

PART III

Minimum wages

CHAPTER Twelve

The case for a minimum wage in South African agriculture

1. Introduction

Only half of South Africa's potential labour force is able to find employment in the formal economy. Women, the less skilled and those who live in rural areas are more likely to be poor, and less likely to find formal sector employment. In this regard, the farm labour force sits at the junction between the formal and informal economies. Farm workers earn more than those engaged in informal activities in urban and non-urban areas, yet they earn less than any other workers in the formal economy do.

Among farm workers there are also more vulnerable groups. Our research has highlighted the precarious position of women. Many women work on farms alongside their partners, yet never share the benefits of full-time employers such as unemployment insurance, provident funds, etc. If for some reason her partner leaves the employ of the farmer through dismissal, retrenchment, retirement, etc. she often also loses her right to accommodation on the farm even if she has worked there for many years.

The theoretical literature on minimum wages is not helpful. There is much ambiguity around the actual effects of a minimum wage, to the extent that almost any optimistic or pessimistic view on the benefits or costs of a minimum wage can (and has been) justified in theory. In the same manner, the empirical literature is riddled with qualifications regarding the validity of the data, etc. rendering most of the results from empirical studies inconclusive.

There is only one honest way to pose the question: why should there be a minimum wage in South African agriculture? The honest answer relates to the precarious position of farm workers in this country. The evidence shows that the agricultural sector should be able to carry these wages, and because the political will exists to introduce the minimum wage exists.

The first two components of this answer have been analysed extensively in this report, and will be revisited briefly below after the following section, where the aims of a minimum wage are discussed.

2. Aims of a minimum wage in agriculture

The theoretical justification for a minimum wage has shifted over time. Earlier, it was justified in terms of its use as an instrument to achieve greater productivity and greater stability in the labour market. However, later other aims, such as the alleviation of poverty, were added. In the South African context, a minimum wage should not be seen in isolation from other measures to improve basic conditions of employment, not least because these issues are covered by the same legislation. Thus,

there are a number of (potentially conflicting) aims that can be pursued through the use of these instruments:

- the purpose could be to improve the conditions of employment on average for all farm workers, on the supposition that conditions are so bad that such a course is justified. Our analysis has shown that the conditions of employment of farm workers are in some respects acceptable in a modern society, but that they leave much to be desired in other, important, respects. Our analysis has also shown that a minimum wage may not be the best instrument to reach this goal, and that existing labour legislation is virtually unenforced
- the purpose could be to reduce inequality between agriculture and the rest of the economy. Our analysis has shown that farm worker wages lag far behind the rest of the formal sector, even though their real growth has been above average since 1970. Raising farm wages to levels commensurate with the urban economy could lead to adverse consequences for farmers and farm workers alike. Historically, many countries have experienced such a rural-urban wage differential. In addition, basic conditions of employment have been negotiated for the agricultural sector because of the peculiarities of its production process. While these will now be promulgated under the same legislation as holds for the rest of the country, the actual conditions can justifiably remain geared to the needs of employees and employers in the sector
- the minimum wage and basic conditions of employment could be used as part of a rural development strategy generally, or as a particular part of an agricultural growth strategy. In either of these cases the argument would be that an increased wage bill in agriculture would increase the purchasing power of rural consumers. However, this is contingent on the employment effects of the minimum wage. Thus, a minimum wage that is set at levels that are too high, could lead to a reduction in the size of the wage bill
- finally, the purpose could be to reduce inequality within the agricultural sector. In this respect, our analysis has shown that wage differences between farms are often more the result of the enterprise mix on farms than of any other factor. Thus, the labour market differs significantly between horticulture and extensive livestock farming. Nevertheless, large wage differentials are found in relatively small geographic areas, and even on individual farms.

The analysis presented in this report leads to the conclusion that:

- the primary goal of a minimum wage should be to address inequalities within the agricultural sector
- to this end, the minimum wage has to be accompanied by enforcement of basic conditions of employment, including programmes such as UIF and other measures, to protect the interests of women, who consistently earn less than men, and who are less likely to be employed as permanent workers
- the introduction of a minimum wage and basic conditions of employment could contribute significantly to a rural development strategy to the extent that other programmes aimed at rural upliftment accompany their introduction.

Such other programmes include:

- the revised **land reform programme** of the Departments of Land Affairs and the National Department of Agriculture. Dissatisfaction with the pace of implementation has resulted in a redesigned system of grants. The new proposals aim to provide a more flexible, demand driven and decentralised programme, and to better accommodate the needs of new commercial farmers. Implementation, including the approval of grants, is to take place at the local rather than the national level
- **local economic development** initiatives as part of the integrated development planning responsibilities of the newly-constituted municipalities in the third sphere of government in South Africa
- **small business support programmes**, largely the responsibility of the Centre for Small Business Promotion of the Department of Trade and industry. The key agencies are Khula, which provides financial services to small businesses, Ntsika, which plays an active role in support of small business development, and a network of small business support centres throughout the country
- **programmes to ensure access to rural financial services for small and emerging commercial activities** throughout the agricultural supply chain. The key institution in this regard is the refocused Land Bank. Instruments such as the Step-up programme, the envisaged 'Land Bank Social Discount Product' and conventional Land Bank participation in the financing of farmers, co-operatives, etc
- the **refocusing of the Agricultural Research Council and the repositioning of institutions of higher education** to better reflect the technology development needs of the country. This includes special research funding programmes of the Department of Trade and Industry (the THRIP programme) aimed at technology development, and of the National Research Foundation, that further the broader development objectives of South Africa. It also includes financial assistance to students of viticulture and oenology at college, undergraduate and post-graduate level
- the creation of the **National Agricultural Marketing Council**, which has been charged with the task, among others, of facilitating access to market opportunities for new entrants in the farming sector
- the **export promotion programmes** of the Department of Trade and Industry, partly administered by the Industrial Development Corporation. This includes financial assistance for export market development (e.g. financial support to visit potential markets and to design and produce promotional material, etc.) and project finance at concessionary terms for the expansion of exportable production from the IDC
- various national and provincial level initiatives to **promote foreign and domestic tourism**
- the new **Water Act** and especially the provisions made therein for preferential access to irrigation water for small farmers
- **health** policies, which are aimed at redressing the imbalance between preventative and curative health services delivery and improving access to health services, especially for the rural poor
- **social** policies, including welfare, housing, youth, gender, recreation etc. policies.

Finally, the question has to be asked whether a minimum wage, accompanied by basic conditions of employment, is the best instrument for achieving these goals. Our research has shown that economists have traditionally favoured lump-sum transfers as the most efficient form of subsidisation. Thus income grants are, for example, more preferred than a minimum wage. In the real world, however, those responsible for the plight of farm workers in South Africa have no authority to provide income grants. Further, the minimum wage is expedient, as the mechanisms for its implementation are already in place.

3. The minimum wage: a matter of principle?

Our research leads to the conclusion that it would be incorrect to measure the impact of a minimum wage against specific poverty levels, whether they are some absolute measure of poverty or a relative measure, as is often done in such policy processes. Farm workers are the poorest of all formally employed South African workers. A minimum wage that sets out to lift all of them out of poverty will in all likelihood increase the disparities among farm workers, and between farm workers and other rural people. Yet our research has shown that there is common ground among employers and employees on what constitutes a fair minimum wage.

A further question that needs to be addressed is whether the agricultural sector can absorb the effects of a minimum wage. It is evident that there is little realistic chance that consensus will be obtained on this issue. Farm workers questioned during the course of our field research pointed to their contribution to the profitability of the farm as justification for a minimum wage. However, this was a secondary justification: their primary argument focussed on their own needs. Further, while farm owners and farm workers did not differ significantly in their opinion of the level of a fair minimum wage, farm owners were generally reluctant to even consider the question lest they provide legitimacy to the issue.

For this reason our analysis of the profitability of the agricultural sector provides important pointers. There is little doubt that, when looked at from a long-term perspective, the agricultural sector is healthier now in the post-deregulation era than before. This is partly because of the need to become competitive as domestic support was taken away from farmers, and partly because of the opening up of international opportunities in the post-sanctions era.

Yet, two points of concern have to be raised:

- any process of change such as that engendered by the economic and political liberalisation of South African agriculture creates winners and losers even though the net effects are positive. Those made worse off by the policy shifts of the past decade are more vulnerable to pressure from new changes in policy, such as would be the case with a minimum wage
- the success of a minimum wage is more dependent on the future health of the agricultural sector than on its past performance. In this respect, there can be no single future scenario, not least because the sector is not homogeneous. Nevertheless, our analysis shows that there is every reason to believe that the agricultural sector will continue with its secular decline (i.e. it will grow, but at

a slower pace than the economy as a whole) and that it will continue to shed labour in that process. Our analysis also shows that, despite some weakening in short term indicators of farm profitability, the long run prognosis for the sector is positive.

However some adverse consequences must be anticipated. These include job losses, especially among more vulnerable groups such as women; a more marked shift to the use of seasonal workers, workers who live off farm, and to contract labour; and greater use of (illegal) foreign workers.

4. The minimum wage: a matter of practice?

Probably the most important issue here is whether a single minimum wage can be set for the whole of the agricultural sector. While a more rigid instrument, a single minimum wage is easier to implement, and will place less of a burden on implementation structures. Yet it is obvious that a single minimum wage for agriculture would have to be set so low in order to accommodate the interests of workers in the extensive livestock sector as to be meaningless; or alternatively so high to accommodate the needs of workers on fruit and wine farms, that the rest of the sector will not be able to pay such wages. Thus a four-tier structure of minimum wages is proposed below. The argument starts with the data in Table 35, which are summarised from the data presented..

Each magisterial district was ranked according to three measures of human capabilities, namely the proportion of people earning a cash wage of less than R200 per month, the average number of school years passed by farm workers in that district, and the index of household services calculated earlier (see **Table 9**). A composite rank was then calculated from these three separate indicators, and districts were grouped into four roughly equal-sized groups in terms of the number of districts.

Table 36 also shows the average wage paid in each group of districts. The figure in brackets is the 1996 wage inflated to 2001 values, with 20% added to reflect payments in kind and benefits¹. The last column shows the number of workers in each group. The results are interesting, as human capabilities are explicitly taken into account in the ranking of the districts. However, this grouping was found to be less than optimal, because:

- marketing deregulation since 1997 has changed the calculus in many areas (e.g. parts of the Western Cape and North West provinces that have become marginal for wheat and maize production respectively)
- it is evident from the original spread of districts that areas where the farm labour force consists predominantly of African workers score lower on the household services and education indices than wage conditions lead one to predict

¹ As usual these data must be treated circumspectly. Respondents in the 1996 Census were asked how much they earned. Some included payments-in-kind, while many included cash wages only. Thus, these averages could be overstated. However, the 1.48% average annual real growth in wages was left out here, which could mean that these wages are underestimated.

- some districts in the former homeland areas (Keiskammashoek, Thabamopo, Thoyohandou) score high because of the state-funded agricultural projects in the former homeland areas, where supposed small farmers are paid civil service salaries
- there is considerable intra-district variation.

For this reason the districts were regrouped to give more weight to current wages, while maintaining the influence of the ranking system. magisterial districts in Group 1, 2 and 3 whose average cash wage was more than about 10% lower than the average cash wage for that group were reclassified into Group 2, 3 or 4 respectively, while magisterial districts in Group 2, 3 or 4 whose average cash wage was more than about 10% higher than the average cash wage for the relevant Group were reclassified into Group 1, 2 or 3 respectively. The cut-off point between Groups 1 and 2 was taken as R550, between Groups 2 and 3 as R400, and between Groups 3 and 4 as R350. The new Groups are shown in **Table 37**.

Other matters in relation to the minimum wage that have to be accounted for include special measures to accommodate small businesses and new entrants to farming, special measures for the youth, special provision for seasonal as opposed to permanent workers, the manner in which exceptions will be dealt with, and enforcement measures.

Table 36: Ranking of Magisterial Districts by human capabilities

Group	Magisterial Districts	Average Wage	Number of Workers
1	Beaufort West, Bellville, Boksburg, Brakpan, Bredasdorp, Butterworth, Caledon, Calitzdorp, Calvinia, Cape, Ceres, Chatsworth, Clanwilliam, Cradock, Cullinan, Durban, Fort Beaufort, George, Goodwood, Gordonia, Graaff-Reinet, Hankey, Heidelberg , Hermanus, Hopefield, Humansdorp, Inanda, Joubertina, Kempton Park, Kenhardt, Knysna, Krugersdorp, Kuilsrivier, Ladismith, Laingsburg, Lions River, Malmesbury, Mapulaneng, Mdantsane, Middelburg , Middeldrift, Montagu, Moorreesburg, Molteno, Mossel Bay, Murraysburg, Namakwaland, Nongoma, Oudtshoorn, Paarl, Peddie, Pietermaritzburg, Piketberg, Pinetown, Port Elizabeth, Pretoria, Prieska, Prince Albert, Randburg, Randfontein, Riversdal, Roodepoort, Robertson, Simdlangentsha, Simonstown, Somerset West, Soweto, Stellenbosch, Steynsburg, Steytlerville, Strand, Sutherland, Swellendam, Tarka, Tulbagh, Uitenhage, Umlazi, Uniondale, Van Rhynsdorp, Viljoenskroon, Vredenburg, Vredendal, Wellington, Williston, Wonderboom, Worcester, Wynberg, Zaaron	583.14	203595
2	Aberdeen, Adelaide, Albert, Alberton, Alexandria, Benoni, Bloemfontein, Bothaville, Botshabelo, Brits, Britstown, Bronkhorstspuit, Bultfontein, Cala, Camperdown, Carnarvon, Cofimvaba, Dannhauser, De Aar, Delmas, East London, Edenburg, Fraserburg, Ga-Rankuwa, Groblersdal, Hay, Heidelberg , Hewu, Hoëveldrif, Hofmeyer, Hopetown, Impendle, Jansenville, Johannesburg, Keiskammahoek, Kentani, Kirkwood, Lady Frere, Lady Grey, Libode, Lower Tugela, Lower Umfolozi, Lusikisiki, Mankwe, Mbibana, Mdutjana, Mhlabathini, Mitchells Plain, Mkobola, Mqanduli, Mooi River, Nelspruit, New Hanover, Nqamakwe, Parys, Pearston, Philipstown, Pietersburg, Pilgrims Rest, Port Shepstone, Potchefstroom, Potgietersrus, Qumbu, Richmond , Richmond , Sasolburg, Seshego, Somerset East, Soshanguve, Springs, Sterkstroom, Temba, Thabamooop, Umbumbulu, Umtata, Umvoti, Umzimkulu, Umzinto, Vanderbijlpark, Vereeniging, Vredefort, Warmbad, Waterval Boven, Westonaria, Willowmore, Willowvale, Witrivier, Wodehouse, Zwelitsha	468.77	149557
3	Albany, Alfred , Amersfoort, Babanango, Balfour, Bedford, Bergville, Bethlehem, Bethulie, Bizana, Brandfort, Carolina, Christiana, Colesberg, Delareyville, Dewetsdorp, Dundee, Dzanani, Eerstehoek, Engcobo, Eshowe, Fauresmith, Flagstaff, Germiston, Glencoe, Hanover, Hartswater, Heilbron, Hennenman, Herbert, Hoopstad, Jacobsdal, Jagersfontein, Kimberley, King William's Town, Koffiefontein, Koppies, Kranskop, Kroonstad, Kuruman, Kwamhlanga, Ladybrand, Letaba, Lichtenburg, Malamulela, Mapumulo, Messina, Middelburg , Mmabatho, Mokerong, Moretele, Mount Frere, Mhala, Mpofu, Mthonjaneni, Mtunzini, Namakgale, Nebo, Nigel, Noupoot, Nsikazi, Odendaalsrus, Petrusburg, Phalaborwa, Philippolis, Postmasburg, Queenstown, Reddersburg, Rustenburg, Smithfield, Soutpansberg, Tabankulu, Thaba 'Nchu, Thabazimbi, Thohoyandou, Trompsburg, Tsolo, Ubombo, Ventersdorp, Venterstad, Victoria West, Vryburg, Waterberg, Welkom, Wepener, Wesselsbron, Witbank, Witsieshoek	382.97	154756
4	Aliwal North, Barberton, Barkley East, Barkley-West, Bathurst, Belfast, Bethal, Bochum, Bolobedu, Boshof, Cathcart, Clocolan, Elliot, Elliotdale, Ellisras, Ermelo, Estcourt, Excelsior, Ficksburg, Fouriesburg, Frankfort, Giyani, Harrismith, Hlabisa, Hlanganani, Huhudi, Idutywa, Indwe, Ingwavuma, Ixopo, Klerksdorp, Kliprivier, Komga, Kriel, Kudumane, Lindley, Lulekani, Lydenburg, Maclear, Madikwe, Maluti, Marquard, Mount Ayliff, Mount Currie, Mount Fletcher, Moutse, Msinga, Mutali, Ndwedwe, Naphuno, Newcastle, Ngotshe, Ngqueleni, Nkandla, Nkomazi, Nqutu, Ntathemba, Oberholzer, Paulpietersburg, Phokwani, Piet Retief, Polela, Port St Johns, Reitz, Ritavi, Rouxville, Schweizer-Reneke, Sekgosese, Sekhukhuneland, Senekal, Standerton, Sterkspruit, Stutterheim, Theunissen, Tsomo, Underberg, Utrecht, Ventersburg, Victoria East, Virginia, Volksrust, Vrede, Vryheid, Vuwani, Wakkerstroom, Warrenton, Weenen, Winburg, Wolmaransstad	328.77	129756

Table 37: Ranking of Magisterial Districts by income and human capabilities

Group	Magisterial Districts
1	Alberton, Amersfoort, Balfour, Bellville, Benoni, Bizana, Boksburg, Botshabelo, Brakpan, Bredasdorp, Bronkhorstspuit, Butterworth, Cala, Caledon, Camperdown, Cape, Ceres, Chatsworth, Cofimvaba, Cullinan, Dannhauser, Dundee, Durban, Dzanani, Engcobo, Flagstaff, Fort Beaufort, Ga-Rankuwa, George, Germiston, Giyani, Goodwood, Groblersdal, Heidelberg (G), Hermanus, Hewu, Hoëveldrif, Hopefield, Humansdorp, Impendle, Inanda, Ingwavuma, Johannesburg, Keiskammahoek, Kempton Park, Knysna, Krugersdorp, Kuilsrivier, Kwamhlanga, Lady Frere, Libode, Lower Tugela, Lusikisiki, Malamulela, Malmesbury, Mankwe, Mapulaneng, Mbibana, Mdantsane, Mdtjana, Mhala, Mhlabathini, Middelburg (MP), Middeldrift, Mitchells Plain, Mkobola, Mokerong, Moorreesburg, Mossel Bay, Moutse, Mpopu, Mqanduli, Namakgale, Nebo, Nigel, Nongoma, Nqamakwe, Nqutu, Nsikazi, Oudtshoorn, Paarl, Peddie, Pietermaritzburg, Piketberg, Pinetown, Port Elizabeth, Port St Johns, Pretoria, Qumbu, Randburg, Roodepoort, Sekgose, Seshego, Simdlangentsha, Simonstown, Somerset West, Soshanguve, Soweto, Springs, Stellenbosch, Strand, Tabankulu, Temba, Thabamoo, Thaba Nchu Thohoyandou, Ubombo, Uitenhage, Umbumbulu, Umlazi, Umtata, Umzimkulu, Umzinto, Vanderbijlpark, Vereeniging, Victoria East, Vredenburg, Vuwani, Warmbad, Wellington, Willowvale, Witsieshoek, Wonderboom, Wynberg, Zastron, Zwelitsha
2	Aberdeen, Adelaide, Albert, Alfred, Alexandria, Beaufort West, Belfast, Bergville, Bethal, Bethlehem, Britstown, Bultfontein, Calitzdorp, Calvinia, Carolina, Christiana, Clanwilliam, Cradock, Delmas, East London, Eerstehoek, Elliotdale, Ermelo, Eshowe, Estcourt, Gordonia, Hankey, Heidelberg (WC), Hlanganani, Idutywa, Joubertina, Kenhardt, Kriel, Ladismith, Laingsburg, Lions River, Lower Umfolozi, Middelburg (EC), Mapumulo Mmabatho, Molteno, Montagu, Mooi River, Mount Ayliff, Msinga, Mthonjaneni, Mtunzini, Murraysburg, Namakwaland, Nkandla, Ntabathemba, Phalaborwa, Phokwani, Prince Albert, Prieska, Port Shepstone, Potchefstroom, Potgietersrus, Randfontein, Ritavi, Riversdal, Robertson, Rustenburg, Sasolburg, Schweizer-Reneke, Sekhukhuneland, Standerton, Sterkstroom, Steynsburg, Sutherland, Swellendam, Tarka, Tsolo, Tsomo, Tulbagh, Umvoti, Uniondale, Van Rhynsdorp, Viljoenskroon, Vredendal, Vryburg, Waterval Boven, Williston, Witbank Worcester
3	Aliwal North, Barkley-West, Bloemfontein, Brandfort, Brits, Carnarvon, De Aar, Edenburg, Frankfort, Fraserburg, Glencoe, Graaff-Reinet, Hartswater, Hay, Hlabisa, Hofmeyer, Hopetown, Huhudi, Kimberley, King William's Town, Kirkwood, Klerksdorp, Koffiefontein, Kranskop, Kuruman, Lady Grey, Lulekani, Maluti, Mapumulo, Moretele, Mount Frere, Nelspruit, New Hanover, Ngqueleni, Nkomazi, Oberholzer, Odendaalsrus, Parys, Philipstown, Pietersburg, Pilgrims Rest, Queenstown, Reitz, Richmond (KZN) Somerset East, Thabazimbi, Underberg, Vryheid, Wakkerstroom, Welkom, Westonia, Wolmaransstad
4	Albany, Babanango, Barberton, Barkley East, Bathurst, Bedford, Bethulie, Bochum, Bolobedu, Boshof, Bothaville, Cathcart, Clocolan, Colesberg, Delareyville, Dewetsdorp, Elliot, Ellisras, Excelsior, Fauresmith, Ficksburg, Fouriesburg, Hanover, Harrismith, Heilbron, Hennenman, Herbert, Hoopstad, Indwe, Ixopo, Jacobsdal, Jagersfontein, Jansenville, Kentani, Kliprivier, Komga, Koppies, Kroonstad, Kudumane, Ladybrand, Letaba, Lichtenburg, Lindley, Lydenburg, Maclear, Madikwe, Marquard, Messina, Mount Currie, Mount Fletcher, Mutali, Ndwedwe, Naphuno, Newcastle, Ngotshe, Noupoort, Paulpietersburg, Pearston, Petrusburg, Philippolis, Piet Retief, Polela, Postmasburg, Reddersburg, Richmond, (NC), Rouxville, Senekal, Smithfield, Soutpansberg, Sterkspruit, Steytlerville, Stutterheim, Theunissen, Trompsburg, Utrecht, Ventersburg, Ventersdorp, Venterstad, Victoria West, Virginia, Volksrust, Vrede, Vredefort, Warrenton, Waterberg, Weenen, Wepener, Wesselsbron, Willowmore, Winburg, Witrivier, Wodehouse