



## **The impact of employment protection legislation and minimum wage regulation on economic growth – A South African perspective**

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## **ABSTRACT**

The government identified the small business sector as an important variable in sustainable economic growth and employment creation. The purpose of this study is to determine the impact of minimum wage regulation and employment protection policies on the unemployment statistics of South Africa. Unemployment is an aspect that needs attention to assist with long-term sustainability of growth.

The questionnaire was distributed to approximately 20 000 small business owners in South Africa and 1239 responded. Of the 1239 responses, 900 could be used.

The research propositions were that employment protection legislation relates to a decrease in job creation and minimum wages relates to higher unemployment. The third proposition is an assumption made in the event that the first two propositions were proved correct. These propositions were proved incorrect.

## DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master in Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any other degree or examination in any other university. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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## Contents

1. INTRODUCTION TO THE RESEARCH PROBLEM.....	1
1.1 Research title .....	1
1.2 Research scope .....	1
1.3 Research motivation .....	1
1.4 Research problem.....	4
2. LITERATURE REVIEW .....	8
2.1 Introduction .....	8
2.2 Definitions of employment protection legislation, minimum wages and unemployment .....	10
2.3 The economic growth model/equilibrium labour model .....	12
2.4 The role of small to medium enterprises in the growth of the economy 14	
2.5 The effect of employment protection legislation .....	15
2.6 The effect of minimum wages on the economy .....	19
2.7 Conclusion .....	22
3. RESEARCH PROPOSITIONS .....	24
3.1 Introduction .....	24
3.2 Research propositions .....	24
3.3 Questions.....	24
4. PROPOSED RESEARCH METHODOLOGY .....	26
4.1 Research design .....	26
4.1.1 Data cleanup .....	28
4.1.2 Descriptive Statistics.....	28
4.1.3 Scale reliability .....	28
4.1.4 Factor analysis.....	29
4.1.5 Testing of propositions.....	30
4.2 Unit of Analysis/Population/Sampling .....	31
4.3 Procedure/Data collection/Instrument .....	32
4.4 Data analysis .....	33
4.4.1 Phase 1 – Analysis of variance .....	33
4.4.2 Phase 2 – Discriminant analysis .....	34
4.5 Potential research limitations .....	35
5. RESEARCH RESULTS .....	37

5.1	Introduction .....	37
5.2	Descriptive Statistics – Respondent item .....	37
5.2.1	Industry .....	37
5.2.2	Province .....	38
5.2.3	Race of owner .....	39
5.2.4	Gender of owner .....	39
5.2.5	Summary respondent item .....	40
5.3	Descriptive Statistics – Respondent item .....	41
5.3.1	Do you compete with foreign companies/cheap imports? .....	41
5.3.2	Do you find it difficult to compete? .....	42
5.3.3	Annual turnover.....	42
5.3.4	Employees.....	43
5.3.5	Annual payroll .....	44
5.3.6	Minimum wage obligation.....	45
5.3.7	Summary – Company items .....	46
5.4	Descriptive Statistics – Competition and growth items.....	47
5.4.1	Employ more people .....	47
5.4.2	Impact on growth .....	48
5.4.3	Employ fewer people .....	49
5.4.4	Will employees be more productive? .....	50
5.4.5	Does the LRA influence employment patterns? .....	51
5.4.6	Do employees need protection? .....	52
5.4.7	Summary – Competition and growth items .....	52
5.5	Results and interpretation – Anovas .....	53
5.5.1	Do you compete with foreign companies/cheap imports? .....	53
5.5.2	Do you find it difficult to compete globally? .....	54
5.5.3	Are you obliged to pay minimum wages?.....	56
5.6	Results and interpretation – Discriminant.....	57
5.6.1	Discriminant analysis .....	57
5.7	Results and interpretation – Correlations .....	59
5.8	Results and interpretation – Conclusion.....	60
6.	DISCUSSION OF RESULTS.....	61
6.1	Propositions .....	61

6.1.1	Proposition 1 – Protective employment legislation relates to a decrease in job creation.....	61
6.1.2	Proposition 2 – Minimum wages relates to higher unemployment .....	63
6.2	Results and interpretation – Anovas .....	65
6.2.1	Do you compete with foreign companies/cheap imports? .....	66
6.2.2	Do you find it difficult to compete globally? .....	68
6.2.3	Are you obliged to pay minimum wages? .....	70
6.3	Results and interpretation – Discriminant.....	72
6.3.1	Discriminant analysis .....	73
6.4	Results and interpretation – Correlations .....	74
6.5	Results and interpretation – Conclusion.....	75
6.6	Conclusion .....	76
7.	CONCLUSION.....	77
7.1	Introduction .....	77
7.2	Discussion of research findings .....	78
7.2.1	Result and interpretation of the Anovas.....	78
7.3	Recommendation to stakeholders.....	81
7.4	Limitations of study .....	81
7.5	Suggestions for further research.....	82
	Bibliography .....	83
8.	APPENDIX A – QUESTIONNAIRE .....	85

## List of Figures

Figure 1 – Data Analysis Procedure .....	27
Figure 2 – Data Analysis .....	33
Figure 3 – In which industry do you operate? .....	37
Figure 4 – Provinces represented by the respondents .....	38
Figure 5 – Race of the owner represented in the survey .....	39
Figure 6 – Gender representing the respondent .....	40
Figure 7 – Companies competing with foreign companies or cheap imports .....	41
Figure 8 – Difficulty to compete.....	42
Figure 9 – Turnover of the respondents in the survey .....	43
Figure 10 – Number of employees employed by the respondents .....	44
Figure 11 – Annual payroll of the respondents .....	45
Figure 12 – Respondents obliged to pay minimum wages .....	46
Figure 13 – Respondents would not employ more people.....	47
Figure 14 – Negative impact of minimum wages .....	48
Figure 15 – Impact of difficulty to fire .....	49
Figure 16 – Respondents’ perception on productivity.....	50
Figure 17 – Respondents’ perception on the influence of the LRA on employment.....	51
Figure 18 – Respondents’ view on employment protection .....	52

## List of Tables

Table 1 – Survey result for in which industry do you operate. ....	37
Table 2 – Survey results for in which province do you conduct your main business.....	38
Table 3 – Survey results for the race of the owner .....	39
Table 4 – Survey result for the gender of the respondent (major shareholder).....	39
Table 5 – Survey result for do you compete with foreign companies/cheap imports. ....	41
Table 6 – Survey result for difficulty to compete .....	42
Table 7 – Survey result for annual turnover .....	42
Table 8 – Survey result for number of employees employed .....	43
Table 9 – Survey result for annual payroll .....	44
Table 10 – Survey result for obligation to pay minimum wages .....	45
Table 11 – Survey result for would you employ more people if you could determine minimum wages .....	47
Table 12 – Survey result for does minimum wages have a negative impact on your business .	48
Table 13 – Survey result for do you employ fewer employees due to the fact that it is difficult to fire them .....	49
Table 14 – Survey result for do you think employees will be more productive if they have to compete for a specific job .....	50
Table 15 – Survey results for do you think the protection procedures in the LRA deter you from employing more people.....	51
Table 16 – Survey result for do you think considering the history of South Africa, that employees need to be protected against unfair treatment .....	52
Table 17 – Anova result for do you compete with foreign companies/cheap imports .....	53
Table 18 – Means of the responses of do you compete with foreign companies/cheap imports	54
Table 19 – Anova result for do you compete globally.....	54
Table 20 – Means for the responses on do you compete globally .....	55
Table 21 – Anova result for are you obliged to pay minimum wages .....	56
Table 22 – Means for responses are you obliged to pay minimum wages.....	56
Table 23 – Variables in the analysis .....	57
Table 24 – Wilks’ Lambda analysis.....	57

Table 25 – Discriminant analysis .....	58
Table 26 – Correlations .....	59
Table 27 – Anova result for do you compete with foreign companies/cheap imports .....	66
Table 28 – Means of the responses of do you compete with foreign companies/cheap imports	67
Table 29 – Anova result for do you compete globally .....	68
Table 30 – Means for the responses on do you compete globally .....	69
Table 31 – Anova result for are you obliged to pay minimum wages .....	70
Table 32 – Means for responses are you obliged to pay minimum wages .....	70
Table 33 – Variables in the analysis .....	73
Table 34 – Wilks’ Lambda analysis.....	73
Table 35 – Discriminant analysis .....	73
Table 36 – Correlations .....	74

## **1. INTRODUCTION TO THE RESEARCH PROBLEM**

### **1.1 Research title**

The impact of employment protection legislation and minimum wage regulation on economic growth – A South African perspective.

### **1.2 Research scope**

The research will be conducted amongst South African companies to determine whether protective employment policies and minimum wage regulation have a negative impact on their business operations and therefore on economic growth.

### **1.3 Research motivation**

The government identified the small business sector as an important variable in sustainable economic growth. It is therefore important to determine the impact of protective policies and minimum wages on the growth of small businesses. The South African government has carried out a series of efficiency-enhancing policies including trade reform, competition, and small business development policies (USAID, 2003). They also identified the small business sector as one of the key contributors to economic growth and employment creation (USAID, 2003). The Department of Trade and Industry (DTI) developed the Integrated Small Business Strategy; this strategy seeks to enhance support to small businesses by (USAID, 2003) :

- Increasing the contribution of small businesses to the growth of the South African economy;
- Improving the enabling environment for small to medium enterprises;
- Creating sustainable long-term jobs in the small business sector;
- Increasing the competitiveness of the small business sector, and
- Ensuring equitable access and participation.

Aside from the fact that government identified the small business sector as a key contributor to economic growth, they also developed a policy, the Accelerated and Shared Growth Initiative – South Africa (AsgiSA), to amongst others halve poverty and unemployment by 2014. AsgiSA and the efficiency-enhancing policy should not be viewed in isolation but rather complimentary of one another. It is therefore important to determine whether employment protection legislation and minimum wage regulation has a negative impact on the growth of the small business sector, which in turn has an impact on the target to halve unemployment and poverty. In the event that protective policies' influence on growth is significant then the efficiency-enhancing policies will be a waste of time and money.

The government also selected binding constraints for reaching the targets. Six obstacles to growth were identified, encouraging government to focus on the most important issues (Bernstein, 2007).

The cause and effect relationship of employment protection legislation and minimum wages on economic growth is also of significant importance to determine whether the government will meet the targets in AsgiSA. In the formulation of the AsgiSA, targets were set for growth for the periods 2006-2010 and 2011-2014.

An economic assessment done by the Organisation for Economic Co-operation and Development (OECD) focused on macroeconomic and structural developments, which most likely constitute long-term sustainability of growth (Guria, 2008). Unemployment is an aspect that needs attention to assist with the long-term sustainability of growth (Guria, 2008). The assessment refers to the AsgiSA targets and the importance of determining the impact of employment protection legislation and minimum wage regulation becomes that much more important. The government needs to verify and take action, if necessary, if the impact of protective policies and minimum wages are negative. In spite of evidence that the different ability of countries to employ their labour forces has been correlated with the disparities in growth patterns across the OECD countries, the research program which combines unemployment theory and growth theory is still in its infancy (Bonatti, 2005).

#### **1.4 Research problem**

Since the birth of South Africa's democracy, the government introduced a series of policies that were aimed primarily at creating an environment conducive to growth (Bhorat & Cassim, 2004). The government has carried out a series of market-friendly economic policies that have contributed to the increasing efficiency and productivity of the economy (Bhorat & Cassim, 2004). In view of the policy trajectory of the country, we cannot rely on simply preserving jobs in protected and inefficient sectors (Bhorat & Cassim, 2004). One example of strict legislation imposing negatively on South African businesses is the fact that the textile industry is caving under cheap imports from China. One of the aspects influencing the price of the Chinese imports is their unethical trade issues. Strict employment laws in South Africa prevent textile industries to adapt to the world conditions (Jekwa, 2008). The textile industry resort under a bargaining council and are obliged to pay minimum wages. Their inability to adapt to world conditions caused the industry to collapse.

Productivity and employment are viewed as key drivers of long-term economic growth in South Africa, it is therefore important to clarify some of the potential constraints on this growth trajectory (Bhorat & Cassim, 2004). The macroeconomic debate regarding the effects of employment protection legislation and minimum wages on economic growth relates to, on the one hand those supportive of employment protection

legislation and minimum wages and on the other hand, those who criticise the impact it has on the economy.

The relationship between wage rates and employment is conceptually more straightforward than is the relationship between wage rates and growth (Bhorat & Cassim, 2004). The relationship between wages and growth is more complex and requires more in-depth research (Bhorat & Cassim, 2004). This study will attempt to determine the cause and effect relationship of minimum wage regulation and employment protection policy on economic growth.

Some studies were conducted in South Africa on this issue. In 1999, the World Bank under joint auspices of the Greater Johannesburg Metropolitan Council conducted a survey and looked at the formalised bargaining environment as a key consideration in hiring decisions (Bhorat & Cassim, 2004). The respondents were asked questions relating to the Basic Conditions of Employment Act (BCEA) and the Labour Relations Act (LRA). There was no indication that these acts had a negative impact on the employment practises of the businesses (Bhorat & Cassim, 2004). This admittedly tentative evidence on a very confined sample of firms does not suggest that manufacturing firms overall view the labour legislation environment as a significant constraint on employment expansion within their enterprises (Bhorat & Cassim, 2004). The aforementioned study, however, made extremely general

references to the role of labour legislation in employment creation (Bhorat & Cassim, 2004). This study is criticised because they conclude that employment protection legislation do not affect negatively on a business without asking specific question to business owners.

In this study, respondents are asked more specific questions relating to the impact of employment protection legislation and minimum wages on the growth of their business. The study will attempt to determine whether there is a cause and effect relationship between employment protection legislation and minimum wages and economic growth.

Notwithstanding the argument that wages in themselves do not constitute the main problem, there is some evidence to suggest that wages may deter employment in some sectors but not in others (Bhorat & Cassim, 2004). Business owners in different sectors will take part in this study to determine the effect of minimum wages on their businesses. The problem may not necessarily be minimum wages as such but the fact that minimum wages do not adapt to economic circumstances and that they may be too high in a specific industry.

In the past employment, losses were attributed to non-wage variables such as structural changes in the economy with a decline in the mining sectors, as well as technological changes in the economy (Bhorat &

Cassim, 2004). Therefore, while wage increases will no doubt result in employment losses, it is not immediately clear whether these wage increases were the sole reason for the employment patterns we have observed thus far in the economy (Bhorat & Cassim, 2004). The study amongst small business owners might isolate minimum wages and employment protection policies as reasons for high unemployment.

## 2. LITERATURE REVIEW

### 2.1 Introduction

Every country in the world has established a complex system of laws and institutions intended to protect the interest of workers and to help assure minimum standard of living for its population (Botero, Djankov, La Porta, Lopez-de-Silanes, & Shleifer, 2004). Why do governments intervene in the labour market (Botero *et al.* 2004)? The theory underlying most interventions is that free labour markets are imperfect, therefore there are rents in the employment relationship, and that employers abuse workers to extract these rents, leading to both unfairness and inefficiency (Botero *et al.* 2004). For example, employers discriminate against disadvantaged groups, underpay workers who then need to be supported by the state, force employees to work more than they wish under the threat of dismissal, fail to ensure workers against the risk of death, illness or disability, and so on (Botero *et al.* 2004). The history of South African unionism comes from the fact that employees were exploited. Black workers specifically had no protection against unfair treatment from employers.

Growth is dependent on a range of issues beyond macroeconomic stability, trade liberalisation or labour market flexibility (Bhorat & Cassim, 2004). While increases in investment and productivity in the economy can explain growth, the reasons behind slow growth in productivity and investment in capital and human stock depend on, *inter alia*, supply-side

and demand-side factors, institutional issues and the policy environment (Bhorat & Cassim, 2004).

The effect of an increase in average labour productivity on unemployment is ambiguous (Wakeford, 2004). It could reduce the demand for labour, as workers are more efficient and hence raise the unemployment rate – assuming other factors such as the labour force participation rate remains constant (Wakeford, 2004). Alternatively, a rise in productivity could have a positive effect on employment through an ‘output effect’, thereby reducing the unemployment rate, *ceteris paribus* (Wakeford, 2004). Three critical variables determine growth in its simplest form - the growth of capital, labour and technology and/or productivity (Bhorat & Cassim, 2004). The research conducted in this study will investigate the cause and effect relationship between employment protection legislation, minimum wages and unemployment and its effect on the growth of labour and productivity.

Previous studies indicate a correlation between employment protection legislation, minimum wages and unemployment but the other variables, i.e. structural shifts and technology change in the domestic economy, that may also have an impact on unemployment are not isolated (Addison & Teixeira, 2001). What still needs to be determined is whether the negative aspect of employment protection and minimum wages are so significant that it outweighs the positive aspect. The negative aspect

is the fact that unemployment is increased and higher unemployment inevitably leads to a slower economic growth, and the positive aspect is that it alleviates poverty.

International comparisons amongst OECD countries suggest that job regulations and active minimum wage policies may have created some short-run disequilibrium but have stimulated dynamic efficiency (Boyer, 2007). These comparisons by the OECD are in developed economies and developing economies may differ. This survey will only be amongst South African small business owners and the questions will relate to the impact of employment protection legislation and minimum wages on their businesses.

## **2.2 Definitions of employment protection legislation, minimum wages and unemployment**

Employment protection may be described as restrictions placed on the ability of the employer to utilise labour (Addison & Teixeira, 2001). According to this definition, employment protection would cover dismissals protection, limitations on the use of fixed-term and temporary work agency contracts and the regulation of working hours (Addison & Teixeira, 2001).

Employment protection legislation is one of the most important areas of labour market regulation (Zientara, 2006). It can be defined as a set of rules governing the hiring and firing process that can arise through both labour legislation and collective bargaining agreements (Zientara, 2006).

Real wages are defined either as real consumption wages (where nominal wages are deflated by the consumer price index to provide a measure of workers' real purchasing power), or as real product wages (where nominal wages are deflated by the producer price index to provide a measure of the labour cost of production) (Wakeford, 2004). In a situation of contract bargaining, workers are concerned with their real purchasing power while management is more concerned with the production costs (Wakeford, 2004).

The definition and measurement of unemployment are thorny issues (Wakeford, 2004). The main differentiation is between the so-called 'strict' definition, which includes only active work seekers in the labour force, and the 'expanded' or 'broad' definition. The 'broad' definition includes all persons who are able to work but are unemployed. In the strict definition all persons are considered as unemployed who did not work in the past week and who either looked for work in a given reference period or were discouraged workers, i.e. they did not look for work in the belief that none was available (Wakeford, 2004). The strict definition is used when the unemployment figure is calculated.

### **2.3 The economic growth model/equilibrium labour model**

The economic growth model pertains to the impact of employment protection legislation and minimum wages on unemployment rate of a country. This model implies that the lower the unemployment rate, the faster the economy will grow (OECD, 2007). The equilibrium labour model relates to the fact that employment protection legislation and minimum wages, although they are necessary, should not influence negatively on the employment rate and therefore economic growth (Bonatti, 2005). A basic fact emerging from the experience of OECD economies is that countries with higher per capita growth rates have maintained or even increased employment over the 1990's, while employment has stagnated or even fallen in those experiencing a slowdown in GDP growth (Bonatti, 2005). In South Africa unemployment is not exclusively a macroeconomic problem or a trade policy problem or, for that matter, a labour market problem (Bhorat & Cassim, 2004). Other factors also contribute to unemployment such as skills shortages, technological developments and the global economic climate (Bhorat & Cassim, 2004). One of the key debates on the labour market and its role in shaping economic growth patterns concerns the scope and level of employment flexibility that exists for both employers and employees (Bhorat & Cassim, 2004). Employment protection legislation and minimum wages make it extremely difficult for businesses to deal with the other aspects contributing to unemployment, and the inflexible employment laws make it impossible for businesses to adapt to the economic demands (Bhorat & Cassim, 2004). In their study, the

researchers were able to gather some initial primary and some secondary evidence reflecting on whether laws governing hiring and firing in the South African labour market may or may not be inimical to long-term employment growth (Bhorat & Cassim, 2004). Stronger economic growth is the most effective way to boost job creation and incomes (OECD, 2007).

The interrelationships between productivity, real wages and unemployment are highly complex (Wakeford, 2004). Changes in productivity may cause changes in real wages for at least two reasons: if individual's pay is performance-based and if labour unions bargain for real wage increases based on past improvements in productivity (Wakeford, 2004). The causality between productivity and real wages has massive policy implications for the distribution of income in South Africa (Wakeford, 2004). If real wage increases are driving productivity gains through the substitution of capital and technology for labour, then it can be concluded that workers/unions are at least partially responsible for increasing unemployment, inequality and poverty (Wakeford, 2004). If, on the other hand, productivity is rising ahead of real wages, then capital/business is capturing an ever-larger share at the expense of labour, both the employed and the unemployed (Wakeford, 2004).

To try to identify the key drivers of long-term economic growth in South Africa, it is important that we attempt to clarify some potential constraints

on the growth trajectory (Bhorat & Cassim, 2004). These constraints lie in diverse areas such as the employment legislative environment; the role of capital markets and financial intermediation, given South Africa's status as a small, open economy; trade and tariff liberalisation; the macroeconomic and regulatory policy environment; and, finally, a variety of political and institutional concerns that are important for understanding long-term economic growth (Bhorat & Cassim, 2004). When discussing the South African labour market and its influence on economic growth one must first distinguish how much of the wage rates impact on growth and efficiency and what are the implications for employment (Bhorat & Cassim, 2004).

#### **2.4 The role of small to medium enterprises in the growth of the economy**

The World Bank Review on small business activities establishes the commitment of the World Bank Group to the development of small and medium enterprise sector as a core element in its strategy to foster economic growth, employment and poverty alleviation (Ayyagari, Beck, & Demirguc-Kunt, 2005). In the year 2004 alone, the World Bank Group has approved roughly \$2.8 billion in support of micro, small and medium enterprises (Ayyagari *et al.* 2005). There is also a growing recognition of the role that small and medium enterprise play in sustained global and regional economic recovery (Ayyagari *et al.* 2005).

## 2.5 The effect of employment protection legislation

Greater employment protection is thought to reduce the permeability of the barrier between work and unemployment, discouraging both hiring and firing, with an overall ambiguous effect on the unemployment rate (Clark & Postel-Vinay, 2009). Heavier regulation of labour is associated with lower labour force participation and higher unemployment (Botero *et al.* 2004).

Most literature on employment protection legislation emphasises the parallel between employment protection legislation and an employer-borne tax to reflect the cost implication of various regulatory provisions for employers (Zientara, 2006). The stricter the employment protection legislation, the more costly it is for the employer to fire (Zientara, 2006). Dismissal protection raises the costs of a bad hire and, other things equal, should serve to make firms choosier in selecting employees (Addison & Teixeira, 2001). The suggestion is that youth and older workers are at risk, especially in markets where a floor is placed on wages or where wage-setting behaviour maintains or compresses skills differentials (Addison & Teixeira, 2001). As far as employment costs are concerned, the presumption is that rules setting effective labour standards increase labour costs and make it less profitable to produce at a given level of output (Addison & Teixeira, 2001). As a result, output should fall and with it the employment of all inputs including working hours (Addison & Teixeira, 2001). It is often argued that strict employment protection legislation damages labour market performance

and, along with substantial union protection lies behind much higher unemployment rates in Europe (Zientara, 2006). This may also be true in South Africa as we have one of the most protective employment legislations and active trade unions in the world.

In deciding whether or not to add workers at times of rising demand, the firm will take into account not only the wage that must be paid but also likelihood that severance pay will bite in the future (Addison & Teixeira, 2001). The imposition of an adjustment cost will increase the amortised costs of a hire and reduce hiring (Addison & Teixeira, 2001). Employment will therefore fluctuate less over the cycle than in the absence of employment protection: The employer holds employment constant for longer during the downturn and refrains from hiring some workers during the upturn (Addison & Teixeira, 2001).

Some studies, however, accentuate positive aspects of employment protection legislation and present economic justification for its existence (Zientara, 2006). Above all, it is suggested that employment protection legislation can be welfare improving by safeguarding workers' income against labour market uncertainty (Zientara, 2006). Indeed, it has been argued that employment protection legislation can enhance productivity performance by encouraging worker cooperation in the development of the production process, stimulate training, investments, and reduce "excessive" turnover (Addison & Teixeira, 2001).

Employment protection legislation may limit the ability of the labour market to adjust to fast growing segments of the economy, and thus inevitably lead to a decrease in economic growth (Blank, 1994). The European Union, although they favour employment protection, has the following strategy in the 2003 Employment Guidelines “.... *Employment Guidelines for Member States* recommend that Member States will facilitate the adaptability of workers and firms to change, taking into account the need for both flexibility and security.... Member States will review and, where appropriate, reform overly restrictive elements in employment legislation that affect labour dynamics....” (Clark & Postel-Vinay, 2009). This would mean that firms would be able to deviate from the protective legislation when flexibility to adapt is more important. In South Africa, it is impossible for businesses to adapt to economic demand, especially when there is a downturn in the economy. Businesses have to follow specific procedures set out by law. Regulations on dismissals in some countries typically allow for a threshold scale below which the most restrictive employment protection policy provisions are not enforced, the legal procedures for firing are eased, or severance payments are diminished (Boeri & Jimeno, 2005). Small businesses in South Africa are treated the same as bigger businesses. There may be a need to determine thresholds for the application of some of the employment protection legislation and some relief pertaining to minimum wages.

There is a widespread notion that labour-market institutions are more responsive to competitive forces – like those typical of the US – are conducive to better growth and employment performances than the institutional settings of many countries of Continental Europe, which are more concerned with protecting incumbent workers (Bonatti, 2005). It is argued that the labour flexibility of the US labour force gives their economy a competitive advantage that economies with inflexible labour do not enjoy (Blank, 1994).

Much attention has been devoted to the effects of employment protection legislation because firing restrictions would prevent the labour market from working efficiently (Schivardi & Torrini, 2008). Despite this attention, a consensus view on the effects of employment protection legislation has not been reached (Schivardi & Torrini, 2008). One problem is that most of the evidence is based on cross-country analysis, which is plagued by problems of co-linearity, measurement and omitted variables: for example, countries with more regulated labour markets also tend to have more regulated product and financial markets (OECD, 2007). The vast empirical literature on employment protection legislation typically uses a cross-country approach in assessing the effects of employment protection legislation on labour markets (Boeri & Jimeno, 2005). However, cross-country correlations of indicators of the strictness of employment protection legislation with measures of labour market performance cannot disentangle the effects of employment protection

legislation per se from the effects of employment protection legislation when interacted with other institutions (Boeri & Jimeno, 2005).

Firms' capital investment and job creation enable an increasing number of individuals to acquire skills whose availability attract more investment and boost the growth potential of the economy (Bonatti, 2005). In their turn, the jobs and career opportunities created by a fast-growing economy induce more individuals to participate in the labour market, thereby helping to ease the upward pressure on wages exerted by the increasing labour demand (Bonatti, 2005). Evidence in OECD countries shows that to some extent restrictive employment protection legislation protects existing jobs, but that it also restrains job creation, with only a small impact on total employment (OECD, 2007).

There is an ever-increasing debate between economists and policy makers on the influence of hiring and firing regulations and the absence thereof in the United States on economic growth (Gorostiaga, 2005). The correlation between these differences and high rates of employment growth is an aspect that needs further investigation (Emerson, 1988).

## **2.6 The effect of minimum wages on the economy**

In a study of 48 South African economic sectors, Fredderke & Mariotti (2002: 853) find that 'where the real wage is less closely linked to real

labour productivity, the growth in employment also tends to be lower' (Wakeford, 2004). Furthermore, when wages grow faster than productivity, employment declines – from which may be inferred that unemployment rises, *ceteris paribus* (Wakeford, 2004). Another result of Fredderke & Mariotti's (2002: 850) analysis is that 'for all the sectors with a strong improvement in the real per labour remuneration', indicating that productivity may drive wages (Wakeford, 2004). Changes in productivity may cause changes in real wages for at least two reasons: if individuals' pay is performance-based and if unions bargain for real wage increases based on past improvements in productivity (Wakeford, 2004).

There are two perspectives on the effect of minimum wages on the economy. Proponents of increasing minimum wages argue that an increase in the minimum wage can help increase low-wage workers' income levels (Todorovic & Ma, 2008). On the other hand, opponents of minimum wage policy argue that such policies actually hurt low-wage sectors, through the consequent increase in disemployment (Todorovic & Ma, 2008). While minimum wages are a popular method of reducing income inequality, they are controversial since many business owners and economists argue they reduce employment (Thompson, 2008). Previous studies on the effect of minimum wages on employment are still inconclusive and suggest a more complex relationship between minimum wages and unemployment (Todorovic & Ma, 2008). Minimum wages are used to reduce inequality and to redistribute wealth; the pressing question is however, what negative impact minimum wages may have on

the overall employment rate (Todorovic & Ma, 2008). Minimum wage regulation will have a greater impact on the economy of developing countries than it will on the economy of developed countries (Todorovic & Ma, 2008). In a study done in 30 developing countries it was found that increases in the real average manufacturing wage appear to have a negative impact on the level of employment in developing countries (Saget, 2001).

Wage determination may affect the process by which resources strategic for growth, i.e., physical capital and trained workforce, are accumulated, thereby influencing growth and employment patterns (Bonatti, 2005). In the absence of collective bargaining and institutional barriers to protect their jobs, incumbent workers have few opportunities to exploit the advantage that they enjoy with respect to outsiders because of their skills acquired for the job (Bonatti, 2005). As a result, a higher growth path can be sustainable when the wage-setting process is more responsive to external market forces, since wage moderation and adequate profitability can be preserved even if the rates at which capital accumulates and employment grows are relatively high (Bonatti, 2005).

When policies determine minimum wages in an industry, competing with international competition is extremely difficult. International companies looking for cheaper manufacturing options in the so-called developing economies will give a contract to the cheapest bidder. Companies that

have to comply with minimum wages struggle to get a competitive advantage over companies from other emerging markets with little or no regard for employment protection legislation or minimum wage regulation.

When minimum wages applies to a specific industry, it has an impact on the price strategy of that product. This often makes it impossible for companies to deal with cheaper imports from countries that do not apply minimum wages or strict employment laws. (Gorostiaga, 2005).

## **2.7 Conclusion**

In the most recent Global Competitiveness Report, South Africa ranked 45<sup>th</sup>. South Africa is the highest ranked country in sub-Saharan Africa. The country continues to benefit from the large size of the economy, it was ranked 24<sup>th</sup> in the market size pillar (Schwab, 2009-2010). South Africa does well on measures of the quality of institutions and factor allocation, such as intellectual property protection (24<sup>th</sup>), the accountability of private institutions (5<sup>th</sup>), and goods market efficiency (35<sup>th</sup>) (Schwab, 2009-2010). South Africa also does very well in more complex areas such as business sophistication (36<sup>th</sup>) and innovation (41<sup>st</sup>), benefiting from good scientific research institutions (29<sup>th</sup>) and strong collaboration between universities and the business sector in innovation(25<sup>th</sup>) (Schwab, 2009-2010).

On the other hand, South Africa's competitiveness would be enhanced by tackling some enduring weaknesses (Schwab, 2009-2010). South Africa ranks 90<sup>th</sup> in labour market efficiency, with inflexible hiring and firing practices (125<sup>th</sup>), a lack of flexibility in wage determination by companies (123<sup>rd</sup>), and poor labour-employer relations (121<sup>st</sup>) (Schwab, 2009-2010).

It is evident from the literature that there is not yet consensus on this topic. South Africa faces some criticism in relation to high minimum wages and strict employment protection policies, as is evident in the latest World Competitiveness Report. Not all previous studies on this topic excluded all the variables that have an influence on unemployment and unemployment is not the only measure of economic growth.

This study attempts to isolate minimum wages and employment protection policies as variables in employment decisions of business owners.

### **3. RESEARCH PROPOSITIONS**

#### **3.1 Introduction**

Propositions are statements concerned with the relationships among concepts (Zikmund, 2003). A proposition explains the logical linkage among certain concepts by asserting a universal connection between concepts (Zikmund, 2003). A proposition states that every concept about an event or thing has either a certain property or stand in a certain relationship to other concepts about the event or thing (Zikmund, 2003).

#### **3.2 Research propositions**

The researcher proposes the following research propositions:

3.2.1 Proposition 1 - Protective employment legislation relates to a decrease in job creation.

3.2.2 Proposition 2 - Minimum wages relates to higher unemployment.

3.2.3 Proposition 3 - Higher unemployment relates to a slow-down in economic growth.

#### **3.3 Questions**

##### **Demographics**

1. In which industry do you operate?
2. In which province do you conduct your main business?
3. The race of the owner (major shareholder).

4. The gender of the owner (major shareholder).

### **Business**

5. Do you compete with foreign companies/ cheap imports?
6. Do you find it difficult to compete globally?
7. What is the annual turnover of your company?
8. What amount of employees do you employ?
9. What is your annual payroll?

### **Employment Protection and minimum wages**

10. Are you obliged to pay minimum wages?
11. Would you employ more people if you could determine minimum wages in your business?
12. Does minimum wages have a negative impact on the growth of your business?
13. Do you employ fewer employees because it is difficult to fire them?
14. Do you think employees will be more productive if they thought they had competition for a specific job?
15. Do the protection procedures in the Labour Relations Act deter you from employing people?
16. Do you think, considering the history of South Africa, that employees need to be protected against unfair treatment?

## 4. PROPOSED RESEARCH METHODOLOGY

### 4.1 Research design

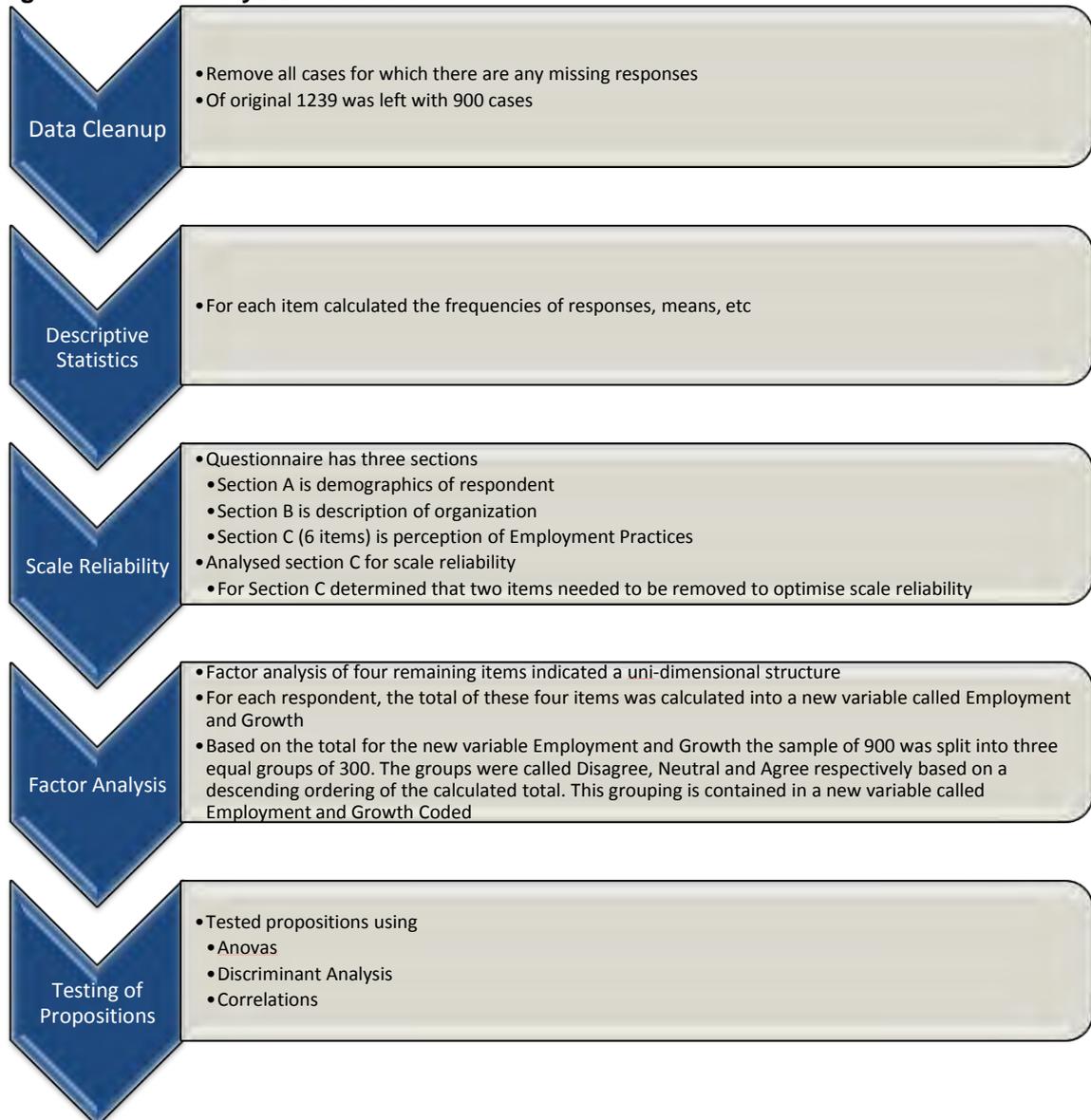
The study was done through quantitative research. Causal research is research conducted to identify cause-and-effect relationships among variables (Zikmund, 2003). In causal studies it is typical to have an expectation of a relationship to be explained (Zikmund, 2003). A typical causal study is to change one variable and observe the effect on another variable (Zikmund, 2003). In this case, where restrictive employment policies have an effect on job creation, the cause-and-effect can be measured. In this situation, it needs to be proved that there is evidence for establishing causality because it appears that the cause precedes the effect (Zikmund, 2003).

Research with the purpose of inferring causality should do the following (Zikmund, 2003):

- Establish the appropriate causal order or sequence of events;
- Measure the concomitant variation between the presumed cause and the presumed effect;
- Recognise the presence or absence of alternative plausible explanations or causal factors.

The data was gathered through surveys. Surveys are a research technique in which information is gathered from a sample of people using a questionnaire (Zikmund, 2003).

**Figure 1 – Data Analysis Procedure**



#### **4.1.1 Data cleanup**

The cleansing of data is important to prevent misleading results later on (Albright, Winston, & Zappe, 2006). Cleansing of the data is required to look for errors in the data. Missing data is an example of an error (Albright *et al.* 2006). The best way to treat this type of error is to delete the questionnaires with missing data (Albright *et al.* 2006). In this survey, 1239 questionnaires were obtained and 900 respondents answered all the questions. For the purposes of all further analyses, only these 900 questionnaires were used.

#### **4.1.2 Descriptive Statistics**

Descriptive statistics is used to describe or summarise information about the sample (Zikmund, 2003).

#### **4.1.3 Scale reliability**

Broadly defined, reliability is the degree to which measures are free from error and therefore yield consistent results (Zikmund, 2003). Two dimensions underlie the concept of reliability: one is repeatability and the other is internal consistency (Zikmund, 2003).

The questionnaire has three sections; section A is demographics of respondents, section B is description of organisation and section C (six items) is perception of Employment Practices. Section C was

analysed for scale reliability. The analysis determined that two items needed to be removed to optimise scale reliability, these two items were,

- Do you think productivity would increase through competition for a job, and
- Do you think protection is needed?

#### **4.1.4 Factor analysis**

Factor analysis is a type of analysis used to discern the underlying dimensions or regularity in phenomena (Zikmund, 2003). In this study, the researcher has a set of variables and the variables are interrelated in a complex fashion, factor analysis was used to untangle the linear relationships into separate patterns (Zikmund, 2003).

Factor analysis of the four remaining items from Dimension C indicated a uni-dimensional structure. For each respondent, the total of these four items was calculated into a new variable called Employment and Growth. Based on the total for the new variable Employment and Growth the sample of 900 was split into three equal groups of 300. The groups were called Agree, Neutral and Disagree respectively based on a descending ordering of the calculated total. This grouping membership is contained in a new variable called Employment and Growth Coded.

#### **4.1.5 Testing of propositions**

##### **4.1.5.1 Analysis of variance (Anova)**

When the means of more than two groups or populations are to be compared, the one-way analysis of variance is the appropriate statistical tool (Zikmund, 2003). The analysis of variance would indicate that the means of the groups differ significantly in order for the three groups to be compared with one another. Only in one instance did the mean not differ significantly. In all other instances was it possible to compare the three groups with one another.

##### **4.1.5.2 Discriminant analysis**

Discriminant analysis is a statistical technique for predicting the probability that an object will belong in one of two or more mutually exclusive categories, based on several independent variables (Zikmund, 2003). In a statistical sense, the problem of studying the direction of group differences is a problem of finding a linear combination of independent variables, the discriminant function that shows large differences in-group means (Zikmund, 2003). The purpose of a discriminant analysis is to find the independent variable that best predicts the probability of an object falling into one of several groups (Zikmund, 2003). In the computation of the linear discriminant function, weights are assigned to the variables such that the ratio of the difference between the means of the groups to the standard deviation within groups is maximised (Zikmund, 2003). An

important goal of the discriminant analysis is to perform a classification function (Zikmund, 2003).

#### **4.1.5.3 Correlations**

Correlations are the most popular technique that indicates the relationship of one variable to another (Zikmund, 2003). The correlation coefficient,  $r$ , ranges from +1.0 to -1.0 (Zikmund, 2003). If the value of  $r$  is 1.0, there is a perfect positive linear relationship and if the value of  $r$  is -1.0, then there is a perfect inverse relationship (Zikmund, 2003). A correlation coefficient indicates both the magnitude of the linear relationship and the direction of the relationship (Zikmund, 2003). Correlations can be very useful, but has an important limitation: It can only measure the strength of a linear relationship (Albright *et al.* 2006).

## **4.2 Unit of Analysis/Population/Sampling**

The unit of analysis is small business owners in South Africa and are either in an industry that is obliged to pay minimum wages or in an industry that can determine minimum wages themselves. The population is small business owners in South Africa.

There are alternative ways of taking a sample (Zikmund, 2003). The major alternative sampling plans may be grouped into probability

techniques and non-probability techniques (Zikmund, 2003). Probability sampling is where every member of the population has an equal probability of being selected (Zikmund, 2003). Nonprobability sampling is a technique in which units of sample are selected based on personal judgement or convenience (Zikmund, 2003). In this research project, the respondents were selected from a database of clients that the researcher can access. Judgement is a nonprobability sampling technique.

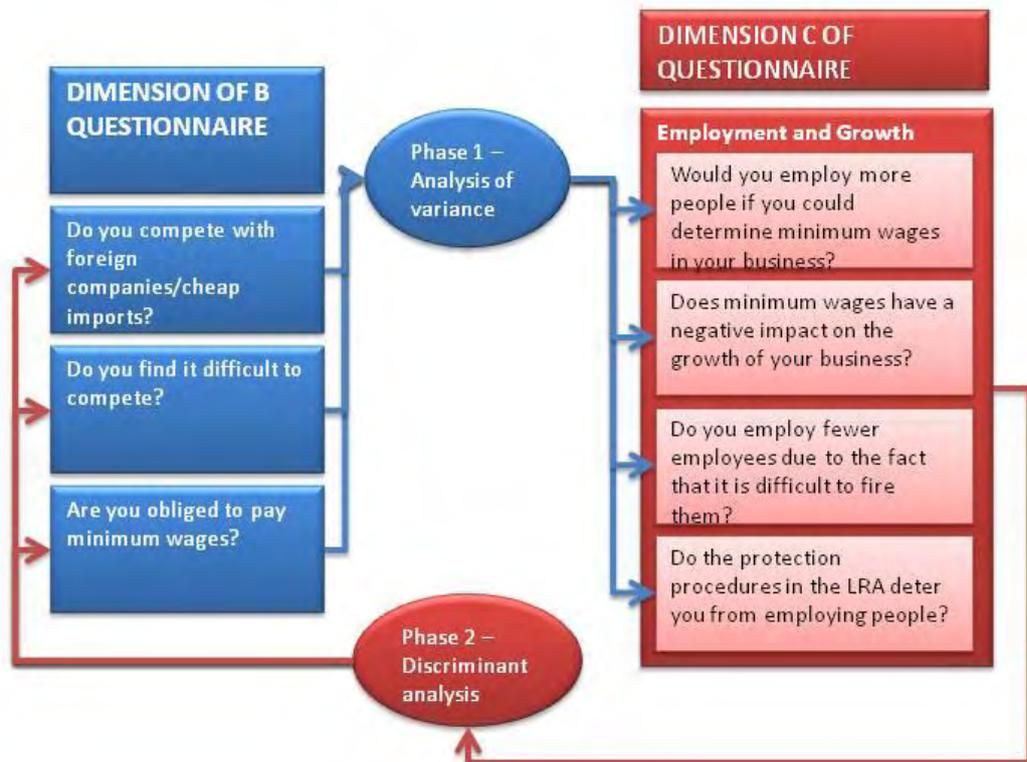
A comparison between subgroups will be drawn. When subgroups are compared, it is recommended that each group should have a minimum of 100 units (Zikmund, 2003). Nine hundred of the survey questionnaires were used and the respondents were divided into three groups of 300 each. The respondents will be the owner of the business or a senior manager.

#### **4.3 Procedure/Data collection/Instrument**

The questionnaire was electronically distributed to approximately 20 000 small business owners through survey monkey. The collection of the data was automatic once the respondents completed the questionnaire. One thousand two hundred and thirty nine responses were received of which 900 could be used.

## 4.4 Data analysis

Figure 2 – Data Analysis



### 4.4.1 Phase 1 – Analysis of variance

- Do you compete with foreign companies/cheap imports?
  - Foreign
  - Imports
  - No
- Do you find it difficult to compete internationally?
  - Strongly agree
  - Agree

- Uncertain
- Disagree
- Strongly disagree
- Are you obliged to pay minimum wages?
  - Yes
  - No
- Analysis of variance shows significant differences between the means on the four items of Dimension C for the different groups within each of the items used from Dimension B.
- Where possible, the Scheffe post-hoc test was used to establish between which groups these differences existed.

#### **4.4.2 Phase 2 – Discriminant analysis**

- As a final test of the postulates, the Employment and Growth Coded variable was used to determine which of the three items from Dimension B of the questionnaire was the best predictor of membership of the Disagree, Neutral and Agree groups respectively;
- The two variables that best predicts membership of the Disagree, Neutral and Agree groups respectively were found to be:
  - Are you obliged to pay minimum wages?
  - Do you find it difficult to compete globally?

The Likert scale is a measure of attitudes designed to allow respondents to indicate how strongly they agree or disagree with statements or questions (Zikmund, 2003). Respondents in this study could respond as follows:

- 1 = Strongly agree
- 2 = Agree
- 3 = Uncertain
- 4 = Disagree
- 5 = Strongly disagree

The means of the responses will then be calculated and compared with one another to determine the outcome of the study. The lower the means of the group the more they agree with the employment and growth questions and the higher the means the less the respondents agree with the questions.

#### **4.5 Potential research limitations**

An interesting result from the research was that businesses that compete with foreign companies or cheap imports agreed less with the employment and wage questions than the businesses that have to compete in the global market. This result is contradictory to common sense and if it was possible to send a follow-up questionnaire to the same respondents to ask clarifying questions. The research would be more complete and it would shed some light on the aspects that business owners perceive as having a negative impact on growth. It is also not possible to determine if it is specific types of businesses that find it difficult to compete. The questionnaire differentiated

only between businesses that are obliged to pay minimum wages or not. The questionnaire was distributed to approximately 20 000 businesses and at the time when the survey was conducted, it did not seem important to ask the respondents to specify the industry in which they operate.

## 5. RESEARCH RESULTS

### 5.1 Introduction

Chapter 5 contains the descriptive statistics of the respondents that took part in the survey. The result of the Anova, discriminant analysis and the correlation coefficient are also discussed.

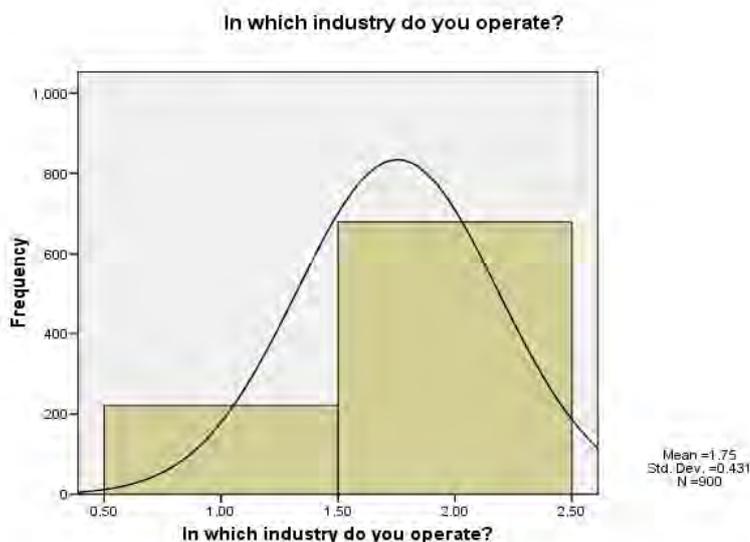
### 5.2 Descriptive Statistics – Respondent item

#### 5.2.1 Industry

Table 1 – Survey result for in which industry do you operate.

In which industry do you operate?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Metal	221	24.6	24.6	24.6
	Other	679	75.4	75.4	100.0
	Total	900	100.0	100.0	

Figure 3 – In which industry do you operate?



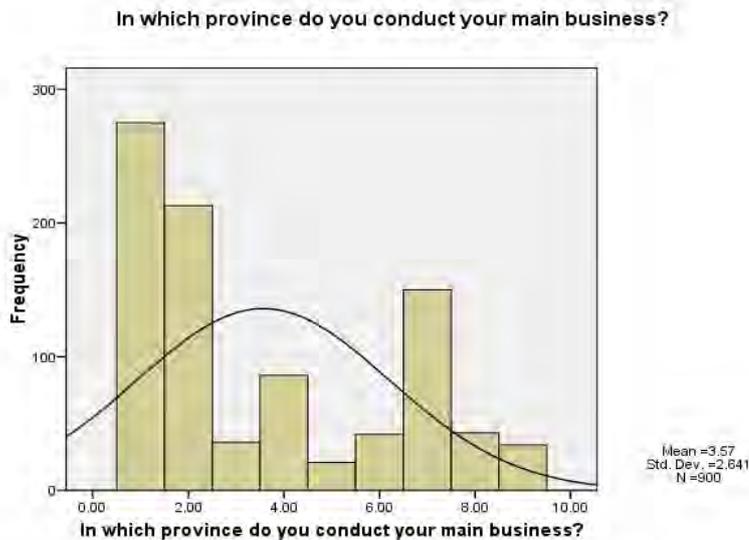
## 5.2.2 Province

**Table 2 – Survey results for in which province do you conduct your main business**

**In which province do you conduct your main business?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Gauteng	275	30.6	30.6	30.6
	WesternCape	213	23.7	23.7	54.2
	NorthernCape	36	4.0	4.0	58.2
	EasternCape	86	9.6	9.6	67.8
	Limpopo	21	2.3	2.3	70.1
	Mpumulanga	42	4.7	4.7	74.8
	KZN	150	16.7	16.7	91.4
	FreeState	43	4.8	4.8	96.2
	NorthWest	34	3.8	3.8	100.0
	Total	900	100.0	100.0	

**Figure 4 – Provinces represented by the respondents**



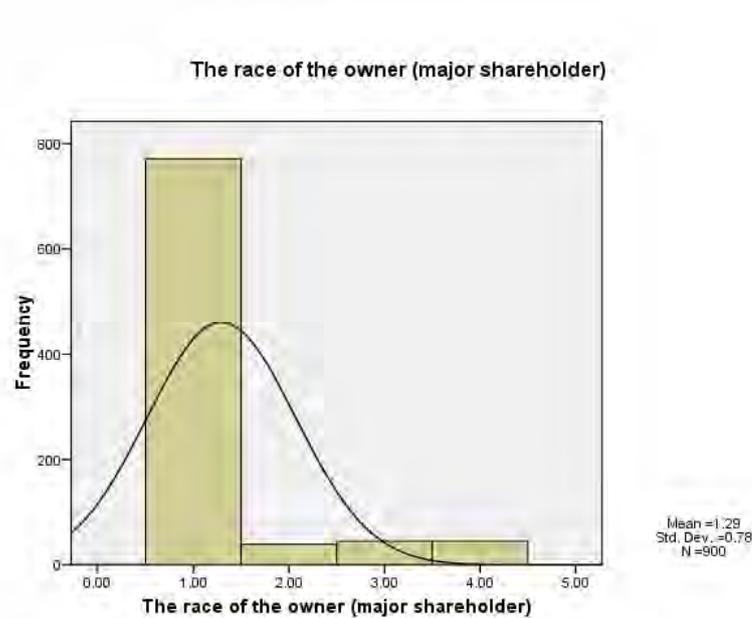
### 5.2.3 Race of owner

Table 3 – Survey results for the race of the owner

**The race of the owner (major shareholder)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	White	771	85.7	85.7	85.7
	Black	39	4.3	4.3	90.0
	Indian	45	5.0	5.0	95.0
	Coloured	45	5.0	5.0	100.0
	Total	900	100.0	100.0	

Figure 5 – Race of the owner represented in the survey



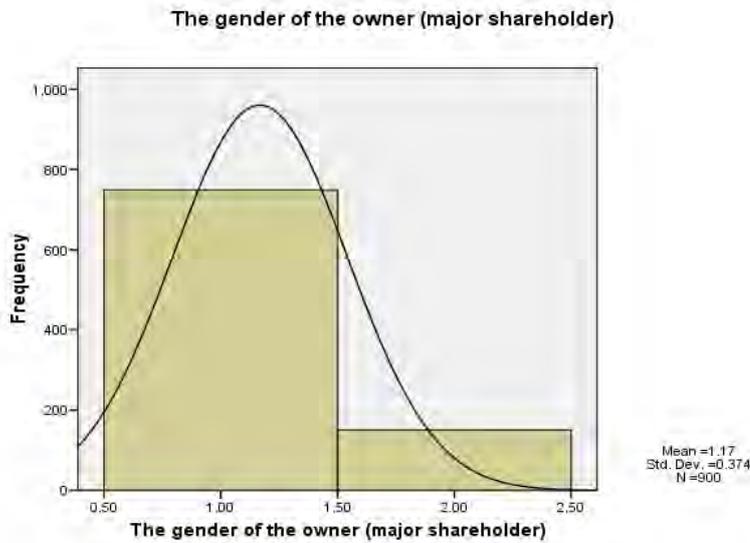
### 5.2.4 Gender of owner

Table 4 – Survey result for the gender of the respondent (major shareholder)

**The gender of the owner (major shareholder)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	749	83.2	83.2	83.2
	Female	151	16.8	16.8	100.0
	Total	900	100.0	100.0	

**Figure 6 – Gender representing the respondent**



### 5.2.5 Summary respondent item

The respondents in the survey are predominantly white males. The businesses operate in a variety of industries are only divided into businesses obliged to pay minimum wages and those who are not.

The questionnaire was distributed to the business owners in South Africa. Responses were mostly received from businesses in Gauteng, Western Cape and KZN.

### 5.3 Descriptive Statistics – Respondent item

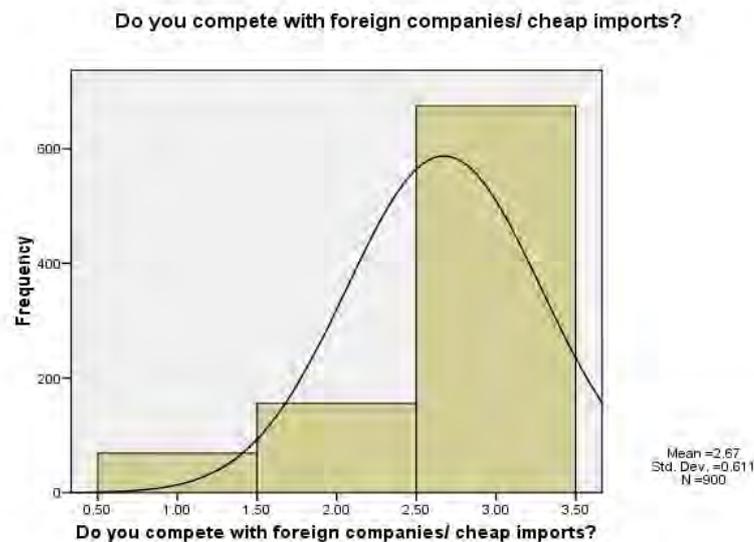
#### 5.3.1 Do you compete with foreign companies/cheap imports?

Table 5 – Survey result for do you compete with foreign companies/cheap imports.

**Do you compete with foreign companies/ cheap imports?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Foreign	69	7.7	7.7	7.7
	Imports	156	17.3	17.3	25.0
	No	675	75.0	75.0	100.0
	Total	900	100.0	100.0	

Figure 7 – Companies competing with foreign companies or cheap imports

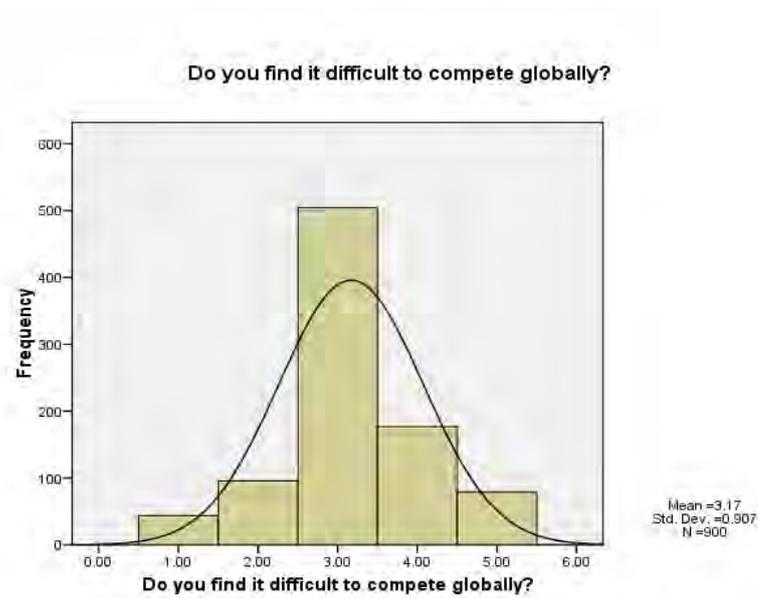


### 5.3.2 Do you find it difficult to compete?

Table 6 – Survey result for difficulty to compete

		Do you find it difficult to compete globally?			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	44	4.9	4.9	4.9
	Agree	96	10.7	10.7	15.6
	Uncertain	504	56.0	56.0	71.6
	Disagree	177	19.7	19.7	91.2
	Strongly Disagree	79	8.8	8.8	100.0
Total		900	100.0	100.0	

Figure 8 – Difficulty to compete

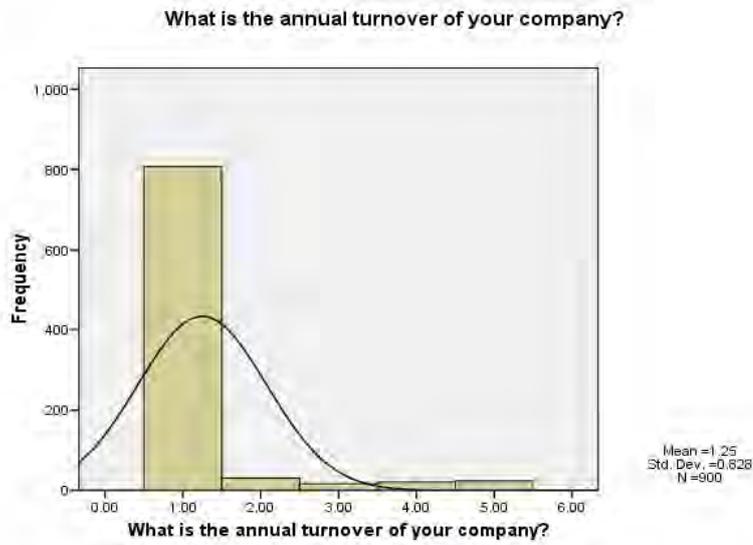


### 5.3.3 Annual turnover

Table 7 – Survey result for annual turnover

		What is the annual turnover of your company?			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than R 100 m	807	89.7	89.7	89.7
	Less than R 150 m	31	3.4	3.4	93.1
	Less than R 200 m	17	1.9	1.9	95.0
	Less than R 250 m	21	2.3	2.3	97.3
	More than R 250 m	24	2.7	2.7	100.0
Total		900	100.0	100.0	

**Figure 9 – Turnover of the respondents in the survey**



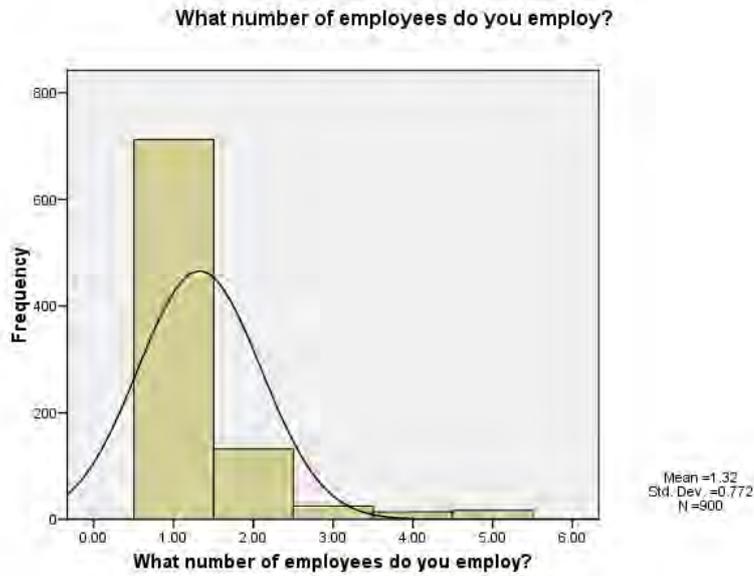
### 5.3.4 Employees

**Table 8 – Survey result for number of employees employed**

What number of employees do you employ?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <100	712	79.1	79.1	79.1
<150	132	14.7	14.7	93.8
<200	25	2.8	2.8	96.6
<400	14	1.6	1.6	98.1
>400	17	1.9	1.9	100.0
Total	900	100.0	100.0	

**Figure 10 – Number of employees employed by the respondents**



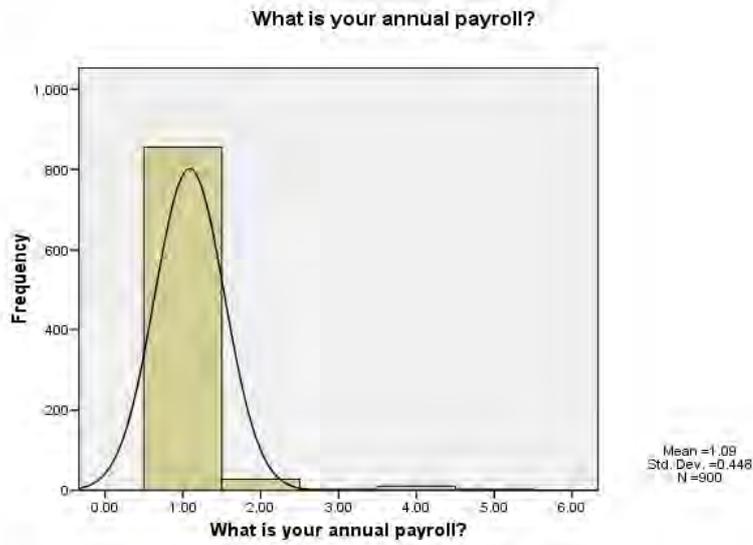
### 5.3.5 Annual payroll

**Table 9 – Survey result for annual payroll**

What is your annual payroll?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than R 20 m	855	95.0	95.0	95.0
	Less than R 80 m	28	3.1	3.1	98.1
	Less than R 100 m	3	.3	.3	98.4
	Less than R 130 m	11	1.2	1.2	99.7
	More than R130m	3	.3	.3	100.0
	Total	900	100.0	100.0	

Figure 11 – Annual payroll of the respondents



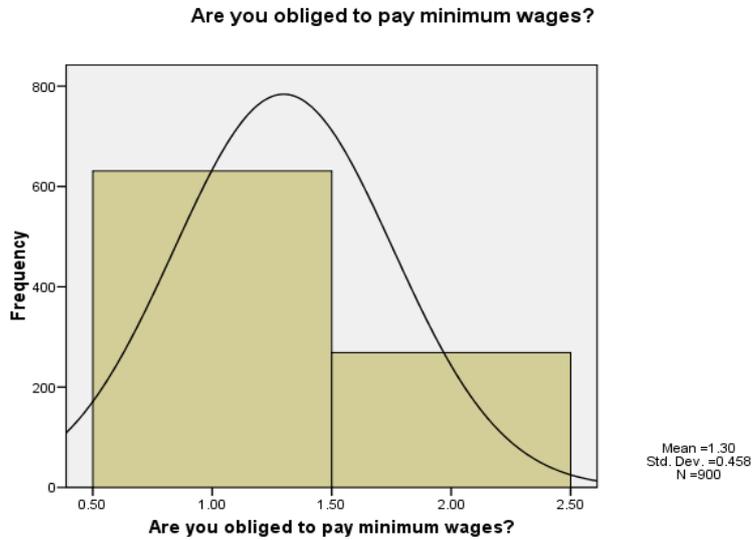
### 5.3.6 Minimum wage obligation

Table 10 – Survey result for obligation to pay minimum wages

Are you obliged to pay minimum wages?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	631	70.1	70.1	70.1
	No	269	29.9	29.9	100.0
	Total	900	100.0	100.0	

**Figure 12 – Respondents obliged to pay minimum wages**



### 5.3.7 Summary – Company items

The companies in the survey generate revenue of less than R100m per annum. They employ fewer than 100 employees with an annual payroll of less than R20m. Most of the respondents are obliged to pay minimum wages. They mostly do not compete and do think that it is difficult to compete.

## 5.4 Descriptive Statistics – Competition and growth items

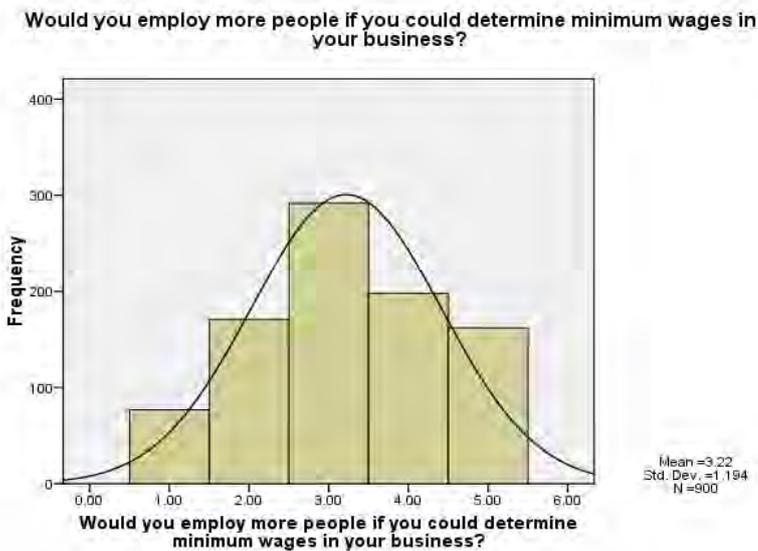
### 5.4.1 Employ more people

Table 11 – Survey result for would you employ more people if you could determine minimum wages

Would you employ more people if you could determine minimum wages in your business?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	77	8.6	8.6	8.6
Agree	171	19.0	19.0	27.6
Uncertain	292	32.4	32.4	60.0
Disagree	198	22.0	22.0	82.0
Strongly Disagree	162	18.0	18.0	100.0
Total	900	100.0	100.0	

Figure 13 – Respondents would not employ more people



### 5.4.2 Impact on growth

**Table 12 – Survey result for does minimum wages have a negative impact on your business**

**Does minimum wages have a negative impact on the growth of your business?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	75	8.3	8.3	8.3
	Agree	206	22.9	22.9	31.2
	Uncertain	271	30.1	30.1	61.3
	Disagree	213	23.7	23.7	85.0
	Strongly Disagree	135	15.0	15.0	100.0
	Total	900	100.0	100.0	

**Figure 14 – Negative impact of minimum wages**



### 5.4.3 Employ fewer people

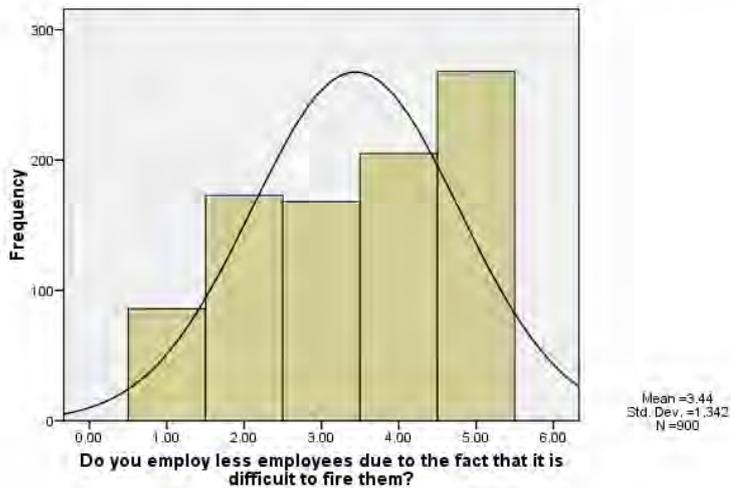
**Table 13 – Survey result for do you employ fewer employees due to the fact that it is difficult to fire them**

Do you employ less employees due to the fact that it is difficult to fire them?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	86	9.6	9.6	9.6
	Agree	173	19.2	19.2	28.8
	Uncertain	168	18.7	18.7	47.4
	Disagree	205	22.8	22.8	70.2
	Strongly Disagree	268	29.8	29.8	100.0
	Total	900	100.0	100.0	

**Figure 15 – Impact of difficulty to fire**

Do you employ less employees due to the fact that it is difficult to fire them?



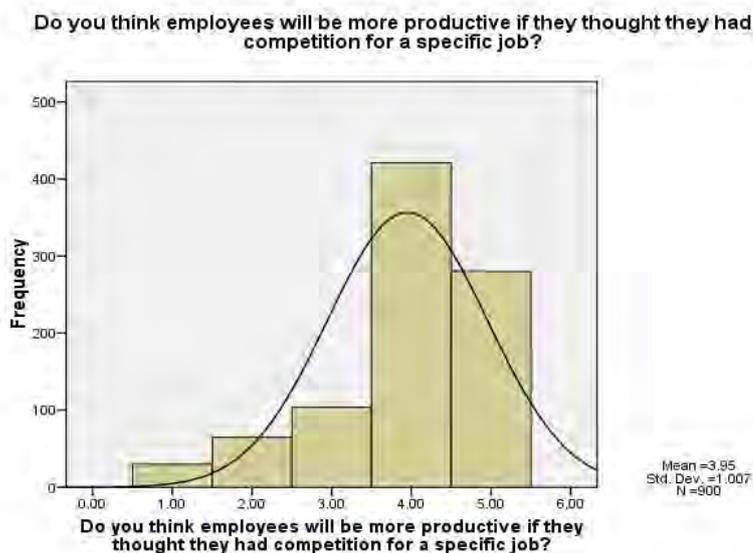
### 5.4.4 Will employees be more productive?

**Table 14 – Survey result for do you think employees will be more productive if they have to compete for a specific job**

Do you think employees will be more productive if they thought they had competition for a specific job?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	30	3.3	3.3	3.3
Agree	65	7.2	7.2	10.6
Uncertain	104	11.6	11.6	22.1
Disagree	421	46.8	46.8	68.9
Strongly Disagree	280	31.1	31.1	100.0
Total	900	100.0	100.0	

**Figure 16 – Respondents' perception on productivity**



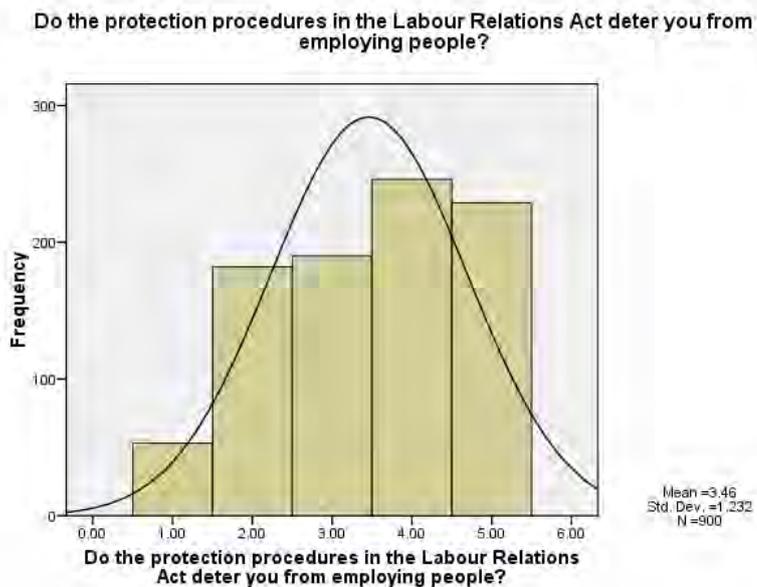
### 5.4.5 Does the LRA influence employment patterns?

**Table 15 – Survey results for do you think the protection procedures in the LRA deter you from employing more people**

Do the protection procedures in the Labour Relations Act deter you from employing people?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	53	5.9	5.9	5.9
Agree	182	20.2	20.2	26.1
Uncertain	190	21.1	21.1	47.2
Disagree	246	27.3	27.3	74.6
Strongly Disagree	229	25.4	25.4	100.0
Total	900	100.0	100.0	

**Figure 17 – Respondents' perception on the influence of the LRA on employment**



### 5.4.6 Do employees need protection?

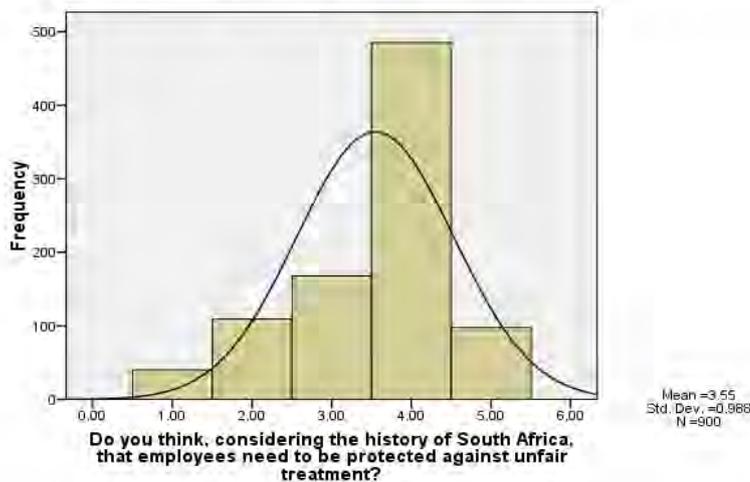
**Table 16 – Survey result for do you think considering the history of South Africa, that employees need to be protected against unfair treatment**

Do you think, considering the history of South Africa, that employees need to be protected against unfair treatment?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	40	4.4	4.4	4.4
Agree	109	12.1	12.1	16.6
Uncertain	168	18.7	18.7	35.2
Disagree	485	53.9	53.9	89.1
Strongly Disagree	98	10.9	10.9	100.0
Total	900	100.0	100.0	

**Figure 18 – Respondents' view on employment protection**

Do you think, considering the history of South Africa, that employees need to be protected against unfair treatment?



### 5.4.7 Summary – Competition and growth items

- The respondent generally would not employ more people if they could determine minimum wages;
- They do not think minimum wages has a negative impact on growth;

- They do not agree that employment protection policies limit job creation;
- They do not think productivity would improve through competition for jobs; \*
- They do not think that the Labour Relations Act has a negative impact on their businesses;
- They do not think that employees need to be protected from unfair practices. \*

\* These two items later remove based on reliability analysis.

## 5.5 Results and interpretation – Anovas

### 5.5.1 Do you compete with foreign companies/cheap imports?

Table 17 – Anova result for do you compete with foreign companies/cheap imports

		Sum of Squares	df	Mean Square	F	Sig.
Would you employ more people if you could determine minimum wages in your business?	Between Groups	20.262	2	10.131	7.203	.001
	Within Groups	1261.617	897	1.406		
	Total	1281.879	899			
Does minimum wages have a negative impact on the growth of your business?	Between Groups	6.576	2	3.288	2.389	.092
	Within Groups	1234.503	897	1.376		
	Total	1241.079	899			
Do you employ fewer employees because it is difficult to fire them?	Between Groups	33.033	2	16.517	9.337	.000
	Within Groups	1586.727	897	1.769		
	Total	1619.760	899			

Do the protection procedures in the Labour Relations Act deter you from employing people?	Between Groups	35.266	2	17.633	11.906	.000
	Within Groups	1328.450	897	1.481		
	Total	1363.716	899			

 **Statistically significant difference between means of the groups**

**Table 18 – Means of the responses of do you compete with foreign companies/cheap imports**

	Foreign	Imports	No
	Mean	Mean	Mean
Would you employ more people if you could determine minimum wages in your business? 	3.20	3.54	3.15
Does minimum wages have a negative impact on the growth of your business?	3.13	3.33	3.10
Do you employ fewer employees because it is difficult to fire them? 	3.55	3.84	3.34
Do the protection procedures in the Labour Relations Act deter you from employing people? 	3.59	3.87	3.35

Those respondents that compete with imports are in LESS agreement with the items from Dimension C.

### 5.5.2 Do you find it difficult to compete globally?

**Table 19 – Anova result for do you compete globally**

	Sum of Squares	df	Mean Square	F	Sig.
Would you employ more people if you could determine minimum wages in your Between Groups	89.798	4	22.450	16.855	.000

business?	Within Groups	1192.080	895	1.332		
	Total	1281.879	899			
	Does minimum wages have a negative impact on the growth of your business?	Between Groups	67.030	4	16.757	12.774
	Within Groups	1174.049	895	1.312		
	Total	1241.079	899			
	Do you employ fewer employees because it is difficult to fire them?	Between Groups	100.458	4	25.115	14.795
	Within Groups	1519.302	895	1.698		
	Total	1619.760	899			
	Do the protection procedures in the Labour Relations Act deter you from employing people?	Between Groups	72.631	4	18.158	12.587
	Within Groups	1291.084	895	1.443		
	Total	1363.716	899			



**Statistically significant difference between means of the groups**

**Table 20 – Means for the responses on do you compete globally**

	Agree	Neutral	Disagree
	Mean	Mean	Mean
Would you employ more people if you could determine minimum wages in your business? 	2.25	3.10	4.31
Does minimum wages have a negative impact on the growth of your business? 	2.13	3.10	4.20
Do you employ fewer employees because it is difficult to fire them? 	2.07	3.53	4.71
Do the protection procedures in the Labour Relations Act deter you from employing people? 	2.24	3.55	4.60

In all cases, those that find it more difficult to compete globally are in MORE agreement with the items from Dimension C.

### 5.5.3 Are you obliged to pay minimum wages?

**Table 21 – Anova result for are you obliged to pay minimum wages**

		Sum of Squares	df	Mean Square	F	Sig.
Would you employ more people if you could determine minimum wages in your business?	Between Groups	67.562	1	67.562	49.963	.000 
	Within Groups	1214.317	898	1.352		
	Total	1281.879	899			
Does minimum wages have a negative impact on the growth of your business?	Between Groups	65.281	1	65.281	49.857	.000 
	Within Groups	1175.798	898	1.309		
	Total	1241.079	899			
Do you employ fewer employees because it is difficult to fire them?	Between Groups	83.326	1	83.326	48.701	.000 
	Within Groups	1536.434	898	1.711		
	Total	1619.760	899			
Do the protection procedures in the Labour Relations Act deter you from employing people?	Between Groups	59.956	1	59.956	41.297	.000 
	Within Groups	1303.759	898	1.452		
	Total	1363.716	899			



***Statistically significant difference between means of the groups***

**Table 22 – Means for responses are you obliged to pay minimum wages**

	Yes Mean	No Mean
Would you employ more people if you could determine minimum wages in your business? 	3.40	2.80
Does minimum wages have a negative impact on the growth of your business? 	3.32	2.73

 Do you employ fewer employees because it is difficult to fire them?	3.64	2.97
 Do the protection procedures in the Labour Relations Act deter you from employing people?	3.63	3.07

In all cases, those that are NOT obliged to pay minimum wages are in MORE agreement with the items from Dimension C.

## 5.6 Results and interpretation – Discriminant

### 5.6.1 Discriminant analysis

Table 23 – Variables in the analysis

Step		Tolerance	F to Remove	Wilks' Lambda
1	Are you obliged to pay minimum wages?	1.000	39.134	
2	 Are you obliged to pay minimum wages?	.998	34.373	.937
	 Do you find it difficult to compete globally?	.998	25.293	.920

Table 24 – Wilks' Lambda analysis

Step	Number of Variables	Lambda	df1	df2	df3	Exact F				
	Statistic	df1	df2	Sig.	Statistic	df1	df2	Sig.	Statistic	
1	1	.920	1	2		897	39.134	2	897.000	.000
2	2	.871	2	2		897	32.142	4	1792.000	.000

**Table 25 – Discriminant analysis**

	Agree Mean	Neutral Mean	Disagree Mean
Would you employ more people if you could determine minimum wages in your business?	2.25	3.10	4.31
Does minimum wages have a negative impact on the growth of your business?	2.13	3.10	4.20
Do you employ fewer employees because it is difficult to fire them?	2.07	3.53	4.71
Do the protection procedures in the Labour Relations Act deter you from employing people?	2.24	3.55	4.60

For the two items that best predict classification into the Disagree, Neutral and Agree groups (based on the total score for the reliable items in Dimension C of the questionnaire), and reviewing the table above, it can be concluded that:

- Those that find it more difficult to compete globally also agrees most with the four items from Dimension C; and
- Those that are obliged to pay minimum wages also agree most with the four items from Dimension C.

## 5.7 Results and interpretation – Correlations

Table 26 – Correlations

		Do you compete with foreign companies/ cheap imports?	Do you find it difficult to compete globally?	Are you obliged to pay minimum wages?	Employment and Growth Coded
Do you compete with foreign companies/ cheap imports?	Pearson Correlation Sig. (2-tailed) N	1 900	-.242(**) .000 900	-.020 .542 900	-.091(**) .006 900
Do you find it difficult to compete globally?	Pearson Correlation Sig. (2-tailed) N	-.242(**) .000 900	1 .001 900	-.110(**) .001 900	.248(**) .000 900
Are you obliged to pay minimum wages?	Pearson Correlation Sig. (2-tailed) N	-.020 .542 900	-.110(**) .001 900	1 .001 900	-.271(**) .000 900
Employment and Growth Coded	Pearson Correlation Sig. (2-tailed) N	-.091(**) .006 900	.248(**) .000 900	-.271(**) .000 900	1 .000 900

\*\* Correlation is significant at the 0.01 level (2-tailed).

- Exploring the relationship between the three variables from Dimension B and the calculated total Employment and Growth variable from Dimension C indicates the following
  - There is a statistically significant correlation with all three variables
  - For two of these variables the relationship is an inverse one (Do you compete? and Are you obliged to pay minimum wages?).

## 5.8 Results and interpretation – Conclusion

- **Anova's**

- Those respondents that compete with imports are in less agreement with the items from Dimension C;
- In all cases, those that find it more difficult to compete globally are in more agreement with the items from Dimension C; and
- In all cases, those that are not obliged to pay minimum wages are in more agreement with the items from Dimension C.

- **Discriminant Analysis**

- Those that find it more difficult to compete globally also agrees most with the four items from Dimension C; and
- Those that are obliged to pay minimum wages also agree most with the four items from Dimension C.

## 6. DISCUSSION OF RESULTS

### 6.1 Propositions

#### 6.1.1 Proposition 1 – Protective employment legislation relates to a decrease in job creation

As discussed in Chapter 2 most literature on employment protection legislation emphasises the parallel between employment protection legislation and an employer-borne tax to reflect the cost implication of various regulatory provisions for employers (Zientara, 2006). It argues that heavier regulation of labour is associated with lower labour force participation and higher unemployment (Botero *et al.* 2004). Dismissal protection raises the costs of a bad hire and, other things equal, should serve to make firms choosier in selecting employees (Addison & Teixeira, 2001). It is often argued that strict employment protection legislation damages labour market performance and, along with substantial union protection lies behind much higher unemployment rates in Europe (Zientara, 2006).

Criticism towards the employment protection legislation in South Africa is that due to the fact that it is difficult to hire and fire employees, the business has a predisposition to compete with cheap imports or foreign companies. This study specifically looked at the impact of employment protection and its influence on hiring decisions made by business owners. It is argued that employment protection legislation may limit the ability of the labour market to adjust to fast

growing segments of the economy, and thus inevitably lead to a decrease in economic growth (Blank, 1994).

Much attention has been devoted to the effects of employment protection legislation because firing restrictions would prevent the labour market from working efficiently (Schivardi & Torrini, 2008). Despite this attention, a consensus view on the effects of employment protection legislation has not been reached (Schivardi & Torrini, 2008). One problem is that most of the evidence is based on cross-country analysis, which is plagued by problems of co-linearity, measurement and omitted variables: for example, countries with more regulated labour markets also tend to have more regulated product and financial markets (OECD, 2007). The vast empirical literature on employment protection legislation typically uses a cross-country approach in assessing the effects of employment protection legislation on labour markets (Boeri & Jimeno, 2005). However, cross-country correlations of indicators of the strictness of employment protection legislation with measures of labour market performance cannot disentangle the effects of employment protection legislation per se from the effects of employment protection legislation when interacted with other institutions (Boeri & Jimeno, 2005).

The questions in the questionnaire that relate to the effect of employment protection policies are as follows,

- Question 13 – Do you employ fewer employees because it is difficult to fire them?
- Question 14 – Do you think employees will be more productive if they thought they had competition for a specific job?
- Question 15 – Do the protection procedures in the Labour Relations Act deter you from employing people?
- Question 16 – Do you think considering the history of South Africa, that employees need to be protected against unfair treatment?

Dimension C of the questionnaire was analysed for scale reliability and questions 13 and 16 were removed based on the reliability analysis.

### **6.1.2 Proposition 2 – Minimum wages relates to higher unemployment**

There are two perspectives on the effect of minimum wages on the economy. Proponents of increasing minimum wages argue that an increase in the minimum wage can help increase low-wage workers' income levels (Todorovic & Ma, 2008). On the other hand, opponents of minimum wage policy argue that such policies actually hurt low-wage sectors, through the consequent increase in disemployment (Todorovic & Ma, 2008). While minimum wages are a popular method of reducing income inequality, they are controversial since many business owners and economists argue

they reduce employment (Thompson, 2008). Previous studies on the effect of minimum wages on employment are still inconclusive and suggest a more complex relationship between minimum wages and unemployment (Todorovic & Ma, 2008). Minimum wages are used to reduce inequality and to redistribute wealth; the pressing question is however, what negative impact minimum wages may have on the overall employment rate (Todorovic & Ma, 2008). Minimum wage regulation will have a greater impact on the economy of developing countries than it will on developed countries (Todorovic & Ma, 2008). In a study done in 30 developing countries it was found that increases in the real average manufacturing wage appear to have a negative impact on the level of employment in developing countries (Saget, 2001). As with the studies done on employment protection policies, these studies on minimum wages do not exclude other variables that have an influence on unemployment. When discussing the South African labour market and its influence on economic growth one must first distinguish how much of the wage rates impact on growth and efficiency and what are the implications for employment (Bhorat & Cassim, 2004).

The questions in the questionnaire that relate to the minimum wages are as follows,

- Question 10 – Are you obliged to pay minimum wages?
- Question 11 – Would you employ more people if you could determine minimum wages in your business?

- Question 12 – Does minimum wages have a negative impact on your business?

Propositions 1 and 2 are in the analysis combined and are discussed in the statistical analysis as employment and growth. Proposition 3 is dependent on the outcome of the result for propositions 1 and 2 and are therefore not discussed separately. Proposition 3 relates to the impact on economic growth of the first two propositions.

## **6.2 Results and interpretation – Anovas**

### **Analysis**

#### **Phase 1 – Analysis of variance**

When the means of more than two groups or populations are to be compared, the one-way analysis of variance is the appropriate statistical tool (Zikmund, 2003). The analysis of variance was done to determine whether the means between the groups differ significantly.

- Do you compete with foreign companies/cheap imports?
  - Foreign
  - Imports
  - No
- Do you find it difficult to compete internationally?
  - Strongly agree
  - Agree
  - Uncertain

- Disagree
- Strongly disagree
- Are you obliged to pay minimum wages?
  - Yes
  - No

Analysis of variance shows significant differences between the means on the four items of Dimension C for the different groups within each of the items used from Dimension B. Where possible, the Scheffe post-hoc test was used to establish between which groups these differences existed.

### 6.2.1 Do you compete with foreign companies/cheap imports?

**Table 27 – Anova result for do you compete with foreign companies/cheap imports**

		Sum of Squares	df	Mean Square	F	Sig.
Would you employ more people if you could determine minimum wages in your business?	Between Groups	20.262	2	10.131	7.203	.001
	Within Groups	1261.617	897	1.406		
	Total	1281.879	899			
Does minimum wages have a negative impact on the growth of your business?	Between Groups	6.576	2	3.288	2.389	.092
	Within Groups	1234.503	897	1.376		
	Total	1241.079	899			
Do you employ fewer employees because it is difficult to fire them?	Between Groups	33.033	2	16.517	9.337	.000
	Within Groups	1586.727	897	1.769		
	Total	1619.760	899			
Do the protection procedures in the Labour Relations Act deter you	Between Groups	35.266	2	17.633	11.906	.000

from employing people?						
	Within Groups	1328.450	897	1.481		
	Total	1363.716	899			



**Statistically significant difference between means of the groups**

The means of the three groups differed significantly on the aspects of dimension C except for the question, does minimum wages have a negative impact on your business.

**Table 28 – Means of the responses of do you compete with foreign companies/cheap imports**

	Foreign Mean	Imports Mean	No Mean
Would you employ more people if you could determine minimum wages in your business? 	3.20	3.54	3.15
Does minimum wages have a negative impact on the growth of your business?	3.13	3.33	3.10
Do you employ fewer employees because it is difficult to fire them? 	3.55	3.84	3.34
Do the protection procedures in the Labour Relations Act deter you from employing people? 	3.59	3.87	3.35

On the question do you compete with foreign companies/cheap import the respondents could answer foreign, imports or no. When the means of the answers to the questions of dimension C are compared it is clear that the respondents that compete with cheap imports are also less in agreement with the questions relating to employment and growth.

From previous studies it was specifically argued that businesses struggle to compete with cheap imports from countries that do not have minimum wages or employment protection policies. From the result of the analysis it is clear that the respondents who compete with imports mostly disagree with the questions relating to employment and growth. The collapse of the textile industry was blamed on strict legislation and minimum wages and that the industry could not adapt to changing conditions (Jekwa, 2008). This statement proved to be incorrect.

The businesses that compete with foreign companies also agreed less with the employment and growth aspect of the research. It appears that minimum wage regulation and employment protection do not influence employment practices of the respondents.

## 6.2.2 Do you find it difficult to compete globally?

**Table 29 – Anova result for do you compete globally**

		Sum of Squares	df	Mean Square	F	Sig.	
Would you employ more people if you could determine minimum wages in your business?	Between Groups	89.798	4	22.450	16.855	.000	
	Within Groups	1192.080	895	1.332			
	Total	1281.879	899				
Does minimum wages have a negative impact on the growth of your business?	Between Groups	67.030	4	16.757	12.774	.000	
	Within Groups	1174.049	895	1.312			
	Total	1241.079	899				
Do you employ fewer employees because it is difficult to fire them?	Between Groups	100.458	4	25.115	14.795	.000	
	Within Groups	1519.302	895	1.698			
	Total						

	Total	1619.760	899			
Do the protection procedures in the Labour Relations Act deter you from employing people?	Between Groups	72.631	4	18.158	12.587	.000
	Within Groups	1291.084	895	1.443		
	Total	1363.716	899			



**Statistically significant difference between means of the groups**

**Table 30 – Means for the responses on do you compete globally**

	Agree Mean	Neutral Mean	Disagree Mean
Would you employ more people if you could determine minimum wages in your business? 	2.25	3.10	4.31
Does minimum wages have a negative impact on the growth of your business? 	2.13	3.10	4.20
Do you employ fewer employees because it is difficult to fire them? 	2.07	3.53	4.71
Do the protection procedures in the Labour Relations Act deter you from employing people? 	2.24	3.55	4.60

In all cases, those that find it more difficult to compete globally are in MORE agreement with the items from Dimension C. This result confirms what we would expect respondents to answer. This is in contrast with the businesses that compete in the local market with foreign companies or cheap imports. It was expected that the companies that compete in the local market would be more sensitive towards the impact of employment protection policies and specifically minimum wages.

### 6.2.3 Are you obliged to pay minimum wages?

**Table 31 – Anova result for are you obliged to pay minimum wages**

		Sum of Squares	df	Mean Square	F	Sig.
Would you employ more people if you could determine minimum wages in your business?	Between Groups	67.562	1	67.562	49.963	.000 
	Within Groups	1214.317	898	1.352		
	Total	1281.879	899			
Does minimum wages have a negative impact on the growth of your business?	Between Groups	65.281	1	65.281	49.857	.000 
	Within Groups	1175.798	898	1.309		
	Total	1241.079	899			
Do you employ fewer employees because it is difficult to fire them?	Between Groups	83.326	1	83.326	48.701	.000 
	Within Groups	1536.434	898	1.711		
	Total	1619.760	899			
Do the protection procedures in the Labour Relations Act deter you from employing people?	Between Groups	59.956	1	59.956	41.297	.000 
	Within Groups	1303.759	898	1.452		
	Total	1363.716	899			



**Statistically significant difference between means of the groups**

**Table 32 – Means for responses are you obliged to pay minimum wages**

	Yes	No
	Mean	Mean
Would you employ more people if you could determine minimum wages in your business? 	3.40	2.80
Does minimum wages have a negative impact on the growth of your business? 	3.32	2.73
Do you employ fewer employees because it is difficult to fire them? 	3.64	2.97

Do the protection procedures in the Labour Relations Act deter you from employing people? 	3.63	3.07
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In all cases, those that are NOT obliged to pay minimum wages are in MORE agreement with the items from Dimension C. Business owners who are obliged to pay minimum wages agree less with the questions pertaining to employment and growth. This contradicts studies that indicate that minimum wages has a negative impact on business and that it contributes to unemployment. It is also evident that business owners do not agree with the notion that employment protection legislation leads to a decrease in job creation.

Conclusion to the Anovas:

- The Anovas on competing with foreign companies/cheap imports and obligation to pay minimum wages indicate that the respondents who compete with cheap imports and those who are obliged to pay minimum wages are in less agreement with the employment and growth aspects than the other respondents. The Anova on competing globally indicate that respondents who find it difficult to compete are more in agreement with the employment and growth aspects.
- In the event that the other means are not considered the wrong conclusion can be drawn from the results. The average answer in

this survey would be three. Where a group's mean is less than three they would be in more agreement with the aspects from dimension C and in the event that the mean is more than three the respondents would be in less agreement with the aspects of dimension C. If we do not compare the groups with one another and just interpret the means it is clear that most of the respondents are less in agreement with the employment and wage aspect.

### **6.3 Results and interpretation – Discriminant**

#### **Phase 2 – Discriminant analysis**

As a final test of the postulates, the Employment and Growth Coded variable was used to determine which of the three items from Dimension B of the questionnaire was the best predictor of membership of the Disagree, Neutral and Agree groups respectively.

The two variables that best predict membership of the Disagree, Neutral and Agree groups respectively were found to be:

- Are you obliged to pay minimum wages?
- Do you find it difficult to compete globally?

### 6.3.1 Discriminant analysis

**Table 33 – Variables in the analysis**

Step		Tolerance	F to Remove	Wilks' Lambda
1	Are you obliged to pay minimum wages?	1.000	39.134	
2	Are you obliged to pay minimum wages? 	.998	34.373	.937
	Do you find it difficult to compete globally? 	.998	25.293	.920

**Table 34 – Wilks' Lambda analysis**

Step	Number of Variables	Lambda	df1	df2	df3	Exact F				
	Statistic	df1	df2	Sig.	Statistic	df1	df2	Sig.	Statistic	
1	1	.920	1	2		897	39.134	2	897.000	.000
2	2	.871	2	2		897	32.142	4	1792.000	.000

**Table 35 – Discriminant analysis**

	Agree	Neutral	Disagree
	Mean	Mean	Mean
Would you employ more people if you could determine minimum wages in your business?	2.25	3.10	4.31
Does minimum wages have a negative impact on the growth of your business?	2.13	3.10	4.20
Do you employ fewer employees because it is difficult to fire them?	2.07	3.53	4.71
Do the protection procedures in the Labour Relations Act deter you from employing people?	2.24	3.55	4.60

For the two items that best predict classification into the Disagree, Neutral and Agree groups (based on the total score for the reliable items in Dimension C of the questionnaire), and reviewing the table above, it can be concluded that:

- Those that find it more difficult to compete globally also agrees most with the four items from Dimension C; and
- Those that are not obliged to pay minimum wages also agree most with the four items from Dimension C.

The result on the obligation to pay minimum wages is the opposite of the result of the Anova on the same aspect. These two results cannot be compared with one another. The discriminant analysis simply predicts the probability of belonging to a specific group.

## 6.4 Results and interpretation – Correlations

**Table 36 – Correlations**

		Do you compete with foreign companies/ cheap imports?	Do you find it difficult to compete globally?	Are you obliged to pay minimum wages?	Employment and Growth Coded
Do you compete with foreign companies/ cheap imports?	Pearson Correlation	1	-.242(**)	-.020	-.091(**)
	Sig. (2-tailed)		.000	.542	.006
	N	900	900	900	900
Do you find it difficult to compete globally?	Pearson Correlation	-.242(**)	1	-.110(**)	.248(**)
	Sig. (2-tailed)	.000		.001	.000
	N	900	900	900	900
Are you obliged to pay minimum wages?	Pearson Correlation	-.020	-.110(**)	1	-.271(**)
	Sig. (2-tailed)	.542	.001		.000
	N	900	900	900	900
Employment and Growth Coded	Pearson Correlation	-.091(**)	.248(**)	-.271(**)	1
	Sig. (2-tailed)	.006	.000	.000	

N	900	900	900	900
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\*\* Correlation is significant at the 0.01 level (2-tailed).

- Exploring the relationship between the three variables from Dimension B and the calculated total Employment and Growth variable from Dimension C indicates the following:
  - There is a statistically significant correlation with all three variables;
  - For two of these variables the relationship is an inverse one (Do you compete? and Are you obliged to pay minimum wages?).

## 6.5 Results and interpretation – Conclusion

- **Anova's**

- Those respondents that compete with imports are in less agreement with the items from Dimension C;
- In all cases, those that find it more difficult to compete globally are in more agreement with the items from Dimension C; and
- In all cases, those that are not obliged to pay minimum wages are in more agreement with the items from Dimension C.

- **Discriminant Analysis**

- Those that find it more difficult to compete globally also agrees most with the four items from Dimension C; and
- Those that are obliged to pay minimum wages also agree most with the four items from Dimension C.

## **6.6 Conclusion**

When we consider the means from the Anova then it is clear that most of the respondents in the survey agreed less with the employment and growth questions. The outcome of the research is therefore that all three the propositions were proved to be incorrect. Further research into the aspects influencing economic growth would be of utmost value. The issue appears not to be simply about regulation and wages, but possibly the fundamental ability to compete.

## **7. CONCLUSION**

### **7.1 Introduction**

As stated in earlier chapters unemployment is an aspect that needs attention to assist with the long-term sustainability of growth (Guria, 2008). Three critical variables determine growth in its simplest form - the growth of capital, labour and technology and/or productivity (Bhorat & Cassim, 2004). The research conducted in this study investigated the cause and effect relationship between employment protection legislation, minimum wages and unemployment and its effect on the growth of labour and productivity.

The purpose of this study was to investigate the impact of employment protection policies and minimum wage regulation on economic growth. Previous studies clearly indicated that there are two points of view on the matter, proponents of minimum wages and those that argue that it actually has a negative impact in that it increases unemployment.

Employment protection policies and minimum wage regulation may not be the problem as such but the fact that it is inflexible to adapt to economic circumstances. The fact that the survey was conducted during the current economic climate also indicates that business owners do not experience the impact as negative on the business.

From the research, it is evident that the negative impact of employment protection and minimum wages do not outweigh the positive aspect of job protection and alleviation of poverty.

## **7.2 Discussion of research findings**

### **7.2.1 Result and interpretation of the Anovas**

The first Anova pertains to respondents who compete with foreign companies or cheap imports. The result was that the companies who compete with cheap imports are also those who agree less with the questions relating to minimum wages and employment protection legislation. We would have expected the opposite result. Most of the criticism toward specifically minimum wages is that businesses are unable to adapt to competition and the changing economic environment. From previous studies it was specifically argued that businesses struggle to compete with cheap imports from countries that do not have minimum wages or employment protection policies. The collapse of the textile industry was blamed on strict legislation and minimum wages and that the industry could not adapt to changing conditions (Jekwa, 2008). The result from this analysis contradicts these statements.

The mean for the businesses that compete with foreign companies also indicate that they agree less with the employment and growth aspect of the research. The mean for the group who do not compete is also indicating that they do not perceive minimum wages and employment protection to have a negative impact on their businesses. It appears that

minimum wage regulation and employment protection do not influence employment practices of the respondents. This result indicates that employment protection policies and minimum wages do not increase unemployment.

The second Anova analysis pertained to the businesses who find it difficult to compete globally. In all cases, those that find it more difficult to compete globally are in MORE agreement with the items from Dimension C. When we compare the means of the groups with one another the result indicate that the businesses that are under pressure to compete in the global market do experience the employment protection policy and minimum wage regulation as a negative aspect in conducting business. This result will then confirm that employment protection and minimum wages increases unemployment. This result confirms what we would expect respondents to answer. This is in contrast with the businesses that compete in the local market with foreign companies or cheap imports. It was expected that the companies that compete in the local market would be more sensitive towards the impact of employment protection policies and specifically minimum wages.

The third Anova relates to businesses who are obliged to pay minimum wages or those who are not obliged to pay minimum wages. The result from this Anova is very interesting in that the group who are not obliged

to pay minimum wages is also the group who agrees most with the aspects from dimension C. This result is also the opposite of what was expected. It would be logical to predict that businesses that are obliged to pay minimum wages would more in agreement with the aspects of dimension C and they are not.

#### Conclusion to the Anovas:

- The Anovas on competing with foreign companies/cheap imports and obligation to pay minimum wages indicate that the respondents who compete with cheap imports and those who are obliged to pay minimum wages are in less agreement with the employment and growth aspects than the other respondents. The Anova on competing globally indicate that respondents who find it difficult to compete are more in agreement with the employment and growth aspects.
- In the event that the other means are not considered the wrong conclusion can be drawn from the results. The average answer in this survey would be three. Where a group's mean is less than three they would be in more agreement with the aspects from dimension C and in the event that the mean is more than three the respondents would be in less agreement with the aspects of dimension C. If we do not compare the groups with one another and just interpret the means it is clear that most of the

respondents are less in agreement with the employment and wage aspect.

### **7.3 Recommendation to stakeholders**

Unemployment is a problem in South Africa that needs attention. There is a lot of speculation on the impact of employment protection and minimum wages on unemployment. Other factors also contribute to unemployment such as skills shortages, technological developments and the global economic climate (Bhorat & Cassim, 2004). These aspects need to be investigated and recommendations to government would be valuable. Government already showed commitment toward development of small business and regard small business as an opportunity to create jobs.

### **7.4 Limitations of study**

As discussed in Chapter 4 a follow-up survey would clarify some issues that raised further questions. It appears that some questions would have been better explained if it was possible to do a follow up with the same respondents. The companies that compete in the local market with foreign companies and cheap imports had completely the opposite response to the businesses that want to enter the global market.

## **7.5 Suggestions for further research**

The government is committed to economic growth and development specifically through the development of small business. Aspects that influence the development of business negatively need to be investigated further. Further research can play an integral part in the targets government set for AsgiSA. The Integrated Small Business Strategy also shows government's commitment to the development of the economy through small business.

The interrelationship between productivity, real wages and unemployment are highly complex (Wakeford, 2004). Further research is needed where respondents will be confronted with other aspects of business that influence unemployment and then it can be determined which aspects are considered to be more important than others are.

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## 8. APPENDIX A – QUESTIONNAIRE

I am conducting research on the impact of employment protection legislation and minimum wages on the economic growth of South Africa. To that end, you are asked to complete a survey about the impact on your business. The questionnaire will not take longer than ten minutes. This will help us better understand the role of the Labour Relations Act and minimum wages on economic growth. Your participation is voluntary and you can withdraw at any time. All data will be kept confidential. By completing the survey, you indicate that you voluntarily participate in this research. If you have any concerns, please contact my supervisor or me. Our details are as follows:

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<b>Section A: Demographical Information</b>	
<b>Please rate the following statements with an "X" as per the rating scale provided below</b>	
<b>1</b>	<b>In which industry do you operate?</b>
	M = Metal and Engineering B = Other
<b>2</b>	<b>In which province do you conduct your main business?</b>
	1 = Gauteng 2 = Western Cape 3 = Northern Cape 4 = Eastern Cape 5 = Limpopo 6 = Mpumalanga 7 = KZN 8 = Free State 9 = North West
<b>3</b>	<b>The race of the owner (major shareholder):</b>
	1 = White 2 = Black 3 = Indian 4 = Coloured
<b>4</b>	<b>The gender of the owner (major shareholder):</b>
	1 = Male 2 = Female



<b>Section B: Business Information</b>	
<b>Please rate the following statements with an "X" as per the rating scale provided below</b>	
<b>5</b>	<b>Do you compete with foreign companies/ cheap imports?</b>
	1 = Foreign companies 2 = Imports 3 = No
<b>6</b>	<b>Do you find it difficult to compete globally?</b>
	1 = Strongly agree 2 = Agree 3 = Uncertain 4 = Disagree 5 = Strongly disagree
<b>7</b>	<b>What is the annual turnover of your company?</b>
	1 = Less than R 100 m 2 = Less than R 150 m 3 = Less than R 200 m 4 = Less than R 250 m 5 = More than R250 m
<b>8</b>	<b>What amount of employees do you employ?</b>
	1 = Less than 50 2 = Less than 150 3 = Less than 200 4 = Less than 400 5 = More than 400
<b>9</b>	<b>What is your annual payroll?</b>
	1=Less than R 20 m 2=Less than R 80 m 3=Less than R 100 m 4=Less than R 130 m 5=More than R130m



<b>Section C: Employment Protection and minimum wages</b>	
<b>Please rate the following statements with an "X" as per the rating scale provided below</b>	
<b>10</b>	<b>Are you obliged to pay minimum wages?</b>
	1 = Yes 2 = No
<b>11</b>	<b>Would you employ more people if you could determine minimum wages in your business?</b>
	1 = Strongly agree 2 = Agree 3 = Uncertain 4 = Disagree 5 = Strongly disagree
<b>12</b>	<b>Does minimum wages have a negative impact on the growth of your business?</b>
	1 = Strongly agree 2 = Agree 3 = Uncertain 4 = Disagree 5 = Strongly disagree
<b>13</b>	<b>Do you employ fewer employees because it is difficult to fire them?</b>
	1 = Strongly agree 2 = Agree 3 = Uncertain 4 = Disagree 5 = Strongly disagree
<b>14</b>	<b>Do you think employees will be more productive if they thought they had competition for a specific job?</b>
	1 = Strongly agree 2 = Agree 3 = Uncertain 4 = Disagree 5 = Strongly disagree
<b>15</b>	<b>Do the protection procedures in the Labour Relations Act deter you from employing people?</b>
	1 = Strongly agree 2 = Agree 3 = Uncertain 4 = Disagree 5 = Strongly disagree
<b>16</b>	<b>Do you think, considering the history of South Africa, that employees need to be protected against unfair treatment?</b>
	1 = Strongly agree 2 = Agree 3 = Uncertain 4 = Disagree 5 = Strongly disagree