

**Mechanisms for effective implementation of South Africa's national
minimum wage**

by

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DEDICATION

I dedicate this dissertation to my late father whom I carry in my heart, and to my mother, Johanna Gavaza Shipalane. Thank you for your continuous and unwavering support of my academic journey.



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My gratitude goes to God the Almighty for the strength, wisdom and perseverance granted to me throughout the study.

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ABSTRACT

South Africa's 1994 transition to democracy is considered as one of the most notable political feats of the twenty-first century. However, the majority of the South African population still live in vast poverty and inequality. South Africa's poverty headcount is measured at 56.8% based on a poverty line of \$1.9 per day at purchasing power parity (PPP) while, based on the Gini coefficient, the country is calculated as the most unequal country in the world. Although socioeconomic policies such as the Reconstruction and Development Programme (RDP), Growth, Employment and Redistribution and the Accelerated and Shared Growth-South Africa (AsgiSA) have attempted to address the issues of poverty and inequality, the two issues remain a great concern. The National Minimum Wage Bill aims to reduce poverty and inequality by implementing a national minimum wage of R20 p/h.

The implementation of the national minimum wage (NMW) has been met with opposing views from different parties such as the University of Cape Town's Development Policy Research Unit. Others such as the National Minimum Wage Research Initiative (NMWRI) at the University of the Witwatersrand argue that the national minimum wage level of R20 p/h is not feasible and estimated that it will result in job losses of approximately 281 000 people. Other parties have used various models such as the United Nations' Global Policy Model (GPM) and the Dynamically Integrated Macro-Micro Economic Simulation Model (DIMMSIM) developed by Applied Development Research Solutions (ADRS) to argue that South Africa, as a wage-led country, would benefit greatly from such a wage level. The latter models argue that although the NMW will not eliminate poverty and inequality on its own, it can be used as a policy tool to reduce the two issues.

This study identifies the mechanisms, or lack thereof, to implement an NMW in South Africa. The study also examines the effectiveness of the identified mechanisms. A qualitative research approach was adopted towards the achievement of the objectives of the study. The case study method was utilised accordingly. The case study countries are Germany, Namibia and the United Kingdom. The use of the case study method was aimed at comparing and contrasting the possible implementation of South



Africa's NMW to that of the international community in order to draw possible lessons for the South African case.

The findings reveal that the National Minimum Wage Bill needs to improve the mechanisms before implementation is effective. For example, the role of labour inspectors could be improved by increasing their number in South Africa as well as equipping them with adequate skills and training. The study provides recommendations relating to the interpretation of the findings, which amongst others, proposes that independent contractors be included in the definition of the term "worker" so that this group is included in the minimum wage bracket.



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LIST OF ACRONYMS

ACAS:	Advisory, Conciliation and Arbitration Service
ADRS:	Applied Development Research Solutions
ANC:	African National Congress
AsgiSA:	Accelerated and Shared Growth Initiative for South Africa
BBBEE:	broad-based Black economic empowerment
BCEA:	Conditions of Employment Act
CCMA:	Commission for Conciliation, Mediation and Arbitration
COSATU:	Congress of South African Trade Unions
CPI:	consumer price index
DIMMSIM:	Dynamically Integrated Macro-Micro Economic Simulation Model
DoL:	Department of Labour
DPRU:	Development Policy Research Unit
EUR:	Euro
GDP:	Great British Pound
GDP:	gross domestic product
GEAR:	Growth, Employment and Redistribution
GPM:	Global Policy Model
GWMEF:	Government-Wide Monitoring and Evaluation Policy framework
HCE:	household consumption expenditure
ILO:	International Labour Organisation
LPHE:	language policy for higher education



LRA:	Labour Relations Act
MWC:	Minimum Wage Commission
NDP:	National Development Plan
NMW:	national minimum wage
NMWB:	National Minimum Wage Bill
NMWRI:	National Minimum Wage Research Initiative
NPM:	new public management
NEDLAC:	National Economic Development and Labour Council
PPP:	purchasing power parity
RDP:	Reconstruction and Development Programme
SACP:	South African Communist Party
UK:	United Kingdom
WITTT:	Wage Inequality Technical Task Team

CHAPTER 1: INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 INTRODUCTION

South Africa's 1994 democratic transition is often referred to as a remarkable political feat of the past century (The World Bank 2017). Although the country has made considerable progress in integrating its formerly segregated society, it is still confronted by the numerous challenges faced by developing countries. Some of South Africa's key development challenges include poverty, unemployment and inequality.

Poverty in South Africa is considered a challenge by Statistics South Africa (2014) in terms of socioeconomics and politics. In 2014, Statistics South Africa measured South Africa's poverty headcount at 56.8%, based on a poverty line of \$1.9 per day at purchasing power parity (PPP) (Statistics South Africa 2015). In the same year (2014), Statistics South Africa measured the country's Gini coefficient at 0.7 based on household consumption expenditure (HCE), thereby making South Africa one of the most unequal countries in the world. Harmse (2013:i) describes the Gini coefficient as a measure of income inequality in a country. The country's poorest 20% population consume less than 3% of total expenditure, while the wealthiest 20% consume 65% (The World Bank 2017).

South Africa's unemployment rate was at 27.7% for the second quarter of 2017 (Statistics South Africa 2017). With South Africa formally in a recession, Statistics South Africa (2017) reported a decline in employment by 48 000 jobs, from 9 692 000 in December 2016 to 9 644 000 in March 2017. The department (Statistics South Africa 2017) states that the decline was due mainly to decreases in industries such as trade, business services and transport amongst others.

The 2016 National Wage Panel Report presented to the deputy president, stated that there is "an inextricable link between low levels of wages, high unemployment rates, the great number of people living in poverty, and the massive inequality in South Africa" (Treasury 2016:7). The low levels of wages have arguably caused an increase in wage disputes which usually result in violent strikes. An example of a strike incident is the infamous case of Marikana's Lonmin Mine in the North West Province on 11



August 2012 which resulted in the deaths of approximately 44 people, the injury of more than 70 and the arrest of approximately 250 (South African History Online 2014). The strike was a result of the mineworkers' demand for a salary increase from R5 000 to R12 000 per month. The platinum companies, however, refused to concede a wage increase higher than 10 percent (South African History Online 2014).

In an attempt to address the labour relations environment by specifically exploring wage inequality and the length and violence of strikes, amongst other issues, the National Economic Development and Labour Council (NEDLAC) and its partners, through the Ekurhuleni Conference and Declaration, agreed to engage on models and methods of introducing an NMW in South Africa as well as exploring ways of eliminating poverty and inequality. The Wage Inequality Technical Task Team (WITTT) was then convened with the focus of establishing an NMW (Treasury 2016:8).

The Advisory Panel, formed in August 2016, was given the task of interrogating current literature on the NMW while constantly engaging with both the concerns and proposals of the NEDLAC social partners. The panels, amongst other things, considered factors such as how a minimum wage would impact poverty, vulnerable sectors such as domestic and farm workers, the youth, small business and employment rates (Treasury 2016). An agreement was reached by the panel that a level of R20 per hour adjusted to a monthly wage approximated at R3 500 per month was the NMW. The wage would, according to the panel, "maximise benefits to the poor and minimise any possible unemployment effects" (Treasury 2016:63). The panel argued that a lower minimum wage would not have a great enough effect on poverty while a higher minimum wage would have strong consequences of unemployment. It was also argued by the panel that a clear and set minimum wage would be simpler to communicate and implement than a range. The proposed minimum wage would be implemented on 1 May 2018.

Due to the many parties involved in the policy-making process, the panel clearly underestimated the difficulty of communicating and implementing this proposed legislation. Many questions lie around the implementation of the national minimum



wage: How would the panel ensure that implementation of the wage would not result in unemployment? How will the impact of trade unions on both the labour force and its members influence the acceptance, implementation and compliance of the NMW? Will the vulnerability of the abovementioned sectors (mainly domestic and farm workers) lead to unlegislated unemployment? How will employers be held accountable to comply with the minimum wage?

Although South Africa has become renowned for formulating sound policies, the country often implements these poorly. Examples of such policies include the infamous “e-toll” system which failed mainly due to lack of public consultation, participation and a failure of compliance. Another example is the socioeconomic policy framework, the Reconstruction and Development Programme (RDP). The RDP’s key programmes included meeting the basic needs of South Africans, developing the country’s human resources, democratising the state and society as well as implementing the RDP (South African History Online 1994). Although the RDP did considerably well in some of its programmes, such as democratising the state and its society through the implementation of the country’s 1996 constitution, some of the RDP’s identified needs have been poorly provided for (these include housing, jobs and water especially in South Africa’s rural areas). Poor implementation continued to take place through the RDP’s succeeding socio-economic policies such as the Growth, Employment and Redistribution (GEAR) and the Accelerated and Shared Growth Initiative (AsgiSA).

Policy-making is one of the generic functions of public administration. This function consists of different stages, which for the purposes of this study will include agenda setting, policy formulation, policy adoption, policy implementation and policy evaluation. This study will focus on the fourth step of the policy process, i.e. policy implementation especially evaluating of the first two steps, which are agenda setting and policy formulation. The study will evaluate some of the most essential mechanisms that need to be in place within South Africa in order for a minimum wage to be implemented effectively. The study will also focus on what is required of public administration to administer the implementation of a minimum wage. Furthermore, it



will review certain countries from which South Africa can learn in terms of challenges, failures and successes to effectively implement its proposed minimum wage. The identified countries include: United Kingdom (UK); Germany and Namibia.

The latter part of this chapter will comprise a literature review which seeks to provide the literature needed to conduct the rest of this study. The chapter also comprises the following: motivation for the research; research methodology; limitations; problem statement; clarification of terms and concepts; and a preliminary framework of the chapters.

LITERATURE REVIEW

During and prior to South Africa's infamous segregated government system, i.e. Apartheid, race and social strata were almost indistinguishable traits. The government structured the different races hierarchically, that is, White, Coloured, Indian/Asian and Native respectively. The Population Registration Act 30 of 1950 further perpetuated inequality by dictating, amongst other things, education and employment an individual from each of the racially classified groups (Act 30 of 1950). Apartheid's oppressive laws against non-whites, especially labour relations, resulted in the establishment of the Congress of South African Trade Unions (COSATU) in December 1985. The establishment of union was the result of four years of unity talks among a host of unions opposed to the oppressive system. The unions were committed to a non-racial, non-sexist and democratic South Africa (COSATU 2017).

Since the democratisation of South Africa in the mid-1990s, COSATU became an affiliate of the Tripartite Alliance, that is, African National Congress (ANC); South African Communist Party (SACP) and itself (COSATU 2016). Although the Federation's position in the Tripartite Alliance gives it considerable power in wage bargaining, unemployment has been and remains alarmingly high. Socioeconomic structures such as the RDP, GEAR and AsgiSA as previously mentioned, and currently the National Development Plan (NDP) have attempted to, *inter alia*, decrease



unemployment in South Africa. Unemployment, employment conditions and regulations which govern the latter remain adverse.

South Africa's proposed minimum wage is aimed to ultimately maximise benefits to the poor while minimising the probable impact of misemployment, as mentioned in the introduction. This policy, including the abovementioned, attempts to narrow the inequality gap in South Africa.

This literature review seeks to provide a background of the theory of policy-making and policy implementation. The challenges and probable solutions for the implementation of a minimum wage will also be explored internationally to assess South Africa's mechanisms and capacity, or lack thereof, to implement its proposed minimum wage effectively in May 2018. The mechanisms utilised in the UK, Germany and Namibia will be explored and compared to those in South Africa. The UK was selected because numerous studies had been conducted in both countries; and various approaches utilised to implement minimum wages. These studies will, therefore, provide many lessons for the South African scenario. Namibia, which reflects similarities in economic growth was selected based on its developing status compared to the UK and Germany which are considered developed.

1.2.1 Policy-making process

Friedrich (in Jordaan 2013:37) identified the purpose of public policy as the political system's authoritative allocation of values to the individuals within society. Friedrich describes the purposive course of action of public policy as followed by an actor or set of actors when dealing with a problem or a matter of concern. Hence, it is important to note that the process of policy-making is dependent on the political system and the power of the different stakeholders. De Coning (2006) also identified the term policy as referring to a statement of intent, which specifies the principles that would be used to achieve specific goals (de Coning 2006).

The following stages of the policy-making process as identified and explained by the Texas Politics Project at the University of Texas in Austin [Sa] is discussed. The objective is to provide resources to learn and research.

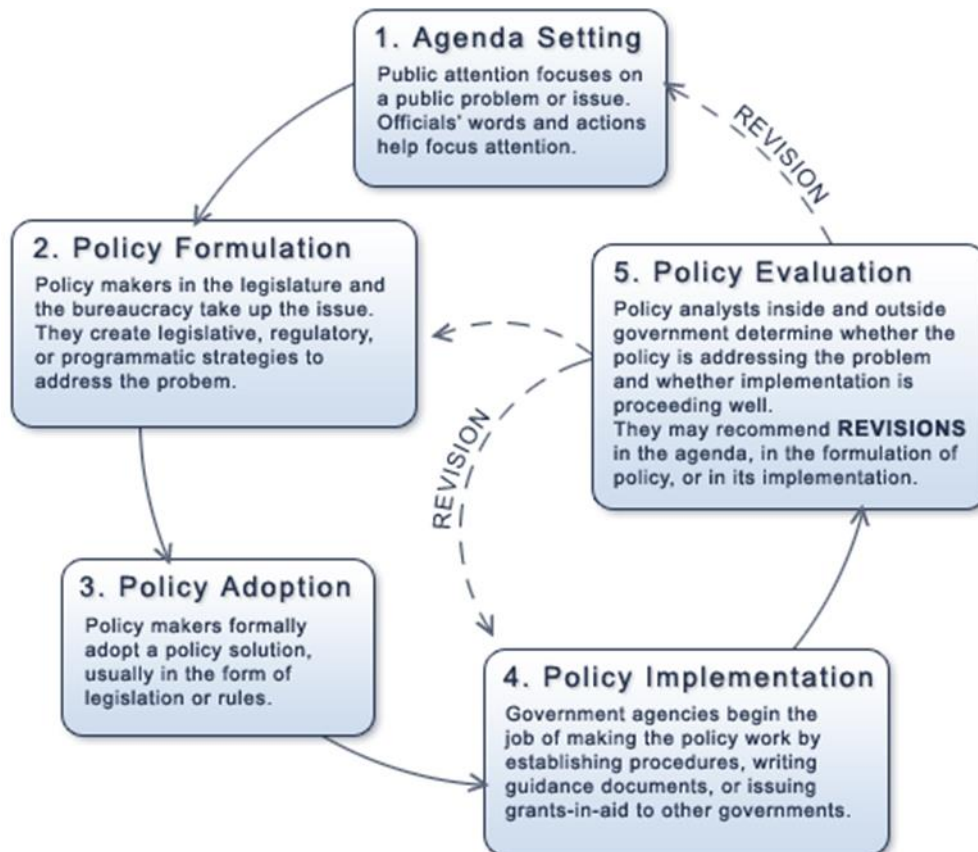


Figure 1: Policy-making and policy implementation

Source: The Texas Politics Project [Sa]

Figure 1 illustrates policy evaluation and an in-depth analysis of a policy to determine whether it addresses the problem and implementation processes. Therefore, evaluation may also entail recommending the revision of the steps prior to policy evaluation which, in this instance, is policy implementation. Research conducted by Hallsworth, Park and Rutter (2011) identified that although it is important to consider these individual stages and what transpires in each, it is essential to note that these are inseparable. Hallsworth et al. (2011), further explain that policy problems and solutions often unfold simultaneously rather than one after the other. Therefore, the



simultaneous unfolding of policy problems and solutions makes the environment within which policy-making exists, both complicated and difficult to control.

Brynard's (2007:358) findings revealed the significance of policy evaluation, which refers to "what transpires in the implementation process between policy expectations and perceived policy results" to fill the policy gap. The recommendations will, therefore, seek to identify mechanisms to lessen the gap between the expected and actual results. Instances in which a policy does not meet its intended results, policy evaluation would enable those involved in the policy process to identify the missing links between the actual and the intended results.

1.2.2 Policy implementation

Figure 1 describes policy implementation as the stage in the policy-making process where government agencies implement the policy work to establish procedures or writing guidance documents. De Groff and Cargo (2009:47) further define policy implementation as transforming policy as a plan, idea or expectation into action. Furthermore, implementation entails converting the decisions made by government into actual programmes or practices. During policy implementation, the parties involved aim to execute, produce and accomplish the identified objectives. Although the programmes and practices are set out to accomplish the predetermined policy objectives, they also have specific plans of how these should be executed (De Groff & Cargo 2009:47). It is important to acknowledge the unpredictability of human behaviour and how compliance or noncompliance of a certain party to fulfil their role plays a major part in the success or failure of the policy. Compliance has been a sensitive concern of South Africa's proposed NMW because of the parties involved in its determination, and the power possessed by each party leading to its implementation.



1.2.3 Determining a new minimum wage

Nattrass and Seekings (2015:11) describe the aim of setting minimum wages as to ensure that all workers receive the appropriate monetary value for the job they perform. The two authors further argue that when setting minimum wages, it is important to take into consideration factors such as the cost of living, social security benefits and the general standard of living to determine whether a minimum wage is at the "right level" or not. Thus, country-specific wage standards must be set to ensure that the new minimum wage does not have a major negative impact on unemployment.

Luce (2012:22) defines and discusses the "living wage" (a counterpart term for minimum wage), as well as evaluating the ability thereof to alleviate poverty and inequality. Luce (2012: 12) describes some of the approaches used to define the living wage as the basic family calculator by the Economic Policy Institute and the self-sufficiency standard. Both approaches use government data to estimate the cost of living for housing, food, health care and other basic needs and finally furnish an estimated annual total income. The essentials for determining and implementing a living wage successfully entail lengthy in-depth campaigns to monitor and fight wage issues and a second-party force involved in monitoring and enforcement. The essentials established by Luce (2012:22) are important, however, they do not necessarily guarantee success.

Although the above-mentioned is an essential aspect of the policy formulation stage regarding minimum wages, it is also important that during this stage, mechanisms are created or adopted to ensure effective implementation. Benassi (2011:iii) identifies and qualitatively assesses varying minimum wage implementation mechanisms that might ensure compliance. Benassi's (2011:iii) empirical survey offers examples of the mechanisms implemented in practice by firstly providing an overview of globally existing mechanisms; a detailed illustration of the British minimum wage implementation system; and additional strategies implemented to diversify and strengthen minimum wage implementation from the broader field of labour regulations.



Hood (in Younis 1990:6) provides five key conditions to what Younis describes as “prescriptions for success”. These conditions include: (i) a unitary administrative system with a single line of authority; (ii) uniform norms or rules; (iii) perfect obedience and/or perfect administrative control; (iv) perfect communication and coordination between administrative units; and (v) the absence of time pressure. Hood (1990:6) further provides the views of other authors on the preconditions of successful implementation, noting that policies should be implemented based on valid theories of cause and effect while external variants do not have overpowering restraints. It is clear that these conditions would exist only in an ideal state. The environment within which this study takes place, numerous factors exist that places South Africa ‘outside’ the definition of an ideal state. These factors include: parties involved in the policy-making process; unpredictable human behaviour; and the influence of the international community. It is, therefore, important that parties responsible for the implementation of the minimum wage create an environment to maximise the abovementioned conditions through platforms such as lobbying and stakeholder engagement.

Benassi’s (2011:iii) work identified five measures that should be included to initiate an effective implementation system, i.e. persuasion, capacity building measures, a monitoring system for noncompliance, worker empowerment and structured sanctions. Weil (2005:238) also evaluates the impact of agreements between manufacturers and the government and used to monitor contractor behaviour as a means of improving compliance outcomes. The work by both Benassi (2011:iii-39) and Weil (2005:238-257) will add value to this research by providing information necessary to assess the effectiveness of the mechanisms utilised in South Africa. As mentioned previously, both Benassi and Weil identify these conditions and measures in ideal environments while each country has its own unique characteristics. As a result, it is difficult to ensure the complete effectiveness of these conditions/measures.



1.2.4 The impact of a minimum wage on inequality, poverty and unemployment

Although not disregarding the usefulness of minimum wages, studies from the University of Cape Town's Development Policy Research Unit have estimated that approximately R20 p/h could result in job losses of approximately 281 000 persons and have a negative impact on the employment rate (University of Cape Town 2016). There is limited evidence to prove that minimum wages can reduce the levels of unemployment. The case studies presented in Chapter 4 of this study revealed that no significant increase in the rate of unemployment can be identified as a result of the implementation of the minimum wage as the sole contributor of rising unemployment. There was no significant rise in unemployment in Germany, although its minimum wage is similar to South Africa.

Contrary to the University of Cape Town's Development Policy Research's studies, the University of the Witwatersrand's National Minimum Wage Research Initiative (NMWRI) models the macroeconomic and microeconomic impact of enforcing a national minimum wage using various models, namely: United Nations Global Policy Model (GPM); and the Dynamically Integrated Macro-Micro Economic Simulation Model (DIMMSIM) developed by Applied Development Research Solutions (ADRS) (Isaacs 2016:45). The GPM reveals that increasing the labour share will have a positive effect on the South African economy compared to the insignificant negative effect. The positive effects would most notably be an increase in private consumption and Gross Domestic Product (GDP) growth. Therefore, consistent with international evidence, the implementation of the minimum wage will reduce in both poverty and inequality.

1.3 MOTIVATION FOR THE RESEARCH

The primary aim of the government's socioeconomic policy, National Development Plan (NDP) is "to eliminate poverty and reduce inequality by 2030" (National Planning Commission 2011:1), specifically through promoting employment. For the government to achieve this aim, careful consideration must be paid to the policy-making process, noting that policy evaluation plays a significant role in ensuring that the policy-making process as a whole is a success. According to Figure 1, South Africa's proposed



minimum wage is at the third stage, i.e. policy adoption. The policy is scheduled for implementation on 1 May 2018; however, Figure 1 illustrates that policy evaluation includes the revision of all the stages prior to it making the evaluation of policy implementation significant.

Trade unions form part of the bargaining councils. They play a significant role in ensuring workers' acceptance of a minimum wage and influence the pace of policy formulation, policy adoption and the policy implementation stages of the policy-making process. COSATU states that the proposed minimum wage recommended by the panel of experts, is a great improvement on proposals by the government and private sector but notes that it is still inadequate and maintains its position of R4 500 to be the appropriate starting level (COSATU 2016). The trade union federation has, however, accepted the proposed minimum wage.

With the complexity of the environment it is important that policy implementation is thoroughly examined to avoid failure. The importance of evaluating policy is to ensure its implementation; this is essential in the case of South Africa's proposed minimum wage.

1.4 LIMITATIONS OF THE STUDY

This study adopted the case study research methodology. Yin (2013:9) identifies the conditions in which a case study is the best method to use. These conditions include the type of research question that is posed. It should be a "how" or a "why" question, a question that leaves no control for the researcher over the actual behavioural events; and finally, a question that has a high degree of focus on contemporary events as opposed to historical ones. The study is limited to evaluating the implementation of South Africa's proposed minimum wage regarding the presence or absence of the mechanisms needed for implementation to occur effectively.

Being the multi-sectoral field that public administration is, a variety of issues may have an impact on the achievement and/or failure of policy objectives. This study is limited to issues concerning public administration and, more specifically, the agenda-setting



and policy formulation stages of the policy-making cycle that should lead to the implementation of the minimum wage.

1.5 PROBLEM STATEMENT

The Department of Monitoring and Evaluation (2011:5) states that policy evaluations enable public institutions to measure the efficiency and effectiveness with which service delivery outcomes are achieved. Although this study does not focus on service delivery, it is important to highlight the importance of policy evaluation as a tool that provides information to determine the efficiency and effectiveness of the specific policy with regards to the issue/s in society that that policy is attempting to resolve.

The literature review provided information on implementation mechanisms and approaches to ensure compliance of a minimum wage and the process to ensure compliance as well as examples of countries which implemented minimum wages, the mechanisms they used and their successes and challenges. An example of an unsuccessful policy is the South African public's refusal to comply with the e-toll system led to the failure of the South African government to effectively implement it due to issues highlighted in the reviewed literature. This failure should be a lesson for the government when implementing the minimum wage. The government as well as the relevant stakeholders can analyse and draw lessons from the failures of the e-toll system to avoid the same to occur when implementing the national minimum wage.

Poor, or the lack of, evaluation of the implementation of South Africa's proposed minimum wage could result in, *inter alia*, failure and waste of state expenditure. This study will analyse problems surrounding the lessons that can be learnt from countries on the implementation of a minimum wage. The study will also analyse the challenges that impede implementation as well as the roles of each stakeholder to ensure effective implementation.

Although South Africa's minimum wage has not orbited the policy-making cycle, it is important that prior to 1 May 2018, all stakeholders who would be affected by its



implementation are informed of their rights and responsibilities. This constitutes a policy gap in ensuring the effective implementation of the minimum wage. Therefore, the study will focus on South Africa's readiness to implement this policy, i.e. it will pose the following question: "Does South Africa have the necessary mechanisms to implement its proposed minimum wage effectively?"

1.6 RESEARCH OBJECTIVES

The objectives of this study are to:

- Critically analyse agenda setting and the policy formulation stages of South Africa's proposed minimum wage and the environment in which the policy will be implemented;
- Describe the approaches of the mechanisms required to implement a minimum wage effectively; and
- Assess the abovementioned approaches, or lack thereof, as a tool to effectively implement the proposed minimum wage.

1.7 RESEARCH METHODOLOGY

According to Welman, Kruger and Mitchell (2005:2), research methodology "considers and explains the logic behind research methods and techniques." Methodology therefore refers to a particular procedure or a set of procedures that is utilised in order to acquire knowledge and/or information. There are three methods of research, namely: qualitative research methodology, quantitative research methodology and mixed method. Qualitative research method is described by Kumar (2014:14) as being rooted in the philosophy of empiricism. This method is flexible and relatively unstructured in nature. It focuses on describing and narrating findings. Quantitative research methodology, unlike the qualitative, is rigid in nature and focuses on quantifying information. This methodology "communicates findings in an analytical and aggregate manner, drawing conclusions and inferences that can be generalised" (2014:14).

For the purposes of this research, the qualitative approach will be used. The qualitative approach is the adopted due to its ability to deal with voluminous information such as



government documents. The less-rigid nature of the approach also allows the research to probe into the minimum wage systems of the case studies. The qualitative research approach also contains the relevant and effective methods and functions that can best achieve the objectives of the study. This study adopted the case study method which Gilbert (Gilbert in Kumar 2014) describes as an approach where studies of a particular instance or a number of carefully selected cases are conducted. Kumar (2014:129) describes a research design as a manner in which one finds answers to research in the most valid, objective, accurate and economical way possible. Within the quantitative and qualitative research methods are different research designs and within the different research designs are study designs. Yin (2013:9) identifies the conditions in which a study design may be used: which includes:

... the type of research question that is posed, the extent of control a researcher has over actual behavioural events and the degree of focus on contemporary as opposed to entirely historical events.

For the case study method, Yin (2013:9) identified the form of research question that is suitable to be “how” or “why” questions, questions where the researcher has no control, i.e. behavioural events, as well as questions where the focus is on contemporary events. The case study method was considered the most suitable for this study. Although no interviews were conducted,

Kumar (2014:4) identifies the open, flexible and descriptive nature of the qualitative research approach on both the researcher and the sample as far as communication is concerned. The qualitative approach, unlike the quantitative, places limited significance on the statistical development of valid samples or the statistical support for hypotheses (Nieuwenhuis 2007:51). Contrarily qualitative research focuses on describing and understanding the natural occurrence of phenomena with the purpose of developing an understanding of the meaning(s) (Buy 2018:29).

The qualitative research approach has different functions, namely the contextualisation, explanatory, evaluative and generative functions. The contextualisation function aims to describe the nature of what exists so as to describe and display phenomena as experienced by the study population (Ritchie, Lewis,



McNaughton Nicholls and Ormston 2013:27). The explanatory function is concerned with providing reasons for what exists. The function provides the steps of different phenomena to bring understanding to the phenomena from their origins to their current form. This study will provide an explanation of the history of minimum wages in South Africa and the events that lead to the formulation of the national minimum wage. The evaluative function aims to determine the effectiveness of what works, much like this study aims to determine the effectiveness of implementation mechanisms by identifying factors that contribute to successful or unsuccessful implementation of a policy and the possible effects of the policy on its stakeholders. The generative function aims to produce new ideas either as a contribution towards the development of social theory or to the refinement of policy solutions. The generative function will be used in the final chapter of this study in the findings and recommendations section.

This study does not tamper with or promote unethical behaviour. The study will not conduct any interviews however, it will adhere to the ethical conduct of the School of Public Management and Administration. The author of this work will acknowledge and reference the original work or other authors.

1.8 CLARIFICATION OF CONCEPTS AND TERMS

Public administration is described by Thornhill (2006:793) as an area of study that is traditionally concerned with the administrative activities of governing and the administrative requirements that give effect to governmental policies. Public administration is a discipline that is, as further described by De Wet (2014:26), a field of enquiry that includes politics, societal needs and the coordination and implementation of government policy in the most ethical, effective, efficient and economic manner.

Mthethwa (2017:39) describes public administration as a scientific area of study that focuses on the enablement of functions for the execution of government policies. He further explains that public administration entails the study of all the spheres of government. In South Africa, these spheres include the national government, provincial government and local government, as identified in chapter three of the Constitution of the Republic of South Africa.



Public administration is referred to the attainment of politically driven objectives (Dimock and Dimock in Mthethwa 2017:39); it is therefore concerned with policy and involves tasks performed by public officials. These activities include contributing to policymaking, involvement in human resource issues, exercising control within the public officials' respective directorates or branches of responsibility as well as coordination functions. In practice, public administration involves day-to-day actions that can simply be referred to as the manifestation of policy, deriving mostly from the discipline of public administration.

The generic functions of Public Administration are identified by Cloete (1991) as including policy-making, organising, financing, human resources and determining work methods and procedures and controlling (Jordaan 2014:36). As previously described, policymaking refers to the purposive and authoritative allocation of values to society. This authoritative allocation occurs through the political system (Friedrich in Jordaan 2013:37). A policy often states the intention through a conceptual framework. Policy-making is the generic function of concern for the purposes of this study.

1.9 PRELIMINARY FRAMEWORK OF RESEARCH

The proposed framework of the research will comprise the following chapters:

Chapter 1: Introduction and background of the study

This chapter seeks to inform the reader of what the study comprises, provide the motivation for the research, the adopted research methodology as well as a brief overview of the relevant literature. The chapter will also provide the study's objectives, concept clarification and the study's framework.

Chapter 2: Contextualisation of Public Administration

This chapter aims to conceptualise policy evaluation and policy implementation within the context of the discipline Public Administration and the theory of New Public Management which emerged during the development of the contemporary models and approaches. The chapter also aims to discuss the evolution of this discipline with specific reference to South Africa. Finally, this chapter aims to describe the functions



of public administration that can contribute towards effective implementation of South Africa's proposed minimum wage.

Chapter 3: South Africa's NMW

This chapter aims to firstly provide a brief overview of South Africa's current framework for minimum wage regulation followed by an evaluation of South Africa's proposed minimum wage and the environment in which this bill is to be implemented.

Chapter 4: Minimum wage: an international perspective and mechanisms of regulating a minimum wage

This chapter aims to discuss the approaches and mechanisms needed to effectively implement a new minimum wage. This chapter also seeks to carry out an analysis of South Africa's proposed minimum wage, similar to chapter three but from an international perspective. As motivated in the literature review, this chapter will contextualise the minimum wages of Namibia, Germany and the UK in comparison with that of South Africa.

Chapter 5: Interpretation of findings, recommendations and conclusion

The final chapter aims to summarise the findings of the research and provide recommendations.

1.10 CONCLUSION

Public policy is mainly concerned with the authoritative allocation of resources. To authoritatively allocate these resources, the use of the policy-making process and its stages is vital. This chapter sought to introduce the background literature of the study and to provide information on the objectives of the study. It provides its relevance and illustrates how the remaining chapters of the study will be presented.



CHAPTER 2: CONTEXTUALISATION OF PUBLIC ADMINISTRATION

2.1 INTRODUCTION

The first chapter provided an introduction to the study including its background as well as identifying the problem statement and limitations. Furthermore, the main objectives have been identified and concepts and terms clarified. The chapter also presented the outline of the entire study including the research methodology adopted by the study, i.e. a case study.

Policy-making is one of the functions of the Public Administration discipline and is often implemented through public administration as a practice. This chapter aims to contextualise the implementation of South Africa's NMW as a public policy within the discipline and public administration as a government activity. The chapter also seeks to provide a brief historical background of Public Administration and its evolution with specific reference to South Africa. The relevant legislative framework of the discipline and specifically public policy in South Africa will also be provided. In conclusion, the chapter will discuss the generic functions as well as the types of policies while contextualising the implementation of South Africa's new NMW within these functions and policies respectively.

2.2 DEFINING PUBLIC ADMINISTRATION

Khan (2008:1) separates the terms public administration by defining the words "public" and "administration". The author describes the former as referring to two things, namely the government and people or civil society. Khan (2008:1) states that administration entails organising and maintaining human and fiscal resources for the achievement of government's goals and objectives. Le May (2006:9) identifies the involvement of the execution and implementation of public policy within administration as it is concerned with the management of the affairs of government as well as its primary institutions. Berkley (1975:2) emphasises the importance of the presence of people in order for administration to take place; administration is therefore a process that involves people collaborating towards a common goal.



The scope of public administration encompasses the study of Public Administration and government activities. The use of uppercase prefix in the term “Public Administration” and the lower case in the term “public administration” distinguishes the two terms respectively (Wessels and Pauw 1999:10). Cayer (2003:65) identifies the nature of public administration as being the subject of much debate, particularly questions relating to whether public administration is an art, a craft, a science, a profession, and a field of study or discipline. Although there has been a great deal of debate over these issues, there are several definitive agreements to the debates. Clarification on these classifications will be dealt with under the relevant subsections.

2.2.1 Public administration

Denhardt and Denhardt (2009:1) describe public administration as an activity primarily concerned with the management of public programmes by public administrators. These public programmes have the primary goal of solving identified societal needs; this makes serving the public and ensuring the good of society the first priority of public administrators. Although the six generic functions discussed under section 2.6 can be studied under the discipline of Public Administration, they also allow the activities that take place within public administration to occur in a manageable manner.

Presthus (1975:3) argues that public administration may be both the science and art of formulating and implementing public policy. According to Thornhill (2012:93), public administration is recognised as distinct field work as it requires public officials, those who practise it, to respect guidelines that govern their conduct during the execution of their work. The public institution primarily responsible for delineating the conduct of public officials in South Africa is the Public Service Commission. Nhede (2016:83) argues that given the background of public administration, which can be summed up as government action, this phenomenon is not a new practice but rather one that could be as old as mankind.

2.2.2 Public Administration

Thornhill (2006:793) describes Public Administration as traditionally concerned with the administrative activities regarding the governing and the administrative



requirements that give effect to public policies. In his paper, “The Study of Administration”, Woodrow Wilson (Wilson 1887:12) described the field of administration as a field of business. Wilson (1887:13) further states that policy cannot thrive without the aid of administration. Wilson’s statement highlights the multi-disciplinary nature of both the field of study and the activity of public administration. Rosenbloom and Goldman (1986:5) assert that Public Administration is a human science as it deals with human beings carrying out the activities of government. The discipline covers the three branches of government, i.e. the executive, the judiciary and the legislature, as well as the interconnectedness of these branches.

The multi-disciplinary nature of Public Administration makes it difficult to define the delineations and parameters of the discipline. Stillman (1980:1) argues that a universal definition captures the core of a subject and the lack of a definitive argument is due to the rapid growth of public administration in the twentieth century. The lack of a universal definition results in a normative rather than a descriptive definition of Public Administration. According to Fry (1989:13), Public Administration borrows much of its knowledge from disciplines such as Economics, Business Administration, Sociology, Psychology and Political Science therefore, rather than its intellectual parenting, the cohesiveness of Public Administration is drawn from its subject of analysis. Fry argues that there is a shortfall and little originality portrayed in the development of theories in the public service to displace existing and old theories.

Mosher (1968:59) counterargues Fry and states that the inability to encapsulate the core of the subject Public Administration gives the subject its strength. The freedom for authors to borrow from other disciplines allows them to solve the problems of society more effectively.

2.3 EVOLUTION OF PUBLIC ADMINISTRATION

This section aims to discuss the historical perspective of Public Administration as a discipline and to contextualise this study in the domain of Public Administration based on the evolution of the discipline from 1887 to present-day Public Administration.



2.3.1 Origins of Public Administration

The evolution of Public Administration is classified in four generations which are identified by Thornhill (2006:794) as the pre-generation, the first generation, the second generation and the third generation. Thornhill (2006:794) describes the pre-generation as being influenced by thinkers such as Plato, Aristotle and Machiavelli. Prior to the birth of the national state, this generation's emphasis concerning society was based on moral and political issues and the administration of the state. The sixteenth century saw the birth of the national state which needed an organisation for implementing law and order. Hence the state became the reigning administrative organisation in Europe.

Thornhill (2006:794) then describes the first generation as being influenced by the studies of, *inter alia*, Lorenz von Stein and Woodrow Wilson. During von Stein's time, the science of Public Administration was considered a form of Administrative law. Von Stein, a professor in Vienna, may be regarded as the founder of Public Administration in Europe who brought about innovative opinions on Public Administration which included the acknowledgement of the multidisciplinary nature of Public Administration and how the practice of public administration formed the base of the science of Public Administration. Von Stein also asserted that the science of Public Administration should adopt the scientific method. Woodrow Wilson's 1887 article, 'The study of Administration' in the *Political Science Quarterly* was the first in the USA to consider Public Administration as a science. In his article, Wilson (1887:12-13) argued in favour of four concepts: firstly, the separation between politics and the public administration; and secondly, a consideration of the government from a commercial perspective. His final two arguments were that there should be a comparative analysis between political and private organisations and finally, that civil servants should be trained and assessed in order to reach effective management.

The second generation was dominated by the studies of Luther Gulik, Lyndall Urwik and Henry Fayol (Thornhill 2006:795). Gulik and Urwik drew much inference from the studies of Fayol, believing that Fayol's studies offered a systematic treatment of management, which was regarded as unique at that time. The two believed that this



systematic treatment of management could be used in both private companies and public institutions. The third generation that began in 1945 (after the Second World War) questioned many of the ideas belonging to the former schools. The re-thinking of the first and second generations was mainly due to the changes in the nature of activities of the public sector; its environment had become even more multidimensional. Though many theories were being challenged, governmental institutions still applied the Weberian hierarchical model in most public institutions (Thornhill 2006:798).

2.3.2 New public management

Quah (1992:121) asserts that for administrative reform to occur, a change in both the structure and procedures of the public bureaucracy and the attitudes and behaviour of public bureaucrats is needed. Carstens and Thornhill (2000:181) argue that a reform intervention could therefore be regarded as “means through which the motive for voluntary reform is converted to desired reform outcomes.” The two further assert that reform interventions are the result of the motive for voluntary movement which is converted into reform outcomes. The process of reform interventions is explained as the motivation for reform being the input, the process of intervention taking place through reform framework and the outcome being the reform having taken place.

According to Doern (1992:14), the NPM reform started in the UK in the 1980s to describe the Conservative Party’s reform implementation. Carstens and Thornhill (2000:185) discuss how the former party under the leadership of Margaret Thatcher, implemented this administrative reform which was characterized by four primary ideas:

- i. Opposition parties stressing lower taxes and attempts to minimise the growth of the state sector, in particular in staffing and spending;
- ii. Shift to privatise non-core government functions and a softening of the division between public and private sector work;
- iii. Growth in the use of technology and automation, giving political party strategists more autonomy in policy-making, relative to the comments from public officials;
- iv. Development of an international agenda which focuses on general issues of public management, policy design, decision styles and intergovernmental co-



operation, in addition to the traditional country's application of public administration (Hood in Carstens and Thornhill 2000:185).

The introduction of the new public management (NPM) was followed by many contributions with outcomes, as described by Temmes (1998:442) that include *inter alia*, the corporatisation of public institutions, the privatisation of public service and the decentralization of personnel management to the sphere of managerial influence. Carstens and Thornhill (2000:188) argue that NPM was not administrative reform but a combination of interconnected reform policy approaches. The two authors conclude that during the 1980s

... countries introduced NPM measures in a situation where the reform rationale required interventions beyond the scope of the rigid traditional public administration approach (Thornhill 2000:189).

2.3.3 Public Administration in South Africa

As discussed prior, the administration of states was taking place for centuries before the establishment of the national states, and even post the establishment of the national state, as well as before these states acknowledged the scientific nature of Public Administration. Nkwana (2017:56) identifies the following Public Administration journals, *inter alia*, *Administratio Publica*, the *African Journal of Public Affairs* and the *Journal of Public Administration*. Bayat and Meyer (1994:22) acknowledge the significant contribution by Jacobus J.N. Cloete to the study of Public Administration in South Africa. According to the authors (Bayat and Meyer 1994:22) Cloete's approach is slightly narrow, reducing public administration to an administrative process which comprises six generic functions namely, policy-making, organising, financing, human resource management, work methods and procedures and control which will be discussed in the appropriate section. Cloete's approach was adopted with much enthusiasm especially in the Afrikaans universities but Hanekom and Thornhill (in Bayat and Meyer 1994:22) argue that the discipline degenerated into a housekeeping subject for the apartheid regime. Through reducing the prominence of the external environment when studying Public Administration, the generic approach depicts administration as value-free (Bayat and Meyer 1994:23). In the case of South Africa's



NWM, the external environment is especially important to consider, especially in the policy-making process, because the external environment plays a dominant role in determining the success of the policy.

According to Bayat and Meyer (1994:291), efforts to promote policy analysis in South Africa were made in the 1960s. Policy analysis was promoted to being accepted as both an academic and professional discipline. Policy analysts should, according to their advice, be firm and adhere to a code of ethics that aims to state the unbiased nature of policy-analysis (Bayat and Meyer 1994:294-295). Bayat and Meyer (1994:304) identified that the role of a policy analyst was to:

- v. Identify conflicting views that affect a policy option;
- vi. Develop creative alternatives;
- vii. Specify what uncertainty exists about the possible future or consequences of various policy options;
- viii. Develop outcome measures so that actions may be evaluated;
- ix. Build strategies for political adoption and organisational implementation.

In the 1990s, South Africa's Mount Grace Consultation, held under the auspices of what was called the National Public Administration Initiative (NPIA), took place to discuss the development of the discipline of Public Administration (Chipkin and Lipiezi 2012:9; Nkwana 2017:56). The NPIA was considered to be a process, an initiative, a concept and a commitment to change (Thornhill 2006:800). The country's transition from the apartheid regime to a democratic one saw much change in the political landscape with socioeconomic policies such as Affirmative Action being introduced. According to Chipkin and Lipiezi (2012:9), due to South Africa's political changes, the aim of the Mount Grace Consultation was to change public administration which was referred to as "democratic administration". That change in administration included, *inter alia*, partnership arrangements between civil society bodies and state structures (to increase public control of and participation in administrative governance and service delivery), financial and democratic accountability and increased professionalism (Chipkin and Lipiezi 2012:9). The Mount Grace Consultation continued to take place over the next decade in pursuit of the development of the



administration of South Africa in line with the change in society, especially regarding the policies being implemented.

According to Carstens and Thornhill (2000:183), the White Paper on the Transformation of the Public Service (South Africa, 1995) can be regarded as the first document of the government that indicated its intention to reform the public service. The White Paper on Transforming Public Service Delivery, 1997, however, identified eight principles aimed at changing the manner in which services are provided in a more people-centred approach through the policies that are implemented (Nkwana 2017:59). These principles are referred to as the Batho Pele principles, meaning “people first” in Sesotho. The eight Batho Pele principles are:

- i. Consultation: In relation to service delivery through policy implementation, the views of the citizens are seen as valuable in the policy-making process;
- ii. Service standards: The quality of services is of value. This principle also allows citizens to partake in the monitoring and evaluation process;
- iii. Access: Citizens are entitled to the services granted by the state and should therefore have access to it;
- iv. Courtesy: Service delivery should be offered out of courtesy to the citizens;
- v. Information: Identified in Chapter 10 of the Constitution of the Republic of South Africa, information should be offered accurately and timely; in the light of the policy-making process, offering information in such a manner is essential to the effective implementation of a policy and the overall success thereof;
- vi. Openness and transparency: Reports of government conduct should be publicised;
- x. Redress: Mechanisms should be established to record public dissatisfaction. This principle enables the government to correct and develop service delivery through, as constantly mentioned, policies;
- xi. Value for money: The provision of public services should be done economically and effectively.



2.4 COMPARATIVE PUBLIC ADMINISTRATION

According to Chaturvedi (in Pruthi 2005:121), Comparative Public Administration (CPA) is the study of comparing public administrative institutions of different countries. The aforementioned definition highlights the international and inter-institutional nature of the CPA. Tyagi (in Pruthi 2005:121) defines CPA as a discipline that uses empirical tools of comparison in order to study public administration throughout the world notwithstanding time, place and cultural variables. The latter definition shows how CPA attempts to be objective while studying public administration on the basis of comparison in different countries and regions and during the same or different times. Applying the two definitions in comparing different administrative systems, allows CPA to provide opportunities to draw lessons within different states.

The objectives of CPA include, amongst others, broadening the horizon of public administration and making it practical, formulating general principles and concepts through studying different administrative systems and problems, highlighting the shortcomings and therefore bringing to attention the necessity of administrative improvement in the context of comparative studies. Other objectives include encouraging the employment of new techniques of managerial and administrative science especially in developing countries (Pruthi 2005:123). Scholars of CPA articulate the scope of the study differently, and for the purposes of this study the three identified are the macro-economic, the middle range as well as micro-economic level. The macro-level study compares the entire administrative system of a country with that of another. This level of study analyses all significant aspects of an administrative system of a country such as the economy and the cultural ecology. This study does not carry out a macro-level study because although it uses countries as case studies and discussing the minimum wage of a country often requires one to discuss several aspects of the country, such as the economic, political and cultural amongst others, the study does not aim to compare entire administrative systems of the case study countries.

The second level of study in CPA, the middle range study aims to compare the large and often more significant organs of administrative systems of two different countries



(Marume, Jubenkanda and Namusi 2016:1025). For example, South Africa's Department of Labour (DoL) is compared to its Namibian counterpart. This study does not aim to compare entire organs or departments but rather, certain elements within the departments and organs of the case study countries. The final level, used in this study, the micro-level study focuses on specific procedures of specific departments which are compared with those of a different country. For the purpose of this study, the organs of each of the case studies responsible for implementing a minimum wage will be discussed while discussing other significant factors that have an impact on the implementation thereof.

This study aims to encompass three different approaches to CPA, namely the structural functional approach, the ecological approach and the behavioural approach. The structural functional approach is identified by Marume et al. (2016:1029) as having five different structures that every society performs; they are specific functions, the political, economic, social, symbolic and communicational. This study will, due to the multi-disciplinary nature of public administration, consider the different structures of each of the countries that affect the implementation of a minimum wage.

The second approach, the ecological approach, argues that "not all plants can grow in all climates" (Pruthi 2005:1267) and likewise, not all administrative systems can succeed or be useful in the ecology of all countries. As mentioned in chapter two, the multi-disciplinary nature of public administration means it is affected by economic, social and political circumstances. This study aims not to ignore the ecology of the countries and therefore, when identifying the mechanisms that failed or succeeded in each country, the economic, political and social circumstances will be considered. The behavioural approach is argued to have been introduced to CPA to make public administration more pragmatic and useful by acknowledging that people have feelings and aspirations, and their behaviour is therefore affected by psychological conditions and aspirations or motivations (Pruthi 2005:127).

This study, in its findings and in the appropriate chapter, will discuss some trends observed in the case study countries while also distinguishing between the trends in



developing and developed countries. There are, however, general trends within CPA that have taken place, which Riggs (1962:9) identifies as shifts from normative to empirical approaches, idiographic to nomothetic approaches as well as non-ecological to ecological approaches. Normative approaches generally have the chief aim of describing “ideal” and are therefore prescriptive in nature; what the administrative structures should look like. Empirical approaches are more descriptive and explanatory of what is (Bogaards 2000:399). The growth of the empirical approach does not nullify use of the normative approach but rather distinguishes the two and draws a contrast to criteria and methods utilised within each approach. This study will predominantly utilise the empirical approach; describing and explaining the minimum wages system of each of the case study countries.

The second shift, from the idiographic approach to the nomothetic, entails shifting from studying administration by concentrating on a unique historical episode of a single agency or country in attempt to formulate more legislation and generalisations. The objective of establishing these general laws and generalisations is to acquire objective knowledge through scientific methods and to foster prediction. Similar to the shift from the normative to the empirical approach, the shift from the idiographic to the nomothetic does not nullify the former (idiographic) but they complement each other; idiographic studies can be used when conducting nomothetic studies (Riggs 1962:752).

According to Riggs (1962:753), the nomothetic approach contains two approaches, namely the homological and the analogical approaches; this study aims to use the latter. While the homological approach aims to identify and describe structures in different systems with comparable characteristics and therefore form generalisations through the formation of hypotheses, the analogical approach finds the consequence of the structure, i.e. the function, rather than the structure, of the system to be fundamental. Countries could be compared in terms of different variables such as population, average income, and the degree of government centralisation among others. This study will identify and discuss functions of minimum wage systems in the chosen countries together with the variables that affect the functioning of the countries’



minimum wage systems such as gross domestic product, human development index, population, the centralised or decentralised nature of government and so forth. The third and final shift is one that the study aims to constantly take into consideration, and that is the shift from non-ecological to ecological approaches. Ecological approaches argue that effective behaviour is considerably affected by traditional structures and social pressures. It is, therefore, possible to understand and relate non-administrative factors to the administrative (Riggs 1962:756).

2.4.1 Significance of Comparative Public Administration

Although Khan (2016:4) states that CPA has been put at a disadvantage by the lack of access to many countries, he also states that globalisation has improved information and communication technology and therefore gives opportunities for comparative research. According to Khan (2016:2), globalization has fostered the growth of comparative studies and therefore has allowed CPA to have a more broadened understanding of global issues. CPA also plays a significant role in building scientific theories within the discipline of Public Administration. In building these theories, CPA assists in eliminating the parochial nature of public administration in both the western and non-western worlds and therefore moving away from ethnocentric views and approaches of public administration (Khan 2016:3). Pruthi (2005:123) states that CPA contributes to the policy determination of different governments as well as pointing out the necessity of administrative improvement.

Although scholars of CPA encounter challenges such as lack of access to information, acquiring or using functionally equivalent indicators, i.e. establishing common criterion to compare countries with different contextual variables affecting their respective administrative systems, Khan (2016:4) reiterates the significance of comparative public administration, stating its ability to offer practical solutions to common problems. Nations can draw successes and failures as well as the theories developed in different parts of the world to utilise in their own administrative contexts.



2.5 PUBLIC ADMINISTRATION IN SOUTH AFRICA: A THEORETICAL FRAMEWORK

Section 195 of the Constitution, 1996 stipulates the principles of the public administration in South Africa, which also forms the foundation for how the policy-making process should be conducted. Public policy should be characterised by the principles of public administration and the manner in which the officials implement public policy should reflect these principles.

2.5.1 Promotion and maintenance of high standard of professional ethics

The Public Service Commission as an organ of state, is responsible for, amongst other things, the promotion of ethics in public entities. The commission promotes ethics through instruments such as codes of ethics and codes of conduct. Holtzhausen (2010:135) identifies the Public Service Act 1994 as inclusive of a Code of Conduct that contains guidelines for employees as to what is expected of them from an ethical point of view, both in their individual conduct and in their relationship with others. The guidelines for employees are applicable during the policy-making process.

2.5.2 Promotion of efficient, economic and effective use of resources

There should be an efficient, economic and effective use of public resources when formulating policies as well as in addressing the identified needs in the best way possible. An example of this would be ensuring that the officials appointed at any stage of the NMW policy cycle are experts of their fields in order to avoid or minimize failure and increase of expenditure. Furthermore, policy objectives should be achieved in the most affordable manner.

2.5.3 Public administration must be development oriented

Development initiatives can be improved through the formulation and implementation of policies such as South Africa's new NMW. One of the objectives of the NMW is to reduce inequality in South Africa and therefore foster development in the country.

2.5.4 Response to people's need to participate in policy-making



As discussed in Section 1.1, public participation is an essential part of policy-making. In the case of the NMW, public participation is especially important to ensure factors such as compliance. The lack of public participation may result in stakeholders such as employees and employers being uninformed on their rights and responsibilities and therefore a lack of compliance arises.

2.5.5 Accountability of public administration

Accountability includes the explanation and justification of actions. The responsible officials should be able to explain and justify each action and/or decision throughout the policy-making cycle of the NMW. Public officials are especially responsible to account to the public because the greatest majority of the government's funds are obtained from taxes. In the case of the NMW, the taxes paid by businesses and the general public are used to formulate and implement the policy hence in order to encourage factors such as compliance the public should be informed of the use of resources.

2.5.6 Services provided impartially, fairly, equitably and without bias

Concepts such as fairness and equality are controversial because what may be fair to one party may not be to another. It is important that in formulating and implementing the NMW, all stakeholders are treated as fairly and equitably as possible. Fair treatment may include, for example, ensuring that all the rights and responsibilities of homogeneous stakeholders should be applied identically to each of these stakeholders.

2.5.7 Transparency fostered by providing public with timely, accessible and accurate information

Transparency is especially important in public policy. Ideally timely, accessible and accurate information during each step of the policy-making process is essential to the overall success of the NMW, however, that is not always practical. It is therefore important that public officials do not intentionally withhold information from the public and ensure that the published information is accurate.



2.5.8 Cultivation of good human-resource management and career-development practices

To maximise human potential as discussed in point two of 2.4, it is important that the policy-making process be equipped with competent employees who will simultaneously achieve the objectives of the policy as well as develop their individual careers.

2.5.9 Public administration broadly representative of the South African people

With employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve broad representation, the need to address the imbalances of the past is one of the motives of implementing the NMW.

The principles discussed above provide the fundamental guidelines of how public administration should take place in South Africa. These principles should not only be applied by individual public officials but by institutions as well as be reflected in the country's public policies. It is important to consider that should the NMW not apply these principles, it is acting unconstitutionally.

2.6 POLICY FRAMEWORK FOR GOVERNMENT-WIDE MONITORING AND EVALUATION SYSTEM

Before the adoption of the Government-Wide Monitoring and Evaluation Policy framework (GWMEF), South Africa's administration lacked a coherent system of monitoring and evaluation. The framework's adoption in 2005 was therefore significant to have brought about a shift to evidence-based paradigm in policy analysis in South Africa (Cloete 2009:294). The GWMEF's establishment was aimed at unifying monitoring and evaluation in South Africa in the local, provincial and national sphere of government.

The comprehensive GWMEF provides a context to the supporting frameworks such as the National Evaluation Policy Framework, National Treasury Framework for Managing Programme Performance Information, and Statistics South Africa's Quality



Assurance Framework. In terms of evaluations, the principles of the GWMEF are as follows (Presidency of South Africa, 2007:3):

- Evaluation should contribute to improved governance; evaluations must promote accountability, transparency, and public participation.
- Evaluation should be rights-based; all evaluation processes must promote the rights of the public.
- Evaluation should be development-oriented at all spheres of government; being one of the principles of public administration as indicated in 2.4, evaluations must have an orientation which enhances development, service delivery improvement, and learning.
- Evaluation should be undertaken ethically and with integrity; evaluations must be based on the values of confidentiality, respect, and fair reporting.
- Evaluation should be utilisation oriented; evaluations must be based and meet a clear set of expectations and support utilisation (follow-ups, accessibility etc.).
- Evaluation should be methodologically sound, be data driven and evidence-based, and the appropriate methodologies must be used.
- Evaluation should be operationally; be planned with adequate scope, managed appropriately, cost effectively, and systematically.

The Presidency of South Africa (2007:11) urges that the GWMEF should not be understood in isolation but be integrated with other management systems such as the Medium-Term Expenditure Framework, In-Year-Monitoring, Human Resource Planning, and Annual Reporting, at all levels of government.

The institutional arrangements for the implementation and the institutionalisation of the GWMEF are mandated in terms of existing national legislation and the Constitution, 1996. In terms of this study the following arrangements are relevant (Presidency of South Africa, 2007:17):

- National Treasury: the role of National Treasury in the GWMEF is centred on ensuring that information from the GWMEF underpins planning, budgeting, implementation, accountability, and reporting. This is to promote economy, efficiency, and effectiveness of government programmes and policies.



- Statistics South Africa: Statistics South Africa's vital role in the providing socio-economic and demographic data which informs the GWMES (Statistics Act, 1999 No. 6 of 1999). The data provided by Statistics South Africa will also be able to, over time, provide indication of whether the implementation of South Africa's new NWM had an impact on issues such as poverty and inequality or not.
- Department of Public Service and Administration (DPSA): The Public Service Act 1994 (Act 103 of 1993) states the DPSA as being responsible to transform the public service and improve the effectiveness thereof.

The Policy Framework for the Government-wide Monitoring and Evaluation System was established to provide uniformity in the manner in which monitoring, and evaluation are conducted in all three spheres of government in South Africa. The administration of the NMW should adhere to the guidelines of the GWMEF as evaluation is a stage of the policy-making cycle. The unification of monitoring and evaluation ensures the quality thereof. Unifying monitoring and evaluation also ensures that policies such as the NMW are able to conduct monitoring and evaluation in a manner that will allow there to be an improvement of practices in whichever stage of the policy-making process the NMW may be as well as determine the sustainability, efficiency and effectiveness of the NMW as a public policy.

2.7 GENERIC FUNCTIONS OF PUBLIC ADMINISTRATION

Public administration is made up of a variety of activities or functions. These functions or activities are performed by public institutions in order to develop, maintain and operate the state (Thornhill 2012:86). Due to the existence of administrative functions in all public institutions and all spheres of government, i.e. the national sphere, the provincial sphere and the local sphere (in the case of South Africa), Thornhill (2012:88) states that these functions are referred to as generic administrative functions. These functions can, however, be affected by both the environment and purposes for which they are employed.



The generic administrative functions exist in both the discipline of Public Administration and the practice of public administration. These functions are classified in the following groups: Policy-making, Organising, Financing, Human resource management, Work methods and procedures and Control. For the purposes of this study and due to the theme of the study, policy-making will be explored to a greater extent than the rest of the functions. In exploring each function, the study aims to demonstrate the interdependency of the generic function as well as to illustrate the use of each function during the policy-making process of the NMW as a national policy. For the NMW to complete the policy cycle, there need to be public officials organising, controlling and determining work procedures as well as the government financing the policy.

2.7.1 Policy-making

Hanekom (Hanekom in Mthethwa 2017:40) refers to policy-making as formally articulating, declaring an intent and publicising the goal to be pursued. Policy-making is further described as the cornerstone of the generic functions as it gives directions to public institutions in achieving their organisational objectives (Cheminais, van der Waldt, Bayat and Fox (in Zikode 2017:32). Thornhill (2012:124) emphasises the importance of policy-making as that function that brings about the formulation of an entire state. For example, the Constitution of the Republic of South Africa, 1996, is the supreme law in the country. In policy-making, policy-makers consider factors such as what is to be done, i.e. what are the objective and who or which public institution is responsible and accountable to achieving the stated objective

For the purposes of this study, policy-making will be explained at three different levels; a political level, an administrative level and an operational level. The political level involves the articulation of the values of the government of the day. The ruling party or parties' policies are the highest policy in the public sector (Thornhill in Zikode 2017:34). Examples of the values of the government of the materialising through policy are the socioeconomic policies since South Africa's democratisation in 1994 including the RDP, GEAR and currently the NDP. South Africa's NMW is also such an example as it reflects the government's value to reconcile Apartheid's injustices by attempting



to lessen the inequality that still perpetuates in South Africa. At this level of policy-making, it is important to acknowledge the inseparability of public administration from politics, hence the multidisciplinary nature of public administration.

At an administrative level, policy-making mainly entails giving effect to implementing the policy of the political executive including managerial functions such as designing methods and procedures and methods of communication (Thornhill 2012:131). In the case of the NMW, when the wage was articulated at a political executive level, the administrative executive, including, *inter alia*, the National Treasury, the Department of Labour and the Department of Public Service and Administration had the responsibility of coordinating the appropriate generic functions at the right time in order for implementation to occur. The operational policy level is often the responsibility of the supervisor at a lower level in the policy hierarchy and it entails routine work such as engaging with either the employers or if employees have grievances to raise during the implementation of the project.

There is a considerable number of role players and factors that influence policy-making. These role players may include, *inter alia*, civil society, interest groups, legislative institutions, political executive institutions and international institutions. In South Africa, the role of civil society in policy-making has become increasingly important especially with the improvement of technology and its ability to either unite or divide and strengthen or weaken respectively, the views of civil society on a policy. Since its formulation, South Africa's NMW has undergone much criticism, with different parties in favour of it and other parties opposing the government's ability to implement the NMW and due to civil society's division on the implementation of an NMW and the wage's viability in a South African context. Interest groups have also played a similar role as civil society where as "think tanks" interest groups have been divided on the minimum wage's ability to lessen inequality and the employers' ability to provide for the minimum wage (TimesUnion 2016). The vulnerability of policy-making on role players, especially in cases of opposing views such as this, makes it difficult for those appointed to carry out implementation to succeed.



2.7.2 Organising

The function of organisation is one consisting of the classification and grouping of the administrative functions. The functions seek to allocate each of the administrative functions to public institutions in a manner that allows each institution to achieve its predetermined objectives (Thornhill 2012:166). Nhede (2016:102) describes organising as providing a systematic coordination of a number of tasks that an organisation should perform in line with its mandate. Organising is a structural tool to ensure that efficiency, effectiveness and responsiveness are increased. To ensure that the work of public servants is organised, there must be assigned duties, coordination of the work, open communication, leadership, supervision, motivation and ethics (Mthethwa 2017:56-57).

Institutions adhere to different organisational structures which, *inter alia*, include the line system, the functional system and the line and staff system. The line system is often referred to as the “top-bottom” approach and it consists of a direct line of authority and command. The functional system ensures that the division of work allows supervisors to become specialists by assigning a specialised function to the supervisor over which they only have authority and command. The line and staff function are a combination of the line system with the inclusion of expert assistants assigned to give advice to and conduct research for the non-specialised line functionaries (Thornhill 2017:68).

In the case of NMW, for example, members of the administrative executive such as the National Treasury, the Department of Labour and the Department of Public Service and Administration at the different levels of policy-making are required to organise the human resources and finances required to perform each task at the right time.

2.7.3 Financing

Du Toit and van der Waldt (1997:15) describe financing as an administrative function that includes obtaining funds, allocating the spending of the funds and controlling public finances. Government obtains a great majority of its funds from acquiring taxes. Nhede (2016:103) describes the reliance on taxpayers’ funds as what makes



administrative machinery accountable to the public. Public finances are regulated through the Public Finance Management Act, 1 of 1999 (as amended by Act 29 of 1999) (RSA 1999) and the Municipal Finance Management Act, 56 of 2003 (RSA 2003b) at national and provincial level and local government level respectively. The two regulatory tools ensure that public finances are managed effectively and efficiently and accounted for.

The government should allocate funds for, amongst other things, the research that is needed in order to conduct the NMW as well as the officials appointed to ensure tasks such as engaging with different stakeholders, implementing the NMW and evaluating the NMW are performed effectively and efficiently while using the possible minimum funds.

2.7.4 Human resource management

Van der Westhuizen and Wessels (2013:3) describe human resource management as being required to execute the work of public institutions and the environment in which these institutions operate. The authors describe human resource management as having a management function that allows the utilisation and mobilisation of the tangible and intangible resources of public institutions to ensure success and survival in the changing environment (Van der Westhuizen and Wessels 2013:3).

It is an important responsibility of every public sector manager to ensure that the resources that human resource management comprises are utilised in the most efficient, effective and economic manner possible. Van der Westhuizen and Wessels identify the different resources of human resource management as financial, physical, informational and human resources. Financial resources include salaries, wages and petty cash, while examples of physical resources include buildings, vehicles and furniture. Informational resources include research reports, human resource planning systems and annual reports.

Human resources include human resource managers, technical and administrative personnel. Van der Westhuizen and Wessels (2013:12) identified the five functions



that comprise human resource management. The first is strategising and planning for public sector human resources that involves the establishment of institutional objectives and the formulation and implementation of strategies aimed at achieving the established objectives. The second function is identified as obtaining suitable human resources which entails formulating and implementing equal employment opportunity requirements and affirmative action policies as well as recruiting qualified job applicants. The next function is identified as utilising and developing public sector employees and is centred on appraising, career management and learning, and training and development. Remunerating and caring for public sector employees is described as that function that requires the employer being consciously involved in remunerating, providing incentives and counselling. The final function of public sector employee relations seeks to undertake activities such as labour relations, dismissal, redundancy and outplacement.

The human resources provided to execute the NMW will be placed in different state departments such as those mentioned previously and be given their respective tasks during and/or at each stage of the policy-making cycle. The human resources are also responsible for executing the rest of the generic functions; the appointed officials must, for example determine work methods and procedures, organise all the components required to execute the NMW, allocate the necessary funds in each department and for each task, ensure control as well as conduct the research and compose the actual NMW.

2.7.5 Work methods and procedures

According to Cloete (1991:126), management needs to spell out specific work procedures for each task to ensure that every person in an organisation performs as expected and contributes to the overall objectives of the organisation. Thornhill (2012:252) refers to work procedures as the process followed by government upon embarking on a new course of action. Determining work procedures is, therefore, important to ensure that a specific process is provided for public sector employees to ensure the attainment of the institutions overall objectives. Van Dijk (2003:42) states that work procedures are based on the assumptions that the employee is competent



when given procedures and methods to follow. This assumption is based on, as discussed in 2.6.4, the human resource function acquiring suitable human resources, that is, recruiting qualified job applicants. Determining work procedures and methods can be illustrated as providing a route that the employee should follow in order to arrive at a destination, i.e. the institution's overall objectives.

In the case of the NMW, determining work methods and procedures is especially important because the officials appointed to execute the policy are situated in different state departments and institutions. Determining work methods and procedures across the different departments and institutions will not only ensure that there is no ambiguity of the tasks but that tasks are performed effectively and efficiently and at the correct time.

2.7.6 Control

Control is defined as the administrative function designed and implemented to ensure that government activity is measured against a predetermined standard and, in cases where the actual standard is lower than the predetermined, measures are taken to ensure that the predetermined standard is achieved (Robbins in Mthethwa 2017:59). Thornhill (2012:270) describes internal control in a public administration context as referring to demarcating work environments within which public servants must operate. Control also identifies the required performance for public servants to achieve their set goals.

Jordaan (2013:42) identifies the ultimate aim of control as an administrative function to ensure that transparency and accountability take place within government. It is also important to acknowledge the interconnectedness of the generic administrative functions. These six functions are also interdependent and, in most cases, take place simultaneously. Demarcating the generic administrative functions also allows public administration to take place as effectively as possible.

In the case of external control, the different role players involved in the policy-making of the NMW will play a large role in ensuring that control takes place, especially due



to the opposing opinions held over the NMW. The media and different interest groups, for example, will conduct much research on the progress of the NWM as well as require transparency and accountability. These two elements will be executed by both watchdog bodies such as the Auditor-General, as well as the state officials responsible for performing the tasks in question. Internal control will involve the concerned officials to ensure that the predetermined goals of the NMW are achieved.

2.8 PUBLIC POLICY AND POLICY-MAKING

Policy is described as a mechanism utilised to achieve society's goals and allocate resources (Berkley, Michaels and Preston 1975:12). Easton (1953:129) further describes policy as the political process' authoritative allocation of values to individuals or groups in the society. As mentioned in 2.2, when separating public and administration from the concept public administration, Khan (2008:1) asserts that administration entails the organising and maintenance of human and fiscal resources for the achievement of government's goals and objectives. Public policy is therefore a formally articulated goal that the legislator intends pursuing with society or a societal group (Hanekom 1987:7). According to Reddy and Govender (2014:158), public policy includes both administration and politics. Legislators are regarded as policymakers and are responsible for policy formulation while administrators are responsible for policy implementation. The interdependent nature of the branches of government, as identified in 2.2.2, fosters accountability and transparency during the policy-making cycle because each branch of government must be open to the other with its policy decisions.

As discussed in 1.1, the WITTT was primarily responsible for the formulation of South Africa's NMW which was then passed by parliament in November 2017, the legislator. The passing of the minimum wage by parliament made it official public policy and any amendments will also have to be approved by parliament. Various government departments and public entities, and the executive will then be responsible for implementing the NMW as from May 2018.



2.8.1 Types of policies

Easton's definition of policy in 2.7 as the authoritative allocation of values, explains how the policies of different countries and political parties depict the values of that particular political party or, in most democratic countries, of that country. Depending on the type of problem or societal need that the policy intends on solving, the appropriate type of policy will be formulated by government. Cloete and de Coning (2011:15) identify the three different types of policies as public policy, non-governmental (NGO)-type policy and private sector policy; this classification is rather a description of the different spheres that policy can exist under. The identified types of policies for the purposes of this study are regulatory policies, redistributive policies and distributive policies. The three different policies are explained in the following manner (Louw in Knill and Tosun 2008:1).

2.8.1.1 *Regulatory policies*

Regulatory policies are established to specify individual or collective behaviours within society. Regulatory policies therefore compel certain types of behaviour within society. An example of a regulatory policy is the language policy for higher education (LPHE) 2002. Zikode (2017:39) explains how this policy can be regarded as a regulatory policy as it regulates how higher learning institutions should conduct themselves regarding language as well as in terms of the development of indigenous South African languages in their respective institutions. Although the NMW does have regulatory elements in that it also regulates the manner in which employers should remunerate their employees, the NMW also has more dominant characteristics that allow it to be characterized as a different type of policy rather than regulatory.

2.8.1.2 *Distributive policies*

Distributive policies are primarily concerned with the distribution of new resources to the rightful beneficiaries. Distributive policies also provide benefits to citizens such as farm subsidies to promote economic development. Though the NMW will distribute certain benefits to specified citizens, the issued resources are not necessarily new but belong to the employers of the affected employees.



2.8.1.3 Redistributive policies

Kohler (2015:1) argues that redistributive policies are an essential aspect of strategies for reducing inequality and promoting sustainable development in the economic, social and environmental dimensions. He further advocates for redistributive policies as fostering equality of opportunity by modelling the distribution of income-generating assets (Kohler 2015:8). In post-apartheid South Africa, redistributive policies are prevalent especially regarding employment. The broad-based Black economic empowerment (BBBEE) policy places an employment advantage for previously disadvantaged groups, i.e. Black, Coloured, Indian men and women, White women and people living with disabilities. Given these definitions, South Africa's NMW has characteristics of both a distributive policy and a redistributive policy because it focuses on the rightful distribution of income in the country but also does so in a manner that aims to reduce inequality; the sustainability of such a policy in a country such as South Africa is uncertain.

2.8.2 Policy-making process

Henekom (1987:7) distinguishes policy-making from a policy statement by describing the former as an activity that precedes the publication of an objective and describing the later as formally articulating an intent or a goal that is to be pursued. As mentioned in 2.1, public policy involves both politics and administration; the policy-making process is, therefore, one that includes legislators and administrators. Hill (2013:4) identifies actors of policy-making as including politicians, pressure groups, and public servants. According to Anderson (2013:4), the five stages (as mentioned in Chapter one) include agenda setting, policy formulation, policy adoption, policy implementation and policy evaluation.

2.8.2.1 Agenda setting

According to Cloete and de Coning (2011:89), for rational agenda setting to occur, there must be a systematic process of issues identification, problem identification and structuring, problem prioritisation and support mobilisation. For the purposes of this study, income inequality and consequentially, poverty, is the problem which has been identified through many policies such as the RDP and GEAR but is now being



restructured by the WITTT and is to be solved in the form of implementing an NMW in South Africa. Cloete and de Coning (2011:89-91) identify the participants at this stage of the policy-making process as the elected political office-bearers, appointed public officials, courts of law, the media and civil society, business and interest groups. These participants can either be for or against an NMW as a solution to solving inequality and poverty as issues in society.

Wu et al. in Zikode (2017:42), state that agenda setting is the least-known but most critical stage of the policy-making process because without this stage, there would be no policy to speak of. The agenda setting stage comprises public participation, problem identification, problem definition and structuring and problem prioritisation (Cloete & Meyer 2011:91-95). Public participation remains an important part of agenda setting as discussed throughout this study. Public participation is the involvement of civil society to influence the outcome of the policy-making process and to ensure the public obtains as many benefits as possible. Cloete and Meyer (2011:92) identify four types of involvement of the public. They are ratification, consultation, negotiation and execution. Ratification includes the legitimisation of decisions by attempting to get the public's approval, as in the case of South Africa's NMW, and the WITTT that was responsible for legitimising the amount approximated at R3500 p/m as a minimum wage, especially to those members of the public that viewed this figure as impractical.

Consultation means that the public is used as a source of decision-making. There was little consultation as to what the South Africa public viewed as an acceptable amount for a minimum wage, which places a threat to effective implementation especially regarding compliance. Negotiation is described by Cloete and Meyer (2011:92) as peaceful joint decision-making through agreement on policy issues. Negotiation usually allows parties with more power over the policy issue to have greater influence on decisions. For example, the political office-bearers in favour of the establishment of an NMW over the parties who were against it, resulted in the adoption of the NMW by parliament. Finally, execution entails the inclusion of the public throughout the policy-making process, from planning through to evaluation.



Problem identification and problem definition and structuring give insight on how the problem will be solved. The problem can be viewed either as a challenge, a need, an opportunity or a threat for government – this is often determined by problem analysis tools such as the SWOT (Strengths, Weaknesses, Opportunities and Threats). An effective identification and structuring of the problem are necessary to ensure clear values, objectives and goals. Problem prioritisation is essential in determining which problems government will address first and whether government has sufficient resources to address the identified problem. As in public participation, the party with the most power usually has an advantage on the prioritisation of societal problems.

2.8.2.2 Policy formulation

Figure 1 in 1.2 describes the policy formulation stage as inclusive of the legislature and the bureaucracy in creating legislative, regulatory and programmatic strategy to address the problem identified during the agenda setting stage. According to Zikode (2017:44), the concern of this stage is to create, identify, or borrow proposed courses of action. Roux and Cloete (2011:99) refer to policy formulation as policy design, and state that it entails government deciding what and what not to do and therefore planning and developing the policy content.

Policy formulation entails developing and analysing alternative solutions and therefore choosing the best alternative (Brynard and Cloete 2011:121). For South Africa's NMW, policy formulation included, *inter alia*, deciding on the figures of the NMW, how the NMW is to be regulated, who benefits from the minimum wage and which institutions of government will be responsible for its regulation. Policy formulation includes analysis of the environment in which the policy exists as well as the disciplines that with which public administration is intertwined in order to determine the policy's viability.

2.8.2.3 Policy adoption

Policy adoption occurs when the best alternative has been chosen and as seen in Figure 1 in 1.2, usually takes place in the form of legislation or rules. Anderson (2013:3) argues that it does not always result in going ahead with the best alternative



but sometimes may entail taking no action at all. Taking no action may occur as a resolution to the prioritisation of other identified problems that should first be formulated and implemented.

NMW was voted for and then adopted by parliament in November 2017 with implementation commencing in May 2018. It is important for public participation to continue even after a policy has been adopted in order to ensure that implementation occurs in the most effective manner possible. It is also important to inform the beneficiaries and all the parties involved of their rights and responsibilities regarding the policy to ensure that the objectives of the policy are achieved.

2.8.2.4 Policy implementation

After the best alternative has been identified, government institutions ensure that the procedures, guidance documents and resources established are utilised in order to execute the policy. It is important to note that the monitoring and evaluation takes place before and after the implementation stage. Mthethwa (2017:66) asserts that better ways to structure policies can be fostered by learning from previous implementation problems. According to Antero (2013:89), policy implementation became a focus in the 1970s when Pressman and Wildavsky's classic text on implementation was published. In their book, Pressman and Wildavsky (1973:xiii) describe implementation as carrying out, accomplishing, fulfilling, producing and completing; hence manifesting the policy objectives.

Brynard, Cloete and de Coning (2011:138) explain the three generations of research into research implementation that they named as follows:

- i. Generation One: a cog in the administrative machine;
- ii. Generation Two: implementation is complex, and nothing works;
- iii. Generation Three: the search for a fully-fledged implementation theory.

The authors explain how the first generation assumed that once the appropriate policies had been publicly announced, implementation would occur automatically. This first approach was a Weberian framework of the ideal bureaucracy – a firm legalistic



system with extreme rationalised and authoritative structures. The second generation changed the assumption of the first generation and sought to explain the cases of implementation failure and argued that policy implementation was as, if not more so, political as policy formulation. Brynard et al. (2011:139) describe the third generation as being concerned with implementation failure, how implementation works and how the prospects thereof might be improved.

There have also been studies on the approaches on policy implementation. The three approaches identified for the purposes of this study are; the top-down approach, the bottom-up approach and the third-generation hybrid model. The top-down approach, also referred to as the rational or systems model approach, of policy implementation is hierarchical in nature and according to Sabatier (1986:28) emphasises the faithfulness with which it adheres to the intention of the policy-makers. Mthethwa (2017:72) discusses the criticisms of the top-down approaches which, *inter alia*, include the difficulty of the proponents of the policy to determine whether the policy is succeeding or failing, and that policy should not be formulated and therefore implemented in isolation as there are several stakeholders involved. With the top-down approach, there is also a lack of guarantee that the prescriptions for successful implementation will be met in reality due to oversimplified and unrealistic goals. Another important criticism of this approach is the misconception that the officials at the lower level will always agree with the decisions of those at the top and/or that the top-level management have the required resources, especially information, to ensure implementation takes place effectively.

The development of the second approach, the bottom-up approach, is mainly based on the theories of implementation as a critique to the former model (Mthethwa 2017:73). Indicative of the top-down approach, the bottom-up approach advocates for the lower level management (local implementers) to modify policies to meet the needs and concerns of their respective communities. This approach also faced much criticism related to the disregard of the views of top-level management and with the main aim of the approach being to reduce political interference from policy formulators,



and the concern that the lack of the viewpoints of top management may lead to policy failure (Mthethwa 2017:74).

The third and last approach is a hybrid approach and sees implementation as a process of bargaining, exchange and negotiating action with inputs coming from both the top and the bottom. It is difficult to categorize to which approach the formulation and implementation of South Africa's NMW belongs. Although the minimum wage could arguably be seen as belonging to this hybrid approach, as some stakeholders were consulted, yet much debate and criticism for this minimum wage has come from the public as well as the private sector. Little consensus has been reached as the formulation and implementation process could be seen as belonging to the top-down approach.

During policy implementation, the vision of the policymaker is at most risk of being lost due to the many factors that are involved during this stage. The unpredictability of human behaviour, whether in resistance to the policy or lack of interest, could compromise acceptance of the policy. According to Celista's (1994:117) report in implementation research, policy outcomes are often disappointing or unintended by oblivious policymakers, consequently producing outcomes that were not envisaged. It is therefore important to ensure that the stages prior to policy implementation are performed satisfactorily to minimise this factor. This would also ensure that policymakers have established mechanisms to allow policy implementation to take place as effectively as possible.

Fischer, Miller and Sydney (2007:52) identify the ideal elements that the policy implementation process should comprise:

- i. Specification of programme details; this element includes the policy specification; how implementation and regulation will take place and how it will be communicated to the public.
- ii. Allocation of resources; the second element includes the coordination and control of the resources needed to implement the policy and may be human or financial.

- iii. Decision step: the final element focuses on how decisions will be implemented.

The projected implementation of South Africa's NMW is as follows:

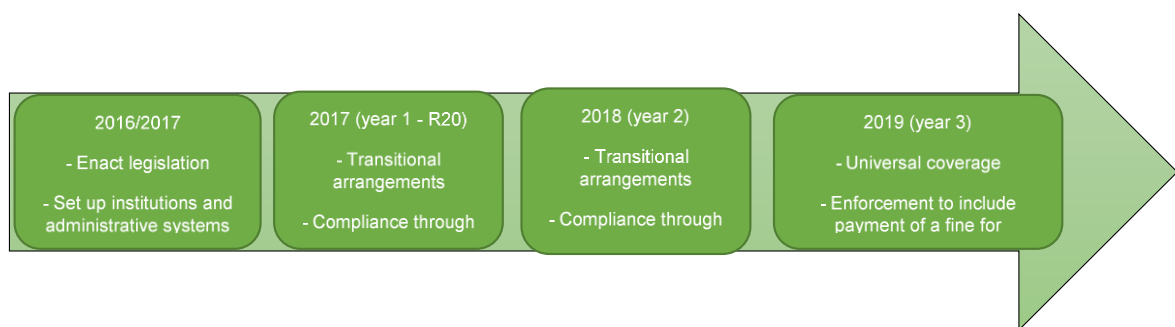


Figure 2: Proposed timeline for implementing the NMW

Source: Treasury (2016:62)

2.8.2.5 Policy evaluation

Anderson (2013:5) describes policy evaluation as involving activities aimed at determining whether the policy is achieving its goals. Policy evaluation also involves comparing the intended goals and the actual goals and therefore creating measures to ensure that the difference between the two remains at a minimum. It is important to determine whether the policy addresses the problem. Implementation may seemingly be going well yet the policy may not necessarily solve the identified problem, which makes the policy unsuccessful. Figure 1 explains recommended revisions in the stages preceding policy evaluation to ensure that the function of control takes place and to conduct contingency measures should the implementation of the policy be failing. Monitoring and revisions should therefore take place throughout the policy-making process.



2.9 CONCLUSION

This chapter sought to contextualise policy implementation, specifically the implementation of South Africa's NMW, into the discipline of Public Administration. This was done by discussing the development of the discipline in both an international and a South African perspective. The generic functions of Public Administration were also discussed to bring light to the multi-disciplinary and interconnected nature of the discipline. Finally, public policy and the composition of the policy-making process was discussed to, as mentioned prior, contextualise the implementation of the NMW into public policy and Public Administration.

The following chapter seeks to present an in-depth discussion of the NMW including the history of South Africa's minimum wage, the agenda setting and the policy formulation stages of the NMW as well as the environment within which the policy will be implemented. The chapter will also critically analyse the approaches on the mechanisms needed to effectively implement a minimum wage.



CHAPTER 3: SOUTH AFRICA'S NATIONAL MINIMUM WAGE

3.1 INTRODUCTION

The previous chapter sought to contextualise the implementation of the NMW in the discipline, Public Administration. The chapter provided a historical background of both the discipline (PA) and practice (pa) respectively, as well as the evolution of the former, in South Africa. Finally, the chapter discussed the theoretical framework of the discipline, the generic functions as well as the policies that can be found within policy-making.

This chapter focuses on South Africa's NMW by defining the concept and the relevant terminology. The history of minimum wages in South Africa will also be discussed with the objective to justify the need for the formulation of the National Minimum Wage Bill, 2017. This chapter will also discuss the framework which regulates South Africa's minimum wage such as the Basic Conditions of Employment Act 75 of 1997 (BCEA). Furthermore, the following aspects are also expounded upon: the importance of mechanisms in the formulation and implementation of policies and particularly South Africa's national minimum wage as well as determining the mechanisms used to formulate and implement a minimum wage.

3.2 DEFINING A MINIMUM WAGE

The International Labour Organisation (ILO) (2014:2) describes a minimum wage as the minimum amount that an employer is required to remunerate wage earners for work performed during a given period. The minimum wage cannot be reduced by collective agreement or an individual contract. A minimum wage is a floor, i.e. it cannot be reduced as it is guaranteed under the law. Workers and employers can, however, through collective agreements, raise the floor and pay higher wages to their workers (My Wage 2018). The ILO (2014:3) identifies the different parties that can set a minimum wage as a statute, decision of a competent authority, a wage board, a wage council, or by industrial or labour courts or tribunals.



According to the ILO (2014:2), minimum wage systems should not be designed in isolation but rather in a manner that supplements and reinforces other social and employment policies within societies. The effectiveness of a minimum wage is dependent on several factors, such as the extent to which the minimum wage can offer protection to all workers in an employment relationship and employers' compliance with the minimum wage regulation. Another factor on which the effectiveness of a minimum wage depends is whether minimum wages are set and adjusted at a level that adequately provides for the needs of the workers and their families (ILO 2014:3).

3.3 HISTORY OF MINIMUM WAGES IN SOUTH AFRICA

Strobl and Walsh (2003) reveal that many developing countries, including South Africa, face challenges of low levels of compliance with labour regulations and minimum wages in particular. Despite the country's well-grounded labour legislation and constitution that fundamentally aims to protect the rights of workers, the violations of labour regulations depict the disparities that exist between the legislation itself and the affected stakeholders (Murahwa 2016:ii). The statistics presented in this section are based on the data up to 2016, the same year the NMW was formulated.

Minimum wages can also be set by enforcing the provisions of collective agreements as in the case of South Africa's National Minimum Wage Bill of 2017. As discussed in the previous chapters, trade unions play an influential role in bargaining councils, which can be established in a sector by one or more registered trade unions and one or more registered employers' organisations through adopting a constitution that meets the requirements of section 30 of the Labour Relations Act of 1995. The latter legislation primarily requires the fair representation of both trade unions and employers' organisations within the bargaining council.

For the purpose of this study, the term "wage" is defined as follows:

... the amount of money paid or payable to a worker in respect of ordinary hours of work or, if they are shorter, the hours a worker ordinarily works in a day or a week (Act of 2017:4).



The Minimum Wage Act (Act of 2017:4) describes ordinary hours of work as 45 hours in any week; and 9 hours in any day if the employee works for five days or fewer in a week or 8 hours in any day if the employee works on more than five days in a week. The National Minimum Wage Bill defines the term “worker” with reference to the definition of “employee” in the Basic Condition of Employment Act (BCEA), which is described as

... any person, excluding an independent contractor, who works for another person or for the State and who receives, or is entitled to receive, any remuneration and any other person who in any manner assists in carrying on or conducting the business of an employer (Act 75 of 1997).

When discussing minimum wage violations, it is important to identify the workers who are currently protected by the relevant legislation or a formal bargaining structure. Although studies on minimum wage violations illustrate certain inefficiencies of the current minimum wage systems in South Africa, it is also important to consider those excluded from relevant legislation or a formal bargaining structure and how an effective wage policy would not only offer a possibly higher wage but protect the rights of the workers. Figure 3 illustrates the percentage of workers who are protected by minimum wages, and the extent of those who are not protected. The sample in the figure includes an approximate number of 10.5 million workers, which is approximately 67% of the total employed. These workers earn R205 433.30 and below per annum. The majority would be affected by the implementation of the NMW.

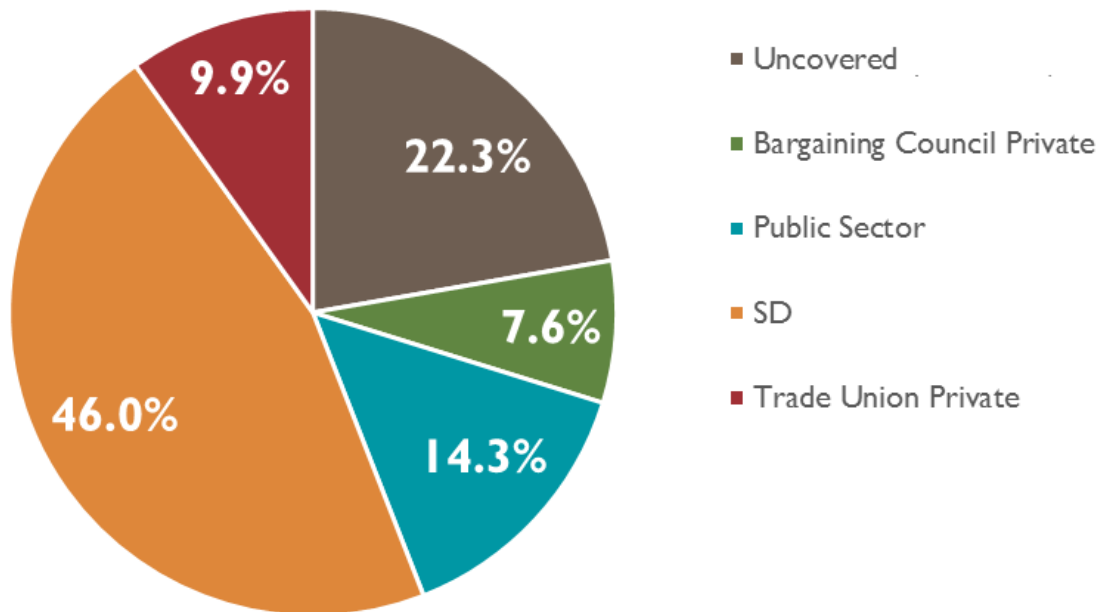


Figure 3: Minimum wage coverage in South Africa

Source: Development Policy Research Unit (DPRU) School of Economics, University of Cape Town (2016:31)

Note: The abbreviation SD in Figure 3 represents sectoral determinations.

Figure 3 illustrates that almost a quarter of the sampled workers are not protected by minimum wage legislation or a formal bargaining structure. The study by DPRU (2016:32) also revealed that the unprotected workers are primarily employed in the following sectors: transport, storage and communication, construction and “financial services”. Workers who are not protected by the minimum wage legislation, or a formal bargaining structure, are vulnerable. It is difficult to monitor statistics on employers’ compliance with the minimum because there is no “body” or bargaining structure that can provide the statistics on this percentage of workers.

Wage violation is especially high in vulnerable sectors such as security, domestic work, taxi services, and construction and farming sectors (Mayet in Murahwa 2016:2). A large number of the workers in the mentioned fields are low-skilled and often lack collective representation which, as previously mentioned, makes them even more vulnerable. Sectors with a history of violence have also presented changes of



enforcement in South Africa. These sectors include the taxi industry as well as domestic workers in private homes and farm workers in small farms.

According to Budlender, Murray and Woolard (2015:1), the process of setting a minimum wage, particularly for domestic workers, in South Africa formally began in 1999 five years after the country's first democratic elections. The domestic workers' minimum wage was a consequence of a process inclusive of a trade unions' campaign to investigate the wages and work conditions of domestic workers followed by a series of workshops and public hearings. Although the introduction of a minimum wage for domestic workers can be regarded as a success, the violations of the minimum wage in this sector remain alarmingly high due to the difficulty that lies in enforcement and the need for adequate inspections to take place. Compliance and the levels thereof are commonly affected by variables ranging from gender, industry and geographical location (Murahwa 2016:3). Figure 4 illustrates the estimated percentage of non-compliance in South Africa per selected industry.

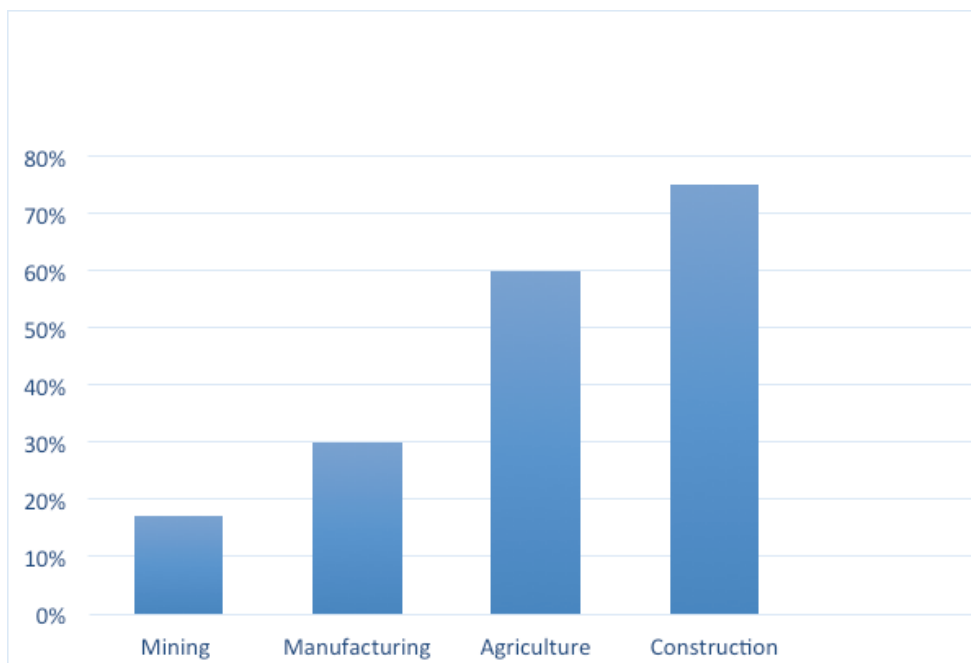


Figure 4: Non-compliance rate in South Africa per selected industry (2011)

Source: Rani et al. in Murahwa (2016:4)

Due to the historical oppressive history, the country has a distinct wage inequality among the various racial groups, namely: African, Coloured, Indian/Asian and White.



Research reveals that wages at the top of the wage distribution curve have risen more significantly and at a faster pace than those on the other end and ultimately have expanded the gap between the workers at the top of the distribution curve and those at the bottom (Castel-Branco 2016:1). Wage earners in the top 20% receive 60% of the overall earnings while the bottom 60% receives only 20%. Race remains a significant factor in the distribution of wages, with the average wages of a black worker being approximately a quarter of the average wages of a white counterpart (Finn in Castel-Branco 2016:2). Figure 5 presents the trends in the mean earnings per population group.

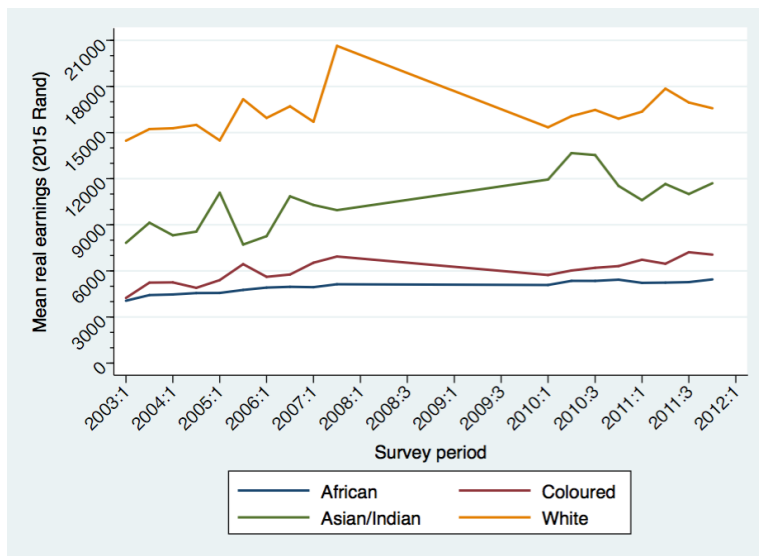


Figure 5: Trends in mean earnings per population group

Source: Finn (2016:21)

Prior to the National Minimum Wage Bill, 2017, South Africa had neither implemented a specific policy nor passed legislation to that effect. Wages were based on sectoral determinations issued by the Minister of Labour or on a sectoral basis through, for example, collective agreements concluded by a bargaining council (Castel-Branco 2016:iv). The country had 124 sectoral determinations, making it the country with highest number of minimum wage categories on the African continent (Finn 2016:5). The formulation and implementation of the National Minimum Wage Bill (NMWB), therefore, must consider the challenges faced by South Africa such as wage inequality, poverty, the lack of and/or poor inspections and violation of labour regulations. Consideration of these challenges will require a detailed interpretation of



the country's labour market and factors that affect it at both the local and international level. Although an NMW can contribute positively to South Africa's wage structure through increasing wages, increasing the labour share as well as reducing wage inequality is not guaranteed (Castel-Branco 2016). An effective minimum wage must be set at a level to meet the basic needs of the workers as well as allow employee compliance (International Labour Organisation 2014).

The history of minimum wages in South Africa reveals that there are many shortcomings in the system. The alarming number of workers who are not protected by formal minimum wage legislation or a bargaining structure translates to a large number of vulnerable workers. Although the introduction of an NMW may not entirely address this issue, it would play a role in ensuring that employers are protected by legislation to provide employees with a certain wage. The considerably high rate of non-compliance in the different sectors also indicates a need, not only for a change in the country's minimum wage system, but also for effective mechanisms to address non-compliance. Legislating an NMW may not necessarily address wage inequality, as illustrated in Figure 4, but could be utilised as a tool to minimise the wage inequality gap.

3.4 FRAMEWORK REGULATING MINIMUM WAGES IN SOUTH AFRICA

The Department of Labour (2014) identified the framework for the minimum wage regulation in South Africa as follows: Labour Relations Act (No. 66 of 1995) and the Basic Conditions of Employment Act (No. 75 of 1997). The primary mechanisms in these acts for the determination of wages are identified as collective bargaining and sectoral determinations that set minimum wages for a sector and/or area published by the Minister of Labour.

3.4.1 Labour Relations Act 66 of 1995

The Labour Relations Act aims to advance economic development, social justice, labour peace and the democratisation of the workplace by giving effect and regulating firstly the fundamental rights as bestowed by Section 27 of the Constitution of the Republic of South Africa which is entitled "Health, food and social security" (Act 66 of



1995). The second factor to which the Labour Relations Act aims to give effect relates to South Africa's obligations as a member state of the International Labour Organisation (Act 66 of 1995). The Labour Relations Act provides the framework within which employees and their trade unions and employers and employer organizations can bargain collectively to determine wages and other conditions of employment (Department of Labour, 2014). Although the Department of Labour (2014) states that collective bargaining coverage in South Africa's labour market is presently at approximately 15%, trade union federations such as the Congress of South African Trade Unions (COSATU) play a significant role in collective bargaining especially due to the federation's tripartite alliance with the ruling party, the African National Congress (ANC) together with the South African Communist Party (SACP).

The Labour Relations Act also has as one of its purposes the promotion of collective bargaining at sectoral level while in terms of the Basic Conditions of Employment Act there are currently 10 sectoral determinations that cover an approximated number of 3 to 5 million employees. Some sectoral determinations provide different minimum wages for different geographic areas or for employers with a smaller or larger number of employees (Department of Labour 2014).

3.4.2 Basic Conditions of Employment Act 75 of 1997

The purpose of the Basic Conditions of Employment Act (BCEA) is similar to the Labour Relations Act, that is, advancement of economic development and social justice through fulfilling the primary objects which include giving effect to and regulating the right to fair labour practices conferred by section 23 of the Constitution of the Republic of South Africa (Labour Relations Act 75 of 1997). The BCEA's purpose also includes establishing and enforcing basic conditions of employment, regulating the variation of basic conditions of employment and finally, as the Labour Relations Act, giving effect to the duty of South Africa as member state of the ILO.

Many of the definitions in the NWMB emanate from the BCEA, for example, "ordinary hours of work" and "worker" amongst others. The reliant nature of the NMWB on the BCEA is both positive and negative, that is: positive because it fosters consistency



within policies that deal with employment regulation within South Africa and the country's membership in the ILO, however, negative because it can exclude important definitions such as "independent contractors" in the definition of "worker". Independent workers may perform home and task-based work such as that of Uber drivers and shoemakers (Daily Maverick 2018). The exclusion of independent contractors in the definition "worker" therefore, implies that independent contractors are not guaranteed a minimum wage, which leaves such workers in a vulnerable position with their employers and may create disputes within their respective fields of work due to a lack of sectoral determinations. For example, violent confrontation between South Africa's Uber drivers and meter taxi drivers, which occasionally end in death (The Citizen 2017).

Sections 32 and 33 of the Basic Conditions of Employment Act address remuneration and related information. The two sections address the manner in which employees should be remunerated, including factors such as privacy, presentation of remuneration, constancy of remuneration (e.g. monthly/fortnightly/weekly) and the currency of remuneration. The proposed changes also will make provisions for, amongst other things, the extension of the Commission for Conciliation, Mediation and Arbitration's (CCMA) jurisdiction to include imposition procedures and claims for cases of underpayment (Daily Maverick 2018). This provision may contribute towards employers' compliance.

3.4.3 National Economic Development and Labour Council Act 35 of 1994

NEDLAC played a significant role in the formulation of the NMW since its 2014 Annual Summit at which President Cyril Ramaphosa announced the council's decision to convene a Labour Relations Indaba in November of the same year to investigate issues of inequality, length and violent nature of the strikes (Treasury 2016). NEDLAC convened a workshop in June 2015 based on international experiences to introduce an NMW.

During the engagement in the National Economic Development and Labour Council (NEDLAC) definitions and the implications of organised business, organised labour



and the organised community sector was discussed. NEDLAC has five primary goals; these include firstly striving to promote the goals of economic growth, participation in economic decision-making and social equity and secondly, seeking to reach agreements on matters concerning social and economic policy through consensus. The third objective is considering proposed labour legislation associated with labour market policy before it is introduced in parliament. Fourthly, NEDLAC aims to consider all relevant amendments to social and economic policy prior to its implementation or introduction to parliament. Finally, NEDLAC aims to encourage and promote the formulation of coordinated policy on social and economic matters (Act 35 of 1994).

Certain objectives of the Labour Relations Act include the advancement of economic development and social justice. Therefore, implementation of an NMW could play a role in achieving these objectives. Although the Labour Relations Act is part of the framework that regulates the National Minimum Wage Bill (NMWB), it is important to acknowledge how the latter could be utilised as a tool to achieve some of the objectives of the Labour Relations Act and establish an interdependent relationship between the two pieces of legislation. The NMWB comprises many of the definitions from the Basic Conditions of Employment Act (BCEA). To ensure effective implementation of the NMWB, it could also imply that the BCEA should be revised and/or amended to include definitions and sections to ensure consistency between the two pieces of legislation. With the role of NEDLAC being so paramount in the formulation and implementation of the NMWB, it is important that the composition of the Council is constantly evaluated to represent different groups of society. The Council also needs to consistently engage with different stakeholders that will represent employers, employees as well as bodies such as trade unions.

3.5 FORMULATION OF SOUTH AFRICA'S NMW

The National Treasury (Treasury 2016:7) states that an inextricable link exists between low levels of wages, high unemployment rates, the high volume of people living in poverty, and the large inequality gap in South Africa. However, Castel-Branco (2016:1) states that employment does not guarantee freedom from poverty as 51% of full-time workers in South Africa earned less than R3,700 per month in 2016 (Treasury



2016:1). With these existing factors, the issue of a minimum NMW in South Africa was brought forth by the Ekurhuleni Declaration on 4 November 2014 (Isaacs 2016:ii). The Ekurhuleni Declaration was, as mentioned prior, a result of former President Jacob Zuma's State of the Nation Address (SONA) speech that urged NEDLAC and its social partners to address the state of the labour relations environment, and particularly to explore issues such as wage inequality and the length of strikes and their concomitant violence

As discussed in the previous chapters and the purposes of this study, the policy-making process comprises five stages, i.e. agenda setting, policy formulation, policy adoption, policy implementation and policy evaluation stages. This section of the study will describe and discuss the first two stages, and the remaining sections of this chapter will discuss the plans implemented for the last three stages of the policy-making process.

3.5.1 Agenda setting stage

The ILO conducted studies (2014:42) on setting and adjusting minimum wages and unsurprisingly found that setting and adjusting wage levels is a complex process. The ILO (2014:23) found that it was necessary that a balanced and evidence-based approach is considered to simultaneously accommodate both the needs of the workers and their families as well as economic factors. The challenge is finding an appropriate balance between the two factors because as much as the protection of workers is paramount, the sustainability and development of enterprises is also of great significance. It is also important that concise criteria as well as reliable and accurate statistical indicators are used to govern discussions on minimum wage levels. It is also important that minimum wages are adjusted periodically for them to remain relevant. An irrelevant minimum wage may include a deteriorated purchasing power by the workers and, over time, a greater wage inequality when there is an increase in the general level of wages (ILO 1970). Mudronova (in Castel-Branco 2016:1) suggests that for a minimum wage to function as a redistributive tool it must be designed so that wage growth at the bottom outstrips wage growth at the top.



At the Ekurhuleni Declaration, NEDLAC and its social partners, which include members from organised labour, business, community and government (Treasury 2016:14), identified amongst other things that wages are the most integral part of income and the main source to ensuring sustainable livelihoods for South Africa's workers. Wages were also found to be the most significant factor in the competitiveness and sustainability of private sector organisations (Treasury 2016:14).

The NMW Panel Report to the Deputy President states that the constituencies at the Ekurhuleni Declaration agreed to participate in the introduction of an NMW in South Africa, review ways of reducing wage inequality while simultaneously working towards creating more jobs as well as considering ways to achieve the elimination of poverty and inequality. However, it is important to understand the unequal nature of the agenda setting stage. Stakeholders such as the government and some trade unions, e.g. COSATU, firstly, hold strong views on the implementation of an NMW and secondly, in the case of the government, the power to enforce or impose certain legislation on the rest of society; these two components are an example of how such cases at the agenda setting stage can allow some parties to predominantly control the process of policy-making. The ILO (2014:2) asserts that the role of social dialogue is pivotal in a country's social, political and economic stability, because it creates a structure of procedures that is orderly and peaceful.

3.5.2 Policy formulation stage

Schedule 1 and Section 6(6) of the National Minimum Wage Bill (Act of 2017) states subject to item 2, South Africa's minimum wage is as of 1 May 2018, R20 for each ordinary hour worked as explained in 2.4.2 of this study. Item 2 of the section excludes certain workers from the national minimum wage and states their wages as below.

Farm workers are entitled to a minimum wage of R18 per hour. The Act (Act of 2017) describes the term "farm worker" as a worker employed mainly or fully in connection with farming and forestry activities, which includes domestic workers employed in a home or farm or forestry environment in terms of the Private Security Industry Regulation Act, 2001 (Act No. 56 of 2001). Domestic workers are entitled to a minimum



wage of R15 per hour. The definition of a domestic worker, according to the NMWB (Act of 2017), is “a worker who performs domestic work in a private household such as a gardener, a person employed by a household as a driver of a motor vehicle, who takes care of children, the aged, the sick, the frail or the disabled”. Workers employed on an expanded public works programme are entitled to a minimum wage of R11 per hour. A programme to provide public or community services through a labour-intensive programme is determined by the Minister in terms of section 50 of the Basic Conditions of Employment Act and funded from public resources.

The Act (Act of 2017) makes provisions for workers who have concluded a learnership agreement contemplated in section 17 of the Skills Development Act, 1998 (Act No. 97 of 1998) in Schedule 2 and are entitled to the allowances. A learner is identified as one who has concluded a learnership agreement in terms of section 17 of the Skills Development Act, 1998 (Act No. 97 of 1998) and includes an apprentice. The term “allowance” refers to the amount of money paid or payable to a learner in terms of regulation 3 of the Sectoral Determination 5: Learnership, made under the Basic Conditions of Employment Act (Act of 2107). ‘The term NQF level’ means a level on the national qualifications framework contemplated in the National Qualifications Framework Act, 2008 (Act No. 67 of 2008). According to the Act (Act of 2017), the term credit refers to a credit earned as identified by the Regulations made under the South African Qualifications Authority Act, 1995 (Act No. 58 of 1995), Government Notice R.452, published in Government Gazette 18787 of 28 March 1998.

Table 1: Learnership allowances

NQF Level	Credits already earned by learner	Minimum allowance per Week
Levels 1 and 2	0-120	R301.01
	121-240	R601.99



Level 3	0-120 121-240 241-360	R301.01 R566.93 R928.11
Level 4	0-120 121-240 241-360 361-480	R301.01 R602.05 R928.11 R1354.51
Levels 5 to 8	0-120 121-240 241-360 361-480 481-600	R301.01 R652.15 R975.75 R1374.61 R1755.84

Source: National Minimum Wage Bill (2017:10)

Section 5 of the NMWB (Act of 2017) explains the calculations of the wage which includes the amount payable in money for ordinary hours of work excluding any payment made to enable a worker to work including any transport, equipment, tool, food or accommodation allowance, gratuities such as bonuses, tips or gifts or any other prescribed category of payment.

The University of Cape Town's Development Policy Research Unit conducted research on the minimum wage as described above and the findings (University of Cape Town 2016) revealed that a minimum wage of R2 447 is more viable than the suggested R3 400 which could result in job losses of approximately 281 000 people. The study drew these numbers through a three-part analysis which includes an international review of the experience with minimum wages in mainly developing countries with an emphasis on emerging markets such as Brazil. The study focused on the impact of minimum wages in the different countries especially their particular



impact on employment. The second part of the analysis included an examination of South Africa's current minimum wages by looking at the wage determinations on various economic outcomes such as poverty and inequality. The third and final part of the study explored a "feasible" range for a minimum wage in a South African context; this was done through looking at the number of workers that would be affected if the minimum wage was set at R2 447 and R3 400 respectively.

The National Minimum Wage Research Initiative (NMWRI) at the University of the Witwatersrand models the macroeconomic and microeconomic impact of enforcing a national minimum wage in two different ways: first, through the United Nations Global Policy Model (GPM) and secondly, through the Dynamically Integrated Macro-Micro Economic Simulation Model (DIMMSIM) developed by Applied Development Research Solutions (ADRS) (Isaacs 2016:45). The study showed consistencies in both models that is, a rise in expenditure as a result of higher wages. According to the study (Isaacs 2016:54), the GPM revealed that increasing the labour share will have a positive effect on the South African economy as compared to the insignificant negative effect; the positive effects will most notably be an increase of private consumption and Gross Domestic Product (GDP) growth. The aspects negatively affected by increasing South Africa's labour share may include the country's current account and private investment as a percentage of GDP. Isaacs' study (2016:55) adds:

A modest redistribution of income in the South African economy has positive consequences but alone does not radically alter the economy's trajectory. The model illustrates that the South African economy is indeed 'wage-led': an increasing labour share is beneficial to the economy as a whole.

In the DIMMSIM, the impact of increasing low-wage earner wages was explored in three different scenarios. Overall, implementing a minimum wage was found to be positive (Adelzadeh and Alvillar 2016:5). This model found that although the highest level of increasing wages (at R6 000) causes instability in macroeconomics and is therefore not viable, the lowest level (at R2250) has very few benefits, especially for the workers (Adelzadeh and Alvillar 2016:24). Finally, the findings of this model reveal that in line with international evidence, the implementation of the minimum was



reduction in both poverty and inequality. The two studies discussed above show some contradictory estimates and expected results of the implementation of the NMW which serves as an example of the exacerbated opposed opinions of the feasibility of the NMW.

The agenda setting stage of policy-making requires all stakeholders to determine how the formulation of a policy is to take place and how often. In the case of the NMWB, not all stakeholders are represented proportionally, and/or certain parties often have more authority. The minimum wage of R20 per hour is argued by some employers to be too high; this is an example of how stakeholders often look after their own interest more than those of other stakeholders. Therefore, it is important that a stakeholder is identified, such as the government or a government body such as NEDLAC that has more authority. It is, however, important that there is some form of representation for all stakeholders so that non-compliance is minimised.

The research that attempts to determine the impact of the NMW on South Africa's socio-economic factors often includes feasibility studies or predictions and some of it is contradictory. The true impact of implementing South Africa's NMW, however, can only be truly measured after the implementation stage has occurred.

3.6 SIGNIFICANCE OF IMPLEMENTING MECHANISMS

As identified in the previous sections of this chapter, the challenges of implementing and enforcing minimum wages often includes compliance, a lack of or poor inspection as well as asymmetrical knowledge from the involved stakeholders of their rights and responsibilities regarding minimum wages. The consequences of this challenge will be addressed later in the discussion. This section will examine how certain mechanisms can be used to inhibit certain challenges that South Africa faces in implementing minimum wages. For the purpose of clarification, the definition of mechanism for the purpose of this study as provide by the Oxford Dictionary states: "A natural or established process by which something takes place or is brought about" (Oxford Dictionary 2018).



The Department of Labour has been given the mandate to enforce the labour regulations in South Africa and minimum wages in particular. Benassi (2011:2) asserts that due to the redistributive effect of an NMW and enforcing the latter through is a controversial political matter between government, workers' organisations and employers. According to Benassi (2011:2), minimum wages need extensive implementation mechanisms outside the traditional legislative hierarchical approach if they are to be an effective regulation tool.

Although there are many challenges that South Africa faces in enforcing and implementing minimum wages, the three challenges that this study will examine are the above-mentioned because these are complementary and not mutually exclusive and will, therefore, be discussed in two sections. The study will describe the challenges that South Africa faces with its current minimum wages, examine the mechanisms utilised to address particular challenges, and assess why these challenges persist even though mechanisms have been implemented to evaluate their effectiveness. Finally, the study will endeavour to identify the gap and alternative mechanisms of how a particular mechanism can be improved to be more effective.

3.6.1 Compliance

Figure 5 illustrated that the rate of compliance in South Africa is very low, with certain vulnerable sectors such as mining and manufacturing with compliance rates of less than 20% and 30% respectively. Non-compliance occurs most in sectors that are identified as vulnerable, such as domestic and farm workers. The vulnerability of these workers is not only caused by the private nature of the sectors but is also exacerbated by the unemployment rate of the country, which stands at approximately a quarter (Stats SA 2017). The competition for employment is also heightened by South Africa's high percentage of immigrants from across the globe, especially from sub-Saharan Africa with 1.5 million coming from Zimbabwe only (Africa Check 2016). The immigrants come to South Africa to seek job opportunities and a great majority are willing to accept wages below the minimum wage. This in turn results in employers remunerating their employees with extremely low wages



<https://www.dailymaverick.co.za/article/2013-05-28-analysis-the-ugly-truth-behind-sas-xenophobic-violence/#.WvvhDICFPIU>).

Benassi (2016:7) identifies three approaches to compliance: persuasion, management and enforcement. Although there are many perspectives and strategies to foster compliance, this study will focus on these three approaches and contextualise them to the case of South Africa. The process of persuasion occurs when certain actors use reasoning and argument to convince others to change their view, normative beliefs and or their identities (Risse in Benassi 2011:7). Persuading employers would include convincing them to comply with the minimum wage by arguing, amongst other things, its efficiency and its positive impact on the welfare of society as a whole. In the South African case, persuasion would involve educating employers on why policy formulators set the minimum wage at R20 per hour and how that would have a positive impact on macroeconomics, as argued by NMWRI at the University of the Witwatersrand.

The National Treasury identified the inspectorate as having the power to secure compliance; through simplified, accessible and anonymous reporting procedures, rates of compliance might be improved (Treasury 2016:99). The 2016 report about the NMW states that setting up an NMW at all centres that handle queries regarding non-compliance, such as that of the CCMA, might be constructive. This strategy of compliance conforms to the first strategy that Benassi (2011:11) refers to as “persuasive process at the interpersonal level” used in countries such as the UK and the USA. The report further suggests alternative measures to encourage compliance such as displaying NMW posters in the workplace as well as providing unions and other membership-based organisations to take complaints on behalf of employees (Treasury 2016:99). The second strategy, which conforms to Benassi’s study (2011:11), is referred to as “supportive public disclosure”.

The second approach, management, suggests that capacity building and transparency are the main solutions to non-compliance (Benassi 2011:7). Capacity building can be seen as the development and strengthening of human and institutional resources which go beyond the public sector, involving private sector entities and



nongovernmental organisations (NGOs) (World Health Organisation 2006). Though the National Treasury does not identify the methods to do so, it has identified capacity building as an enforcement challenge which, through experience, states that capacity building activities for employers' and workers' representatives may reduce non-compliance (Treasury 2016:24). Capacity building also ensures that the information known by both employers and employees is symmetrical and therefore ensures that both parties are aware of their rights and responsibility, leaving limited room for non-compliance by the employer and through exploitation by employees. Transparency is not the only public administration principle stipulated in South Africa's Constitution (Refer to section 2.4 of this study); transparency includes the timely, accessible and accurate communication of information.

The final approach to compliance and enforcement suggests that two measures, namely monitoring and enforcement, can be used to achieve compliance (Benassi 2011:8). Monitoring is perceived as important because it allows detection of non-compliance and provides information to take probable sanction-related decisions. Sanctions would decrease non-compliance because it would make non-compliance a costlier option than compliance with the minimum wage (Benassi 2011:9). The National Treasury identified, amongst others, measures to formalise the informal economy, the empowerment of workers to claim their rights through individual complaints as well as collective action or sanctions. Benassi's study sanctions that function as a deterrent to non-compliance and notes that responsible purchasing practices within global supply chains and increases the cost of non-compliance (Treasury 2016:24-25).

3.6.2 Inspections

Murahwa (2016:4) identifies the main aim of labour inspection as the promotion of compliance. This author also distinguishes two types of inspections that the department conducts, through its Inspection and Enforcement Services (IES), known as proactive and reactive inspections. Proactive inspections, also known as routine inspections, are common or regular inspections that are carried out in different institutions, regions or sectors either on a particular time basis or randomly.



Inspections of this nature often target vulnerable sectors and in particular, those covered by sectoral determinations. Reactive inspections, contrary to proactive ones, occur as a result of submitted complaints (Murahwa 2016:4). The Department of Labour (2015) asserts that the nature of complaints should deter inspectors from conducting inspections of submitted complaints. Moreover, the inspectors should conduct in-depth inspections throughout the entire institution, region or sector. A thorough inspection of the entire institution, region or sector would enable inspectors to detect other or related causes that may provide insight and encourage compliance.

According to ILO (2014), the two main challenges related to the lack of or poor inspection in the South African labour sector is due to an adequate number of staff, competent human resources as well as sufficient resources to carry out thorough inspections. Although, as argued by Murahwa (2016:5), a university degree is the only tool needed to produce a competent inspector, a degree may be indicative of the sufficient skills and training that an inspector possesses. It is vital that inspectors possess certain technical skills in order to carry out inspections competently. The Department of Labour (DoL) requires the following when hiring an inspector:

Requirements: Three (3) year relevant tertiary qualification in Labour Relations\ Human Resource Management. One (1) year functional experience in inspection and enforcement services; valid driver's licence. Knowledge: • Departmental policies and procedures • Skills Develop Act • Labour Relation Act • Basic Conditions of Employment Act • Skills Development Levies Act • Occupational Health and Safety Act • COIDA • Unemployment Insurance Act • UI Contribution Act • Employment Equity Act. Skills: • Facilitation • Planning and Organising • Computer literacy • Interpersonal skills • Conflict handling • Negotiation • Problem solving • Interviewing, listening and observation (DoL 2017).

Although the above are the DoL's requirements of an inspector, the ILO's latest report (that approximately 60% of labour inspectors in South Africa) stated that approximately 60% of labour inspectors in South Africa hold a university degree. Murahwa (2016:6) reports that this situation is worsened by the departure of the available and qualified inspectors for better opportunities in different sectors due to, amongst other things, low wages and the lack of career prospects. In solving this challenge, the National



Treasury in its 2016 report of the NMW stated that the introduction of an NMW may provide a good opportunity to “re-skill the inspectorate and improve the conditions under which inspectors are employed, as well as improving the quality (and quantity) of inspections” (Treasury 2016:99). The DPRU conducted a survey in 2016 and found that the ratio of labour inspectors per 100 000 employees to be generally low throughout South Africa’s nine provinces. Table 2 illustrates the ratio of labour inspectors per 100 000 employees in each province.

Table 2: Allocation of labour inspectors in each province

Province	Labour inspectors	Labour inspectors per 100 000 employees
Eastern Cape	119	10.9
Free State	87	13.3
Gauteng	224	5.5
Kwa-Zulu Natal	231	10.8
Limpopo	111	12.3
Mpumalanga	80	8.5
Northern Cape	44	15.2
North West	66	8.7
Western Cape	94	4.9
Total/Average	1056	10.0

Murahwa 2016:8

Not only does Table 2 highlight the shortage of labour inspectors but it also the limited number of labour inspectors in the country who are not spread proportionally. The less populous and less industrialised provinces have a higher ratio than their more populous, industrialised counterparts, which implies that not only does the country have a shortage of inspectors, but the limited number has not been distributed well.



The rate of non-compliance to the minimum wages in South Africa is depictive of the manner in which the current compliance mechanisms are ineffective. The three identified compliance approaches, i.e. persuasion, management and capacity-building are paramount to the effective implementation of the NMWB. It is important to ensure that all stakeholders are persuaded, even if it includes legal enforcement, to comply with the minimum wage because capacity-building would ensure that employers, employees as well as all concerned parties are aware of their rights and responsibilities and therefore manage NMWB effectively.

Besides the need for more inspectors, it is important for government to ensure that appointed inspectors possess the required qualifications to execute their tasks effectively. The few qualified inspectors that South Africa has seek better employment opportunities and to minimise this challenge, inspectors should be remunerated according to their qualifications. Minimising the country's challenges regarding inspectors will assist in ensuring transparency in the regulation of the NMWB and therefore improve the management (one of the compliance approaches aforementioned) thereof.

3.7 CONCLUSION

This chapter provided an in-depth discussion of South Africa's NMW. The concept, minimum wage, was defined followed by elements of what a minimum wage should entail and the purpose thereof. The chapter also highlighted the purpose of South Africa's NMWB. The chapter also discussed the history of minimum wages in South Africa. This section highlighted the previous and current minimum wage systems and the need for their implementation. The three Acts and the one framework which regulates minimum wages (and will continue to regulate the NMW) in the country were identified as Labour Relations Act 66 of 1995; Basic Conditions of Employment Act 75 of 1997 and the National Economic Development and Labour Council Act 35 of 1994 respectively.

Chapter 3 discussed the formulation of the NMWB analysing the first two stages of the policy-making cycle, namely the agenda-setting stage and the policy formulation stage



and how these two took place. The compliance approaches namely: persuasion, management and enforcement are used to assess the effectiveness (or lack thereof) of the mechanisms currently being utilised in South Africa. Although South Africa has some mechanisms such as inspections, the mechanisms are not effectively implemented. The poor or lack of implementation mechanisms will contribute to the ineffective implementation of the NMWB.

The following chapter aims to draw a comparison of the different minimum wage systems in Germany, Namibia and United Kingdom with the objective of identifying some of the mechanisms used by these countries to implement their minimum wage systems and simultaneously, compare and contrast the mechanisms with those of South Africa. The chapter also aims to identify some global trends on minimum wage systems as well identify some advantages and disadvantages of the different minimum wage systems.



CHAPTER 4: MINIMUM WAGE: AN INTERNATIONAL PERSPECTIVE

4.1 INTRODUCTION

The previous chapter provided a historical background of South Africa's pre-apartheid minimum wage scenario and highlighted several reasons why the policy was amended to address this matter. The chapter also discussed the framework regulating minimum wages in South Africa such as the Labour Relations Act and the Basic Conditions of Employment Act followed by the formulation of South Africa's National Minimum Wage Bill of 2017. Finally, the chapter concluded by exploring the significance of implementation mechanisms.

Chapter 4 discusses certain global wage and labour trends as well as relevant case studies peculiar to minimum wage systems in three selected countries namely: Germany, Namibia and the United Kingdom. The figures used in this section of the study were acquired from the ILO due to the Organisation's access to different countries and provision of updated and the most accurate information. The study aims to identify implementation mechanisms, or the lack thereof, and simultaneously compare each country to South Africa.

4.2 GLOBAL MINIMUM WAGE TRENDS

According to the ILO, there has been a growing urgency to monitor the general direction in which global minimum wages are developing and implement sustainable wage policies, inhibit wage stagnation, ensure fair distribution and reduce extreme wage and income inequalities (ILO 2017:XV). Global minimum wages among emerging and developing G20 countries declined from 6.6% to 2.5% between 2012 and 2015. However, contrary to emerging and developing countries, wage growth increased in developed countries with real wage growth going from 0.2% in 2012 to 1.7% in 2015 (ILO 2017:XV).

4.2.1 Historical background

The increase in minimum wages in developed countries and decline in developing and emerging countries is the major reason for labour migration from developing to



developed countries which has increased over several decades (ILO 2008:5). The ILO states that although it is difficult to measure the exact magnitude of the flows of labour migration, in 2004 approximately 86 million migrants were economically active worldwide (ILO 2008:7). Although minimum wage trends are often related to the economic growth trends in different regions and/or continents, it is important to consider that the experiences of individual countries may, and often do differ from the regional trends. For example, Côte d'Ivoire in Africa, and Guatemala and Haiti in Latin America and the Caribbean, experienced negative/low economic growth rates despite the positive economic growth rates in their respective regions over the period 2001 to 2007 (ILO 2008:1).

Average wages are not a good indication of how wages are distributed among workers because a minority of the workers may be receiving the majority of the wages and therefore fail to expose the level of inequality. Although many countries have adopted and/or strengthened minimum wage policies in an attempt to support low-paid workers and reduce wage inequality, wage inequality has increased over recent decades. This reality has caused growing concerns of the unfavourable social and economic consequences of the excessive inequality (The World Bank 2016). It is paramount that the act of setting a minimum wage is a balanced and evidence-based one that always includes the consultation and direct participation of social stakeholders .

4.2.2 Criteria to determine minimum wage rates: ILO

Committees responsible for determining the minimum wage should thoroughly examine the criteria used to set a minimum wage level. The 2014 report on the International Labour Conference on minimum wage systems identifies the main factors for minimum wage adjustment as the needs of the workers and their families, the economic conditions of the country and well as the employers' capacity to pay. These criteria ensure adequate social protection for workers (International Labour Office 2014:122). Adjusting minimum wages should be considered in the formulation of national legislation as an objective to minimise poverty.



When determining workers and their families' needs, it is paramount that committees consider the general level of wages in the country, social security benefits and the cost of living, and therefore guarantee workers a certain level of buying power; certain countries specifically refer to the consumer price index (CPI). The CPI measures changes in the price level of market basket of consumer goods and services purchased by households (International Labour Office 2014:124). The concerning reality about using the general level of wages in a country is that it may not be a good indication to adjust minimum wages to a level that would enable workers to meet their needs. The International Labour Office Report (2014:124) states that the South African government takes into account the CPI for the lowest quantile to ensure that workers do not benefit merely from inflation-linked increases.

Taking into account economic factors includes assessing different indicators such as income per capita (essentially the average income), GDP growth as well as factors that countries such as the Czech Republic, Gambia and Argentina use to establish the link between growth in production and better remuneration for workers, i.e. productivity (International Labour Office 2014:132). The Philippines National Wages and Productivity Commission introduced a two-tier system in 2012 which comprises a compulsory floor wage set at the regional level to protect vulnerable workers and secondly, of incentives based on both worker productivity, the enterprise and sector, on the basis of management and workers' agreement (ILO 2017:7).

4.2.3 Recent labour market trends

In developing countries, economic growth has had to contend with declining poverty and a rising standard of living. In the past 27 years, the number of people living on less than USD3.10 per day had been reduced by half (ILO 2017:8). The decline in poverty has been uneven, with considerable improvement in China and a large part of Latin America, but persistent high poverty rates prevail in most of Africa and parts of Asia. According to the World Bank (2016), the role of labour markets in reducing poverty and translating economic growth into a less unequal society through increasing employment and wages is paramount.

Figure 6 illustrates estimates of global average wage growth. Average wages are calculated using gross monthly wages, rather than hourly wages to reflect changes in both hourly wages and the average number of hours worked. The second estimates omit China because of the country’s large population and its significant weight on global wages in order to better reflect wage growth in other countries.

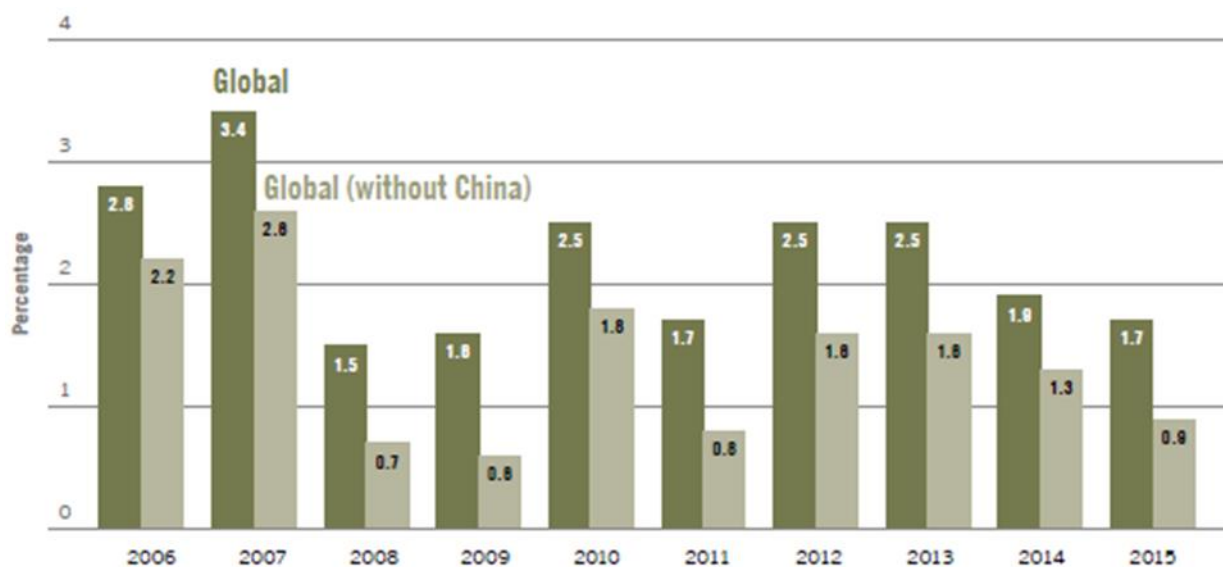


Figure 6: Annual average global real wage growth from 2006 to 2015

Source: ILO (2017:7)

Figure 6 illustrates the general decline of global wages between 2007 and 2015. The global recession in 2008 resulted in global wages decreasing by 1.9%, however, they increased significantly between 2010 and 2014 before facing another decrease in 2014 and 2015. Moreover, the weight of China’s wages on global wages and how, excluding China, the 2008 global recession had a 2.1% decrease on global wages.

Figure 7 illustrates the percentage growth at a regional level, and specifically the regions where the study’s case study countries are located. After a relatively long period of wage stagnation in the region, wage growth accelerated most in 2015 in Northern, Southern and Western Europe. The Report (ILO 2017:9) states that there are considerable constraints in Africa in acquiring data which can, therefore only be formulated tentatively. Based on the available information, Africa, like the regions of

Northern, Southern and Western Europe, experienced real wage growth in 2015 and therefore returned to positive growth after a considerable decline in 2014.

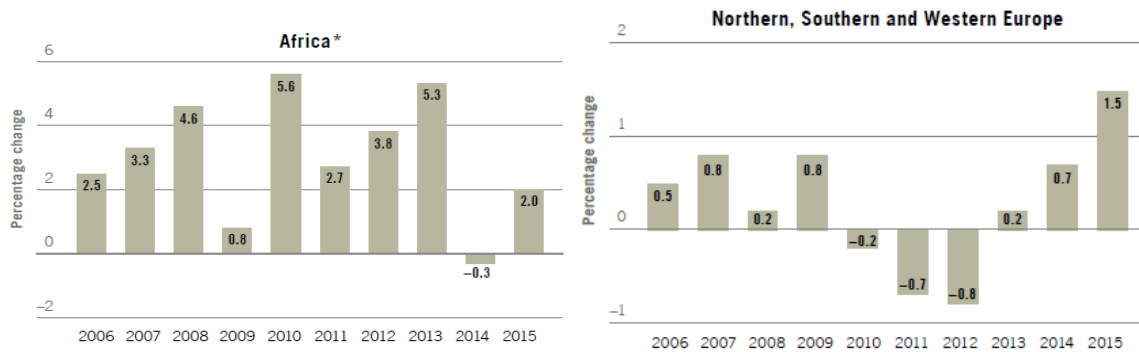


Figure 7: Annual average global real wage growth at regional levels

Source: ILO (2017:9)

There are social and economic consequences of stagnating wages and a declining labour share. The social consequences include the frustrations of workers and their families as they may often feel that they do not receive a just share of the economic progress. The economic consequences include the reduction of aggregate demand (essentially the sum of all goods and services in an economy) by household consumption – household consumption can be contingent on low wage growth. The Global Wage Report 2016/17 (2017:xix) calls for a global-level policy coordination to avoid the many attempts by countries of wage moderation policies. Although a global-level policy on wages may play a fundamental role in being the cornerstone for underlying principles on labour and specifically wage regulation, the global-level policy/policies should leave room for countries to implement effective country-specific policies.

Finally, the Report (ILO 2017:xx-xxii) identified areas for country-specific measures which include firstly minimum wages and collective bargaining. The Report argues that

When collective bargaining takes place at the national, industry and/or branch level in multi-employer settings with coordination across levels, a larger proportion of workers are covered, and inequality is likely to be reduced both within and between enterprises. The extension of collective agreements by governments to all workers in a particular sector or country can reinforce these effects” (ILO 2017:xxii).



South Africa's NMW, although achieved through bargaining councils, facilitates the wages discussion at a national level.

The other measure identified is productivity growth for sustainable enterprises (discussed in 4.2.3 as one of the possible criteria for minimum wage determination). This measure asserts that growth should not be traded for resolving inequality; the two can coexist. The promotion of productivity growth can foster increased average wages and also reduce inequality. Some countries may not necessarily face the challenge of low productivity because growing inequality may be a result of a polarised and outsourced society; this is especially relevant to South Africa and Namibia amongst the case study countries because these two countries inherited the consequences of apartheid and/or colonisation. Finally, the other identified issue is fiscal policies and policies or programmes that affect wage distribution indirectly, which include the access quality education policies and skills improvement programmes.

4.3 CASE STUDIES

This section of the study will discuss the minimum wage systems of three different countries, i.e. Germany, Namibia and the United Kingdom. The study selected these particular countries because of the countries' similarities in minimum wage systems to that of South Africa. Therefore, there are many factors to compare and contrast with those of South African. Germany and the United Kingdom both have an NMW system while Namibia's determines the country's minimum wages sector per sector. The study also intended to carry out studies with both developing and developed countries as well as a combination of African and first world countries. Under each case study, this study will discuss the historical background of the respective countries' minimum wages as well as the countries' current minimum wage systems. Importantly, the study will identify the mechanisms used to implement minimum wages in each of the countries. Simultaneously, the study will compare and contrast the minimum wage systems of each of the case studies to that of South Africa.



4.3.1 Germany

The minimum wage in Germany was implemented in January 2017 at EUR 8.84 hour, a 34-cent increase from the EUR 8.50 implemented in January 2015. Prior to the 2015 minimum wage, Germany, similar to South Africa, used unions and employer associations for collective bargaining (Bossler and Gerner 2016:6).

4.3.1.1 Historical background

The German coalition consists of the social democrats, SPD and the conservatives, CDU/CSU (Garloff 2017:4). A coalition government comprises a parliamentary government in which multiple political parties cooperate. This type of government is often a result of the absence of a dominant party capable of controlling the majority in a legislative assembly (Biegon 2008:3). The Great Coalition agreed to introduce a new federal minimum wage which was approved in 2014 and was to be implemented in January 2015. Traditionally, employer associations and unions conjointly bargained over wages in their various sectors. However, talks of coverage have steadily decreased over the past 20 years in Germany and gross wages decreased concurrently. The new wage is definitely the foremost market legislation in the Federal Republic of Germany since the Hartz reforms which came about between 2003 and 2005 and completely reformed the unemployment insurance in the country (Bossler and Gerner 2016:6). The Hartz reforms, amongst other things, advocated support for vocational further education from the German Federal Labour Agency, entrepreneur grants as well as a rise in the number of job centres (Centre for Public Impacts 2016).

Historically, Germany had no minimum wages, however, in 1968 the country introduced minimum wages in the construction sector and therefore instituted the possibility of extending the introduction of minimum wages to other sectors as well (Garloff 2017:4). Although there is a longstanding tradition of collective bargaining in German, more recent data illustrates a decreasing coverage. Similar to South Africa, the process of collective bargaining in Germany entailed the employer associations (representing their member firms) bargaining with one or several union/s (representing employees) over wages and other working conditions, where collective bargaining is mostly characterised by a sectoral and a regional dimension, usually to be revised



every two years. The fraction of employees covered by collective bargaining has steadily decreased since the late 1990s as illustrated in Figure 8. Garloff (2017:5) argues that the decline in employee coverage is mostly as a result of a lower fraction of firms taking part in the various employer associations' bargaining to which they belong.

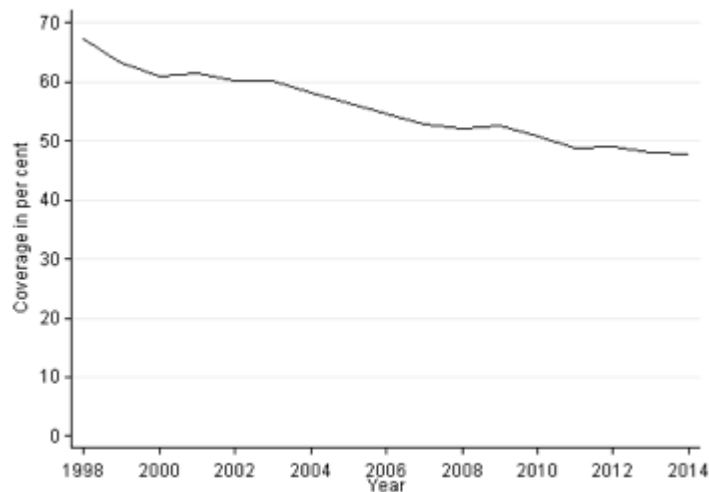


Figure 8: Collective bargaining coverage in Germany from 1998 to 2014

Source: Garloff (2017:5)

Gregory (2014) asserts that a minimum wage as a policy tool can potentially address wage inequality and foster wage growth along the lower tail of the wage distribution curve, especially in a country such as Germany where wage inequality was becoming prevalent, especially for those at the bottom of the wage distribution curve. Bargaining coverage, as well as wage inequality, which was inhibiting real wage development, is one of the major factors to advance the introduction of the minimum wage.

4.3.1.2 Germany's Federal minimum wage

It is the duty of the commission to pass resolutions in respect of adjusting the amount of the minimum wage. The Minimum Wage Commission which comprises a chairperson, six permanent members with voting rights and two members chosen from the scientific community without voting rights (advisory members) is newly appointed every five years. The composition of the Commission depicts the generic functions



and therefore administrative processes discussed in chapter two. The Commission allows the utilisation and mobilisation of tangible and intangible resources to ensure the success and survival of the institution in the changing environment and therefore exercises the human resource function. Within the Commission, specific work procedures for each task are also spelled out and, in this manner, exercise the function work methods and procedures. In regulating the NMW and exercising the control function, the MWC also measures activity against a predetermined standard.

The German minimum wage does, however, exclude the following groups of people: those under 18 years of age, individuals in vocational training, and interns outside the definition of “intern” as found in section 26 of the Vocational Training Act which include a compulsory internship in pursuit of a law degree and/or as required by a law school or an internship of no more than three months as a period of vocational orientation or prior to commencing a course at tertiary education level. Although the lack of coverage and inequality in wages in Germany is not as severe as in South Africa, the two countries share the rising and concerning nature of these two factors. Like the South African case, the implementation of the minimum wage in Germany is being used for several similar socioeconomic reasons.

4.3.1.3 Implementation mechanisms

The previous chapter identified three approaches to compliance, namely persuasion, management and enforcement as well as discussed them in the South African context. Germany’s Minimum Wage Commission plays a leading role in the management of the minimum wage. As mentioned in the previous chapter, the management approach suggests that capacity-building and transparency address the challenge of non-compliance. The Commission is, amongst other things, responsible for passing resolutions in respect of adjusting the amount of the minimum wage (Act of 2016:2). The Commission fosters transparency through its composition.

The Commission is also responsible for providing written grounds for its decisions regarding the minimum wage, to enable fair and functioning conditions of completion for employers and to not jeopardise employment. The establishment of the



Coordination and Information Office which is mainly responsible for providing information and advice to businesses and workers regarding the minimum wage, i.e. a tool to foster capacity-building and therefore developing and strengthening human and institutional resources to reduce non-compliance. The responsibilities of the Commission to provide grounds for its decisions also fosters the persuasion approach which entails, as discussed in chapter three, certain actors reasoning and arguing to convince others to change their view, normative beliefs and or their identities (Risse in Benassi 2011:7).

In South Africa, unlike in Germany, there is no institutionalised body equivalent to the German Minimum Wage Commission. NEDLAC is the closest body to compare Germany's Minimum Wage Commission with the responsibility to provide information regarding the adjustment of the wage and the provision of grounds for the decision of the minimum wage that is a collective effort from NEDLAC as well as other stakeholders such as trade unions, businesses and the academic community.

Part three of the German Act Regulating a General Minimum Wage addresses the enforcement approach. Section 15 addresses the application of sections 2 to 6, 14, 15, 20, 22 and 23 of the Act to Combat Clandestine Employment (Schwarzarbeitsbekämpfungsgesetz, SchwarzArbG) that the referred authorities may inspect employment contracts and other business documents which directly or indirectly provide information about compliance with the minimum wage (Act of 2016:5). Employers face heavy penalties if they fail to pay the minimum wage in Germany (Expatica 2017). When the wage originally came into law, the Tax Enforcement Unit for Undeclared Work (Finanzkontrolle Schwarzarbeit) expanded its staff considerably to deal with companies breaking the rules. Work councils and employee unions also monitor underpayment at an industry level, and in theory companies can be fined as much as €500,000 if they fail to comply with the regulations.

The implementation of Germany's national minimum wage through the country's coalition government is an example to South Africa that multiple stakeholders and/or parties can collaborate in the policy-making cycle. Germany and South Africa share a



similar history by replacing a sectoral determination system of regulating minimum wages to a national minimum wage system. Germany's Minimum Wage Commission (MWC) was established to pass resolutions and guide the implementation of Germany's national minimum wage and plays a vital role in ensuring the success of the policy-making cycle.

NEDLAC is currently South Africa's closest counterpart of Germany's MWC. However, since NEDLAC is "the vehicle by which Government, labour, business and community organisations seek to cooperate, through problem-solving and negotiation, on economic, labour and development issues and related challenges facing the country" (<http://nedlac.org.za/aboutus/>), its sole focus is not South Africa's national minimum wage. The advantages of Germany having established the MWC include the commission's role in fostering transparency in the policy-making cycle and facilitating amendments of the national minimum wage. The commission is also able to pass resolution in an environment that ensures representation of different parties in society as well as putting in place measures for compliance such as penalties.

4.3.2 Namibia

Namibia uses a minimum wage system similar to that of South Africa prior to the formulation of the NMW. The country's geographical location means it has a lot of socio-economic problems in common with South Africa. Although South Africa can be considered to be more "developed", the comparison of an African, sub-Saharan country is important in differentiating minimum wage implementation challenges to be South African, regional or common on a global scale. This section aims to compare and contrast Namibia's minimum wage system with that of South Africa's current and former minimum wage system and how implementation mechanisms and/or the lack thereof are put to use in an African context. Due to the nature of Namibia's minimum wage system being sector based, the case study will select two sectors, namely domestic workers and the farming sectors to compare with South Africa. Although South Africa aims to implement an NMW, the NMW bill has indicated that certain sectors such as farm workers and domestic workers will receive an amount different from the national minimum wage of R20 p/h. Hence it is important to still carry out a



case study that uses the collective bargaining and sectoral determination approach and how the case study country manages these different sectors.

4.3.2.1 Historical background

Namibia gained its independence on 21 March 1990 (<http://www.sahistory.org.za/dated-event/namibia-gains-independence>). Like South Africa, Namibia struggles with an unemployment figure of an alarming 34% of its population (Trading Economics 2018). After a century of colonial rule and apartheid, Namibia's wealth, including ownership of land, companies, and financial assets belong to a small minority; this reality exacerbates the country's inequality. The government has taken great measures to ensure that the wealth is expanded to those who were excluded in the past. Income inequality has, nevertheless, remained high in Namibia, and in 2009/2010, as reported by the World Bank, to be the second most unequal distribution of income in the world after South Africa (World Bank 2017).

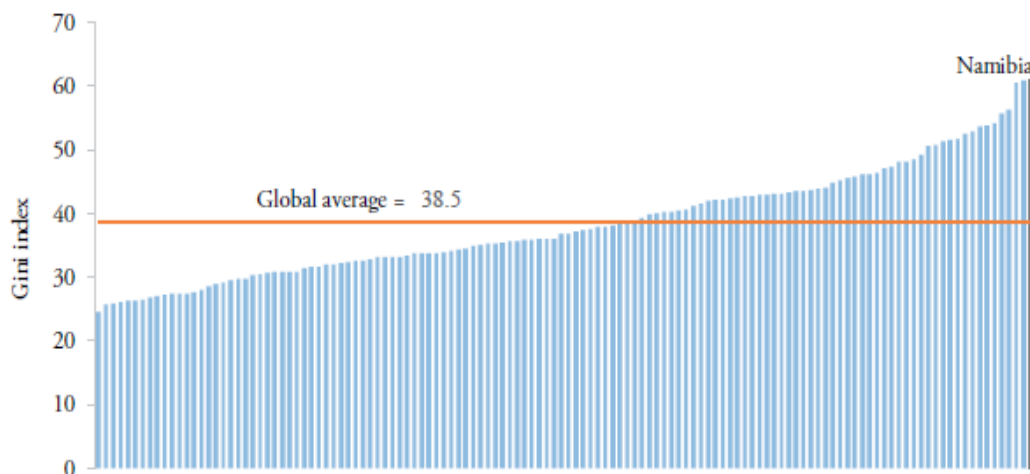


Figure 9: Namibia's Gini index

Source: World Bank (2017)

The World Bank Report (World Bank 2017) also states that the Gini coefficient on income has fallen significantly from 0.635 to 0.429, mainly as a result of the implementation of the country's fiscal policy, with in-kind transfers towards health and education accounting for about 78.2% of the reduction. In-kind transfers take the form



of specific goods and services, which recipients/citizens receive free or at a subsidised rate (World Bank 2017). Although income inequality is not as alarming in Namibia as in South Africa, income inequality still exists and, as mentioned in previous chapters, minimum wages can be used as policy tools to reduce income inequality in a country as intended in the case of South Africa.

Namibia has been using the collective bargaining/collective agreement approaches to set minimum wages since its independence from South Africa in the 1990s and therefore drafts different labour acts for the different sectors. The Namibian government has therefore amended and tried to improve the different labour acts of the various sectors at different times. For example, the Ministry of Labour, Industrial Relations and Employment Creation's "publication of request for, and invitation for objections to extension of collective agreement for minimum wage and adjustment of existing level for construction industry" labour act of 2007 sought to include both employers and employees in the construction industry who are not parties to section 71(3)(a) of the Labour Act, 2007 (Act No. 11 of 2007), a request made by the Construction Industries Federation of Namibia and the Metal and Allied Namibian Workers Union.

4.3.2.2 Namibia's minimum wage

According to the Ministry of Labour and Social Welfare's declaration of extension of collective agreement: Security Industry: Labour Act, 2007 (2014:3), the purposes of collective agreement for a minimum wage on entry level and other agreed levels are: to improve the living standard, to reduce poverty, to maintain social peace as well as to curb and prevent exploitation of employees.

In June 2014 Namibia's minimum wage for farm workers was increased to N\$900 from N\$650, approximately R900 and R650 respectively (*Farmer's weekly* 2017). South Africa's minimum wage for farmers is R18 p/h, approximately R3150 and according to Minimum-wage.org, South Africa's minimum wages rank 68th globally, and Namibia's 122nd out of 197 countries (2017). The difference between South Africa and Namibia's minimum wage for farmers is an example of how, although the South Africa minimum



wage for farmers is still regarded low by parties such as trade unions, on an African scale, its minimum wage for farm workers is relatively high.

As of October 2017, the new wage for domestic workers was increased from N\$1 353.20 to N\$1 502.05 a month, approximately equal in the South African Rand (Brandt 2014).

Domestic workers in Namibia have been described as some of the lowest and least recognised employees in Namibia. The Namibian government's adjustment of the minimum wage is said to be after considering social factors and the 2016 annual inflation rate on food, non-alcoholic beverages, housing, water and electricity, gas and other fuels considered as most pertinent to the lives of domestic workers (*The Namibian* 2017).

Like the farm workers' minimum wage, South Africa's minimum wage for domestic workers, being R15p/h and approximately R2625 p/m, is still significantly higher than that of Namibia and many other African countries. Zambia was ranked 103rd in the world, with income ranging from 522 400 Zambian kwacha (R760) per month for domestic workers to between 1 132 400 (R1 640). Kenya took 106th place, with the minimum wage being determined by location, age and skill level. The lowest wage for unskilled agricultural workers was 2 536 Kenyan shillings (R350) per month, and it was last increased in May 2015 (Kreil 2017).

4.3.2.3 Implementation mechanisms

Namibia's Ministry of Labour and Social Welfare's declaration of extension of collective agreement: Security Industry: Labour Act, 2007 (2014:1) does not elaborate on its criteria. The criteria used to determine a minimum wage are, *inter alia*, the needs of the employees and their dependents; employer's capacity to pay; level of wages in the country as a whole (other sectors); social security benefits and economic factors, including the requirements of economic development.

Article 4 of the above Act addresses the criteria of determining a minimum wage including factors such as the needs of the employees and their dependents, the



employer's capacity to pay, as well as the levels of wages in the country (Act 11 of 2007). The Act not only vaguely states this criterion but also fails to name and/or discuss the instruments used to, for example determine the needs of employees and their dependents or measure the impact on the economy of enforcing a certain wage level. Article 9 of the same Act addresses the enforcement of the minimum wage for workers in the agricultural sector, stating that the minimum wage in the agricultural sector is to be implemented and enforced through: the distribution of public education and information by the "parties to members and non-members of the parties" (Act 11 of 2007) and well as inspections of the agricultural undertakings and their wage registers by labour inspectors as provided for in section 125 of the Labour Act.

The distribution of information contributes to both transparency and capacity-building, i.e. the management approach to ensuring compliance. Article 9 also states that there will be protection of agricultural employees against victimisation, consideration of penalties for non-compliance with the minimum wage and finally, "ensuring compliance with relevant legal provisions" (Act 11 of 2007:21). The mechanisms relevant to ensure these statements are neither identified nor discussed. Namibia is exemplary of the reality that African countries either plan poorly for the implementation of minimum wages and/or information regarding the appropriate implementation mechanisms is inaccessible or unavailable – this reality makes it difficult for the policy-making cycle to succeed.

Namibia and South Africa both inherited the consequences of colonisation and apartheid. Therefore, they remain societies with vast inequalities. Although Namibia's inequality is not as vast as that of South Africa, the country's inequality is still alarming and both countries thus need policies that will address their inequality. Namibia uses the sectoral determination system to regulate the minimum wages of the country's different sectors. The country has different minimum wage acts for different sectors and this study has focused on those of domestic workers and farm workers, mainly because in South Africa, workers belonging to these sectors have been identified as vulnerable. This study focused on these sectors from Namibia to compare and draw lessons for South Africa.



Section 4.2.3 of the study identified the role of fiscal policies as well as those that affect wage distribution indirectly in addressing the challenge of wage inequality. As discussed in section 4.3.2.1, Namibia has done considerably well in implementing its fiscal policy to address the country's inequality. Although one of the intents of South Africa's NMW as a policy tool is to lessen inequality, South African can draw a lesson from Namibia to seek other policy measures to address the issue of inequality as well as other socioeconomic issues, such as the use of in-kind transfers towards health and education especially for the poor.

The two previously mentioned Acts of the identified sectors state their criteria of wage determination as being the needs of the workers and their dependents, the employers' capacity to pay and the level of wages in the country. Although the criteria contain examples discussed in section 4.2.2, both Acts are vague. South Africa's National Minimum Wage Bill contains a similar criterion, as discussed in 3.5.1. Both South Africa and Namibia therefore need to assess the criteria used to determine their minimum wages. It is relatively difficult to access relevant and recent information on minimum wage policies for different sectors in Namibia. This reality hinders transparency as well as monitoring and evaluation as a function to ensure successful policy-making.

4.3.3 United Kingdom

4.3.3.1 Minimum wages in the United Kingdom (UK)

The current minimum wage in the UK was implemented in April 2018 at GBP 7.20 per hour for all British workers over the age of 25, a 33p (pence) increase from the GBP 7.50 minimum wage in 2017. The minimum wage is determined by the age of the employee and the minimum wage for those 25 and above is the highest minimum wage. The other categories of minimum wages are of those of 21 to 24 years (GBP 7.38), 18 to 20 years (GBP 5.90), those under the age of 18 (GBP 4.20) and apprentices (GBP 3.70) (<https://www.moneyadvice.service.org.uk/en>).



4.3.3.2 Historical background

The United Kingdom comprises England, Scotland, Wales and Northern Ireland. Before 2010, the UK had different age groups to which the minimum wages were allocated but not only were the age groups slightly altered in 2010, an apprentice bracket was also introduced. At an unemployment rate of 4.2% in May 2018 (Trading Economics 2018), the UK government boasts one of the lowest unemployment rates in Europe, with over 1.4 million people employed at minimum wage. Although the minimum wage might not immediately resolve all the problems in the UK, such as the housing problem, this is arguably a good balance between offering a fair minimum wage whilst simultaneously not decreasing work opportunities (GOV.UK 2018). Table 3 shows the increment of the different minimum wage categories in the UK from the year 2008.

Similar to South Africa, the UK regulated its minimum wages through statutory regulation until the introduction of a national minimum wage took place in 1999. Prior to the introduction of a national minimum wage, the Low Pay Commission (LPC) was established in 1997 with the objective of representing the interests of unions and employees, employers and the independent community. The commission's scope was to recommend the initial level at which the national minimum wage was to be introduced as well as to recommend the lower rates or exemptions for those between the ages of 16 and 25 (Metcalf 1999).

Table 3: United Kingdom minimum wage increment

YEAR	25 AND OVER	21 TO 24	18 TO 20	UNDER 18	APPRENTICE
2018	£7.83	£7.38	£5.90	£4.20	£3.70
2017	£7.50	£7.05	£5.60	£4.05	£3.50
2016	£7.20	£6.95	£5.55	£4.00	£3.40



YEAR	25 AND OVER	21 TO 24	18 TO 20	UNDER 18	APPRENTICE
2015	£6.70	£6.70	£5.30	£3.87	£3.30
2014	£6.50	£6.50	£5.13	£3.79	£2.73
2013	£6.31	£6.31	£5.03	£3.72	£2.68
2012	£6.19	£6.19	£4.98	£3.68	£2.65
2011	£6.08	£6.08	£4.98	£3.68	£2.60
2010	£5.93	£5.93	£4.92	£3.64	£2.50

Source: Minimum Wage (2018)

Because the national minimum wage is amended annually, the LPC accounts for four distinguishable phases. Firstly, the national minimum wage was introduced at a relatively low level and its value was increased in line with the CPI within the first 18 months of its inception. The second reason was the growth of the national minimum wage at a faster pace than the average earnings of prices up to 2007. This was subsequent to the annual increase due to research suggesting that the national minimum wage had not negatively impacted employment rates or the economy. Thirdly, the real value of the national minimum wage decreased as a result of the 2008 global financial crisis and finally, in 2014, the adult rate of the national minimum wage increased above inflation again. The different phases are visible in Figure 10. With the exception of the rate for 16 to 17-year olds, the various NMW rates are now higher in real terms than they were before the recession in 2008 (Brown and McGuinness 2018:5).

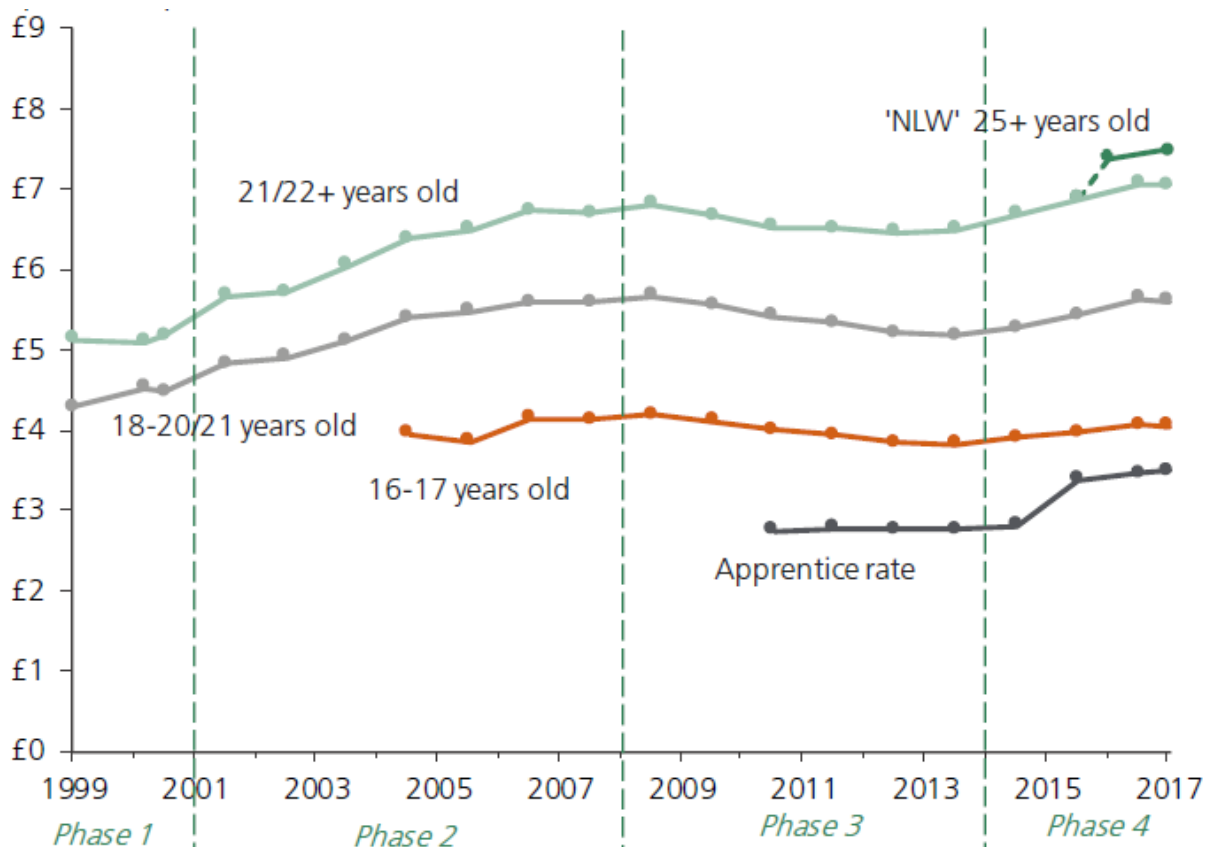


Figure 10: National Minimum Wage rates, real terms

Source: Brown and McGuinness (2018:5)

4.3.3.3 Minimum wage: United Kingdom

According to the National Minimum Wage Act, a person who qualifies for a minimum wage is a worker who works ordinary hours in the UK under his/her contract and has is over the age of compulsory schooling (<https://www.gov.uk/am-i-getting-minimum-wage>). The Secretary of State may, by regulation, make provisions to determine the hourly rate (Act of 1998). The regulations make provision with respect to matters such as what is or is not to be regarded as forming part of a person's remuneration, the treatment of deductions from earnings, the treatment of any charges or expenses which the employee is required to bear and the time at which remuneration is to be treated as received or accruing.

Although a 3% increase in the minimum wage from the year 2017 may seem insignificant, in its determination of the minimum wage, the UK government considered the increment and/or decrease of factors such as inflation (increasing by 0% since



2015), food and non-alcoholic drinks (decreasing by 2.5% since 1997) and transport costs (decreasing by 2.8% since 2017). All UK citizens with an income of less than £12,500 are out of income tax altogether and therefore, considering the general decrease in the abovementioned factors, the minimum wage earner has slightly more income to spend on (GOV.UK 2015).

An example of how a minimum wage, as in the South African case, can be used as one of the tools and not the only tool that addresses socioeconomic problems in the UK is the housing problem. Even with a seemingly improved standard of living due to the increment of the national minimum wage and a decrease in factors such as transport costs, food and inflation etc., housing costs remain extremely high with the research stating that

A person earning a minimum wage would only just be able to afford a one-bedroom flat in London. Providing they don't eat, use power, pay council tax or wear clothes (GOV.UK. 2015).

There is a variation in percentage of workers' jobs paid at or below the minimum wage across countries and regions of the UK for all ages. Figure 9 shows that coverage is the highest in Northern Ireland at 12% and lowest in London and the South East. It is highest in Northern Ireland at 6%, 5% and 4% respectively.

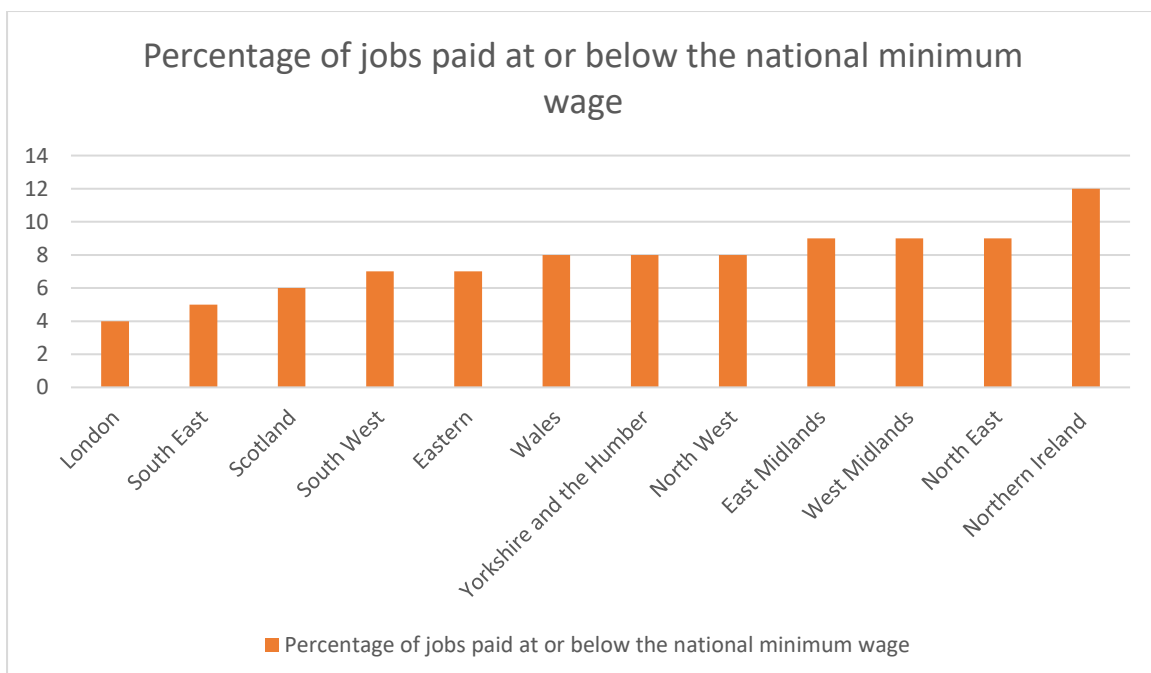




Figure 11: Percentage of jobs paid at or below the minimum wage

Source: Brown and McGuinness (2018:12)

4.3.3.4 Implementation mechanisms

Benassi's (2011:6) study on the challenges and creative solutions to the implementation of minimum wage continues to discuss compliance approaches, namely management, persuasion and enforcement. Capacity-building and transparency are vital in addressing the issue of non-compliance. Although age is not always a good indicator of one's dependencies and responsibility, it is often one of the most obvious and the different age categories of minimum wages is a good management tool to utilise to increase the minimum wage while ensuring that unemployment is least affected and that the needs and responsibilities of the workers are met. Brown and McGuinness (2018) have identified the vulnerable position occupied by younger workers in the labour market as well as a greater need for them to acquire experience. The rationale for varying rates across age groups allows younger workers to compete in the labour market: "It is therefore thought that if younger workers were eligible for the full minimum wage they might be priced out of the labour market" (Brown and McGuinness 2018:5).

The persuasion approach entails convincing and/or changing the reasoning of certain actors, and convincing others to change their point of view, normative beliefs and/or their identities (Risse in Benassi 2011:7). Hence many of the government's decisions would need to be not only transparent but also to be justified to all parties. The UK government took a decision to enforce a minimum wage lower than the GBP 9.40 recommended by the Living Wage Foundation (the non-profit dedicated to the idea) (<https://www.bbc.com/news/magazine-35924293>) and although the decision may have led to non-compliance, the UK's enforcement tools such as fines and platforms, e.g. non-compliance fines and helpline platforms, reduced non-compliance.

The Advisory, Conciliation and Arbitration Service (ACAS) is a public body in the UK that aims to provide confidential guidance regarding disputes or queries of any kind



that workers, employers and/or representatives may have about relationship issues within the workplace. ACAS has both a website and a helpline that employers and employees can use for their workplace queries. The helpline is an automated system designed to give one a straightforward answer (ACAS 2018). The ACAS website contains information and video tutorials that help the employees and employers how to use the helpline effectively and therefore what steps can be taken to address the query. This management tool helps in strengthening capacity-building and therefore gives both employees and employers access to information regarding their rights and responsibilities about the minimum wage.

The approach suggests two measures as being tools usable to address non-compliance, namely monitoring and enforcement. Monitoring is a tool that can be utilised by both the worker and enforcement officials, for example, when investigating the employer's compliance or lack thereof. Section 19 of the UK's National Minimum Wage Act (1998) addresses the power of an officer to issue an enforcement notice; i.e. if an officer acting for the purpose of the National Minimum Wage Act concludes that a worker who qualifies for a national minimum wage has not been remunerated accordingly, they have the power to issue a notice requiring the employer to remunerate the worker for pay reference periods ending on or after the date of the notice at a rate equal to the minimum wage. Section 17 of the Minimum Wage Act addresses enforcement measures regarding the minimum wage. As amended in the National Minimum Wage (Amended) Regulations 2016, section 19A provides that a notice of underpayment requires the employer to pay a financial penalty to the Secretary of State. The penalty equals 200% of the amount by which the worker has been remunerated below the minimum wage.

One of the obvious differences between the UK and South Africa's minimum wages is that workers in the UK are remunerated according to different age groups. The rationale for the varying rates across age groups in remunerating workers to allow younger worker to compete in the labour market is a strategy that South Africa could adopt to address youth unemployment. Although there will not necessarily be more employment opportunities, the youth will be more attracted to those that are currently



available. The LPC was established to represent the needs of unions, employees, employers and the independent community. The role of the LPC, such as recommending initial level wages, is similar to that of Germany's MWC and as discussed in 4.3.2.4, it would benefit South Africa to establish a similar body or a form a branch with similar characteristics within NEDLAC.

The UK bases its minimum wage increment on factors such as inflation and the price of food, non-alcoholic drinks and transport, essentially, the standard of living. Although the criteria for wage determination are seemingly comprehensive, wage increment in the UK fails to accommodate housing expenses, especially in cities such as London. The ACAS's responsibility to provide guidance regarding disputes or queries from workers, employers and/or representatives is paramount in fostering capacity-building and transparency. The Service's responsibility to allow workers, employers and representatives to be aware of their rights and responsibilities therefore ensures compliance. Adopting a service such as the ACAS or a similar one would be advantageous for South Africa because it would be able to foster capacity-building and transparency and ensure that its national minimum wage is clear to the concerned stakeholders.

4.4 CONCLUSION

This chapter discussed global minimum wage trends and the historical background thereof. The discussion consisted of regional trends and some of the criteria used in different countries to determine minimum wages. Recent labour market trends were discussed which consisted of annual average global real wage growth in different regions and finally, some causes of wage growth, stagnation and/or growth.

Chapter 4 also conducted case studies of three different countries namely; Germany, Namibia and the United Kingdom. Under each case study country, the chapter studied, in comparison to South Africa, the historical background of minimum wage systems, current minimum wages and the implementation mechanisms thereof. The case studies compared and contrasted the nature of the minimum wage systems and implementation mechanisms in each identified country to that of South Africa. The



study discussed the benefits of implementation mechanisms such as Germany's Minimum Wage Commission and the UK's Advisory, Conciliation and Arbitration Services. The chapter also identified how South Africa could establish similar institutions to foster transparency, capacity-building and persuasion, amongst others. Some of the objectives of the South African National Minimum Wage are to reduce poverty and inequality. Through the Namibian case study, the chapter identified the use of fiscal policy to reduce socioeconomic issues such as poverty and inequality.

The concluding chapter aims to interpret the findings of the study by highlighting some successes and/or failures of the case study countries and therefore draw lessons for the South African case. The chapter will also, based on the case studies, include recommendations prior to its conclusion.



CHAPTER 5: INTERPRETATIONS OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 INTRODUCTION

The aim of the study was to describe the mechanisms needed to implement an effective minimum wage. The study also sought to provide a critical analysis of the agenda setting and policy formulation stages of South Africa's proposed minimum wage and the environment within which the policy would be implemented. The research comprised case studies of minimum wage systems in German, Namibia and the United Kingdom to compare and contrast the minimum wages of the respective countries. Finally, the research assessed the approaches needed for the use of the implementation mechanisms and therefore effectively implement South Africa's proposed minimum wage.

This chapter will provide a synopsis of the study, i.e. a summary of the preceding chapters and the aims thereof. It includes an interpretation of the findings and the extent to which the objectives of the study were achieved. Finally, the study will provide recommendations on the respective findings followed by a conclusion.

5.2 SYNOPSIS OF CHAPTERS

This study comprised five chapters in which descriptions, discussions and explanations were presented in an attempt to describe and examine the mechanisms that are put in place or need to be put in place for the implementation of South Africa's NMW. The study also conducted an international perspective of case studies to compare and contrast the implementation mechanisms with those of South Africa.

Chapter 1: This chapter commenced with an introduction of the topic, followed by a literature review that sought to carry out an analysis of theoretical perspectives available for the research topic. The chapter provided the motivation of the research and formulated a demarcated statement of the topic through the problem statement. The research objectives were stated and therefore served as the rationale for the subsequent chapters. The chapter identified the qualitative approach as the methodology through which the study would be carried out and specifically, why case



studies would be an advantageous instrument to use within the qualitative research methodology. The clarification of concepts and terms provided clarity on the theoretical foundation which grounds the research topic in the discipline of Public Administration. This was done by contextualising the implementation mechanisms of the NMW into Public Administration. The chapter concluded by stating the preliminary framework of the research, i.e. what the subsequent chapters would address.

The second chapter sought to contextualise the research topic in the discipline Public Administration. Utilising a funnel approach, the chapter distinguished between Public Administration (discipline) and public administration (practice). Chapter two also discussed the evolution of the discipline and focused on its origin including certain phenomena and theories relevant to the discipline and practice. The development of New Public Management (NPM) is a fine example, which calls for a change in the structure and procedures of the public bureaucracy as well as the behaviour and attitudes of public bureaucrats for administrative reform to occur.

The chapter highlighted the relevance of CPA and some of the sub-theories of CPA that the study utilised throughout. The chapter also explored the theoretical framework for Public Administration in South Africa and particularly, how the 10 principles in Section 10 of the South African constitution are relevant to policy-making. The government-wide monitoring and evaluation policy framework aims to unify monitoring and evaluation in all three spheres of the South African government, i.e. local, provincial and national spheres. Chapter two sought to underline the importance of the framework in policy-making. The chapter then discussed the generic functions of Public Administration and the interdependent nature thereof particularly to the research topic. In discussing the different types of policies, the chapter identified the redistributive nature of the National Minimum Wage Bill. In conclusion, chapter two provided a comprehensive analysis of the policy-making cycle and the process and nature of the making of the NMWB in particular.

Chapter three commenced with defining a minimum wage and certain objectives thereof as well as clarifying the meanings of certain terms, especially for the purposes of the study. The history of minimum wages in South Africa was expounded upon, that



is, this section sought to communicate the developments of minimum wages in the country and conditions and/or events that led to the formulation of the NMWB. The chapter then provided a discussion of the bodies of legislature, namely the BCEA and the LRA and NEDLAC, all responsible for regulating the NMWB and therefore paramount to the discussion of the NMWB.

The chapter also provided a comprehensive analysis of the formulation of the NMWB. This included a breakdown of the two stages of the policy-making cycle that have already taken place, i.e. the agenda-setting stage and the policy formulation stage. The study provided a normative view of what should take place during these policy stages and as well empirical information on the two policy-making stages respectively. In analysing the aforementioned, the chapter concluded by identifying three approaches to ensure compliance, namely persuasion, management and enforcement. These three approaches were used as a benchmark to highlight the presence and/or absence of compliance mechanisms for the implementation of South Africa's minimum wage as well as those of the international perfectives in the following chapter.

The penultimate chapter aimed to study the minimum wage systems of three different countries, i.e. Germany, Namibia and the United Kingdom in comparison to those of South Africa. The chapter commenced by discussing some criteria to determine minimum wages. The chapter also discussed global minimum wage trends and in doing so, identified some advantages and disadvantages of different minimum wage systems particularly those of the case study countries. Chapter four also identified some of the mechanisms in the respective countries' minimum wage systems that would be beneficial for South Africa to adopt.

The concluding chapter aimed to provide insights on the problem statement. The foundations laid by the proceeding chapters enable the final chapter to deliver the findings and recommendation. The chapter explains the extent to which implementation mechanisms for South Africa's NMW are effective. Finally, chapter five



aims to provide recommendations that will ensure that the mechanisms put in place to implement the South African NMW are more effective.

5.3 INTERPRETATION OF FINDINGS AND RECOMMENDATIONS

This section of the study will provide recommendations for implementation. The recommendations are for the stakeholders involved in the formulation and implementation of South Africa's NMW. The case studies carried out in chapter three and chapter four are integrative to the forthcoming recommendations. South Africa's NMW can only be successfully implemented if all stakeholders comprehend and perform their assigned roles.

5.3.1 Lack of general consensus during agenda setting stage

The study sought to critically describe the agenda setting and the policy formulation stages of South Africa's proposed minimum wage and the environment in which the policy would be implemented. Figure 1 (refer to section 1.2 in chapter one) explained the agenda setting stage as one that entails the public's attention being focused on the societal problem or issue. This stage includes the involvement and representation of all stakeholders affected by the problem or issue being addressed. The policy formulation stage, as explained in Figure 1, entails policy-makers in the legislature and the bureaucracy formulating legislative, regulatory or programmatic strategies to address the problem or issue.

The report of the NMW panel states that the stakeholders involved at the Ekurhuleni Declaration include NEDLAC and its social partners, i.e. members from organised labour, business, community and government. The stakeholders aimed to find ways to reduce wage inequality while simultaneously finding ways to create jobs and eliminate poverty and inequality in South Africa. However, it is important to acknowledge the complex nature of the agenda setting stage as one that entails a balanced and evidence-based approach. This approach would include a minimum wage level that has more advantages than disadvantages, and one that could be accepted and adopted by the stakeholders concerned.



Studies by think tanks and academic institutions such as the University of Cape Town's Development Policy Research Unit are against the implementation of the minimum wage. The study estimates job losses of up to 281 000 people and suggests a minimum wage of R2 447 p/m to be more viable than that of R3 400 p/m. Political parties such as the Democratic Alliance are also strongly against the implementation of the NMW. Pressure from stakeholders against the implementation of the minimum wage has led to the postponement of the 1 May 2018 implementation date.

Other stakeholders such as the tripartite alliance, i.e. COSATU, the SACP and the ANC, and South Africa's ruling party have contrary views to those of the aforementioned stakeholders and argue that the implementation of the minimum wage will improve the livelihoods of a considerably large percentage of South African workers. The NMWRI of the University of the Witwatersrand models the macroeconomic and microeconomic impacts of enforcing an NMW in two different ways; first through the United Nations Global Policy Model (GPM) and again through the DIMMSIM developed by ADRS (Isaacs 2016:45). Both models indicate the implementation of the minimum wage to be advantageous for South Africa's economy. The GPM has revealed that South Africa is a wage-led country and therefore, increasing the labour share would be beneficial to its economy. The DIMMSIM, compatible with the former model and in line with international evidence, argues that the implementation of the NMW will play a big role in the reduction of poverty and inequality.

The study recommends that bodies responsible for formulating South Africa's NMW, mainly NEDLAC, work to persuade all stakeholders who will be affected by its implementation why implementing it at the rate of R20 p/h will have more advantages than disadvantages. The case studies conducted in chapter four, although implemented in countries with different socio-economic backgrounds, reveal more positive than negative outcomes of increasing a country's labour share. The German case is exemplary of a coalition government that was able to implement a national minimum wage system and simultaneously increasing the wage level. Although the concerned stakeholders will not be equally open to compromise, it should be possible



for them to collaborate in the policy-making cycle. It is of paramount importance that an attempt be made to persuade any stakeholder that may be against the implementation of the minimum wage that the agenda setting, and policy-formulation is transparent and provides the rationale for all decisions reached.

5.3.2 Exclusion of certain groups: National Minimum Wage

The NMWB is primarily regulated by the Basic Conditions of Employment Act (BCEA), the Labour Relations (LRA) and National Economic Development and Labour Council (NEDLAC). The NMWB also relies substantially on the definitions of terms such as “worker”, “wage” and “ordinary hours of work”, amongst others. The advantages of the NMWB being so reliant on the aforementioned Acts for definition include maintaining the consistency and compatibility of the objectives of the Acts as well as avoiding some essential components of the definition that exist in different Acts being contradictory.

The definition of the term “worker” is derived from the BCEA, as follows:

... any person, excluding an independent contractor, who works for another person or for the State and who receives, or is entitled to receive, any remuneration and any other person who in any manner assists in carrying on or conducting the business of an employer (Act 75 of 1997).

The definition of a worker explicitly excludes independent contractors. Independent contractors may include those who perform home and task-based work such as Uber drivers and shoemakers amongst others. The definition therefore excludes a considerably large percentage of the working population from being covered by the NMW. The exclusion of this percentage of workers therefore leaves them vulnerable to low wages. The implementation of an NMW will also result in sectoral determination being phased out. Independent contractors will not only be excluded from being covered by the minimum wage, they will also lack a formal body to bargain for the wages of these workers and therefore possibly create a larger percentage of those not protected by minimum wage legislation as presented in Figure 3 of 3.2 (chapter three). Figure 3’s sample population of 10.5 million workers reveals that 7.6% of workers are currently not protected by minimum wage legislation (DPRU 2016:31).



The study recommends that independent contractors be included in the definition of workers in the NMWB as well as the BCEA (for purposes of maintaining consistency between the two Acts). Although the concern may be that independent contractors may find it difficult to acquire and/or retain work, the NMWB can, similarly to domestic and farm workers, designate a minimum wage for this group of workers that is slightly lower than the R20 p/h. Currently, according to the NMWB, domestic workers are to earn R15 p/h and farm workers R18 p/h. Independent contractors can either be included in one of these wage categories, or after research and consultation with the stakeholders concerned, create a wage level that will ensure that they are not left vulnerable to low wages but are able to remain competitive in their respective fields of work.

5.3.3 No formal body to regulate the NMW

The research provided a discussion of the agenda setting and policy formulation stages of South Africa's NMW. During the agenda setting stage at the Ekurhuleni Declaration, the research identified the stakeholders that were involved, such as NEDLAC and its social partners, which include members from organised labour, business, community and government. The parties began to identify a wage level that would simultaneously meet the needs of workers and their families, reduce poverty and inequality and not have a negative impact on the employment rate. Although NEDLAC played a significant role in the formulation of the NMWB, the NMW is not the Council's only priority. NEDLAC has five primary goals which include reaching agreements on matters concerning social and economic policy through consensus and encouraging and promoting the formulation of coordinated policy on social and economic matters (NEDLAC 2018).

The research found that the broad scope given to NEDLAC leaves the NMWB with no formal body that will solely regulate it. The scope given to NEDLAC and other bodies such as the CCMA to regulate the Act may, amongst other things, cause ambiguity in the roles of the stakeholders. Although the CCMA's jurisdiction has been extended to include enforcement procedures and claims to underpayment to provide a more cost-effective method of resolving disputes, the decision may not be the best. The split



roles between the different bodies may not only perpetuate the ambiguity in roles but may mean that the human resource function does not share the same institutional objectives, which, as discussed in chapter two, is essential to achieving the overall objectives of the organisation and in the case of the NMW, the objectives of the policy.

The study recommends that a body should be established with the sole purpose of regulating the NMWB. In exploring the international perspectives, the study identified Germany's Minimum Wage Commission which was given the duty to pass resolutions in respect of adjusting the amount of the minimum wage. The Commission that comprises a chairperson, six permanent members with voting rights and two members chosen from the scientific community without voting rights (advisory members) is newly appointed every five years. The composition of the Commission fosters representation and, as a result, ensures that the needs of all stakeholders are prioritised. The study found that the German MWC was able to foster the implementation of the country's minimum wage more effectively because the Commission had the expertise with the single focus of implementing and enforcing Germany's national minimum wage.

The study found the Commission to not only be paramount in fostering transparency and capacity-building but in enforcing Germany's minimum wage as well and therefore could contribute greatly to the success of the policy-making cycle. The study also identified the UK's Low Pay Commission's (LPC) role in representing the interests of unions and employees, employers and the independent community and the Advisory Conciliation and Arbitration Service (ACAS). ACAS is a public body in the UK that aims to provide confidential guidance regarding disputes or queries of any kind that workers, employers and/or representatives may have about relationship issues within the workplace. Chapter four identified the benefits this would bring to the South African context.

5.3.4 Shortage of inspectors

The study also had the objective to describe the approaches of the mechanisms needed to effectively implement a minimum wage by using the case studies



conducted. When conducting the case studies, the study used three approaches as a benchmark to examine the existence and/or effectiveness of implementation mechanisms. The approaches were identified by Benassi (2011:6) as persuasion, management and enforcement. The persuasion approach entails convincing the concerned stakeholders of the beneficial nature of the NMW and, amongst other things, educating the stakeholders about the policy and indicating the pros and cons thereof. The management approach suggests that capacity-building and transparency are the solutions to non-compliance. Capacity-building involves strengthening human and institutional resources, while transparency, being the timely, accessible and accurate communication of information is a function in which inspectors could play a great role when fostering support. Section 3.6.2 of chapter three distinguished proactive inspections from re-active ones with the former being essentially routine inspections while the latter are as a result of a reported case or a complaint. Inspectors can use their findings to foster communication and therefore identify and reduce non-compliance.

The final approach, i.e. enforcement identified monitoring and enforcement as paramount to achieving compliance. In chapter four the study identified the function of the UK's ACAS in providing confidential guidance regarding disputes or queries of any kind from workers, employers and/or representatives. The confidentiality of the service is important as it allows workers, employers and/or representatives a safe environment in any of these three different groups to reveal any disputes and therefore considerably simplify the function of monitoring and possible enforcement. With the ability of monitoring to detect non-compliance, enforcement would therefore put in place things such as sanctions and penalties to achieve compliance. The study revealed that the role of inspectors is paramount to achieve the effective implementation of the compliance approaches and thereby ensure that employers comply with the NMWB. The study identified the two main challenges in South Africa regarding inspectors to be an inadequate number of inspectors as well as insufficient resources to carry out inspections. The study presented the allocation of the country's 1 056 labour inspectors per 100 000 employees across South Africa's nine provinces as seen in Table 3 of section 3.6.2 in chapter three. The study not only found the number of



inspectors to be inadequate but also the inspectors the country has are distributed disproportionately.

The study found that although a university degree is not the only tool needed to grant one the sufficient training and knowledge to be a competent inspector, it is, however, indicative thereof. Of the country's inspectors, 40% are not university degree holders. These statistics indicate the possibility of insufficient skills and training amongst the country's inspectors. The study also found that the available inspectors are leaving their jobs for other opportunities in different sectors mainly due to low wages and a lack of career advancement; this reality worsens the country's shortage of qualified inspectors.

Based on the shortage of inspectors in the country, the study recommends that more inspectors be appointed. The appointment of new and therefore an adequate number of labour inspectors would strengthen the human resources function by not only having more inspectors to perform inspections but also because the more labour inspectors there are, the more attention and time is likely to be spent on inspections and therefore strengthen the quality and accuracy thereof. Based on the study's findings that the few inspectors employed in the country resign for better employment opportunities, the study also recommends that the Department of Labour (DoL) should create a working environment that will result in as much job satisfaction for the inspectors as possible. Job satisfaction for the inspectors will prevent them from seeking other opportunities in different sectors.

For an immediate solution, the study recommends that the DoL ensure that the inadequate number of inspectors that the country has is distributed proportionately across the provinces. The Western Cape and Gauteng provinces have the least labour inspectors allocated per 100 000 employees. Based on the calculations made in Table 2 (refer to section 3.6.2), the study used the following formula to determine the number of employees in each province:

$$\text{Total number of employees} = \frac{\text{Number of inspectors} \times 100\,000}{\text{Labour inspectors per } 100\,000 \text{ employees}}$$



The study can therefore use this formula to calculate the total number of employees in each province. Inspectors may alternatively be transferred from provinces such as the Northern Cape and Limpopo which, although the number of labour inspectors in these provinces is smaller than in some of the aforementioned provinces, the allocation of labour inspectors per 100 000 employees is slightly higher. The Focus on Labour Exploitation (The Focus on Labour Exploitation 2015) found that the UK has an inadequate 0.9 inspectors per 100,000 employees. This has led to the degradation of labour inspections in the UK which was largely as a result of the 35% budget cut experienced by this sector in 2010 (Syndex 2012:16). Although these are developed countries and South Africa may not immediately have the resources to provide such a large number of labour inspectors, the ratios in Belgium and France being 12.5:100 000 and 18.9:100 000 respectively are exemplary for South Africa.

The study suggests that each province be allocated at least the average number of labour inspectors per 100 000 employees which according to Table 2 is 10.0. This recommendation does not outweigh the former recommendation but simply states a prompt measure that the labour department could take while preparing for the appointment of new labour inspectors. It is paramount that the proportional appointment remains a priority so that the workload of labour inspectors is not only spread out as evenly as possible but also that the standard of labour inspections can be as high as possible across the nine provinces.

The study also recommends that the DoL should use the implementation of the NMW as an opportunity to equip labour inspectors with sufficient and relevant skills and training to oversee the approaches and therefore achieve compliance. This recommendation is based on the discussion in Section 3.6.2 (chapter three) which illustrates the inspector's lack of skills and training. The DoL can collaborate with academic institutions to create a course or courses that equip inspectors with qualifications centred on the specific needs of their day-to-day job. The knowledge and skills of labour inspectors can be used to strengthen capacity-building in bodies similar to those of the UK's ACAS. Inspectors can be used as a tool to transfer



knowledge regarding the nature of the NMW policy as well as the rights and responsibilities of the policy stakeholders.

5.3.5 No mechanisms for wage increment

Studies by the ILO find it necessary, when designing an NMW, to adopt a balanced and evidence-based approach that considers the needs of the workers and their families and economic factors simultaneously. The study found that to do this, it is important to consider the general levels of wages in the country, social security benefits and the cost of living. These three factors contribute to guaranteeing workers a certain level of buying power. The study also found that certain countries specifically refer to the CPI, which measures changes in the price level of a market basket of consumer goods and services purchased by households. Although both the NMWB and the National Wage Panel Report (2016) to the deputy president states that the needs of the workers and their families are considered to determine a minimum wage, neither the Act nor the Report explicitly states how these needs are determined.

In conducting the UK case study, the study learnt that the UK government considered the increment and/or decrease of factors such as inflation, food and non-alcoholic drinks (decreasing by 2.5% since 1997) and transport costs (decreasing by 2.8% since 2017) when increasing the minimum wage. An increment of as little as 3% to the minimum wage made a significant difference to the standard of living of the country's citizens. The UK's NMW is increased according to different categories of age groups to increase the competitiveness of younger employees. Unfortunately, in considering the aforementioned factors, the issue of housing affordability is still alarming, especially in cities such as London. A person earning the minimum wage in London can only afford a one-bedroom apartment provided that they do not spend their money on transport, food and any other necessities. This issue highlights the importance of considering, *inter alia*, social security benefits and the cost of living. Therefore, a balanced and evidence-based approach determines a minimum wage that will ensure that workers who earn the minimum wage can afford their basic needs.



The German case revealed the duty of the MWC to pass resolutions in respect of adjusting the minimum wage. An example of such an adjustment was in January 2017 at EUR 8.84 hour, an increase of 34-cent increase from the EUR 8.50 implemented in January 2015. The composition of the Commission is representative of the concerned stakeholders and therefore ensures that the needs and views of as many stakeholders as possible are considered when adjusting the NMW. Besides considering social security benefits and the cost of living, the composition of the MWC, i.e. the diversity in stakeholders, enables the Committee to reach a decision representative of the needs of the society regarding the determination and/or adjustment of the minimum wage.

The study found that although Sections 6 and 7 of NMWB state an annual review of the NMW, it should be evaluated in the light of its ability to reduce poverty and inequality while considering factors such as inflation and GDP. These factors are poorly articulated and may lead to a case similar to that of the UK's NMW and the country's housing issue as the study discussed in section 4.3.3.3, i.e. failing to set the NMW at a level that will meet the needs of the workers and their families. Due to housing being more expensive in urban areas of the UK, such as London, minimum wage earners in that part of the country struggle more to afford housing, food and transportation compared to those earning a minimum wage in the less urban parts of the country. The NMW should accommodate the cost of living for workers whether they are situated in rural or urban areas where the standards of living may differ.

The study recommends that the NMWB articulate clearly the process to adjust the NMW as well as parties will be responsible for this task. The decision to adjust it must examine and consider all the socioeconomic factors such as inflation, GDP, employment and CPI, amongst others. The committee responsible for adjusting the wage level must be representative of the affected stakeholders as well as provide the rationale behind the decision to adjust the wage level and therefore foster transparency. The study does not carry the assumption that the aforementioned factors are not considered but suggests that these factors should be communicated explicitly so that they can be evaluated by all stakeholders.



5.4 CONCLUSION

Although South Africa's democratic transition is often regarded as one of the most remarkable political achievements of the 21st century, some of Apartheid's ramifications include poverty, high unemployment rate and vast inequality. South Africa's minimum wage was, amongst other things, formulated to reduce poverty and inequality by increasing a significant percentage of the country's workers' wages. The NMW can be utilised as a redistributive tool to contribute towards the alleviation of poverty and inequality. However, implementation of the NMWB and its feasibility has faced much scrutiny among the local and the international community at large which resulted in the postponement of the proposed date of implementation which was 1 May 2018.

This chapter provided an outline of its aims, identified certain limitations including the motivation for the study. The problem statement was identified, and the following research question was posed: "Does South Africa possess the required mechanisms to implement its proposed minimum wage effectively"? The question was responded to through an empirical search of case studies from both the South African and international perspectives. The study provided an extensive literature review, i.e. detailed analysis of the theoretical perspectives available on the topic. The second chapter contextualised and grounded the study in the discipline, Public Administration.

Chapters three and four highlighted the need for South Africa to strengthen its current mechanisms and/or introduce new implementation mechanisms to improve its effectiveness. The chapter critically described both the environment in which the agenda-setting and policy formulation for the NMWB took place. The study also described the approaches needed to implement a minimum wage effectively. This was also achieved through conducting minimum wage related case studies in Germany, Namibia and the United Kingdom. The study assessed the approaches, or the lack thereof, in the South African context and provided recommendations based on its findings. In that regard, the research study was able to achieve its objectives.



From the findings of this study, the stakeholders responsible for the implementation of the national minimum wage need to first ensure that all stakeholders are included in the agenda setting process and secondly, ensure that mechanisms such as the increment and training of inspectors is implemented. The establishment of a formal body to regulate the national minimum wage will be beneficial towards the successful implementation of the policy.



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