reduction and by virtue of improving the economic situation of those towards the bottom of the distribution, shrinking the so-called “huge disparities” in income. Inequality in this sense refers to income inequality, rather than any other representation of inequality like political or social equality<sup>13</sup>. The second point emphasizes this, as well as it implies that there is a “need” to not just reduce or alleviate both factors, but to completely eliminate it entirely. This representation of inequality and poverty as a hindrance to South African society in general reflects important ideological perceptions on what would be considered an ideal South Africa in the view of its government. Whilst the eradication of poverty, at least in its most extreme forms, is generally an agreeable stance across the ideological spectrum, extending this stance towards inequality is less straightforward. Would this mean that there should be no inequality whatsoever in terms of incomes across the population, regardless of occupation, previous experience or other differences? It is hard to say anything definitive solely on the basis of this act, but what can be said is that the South African NMWA, like many others, is first and foremost a political document. In this sense, the need to eradicate inequality should perhaps not be taken literally, rather be seen as a government addressing a matter that is invariably a key issue in the political arena in order to secure legitimacy.

These political undertones do provide context for how the NMWA represents the problem. Whilst the first two points outline what the NMWA aims to achieve, it also points to the past. Wages previously were too low to promote social mobility and that current wage setting mechanisms allowed for wealthier sections of the population to increase their own incomes at a faster rate than a majority of South Africans. As reflected in Table 2 and Bhorat et al. (2020a), poverty rates have increased since the 2008 financial crisis and the top percentile in wage distributions have seen their wages grow exponentially in comparison with those in the middle. These first two points do not really represent the problem outlined by the policy, rather it performs a more descriptive role on the impact in the past and future of the problem. Point 3 and

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<sup>13</sup> Social Inequality in this context is meant to describe inequities between subgroups of the population, such as gender or race, which may include incomes but is not limited to it.

4 in this sense provides greater clarity as to what the issue of low wages is represented to be and its relevance to decent work;

“ (3.) ACKNOWLEDGING the need to promote fair and effective competition in the labour market and labour market stability;

(4.) NOTING the constitutional obligation on the State and employers to promote and fulfil the right to fair labour practices (...)” (Republic of South Africa, 2018, p.2).

Point 3 presents the NMWA as a fairer and more effective mechanism in regards labor market competition in comparison to what had come before. The act nor the constitution of South Africa itself definitively state what fair labor practices entail precisely, and as such is left somewhat vague. Despite this, the use of the term fair in this context implies that wages for many in the labor market were assumedly unjust. In other words, wages did not equate to what the South African government would be considered adequate remuneration for many workers' services. This also points to the fact that those employed in low-wage employment did not possess enough leverage to make wage demands, at least not to the extent in which it can be considered to be fair. These low wages thus failed to attract the vast number of unemployed workers, which in turn negatively affected overall stability in the labor market. The conceptual definition of worker is also expanded to encompass a greater proportion of the labor force, defining them as “ any person who works for another and who receives, or is entitled to receive, any payment for that work whether in money or in kind.” (Republic of South Africa, 2018, p.6). This wording limits the use of TES or labor brokers as loopholes for avoiding regulations, emphasising the holistic ambition of the NMWA.

Point 4 emphasizes a lack of bargaining power, by noting the role both the state and private employers should play in providing and fulfilling labor's right to fair practices. This is portrayed as a constitutional obligation. In this sense, the problem representation within the NMWA centers on the demand for labor, whether it be state or private actors, who have up until this point not been willing or able to provide wages high enough to be considered fair. It also presents a binary distinction between employer and worker, characterised by an uneven distribution in power between them, where workers are not in a position to demand fair wages. The NMW in this sense aims to correct this by providing a wage floor that is fair and in turn lifts workers out of poverty and by increasing their incomes decreases the gap between rich and poor. In consideration of decent work, this shows that the priority at least with this piece of legislation is to ensure the rights of the most vulnerable workers in the labor market. In essence, the main hindrance in achieving decent work in South Africa can be viewed as a lack of legal assurances as to what the minimum standard of employment should be. Without NMWA, this right to “fair labor practices” was either too difficult to enforce from the perspective of the state or time consuming for workers to report or convoluted, or undesirable, for employers to follow. The problem representation reflects a deficit in the rights at work and the lack of fair wages prior to the NMWA.

## 6.2 The Conceptual Assumptions of the Problem Representation

To return to point 2 of the preamble, the notion of eradicating poverty and inequality in connection to a minimum wage policy reveals some of the underlying assumptions and preconceptions that support the emphasis on workers rights. Whilst it can be argued that these rights are held as the priority in the provision of decent work, in this context it does not necessarily indicate that the other pillars are neglected. Eradicating poverty implies that the target of the policy is not only those in low-wage employment, but rather the population as a whole. Afterall, if the policy were to only affect those in these forms of work, poverty would hardly be eradicated considering the vast amount of unemployed in South Africa. Therefore, there is an assumption that the NMWA will have a positive indirect economic impact on the population. This assumption can be traced back to institutional economics, which as outlined argues that minimum wages, by virtue of increasing incomes, can increase aggregate demand which can stimulate the economy and employment creation. Higher minimum wages may also cover many workers' reservation wages. Recall the spatial element to South African unemployment as discussed in the background, the NMW in this sense could help subsidise the transportation costs that would normally dissuade potential workers. In this light, the manner in which the NMWA can reduce overall poverty and inequality becomes clearer.

Furthermore, the very existence of the policy implies that the labor market, as stated in point 3, was not operating in a perfectly competitive manner as envisioned by neoclassical models. Wage levels as implicated by the act were below the equilibrium, and thus required a new regulated equilibrium. Through this regulation, the South African government would hope to enable fairer and more efficient competition in the labor market and ensure its stability in the long run. Whilst the myriad of potential positive impacts of a minimum wage under institutional perspectives was addressed in the theoretical section of this paper, what is ultimately crucial is the underlying expectation that by virtue of improving workers rights in the labor market, other elements of the decent work agenda can be fulfilled through an assumption of consumption based growth. As mentioned in the background, the yearly increases in minimum wage were higher than rates of inflation between 2020 and 2021, which is indicative of an attempt to increase a consumer's purchasing power in the long term. Aside from this, the passage in the act that outlines how it aims to foster economic development and social justice, it states that a goal of the NMWA is;

“(…) promoting collective bargaining; (…)” (Republic of South Africa, 2018, p.6).

Evidently, the NMWA aims to position itself as complementary to the pillar of social dialogue. It operates under the assumption that minimum wages can empower collective bargaining, rather than crowd it out. The NMWA by setting a relatively high wage is hoping to empower collective bargaining by shrinking the gap between collectively bargained wages and sectors covered by the NMW. Again, the act frames ensuring rights at work as central to achieving decent work. This is not to say that there is no consideration to the contrary. In the section outlining what the NMWC would examine in its annual review; it is stated that;



“ For the purposes of conducting an annual review and recommending adjustments, the Commission must (...) consider (...) (v) ability of employers to carry on their businesses successfully; (vi) the operation of small, medium or micro-enterprises and new enterprises; (vii) the likely impact of the recommended adjustment on employment or the creation of employment (...)” (Republic of South Africa, 2018, p.10).

Despite the prevailing institutional undertones, the act is still sensitive to the neoclassical fears that the minimum wages raise labor costs to a point that could hinder the previously discussed aims of the act. Point VI also acknowledges the prospect of smaller firms, who are already in short supply in South Africa, being at a disadvantage in adjusting to the NMWA in comparison with larger firms. The act later attempts to compensate for this by allowing for short term exemptions. Indicative of this are the three minimum wages set below the standard NMWA for farmworkers, domestic workers and those employed in the EPWP, all occupations considered to be more vulnerable to job destruction. Whilst the first two minimum wages are set to be aligned with the NMW in 2021 and 2022 respectively, EPWP workers will continue to earn less. Considering that EPWP is funded by public resources, the lower minimum wage could be explained as a consequence of limited resources. Whilst this is true to an extent, it presents an interesting contradiction in regards to the stated intent of the act, as the program is largely composed of the black South African population, particularly black women. Considering that these two groups are amongst the most vulnerable in South Africa, a lower minimum wage in this sector may not reduce poverty and inequality to the extent envisioned by the act.

These considerations in general present several implications for how the different pillars of decent work are weighted. Whilst this thesis has already shown that rights at work are based on theoretical assumptions of a series of positive externalities that could empower the other pillars, full employment, as indicated by point VII, is viewed as something to only be considered in the sense as to prevent job destruction, rather than directly target job creation. This implicitly indicates that directly increasing employment in South Africa does not carry with it these expected externalities as long as jobs continue to be undervalued. This serves as a rejection of labor intensive growth strategies that predicate the availability of cheap labour. Job creation is obviously important for a country that experiences large scale unemployment, but the NMWA reflects a desire for this creation not to come at the expense of labor, which crucially presents an interpretation of the four pillars of decent work in a complementary manner, rather than the dilemma prescribed by neoclassical economists.

### 6.3 The Historical Origins of the Problem Representation

The logic of implementing a NMW in South Africa can be traced back as far as a 1935 proposal from the department of labor. Although it was not successful, over time support for a NMW has grown, primarily through several trade union movements. In more recent years, COSATU, South Africa’s largest federation of unions, has been the major driver behind its eventual

implementation and exercises considerable influence in South Africa as a political ally of the ruling African National Congress (ANC) party. In its inaugural address in 1985 the union expressed support for “a legally enforced national minimum living wage” (Cottle, 2015, p.2,), reflecting the NMWA logic of “fairness” and promise to “eradicate poverty”. Pressure from COSATU would only increase post-apartheid, where in 2014 the ANC declared in their manifesto that it would “Investigate the modality for the introduction of a national minimum wage as one of the key mechanisms to reduce income inequality.” (ANC, 2014). Its introduction was confirmed in November 2014 by the National Economic Development And Labor Council (NEDLAC) in the “Ekurhuleni Declaration” (NEDLAC, 2014). In 2016, a national minimum wage panel (NMWP) presented a report to the deputy president at the time that reflected the final NMWA that was eventually legislated. Evidently, the notion of implementing a national minimum wage has throughout its history been based on reduction of poverty and inequality by creating better employment opportunities through higher wages (NMWP, 2016).

The problem represented by the NMWA act has to some extent been influenced by the experience of Brazil. Neil Coleman (2013), a key member within COSATU<sup>14</sup>, argues that the success of minimum wages in Brazil as outlined in this thesis’s previous literature in reducing poverty and inequality can be replicated in South Africa considering several macroeconomic similarities between the economies at time of implementation. When outlining the lessons South Africa could learn from Brazil, Coleman states

“(…) The Brazilian government deliberately intervened to formalise the labour market, demonstrating that increased worker rights, combating of atypical and unregulated work, rising wages and improved conditions of employment, are consistent with large-scale job creation. (…)” (Coleman, 2013, p.20).

Brazil is portrayed as having experienced the positive spillover effects of ensuring rights at work by regulating the labour market, and by likening South Africa in this case it is assumed that this trajectory can be replicated. The prioritisation of rights at work over full employment again reflects the institutional arguments for consumption based growth, and further emphasises that employment creation and quality can be complimentary, rather than contradictory (Coleman, 2013). Coleman goes as far as to describe cheap labor in South Africa and Brazil as a “brutal legacy” that represented an obstacle in achieving decent work (Coleman, 2013, p.22.). These sentiments from COSATU once again influenced ANC policy, whos strive to synergise decent work in a holistic manner was declared in the New Growth Plan (NGP) in 2010 and former president Jacob Zuma in his inaugural address in 2009,

“(…)The creation of decent work will be at the centre of our economic policies and will influence our investment attraction and job creation initiatives. In line with our undertakings, we have to forge ahead to promote a more inclusive economy.” (NGP, 2010, p.1).

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<sup>14</sup> Neil Coleman was the head of strategy coordination at COSATU between 2008 till 2017 when he became head of the labor delegation who was directly involved in the negotiations for the NMWA.

The problem representation exercised by the NMWA and the underlying assumptions in achieving decent work can be attributed to actions and campaigns directly taken or heavily influenced by COSATU.<sup>15</sup> The understanding that decent work is at the heart of economic policy, again reflects the idea that job creation is only worthwhile if the jobs created can be considered “decent”. The NMWA serves a continuation of this problem representation which, as mentioned in the acts preamble, frames ensuring fair labor practices as a “constitutional obligation”. Economic growth is viewed as something that can be achieved alongside stronger labor regulations, rather than a prerequisite for its introduction.

## 6.4 What is Left Unproblematized by the NMWA?

Viewing low wages as a consequence of a deficit of workers rights which has allowed workers to be paid unfair amounts by employers means alternative problematizations are not explored. These silences work to emphasize the underlying institutional assumptions that underpin the NMWA. For example, the act does not question why wages are low in the first place beyond a failure of the employer to fulfil their obligations. It does not problematise the reasons why an employer operates in this manner, nor whether they possess the capacity to. Considering the significant mismatch in skills between the demand for and the supply of labour, one could argue that the lack of fair, or decent wages, is related to a deficit in full employment and open market mechanisms. Full employment is not reached as substantial portions of the labor force do not possess the skills necessary to compete in the higher wage skill intensive financial or manufacturing sectors of the economy. As a result, labor is faced with either low wage employment or unemployment.

Thus unfair wages could be seen as the result of the labor supply not being able to match the demands of higher wage sectors. In this alternative problem representation the emphasis is on the workers themselves, and their capacities rather than on the employers supply of decent waged employment. This representation may induce alternate policy prescriptions and prioritisation of the pillars of decent work. For example, measures to increase skill levels in the labor force could allow labor market wages, through market mechanisms, to become fairer, as the mismatch between the demand and supply for labor shrinks. Additionally, the relationship between decent work and economic growth may also be different. In this scenario, it could be argued that low wages are simply a symptom of low productivity and poor economic performance, and as such policy should prioritise achieving high economic and productivity growth which in the long run would exhibit trends towards more decent work. In this sense, the two objectives are not complementary. This competing problem representation is evident in South Africa’s National Development Plan 2030 (NDP, 2011) which states that “ (...) The economy needs to meet a different set of objectives, beginning with job creation” (NDP, 2011a, p.10). The objective for

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<sup>15</sup> This is not to say they are solely responsible for the NMWA, but considering the influence they had in negotiating for NMWA directly as well as its political connections to the ANC, the focus on them is warranted.

full employment is viewed as a necessary short term imperative, even if as the plan states, “Some work opportunities may not enable individuals to immediately live the lives that they desire”(NDP, 2011b, p.31.). In this representation job creation is crucial, even if it comes at the short term expense of labor quality.

Evidently the problem representations discussed inevitably reflect how different ideological schools of thought interpret social phenomena. Both representations make assumptions about how society responds to policy. The NMWA, by viewing this response through an institutional lense, is silent on neoclassical interpretations. The purpose and goals of the act are based on these assumptions, and as such should not be taken for granted. Consumption lead growth is feasible if the NMW does lead to any substantial job losses or reductions in hours worked. The former would exacerbate the problem of unemployment and the latter would dilute the gains made by increasing incomes. In either scenario, poverty and inequality could increase. Furthermore, even if employment levels and hours worked are stable, the benefits of the NMWA could be nullified if employers raise their prices of their respective goods and services to compensate for the increase in labor costs. It is also assumed that there will be no significant violation of the NMW. Considering wage violations were prevalent during sectorally determined minimum wages, which themselves were lower than what the NMW is now, the degree and extent it will impact the South African labor market is questionable.

## 6.5 Qualitative and Quantitative Effects of the NMWA

The problem representation as portrayed by the NMWA has several qualitative effects for the South African labor market. Framing low wages as the result of unfair labor practices is what makes minimum wages attractive in the first place, as they empower the workers to receive fair wages. This produces both discursive and subjectifications effects. Firstly, it limits other possible avenues for the problem to be represented. Low wages could also be framed as a consequence of structural obstacles for smaller firms to access credit, which means they can not afford to pay “fair” wages. Framing the problem as “constitutional obligation on the state and employers to promote and fulfil the right to fair labour practices" does not necessarily allow for the reasons why employers are not paying to be explored. It also implicates employers, including the state, as responsible for this unfulfillment of wages. The problem representation produced by the NMWA, and the assumptions that underpin it, has the potential to exert substantial lived effects on the South African labor market.

As mentioned previously, the comparatively high level of the minimum wage and its coverage could see those in low wage employment see their wages grow significantly which would have implications for poverty and inequality in general. Minimum wage skeptics on the other hand would highlight employment levels and working hours to indicate whether increases in wage, if any, are mitigating to assumed benefits of the legislation. Considering these factors in 2019, the year following its implementation, the impact of the NMW in South Africa has so far been

underwhelming. Table 8 shows that employment levels by sector remained relatively stable across its introduction, showing little signs of job destruction. Table 9 highlights employment across skill levels, and supports the same conclusion which is important considering unskilled workers are argued to be among the most vulnerable to minimum wages if set too high. Average monthly earnings and hours worked show similar trends, as displayed by Table 10<sup>16</sup> and 11, indicating that the NMWA has not had the impact many expected. Table 11 also emphasizes that wages have not increased significantly as men in low wage service sectors and agriculture continue to work in excess of 45 hours, surpassing ILO's upper-bound limit for decent working time. Low wage workers, the supposed main beneficiaries of a minimum wage, are thus still in situations where they need to work longer hours to compensate for inadequate hourly pay.

This lack of a substantive impact in the labor market is not inherently indicative of the overall success of the act. Firstly, any conclusions made from data on the basis of a sole year would be premature at best. As mentioned previously, the act allows for exemptions to be granted within the first year which may frame the lack of a response as a consequence of employers taking advantage of this. According to the NMWC, out of 475 total applications in the first eight months of 2019, 289 were granted and 105 were refused and the rest were either still processed or withdrawn (Van der Walt, 2019, p.43). Borat et al. (2020b) posits that considering the proposed scope of the NMWA, wage violations, which were prevalent under sectoral determinations, continue to be widespread (Bhorat et al., 2020b, p.27). Between April and June 2019 a total of 1604 complaints were made in response to the NMW with 909 of them found to be non-compliant (NMWC, 2019, p.25)<sup>17</sup>. Reasons for non-compliance are not evident at this moment, the NMWA could be higher than what employers are willing to pay or there is inadequate enforcement of the law to ensure workers are paid at the correct level. This conundrum highlights the difficulties in ensuring the decent work agenda in its entirety in emerging and developing economies, where levels of enforcement differ greatly from one another and within economies themselves, which makes providing “decent work for all” as stated by goal 8 of the SDGs difficult.

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<sup>16</sup> \*includes Wholesale and Retail trade, hotels and restaurants, repair of motor vehicles, motorcycles and personal and household goods

\*\* Includes Bonuses and Overtime

<sup>17</sup> As indicated by Borat et al 2020b, this number is likely to be substantially higher than what is officially reported.

Table 8. Employment by Industry 2018 - 2019

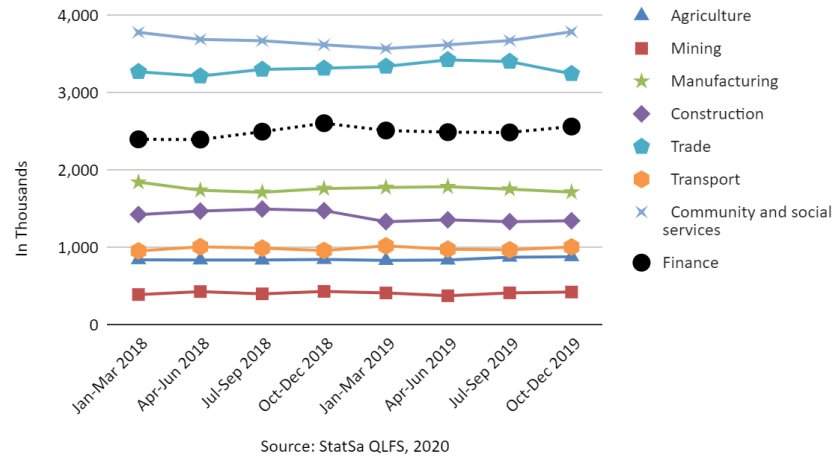


Table 9. Employment Level across Skill Levels 2018 - 2019

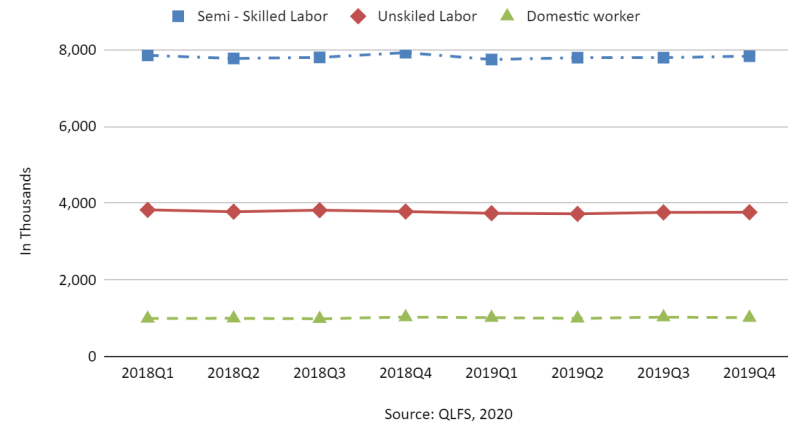


Table 10. Average Monthly Earnings 2018 - 2019

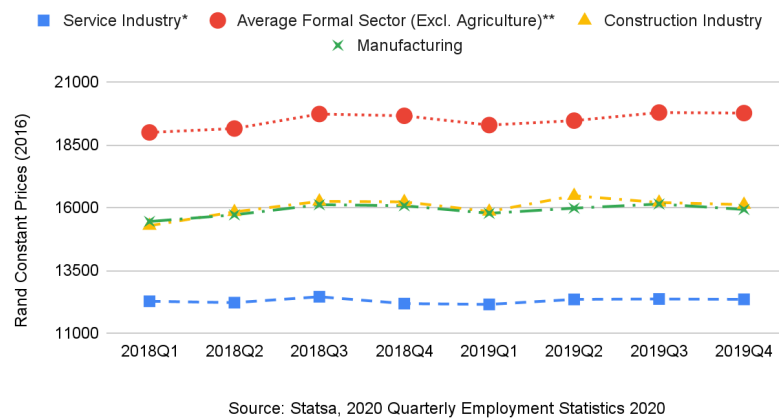
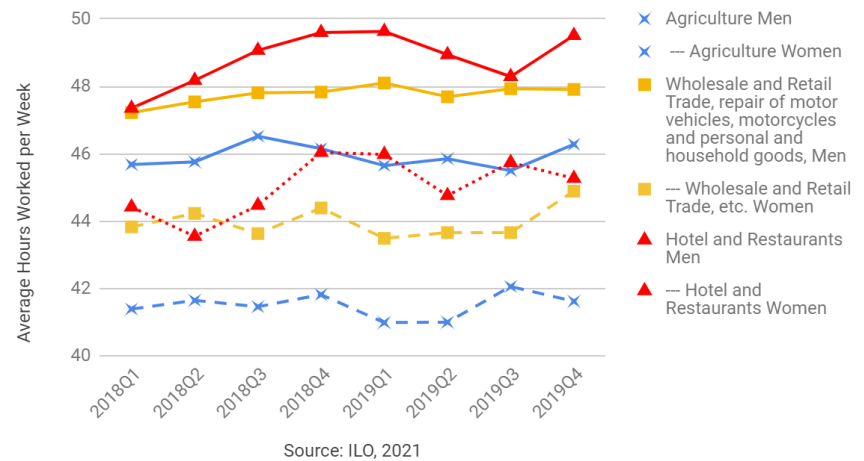


Table 11. Average Hours Worked per Week from 2018 - 2019



## 7. Discussion

The manner in which the NMWA represents the problem has been both defended and critiqued. . COSATU described the act as one of the “highlights of 2018” (Mokobo, 2018). This is hardly surprising considering their longstanding support for its implementation. The act, and the general scepticism of the ANC towards more labor intensive strategies has both evoked criticism from academics and independent think tanks externally and internally through the NMWC tripartite structure. Seekings and Nass (2018) described South Africa’s labor policies' preponderance with ensuring rights at work as “bad policy based on bad assumptions” (Seeking and Nass, 2018, p.2). They argue that the measures to increase wages does not create an environment conducive to inclusive development, as growth strategies are biased towards skill intensive sectors due to a fear of being trapped in low wage and low productivity growth. Whilst supporters point to the impact of minimum wages in Brazil, Seekings and Nass (2015b) argue that Brazil and South Africa are not comparable as the former was at the time of implementation a low unemployment economy (Seekings and Nass, 2015b).

Therefore labor intensive strategies in the case of South Africa may be better suited to reduce poverty and inequality as it includes a greater proportion of the labor force. They point to the case of Mauritius, who prioritized job creation before eventually implementing a minimum wage (Seekings and Nass, 2015a). NMWA also hinders the South African economies capacity to compete in export markets, notably the textiles sector where the authors assert that South Africa is in danger of missing the boat to capitalise on textiles jobs leaving China. In essence, the NMWA induces further labor market rigidities with its emphasis on workers rights when full employment may be more appropriate (Seekings and Nass, 2018). The role of COSATU in pushing for the NMWA has also been questioned. According to Runciman (2019), membership in the trade union is characterised by a majority of permanent workers, most of whom are skilled workers themselves. One can therefore dispute the extent in which COSATU is representative of low wage workers, who are argued to be the main beneficiaries of the act (Runciman, 2019). It is also worth considering the extent in which the interests of the unemployed have been considered considering that unemployment is largely structural, which implies that they would work if they could, which may mean that they are not as opposed to low wage labor as COSATU is (Seekings and Nass, 2018).

The NMWC is compelled by the act to “ (...) reflect any alternative views, including those of the public” (Republic of South Africa, 2018, p.10). The 2020 annual report<sup>18</sup> is organised accordingly, outlining the agreed upon suggestions by the majority before presenting the opposing or minority views of the commission. The majority view is held by both the labor representatives and independent experts who note that the NMWA “constitutes a decision to

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<sup>18</sup> There is no annual report for 2019 as the NMWC was still in its infancy. Whilst the 2020 annual report is primarily concerned with events occurring in that year, it still presents an insight into the competing problem representations of the South African labor market and how different perspectives and interests shape the issue.

prioritise a more equitable pay structure that ensures working people do not live in poverty" (NMWC, 2020, p.2.). This is explicitly followed by an acceptance that costs will increase for some employers but that the welfare benefits outweigh them, which is consistent with problem representation and decent work priorities outlined previously. The minority recommendations are unsurprisingly put forth by the business representatives and are more concerned with the need to avoid unnecessary job destruction, especially in sectors like agriculture and domestic services that are most vulnerable to price changes. The view that rights at work should be prioritised is contested by this group, who argue that it is "akin to prioritising form over substance" and does not account for the deficits in full employment that are present in the South African economy (NMWC, 2020, p.12). Effectively the working problem representation existing in the NMWA is argued to be predominantly based on ideological aspirations of what fair labor should be, rather than the realities of the South African labor market.

## 8. Conclusion

Achieving decent work as defined by the ILO in emerging economies is dependent on how each individual economy tackles the inherent conceptual complexities and discourse presented within the debate at large. In the case of South Africa and the NMWA, the emphasis is on synergising the four pillars of decent work. Whilst the act is predominantly framed as a measure to reduce the deficit in rights at work, which is represented through low and unfair wages, it is assumed that through this prioritisation the other pillars can also be empowered. These conceptions are rooted in the institutional school of economics, where market interventions and regulations are viewed as a complement to the economy, rather than a burden. Ensuring rights at work in South Africa is based on a representation of the problem of low wages as being the result of uneven capacities to bargain between employers, both private and public, and workers. The uneven distribution of power in wage negotiations left labor with unfair wages, and a labor market that was not efficiently competitive. The extensive coverage and high level of the NMW thus aims to achieve fairer wages, and is therefore viewed as a source of empowerment for the most vulnerable workers in the labor market.

Notions of eradicating both poverty and inequality indicate that this empowerment is assumed to not only be restricted to those working low-wage jobs, but larger proportions of the labor force and population large through assumptions of consumption based growth. These assumptions can be traced back to campaigning done by COSATU, who use evidence from other emerging economies such as Brazil to legitimise the problem representation present within the NMWA. However, despite the extensive nature of the act, initial evidence would indicate that its impact has been relatively mute so far, due in part to continued issues with enforcement and compliance. Whilst this is not indicative of the policies success, it does highlight the logistical and practical issues in achieving decent work in emerging economies like South Africa. The problem representation is also controversial to some when one considers the structural issues present in the labor market, characterised by consistently high levels of unemployment. Low wages in this



sense could be viewed through other lenses than a deficit in rights at work, notably as a shortfall of full employment. In this light, other policy prescriptions could be advised which may alter the view of decent work as complementary, rather as an outcome of sustained economic growth.

In summary, the NMWA is indicative of a greater debate surrounding how emerging economies approach decent work considering the variety of issues that they face. Even within South African policy, these debates and competing understandings of how decent work should be achieved can be problematised from an emphasis on decent work in economic policy in the NGP of 2010 to the need to create jobs first and foremost in the NDP 2030 of 2014. This thesis has explored which problem representations are prevalent in NMWA, their conceptual underpinnings, and their origins and the ensuing qualitative and quantitative impact on the labor market. The use of the WPR approach has allowed this thesis to be embedded in the context of South Africa, and study decent work in its entirety. It remains to be seen what substantive effects it will have on the future of South Africa's labor market, and whether its lofty ambitions will materialise in decent work for all as pictured by goal 8 of the SDGs.

Word Count: 16478

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