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The potential effect of the proposed National Minimum Wage on the South African vineyard industry

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Abstract

South Africa is a country with low GDP growth, one of the highest unemployment rates in the world, coupled with the highest gini co-efficient in the world. A national minimum wage of R3500 has been tabled by government for 2018. The agricultural sector of South Africa employs a large portion of the countries labour force and currently pays a minimum wage of R3001.13. This research aimed to establish what the potential effects of a national minimum wage would be on a sector which has already experienced vast changes in its minimum wage policy with the implementation of a sectoral minimum wage increase in 2012.

It must be noted that while this was an exploratory study and therefore not exhaustive of all details, the response from the farmers interviewed depicts that the national minimum wage will have far reaching negative impacts. Based on the experience of the 2012 uprising, farmers predict employment statistics of both permanent and seasonal workers, will decrease, as well as having an adverse effect on supporting industries and local community businesses, and lastly an increase in crime rates.

Key words:

Minimum wage; vineyard industry; employment; unemployment; upskill

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

Gregory Rood

Date

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Chapter 1: Introduction to Research Problem

The Western Cape agricultural industry employs a large labour workforce. Some 810,000 workers were employed throughout South Africa in the third quarter of 2017 (StatsSA, 2017) of which 159,000 were from the Western Cape. The research aimed to establish the influence a national minimum wage would have on the agricultural industry and in particular, to look at the potential unemployment in the Western Cape vineyard industry. The implementation of a national minimum wage is likely to have far reaching affects on South Africa as a whole, therefore the need to perform research in this regard is of paramount importance.

1.1 Background

Several aspects deserve attention in agricultural research. In this study, which focused on the potential influence of the proposed National Minimum Wages on the agricultural setting, with particular reference to the wine and vineyard industry of the Western Cape, the following areas needed to be addressed: (a) the role and economic position of the agricultural workforce, (b) large-scale unemployment in South Africa of 27.7% (Statistics South Africa, 2017), (c) the effectiveness and influence of minimum wages, and (d) alternatives available to farmers following the national minimum wage.

1.1.1 Position of farmworkers

The rate of urbanisation of the sub-Saharan African population is higher compared to that of Asia and Latin American (Tschriley, Haggblade, & Reardon, 2014). As more people move to the cities to find work, the need for increased food production rises, as subsistence farmers are now city dwellers who have to buy food, thus adding pressure on farmers to produce more, as there are fewer farmers and more consumers in the market. With the increase in urbanisation and population growth, demand on South Africa's agricultural sector will continue up to and beyond the year 2030 (Adenle, Manning, & Azadi, 2016). According to the World Bank, 45% of the world's agricultural land rest in Africa (Byerlee, Garcia, Giertz, & Palmade, 2013). Therefore, the position of farmers, especially farmworkers in Africa, might become increasingly stable, thereby bringing better earning potential.

In 2013, the De Doorns region was influenced by a massive strike action with labourers demanding an increase in the minimum wages received. The result was an increase in

the daily rate from R69 to R105. It was seen as a major victory, not only for the De Doorns labourers, but also for all agricultural labourers around South Africa.

Due to the timing of the strikes coinciding with peak harvest season, employment levels remained high, showing that, contrary to classical theory of economics, an increase in minimum wage might have little or no effect on unemployment. However, the following year, statistics released by Statistics South Africa showed a 7.1% decline in employment in the agricultural sector year-on-year. In the Western Cape, as 131,000 were employed in Quarter 4 (Statistics South Africa, 2016), compared to 162,000 in Quarter 4 the year prior to the strike action (Statistics South Africa, 2014). These numbers equated to a 19.1% decrease in employment in the agricultural sector. A survey of table grape and wine farmers in the Western Cape in 2004 indicated that a 10% increase in minimum wage resulted in an unemployment increase of between 3 and 6% (Conradie, 2004).

1.1.2 Unemployment

The unemployment figures in South Africa are amongst the highest in the world; in a recent release, Statistics South Africa reported 27.7% unemployment in the non-agricultural sector for the first quarter of 2017 (Statistics South Africa, 2017). The unemployment rate of persons with an educational level of Grade 11 and less was at 33.1%, which represented 5.4 percentage points higher compared to the national average. Due to the gradual decline in GDP performance of the agricultural sector, Statistics South Africa (2017) has not updated the statistics in this sector, as regularly as was the case in the non-agricultural sector. Since 2011, the general census questionnaire included questions to provide more accurate information regarding the agricultural sector (Statistics South Africa, 2017).

Current empirical data shows where a minimum wage is set as closely aligned to the current market wage; there is little or no loss of employment. Card and Krueger's (1994) study on employment changes in the fast food sector of New Jersey showed support for this notion; in some instances, employment levels increased. While the merits of research on minimum wages have been widely debated, it spurred exponential growth in further research around the topic. However, the majority of the research was completed in countries where there was an already high median wage in the sector; therefore, when the minimum wage policy was implemented, the changes in wages were

relatively small. Furthermore, unemployment figures in these countries were low, and GDP growth was high.

1.1.3 Proposed national minimum wages for farmworkers

South Africa has a different economic climate. High unemployment, low GDP growth, and the proposed national minimum wage will see a large percentage increase in wages paid. South Africa's current minimum wage in the farming sector is a monthly rate of R3001.13 for the period 1 March 2017 to 28 February 2018 (Department of Labour, 2017). The proposed national minimum wage is R3500, an increase of 14.25%. Due to the recent time frame of events in De Doorns, there is limited empirical data available to understand fully the extent to which the rise in minimum wage had on the agricultural sector. This aspect highlights the need to conduct further research on the long-term economic effects of a minimum wage in the region. The research provided evidence that could be used across other labour intensive industries throughout South Africa and provide much needed data on the national minimum wage debate.

Figure 1. National Minimum Wages March 2017 to February 2018

Table 1: Minimum wages for employees in the Farm Worker Sector, of South Africa as from 01 March 2017											
Minimum rates for the period 1 March 2016 to 28 February 2017				Minimum rates for the period 1 March 2017 to 28 February 2018				Minimum rates for the period 1 March 2018 to 29 February 2019			
Monthly	Weekly	Daily	Hourly	Monthly	Weekly	Daily	Hourly	Monthly	Weekly	Daily	Hourly
R2 778.83	R641.32	R128.26	R14.25	R3001.13	R 692.62	R138.52*	R15.39	Previous years minimum wage plus CPI EOER = 1 %			
<ul style="list-style-type: none">• For employees who work 9 hours a day. <p>** The CPI to be utilized is the available CPI EOER (Consumer Prize Index excluding owners equivalent rent as released by StatsSA six weeks prior to the increment date. CPI EOER = 7 % + 1 = 8% increase.</p>											

Source: Department of Labour, 2017

The topic is highly relevant at the moment, as South Africa currently engages with all stakeholders around the implementation of the national minimum wage. There is a large amount of data available on high income countries, as described above, and the effect of minimum wage. However, these countries have far lower unemployment statistics compared to South Africa. Furthermore, the minimum wage in high income countries was far more aligned with the median wage; therefore, the minimum wage did not have the effect that it would have in South Africa.

1.2 Definition of Research Problem

As indicated earlier, South Africa is highly dependent on the agricultural sector for food production, income generation, and employment. Due to the high urbanisation rate in sub-Saharan Africa and the scarcity of water in this region, the agricultural sector is increasingly under pressure to produce more (Statistics South Africa, 2017). Moreover, the South African farming practices are less mechanised compared to the practices in the developed world, therefore requiring less skilled labour and resulting in providing employment opportunities for many workers with little formal schooling. Additionally, the South African economic climate is one of high unemployment and low GDP, which does not allow easy comparison of the effects of minimum wages on the agricultural sector, as described in the literature (Statistics South Africa, 2017). Therefore, it is not known what the influence of the proposed national minimum wage for workers will be in the agricultural sector—including the wine and vineyard sector of the Western Cape. Therefore, the problem that this research focused on was establishing the affect a national minimum wage would have on the agricultural industry to explore the potential unemployment in the Western Cape vineyard industry.

1.3 Theoretical Framework

Three different principle theories were developed to explain and predict market movements. These three theories could be applied to the economic situation in South Africa, particularly to the vineyard agricultural sector of the Western Cape.

1.3.1 Neo-classical theory

Neo-classical theory holds that in a perfectly competitive supply and demand market, all businesses are operating at maximum efficiency. Therefore, if a minimum wage is introduced, which is higher compared to the current market wage paid, it will result in employers reducing demand for staff to achieve equilibrium again (Krueger, 2015). On the supply side, more potential employees enter the market looking for work, increasing the official unemployment statistics (Hall, 1982). As the input costs rise, so this negatively affects a company's performance and results in lower economic growth for the industry or country.

According to the theory, the competition between the employers and employees would facilitate equilibrium between wages and profits. Therefore, in the face of an over-supply

of workers, the employers could determine a lower wage and vice versa. In practice, this aspect does not always happen, as there are recorded instances where the pay is persistently low even in the face of higher demand (Leibenstein, 2014; Wilkinson, 2016). Sustainable development requires innovation regarding systems and practices (Boons, Montalvo, Quist, & Wagner, 2013). Employers have to adjust and can choose from a variety of methods and combinations to do so. Instead of merely making use of fewer workers, employers could implement fewer working hours or shifts or reduce staff benefits, such as housing allowances, transport allowances, training, and other fringe benefits (Schmitt, 2013). Alternatively, employing higher skilled workers may enable the farmer to remain competitive while employing fewer workers (Bhorat, Kanbur, & Stanwix, 2012). Additionally, employers may pass off the higher input cost to the consumer price, thereby causing a price hike. In the South African agricultural sector, this hike is not possible due to employers being price takers. Bhorat et al. (2012) found that there was a rise in unemployment of farm workers because of higher minimum wages. In the event of firms not adjusting the input cost structures and absorbing the minimum wage, it could result in job destruction.

The demand for labour is not only determined by the amount of work to be done and available funding, a variety of factors also play a role. These factors include, amongst others, the demand for the product and the market's dependency on the producers for the product of labour, such as costs, skills, and availability of labourers. Pertaining to labourers, the following non-wage costs (Bhorat et al., 2015) determine the input costs, which are not calculated by the wages alone: overtime and fringe benefits, including pension and medical funds, contributions to national insurance, UIF, training, upskilling, hiring, and firing costs. The costs associated with administrative actions include keeping of records, tax payments, and production shortfall due to drought or strike actions. Any changes in these and other determinants will cause a shift in the demand for labour. Minimum wages often lead to a disequilibrium of labour demand and supply (Jardim et al., 2017). Generally, with increased costs associated with labour, the demand will decrease (Dube, Lester, & Reich, 2016). When minimum wages are instituted, governments should account for the larger picture of the wave of change that not only directly affects the labourers, but also the larger market, which have implications for the country.

1.3.2 Institutional framework theories

Institutional framework theories show that labour markets are not perfectly efficient; as such, employers can pay lower wages. The setting of a minimum wage would force these employers to become more efficient in the operations and make the necessary adjustments. This aspect includes training and upskilling of labourers. In addition, the higher paid employees would now have access to more disposable income, thereby participating more in the market through consumption (Reich, Hall, & Jacobs, 2005). The increase in demand for the produce would offset against the higher input costs, and the market would return to equilibrium (Schmitt, 2013). Additionally, if labourers are paid a living wage, it is expected that these workers will rely less on the state for the medical, and educational needs, and eventually retirement. The higher levels of economic activity will stimulate higher GDP growth; therefore, businesses will recuperate the initial output costs through higher demand for product (Howes, 2005).

1.3.3 Oligolopsonistic models

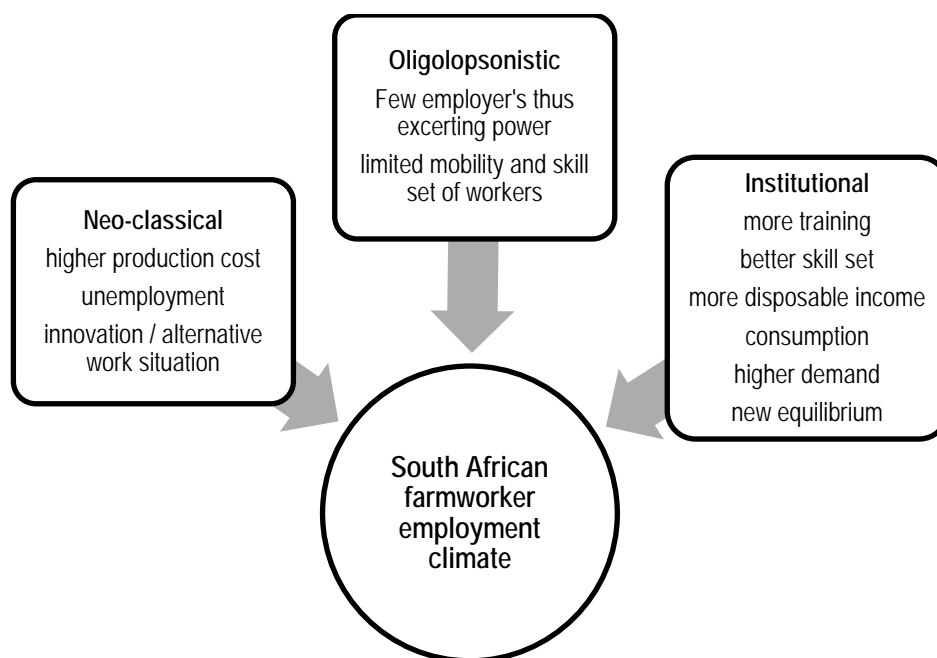
Oligolopsonistic models show that labour markets are not perfect, as the bulk of the bargaining power sits with the employer (Bachmann, & Frings, 2017; Krueger, 2015). It can be argued that in South Africa's context with such a high unemployment rate and low GDP growth, the pool of unskilled labour supply far outstrips the demand for labour; therefore, employers can dictate (to some degree) the wages that can be paid. In oligolopsonistic labour markets, the pliability of wages is relatively low due to the restricted mobility of the workers (Bachmann & Frings, 2017), which is also the case with South African farmworkers. Employees in South Africa are constrained through their skillset to their choices for employment, and this provides the employer a level of authority over setting the wages. Strict labour laws put strain of employers, which further limits the number of jobs being made available. The fear of prolonged unemployment in an economy with high unemployment figures results in employees accepting the employers' lower wage offers (Schmitt, 2013). When no minimum wages are set, employers are likely to set wages below which employees would otherwise be willing to work. The introduction of a minimum wage stimulates activity in the job seeking markets, and employers can employ more and better qualified labour, as the pool has increased.

It is argued that oligolopsonistic models fit well for South Africa, as the majority of the bargaining power sits with the employer, and the risk of long periods of unemployment forces labourers to accept the lower wage. However, the critique would be based on

whether there is sufficient GDP growth to facilitate an increase in employment figures. In other words, are the farmers already employing the full quota required, or are there vacancies in the employment channel that are going unfilled due to jobseekers refusing to work for lower wage? Would the workers enter the market if the wages were higher and more acceptable? If more potential employees enter the market, will there be work for all? To sustain and maintain the levels of profitability in the vineyard sector in the face of the new national minimum wage, the farmers will need to approach farming differently. Amongst the possibilities that can be implemented are invention of knowledge and innovation (Boons, Montalvo, Quist, & Wagner, 2013).

Figure 2 shows the interplay of the three models discussed. The South African economic climate is characterized by a low GDP, inflation, and volatility, mainly due to its unique political situation. Furthermore, there remains a large unskilled workforce available, despite the high urbanization rate, resulting in high unemployment rates, which caused farmworkers in the past to accept lower wages. The combination of the three models provides an appropriate lens through which to interpret the farmworkers' employment situation.

Figure 2. Economic Frameworks Influencing the South African Farmworkers' Employment Climate



1.4 Research Aim

The general aim of this research was to explore the potential influence of the proposed National Minimum Wages could have on the agricultural sector, in general, and the employment rates, in particular. The specific aim of this research esd to determine the potential influence of the national minimum wage on the vineyard agricultural sector with specific reference to the possible unemployment of farmworkers.

Researchers have proposed using the oligolopsonistic models that asserted labour markets are not perfect, as the bulk of the bargaining power sits with the employer (Krueger, 2015); it would be possible to determine ways in which the national minimum wage would influence on the employment figures of this sector. It can be argued that in South Africa's context, with such a high unemployment rate and low GDP growth, the pool of unskilled labour supply far outstrips the demand for labour; therefore, employers might dictate (to some degree) the wages the farmers were prepared to pay.

The purpose of this study was to gain insight into the economic influence of the proposed national minimum wage on the vineyard farmers—from an academic perspective, as well as the lived experiences of the farmers. An exploration of the effect of minimum wages instituted in developing countries would highlight what to expect in the South African context. This study also focused on the position and role of farmworkers in the vineyard sector to generate viable alternatives to unemployment, which could mitigate these workers' bleak outlooks on being unemployed.

1.5 Conclusion

In sum, this first chapter provided background information on the vineyard industry of the Western Cape; moreover, the relative importance of the wine and vineyard industry was highlighted against the backdrop of South African farming. Vineyard farms are labour intensive; as such, these make use of permanent and seasonal workers. The wages and other expenses, associated with the workers, make up a significant percentage of farming costs. The recent 2012 wage-related strikes in De Doorns spurred reviews of wages and the promulgation of minimum wages for different sectors, including farm workers in 2017. Little is known about the influence of the national minimum wages on the employment situation of the farmworkers in the De Doorns table grape industry.

This qualitative case study aimed to address issues related to the possible reduction in numbers of farmworkers being employed following the implementation of the national minimum wage structure. The study used a combination of three theories as theoretical framework, namely the neo-classical theory, oligopolistic theory, and the institutional theory to guide the study. The following chapter is the literature review in which recent literature on the research constructs is reviewed.

Chapter 2: Literature Review

2.1 Introduction

The purpose of this study was to gain insight into the economic influence of the proposed national minimum wage on the vineyard farmers in the Western Cape—from an academic perspective, as well as the lived experiences of the farmers. In determining the potential effect of the proposed national minimum wage, this study focused on the wages and working conditions of the farmworkers whose employment situation might be influenced, as well as the sustainability and profitability of the vineyards. International research on the effect of imposed minimum wages indicated that there might not be a large-scale unemployment following such regulation. There was a dearth of literature on the South African situation pertaining to the effect of minimum wages on the employment of farmworkers; therefore, this study aimed to further the knowledge in this field.

2.2 Impact of Minimum Wages Internationally

The introduction of minimum wages leads to higher cost of production that must be recovered by either increasing the selling price or reducing the production price (i.e., the input costs to recover the equilibrium). Increases in the selling price might not be feasible, as buyers could choose to find another product at a suitable price or simply do without, if it was not an essential commodity. This aspect left adjusting the production cost to absorb the higher wages, which could lead to unemployment or layoffs. According to the predictions of the neoclassical theory, researchers have generally expected that higher minimum wages would increase layoffs to regain the profitability margin; however, this was not always the case (Bhorat, Kanbur, & Stanwix, 2015; Dube et al., 2016; Meer & West, 2015). One factor that dissuades employers to dismiss workers is that with the increased wage margin, recruiting and hiring costs also increase, which in effect nullifies the gains to be made by dismissing current workers (Brochu & Green, 2013). This finding may not be true in the South African agricultural community, as recruiting and hiring of workers does not involve formal advertising.

A study of minimum wages globally has to distinguish between different economic dispensations, as developed high-income countries cannot be compared to developing low income countries. Another distinction that is of importance is the business sector under scrutiny, as the work situation of the different sectors have an influence on the possibility of finding alternative ways to operate the business (e.g., implementing more

technology or employing more high-skilled workers to increase productivity, thus mitigating the effects of the higher wages). This complicates the comparison of findings in the literature somewhat, as there are not many studies completed on the Sub-Saharan Africa (SSA), particularly the South African agricultural situation; therefore, comparisons were made with other developing economies, such as Brazil.

Some form of wage fixing has become popular in SSA since the latter half of the 20th century. These forms include minimum wages, as determined by the state or wage fixing through collective bargaining (Bhorat et al., 2015). The main aim of state regulatory measures when determining minimum wages is to protect the workers at the lower income bracket where exploitation may occur (Bhorat et al., 2015).

2.2.1 Minimum wage fixing in developing countries

Developing countries, which includes South Africa, can be unified economically by classification as low and middle income countries (Bhorat et al., 2015). Researchers, focusing on developing countries, have often included Latin American countries and East Asia in their research (Bhorat et al., 2015; Neumark & Wascher, 2007).

2.2.2 Impact of minimum wage on employment

The overall influence of minimum wage on employment statistics varies for both developed and developing countries. In a review of 13 research studies covering developing countries, Neumark and Wascher (2006) found layoffs and reduction in working hours following higher minimum wages differed per level of education and age—lower skilled workers and youths were more often adversely affected. Gindling and Terrell (2007) who conducted studies in Costa Rica echoed this finding. In contrast, Card and Krueger (1995) indicated the opposite, namely that youth employment rates increased due to higher minimum wages, and Montenegro and Pagés (2004) asserted that Chilean females benefitted from higher minimum wages.

Meer and West (2015) conducted a series of simulations to determine the effect of minimum wage increases over time. The authors found that the influence of minimum wage increases on employment only became visible after 3 years. In most of the extant literature, the researchers have focused on immediate effects, which did not yield any notable impacts on employment. In terms of Meer and West's (2015) study, the influence of minimum wage on employment is reflected in employment growth and job level, and the influence only shows after about 3 years. In terms of the current study, the effect on

employment of the national minimum wage on the wine and vineyard farms in the Western Cape might only be evident after some time, and by then, the negotiation period has expired.

In the United States, Washington State set the highest minimum wages for the country. The Seattle increases of minimum wages to be phased in over 3 years, saw a jump in hourly rates from \$9.47 in April 2015 to \$13 per hour in January 2016 (Jardim et al., 2017). The authors found that such a significant increase had an influence on the employment of low-wage employees, across all employment sectors. The employment influence affected the low-wage workers in different ways; for example, (a) employers chose to hire more experienced workers so that on-the-job training was not needed, thus affecting the youth who were new entrants to the job market; (b) a decrease of hours worked by low-wage workers occurred—9.4% drop in hours worked when the hourly rate reached \$13; (c) less employment opportunities (jobs) in the low-wage sector occurred—a loss of 5,000 jobs; and (d) these issues led to a labour elasticity of -3.0—meaning that the previous assumption that employers did not have appropriate substitutes for low-wage employees was incorrect. The Seattle experience indicated that low-wage employees were more easily substituted compared to initially believed. Higher skilled and experienced employees could do the jobs better and faster; automation might be an option; and the employer might decide that the function was not needed anymore. Although this example is from a developed country, it has implications for the South African vineyard industry, as the wage increase proposed by Government represents an increase of 14.25% (Bhorat et al., 2012).

These contradictory findings further serve to emphasise the fact that generalizations cannot be made about the impacts of higher minimum wages. However, it does appear that higher minimum wages does not affect employment rates in developing countries more than developed. Unfortunately, it does seem that those negatively affected are the most vulnerable, namely lower skilled workers, females, and youths (Fang & Lin, 2015).

2.2.3 Impact of minimum wage on poverty reduction

By introducing and enforcing minimum wages for low income jobs, the state ensures that these workers receive a living wage, thus alleviating extreme poverty. The question is whether minimum wages alleviates poverty in all situations or only some. Gindling (2014) found that there was a complexity of influences in answering this question. According to Gindling, more than 50% of workers in developing countries do not fall under the

protection of minimum wages. It follows that the establishment of minimum wages in developing countries only reaches some of the workers, consequently the influence thereof is small. Depending on the characteristics of the labour market, minimum wages might even increase poverty in developing countries. This is because workers may lose their jobs due to higher minimum wages, although the effect of minimum wages also depends on how strictly it is enforced, to what extent the minimum wage affects the informal worker section, and what social networks the worker has in place that could buffer the effects of sudden unemployment (Gindling, 2014).

2.3 Impact of the Vineyard Industry on the South African Economy

In South Africa, the South African Wine Industry Information and Systems (SAWIS) is the custodian of the most up-to-date information on wine production and related services, such as tourism, the employee situation, and the economic influence of the industry on the South African economy. The detailed information, held by this Organisation, surpasses that of Statistics SA and the Department of Rural Development and Land Reform. SAWIS conducts a macro-economic study every five years, and the last one was completed for the period 2008 to 2013 (Conningarth Economists, 2015).

The overall picture of the economic contribution of the wine industry is positive, both in terms of fiscal contribution to the GDP of the country and providing employment to low-skilled workers (SAWIS, 2015). During the 5 years since the 2008-report, the wine industry lost 1.6% national agricultural vineyard land; despite this loss, the production and profit increased.

These figures include only the wine industry and not the table grape industry. Part of the wine industry in the Western Cape area is the tourism industry that includes wine and cellar tours, restaurants on the farms, overnight stays in hotels or guest houses, not necessarily on wine farms, and related products, such as direct wine sales at cellars. Table 1 shows the comparison between 2008 and 2013 (compiled from SAWIS, 2015 and Conningarth Economists, 2015).

Table 1 *Wine Industry of South Africa: 2008 and 2013 comparison*

Item	2008	2013	Loss/Gain
National agricultural vineyard coverage	101 274ha	99 680ha,	-1.6%
Contribution to GDP	R26.223 million	R36 145 million	+ 37.8%
Labour/Employment	275 606	189 151	
Skilled	36 551	43 644	
Semi-skilled	78 310	84 769	
Unskilled	160 745	160 738	-2%
Industry total job opportunities	275 606	289 151	+ 4.9%
In Western Cape	168 102	167 494	
Skilled	19 427	22 559	
Semi-skilled	48 392	49 857	
Unskilled	100 283	95 077	
Packaging cost increases (per liter)			+146%
Bulk packaging cost increases (per ton)			+ 46%
Average wine production cost increase			+52%
Income per ton grapes produced			+ 38.2%

Source: Conningarth Economists, 2015; SAWIS, 2015.

Although the wine production figures from 2008 to 2013 looks favourable, there are a number of factors to note. Due to a poor wine production year in Europe, the 2013 figures are much more favorable, but following increased production, the 2014 figures reverted to the previous figures. The rise in wine production costs—which includes employee wages—increased and are now above the income per ton produced. This represents an unfavorable situation, and about 33% of the wine farmers indicated that this influenced negatively on Net Farming Incomes (Conningarth Economists, 2015).

It is not clear what causes the decrease in unskilled labourers. This decrease might have come as a result of the wage increases in 2012, and again with the national minimum wage price hike. According to research, the national minimum wage had a negative influence on employment (Bhorat et al., 2015); taking into account the research of Meer and West (2015), one can expect more job losses over the long run. The 2013 macro-economic report of the wine industry showed trends of increased employment of skilled and semi-skilled workers. It seems that farmers may have moved toward more skilled

workers who are more productive. This apparent trend still has to be established through research.

2.4 National Minimum Wages in South Africa

The Employment Conditions Commission (ECC) set minimum wages in South Africa since 2002, which is then published in the Government Gazette by the Minister of Labour. There are currently 11 sectors for which the Minister of Labour set minimum wages—agriculture and forestry being some of these (Seekings & Natrass, 2015). The chosen sectors where minimum wages are set represent those areas that do not have prominent trade union representation (Seekings & Natrass, 2015). The aim of determining minimum wages is to distribute wealth and lift low paid workers out of poverty, especially those worker sectors that do not have strong union representation (Adelzadeh & Alvillar, 2016; Fourie & Green, 2015).

Literature on the effect of minimum wages on the South African economy is limited (Bhorat et al., 2015). Existing research indicated that the influence of minimum wages on employment was small, if any at all; however, this influence was mostly measured over the short term (Bhorat et al., 2015; Meer & West, 2015). In the agricultural sector, Bhorat et al. (2014) found that unemployment occurred due to the introduction of minimum wages. Bhorat et al. (2015) mentioned factors influencing the effect of minimum wages on employment that included the enforcement of the law, degree of compliance, timing of instituting the minimum wage structure, and the employment sector.

In Sub-Saharan Africa, the countries generally have more multiple minimum wage systems compared to any other system internationally (Bhorat et al., 2015). The differences are not only per employment sector, but also include different regions of countries making the systems complex. In this regard, South Africa has a minimum wage system that differs in complexity for particular sectors, totaling 124 distinctive minimum wage tariffs—the highest number of all the countries in Sub-Saharan Africa (Bhorat et al., 2015). Such a complex system is difficult to manage although it has the potential to distinguish between different job and skills levels. Simplification of the systems may serve the county better (Bhorat et al., 2015).

2.5 Farmworkers' situation in South Africa

The labour-intensive agricultural sector of South Africa holds the possibility to create jobs for unskilled workers. However, with instituting the latest national minimum wage rates, it was feared that this sector's ability to provide jobs for unskilled workers might be drastically reduced. Farmers need to maintain a balance between input costs and profit, as there is a limit to absorbing higher input costs, and the increased national minimum wages may lead to job destruction in the long term (Lekunze, Luvhengo, & Shoko, 2016). This expectation is in line with the findings of Meer and West (2015) and Sorkin (2015), who asserted that employers of labour-intensive production lines gradually phase in technology to replace workers. In theory, higher wages would increase the buying power of the workers, which would boost the profitability of the employer and the capacity to employ more workers (Lekunze et al., 2016). In the South African situation, the national minimum wage increase of low-paid farmworkers was not such that it could increase the workers' buying power sufficiently to offset escalation of food prices (Lekunze et al., 2016).

2.5.1 Farmworkers in South Africa

Prior to the De Doorns strike of 2012, farmworkers in South Africa have not participated in strike action, mainly perhaps due to a lack of organized union representation. Strikes are often devastating and costly; in the De Doorns strike, there was a positive outcome for all involved—the key stakeholders' realisations that all should collaborate in establishing a sustainable future for both employer and worker (Visser, & Ferrer, 2015). The 2012 strike season in South Africa had more strikes compared to usual leading to a down-grade in the country's credit rating (Bhorat et al., 2014). Compared to international strikes, South African strikes are not more frequent, although it was found to last longer, and the strike depth (workers participating in the strike action) South Africa's workdays lost because of striking was lower compared to that of comparable countries, such as Brazil and India (Bhorat et al., 2014). In the De Doorns case, farmworkers petitioned for a higher adjustment of wages, which was followed by the government instituting the current sectoral minimum wage that aimed to benefit agricultural workers nationally.

In 2011, 759,127 families occupied homes in farm areas, with 592,289 families (totaling 2,078,723 individuals) who stayed on farms of whom, 91.2% were citizens of South Africa (Statistics SA, 2013). The more recent report indicated a drop in the number of households living on farm land from 19.9% of all households in 2011 to 13.8% in 2016

(Lehohla, 2016). The cause of the decrease has been ascribed to the severe droughts that South Africa experienced. Statistics SA (2013) indicated that the monthly income of 65.1% of the farmworkers was below R 1,600 per month, with varying income brackets for higher skilled and more experienced workers. Farmworkers working on crop growing farms consist of nearly 70% of all farmworkers, making this a labour-intensive industry.

Over 50% of farmers' operational costs consist of wages paid to unskilled farmworkers; thus, an increase in the minimum wage directly impacts on production costs (Lekunze et al., 2016). Due to strict labour legislation, farmers cannot replace farmhands with technology or highly mechanise the farming systems. Farmworkers' job destruction, following the national minimum wage, would increase mechanization to limit the influence of production and to offset the higher input costs; in the long run, the farmers' production would increase to increase profitability and due to the improved efficiency with mechanization, leading to normalisation of food prices, albeit that the previous price levels would not be regained (Lekunze et al., 2016).

Farmworkers in South Africa do not all live on farms, as there are many seasonal workers; of late, some permanent farmworkers live in the municipal area of the farm worked on (Visser & Ferrer, 2015). Similarly, not every individual living on a farm is a farmworker. In 2011, 413,014 individuals were not economically active; 882,912 persons living on farms were employed, with 100,117 being unemployed; and another 51,196 were looking for jobs (Statistics SA, 2013).

The overall employment figures of farmworkers have declined since the initial introduction of minimum wages in 2003 (Bhorat et al., 2013). The 4-year period, following the 2003 introduction of minimum wages, saw a 13% reduction in farmworker employment figures. In South Africa, the period 2009 to the first quarter of 2011 was characterised by a reduction in employment figures, but the numbers improved from the middle of 2011 to 2013 (Visser & Ferrer, 2015). This trend was also visible in the farming community with a marginal improvement above the 2011 figures toward 2014. According to Visser and Ferrer (2015), the influence of the Sectoral minimum wage on farmworker employment figures indicates a downward trend. This trend is dependent on factors, such as mechanisation possibilities and the labour-intensiveness of the produce.

Mixed reactions followed on the introduction of the sectoral minimum wage; for example, some farmers reduced workers' work hours, while others increased the number of workers with formal working contracts (Bhorat et al., 2013). This number represents

mixed influences on the farmworkers' job security and work standing, with 51.1% in permanent jobs and 25% working as seasonal workers. Males still dominate the farmworker corps, with 55.5% in permanent positions compared to 43.8% females. Just over a third of the farmworkers are female (37.2%) and are more often employed for a shorter period only (36%; Visser & Ferrer, 2015).

The working conditions of farmworkers also vary per farming sector and geographical area. Grouped under working conditions are factors, such as paid sick and annual leave, maternity leave, medical aid benefits, and pension fund or UIF payments. As with the other facets of farmworkers' working conditions, there is a wide variety of working conditions. Generally, farmworkers do receive paid leave—ranging from 75.2% for permanent workers to 15% for seasonal workers. Paid sick leave was included in the working conditions of farmworkers, and no difference was found between males and females in granting sick leave, with Gauteng, Western Cape, and KwaZulu-Natal provinces leading in this regard (Visser & Ferrer, 2015).

The employment and working conditions of farmworkers vary. The geographical region, as well as the farming sector, spurs this variation. Furthermore, individual differences between farmers exist in the managing of farmworkers. What the long-term influence of the national minimum wage would be on the employment of farmworkers and associated working conditions is hard to predict.

2.5.2 Farmworkers in the Western Cape Wine Farms

The Western Cape comprises 24.7% farmlands and farmworkers with the highest percentage permanently employed farmworkers in the country (Visser & Ferrer, 2015). Statistics SA (2013) indicated that the number of households on farms in the Western Cape was the second lowest in the country, as only 69,152 households resided on farms in this province (Lehohla, 2016). This figure represents 78.2% individuals of working age (15 to 64 years). Not all of these households are involved with wine and vineyard farming, as the Western Cape also produces crops, such as wheat, canola, and citrus fruit. In the Western Cape, food producing agricultural activities represents 25.4% of the farming endeavors. This number is an indication of the important contribution of vineyard production, although it does not represent nearly 75% of the farming activities, as the Western Cape agricultural activities are varied. While the South African agricultural GDP contribution diminished by 19.1%, the Western Cape was the second lowest after the Northern Cape with -0.5%.

The educational standard of the farm occupants in the Western Cape is higher compared to farm dwellers in the rest of the country. Only 3.6% has no schooling, and 31.1% of the households in the Western Cape have some kind of tertiary education. In contrast, 56.3% of the households on farm land indicated the educational level as being between Grades 1 and 11 (Lehohla, 2016). From these statistics, it can be deducted that the households in the Western Cape prioritise education.

In sum, compliance with legislation is higher among the Western Cape agricultural community, and a higher percentage contracted permanent workers are employed on farms. Western Cape farmers are among those in the country who offer the workers paid leave and sick leave, and in some cases medical aid benefits. In the Western Cape, working conditions were more likely to include pension fund contributions, with 38.6% of the permanent farmworkers in this category (Visser & Ferrer, 2015).

2.6 Summary and Conclusion

The agricultural sector plays an essential role in all countries, as food production is of essence. In the South African agricultural sectors, much variety is noted between regions and different sectors. In 2003, the government introduced minimum wages for agricultural workers; after the 2012 strikes in De Doorns, Western Cape, another round of sectoral minimum wage increases were promulgated for the agricultural sector, effectively increasing the rate from R69 to R105 a day. These wages represent a wage increase of around 34.2%, which is a significant increase for a country plagued by high unemployment, a reduction in agricultural GDP, severe droughts, and low educational levels.

This study was delimited to the vineyard sector of the Western Cape province in South Africa where the De Doorns strikes of 2012 occurred. The vineyard sector contributes significantly to the GDP of the country; therefore, it is an important sector in South Africa's agricultural community. Due to the farming systems, this sector provides work to a fairly large number of permanent and seasonal workers, thus contributing to the standard of living of these workers.

There is a dearth of research in the agricultural community in Sub-Saharan Africa. Although there were more studies completed in South Africa in comparison to the rest of Sub-Saharan Africa, the body of knowledge about the South African agricultural situation remains limited. This limitation also goes for the influence of minimum wages in Sub-Saharan Africa and South Africa, in particular (Bhorat et al 2013). Due to the

recent introduction and phasing in of the 2012 agricultural sectoral minimum wage, not much research has been completed on this subject.

Given the prominence of the vineyard farming sector in the Western Cape (SAWIS, 2015) and its labour-intensive farming practices, it is vital to establish what the possible influence of the national minimum wage on farmworker employment could be. A study of the literature on this topic found that there was a dearth of information on this topic. Information available was mainly derived from a statistical nature, such as census surveys. No studies on the lived experiences and perceptions of farmers on the potential influence of the national minimum wage were found in the literature; therefore, it was this gap that the present study addressed.

The following chapter discusses the research questions.

Chapter 3: Research Questions

Taking into consideration the reduction in employment in the Western Cape agricultural sector following the increase in sectoral minimum wages in 2012 and the proposed national minimum wage, which would further increase the minimum wage, the following research questions guided the research:

Research Question 1

How will the national minimum wage affect the employment practices of farmers in the Western Cape vineyards?

- a. Are there current fringe benefits that will be adjusted?
- b. Will there be a change in working schedules?

Research Question 2

Will there be a change in employment statistics in the region following the introduction of an national minimum wage?

- a. Will farmers be able to employ higher skilled labour?
- b. Will farmers employ less labour?

Research Question 3

The proposed national minimum wage is a nationwide plan, which proposes an increase in minimum wages nationally. Will this stimulate an increase in demand and can this be used to offset the higher input costs?

- a. Are the labourers that are employed, amongst the target market of farmers?
- b. Are labourers in other sectors potential customers of farmers?

The following chapter will describe the research methodology used for this study. The aim of the research was to explore the lived experiences of vineyard farmers in lieu of the new national minimum wage so shortly after the farmers went through a agricultural sector wage increase, following massive strike action.

Chapter 4: Research Methodology

This study sought to establish the potential affects the national minimum wage would have on unemployment in the Western Cape table grape industry. The study was a qualitative exploratory study to garner information relating to how the vineyard farmers felt the national minimum wage would affect the industry.

4.1 Research Method

This research was mainly exploratory, as it explored the research questions; however, due to the limited nature of it—in terms of geographical area and participants—no conclusive results could be provided. Such exploratory research formed the platform for larger research studies (Dudovskiy, 2013), and it was envisaged that this topic might be explored further by other researchers. When a small sample group will be interviewed, with the purpose of gaining a deeper insight into the topic, qualitative research is the best method to be used (Denzin & Lincoln, 2011). Qualitative research is concerned with social constructs, values, and ways in which social experiences create meaning and recognise the relationships thereof between people (Saunders & Lewis, 2012). This exploratory research was conducted by means of a direct approach using qualitative case study through in-depth interviews with various vineyard farmers.

Saunders and Lewis (2012) suggested using qualitative exploratory research when seeking to gain a deeper understanding of the research question. As such, generalisation would not be possible and could only be achieved through theorising, as data collection was conducted through open questioning of the farmers, whereafter interpretative analysis was completed on establishing theory (Fick, 2014). There was little empirical evidence on the wine and vineyard industry and seasonal workers in the Western Cape. Vineyard farmers employ a large workforce on unskilled and semi-skilled labourers. The industry creates employment for a large percentage of the labour force in the Western Cape; therefore, the exploratory study into the influence of the national minimum wage was critical for this region. Many of these labourers are paid below the projected minimum wage, and many of these labourers are seasonal workers. The exploratory case study sought to identify the potential influence the national minimum wage would have on this industry.

Exploratory research was conducted by means of a direct approach using qualitative research through in-depth interviews. A qualitative approach was chosen as the research design for this study, as it centered on the understanding of actions and experiences of a specific group of people—in this case vineyard farmers—about a phenomenon—in this study, the possible influence of national minimum wage on vineyard farmers' management of employees (Mitchell & Jolley, 2012). Qualitative research was based on assumptions that aided this study, namely studying individuals in their natural context, exploring how the participants attach meaning to their experiences, contextualising the investigation of the participants' social interaction, and reporting the results in plain language (Hatch, 2002). The researcher planned the study design to be an exploratory qualitative research case study, specifically a single-case with an entrenched units design to be the case studied for the current study (Yin, 2014). A qualitative case study design was suitable because the isolated problem was explored in its natural environment, as suggested by Creswell (2014). Based on these reasons, a qualitative design was appropriate for this study, instead of a quantitative method. Quantitative studies make use of exact numbers and statistics for analysis to answer research questions. An exploratory qualitative single-case study is appropriate when the purpose of the researcher is to investigate an occurrence within the real-life context, such as the implementation of national minimum wage in the vineyard industry of the Western Cape (Yin, 2014). Explorative qualitative research is useful due to its flexibility that allows the researcher to ask follow-up questions when indicated to gain in-depth insights into the participant's lived experiences (Babin & Zikmundt, 2015). Grounded in phenomenology stating that human beings' experiences are subjective and contextual, qualitative research lends itself to conversational research, such as semi-structured in-depth interviews (Babin & Zikmundt, 2015; Yin, 2015).

According to Yin (2014), selecting a research design in a case study depends on the kind of research questions used. Specifically, case study includes questions that emphasise the *how* and *why* of an occurrence; the most suitable research design in case studies are explanatory. Conversely, with questions that focus on *who* and *where* of an occurrence, then the most suitable research design in case study is a descriptive case study. Lastly, for questions that focus on the *what* aspect of an occurrence, the most suitable research design in case study is exploratory. As the research questions of this study focused on the *what* and *how* aspects of the lived experiences of vineyard farm owners and managers in the Western Cape region, a qualitative exploratory case study design was deemed as the most applicable for this study.

4.2 Unit of Analysis

The unit of analysis referred to the physical individual or article that was analysed, namely five vineyard farmers in the Western Cape region of South Africa (Remenyi, 2014). The participants consisted of farm owners, operators, managers, or directors who were directly involved with the farming activities and decision-making pertaining to hiring farmworkers. Each individual was interviewed, and after transcription, data were analysed according to coded themes. Secondary data regarding the business itself were collected via company documents for triangulation to verify and support the findings of the interviews.

4.3 Sampling and Population

The population sample included owners, operators, managers, or directors of farms that produced table grapes in the Western Cape. Ideally the interviewee should have a good understanding of the topic and first-hand experience of the mass action in De Doorns in 2012; therefore, interviewees were sourced from vineyard farms that were not sold or restructured within the last 6 years.

Non-probability sampling is the method of sampling used when access to the full population is not available (Saunders & Lewis, 2012). With consideration to the time constraints, it was unlikely that the full population of table grape farms could be included in the interviews. Therefore, non-probability sampling was used. One such sampling method is purposive sampling. Purposive sampling is where the researcher selects the subject of the interview, as the subject is identified as the person most likely to have sufficient insight into the topic (Saunders & Lewis, 2012). Considering the subject was table grape farms in the Western Cape and the interviewees were the owners, operators, directors, or general managers, purposive sampling was the best method for this research.

For purposive sampling, the researcher develops a set of inclusion criteria that the sample should fit for the purposes of selection (Vehovar, Toepoel, & Steinmetz, 2016). Should there not be enough suitable volunteers to participate, snowball sampling was used to fill the minimum quota of five in-depth interviews. Snowball sampling is the act of using the first or first few subjects to help identify similar subjects who will have sufficient knowledge of the topic for in-depth interview (Saunders & Lewis, 2012).

Persons who are eligible to participate in this study should be the following:

- An owner, operator, general manager, or director of a table grape farm in the Western Cape province.
- The farm should not be sold/bought in the last 6 years (same owner since 2011).
- Be between 30 and 65 years old.
- Proficient in either English or Afrikaans.
- A citizen of South Africa.
- Agree to participate in an interview of between 45 and 60 minutes.
- Agree to be audio-recorded during the interview to enable the researcher to write down replies exactly.
- Agree to read through typed notes at a later date to ensure the correctness thereof.

4.4 Sample

The indicated sample size was at least five in-depth interviews. This number is defined as the minimum sample number required when using in-depth interviews (Guest, Bunce, & Johnson, 2006). Furthermore, the researcher aimed to continue to conduct interviews until such time that saturation point was reached. That was the point where no new trends were identified. This point was expected to be achieved between 5 to 10 in-depth interviews.

4.5 Research Instrument

A semi-structured interview or qualitative research interview is best used when one is unsure of the answers the participant may provide (Saunders & Lewis, 2012). Taking into consideration the research topic and the exploratory nature of the research, a semi-structured, in-depth interview was the measuring instrument used. The interviewee received the questionnaire beforehand to initiate the thought process to facilitate answering the questions. The questionnaire contained probing questions to help guide the interview.

The semi-structured interview questions serve to guide the researcher, thus ensuring that the same questions are put to all participants in the same manner (Yin, 2015). In addition to asking the prepared questions, the researcher may ask follow-up questions

to clarify the interviewee's communicative intent (Babin & Zikmundt, 2016). The questions are essentially open-ended and aim not to lead the participant toward a specific answer. The categories that were covered with the questions included (a) farm activities—farming focused on table grapes only, inclusive of other related industries such as producing dried fruit products, restaurant on the farm, some farmers have cheese making, olives, and so on to complement the main produce; (b) opinion, regarding the national minimum wage and its influence on the farm; (c) influence of the national minimum wage on the larger wine and vineyard farming community; (d) current employee situation and remuneration package; and (e) suggestions about alternatives to manage the new dispensation.

4.6 Data Collection

Semi-structured interviews are best to the collection of rich and in-depth data (Creswell, 2014). To this end, interview sessions were conducted in person at a time and place convenient to the participants. An hour-long interview was scheduled, and the questionnaire sent at least 2 weeks in advance to allow sufficient time to the participants to familiarise themselves with the topic. In-depth interviews are unstructured, therefore lending the opportunity to the interviewee to explore the question deeply (Saunders & Lewis, 2012). The interview was recorded and transcribed after completion; therefore, only participants who agreed to be audio-recorded were included. Rough outline questions with cross referencing, verbal cues, and probing questions were used to gain a deeper understanding depending on the interviewee's response (Tharenou, Donohue, & Cooper, 2007).

The in-depth interviews were conducted with the aim to gain a personal in-depth understanding of an interviewee's perceptions of the subject, experience therein, and knowledge. Interviews also allowed the interviewee to reveal any further information the farmers might have left out in a questionnaire. The primary data consisted of member-checked data collected via the interview process and qualitative analysis thereof. Additionally available official statistics on unemployment figures of farmworkers in the Western Cape were used as triangulation.

4.7 Data Management

All interviews were digitally recorded and transcribed verbatim as soon as possible after the interviews. The researcher made notes during the interview, so-called field notes, which were linked to the transcriptions and used as triangulation (Yin, 2015). The digital audio files were uploaded on the researcher's notebook computer and on a secure Internet cloud to safeguard the data to any loss or corruption. The audio files are password protected.

The reliability of the data depends on the unbiased approach to the questionnaire and the interviewer (Tharenou et al., 2007). This reliability can be double checked by using a triangulation approach and checking against other sources of data (Tharenou et al., 2007). Furthermore, the transcribed interview was sent to the participants to verify that their insights and opinions were correctly documented.

4.8 Data Analysis

The objective of this study was to determine what the vineyard farmers of the Western Cape perceived as the possible influence of the national minimum wage on the farmworkers. A semi-structured interview protocol was developed to collect in-depth and rich descriptions of the participants' perceptions. The researcher performed thematic content analysis to identify consistencies in data and to label themes in the participants' responses. Denzin and Lincoln (2011) asserted that it was important to identify the golden thread between all the interviews, while appreciating the merits of each individual interview. The farms varied in size and the workforce employed on the farms. The questions were posed to the interviewee, and careful consideration of the answer was applied, given the size and position of the farm.

4.8.1 Data preparation

To ensure that transcriptions are verbatim and correct, the researcher completed the transcriptions within 7 days after the interviews, inclusive of verbal and non-verbal responses. After transcribing the data, these were emailed to the respective participants for memberchecking. After the transcriptions were completed and correct, the analysis commenced.

A thematic analysis was performed; for each farmer, the gathered and transcribed data were manually plotted into an Excel spreadsheet matrix, corresponding with the semi-structured questions asked (Yoder, Tol, Reis, & Jong, 2016). The data were condensed by using codes. These codes facilitated comparison and classification of information pertaining to central themes identified, which was then entered into another spreadsheet for content analysis. Memberchecking was completed by asking participants to evaluate the correctness of the findings. Where needed, short discussions took place on different key themes. The results from this feedback were accounted for in the ultimate analysis (Yoder et al., 2016). Atlas ti was used to further decode the interviews.

4.8.2 Coding framework

The semi-structured interview questions were used as a starting point for the analysis. This approach ensured that the researcher considered all the data in the analysis process, performing a comprehensive process (Fick, 2014). The field notes were incorporated with the thematic analysis to determine the most descriptive and concise codes for the recurring themes. During the course of the coding process, the researcher read and reread the data several times and made use of a second opinion to ensure consistency of the coding process. As stated earlier, Microsoft Excel spreadsheets were used to capture the coded material, using participant pseudonyms as identifiers. Excel formulas were used to establish correlations within the results; these were further augmented by the use of Atlas ti.

4.8.3 Conclusions from analysis

Each finding was considered individually, as well as per thematic group. By grouping the findings into groups, different themes were identified. Should there be findings that did not fit into any of the themes, the farmers would be reported independently.

4.9 Ethical Considerations

In collecting data from human subjects, ethical clearance from the ethical committee of the University of Pretoria must be obtained. No interview may be conducted or any contact be made with a possible participant prior to receiving this clearance. According to Leedy and Omrod (2012), the majority of ethical issues center on protecting the participant's identity and privacy, providing protection to harm, and ensuring the

participant's honest opinion. The use of pseudonyms and no reference to farm names or positions were instituted to ensure privacy and protection of the participant's identity. This protection allowed the participant to provide open and honest answers to the semi-structured questions. In addition, participants were informed via the informed consent form and when commencing the interviews that the participants could refrain from answering a question or stop the interview process at any time should the participants wish to. No participant was interviewed without having signed the informed consent form, which was approved by the ethical committee of the University of Pretoria.

4.10 Soundness of the Study

The rigor and quality of research is determined by its credibility, reliability, and validity (Bryman & Bell, 2015). To increase the validity of this study, triangulation was used (Lincoln & Guba, 1985; Polit & Beck, 2010). The triangulation technique ensured the validity and reliability of the data collected by means of the interview protocol for the semi-structured interviews, as valid research protocols are synonymous to collecting reliable data (Polit & Beck, 2010). Reliability refers to the likelihood of getting the same results when repeating the study under the same circumstances (De Massis & Kotlar, 2014). This process occurred by implementing methodological constructs, such as triangulation, member checking, and truth value. Triangulation checks if each important finding has at least three confirmations and assurances that key meanings are not being overlooked (Polit & Beck, 2010). An important advantage of using multiple participants is that the information provided by one participant can be correlated with that provided by other informants to validate the information (Yin, 2015).

4.11 Limitations of the Study

The following limitations have been identified:

- This research design was qualitative exploratory research; the participants' own truth and bias was brought to the fore, as well as that of the researcher (Barbour, 2008).
- Participants might not fully understand the questions posed.
- Participants might choose to reply according to what the participants perceive to be acceptable and not reveal their true perceptions of the topic.
- A small sample was used, which might not be representative of the vineyard

farmers in the Western Cape and could influence the responses.

- Other limitations might include the time constraint and the failure to achieve saturation in results.

The next chapter will provide the results of the study.

Chapter 5: Results

Chapter 5 of the study contains the analyses of the two sources of data with the aim of addressing the three research questions of the study. The purpose of the research study was to explore the potential influence of the proposed National Minimum Wages might have on the agricultural sector, in general, and the employment rates, in particular. The specific purpose of this research was to determine the potential influence of the national minimum wage on the agricultural sector with specific reference to the possible unemployment of farmworkers. The main data source of the study was the interviews, while documents were also analysed to cross-analyse the content of the two sets of data. A qualitative thematic analysis was employed to analyse the interviews with the five participants who were owners, operators, managers, or directors of farms that produced table grapes in the Western Cape. In addition, documents were also carefully analysed to understand better the results of the interviews. NVivo11 by QSR aided in the coding and methodical tabulation of the themes from the data. The three research questions that guided the researcher in completing the study, were the following:

Research Question 1: How will the national minimum wage affect the employment practices of farmers in the Western Cape vineyards?

- a. Are there current fringe benefits that will be adjusted?
- b. Will there be a change in working schedules?

Research Question 2: Will there be a change in employment statistics in the region following the introduction of an national minimum wage?

- a. Will farmers be able to employ higher skilled labour?
- b. Will farmers employ less labour?

Research Question 3: The proposed national minimum wage is a nationwide plan, which proposes an increase in minimum wages nationally. Will this stimulate an increase in demand and can this be used to offset the higher input costs?

- a. Are the labourers that are employed, amongst the target market of farmers?
- b. Are labourers in other sectors potential customers of farmers?

5.1 Data Sources

Data analysed included interviews and documents. Overall, five participants were interviewed for the study. These participants had firsthand knowledge and experiences on the influence of the proposed national minimum wage on the employment of the workers. In addition, five documents on the effects of minimum wages under various circumstances were also reviewed. The next sections contain the results of the analyses.

5.2 Results of the Interview Analysis

Interviews were analysed using the qualitative thematic analysis approach. The analysis generated a total of 11 themes, all addressing the three research and subresearch questions of the study. It must be noted that the *major themes* of the study were the themes that received the most number of references from the analysis. Meanwhile, the *minor themes* were the ones that received fewer references and were the other significant perceptions and experiences of the participants. Subthemes were also reported, which were the more detailed illustrations of the *parent themes* or the major and minor themes.

5.2.1 General findings

After the analysis of the interviews, it was discovered that the sectoral minimum wage affected the employment practices of farmers in the Western Cape Vineyards. When asked about the effect of the national minimum wage on the current fringe benefits, participants indicated the need to conduct a further evaluation of the effects of the latest amendment from a sectoral minimum wage to a national minimum wage and the modifications that might need to be implemented. However, the participants identified that work schedules might also be affected, but the focus was on sorting out the best workers to maximize productivity. With the second research question, participants agreed that there was a foreseen change in employment statistics in the region following the introduction of the national minimum wage. Participants shared in the interviews that instead of hiring higher-skilled workers, the participants encouraged current workers to improve their skills and become more productive. Furthermore, participants admitted to employing less labour from both permanent and seasonal workers due to the implementation of the sectoral minimum wage. Finally, participants believed that the national minimum wage did not stimulate an increase in demand to offset the higher input costs; instead, participants supposed that labourers were not

considered as the target market, even with the minimum wage increase, due to the perception that table grapes were considered luxury goods in South Africa, and the lack of employment also led to the reduction of spending money.

5.2.2 Results research question 1: How will the national minimum wage affect the employment practices of farmers in the Western Cape vineyards?

The first research question of the study asked how the national minimum wage would affect the employment practices of farmers in the Western Cape vineyards. Another two subquestions were asked, as well: Are there current fringe benefits that will be adjusted, and will there be a change in working schedules? From the thematic analysis, 10 themes were then determined. The first subquestion generated five themes, while the second subquestion had an additional five themes. Table 2 contains the findings addressing the first research question.

Table 2. *Breakdown of themes addressing RQ1*

Sub-Questions	Themes	Number of References	Percentage of References
A. Are there current fringe benefits that will be adjusted?	Needing to conduct a further evaluation of the effects of the latest national minimum wage proposal on the fringe benefits	3	60%
	Looking to improve benefits even more, depending on the productivity and performance of workers	2	40%
B. Will there be a change in working schedules?	Needing to sort out the best workers to maximize productivity	4	80%
	Working schedule should remain the same	1	20%

A. Are there current fringe benefits that will be adjusted?

The first subresearch question asked if the current fringe benefits provided by the employers would be adjusted due to the increased minimum wage. It was then discovered that the farm owners and the managers believed in the need to conduct a

further evaluation of the effects of the latest national minimum wage proposal on the fringe benefits. Three of the five participants believed that the effect on the fringe benefits would need to be assessed or evaluated before determining the probable changes. Meanwhile, one minor theme emerged; the other two participants indicated that the participants even considered improving the benefits more, depending on the productivity and performance of workers.

Major Theme 1: Needing to conduct a further evaluation of the effects of the latest national minimum wage proposal on the fringe benefits.

The first major theme from the interviews was the need to conduct a further evaluation of the effects of the latest national minimum wage proposal on the fringe benefits. Three of the five participants shared this perception. Participants believed that the effects have yet to be identified, pending the minimum wage increase; from there, the participants would regulate if certain benefits would be eliminated. For Participant 1, the 2012 wage increase did not affect the subsidies provided to the workers. Transportation, electricity, housing, and clothing were some of the benefits offered, even until today. However, the participant admitted that with the next wage increase, there was a need to study and review the effects of the proposal:

Ja. Fringe benefits with regard to transport – no, it wasn't taken away. We still supply free transport, we still supply transport to and from crèches when needed, we supply transport to the doctors, we pay the doctors upfront and then just deduct it from their pay. There is nothing we actually have changed. Electricity was still subsidised, we did not ask any money for housing, water is still free, clothing I still give them. Nothing was taken away.

I honestly don't know. I think we would have to look into it, we would definitely have to look into it.

Participant 2 added that some of the benefits that were previously offered have already been reduced, little-by-little. The participant then shared how costs have to be cut to balance the financials. Finally, Participant 2 noted that once the wages increased, there would be a need to review and modify the benefits again:

And your permanent workers stay on the farm, they get a house, transport, water and there is a crèche for the children, while your seasonal workers come in from town, so you only pay them wages and transport to the farm.

In the past they had a free housie, free electricity, free water – everything. Now they only have a free housie, they must pay for their own electricity, water is still free. In the past we would send them to Worcester for shopping, now it is only once a month. Stuff like that. Somewhere you must cut your costs also. And when the minimum wages go up you will go and check again and alter benefits that they have.

Participant 4 shared the different benefits that were provided to the workers. The participant expressed that currently, the following were offered: housing, transportation, and medical aid benefits. However, the participants also started to manage costs more effectively, given the impending increase on the wages:

There is now housing at this stage, but we still give transport to the doctor, so free transport. We still give weekend transport in order for them to go and do their shopping, Friday afternoons after work, they then do their shopping in town and then the truck takes them home. So yes, there is still that, we still give them medical aid, that we deduct from their salaries and if we see it is a little bit much we don't deduct it all at once then we split it over two weeks. So yes, there are still a lot of advantages.

Obviously, one would have to look at it and you will probably manage it more effectively and say may there will only be transport on a Tuesday and Friday to go to the doctor. Many times the vehicle is running four days a week, it is quite close, you have seen how close it is but if you have to start being sensitive then you will say okay there will only be transport once a week or every fourteen days... so I suppose there will be, I have not thought about it because I don't believe it will be required but if it should be it might have a possible influence on these type of things and that you would need to start saving on that.

Minor Theme 1: Looking to improve benefits even more, depending on the productivity and performance of workers. The first minor theme that followed was the perception that the employers were looking to improving the benefits, even with the approaching wage increase. However, participants emphasised the need for the workers' dedication for productivity and improved performance. Two of the five participants shared the theme. According to Participant 3, provision of various fringe benefits started in 2011 and have since worked to improve these each year. The participant shared that the goal of the farm was to provide for the employees or workers continuously. With the impending

wage increase, the participant expressed that the workers must show dedication to improve skills to retain the current benefits and more so, their jobs.

Okay first answer, most of these fringe benefits, the crèche, the clinic, the social worker we've got, we've got a lot of projects. They make their beginning in 2011, 2012 and they get upgraded every year. But the answer is no we will not take any of the benefits away, we will actually try and do more for our people. That is the goal of this farm.

On your second question, where will we start cutting or taking away to stay within the budget? I think with the people that are not productive, they will go first for sure. Then attitude and all that, you can have an excellent worker with a bad attitude don't need it. So, skills, skills will stay, if you are a skilled worker you will always have a good job here. So, I don't think we will necessarily just like retrench, say we cut twenty-five percent, we are going to try and avoid that for as long as possible, that is the last resort, actually when you have reached that point I think you are with your back against the wall big time, when you start retrenching. We are here to make money if I can answer you in that way, but we don't want to put it in the bank necessarily and have this big bank balance, that is not why we farm, we are actually just turning money, investing it back into our people and the next crop, same routine next year but we have got to top that.

Participant 5 also shared a personal experience, where the participant tried to educate and train the workers. However, from the recent wage increase, it was found that most of the workers would rather go to work for just two days and stay home on the other days. The participant then explained that the benefits were always available and accessible, and it was the workers' work ethics and behaviours that must be improved:

Two days, they are going to work two days, Wednesday/Thursday maybe or maybe Tuesday/Wednesday. There is not a working culture in them, it is not like the Germans that said okay we are going to build this country there is nothing of that, it is what is in it for me, do I have enough for tomorrow yes, but the kids are suffering. So that is why I am trying to invest in a school after their school because even the discipline in school is hopeless. I invested money, I went to the school and I said we need to have a rugby field because they need to play and need to have like we used to have.

We had PT and you had to take your PT kit with your little t-shirt or whatever, but you played rugby or cricket or whatever. So, I decided I've got a piece of land next to the school and I spent about R40000 levelling the land, I gave them everything, I had almost eight meeting with the ministers, I had the contract of giving them the land for R1 for 99 years hiring contract, I had everything done, I had clipboards with everything done with a pen and all they had to do was sign. They didn't want to sign because they are not going to play rugby in the afternoons because the teachers they work from eight until one nothing more.

B. Will there be a change in working schedules?

The second subresearch question focused on the change in the working schedules of the workers. Under the second subresearch question, two themes emerged. The majority of the participants reported that there would be a need to sort out the best workers to maximise productivity and working schedules. Meanwhile, only one minor theme emerged that revealed that the working schedules should just be the same even with the wage increases.

Major Theme 2: Needing to sort out the best workers to maximize productivity.

The second major theme formed was the finding that there was a need to sort out the best workers and maximize the effectiveness and productivity. For 4 of the 5 participants, the work schedule might not be affected if the employers could choose and retain the most productive workers. Participant 2 simply stated that sustaining the best employees might be the answer to the changes brought by the wage increase: "That's right. You sort out so that you only have the best." Participant 3 added that skilled workers have the advantage. For Participant 3, the increase in wages and the impending changes in work schedule could be balanced by retaining the most skillful workers of the farm:

So, skills, skills will stay, if you are a skilled worker you will always have a good job here. So, I don't think we will necessarily just like retrench, say we cut twenty five percent, we are going to try and avoid that for as long as possible, that is the last resort, actually when you have reached that point I think you are with your back against the wall big time, when you start retrenching. We are here to make money if I can answer you in that way, but we don't want to put it in the bank necessarily and have this big bank balance, that is not why we farm, we are actually just turning money, investing it back into our people and the next crop, same routine next year but we have got to top that.

Participant 4 believed that lifting the productivity through the skilled workers was one way of mitigating or offsetting the wage increases and other changes in policies and practices. For Participant 4, lifting the productivity should also pertain to compensating the workers better; more hours could mean to better pay and incentives:

You know we are always trying to, really try to lift that productivity and we try with less workers...yes, we are constantly working on increasing our productivity and just by doing that we try to connect compensation to that and productivity, compensation it all runs hand in hand. I suggested that in order to get them more productive you have to compensate the team that you have more productively so...

Finally, Participant 5 reported that the 2012 wage increase led to the realisation that farms could survive, even with fewer workers and labourers. The participant expressed that the farm owners and managers must work to determine the best practices, policies, and even scheduling to maximise the resources.

So, everybody realised well you can with less labour. So, I think this will be just another testing period of saying okay what else can we do to get through with less labour. So that's going to be the challenge and long term it is going to be about varieties that are easy to grow and that kind of stuff or it will be about water scheduling, we are completely lot of stuff that is going to change when this minimum wage will be imposed on us, but a lot of people will definitely lose their job, definitely.

Minor Theme 1: Working schedule should remain the same. The first and only minor theme discussed that the working schedule should remain the same. Only one participant believed that the working schedule of the workers would be retained. Given that the theme only received just one reference, further research should be conducted to authenticate the credibility of said finding. For Participant 1, the nature of the farming business did not necessarily require a change in working schedule, as it was “a farm and not a production unit.” The participant then explained:

No, it depends, but *ja*, November to January is now your manipulation time where you prune and that sort of thing, but then there are fewer who come to you. And then from January to the end of March/middle of April, is your packing season. And that's when we have the most people. I suppose there are areas that you can improve but I mean it is still a farm, it is not a production unit.

5.2.3 Results on research question 2: Will there be a change in employment statistics in the region following the introduction of a national minimum wage?

The second research question asked if there would be a change in employment statistics in the region following the introduction of a national minimum wage. Again, two subquestions were introduced, which aimed to address the employment of higher skilled and labour and the actual reduction of less or fewer labourers. From the thematic analysis of the interviews, it was identified that all participants encouraged current workers to improve their skills to become more productive. Meanwhile, the majority of the participants also admitted that there would be a decrease in employment of both permanent and seasonal workers. Table 3 contains the findings addressing the second research question of the study.

Table 3. *Breakdown of themes addressing RQ2*

Sub-Questions	Themes	Number of References	Percentage of References
A. Will farmers be able to employ higher skilled labour?	Encouraging current workers to improve their skills and become more productive	5	100%
B. Will farmers employ less labour	Employing less labour from both permanent and seasonal workers	5	100%
	Retaining only the most productive and effective workers	3	60%
	Employing less labour, considering investing in equipment and machines	2	40%

A. Will farmers be able to employ higher skilled labour?

The analysis of the first subresearch question resulted in the finding that current owners and managers of the farms are encouraging the current farm workers to improve their skills for better productivity and effectiveness. All five participants identified this major theme. For the five participants, instead of employing higher skilled labour, it was best to retain, train, and develop the workers' skills and capabilities for better performance.

Major Theme 3: Encouraging current workers to improve their skills and become more productive. From the interviews, participants identified that higher skilled labour might be developed and acquired from their own farms. All five participants explained that given the higher wages and as the lower-skilled employees leave, the participants were not inclined to replace these, but maximized the capabilities of the more proficient workers instead. Participant 1 shared that skilled workers were always paid more. However, with the impending wage increases, farm owners were forced to not replace workers who decided to leave; instead, the current workers would be maximized:

Actually not – no. The seasonal as well as your permanent work force, they actually are paid the same; it is just your skilled workers like your tractor drivers and your irrigation, that do pay more.

Yes. And your permanent work force is getting smaller and smaller due to the fact that you can't keep people permanently in your employment because the wages are just too expensive. It used to be 2 people per hectare to do one farm, with permanent sectors. But because the fact that they changed the *sektorale vasstelling* (sectoral determination) or the minimum wage, people were forced to, that as the people go away, you don't employ new people and you just use them on a when you need them basis.

Participant 2 added that the farm practices and processes were improved by hiring a technical manager. Since then, the manager instilled better productivity and performance evaluations of current workers. By doing so, the increased wages were maximized:

We employed a technical manager this year, he is an ex farm manager, and on all three farms.... Okay what we try is to farm all three farms the same way. It is easier to measure the costs then. And he is now trying to get the people more productive and he is trying to sift and replace, where he measures them every day and they get a point. So, we try and show them, if there is a better wage, we will say come and see, you never waited.

Participant 3 stated that skills of the workers played a vital role in the owners' employment decision. For this participant, skilled workers would always have a job available. The participant also added the importance of investing in the people currently working on the farms in terms of training and education:

So, skills, skills will stay, if you are a skilled worker you will always have a good job here. So, I don't think we will necessarily just like retrench, say we cut twenty-five percent, we are going to try and avoid that for as long as possible, that is the last resort, actually when you have reached that point I think you are with your back against the wall big time, when you start retrenching. We are here to make money if I can answer you in that way, but we don't want to put it in the bank necessarily and have this big bank balance, that is not why we farm, we are actually just turning money, investing it back into our people and the next crop, same routine next year but we have got to top that.

Participant 4 believed that the wage of the workers was always highly based on the output and performance that the worker provided to employers, saying the following:

I will get a system with, no matter what is wage will be we will just go back to the earnings based on the output he gives. But I think what is really bad with the minimum wage, every time they implement it a lot of people are dropped along the way and they become unemployed.

Lastly, Participant 5 believed in the need to observe and evaluate the skills of the current workers carefully. Farm owners and managers must ensure that the workers retained have the skills and capabilities that would provide optimum results and outcomes for the company, saying the following:

In our case what we normally do measured all the people working and the slower guys we make very sure why they are working sure, is it older people, is the equipment that they are using not sharp enough or good enough, but after three weeks if we see that they are young and strong, but they can't keep up with rest we have to say sorry we have to put in new ones. So sometimes older people are losing their job because they are slower, but they actually do a very good job, they prune more specific where the youngsters tend to ... and we go for a lot of piece work. So, they tend to go for the money and you've got to keep a bloody good eye on them, but in many cases, some of these older people are better, but because everything is getting measured you lose some of those people because they can't give up it's just the speed is just too high at the end.

B. Will farmers employ less labour?

The second subresearch question asked: Will the farmers employ less labour, given the impending increase in the national minimum wage. From the analysis, it was discovered that indeed farm owners and managers foresaw that less labour from both permanent and seasonal workers would be employed. Two other minor themes were generated that discussed the participants planned to retain only the most productive and effective workers by employing less labour, where farmers considered investing in equipment and machines.

Major Theme 4: Employing less labour from both permanent and seasonal workers. The fourth major theme of the study revealed that participants could foresee employing less labour from both permanent and seasonal workers. All five participants found that the previous sectoral minimum wage and the impending increase hindered the farmers from employing more seasonal workers. Participant 1 stated that with the national minimum wage, there might be a need to modify the employment of the workers, saying, “Look, we always kept the seasonal workers on longer and then they could do work, such as ploughing or that sort of thing – but you can’t do it anymore because you can’t afford it anymore.” Participant 2 added that with the inability to increase the prices of the products, there was no other choice but to reduce the costs. The participant added that one of the biggest input costs was labour; thus, this aspect was the main factor affected by the national minimum wage:

We have discussed it, the cost effect it will have because your prices are not going up for your grapes, the prices are stabilized... And your input costs you try to bring down and one of the biggest costs is labour. So, you will look at the costs on your farm and get the best people to keep, so you cut your jobs, you cut your labour.

Seasonal and permanent. You will not lay off your permanent workers, but as they leave you will not replace them. [And the seasonal?] You will cut them, you will have to, there is no choice. You must cut the seasonal workers.

Meanwhile, Participant 3 explained that the market would not pay more. Therefore, farmers and owners might need to find other methods to reduce costs and accommodate the implementation of the national minimum wage. The participant also added that the employment cut did not only affect the farms and workers, but might also lead to an increase in the crimes around the community:

If I could afford to pay more or if I was forced to pay more, it's different, there is a big difference, if I get forced with like a strike or union or next year, then you need to cut because the market is not going to pay us more.

Unfortunately, it is going to be like that 2012, I will take an example now, we had our troubles on the farm, incidences, a lot of fist fighting, stones, bakkies, vehicles get windows thrown out, all that stuff and we employed nine security guards. It's costing the company an extra seventy thousand bucks a month for security, that is almost a million bucks a year, unfortunately we need to employ people to secure our property and all that and it is costing us money, it is not only the minimum wage, there is a lot of other stuff as well, the crime in the country, where does the crime come from? People sitting at their houses, not having a job.

Participant 4 echoed that dismissing workers had already started in 2012 with the initial implementation of the sectoral minimum wage. The participant then added how such action led to more negative effects within the community, saying the following:

But I think what is really bad with the minimum wage, every time they implement it a lot of people are dropped along the way and they become unemployed. The thefts increase, the goodwill becomes a lot less. I mean where I would sometimes meet someone next to the road and he will say, "Oh sir, I can do anything," and I will say, "Oh, just come in and pick up papers or clean up a bit, and then I will pay you." So, that will not happen anymore. Now, you employ a qualified gardener where you would previously use a disabled guy, and say, "Oh well, that is my goodwill," so [you] let it go.

Finally, Participant 5 simply emphasized: "So, there is a lot of stuff that is going to change when this minimum wage will be imposed on us, but a lot of people will definitely lose their job, definitely."

Minor Theme 1: Retaining only the most productive and effective workers. The first minor theme that emerged was the finding that farm owners believed that retaining only the most productive and effective workers should be considered to balance the costs from the impending national minimum wage. Three of the five participants found that the national minimum wage would force the farm owners and managers to evaluate the performances of the workers carefully to determine the workers' value to the farms. Participant 2 stated the need to focus on the productivity of the workers, retaining the best and laying off those who were not contributing to the system: "It will be more

productive than in the past with that system. There are a lot of people that are only hanging around, but you cannot lay them off because you need them, but if you have a system.” Participant 5 echoed that farm owners must know how to balance the employees, mainly looking at appropriate skills and capabilities. The participant shared the following:

I think it would be both, it is going to be both, what we try to do on these farms is to get say 20 people, 10 young, not always young, but 10 good men and 10 good women. We would prefer them to be living together or married. So, our whole thing is now to get the young ... so, what I know is going to happen eventually, we will have to share the farms, that's where it's going to. So, what we are thinking are the partners I am going to have if they are going to be my partners because I won't get any more water, certain things will be held from me because I am not a BEE programme. So, I need to identify these people and start educating them to be my son's partners within the next 10 or 15 years.

Minor Theme 2: Employing less labour, considering investing in equipment and machines. The second minor theme that emerged was the finding that the participants were employing less labour and considering investing in equipment and machines. Two of the five participants shared how the wage increase might lead to the employment of less labour, where the farm owners would rather invest money on long-term resources, such as equipment and machines. Participant 1 explained how mechanisation required less labour and could be a considerable alternative, given the impending national minimum wage:

You know if you are going to get it to work, it is going to make no difference. Because you still need to put that money out, you still need the same number of people. Then, you must go and look at mechanization in the packing store so that you need less personnel... It will definitely be less. [From 500] I would say about 300.

Participant 2 added that farm owners must manage costs effectively, thus the decision to employ less labour. The participant gave an example:

The machine fold carton is cheaper than your hand folded carton... And if you take the cost of machine folded cartons and compare it to have a guy to fold the hand folded carton, it is still cheaper to have the machine folded carton... That's it. Look you have to manage your costs, it is part of it.

5.2.4 Results on research question 3: The proposed national minimum wage is a nationwide plan, which proposes an increase in minimum wages nationally. Will this stimulate an increase in demand and can this be used to offset the higher input costs?

The third research question asked if the proposed national minimum wage, as a nationwide plan, would stimulate an increase in demands and if it could also be used to offset higher input costs. Again, two subresearch questions were asked: Are the labourers that are employed, amongst the target market of farmers, and are labourers in other sectors potential customers of farmers? Upon analysis, only one major theme was generated. All the participants believed that the national minimum wage would not increase the demands on table grapes and would also not offset the higher input costs. This opinion was because the participants did not consider the labourers as the target market, despite the increase in the minimum wages. The participants explained that there remained a perception that table grapes were considered luxury goods in South Africa, and the lack of employment leading to less money and crimes was another factor. Table 4 contains the findings addressing the final research question.

Table 4. *Breakdown of themes addressing RQ3*

Subquestions	Themes	Number of References	Percentage of References
A and B. Are the labourers that are employed, amongst the target market of farmers? Are labourers in other sectors potential customers of farmers?	Not considering the labourers as the target market even with the minimum wage increase <i>**Perceiving table grapes as luxury goods in South Africa</i> <i>**Lack of employment leading to less money and crimes</i>	5	100%

***Note: Subtheme/s*

Major Theme 5: Not considering the labourers as the target market even with the minimum wage increase. The fifth major theme of the study discussed the participants' perception that labourers were not considered the target market for table grapes, despite the increase in the wages. Two key reasons were revealed. First, the perception included that table grapes were seen as luxury goods in South Africa made; second, the perception included the effect of the lack of employment brought by the increase in the minimum wage. All five participants reported this major theme.

Subtheme 1: Perceiving table grapes as luxury goods in South Africa. For 4 of the 5 participants, table grapes were considered expensive by most of the locals. The participants explained that locals who earned minimum wage would not buy table grapes but would rather allot their hard-earned money on other needs and commodities. Participant 1 even posited, "No. [Grapes, still considered as luxury] Why would they buy it when they can just get it out the ground? [They would rather steal] Yes." Meanwhile, Participant 3 expressed that labourers were not considered the target market for table grapes. For this participant, grapes were not part of the staple diet of the locals, saying the following:

I don't think they are going to buy grapes. It's not the guy that earns four and a half thousand rand a month that is going to buy grapes; it's the guy that earns twenty thousand and thirty thousand and forty thousand bucks. Grape is not a... [It's a luxury item; it's not a staple diet] So, to answer you I think, where is the money going to come from to pay this four and a half thousand bucks. If it comes from the UK retailers into the farmer's pocket, so that he can pay more, is that going to happen, I don't think so? So, *ja*, there are going to be people that sit without work; there are going to be a lot of people that are going to be without work now throughout the industry.

Participant 4 shared that from his observation, labourers did not look to consume expensive fruits for healthy eating habits. Instead, the workers would rather purchase more affordable products for their food menus. In addition, grapes were again highlighted as luxury products:

Sorry for that, but the truth of the matter is that these guys are not looking at healthy eating habits, they, I can't generalise but a large portion of them are not looking at purchasing fresh fruit and vegetables; they will survive on the breadline, please understand this carefully, I am talking about in general from

what I can observe out there, a lot of the people, you can walk in to their homes right now, and they will always have everything, from TV to... they will have everything, and they are on a completely different level, but if you talk about in general then not a chance... Yes, it is a luxury item through and through.

Finally, Participant 5 shared that grapes were again considered luxury products for the labourers. Meanwhile, quality was another issue, and Participant 5 gave an example:

No, it's a super luxury for them, so you can get rid of a very low class of grape, which they do with the Indian guys they come in, and after we have harvested the vineyard, you've got this small little dips and bits; they put that in boxes and they sell it on the street corners. They make it look nice and put it in a bag, and it's not too bad, but it is really not the quality that you have in the supermarkets or in the normal markets.

Subtheme 2: Lack of employment leading to less money and crimes. Another subtheme that emerged was the effect of the lack of employment brought by the proposed national minimum wage, also leading to the lack of spending money and the increase of crime. Two of the five participants found that labourers were not considered the target market, as with the sectoral minimum wage, employment decreased, which also led to the reduction of spending money and even the increase of crime-rates. Participant 1 related the lack of employment of the labourers due to the national minimum wage increase to the inability of the workers to gain more income to spend on food and other needs:

And where we would normally help them, like the seasonal workers – we kept them busy till June, when everybody took a holiday – then you keep them busy with 'rake this here, and make this pretty, and that sort of thing'. Now it is sorry, there is no more work. It is two months that they lose!

And as a result of the family not getting those two months' income, it means the crime rate goes up, and that is where the vicious circle comes in.

Furthermore, Participant 2 added that tourists in South Africa were the targets and not the labourers earning a minimum wage. The participant explained that these individuals might have other priorities that needed to be purchased before table grapes, sharing the following:

Look, one of our biggest open markets now is Africa. The rest of Africa. But that is also a lot of people with a lot of money, it is not your jobless or unemployed guy who buys grapes. It is more your tourists and your hotels and stuff that buy the grapes. But with a R4500 minimum wage, there is something else that the people will buy before they start buying grapes – cars, better housing – first, he will try to get a better lifestyle.

And they can say what they want: I say give more people... a town like De Doorns, if the minimum wages come in, more than a 1/3 of the people will be jobless, will be unemployed. And we have already high unemployment figures here. So, it will double up. So that is my opinion, and a lot of our farmers think the same. If you keep the wages as they are now in the agricultural sector, you will have more people who earn something at a certain time of the year, so your business in town will still survive. But when the minimum wages come in, how many people will have money to spend in town?

5.3 Results of the Document Analysis

The researcher reviewed and analysed five documents, which all discussed the effects of the national minimum wage on the employers, employees, and the economy. The first document analysed was entitled *Minimum wage increases, wages, and low-wage employment: Evidence from Seattle* by Jardin et al. (2017). The research study was conducted with the aim of determining and evaluating the effects of two consecutive substantial local minimum wage increases in the City of Seattle, Washington, United States of America. The study focused on the Seattle Minimum Wage Ordinance, which had two phases. The first phase called for the increase of the minimum wage from \$9.47 to \$11 per hour in 2015 and another \$2 from \$11 to \$13 in 2016. It must be noted that the increase in 2016 occurred within just 9 months after the 2015 implementation of the change in wage/s. It was discovered from the report that the first round of wage increases did not have much of an effect on the overall employment rates. Upon further exploration, the researcher determined that the influence of raising the minimum wage highly depended on the “starting point” (Jardin et al., 2017, p. 37). The authors explained that as Seattle started from the “highest state minimum wage”, the effects differed severely from the first phase to the second phase of implementation (p. 37). The researcher also indicated that the business owners deemed that the work of least-paid workers could be performed better by more qualified and experienced workers, ones who were suitable to receive higher wages. Furthermore, the researchers found that in certain circumstances,

employers found that the work of such workers were not needed at all in their businesses; given the substantial increase in the minimum wages (p. 36).

The second document was entitled *Setting Minimum Wages in South Africa* by Nattrass and Seekings (2015). According to Nattrass and Seekings (2015), the minimum wages in South Africa have varying factors and effects to the different sectors and industries in the country. In general, the authors reported that the greatest influence of a large-scale increase in minimum wage was felt by smaller companies who mostly employed lower-skilled workers. The authors found that higher wages could lead to fewer work-hours and sometimes, even job losses. In relation to the current study, Nattrass and Seekings confirmed that the agricultural sector would greatly suffer from the national minimum wage implementation. These authors then called for additional support and formal policies that would prevent further negative effects on the workers from the said sector or industry once the other phase of the national minimum wage was implemented.

The third document analysed was a report by Patton (2015) entitled *Roses and Thorns in the Vineyards: From Business Day*. Patton's (2015) report focused on the effects of the implementation of the national minimum wage from 2012 to 2013. The report contained firsthand experiences of the workers who were heavily affected by the implemented wage increase. The author explained that the drastic change was not observed immediately after the implementation of the wage increase in 2012. However, 2 years later, employers and workers noticed the substantial transformation where fields had fewer people and labourers worked for fewer hours, as well. Similar to the current study, Patton (2015) also provided pieces of evidence on how the employment of less-skilled workers decreased and the work schedule needed to be modified.

The fourth document was a 2015 report on the macro-economic influence of the wine industry on the South African economy (also with reference to the Impacts on the Western Cape): South African wine industry information and systems (SAWIS). The fourth document contained a full report, while the fifth document was the press release by the De Kock Communications for the SAWIS. The fourth document reviewed contained the accounts on the influence of the wine industry on the South-African economy in 2015. Although the paper contained little information on the effect of the National Minimum Wage implementation, further analysis uncovered another decrease in employment figures from 2008 to 2013. Similar to the previously reviewed reports, unskilled employment saw a decline, as well. In this case, the report stated that the decrease could be attributed to the lack of need for unskilled labour and replacement of

machines or equipment. However, the press release report by De Kock Communications, also in 2015, explained that the decrease in the employment of unskilled labour was due to the development of the skills of the workers and the desire to increase productivity through the acquisition of more machines and equipment.

5.4 Conclusion and Findings

Data from the interviews centered on the participants' firsthand perceptions and experiences of the effects of the national minimum wage on the South African vineyard industry, while the documents provided a more general view of the most common influences of the national minimum wage under different contexts and situations. The two sets of data had varying results. Interviews revealed the strong belief of the farm owners and managers of vineyards that the national minimum wage would heavily affect the process and practices of the businesses especially in terms of labour management. This opinion was due to the fact that employers foresaw that the impending national minimum wage would leave the owners with the burden of adjusting to the new costs without being able to increase the product costs. Therefore, participants of the study indicated that there would be a lessening of the employment of the labourers and workers to minimise the costs and adhere to the proposed national minimum wage. Therefore, maximising of the current resources would be one way to achieve this—examples included relying on machines and other equipment and the training and development of the current workers. With the participants' beliefs that the national minimum wage would lead to unemployment, especially to those workers whose skills were not up to par with the other labourers, came the concern of what would happen to those workers who were left unemployed. The participants reported that the table grape industry would not acquire a new target market in the future. As claimed in other studies, the increase in the national minimum wage would also lead to an increase in peoples' spending money; in the case of the participants, there was a belief that the increase of unemployment would have a much greater influence. The participants identified that labourers were not the target market of the farms, as these workers still have other expenses to prioritise. Furthermore, the participants also believed that unemployment would lead to the lack of the labourers' spending money and the probability of committing theft and other crimes to provide for their families.

Farmers in De Doorns largely export their produce to Europe, North America, and Asia. Farmers compete against other countries, such as Spain, Mexico, Chile, and the United States, for customers and sales. Prices paid by customers, which is represented by large

supermarket chains and food wholesalers, have remained static for years, and any increase in input costs cannot be passed onto the customer. The customer has the ability to dictate the price and from which supplier and country of choice it wishes to purchase produce. In addition, one farmer highlighted in the interview how, following the sectoral minimum wage increase in 2012, labour was now the single largest input cost on the income statement.

One document reviewed provided a different approach or view on the decline of employment unskilled workers from 2008 to 2013. The report in 2015 by the Connigarth Economists on the South African Wine Industry indicated that the decline in employment was due to workers' improvement of skills leading to better roles and the acquisition of machines and technological equipment. The two factors were also reported in the interviews where the farm owners and managers emphasised the need to continuously improve the skills of the workers and the possibility of slowly considering the use of machines in the packaging stages. Meanwhile, another document by Jardin et al. (2017) identified that the effects of the national minimum wage might depend on the manner of implementation and the "starting point" (p. 37) of the proposed increase. This finding might also be applied to the current study, as it was observed in the interviews that the participants did not experience extreme changes in the first wave or phase of the 2012 to 2013 national minimum wage increase in South Africa. Participants shared that there was still an ability to maintain the fringe benefits offered to the workers and that full compensation fully based on the skills and performances of workers was currently still possible. However, the impending national minimum wage implementation has led to the uncertainty of the participants whether the said benefits could still be provided to the workers in the future. In addition, the participants were convinced that the national minimum wage would lead to unemployment, given the inability to retain much of the seasonal employees after another increase. The other two documents, reviewed by Natras and Seekings (2016) and Patton (2015), provided concrete pieces of evidence on the effect of the national minimum wage in the agricultural industry of South Africa. More specially, Patton (2015) provided a similar report on how the 2012 sectoral minimum wage increase already drastically affected the farms and workers in South Africa, whereas the current interviews also substantiated the fact that the national minimum wage would have a direct influence on the employment statistics in the near future and that the reduction of labour was the answer to the impending additional costs brought by the national minimum wage.

Chapter 6: Discussion of Results

In this chapter the results will be discussed following the same sequence as in Chapter 5.

6.1 Discussion of Results

The Western Cape agricultural industry employs a large labour workforce. Of the 810,000 workers employed nationally in the 3rd quarter of 2017, 159,000 were from the Western Cape (StatsSA, 2017). With the increase in urbanisation and population growth, demand on Africa's food production will continue to grow up to the year 2030 and beyond (Adenle et al., 2016). According to the World Bank, 45% of the world's agricultural land resides in Africa (Byerlee et al., 2013).

Against this backdrop, the proposed higher national minimum wages in the agricultural sector raises concerns for the future of agriculture in South Africa. Specifically, this research aimed to establish the affect a national minimum wage would have on the agricultural industry to consider the potential unemployment in the Western Cape vineyard industry.

In this explorative qualitative study, interviews were conducted with five participants who were either farm owners or managers of table grape farms in the De Doorns area. The participants represented a small sample, and the results of this explorative study could not be extended to all wine and vineyard farmers in the Western Cape. The results did offer initial indications of how the participants intended to manage the influence of the national minimum wage.

6.1.1 General findings

The data analysis indicated that the national minimum wage affected the employment practices of farmers in the Western Cape Vineyards. Previous studies on minimum wages and unemployment did not find a significant influence; in some cases, employment even increased, as was the case in the New Jersey fast food industry study of Card and Krueger (1994). The bulk of extant studies were performed in developed countries focusing on different industries, and the percentage minimum wage raise was against the backdrop of an already high median wage. Furthermore, unemployment figures in these countries are low, and GDP growth is high. In South Africa, the reverse is true, which changes the possible influence of national minimum wage significantly.

Regarding the possible effect of the national minimum wage on the current fringe benefits, participants indicated the need to conduct a further evaluation of the effects of the latest national minimum wage modifications. A striking notion was that the farmers did not foresee a substantial change in the current fringe benefits, even though it had cost implications to the farmer. Boons et al. (2013) suggested that to achieve sustainable development, farmers should use innovative practices. One such practice is to reduce the fringe benefits of workers (Schmitt, 2013). The participants identified that work schedules might be affected by focusing on maintaining the best workers to maximise productivity, which was also found by previous researchers (Bhorat et al., 2012; Schmitt, 2013).

With the second research question, there was consensus amongst participants that there was a foreseen change in employment statistics in the region following the introduction of the national minimum wage. Instead of hiring higher-skilled workers, participants indicated that current workers would be encouraged to improve related skills and become more productive, instead of hiring better qualified workers. Researchers found that employers used employing higher skilled workers as a strategy to remain competitive, while employing fewer workers (Bhorat et al., 2012). Furthermore, participants admitted to employing less labour from both permanent and seasonal workers due to the implementation of the national minimum wage. This finding confirmed the findings of Patton (2015) that the 2012 sectoral minimum wage increase already drastically affected the farms and workers in South Africa. Since the initial introduction of minimum wages in 2003, the overall employment figures of farmworkers have declined with 13% (bhorat et al., 2014)—based on the findings of this research, this figure was bound to increase in the near future.

Finally, participants believed that the national minimum wage did not stimulate an increase in demand to offset the higher input costs; instead, participants supposed that labourers were not considered the target market, even with the minimum wage increase due to the farmworkers' perceptions that table grapes were luxury goods. In addition, the lack of employment led to the reduction of spending money. Furthermore, the national minimum wage increase of low-paid farmworkers was not such that it could increase the workers' buying power sufficiently to offset escalation of food prices (Lekunze et al., 2015).

6.1.2 Discussion of findings: Question 1

The first research question of the study asked how the national minimum wage would affect the employment practices of farmers in the Western Cape vineyards. Another two subquestions were asked, as well: Are there current fringe benefits that will be adjusted, and will there be a change in working schedules? From the thematic analysis, 10 themes were then determined—five themes were generated per subquestion.

The Western Cape comprises 24.7% farmlands and farmworkers with the highest percentage permanently employed farmworkers in the country (Visser & Ferrer, 2015). Statistics SA indicated that the number of households on farms in the Western Cape was the second lowest in the country, as only 69,152 households resided on farms in this province (Lehohla, 2016). However, not all farmworkers in South Africa live on farms, as there are many seasonal workers, and of late, some permanent farmworkers live in the municipal area of the farm worked on (Visser & Ferrer, 2015).

Regarding the influence on the current fringe benefits provided by the employers due to the increased minimum wage, the participants indicated that it was not considered that reductions were needed, as of yet. Three participants judged that the effect on the fringe benefits would need to be assessed or evaluated before determining the probable changes. The other two participants indicated that considerations to improve the benefits were rather considered, depending on the productivity and performance of workers. From the data, the farmers' concerns and interests in the well-being of the farmworkers was evident. Participant 1, when discussing the effects of the 2012 wage increase, articulated this as:

Fringe benefits with regard to transport – no, it wasn't taken away. We still supply free transport, we still supply transport to and from crèches when needed, we supply transport to the doctors, we pay the doctors upfront and then just deduct it from their pay. There is nothing we actually have changed. Electricity was still subsidised, we did not ask any money for housing, water is still free, clothing I still give them. Nothing was taken away.

Participant 4 was in agreement with the statements of Participant 1. In some cases, the fringe benefits, such as transport to town, were streamlined since the 2012 wage increase, as Participant 2 stated transport could be provided less frequently in an effort to balance costs. Based on the desire to improve the workers' situations and to motivate workers, Participants 3 and 5 indicated that consideration was given to increasing

benefits. Participant 3 shared that increased benefits were dependent on the worker's performances and work attitudes, and indicated, "But, the answer is no, we will not take any of the benefits away; we will actually try and do more for our people. That is the goal of this farm."

Bhorat et al. (2012) suggested that farmers could balance input costs by altering the number of hours worked. The participants' reactions to this subresearch question contained two themes. The majority of the participants reported that there would be a need to select the best workers to maximise productivity and working schedules. In contrast, one minor theme emerged, which revealed that the working schedules should remain the same, even with the wage increases. The findings of this study partly confirmed that of Neumark and Wascher's (2007) review of 13 studies of developing countries that found a reduction in working hours following the introduction of higher minimum wages. Both Neumark and Wascher (2007) and Gindling and Terrell (2007) indicated that hours worked differed according to educational level and age, as lower skilled workers and youths were more often adversely affected.

According to the neo classical theory, the competition between the employers and their employees would facilitate equilibrium between wages and profits. To achieve this goal, employers may reconsider benefits to farmworkers (Schmitt, 2013). Alternatively, employing higher skilled workers may enable the farmer to remain competitive, while employing fewer workers (Bhorat Kanbur, & Stanwix, 2012). The findings of this study confirmed this notion, although, on average, the participants have not instituted these changes yet but are considering such approaches pending the final outcomes of the national minimum wage.

6.1.3 Discussion of findings: Question 2

The second research question asked if there would be a change in employment statistics in the region following the introduction of a national minimum wage. The two subquestions included in this question aimed to address the (a) employment of higher skilled and labour and (b) the actual reduction labourers. The thematic analysis of the interviews indicated that all participants encouraged their current workers to improve their skills and become more productive. Meanwhile, the majority of the participants disclosed that there would be a decrease in the employment of both permanent and seasonal workers.

The current owners and managers of the farms encouraged their current workers to improve their skills for better productivity and effectiveness, rather than appointing better skilled new workers. All five participants disclosed that retaining, training, and developing of the workers' skills and capabilities for better performance was preferred. Participant 2 explained that the appointment of a technical manager on the farm increased productivity by streamlining the workers' activities. According to this participant, the appointment of a higher skilled person, such as this one, constituted a substantial improvement in the way the farm was managed and its profitability. Participant 5 made it clear that the inexperienced and older person might be penalised, as their productivity levels were not on par with the other workers. This participant gave a detailed description of how identification of the reasons for poorer performance were conducted before deciding to either retrench or not rehire a particular seasonal worker:

In our case, what we normally do measured all the people working, and the slower guys we make very sure why they are working sure, is it older people, is the equipment that they are using not sharp enough or good enough, but after three weeks, if we see that they are young and strong, but they can't keep up with rest, we have to say sorry, we have to put in new ones. So sometimes, older people are losing their job because they are slower, but they actually do a very good job; they prune more specific where the youngsters tend to ... and we go for a lot of piece work. So, they tend to go for the money, and you've got to keep a bloody good eye on them, but in many cases, some of these older people are better, but because everything is getting measured, you lose some of those people because they can't give up; it's just the speed is just too high at the end.

The Seattle experience, as reported by Jardim et al. (2017), served to warn that lower skilled workers' job positions were even more vulnerable compared to originally thought—the employers quickly replaced lower skilled workers with better qualified and experienced workers or decided that the job was not necessary. According to Schmitt (2013), the introduction of minimum wages has the potential to increase work opportunities to better skilled labourers. The findings of this study confirmed this notion, but with an important difference—the farmers would not simply appoint better skilled workers but rather upskill the current workers.

The discussion of the second subquestion led to the realisation that the participants might employ less farmworkers because of the increased national minimum wage regulations. This decision was true for both permanent and seasonal workers, as the

farmers planned to (a) retain the most productive and active workers and employ less labourers and (b) invest in more equipment and mechanisation.

The fourth major theme of the study revealed that participants could foresee employing less labour from both permanent and seasonal workers. All five participants found that the previous sectoral minimum wage and the impending increase to a National minimum wage hindered them from employing more seasonal workers. Participant 1 stated that with the national minimum wage, there might be a need to modify employment of the workers, saying, “Look, we always kept the seasonal workers on longer and then they could do work such as ploughing or that sort of thing – but you can’t do it anymore because you can’t afford it anymore.” Participant 2 elaborated by adding that the farmers were forced to employ less workers in an effort to balance costs and income. This finding confirmed the extant predictions of the neoclassical theory, stating that it was generally expected that higher minimum wages would increase layoffs to regain the profitability margin (Bhorat et al., 2015; Dube et al., 2016; Meer & West, 2015). Participant 2 gave a clear picture of the decision-making process pertaining to unemployment of workers:

We have discussed it, the cost effect it will have because your prices are not going up for your grapes, the prices are stabilized... And your input costs you try to bring down, and one of the biggest costs is labour. So, you will look at the costs on your farm and get the best people to keep, so you cut your jobs, you cut your labour.

Seasonal and permanent. You will not lay off your permanent workers, but as they leave, you will not replace them. [And the seasonal?] You will cut them, you will have to, there is no choice. You must cut the seasonal workers.

In lieu of the fact that farmers would not get a higher price for the produce to offset the higher input costs following implementation of the national minimum wage, there was a need to find ways to reduce costs (Participant 3). In addition, Participant 3 disclosed that as a result, the community would be adversely affected because higher unemployment rates might lead to an increase in crimes. Participant 4 echoed the expectation that crime rates would increase: “But, I think what is really bad with the minimum wage, every time they implement it, a lot of people are dropped along the way, and they become unemployed. The thefts increase; the goodwill becomes a lot less.”

This finding was rather unfortunate as the main aim of state regulatory measures when determining minimum wages was to protect the workers at the lower income bracket

where exploitation might occur (Bhorat et al., 2015). The aim of determining minimum wages q_A to distribute wealth and lift low paid workers out of poverty, especially those worker sectors that DID not have strong union representation (Adelzadeh & Alvillar, 2016; Fourie & Green, 2015). The foreseen result of the national minimum wage—hiring less seasonal workers and not replacing existent permanent workers—would lead to increasing the already high crime and unemployment rates in South Africa, thus achieving the opposite that government intended. Statistics released by Statistics South Africa for the first quarter of 2017 indicated that the unemployment rate was 27.7% (Statistics South Africa, 2017). The unemployment rate of persons with an educational level of Grade 11 and less was at 33.1%, which represented 5.4 percentage points higher compared to the national average. It was this already marginalized section of the South African citizens who would mostly have to bear the consequences of the national minimum wage.

The second minor theme that emerged was in conjunction to the decision of employing less labour; farmers were considering to invest in equipment and machines. Two of the five participants shared that increased wages might lead to the employment of less labour; where the farm owners would rather invest the money on long-term resources, such as equipment and machines. Participant 1 illuminated how mechanisation required less labour and served as a considerable alternative, given the impending national minimum wage: “Then you must go and look at mechanisation in the packing store so that you need less personnel... It will definitely be less. [From 500] I would say about 300.” The study of Rossouw (2016), involving a Western Cape farm with a long family tradition of labour intensive farming, found that the owners successfully changed to a more mechanised approach following the 2000 strike action. Although the initial cost might seem high, better reliability and production brought substantial savings in a relatively short period. Should farmworkers be found to become too costly due to the national minimum wage, increased mechanisation was a real threat to the continued employment of this vulnerable group workers.

In sum, Question 2 was answered satisfactorily. Participants indicated that the farmers would employ less workers—both permanent and seasonal. Furthermore the participants stated that more skilled and productive workers would be retained and that preference would be given to upskilling existing workers compared to simply hiring better skilled individuals. In addition, farmers would consider mechanisation to save costs over the long run. The findings of this question confirmed extant literature and expanded

literature by indicating that farmers would rather upskill existing workers, as opposed to hiring better skilled labourers.

6.1.4 Discussion of findings: Question 3

In reply to the third research question, whether the national minimum wage would stimulate increased demands for table grapes, which could be used to offset the higher input costs, the participants were unanimous that it would not be the case. In theory, higher wages would increase the buying power of the workers, which would boost the profitability of the employer and the capacity to employ more workers (Lekunze et al., 2016). In the South African situation, the national minimum wage increase of low-paid farmworkers was not such that it could increase the workers' buying power sufficiently to offset escalation of food prices (Lekunze et al., 2015). Furthermore, according to the participants, both the regional farmworkers and the labourers in other regions regard grapes as luxury goods, and the demand would not increase due to instituting national minimum wage. Four of the participants pointed out that the farmworkers had other more basic needs to fulfil and that table grapes would not be utilised more by this group. As Participant 3 put it: "I don't think they are going to buy grapes. It's not the guy that earns four and a half thousand rand a month that is going to buy grapes." Participant 5 agreed by stating, "No, it's a super luxury for them."

Another argument used by the participants was that many farmworkers would be unemployed due to the national minimum wage; therefore, less money would be available and that the expectation was that crime rates would rather go up but not table grape sales. Participant 1 shared that the seasonal workers were expected to suffer due to the implementation of the national minimum wage:

And where we would normally help them, like the seasonal workers – we kept them busy till June, when everybody took a holiday – then you keep them busy with 'rake this here, and make this pretty, and that sort of thing'. Now, it is sorry, there is no more work. It is two months that they lose! And as a result of the family not getting those two months' income, it means the crime rate goes up, and that is where the vicious circle comes in.

Participant 2 was in agreement with Participant 1 by stating that a larger percentage workers would end up unemployed, which would have a ripple effect on the businesses on town:

And they can say what they want: I say give more people... a town like De Doorns, if the minimum wages come in, more than a 1/3 of the people will be jobless, will be unemployed. And we have already high unemployment figures here. So, it will double up. So, that is my opinion, and a lot of our farmers think the same. If you keep the wages as they are now in the agricultural sector, you will have more people who earn something at a certain time of the year, so your business in town will still survive. But, when the minimum wages come in, how many people will have money to spend in town?

In oligolopsonistic models, the perception is that labour markets are not in equilibrium as the bulk of the bargaining power sits with the employer (Bachmann & Frings, 2017; Krueger, 2015). In the South African context, where there is a high unemployment rate, a large number of unskilled labourers, and low GDP growth, it can be expected that farmers might offer lower wages, as the bargaining power rests with the farmers (Bachmann & Frings, 2017). In that sense, one can assume that farmers are reacting to the fact that there is no longer an opportunity to dictate minimum wages but that the situation is not as grave as it is now expected to be. Although it was found that the Western Cape farmers complied with regulations (Visser & Ferrer, 2015), this compliance might change in future where the farmers could offer seasonal workers less money to employ more workers and that the workers might be willing to accept less money to supply for their families. However, at this stage, it was too early to tell.

If one uses the real rise in wine production costs—which includes employee wages—that currently above the income per ton produced (Conningarth Economists, 2015), it can be expected that the table grape farmers may be in a similar position. This unfavorable situation could influence negatively on the Net Farming Incomes, which might force the farmers to take measures, such as hiring less labourers and increasing mechanization to break even. As was evident from the interviews, the farmers exported between 90% and 100% of their produce, and they could not pass any increase in input costs onto the customer. The customer has various regions throughout the world from which he or she can choose where to buy from. Such an expectation was in line with the findings of Meer and West (2015) and Sorkin (2015) who asserted that employers of labour-intensive production lines gradually phased in technology to replace workers.

The findings answered Research Question 3 adequately, as the participants pointed out that the higher wages would not result in increased demand for table grapes from the farm labourers, as table grapes were perceived as luxury goods and had other priorities

to satisfy with the increase in disposable income. Furthermore, the participants expected higher unemployment figures amongst farmworkers, which would deplete the amount of money in circulation, thus causing even less buying power of farmworkers nationally. In addition, it was the worst off farmworker who was expected to suffer more, as less seasonal workers would be employed and for a shorter period only. This expectation of the participants highlighted the possibility that government's aimed to benefit the lowest paid farmworkers would actually have the opposite effect.

6.1.5 Theoretical Framework

This research used a combination of three theories, namely the neo-classical theory, institutional framework, and the oligopolistic theory. The neo-classical theory presumes that in a perfectly competitive market, all businesses are operating at maximum efficiency. It follows then that farmers would use different mechanisms to protect the input costs from rising too high; one such mechanism is employing less farmworkers, and ultimately using more technology to mechanise the farming (Bhorat et al., 2012; Schmitt, 2013). The findings of this study confirmed that farmers considered these mechanisms to offset the higher national minimum wage. Both the institutional framework and oligopolistic theories argue that labour markets are not perfectly efficient; as such, employers can offer lower wages to maintain the equilibrium between input costs and profits (Bachmann, & Frings, 2017; Krueger, 2015; Schmitt, 2013). The setting of a minimum wage would force these employers to become more efficient in the farming operations and make adjustments (Schmitt, 2013). The findings of this study confirmed the need for different adjustments in the current farming style to accommodate the increased costs due to the national minimum wage. These measures include employing less seasonal workers and for a shorter period, and encouraging current permanent workers to upskill themselves and mechanisation. These findings confirmed extant research.

6.2 Conclusion on Results

The research objectives were to (a) explore the potential influence that the proposed national minimum wage could have on the agricultural sector in general and employment rates in particular and (b) particularly the potential influence of the national minimum wage on the vineyard agricultural sector with specific reference to the possible unemployment of farmworkers. There were only five participants involved in the interviews, which was a small number of participants. Saturation of data was achieved,

as the participants' responses did not generate new data, but rather repeated the same notions with differing examples. Due to the size of the sample and the nature of the methodology—qualitative—the results of this explorative research could not be generalised. However, it indicated how the national minimum wage was perceived to influence on table grape farming and in turn perhaps South African farming, in general. These findings should be verified by a larger empirical study across farming sectors in the country.

The findings of this explorative research were not conclusive in answering the research objectives, although the indications were that the farmers expected an adverse effect of the national minimum wage on employment rates, in that less qualified workers and those with poor production output might be unemployed. Furthermore, in the table grape sector, the participants' sentiments were that less seasonal workers would be employed and also for a shorter period, only until the picking and pruning season was over. The participants expressed concern about this fact, as there was a realisation that such an act would be a double issue—farmers striving to contain input costs would no longer employ the same number of seasonal workers, which might place strain on the permanent workforce. Conversely, the seasonal workers stand to lose the most, as less would be employed and for a shorter period, which would negatively affect the already high unemployment rate, and possibly increase the high crime rates in South Africa. In addition, those affected by the national minimum wage would be the families of these seasonal workers and the local shop owners, as there would be less disposable income available in the community.

Chapter 7 addresses conclusions, recommendations for future research, and limitations.

Chapter 7: Conclusion

7.1 Chapter Introduction

The previous chapter highlighted the links between the findings and extant literature, including elements of the theoretical framework pertaining to the findings. This chapter will present a summary of the objectives of the study together with the major findings and implications. The limitations of the study and recommendations for future research will follow, and a concluding statement will complete this work.

7.2 Research Background and Objectives

The purpose of the research study was to explore the potential influence that the proposed National Minimum Wages (national minimum wage) might have on the agricultural sector, in general, and the employment rates, in particular. The specific purpose of this research was to determine the potential influence of the national minimum wage on the agricultural sector with specific reference to the possible unemployment of farmworkers. The sector studied was the Western Cape vineyard farmers in the De Doorns area where violent strike action disrupted the picking season in 2012. This strike action paved the way for governmental institution of an increase in sectoral minimum wages targeting worker groups who did not have significant union representation. In this paper, the reality of five farm owners and managers were explored to determine the potential influence of the national minimum wage on the table grape farming industry of the Western Cape. Moreover, three models were used as a theoretical framework to guide this research, namely the neo-classical theory, institutional framework, and oligopolistic theories.

7.3 Main Findings and Recommendations

The main findings of this study found that the Western Cape vineyard farmers did plan to change farming methods and employ less labourers because of the institution of the national minimum wage. The participants indicated that in their opinion, there was a necessity to employ less seasonal workers and that the seasonal workers would not be employed for longer periods than absolutely essential to perform the picking and pruning functions. In the past, seasonal workers would remain on the farm a month or two longer to perform activities related to the general up-keep of the farm, which was not related to the core farming activities.

Literature on the effect of minimum wages on the South African economy was limited (Bhorat et al., 2015). Existing research was measured based on the influences of minimum wages over the short term, and the indications were that the influence of minimum wages on employment was small if any (Bhorat et al., 2015; Meer & West, 2015). In the agricultural sector, Bhorat et al. (2014) found that unemployment occurred due to the introduction of minimum wages. The national minimum wage has only recently been introduced, and researchers did not have time to study the effects thereof extensively. The current study was one of the earliest attempts to determine what the influence of the national minimum wage would be on the employment of farmworkers.

A study of existing literature brought some insights into the possible influence of the national minimum wage. More than 50% of farmers' operational costs consist of wages paid to unskilled farmworkers; therefore, an increase in the minimum wage directly influence production costs (Lekunze et al., 2016). To maintain a balance between input costs and profit, there is a limit to absorbing higher input costs, and the increased national minimum wages may lead to job destruction in the long term (Lekunze et al., 2016; Meer & West, 2015; Sorkin, 2015). Increased mechanisation, which could replace labour-intensive farming practices, might be an option to table grape farmers (Meer & West, 2015; Sorkin, 2015). In theory, higher wages would increase the buying power of the workers, which would boost the profitability of the employer and the capacity to employ more workers (Lekunze et al., 2016). The Seattle experience, as described by Jardim et al. (2017), indicated that low-wage employees were more easily substituted compared to initially believed. Higher skilled and experienced employees could do the job better and faster; automation might be an option; and the employer might decide that the function was not needed anymore.

The findings of this study confirmed most of the expected outcomes, as indicated by the literature. The farmers considered employing less farmworkers, and some have started implementing this decision by not filling the post of permanent workers who left his employment. The participants indicated that less seasonal workers would be hired and also be employed for the shortest possible time. In addition, some participants explained that the seasonal workers' productivity would be carefully measured, and those who did not perform well would either not be hired again or be replaced with a worker who performed better. One participant mentioned considering mechanisation of specific activities, such as packaging.

The farmers displayed a concern for the workers' families and the community by indicating that there would rather be a reduction of fringe benefits compared to taking it away. Some participants explained that farming was not only focused on making a profit, but also on creating better living conditions for the workers and their families. The participants' concerns for the larger community was evident in the remarks about the seasonal workers' families who would suffer because of unemployment and the influence thereof on the local business community. These findings extended current knowledge, as the literature study did not reveal any such considerations.

Better skilled employees perform better and increase productivity. However, farmers would rather motivate the current permanent employees to improve their knowledge and skills, instead of replacing them by employing more skilled workers. This finding extended the current knowledge on this phenomenon.

7.4 Implications of the Study

7.4.1 Implications for the Local Farming Community

The findings of this study had practical implications for the local farming community, in that the farmers could form an interest group where these findings could be discussed and decisions formulated pertaining to the best ways to manage the influence of the national minimum wage. It would also be in the best interest of all concerned when there was a coordinated approach to managing the influence of the national minimum wage and to include some of the permanent workers in such planning efforts. Good change management practices necessitate the inclusion of the employees and not only management to facilitate insight and buy in to the proposed changes (Lewin, 1947).

7.4.2 Implications for Management

As stated above, the farmers should realise the need to include workers in planning strategies to manage the higher labour costs after the national minimum wage is implemented. According to Lewin (1947), the initial phase of a change process is unfreezing where the parties come to the realisation that change is needed. This stage is of utmost importance and must not be rushed because the success of the change process depends on it. Even though the envisaged change is not initiated by the farmer, but necessitated by the implementation of the national minimum wage, the employees should form part of the planning process after the realisation that there is a need for change. In this particular situation, this step is crucial, as higher wages and employment

opportunities are highly emotionally-laden elements. By changing the workers' terms of employment—employing less than two persons per hectare—and adapting the fringe benefits, the employees might react with fear or even hostility. The farmers need to realise that there is a need to practice openness and transparency in making decisions that will affect the livelihood of the permanent and seasonal employees. The trust relationship that existed between the farmers and employees might be challenged due to the strikes of 2012, and the national minimum wage could be perceived by the farmworkers as a triumph. The real possibility that there might be less seasonal workers because of the national minimum wage or that mechanisation might be introduced to take over some roles might come as an unpleasant surprise to the farmworkers. The unfreeze phase, together with collaborative planning, is essential to institute the needed change without another violent strike action.

7.5 Recommendations for Future Research

Based on the findings of this explorative study, there is a need for a larger scale empirical study to determine the envisaged influence of the national minimum wage on farmworkers' employment situation.

An important aspect that must be studied are the views of the farmworkers of the national minimum wage. The 2012 strike action resulted in higher wages for the farmworkers and more collaboration between the workers and farmers; it is important to determine how economically aware the farmworkers are and what the participants' perceptions of the influence of the national minimum wage will be on farming practices.

The participants indicated that there was current uncertainty of how the national minimum wage would influence on the fringe benefits of the farmworkers. An exploration of the different fringe benefits and the monetary value thereof could be beneficial to farmers, as it would take the guess work out of the decision-making process. It is important to realise that the fringe benefits have a psychological influence and add a human element to managing the employment situation of the farmworkers. Therefore, a decision to change fringe benefits should not be made on financial terms only.

The influence of the national minimum wage on the overall economy of South Africa should be studied, as higher wages influence on production costs that, where possible, would be passed on to the consumer. This aspect is a chain reaction that results in a higher cost of living and inflation, which can lead to unemployment in sectors other than agriculture alone.

7.6 Limitations

The sample size of this study was small and delimited to include only table grape farmers in the De Doorns region of the Western Cape. Therefore, the findings might not be generalized to all table grape farmers in South Africa or farmers in the country.

At this stage, the national minimum wage has not yet been fully implemented, and its influence might not be clear. This research explored the participants' perceptions of what the influence of implementing the national minimum wage would be. The qualitative nature of this exploratory research might bring the participants' own truths and biases to the fore, which might not be a reflection of the other table grape farmers in other regions (Barbour, 2008).

7.7 Concluding Remarks

The aim of the research study was to explore the potential influence of the proposed National Minimum Wages on the agricultural sector in general and the employment rates in particular. The specific purpose of this research was to determine the potential influence of the national minimum wage on the De Doorns' table grape agricultural sector with specific reference to the possible unemployment of farmworkers. The findings of this study indicated that the national minimum wage could have a negative influence on the employment of seasonal workers and on permanent workers in the long run. The foreseen unemployment of especially seasonal workers could influence on the lives of their families, local businesses, and crime rates. These findings were supported by findings from literature and the data collected; however, it was important to note that this was an explorative study, and therefore not exhaustive.

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APPENDIXES

APPENDIX A: CONSISTENCY MATRIX

Research Questions	Literature review	Data Collection tool	Analysis
How will the national minimum wage affect the employment practices of farmers in the western cape vineyards?	Card and Krueger (1994) Schmitt (2013)	Qualitative literature review/in depth semi structured interview	interview data decoded in Atlas ti
Are there any current fringe benefits that will be adjusted?	Card and Krueger (1994) Schmitt (2013)	Qualitative literature review/in depth semi structured interview	interview data decoded in Atlas ti
Will there be a change in working schedules?	Card and Krueger (1994) Schmitt (2013) (Hirsch, Kaufman, Zelenska, Hirsch, & Kaufman, 2011)	Qualitative literature review/in depth semi structured interview	interview data decoded in Atlas ti
Will there be a change in employment statistics in the region following the introduction of an national minimum wage?	Card and Krueger (1994) Schmitt (2013)	Qualitative literature review/in depth semi structured interview	interview data decoded in Atlas ti
Will farmers be able to employ higher skilled labour?	Card and Krueger (1994) Schmitt (2013) (Hirsch, Kaufman, Zelenska, Hirsch, & Kaufman, 2011)	Qualitative literature review/in depth semi structured interview	interview data decoded in Atlas ti
Will farmers employ less labour?	Card and Krueger (1994) Schmitt (2013)	Qualitative literature review/in depth semi structured interview	interview data decoded in Atlas ti
The proposed national minimum wage is a nationwide plan, which proposes an increase in	Card and Krueger (1994) Schmitt (2013) Howes (2005)	Qualitative literature review/in depth	interview data decoded in Atlas ti

minimum wages nationally. Will this stimulate in an increase in demand and can this be used to offset the higher input costs		semi structured interview	
Are the labourers employed amongst the target market of farmers?	Card and Krueger (1994) Schmitt (2013) Howes (2005)	Qualitative literature review/in depth semi structured interview	interview data decoded in Atlas ti
Are labourers in other sectors potential customers of farmers?	Card and Krueger (1994) Schmitt (2013) Howes (2005)	Qualitative literature review/in depth semi structured interview	interview data decoded in Atlas ti

APPENDIX B: ETHICAL CLEARANCE

**Gordon
Institute
of Business
Science**
University
of Pretoria

17 August 2017

Gregory Rood

Dear Gregory,

Please be advised that your application for Ethical Clearance has been approved.

You are therefore allowed to continue collecting your data.

We wish you everything of the best for the rest of the project.

Kind Regards

GIBS MBA Research Ethical Clearance Committee

MBA RESEARCH PROJECT INFORMATION	
NAME	Gregory Rood
STUDENT NUMBER	16393122
TELEPHONE / CELL PHONE	0725111100
E-MAIL OF RESEARCHER	16393122@mygibs.co.za
PROPOSED TITLE OF STUDY	The potential effect of the proposed National Minimum Wage on the South African vineyard industry
RESEARCH SUPERVISOR	Mike Holland
E-MAIL OF SUPERVISOR	
SIGNATURE OF SUPERVISOR	

APPENDIX C: INFORMED CONSENT

Consent

I am conducting research on the possible influence that the new National Minimum Wages may have on table grape farms in the Western Cape. The study will focus on elements such as higher input costs and the possible effects thereof on the farming operations.

Your participation is voluntary and you may withdraw at any time without penalty.

All data will be reported anonymously. If you have any concerns, please contact my supervisor or me. Our details are provided below.

Researcher: Gregory Rood

Email: 16393122@mygibs.co.za

Phone: 0725111100

Research Supervisor: Mike Holland

Research Supervisor Signature _____

Signature of participant: _____ Date: _____

Signature of researcher: _____ Date: _____

APPENDIX D: INTERVIEW SCHEDULE

Research into the possible influence of the National Minimum Wages on table grape farms in the Western Cape

Interview Schedule (Semi-structured)

1. What is your role on the farm?
2. What kinds of activities do you conduct on the farm?
3. What is your view on the proposed NMW?
4. Does the farm use farmworkers who are permanent / seasonal workers / both?
 - 4.1. How many workers do you have of each category?
 - 4.2. How often do you use seasonal (contract, migrant) workers and for which farm activities?
 - 4.3. Are your current work schedules optimal?
 - 4.4. Do you foresee any changes to work schedules with the NMW?
 - 4.5. Could they be adjusted any more than they are right now? If so, why haven't you done it already?
 - 4.6. Will you be able to continue to employ the same number of workers if the NMW is implemented?
5. How do you remunerate the workers?
 - 5.1. Will the NMW affect your employment policies?
 - 5.2. Are you currently providing any fringe benefits to staff?
 - 5.3. What will happen to these fringe benefits if the NMW is implemented?
6. What kinds of specialized training do the workers require?
 - 6.1. Do you have access to higher skilled labourers in the vicinity?
 - 6.2. Do higher skilled labourers have a choice over which farm they want to work at?
 - 6.3. Would there be competition amongst farmers to attract the highest skilled labour?
 - 6.4. If you employ higher skilled labour, does your operations structure allow you to employ less labour?
7. In what ways do you think would the new National Minimum Wages (national minimum wage) influence on the farming?
 - 7.1. How many of your workers will be affected by the NMW?
8. How do you propose to overcome the potential negative impacts of the national minimum wage?
 - 8.1. Have you done any investigation into mechanising your farm?
 - 8.2. What technological alternatives might you consider?
 - 8.3. If not, is that because labour is still the more viable option?
 - 8.4. If yes, why? Is labour too expensive?
 - 8.5. Have you identified what the real figure is that wages need to reach to make it more viable to mechanise?

9. Some economists believe that a national minimum wage would boost the GDP of the economy through higher spending power. Do you produce anything that appeals to that LSM range?
 - 9.1. Could you capitalise on the lower LSM's increased spending power?
 - 9.2. Do you provide fringe benefits in the form of table grapes or wine or other produce to your labourers?
 - 9.3. Would you continue to do so if the NMW was implemented?
10. What are the biggest challenges for the wine industry as a whole following the NMW?
 - 10.1. Do you think the NMW would open new markets for more, with people having more spending money?
 - 10.2. The NMW would affect all industries. Do you see any new markets potentially opening up for you?
11. Could you suggest changes that the wine farming industry might consider to address the challenges arising from the national minimum wage?
12. Is there anything else that you would like to bring to my attention?

Questionnaire

Questionnaire

1. What is your role on the farm? (Please Select)

Farm owner – oversee all farming activities, namely
Farm operator – manage specific activities, namely
General Manager – manage all farm activities, namely
Director – role is
Other (Please Specify)

2. What kinds of activities do you conduct on the farm? (Please Select)

Table grapes
Wine grapes
Table and wine grapes

Wine production
Co-op wine production
Other (Please Specify)

3. Does the farm use farmworkers who are permanent / contract workers / both?

3.1. How many workers do you have of each category?

3.2. How often do you use contract workers?

Worker type	How many? / How often
Permanent workers	
Contract workers	
Other (please specify)	

4. How do you remunerate the workers?

Monthly salary	
Weekly wages	
Hourly wages	
Benefits:	
a) Housing	
b) Transport	
c) Clothing	
d) Other (please specify)	

5. What kinds of specialized training do the workers require? (Please specify in order of preference)

Definite requirement	Additional requirement

6. In what ways do you think would the new National Minimum Wages (national minimum wage) influence on the farming?

Area affected	Level of influence (minimal / medium / high) & long-term / short-term
Farm	
Input (production) costs	
Employees	
Farm workers	
Farm activities affected	
Personal	
Local community	
Unemployment rate	

Social influence	
Economic Impact	
Other	
Western Cape wine industry	
Production – table grapes	
Production – wine	
Other production areas	
Economic	
Other	

7. How do you propose to overcome the potential negative impacts of the national minimum wage? (E.g.)

Short-term	Long-term
Business as usual	Unemployment of workers
Wait and see	Restructuring

7.1 What technological alternatives might you consider?

8. What are the biggest challenges for the wine industry as a whole following the national minimum wage?

9. Could you suggest changes that the wine farming industry might consider to address the challenges arising from the national minimum wage?

10. Is there anything else that you would like to bring to my attention?
