The impact of the minimum wage on poverty and industrial relations in the hospitality industry in Grahamstown, South Africa.

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ABSTRACT

This dissertation endeavours to unpack and understand the impact of the minimum wage on the hospitality industry with a specific focus on Grahamstown. The areas of impact that are of immediate interest were the impact on poverty and industrial relations. In operationalising this research, a qualitative research approach was adopted. The overall design of the study was a case study in a bid to ensure deeper insights may be extracted from semi-structured interviews that were then thematically analysed. Theoretically, the study was guided by the understanding of citizenship as articulated by Mamdani as well as Keynesian theory.

The central theme when exploring the minimum wage in relation to poverty is that the minimum wage that is currently paid is enough to aid workers and their families in escaping abject poverty, however, it does not go far enough to further ensure that they totally escape poverty as measured by the Upper Bound Poverty Line. The inadequacy of the minimum wage in ensuring that people are pushed out of poverty would then mean that their claims to citizenship are compromised and the quality of life they can access is often below what would be readily accepted of a citizen of South Africa. Lifestyle entrepreneurs offer an alternative approach to doing business that can see higher pay as further entrench claims to citizenship.

The central case around industrial relations is that the impact of the minimum wage is indeterminate for two reasons. Broadly speaking, the impact would need to be reviewed at a macro-level and not simply within the impacted sectors. This is the various interconnected value chains that could feel indirect impacts at the initiation of a minimum wage. Further, the impact such changes has to individual firms is also indeterminate as employers have a range of choices that they can adopt in absorbing the impact of a minimum wage, which may include simply increasing the price the end consumer pays or retrenching some staff members. However, the choice that employers would make in this context is not predetermined but rather would vary between firms due to the very specifics of each firm.

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CHAPTER 1

INTRODUCTION

The minimum wage has a long history and is fundamentally an attempt at distorting the labour markets to ensure that workers are protected from possible exploitation. The International Labour Office (ILO, 2014: 19) defines the minimum wage as

> the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract, which is guaranteed by law and which may be fixed in such a way as to cover the minimum needs of the worker and his or her family, in the light of national economic and social condition

This has expressed itself via sector specific protections in South Africa. What is at once clear from this definition is firstly, that the aim and goal of the minimum wage is to cover the basic material needs of a worker and their families. Secondly, the above definition implies that what is considered the minimum acceptable level of pay would be understood within the broader economic and social conditions of that particular country. Simply expanding from this, it is easy to make the case that it would make little sense to argue for a minimum wage of the same amount in a richer country as in a poorer country. For example, these two different states would have differing levels of productivity, differing levels when it comes to the cost of living and differing levels of what is needed in order to meet the minimum needs of a family within that society. That the aim is partly to eradicate poverty is therefore implicit in such definitions and this is particularly poignant within the context of South Africa with a poverty rate of approximately 50 percent depending on the perspective and measure you adopt as is indicated by the figured of Statistics South Africa (2015).

1.1 An embedded wage - social context

Labour markets are not removed from the spaces they operate in and thus the context all labour legislation operates in is important. As stated in the introduction, the research happened within the hospitality industry, in Grahamstown. Thus, below is a brief survey of the context in which the research will occur, both nationally and locally.

South Africa has a very specific racial history, from colonial conquest to apartheid. This conquest has had and continues to have numerous consequences on the country. The fashioning of the colonial world necessitated the creation of a bifurcated world inhibited by citizens with rights coexisting with subjects without rights nor powers. These citizens coincidentally were white, while the subjects were largely black and thus power dynamics in the country were racialised (Mamdani, 1996). Added to this racialising of power dynamics was the racialising thus of access and wealth. This then meant that black South Africa emerged from apartheid a landless, dispossessed, poor and powerless people generally. Though not all poverty in the country can be blamed on those conditions and thus apartheid, a large part of it can and should be.

Labour markets at this time were not spared this racist thinking but were rather a microcosm of the broader society. This can be seen manifest in legislation such as the Master and Servants Act of 1856, Mines and Works Act of 1911 and the Industrial Conciliation Act of 1924. These acts fundamentally privileged white employees over black ones (South African History Online, 2016: 1). For example, though the Master and Slaves Act was written in race-neutral terms, the courts would later interpret it to only refer to unskilled work, which as mainly performed by black workers. The Mines and Works Act granted skilled competency certification only to white and coloured people and the Industrial Conciliation Act provided for job reservation for lighter skinned workers (History of South Africa Online, 2016: 1).

What should be abundantly clear from here is that the nature of the South African labour market has not been free from distortions and thus has not simply been governed by the "invisible hand" of the market. It is for reasons such as this that Morris et al., (2005) argue that wages are not set in a fair market. Part of what this racist history achieved was that it racialised poverty in the country as the period in South African history prior to 1994 can be correctly categorised as the era of white embourgeoisement, with black people excluded from the possibility of serious wealth accumulation (Hyslop, 2005; Johnstone, 1971; Southhall, 2014). It is for this reason that poverty is racialised in the country, with black people being both absolutely and comparatively poor (Altman, 2007). This historical racial divide lends itself to Mamdani's bifurcation claims.

Mamdani (1996: 18) theorised South Africa as a bifurcated society; with subjects and citizens. A case study of this "bifurcation" can be seen in Grahamstown, the subject of this dissertation. O'Halloran (2018: 22) narrates the violent encounters between the native Xhosa and the British settlers in the creation of Grahamstown. Mostert cited in O'Halloran (2018: 22) notes that John Cradock, Governor of the Cape Colony, argued

> By finally succeeding in drawing this line between Xhosa and colony, the Cape government' had 'created a new reality by emphasizing separation of the races as a divide between natural enemies and irreconcilable cultures, the only solution for which was complete severance.

Chatterjee (2004: 4) makes a similar case to Mamdani in arguing for differentiation between real and formal citizens. This is important because South African citizens are afforded the legal status of citizenship, however, as O'Halloran argues "but the relegation of the majority of the population to a second-rate physical and political space belies a 'real' citizenship' ".

An argument of this dissertation is that poverty can be conceptualised as an enabler of this bifurcation and therefore the minimum wage is a critical tool in redressing historical injustice as well as poverty. Part of the issues that this research unpacks is whether minimum wage legislation has indeed had this impact according to the intended beneficiaries.

The economy of the country is noted as having been worth $312.798 Billion at the end of 2015 and a population headcount just below 55 million (World Bank, 2016: 1). The economy has grown at under 4% annually since 2007 and grew at a measly 0.6% in 2015 (World Bank, 2016: 1).

As of June 2016, the population of the country eligible for employment, thus between ages 15-65, stood at 36 591 000, while the labour force was 21 179 000 with 5 634 000 people unemployed (Statistics South Africa, 2016: vi). This means that the current unemployment rate, using the narrow definition of unemployment is 26.6% and has hovered in this region for a while, staying above 21% over the past 16 years (Statistics South Africa, 2016: vi). The Eastern Cape showed employment levels of 1 350 000 at the end of the second quarter. Added to this, unemployment was highest among those with less than a matric certificate (Statistics South Africa, 2016: xiv). Another factor to consider is that youth (defined as those between 15 and 34 years of age) unemployment, using the narrow definition, stands at 3 636 000, having increased from 2008 and is thus more 60% of all unemployment in the country.

Inflation, as of September 2016, stands at 6.1% year-on-year. This indicator has hovered between 4.6% - 7% between 2012 and September 2016 figures, generally achieving the targets of the reserve bank of the country of 3-6% annual inflation (Statistics South Africa, 2016: 5). Food and non-alcoholic beverages were found to be the largest contributor to this coming in at 1.7% out of this 6.1% in September 2016. This is not surprising considering the drought conditions experienced by the country in 2016.

1.2 Hospitality Industry

The hospitality industry is defined in the sectoral determination as all enterprises that provide commercial accommodation, where food is sold as well as any action incidental to this (Department of Labour, 2007). This sector is interesting for several reasons, which include its vital contribution to national GDP; its identification by the government as a strategic economic sector; its largely unorganised workforce, low wages and long working hours (Employment Conditions Commission, 2010: 10). The minimum wage was set at R2,761 (for firms with less than 10 workers) and R3,077 (for firms with more than 10 workers) for the period 1 July 2015 to 30 June 2016. The industry employed 333,656 people in 2015, (Employment Conditions Commission, 2016: 29). This is a significant percentage of the workforce being slightly smaller than the mining industry (Statistics South Africa, 2016: ix).

The differentiator in pay between firms that hire less than 10 staff member and those that hire more is not an unimportant one. This is because according to the Department of

Trade and Industry (2003) and the Department of Environmental Affairs and Tourism (2007) the hospitality industry is mostly made of small, micro and medium enterprises, with 97% of the firms within this sector falling into this classification. Firms that fell into this classification were firms that hired less than 50 employees. Further, Herbst (2001: 115) argues that these firms are generally managed by the owners or are directly controlled by a community of owners. This dissertation will maintain this definition as well for a small firm. Further, Ntimane and Tichaawa (2017: 17) argue that the hospitality industry functions within a highly competitive environment. The prevalence of small firms is an indicator of this competition.

The strong prevalence of small firms, however, does not take away from the fact that the hospitality industry in South Africa is structurally dominated by “a small group of large, mostly locally owned tourism organisations” (Rogerson, 2005: 628). Additional characteristics are the labour-intensive nature of the industry, its gendered workforce, and its informality (Adam-Smith et al, 2003). Informality is an important concept as it has been argued that relationships within small firms are more likely to be informal (MacNeill, 2015: 5). Informality refers to working relations that are not largely governed by procedures, but rather face to face interactions, with formal processes being kept at a minimum (Ram and Edwards, 2003: 723). Another distinguishing factor that Rogerson (2005: 630) argues for within for the hospitality industry is the concept of lifestyle entrepreneurship. Lifestyle entrepreneurs are not simply profit-driven in the running of the business, but rather match the profit objective with other non-economic factors that may either be personal or environmental, for example, that motivate for the starting of a business and particularly Bed and Breakfast establishments or small guest houses (Rogerson, 2005: 630).

Morris et al. (2005: 192) further highlight other characteristics of the industry, arguing that it is single-establishment dominated, has a gendered distribution of work, as highlighted by Adam-Smith et al (2003) which is mostly young. Wages are low and there are weak collective structures within the labour forces, both nationally and at the establishment levels (Vettori, 2015: 7). Vettori (2015: 7) argues that as much as 70% of the workers in the sector are not a party to any collective agreement. The reason the coverage has been low is that the sector is difficult to mobilise because the industry hires many seasonal and temporary employees. Further, the wide natured definition of the industry, as well as the fact that approximately 97% of the industry is made of small firms, compounds the problem according to Vettori (2015: 9). These factors contribute to the uniqueness of the South African hospitality industry and the context in which the research occurred.

1.3 Towards a National Minimum Wage

National discourse specifically around the minimum wage is around moving towards a national minimum wage. Seeking and Nattrass (2015: 2) argue that there are three main positions on the issue of the minimum wage. These are: 1) the free market position that argues that there should be no state intervention at all in labour markets as this inhibits growth; 2) the Coleman and COSATU position supported in principle by academics like Isaacs and Fine, that argues for a high minimum wage; and 3) the position held by Nattrass and Seeking arguing that though a minimum wage is something they support, the level at which it is set needs to be cognisant of the possible job destruction impact and thus be set at a level that will not lead to significant job losses (Seeking and Nattrass, 2015: 2-3). The first position is covered and motivated by neo-classical or orthodox economic theory. This argument seems to have lost out within government spaces as well as within NEDLAC negotiations in the country towards a national minimum wage as the NEDLAC commission has recommended a R3500 national monthly minimum wage, which translates to R20 an hour (Eyewitness News, 2016: 1).

The second position is built on the idea that wages are not a key factor in determining employment, but rather output is (Fourie and Green, 2015: 2). To solidify this position, it is argued that international competitiveness is also not driven by wages but rather efficiency gains that come via things such as management techniques, good labour relations, physical and digital infrastructure, etc. (Isaacs and Fine, 2015:3). Added to this is the central claim made by these scholars that there is no mechanical link between wage levels and employment levels, and this is a position supported by Nattrass and Seeking (Isaacs and Fine, 2015: 1).

With these key factors as part of their analysis, it is then argued that a high minimum wage must be established (Fourie and Green, 2015: 2). However, they argue that doing this would not be effective alone in addressing issues of inequality and poverty but rather there is a need for broader, more progressive macroeconomic and sectoral policies to aid this (Fourie and Green, 2015: 2). This position has the support of COSATU as Coleman has been a vocal advocate for it. He argues that we can learn much from the strategy that Brazil has adopted. This starts with a high minimum wage as well as a range of social protection measures (Coleman, 2013: 11). He argues that high minimum wages, as well as social grants, in Brazil, have not had high disemployment effects, but rather employment has increased (Fourie and Green, 2015: 3). The key difference between Isaacs and Fine and Coleman is simply that Coleman argues for a two-tiered system, which covers domestic and farm workers separately, but this is seen as only a phasing-in mechanism (Fourie and Green, 2015: 3). What is proposed is fundamentally a redress of the labour markets to move to a more just system and away from apartheid cheap labour practises. What makes Coleman's proposal interesting is the potential it has to manage both the short-term impact and long-term success of this project.

The last position argues that having a national minimum wage is the way the country should be going now (Nattrass and Seeking, 2015: 4). The scholars however opposed to a high minimum wage as they fear that this could lead to substantial job losses and thus have the benefit of the minimum wage only felt by a few workers whilst increasing unemployment (Nattrass and Seeking, 2015: 3). A key reason for this fear is the belief that the examples used by Coleman and Isaacs and do not have the same high unemployment levels as South Africa boasts (Nattrass and Seeking, 2015: 5) Another integral argument brought forward by these scholars is that Coleman, Isaacs and Fine fail to take into consideration the different sectoral conditions in their analysis (Nattrass and Seeking, 2015: 5). The main fear from these scholars is that a high minimum wage is likely to negatively affect the very people this it seeks to aid via job destruction, therefore, worsening poverty and inequality (Nattrass and Seeking, 2015: 6).

1.4 Goals of the research

With the context outlined above as the backdrop, the primary aim of this study is to review the perceptions of the impact of the minimum wage applied in the hospitality industry in Grahamstown. This goal is broken down to two sub-objectives:

1. Studying the perceived effects of the sectoral determination on industrial relations within the selected firms. This includes factors such as the alteration of terms and conditions of employment, managerial strategies and tactics, and worker resistance and accommodation.

2. Unpacking perceived effects of sectoral determination on the living conditions of workers in the selected firms, with a particular focus on poverty. This includes factors such as earnings in relation to poverty measures, changes in the spending patterns of employees, and improved access to basic commodities such as food and utilities.

Understanding the impact of already existing legislation is important within the context of a country looking to adopt new and further minimum wage legislation as is the case of with South Africa (NEDLAC, 2016). Further, understanding the impact on industrial relations may offer an alternative perspective to understanding the broader macro impacts of the minimum wage.

1.5 Thesis statement

Research into the impact of the minimum wage within the hospitality sector is strongly contested, both locally and globally (Pauw and Leibbrandt, 2012; Seafield, 2011; Sabia and Baukhuaser, 2010; Oosthuizen, 2012; Bhorat et al, 2014). However, it is imperative that we understand this impact as the country is considering a national minimum wage, intending at increasing the minimum paid to workers as well as expanding protecting beyond the currently specific sectors. The central case of this dissertation is firstly, that the relationship between the macro-economic consequences of the minimum wage is not as straight forward as neo-classical economics would argue. The reason for it not being straight forward is because firms adopt internal mechanisms to cope with the "shock" of the minimum wage. These internal mechanisms do not necessarily always involve dismissal from employment. Secondly, the minimum wage as it stands is so low as to compromise the citizenship of employees within the sector.

1.6 Overview of the chapters

From this section, this dissertation adopts the following format

1. Chapter two provides an overview of the literature on the topic under review. The first portion of this chapter is dedicated to understanding the minimum wage, the different ways it can be used as well as the broad theoretical positions used to understand. From here, a discussion on the relationship of the minimum wage with poverty is explored, with a specific focus placed on how poverty impedes citizenship. Lastly, the minimum wage’s impact on industrial relations is explored.
2. Chapter three unpacks the methodology of the thesis. The research paradigm adopted is a critical approach. The critical paradigm coupled with the ontological and epistemic consideration linked to it is explored. Finally, the methods of this research are unpacked.
3. Chapter four provides an analysis of the data and an exploration of the perspectives of both the workers and the employers. This section is broken into five main themes; 1) a living wage, 2) minimum wage absorption, 3) dependency, 4) Informality and 5) perception on a higher minimum with R4500 used as a guide.
4. Chapter five is the concluding chapter. It will summarise the main themes uncovered in the previous three chapters. From here, it will highlight what can be deduced from the research. Lastly, areas of further research are highlighted.

CHAPTER 2

A THEORETICAL PERSPECTIVE

2.1 INTRODUCTION

This chapter looks to explore a brief overview of the minimum wage. This is done by exploring where the minimum wage was first instituted. This is then followed by an overview of the different roles that a minimum wage is expected to play. From here, the different theoretical perspectives that have informed the debate around the minimum wage are explored. This is then narrowed down to an overview of the relationship of the minimum wage with poverty and industrial relations. This is finally completed with an overview of some of the research done on the impact of minimum wages and industrial relations. The aim of this chapter is to lay the theoretical foundation on which the rest of this dissertation is built.

2.2 IN THE BEGINNING

The minimum wage owes its rationale from the father of economics, Adam Smith. Smith was the first to argue that employers, left to themselves, would not set equitable rates, thereby keeping wage levels too low (cited in Krueger, 2015: 2). To expand on this reasoning, Smith went on to add:

> No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, clothe and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, clothed and lodged (cited in Krueger, 2015: 535).

However, minimum wages were not enacted until the late 1800s with New Zealand establishing it and from here one was established in 1900s in some American States. The Fair Labour Standards Act (Theis, 1991: 715-716; Reich, 2015: 538) was the first piece of legislation that granted a national minimum wage and President Roosevelt is quoted as having said on the day it was enacted that

> Do not let any calamity-howling executive with an income of $1,000.00 a day, who has been turning his employees over to the Government relief rolls in order to preserve his company's undistributed reserves, tell you—using his stockholders' money to pay the postage for his personal opinions—tell you that a wage of $11.00 a week is going to have a disastrous effect on all American industry (cited in Reich, 2015: 538-539).

This was not to go uncontested and the contestation was pioneered by George Stigler in the 1940s, based on assumptions of how competitive markets should work (cited in Kreuger, 2015: 536). The side of the debate that argued against the minimum wage gained currency in the 1960s and 1970s with the advent of econometrics and computerization. The advent of econometrics and computerisation together with Stigler's arguments formed the basis of what President Reagan used to argue for the freezing of growth in minimum wages between the years 1981 and 1989 causing a decrease of 27% in spending power of these wages.

The history of minimum wages goes all the way back to 1925 in South Africa via the Wages Act (Bhorat, Weshuizen and Goga, 2007: 4; Jordaan and Ukpere, 2011: 1094). Bhorat et al (2007: 4) note that the Act allowed for the creation of wage boards that would make non-binding recommendations on wages to the Minister of Manpower. These wage boards were appointed by the minister for a given period, a specific category of worker, a given area as well as a sector (Bhorat et al, 2007:4). The Act also had the goal of keeping black employees out of some sections of the labour market by reserving jobs for white and coloured workers and as a result keeping black workers within the lower sections of the labour market (Ukpere, 2011: 1094). After 1994 there were many conversations and negotiations around what to do with labour and thus wages in the country, these lead to four main Acts of Parliament; (1) Labour Relations Act of 1995, (2) the Employment Equity Act of 1998 (3) the Basic Conditions of Employment Act of 1997, (4) and the Skills Development Act of 1999. These acts currently govern labour relations in the country. Of immediate interest is Chapter 9 in the Basic Conditions of Employment Act as it makes provision for the creation of the Employment Conditions Commission (Bhorat et al, 2007: 11). The function of this commission is to do research on different sectoral determinations and to provide recommendations to the Minister of Labour. These commissions serve in similar, albeit deracialised, ways to the wages boards that existed during apartheid to ensure that each sector is aligned with the Basic Conditions of Employment Act (Bhorat et al, 2007: 11).

Sectoral determinations are one mechanism used by the Minister of Labour to ensure basic conditions of employment within specific economic sectors as dictated to by Chapter 8 of the Basic Conditions of Employment Act are adhered to (RSA, 1997; RSA, 2002; Bhorat et al, 2007: 15). The contents of each determination arise via consultation between the various stakeholders involved such as the employers and employees, officials from the Department of Labour, and the Employment Conditions Commission (as defined in Chapter 9 of the Basic Conditions of Employment Act (RSA, 2002)).

In October 2016, the country had eleven determinations as listed on the Department of Labour's website (2016: 1);

- Contract Cleaning (Determination 1)
- Civil Engineering (Determination 2)
- Learnerships (Determination 5)
- Private Security (Determination 6)
- Domestic Workers (Determination 7)
- Wholesale and Retail (Determination 9)
- Children in the Performance of Advertising, Artistic and Cultural Activities (applicable to children under 15 years). (Determination 10)
- Taxi Operators (Determination 11)
- Forestry (Determination 12)
- Farm Worker Sector (Determination 13)
- Hospitality (Determination 14)
- Small Business Sector (Determination 1)

The above, though briefly providing a historical overview of minimum wage legislation abroad and in South Africa does very little in covering exactly what is minimum waging. As such below, we seek to engage that question as well as a few related ones. As highlighted by some of the quotes above, the rationale behind the minimum wage is primarily a moral one, the desire to protect workers and ensure that employed members of a population are not paid exploitative wages (Bhorat, Kanbur and Stanwis, 2014: 1403). To fully appreciate minimum wages, one must understand the classic neoliberal belief around labour markets and how they operate. This is because it forms a bulk of the rational against minimum wage legislation. Simply stated this argument believes that markets left to themselves are the most efficient way to allocate labour and will produce the highest wages possible at the best price (wage level) possible. Therefore, wage levels will be determined by the interaction of demand and supply guided by the “invisible hand” of the market. This is all due to the fact that wages are set at the marginal level of productivity (Edwards and Gilman,1999: 21). Minimum wages are thus wages set above this level for a range of reasons, such as stopping employers from depressing wages, protection from exploitation and other social protection reason (Burda and Wyplosz, 2013: 124).

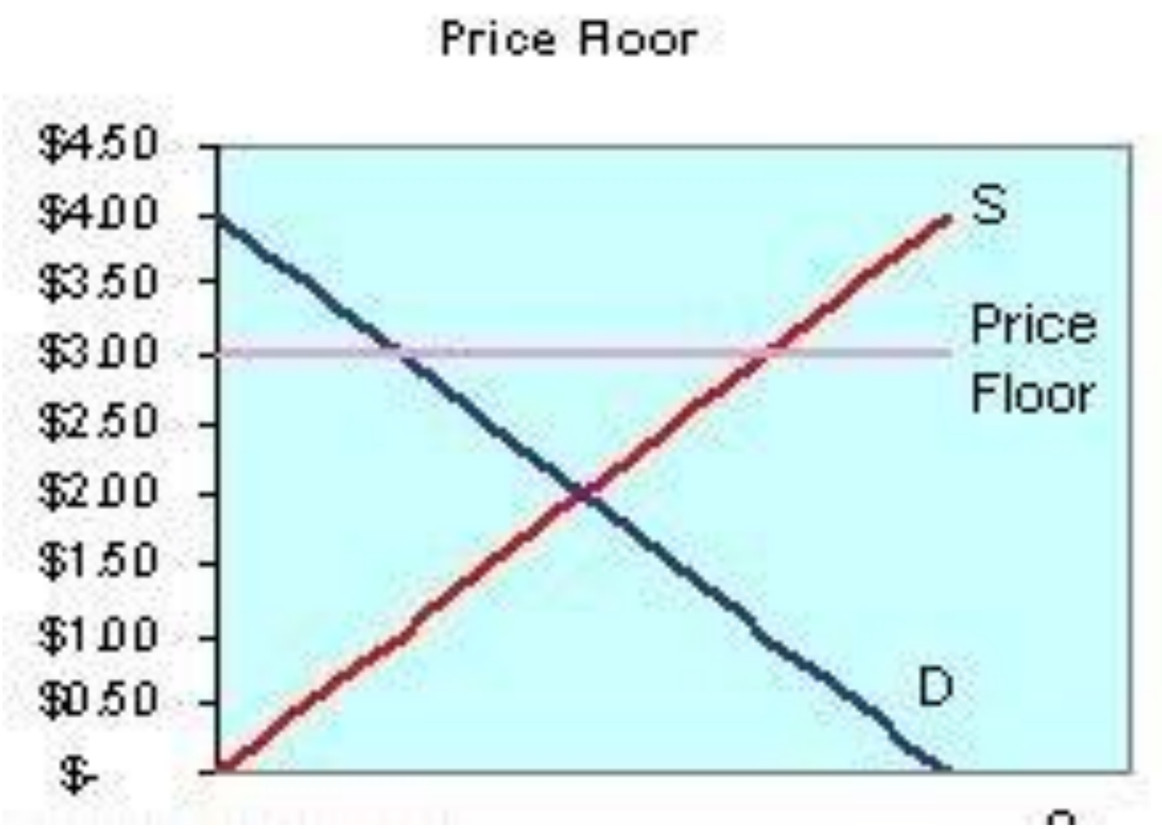

Figure 2: Adapted from Lipsey, Steiner and Purvis, 1987: 100.

Minimum wages have at least four different functions within national wage determination parameters (Starr, 1981: 547). These roles are; (1) the protection of vulnerable workers, (2) to promote fair wages, (3) to use minimum wage legislation to ensure a wage floor, (4) and the use of the minimum wage as a macroeconomic instrument to ensure some broader national goals such as economic progress or stability are attained (Starr, 1981: 547). These underlying functions often play an important guiding role as to the level a minimum wage is set at. Further, important guiding framework when thinking through minimum wage legislation are the various theoretical frameworks that can be adopted in thinking through the wage.

2.4 DIFFERING THEORETICAL APPROACHES

Minimum wages have no consensus in the world of politics as well as academia and are thus still a heavily debated concept. The contestation is often informed by different theoretical perspectives. Some of these theoretical perspectives are outlined below and they are; (1) neoclassical approach, (2) monopsony wage theory, (3) efficiency wage theory, (4) segmentation theory and (5) heterodox positions focusing mainly on Keynesian theory. The question these theories look to answer pertains to how wages are set and the impact they may have. How these theories understand the labour market is often used as the basis for the support or the lack of support for a minimum wage. This is because look to unpack what impact a minimum wage may have on employment, poverty and industrial relations. Unpacking them provides context into some of the key economic and sociological thinking around the possible impact a minimum wage may have. Below, these theories are explored.

2.4.1 Neoclassical Approach

As shown above, in the case of the minimum wage being used as a wage floor, within a competitive economy, it is believed that setting prices above the rate set by the market via demand and supply will cause a surplus as supply will outstrip demand and in the case of labour markets this surplus is unemployment. The victims of this unemployment will primarily be the workers that have a lower marginal productivity of labour (these workers tend to be young and less educated) and are therefore less-desirable for employers, as such they may not be hired (Burda and Wyplosz, 2013: 124). Thus, it is believed that although minimum wages will be good for some, they will hurt others as they will keep some workers out of the market as well as result in some employees becoming too expensive to keep (Lispey, Steiner and Purvis, 1987: 365). It is accepted by neoclassical thinkers and adherents that labour markets are not inherently homogeneous. This is important because the different elements within each labour market are important to consider in order to develop a broader understanding of labour markets. However, it is still maintained that what all this offers is a nuanced version of the orthodox position, but not a radical departure from this position (Bhorat, Kanbur and Stanwix, 2012: 2).

Lipsey et al. (1987: 366) further argue that this loss of employment has ramification such as the loss of skills gained on the job and thus contributes to the deskilling of the economy as fewer people are now being trained. This has resulted in the introduction of a tiered minimum wage system in places such as Canada in the late 1990s. This system allows for a lower wage for people who are considered less skilled or unskilled to allow for upward mobility in career and in pay (Lipsey et al., 1987: 366). Due to patriarchy and racism, among other forms of discrimination in society, women and black people tend to be placed in the low skilled or semi-skilled brackets, either through direct discrimination racist or a case of not having had the chance to gain the requisite skillset (i.e. indirect discrimination and disadvantage). For this reason, (i.e. discrimination, either direct or indirect) it is argued that black women find themselves as those with the worst odds of surviving a minimum wage. This can be directly linked back to the idea since discrimination keeps black people in general and black women in particular within the low or semi-skilled sections of the labour market, they are usually the first to feel the disemployment consequences of the promulgation of minimum wages. Due to South Africa's racial history, a large number of people working within the hospitality industry are black and female. As a result, race and gender are important factors to consider when thinking through the impact of a minimum wage for the above-mentioned reasons. One way the minimum wage can be experienced is via massive unemployment predicted within this model or alternatively, it can be a venture to provide protections for the black women largely employed within this sector. The model outlined above is graphically represented in the figure below.

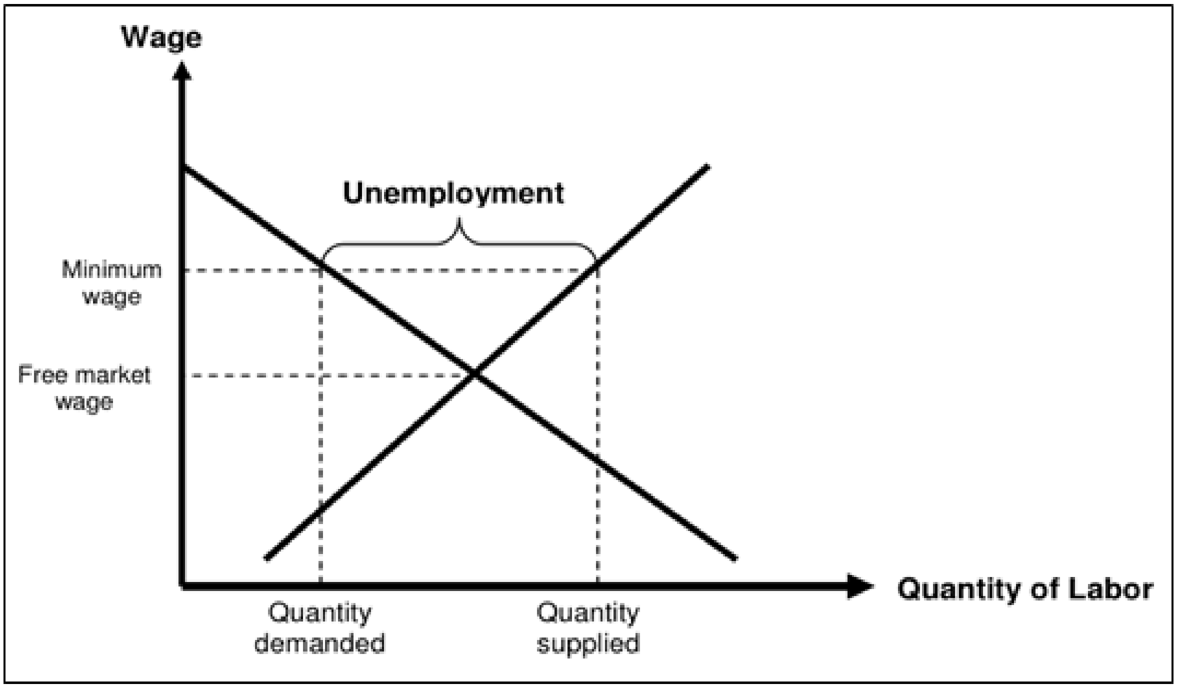

Figure 3: adapted from Burda and Wyplosz, 2013: 124.

2.4.2 Monopsony Models

Card and Krueger (1995) in *Myth and Measurement*, argue that when looking at the empirical data on labour markets, there are some elements about the data that a neoclassical approach would not be able to explain. They then look to explore this data with the aim of coming up with alternative explanations. An example of what they thought that neoclassical theory was not able to explain, which was of particular interest to this study, were cases where there was an increase in employment rather than a decrease after a minimum wage was instituted (Edwards et al., 1999: 21). The inexplicability of some sections of labour market data by the neoclassical approach then led to the study and pursuit of different models to explain wage theory, though a concession is made that these only departed slightly from the neoclassical framework as noted in Bhorat et al. (2012) as well.

A key argument in monopsony models is that some firms enjoy a sense of power that makes the depression of wage rates below the market clearing rate possible. Workers that supply labour also have a price at which they would ideally like to sell their labour power. As such, what would be the market clearing rate can have the consequence of pushing workers out of the market due to a lack of willingness to sell their labour at low prices, i.e. due to wages being too low. In a labour market that is represented by this model the consequence of a minimum wage would not be employment reduction, but simply a reduction in profits coupled with an increase in employment, as this would encourage disenfranchised workers to rejoin the labour market to come and sell their skills. Naturally, this sale would be compensated for via reduction in profits (Edwards et al., 1991:21; Lipsey et al., 1987: 365). Further, it is argued that an increase in the minimum wage and therefore pay could also lead to motivation for employees, and thus increasing productivity and lowering the costs of supervision (Edwards et al., 1999:21; Shaheed, 1994).

Edwards et al. (1999), further argue that the issue of monopsony is an issue of degree and not whether it exists within labour markets. As such, it should be seen wherever labour supply is not totally elastic. Once labour supply is totally elastic, it would mean that a change in wages would not have an impact on the quantity of labour supplied. Since we know that labour supply is responsive to changes in the wage rate, we can safely conclude that labour markets are not perfectly elastic. A study of this very model is cited in Edwards et al. (1999) in which care homes for the elderly were studied. These homes had the corrects conditions for what should be perfect markets, i.e. things like competitions and access to information, however, workers were said to be paid 15% less than what labour markets would have paid naturally, i.e. the market clearing rate. The implication here is that a 15% increase in wages would not have had a negative impact on employment as predicted by the neoclassical model (Edwards et al., 1999: 22).

2.4.3 Efficiency Wage Theory

This theory is used to analyse wages, not within the broader labour market, but within the firm and the role wages play as a tool for coercion and control. This is important because different employees in different firms earn different salaries though working the same job within the same market. Hence, there are factors that determine wages other than simply market forces and some of these factors are located within the firm (Edwards et al., 1999: 22). For example, Liu (2017: 239) in a study reviewing the impact of social capital in China find that individual employee social networks together with positive attitudes with regards to social capital significantly increased wages. Importantly, Edwards et al (1999:

22) argue that workers and employers are not simply “passive recipients of market signals”. This implies that market signals are filtered through the lens of their agency. The concept of indeterminacy has been used to explain the difference in wages earned by workers doing the same job but at different firms within the same market. Indeterminacy is defined as the range from which employers choose salaries for their employees and this is determined by broader managerial goals and allows for employers and managers, such as motivation or employee retention strategies (Edwards et al., 1999: 22).

Efficiency wage theory proposes that paying workers’ wages that fall above the market clearing rate will serve as a source of motivation and thus increase productivity while discouraging workers from underperforming (Edwards et al., 1999: 23). What some critics of this theory have argued, that the relationship between motivation and wages is more complex than efficient theory allows (Edwards et al., 1999: 23). For example, there are many extra-market factors and social influences that encourage people to work that the efficiency theory does not factor in (Edwards et al., 1999: 23). Further, Grimshaw cited in Edwards et al (1999: 23) argues that since efficiency theory looks to understand industrial relations through the lens of shirking and motivation, it would have to explain the rationale behind the gender pay gap as being due to women easier to monitor and more motivated than men.

Useful to take from the above discussion on the efficiency theory, however, is that wages are a tool that forms part of the motivational nexus deployed towards workers. It is not the only one, nor is it even the most important one as many motivation theories show, but it is one of them and thus it is possible to increase wages in so far as they induce additional productivity (Amos, Ristow, Ristow and Pearse, 2008). Another important point to note when thinking through this theory is the fact that employers are not always efficient in how they work. This is said to hold true even when these employers are warned about this and thus one can glean from this theory that another possible advantage of a minimum wage is the possible “shock into efficiency” it can provide (Edwards et al., 1999: 26).

2.4.4 Segmentation Theories

A key belief in these theories is that there are different labour markets, which are governed by different rules. These differences include high pay, autonomy and job security in primary labour markets and the opposite in the secondary labour markets (Edwards et al., 1999: 23). Thus, wages are not an issue of economic efficiency as argued by the efficiency wage theory, but rather a control strategy by firms and therefore form part of larger political processes (Edwards et al., 1999: 24). Botwinick cited in Edwards et al (1999: 24) critiques some segmentation theories for their lack of empirical basis, arguing that there is significant movement between these different types of markets and there are markets that have secondary features, but with primary conditions (Edwards et al., 1999: 24).

The value to be extracted from these theories, however, is that they make an important critique of the neoclassical model in arguing that wages are not purely set by the market, but rather via political forces as well, thus wages rates do not necessarily reflect any equilibrium (Edwards et al., 1999: 24). As a result, minimum wages then would also add to this nexus of political forces that affect wages and thus the expected set of outcomes as defined by the neoclassical approach fail to appreciate the possible market interactions that could occur between the different political factors.

2.4.5 Keynesian Theory

What is important about Keynesian theory is the nature of wages and how they affect the general price levels of goods and services within an economy. In this theory, it is held that since wages form one of the inputs to the process of production, an increase in the cost of these wages will be forwarded to the consumer and as a result alter the general price level of goods and services within the given market (Herr, Kazandziska and Mahnkopf-Praprotnik, 2009: 10). Thus, it is due to being a an input cost in production that results in wage increases having the potential to be and being a source of inflationary pressure on an economy and needing to be watched in the medium to long term to always increase in line with the wage norm (defined as target inflation rate plus midterm productivity) (Herr et al., 2009: 10).

An additional caveat to the impact of the minimum wage is that it has the potential to change the distributional nature of wages in an economy and thus be a tool to fight against inequality (Herr et al., 2009: 10). This is because an increase in wages will affect mostly the low paid workers in an economy, increasing their nominal and real income. However, what these workers produce via their labour is consumed elsewhere by a variety of other workers, including rich members of society. As explored in the paragraph above, an increase in the general wage rate via the implementation of a minimum wage is often transferred to the consumer via an increase in prices. The consequence is that this will lower the real income of the richer individuals since they will be unaffected by the minimum wage, i.e. the purchasing power of each rand they own, will be able to buy fewer goods than before. However, the real income of the poorer workers would be increased by the minimum wage. (Herr et al., 2009: 10).

The next concerns the employment effects of the minimum wage as understood within Keynesian theory. It is held that increases in wages do not have straightforward employment effect, either positive or negative. To be able to understand the impact of a minimum wage, one must take a macroeconomic view. It is not enough simply to look at the affected sector even if the wage is sectoral (Herr et al., 2009: 14). The reason this is so is that it is possible that in one sector (sector one) implementing a minimum wage will result in the increase of prices of goods and services. Employers in sector one may respond to this increase in prices by the adoption of technology to increase productivity as well as decrease labour prices in the long-term. As a result, unemployment would be found within the sector the wage may have been implemented in (sector one). However, increased demand would occur from the sector (sector two) that the new technologies adopted by the employers would be purchased from and it is possible that employment increases within that secondary sector (Herr et al., 2009: 13). Due to the possibility of the above scenario, it becomes unclear what the net impact of the minimum wage within the broader economy would be, i.e. whether the employment created in sector two would offset the unemployment created in sector one (Herr and Kazandziksa, 2011).

What should be clear from the above is that minimum wages change the wage structure of an economy as well as the structure of the prices of goods services within that economy, the demand for final products as well as the demand for input. Moreover, because these impacts are dispersed across the economy, it is very difficult to isolate the macroeconomic impact (Herr et al., 2009: 11). In Keynesian theory, low-wage households have a higher propensity to spend than those who are higher income earners. As a result of this, the money that has changed hands via the distributional effects discussed above will cause aggregate demand to rise in the economy due to it being spent as opposed to being saved. This increased spending will lead to increased production and output. This increased production can increase employment and decrease inequality within the broader economy (Herr et al., 2009: 13).

From the above, it can be seen that an increase in the minimum wage does not have clear employment effects. As consequences of this, Herr et al. (2009: 14) argue that one large increase of the wage followed by ones that follow the wage norm (i.e. target inflation rate plus medium-term productivity) are not necessarily detrimental for an economy. It can also be seen that the minimum wage can be increased at a rate greater than that of the rate at which average wages are growing as a means to kerb inequality within the economy without necessarily severe consequences for an economy (Herr et al., 2009: 14).

What is clear from the five theories is that in some regard they explain different elements of the minimum wage and it is not necessarily always impossible to rely on a set of theories simultaneously in a bid to understand minimum wage. For example, using Keynesian theory alongside monopsony models to understand the broader macroeconomic implications of a minimum may be used alongside efficiency theories as well as segmentation theories to understand the internal dynamics within firms used for wage setting.

Further, we learn that wage setting is not as straight forward as was proposed within the neoclassical framework, but rather forms part of a more complex socio-political nexus of forces and factors and thus the impact it will have cannot be easily determined a priori. For example, it is not simply market supply and demand that will determine the impact of a minimum wage on wage levels and employment, but possibly the degree of monopsony in a market may be a factor to consider. The existence of monopsony would make both an increase in both wages and employment a simultaneous possibility.

What is abundantly clear from the above is that the last four theories raise serious questions that the neoclassical framework struggles to answer adequately. Added to that, within the theories covered above, it can also be partially seen what some of the perceived benefits of the minimum wage would be as well as the perceived ill consequences. Below, these are covered in greater detail and are largely located within the above-said frameworks.

Wood (1997: 330) looks to streamline the key arguments historically presented by the opposing sides of the debate. In support of the minimum wage, we find (1) the call for a decent wage for workers as articulated by Adam Smith; (2) that better-paid workers are less dependent on the state and thus allow the state to generate savings as well as additional tax revenue; (3) international evidence, albeit contested, shows that the minimum wage has not had negative consequences on employment; and (4) low-paying employers force well-paying employers to subsidize their low wages via taxation.

An additional argument explored by Coleman (2013) as well as Isaacs and Fine (2015) is that minimum wages have the potential to induce consumption-driven demand and be a significant source of economic growth. This draws from Keynesian theory arguing that once people are paid more they are able to consume more and as a consequence drive up demand thereby creating employment and economic growth (Herr et al., 2009). Brazil, albeit with serious contestations due to the recent economic crisis, has been cited as an example of this with their national minimum wage rising in real terms by 81% between 2003-2010 and simultaneously creating 17 million jobs and having economic growth of 9.1% in 2010 (Coleman, 2013). Linked to this is the belief that a minimum wage can be good in lessening poverty as well as inequality. This is particularly attractive since it will not require taxpayer money, but rather is a burden that is being put on employers and entrepreneurs, whilst protecting the most vulnerable workers, who are often not unionised and have very little bargaining power (Devereux, 2005: 899). Consequently, minimum wages offer a powerful tool for engaging and helping those who are in "outsider" occupations (i.e. those employed in peripheral occupations and can be deemed vulnerable workers, subcontractors, in small businesses, younger workers and those in the informal sector) and therefore with weakened claims to real citizenship (this is to be explored later in the work) (Morris, Collier and Wood, 2005: 191).

Within monopsony theory, low wages keep workers out of the market. Once wages have been raised, the incentive to sell labour power increases and there should see an improvement in recruitment (Edwards et al., 1999: 28). Further, within efficiency wage theories the argument is that a wage increase will force the employers to use labour more efficiently. Thus, this increase in efficiency has the potential to increase productivity and profitability. Further, it will also push out smaller, inefficient firms and allow the more efficient ones to survive and become bigger (Edwards et al., 1999: 28). This leads to the possible creation of monopolies and the question that must be asked is if that is in any way good for an economy. Added to this, the ILO argues that high labour costs could induce increased training of staff and improve the quality and the productivity of employees (Shaheed, 1994: 58).

On the other side of this debate, we find arguments that are premised on the belief that labour markets will reach full employment when left without distortions. It can be readily seen that this is located within the arguments presented in the neo-classical theory (Herr et al., 2009). Wood (1997: 330) presents the following arguments against a minimum wage: (1) it causes unemployment as it keeps workers out of the market as well as forcing some businesses to downscale due to increased wage bills, (2) it creates unrealistic dispersal expectations from more senior employees, i.e. the expectation that wage differentials between and lower paid workers would be restored via a similar increase in their own wages, (3) it means that products will be charged at higher prices and affect the ability of local producers to compete with international goods that are sold within local markets, and (4) it only applies to those who are already employed and does nothing for those who have no employment, and is therefore not effective in addressing poverty.

What the above compounds is the fact that this is an incredibly contested space, within academia as well as a policy option and very strong arguments are presented on either side of the spectrum. Later on in this chapter, a survey of literature on the topic will be engaged providing a stronger perspective through an empirical survey.

2.5 THE MINIMUM WAGE AND POVERTY

The first two roles for the minimum wage outlined above speak to the protection of vulnerable worker as well as the promotion of a fair wage. These objections partially speak to the argument advanced by Adam Smith that, employers left to their own devices will charge wages that are too low. The consequence of low wage is poverty. Combatting poverty is one of the chief aims of a minimum wage. Looking to explore the impact that a minim wage has had, looking at the impact it has had on poverty had a meaningful bearing on the overall picture.

2.5.1 Defining Poverty

Poverty is a concept that people believe they have an intuitive appreciation of, but a matter that, like many other issues, does not find academic consensus. The issue of defining poverty is not an arbitrary one, but one that has serious consequences with regards to policy positions and the aid that governments offer for those that are argued to be poor. Once a definition is too narrow, it excludes people that seriously need the aid and once it is too broad it becomes ineffective, partly because it becomes harder to help a larger number of people, but also because non-poor people then qualify for aid and thus a sense of relative poverty (one of the definitions) remains. As a result, the question at this point becomes how do we then define poverty?

Within economic circles, poverty is defined in terms of income and therefore the ability to consume. What this definition offers is the question of the level of income a family (and not individuals) has and their ability to access particular needs (UNESCO, 2016: 1). As such, if your family falls below a particular level of income and thus ability to consume, you would be considered poor. An example of this thinking is captured with the World Bank's as well as the United Nations' extreme poverty lines (UNESCO, 2016: 1). Linked to this is the additional concept of absolute poverty. This is defined as the amount of money needed to meet basic needs, thus issues of subsistence (Lister, 2004: 13). Alternatively, the notion of relative poverty is provided and this is said to occur once an individual is limited from participation in what would be normally expected and encouraged within a society. Therefore, central to this would be the notion of a decent living (which goes beyond being simply well fed) within the parameters of that society (Lister, 2004: 21-22). Added to this, one is said to be poor once they are excluded from the joys and benefits and ordinary citizen of the nation can access due to the lack of material resources or means (Lister, 2004: 13).

From the above definitions of poverty, it is easy to see that the three above definitions are reconcilable. Fundamentally, the case to be made within this thesis is that poverty is relative and must be understood within the social parameters of the society within which poverty occurs. Further, income lines can and are often used as proxies for to understanding the degree of access one would have to the benefits an ordinary citizen of any country would be able to access. These income lines are of also often used to measure issues around extreme poverty and a citizen's access to basic food. An easy example of the three definitions being used in concert can be found in the poverty lines adopted by Statistics South Africa (2015).

Statistics South Africa (2015) rebased poverty lines in 2015 in an attempt to understand who was considered poor in the country. To do this they produced 3 poverty lines; (1) the food poverty line (FPL), (2) the upper bound poverty line (UBPL) and (3) the lower bound poverty line (LBPL). These lines mean slightly different things and are pegged at slightly different levels. These were defined as "the FPL is the Rand value below which individuals are unable to purchase or consume enough food to supply them with minimum per-capita-per-day energy requirement for good health (which is about 2 100 kilocalories). The LBPL and UBPL include a non-food component. However, individuals at the LBPL do not have command over enough resources to consume or purchase both adequate food and non-food items and are therefore forced to sacrifice food to obtain essential non-food items. Individuals at the UBPL, on the other hand, can purchase both adequate food and non-food items." (Statistics South Africa, 2015: 1). These lines were also, for the first times, made province specific. The national figures were (with the amounts adjusted by the annual average CPI till March 2015 appearing in brackets); R335 (R414,56) for the FPL, R501 (R619,98), for the LBPL and R779 (R964.00) for the UBPL all expressed in March

2011 prices. The figures were slightly different for the Eastern Cape with the FPL being R335 (R414,56), LBPL being R477 (R590.28) and the UBPL being R678 (R839,01) also all in 2011 prices. (Statistics South Africa, 2015: 1). These figures informed the country that, using the UBPL, that according to Statistics South Africa 27 117 973 people were living in poverty at the time of writing the report (Statistics South Africa, 2015). This is more than half the population in South Africa who cannot afford the minimum level of a socially acceptable quality of life using the given measure.

Poverty lines are useful with regards to tracking poverty in the country and the attempts at eradicating poverty. They also aid in guiding government policy and thinking with regards to poverty alleviation programmes and other forms of social protection. However, they are not without their fair share of problems. The easiest one is the question of whether a person that earns R1 more than the given poverty line is not poor? A secondary problem with poverty lines is that they pay no cognisance to people's perceptions of poverty and what it means to the country to be poor. For example, in South Africa where owning wild stock is considered a measure of wealth as can be seen in the popular isixhosa idiom "ubutyebi bendoda ziinkomo zayo" (the wealth of a man is his cows), would a person that owns chicken and cows, but earns below the required levels to be considered rich or poor? An additional question towards an analysis like this would be a broader theoretical question of is poverty simply an issue of ownership or are there more structural considerations to be made in understanding poverty?

Fully aware of the of the above discussion on poverty, the author will proceed in using Statistics South Africa's poverty lines as a guide to understanding poverty in South Africa, but they will be used alongside other questions as thoughts that look more into the interviewees' perception of poverty as well as thinking about the cost of living in Grahamstown. Specifically speaking, the upper bound poverty line (UBPL) will be used. This is because it captures both food ideals as well as broader needs such as education costs that an ordinary citizen of South Africa would be expected to enjoy. This is true because basic needs are "social and not just physical" (Lister, 2004: 27). This is the reason that has been offered for poor people spending money on recreational goods instead of meeting their primary needs when at times they are forced to choose. It would be arrogant and inhumane of the richer within society to believe that the things we consider as social needs are things the poorer should not desire as social needs as well. What is considered a need in any society is socially conditioned. It is for this reason that rooibos as well as “amasi” (sour milk) form part of the basket of good used to understand to create a poverty line in South Africa (Statistics South Africa, 2015: 16). The upper bound poverty line will all be used in an attempt to unpack and understand the impact of the minimum wage on poverty as perceived or experienced by the interviewees. The section above looked to consider what an appropriate definition of poverty ought to be in line with the intended aim of this research.

2.5.2 Poverty and Citizenship

Since it has been alluded to that needs are socially conditioned, one cannot understand poverty fully without understanding it in line with its impact on citizenship. To start off, Galtung defines structural violence as “avoidable impairment of fundamental human needs or, to put it in more general terms, the impairment of human life, which lowers the actual degree to which someone is able to meet their needs below that which would otherwise be possible.” (Ho, 2007: 3). From this definition, as well as the case presented above about poverty, it becomes easy to see that poverty is structural violence no matter the definition of poverty taken. Specifically, using the third it becomes clear that had there been no financial limitation on people, they would live different lives and meet needs they are otherwise unable to. However, because poverty limits the ability for people to make these choices, it is structurally violent. Ho (2007) further argues that poverty limits one’s ability to access adequate healthcare, education, welfare and other benefits that are linked to being a citizen and form part of the civil and social rights accrued to citizens (Ho, 2007: 9). A further factor to consider here is the fact that poverty also limits the quality of access you would have for healthcare or education and other social rights. This all matters because Leydet (2014) argues that “a citizen is a member of a political community who enjoys the rights and assumes the duties of membership”. This membership, Leydet (2014) further argues is premised on 3 elements; legal status, political participation as well as identity. Important for us the purposes of this dissertation is the notion of legal status which is defined by civil, political and social rights.

Poverty eradication is an important point for any government. It constrains people's ability to fully enjoy the meaning of their citizenship within a state. This is particularly important in South Africa, where more than half of the population is considered poor (Oosthuizen, 2012: 173; Statistics South Africa, 2015). Added to these poverty measures, is the racialized nature of poverty in the country due to the history of the country. This can be seen in former President Mbeki's words in 2004 when he said:

> Endemic and widespread poverty continues to disfigure the face of our country. It will always be impossible for us to say that we have fully restored the dignity of all our people as long as this situation persists. For this reason, the struggle to eradicate poverty has been and will continue to be a cornerstone of the national effort to build the new South Africa (cited in Studies in Poverty and Inequality, 2007: 1).

Further, the importance of poverty alleviation can be seen in policy documents, the latest being the National Development Plan (2012) as well as the Sustainable Development Goals of the United Nations, which South Africa is a member state of (United Nations, 2016: 1).

Altman (2007) looks to understand and profile those who are the working poor, thus the employed yet earning wages that do not pull them out of poverty. One of the arguments Altman (2007) makes is that many people who are employed in the formal sector form part of the working poor population in South Africa, the number using 2004 figured was at the point as high as 65%. Of these working poor, 83% were black African and 12% were coloured (Altman, 2007: 23). This speaks true to the country's racial history and therefore combating poverty forms part of a broader call in South Africa for restorative justice (Evans, 2015: 5-10). Van der Berg (2014) furthers this argument by showing that the prime source of inequality in the country is due to differences in pay, though poverty and inequality do not have a direct relationship, this highlights the fact that in the economy there are many employed but underpaid as argued above. This reality is important because it weakens the ability of some in the country to enjoy the full extent of being citizens and thus threatens to delegitimise the democratic project.

For compromising citizenship, poverty alleviation should be tackled from all sides as an issue of urgency because "poverty anywhere constitutes a danger to prosperity everywhere" as argued by the ILO (Shaheed, 1994: 56). And if poverty will not be tackled for these reasons, it should be tackled for the preservation of our humanity. It cannot be humane to allow poverty to exist in our midst as those who can fold their hands and simply enjoy affluence.

It is in light of the importance of poverty eradication as part of strengthening a democratic project that Levin-Waldman (2003: 1) argues that "the minimum wage furthers the ends of a democratic society in that low-wage workers may achieve greater equality of standing with their peers to the extent that income inequality is at all lessened; their autonomy as individuals is enhanced through higher wages, which in turn enables them to claim the benefits of citizenship and participate more effectively in the democratic process; and it fosters greater economic development in that it raises the overall structure of a region and perhaps the productivity of that region.". Thus, the question of the impact of the minimum wage on poverty must be asked. This is for all the above reasons, but also because minimum wage legislation often has one of its strong motivations the aim of poverty eradication.

Mamdani, in his book subject and citizenship (1996) looks to understand the nature of colonial rule that African countries experienced. In brief, he argues that a major consequence of the choices made in looking to refine a system of ruling native African resulted into creating a state that has citizens on one hand who could own land and had access to resources and government developed infrastructure and subjects on the other hand. Subjects had no rights, could not own land and had no genuine access to the broader economy. The consequence of this was the creation of a bifurcated state, which has resulted in the entrenching of poverty for the subjects, however, ensures that citizens are able to access the best of the country. (Mamdani, 1996:16-18).

In expanding this thinking, since the basis of this bifurcation was the lack of access to the rights protecting citizens in the urban spaces, it can then be argued that poverty still maintains a bifurcation as it also keeps many from being able to access their rights due to the fact that they do not have the money to or that the state cannot provide to adequate levels for one reason or the other. Thus, poverty creates half citizens, with equal rights on paper but without the ability to access them in reality and thus compromising the democratic process.

Mamdani concludes the book by arguing that there is a very clear need to end this bifurcation in a bid to advance the democratic process (Mamdani, 1996: 287-288). Thus, it is true that dealing with the structural violence that is poverty is an important way by which we can address the half citizenry of many South Africans.

2.5.3 An empirical survey on the minimum wage and poverty

Clain (2007: 1) makes it very clear that minimum wages are a much-contested mechanism with regards to their efficacy in poverty alleviation. Those in favour of a minimum wage cite its potential in lessening poverty, while those against it argue that since minimum wages cause unemployment, those disemployment effects could offset all gains of the minimum wage and possibly even worsen poverty. Clain (2007), studying the United States, which has state-level minimum wages, argues that the minimum wage there has had no real significant impact on poverty. Burkhauser, Couch and Glenn (1995) argue that poverty cannot be understood via individual earnings, but rather it is a household phenomenon. For example, a student working a part-time job earning R400 a month is not necessarily poor if his/her parents earn R50 000 a month. It is due to this household dynamic that the impact on poverty of this wage is very uncertain (Burkhauser et al., 1995: 4). A family of four, with someone earning R3500 monthly, but with the other three members earning grants totalling another R2500 between them, would then have to be considered as not being poor to begin with using the poverty lines produced by Statistics South Africa for example. Burkhauser and Sabia (2007) further this side of the debate by arguing that after they assessed the United States between 1988-2003 they found that minimum wage increases did not have an impact on poverty, but rather what seemed probable was an increase in poverty due to the disemployment effects that were to be experienced with the increase in the minimum wage rate that was being considered at the time. This line of argument is further supported by Pauw and Leibbrandt (2012). After using simulations, they argue that the minimum wage is a bad pro-poor policy in that is only worsens intra-class inequality as it does nothing for the unemployed. This is further supported by other work by Sabia and Burkhuaser (2010) after doing a study of the United States.

However, this all flies counter the evidence gathered by the department of labour, which found that employment had increased, and real wages also increased 3.7% annually in real terms from 2001-2007 despite annual minimum wage increases (Seafield, 2011). This is echoed in the work of Oosthuizen (2012), who covered the same period looking at waged employment. In that work, it is concluded that minimum wages decreased the incidence of low pay and poverty by extension. Card and Krueger (cited in Devereux, 2005: 900) provide an analysis of a number of American low-wage sectors and found that the minimum wage did not have the detrimental employment effects that were expected and even had a positive effect in certain sectors. Similar results were seen in the United Kingdom after the minimum wage was introduced in 1999 (Devereux, 2005: 900). Further, Saget (cited in Devereux 2005: 903) found that an increase of 1% in the minimum wage decreased poverty by 0.46% in Thailand and the Philippines. Added to this was a regression analysis that found a positive impact on poverty due to the minimum wage in 22 other countries (Argentina, Bolivia, Brazil, Colombia, Costa Rica, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, Uruguay, Venezuela, India, Indonesia, Philippines, Sri Lanka, Thailand, Ghana, Mauritius, Morocco, Tunisia). This list of countries adds voice to the argument that often places cited where the minimum wage has seemed to not work have been in the industrialised world, but not the developing world leaving the question of whether extent to which a state has developed might have an impact on the success or failure of the minimum wage with regards to poverty alleviation (Devereux, 2005). Lusting and McLeod (cited in Devereux, 2005) state:

> minimum wages and poverty are inversely related: i.e., an increase (decline) in real minimum wages is accompanied by a fall (rise) in poverty. These results are replicated across different poverty measures (the headcount ratio and the poverty gap), poverty lines (extreme and moderate poverty lines), or population groups (urban and rural)

Devereux (2005) further notes that Lusting and McLeod argue that minimum wages are not the most efficient way to deal with poverty as a 10% increase in the wage would result in 1% decrease in employment. However, Saget is noted as disagreeing with this argument after a study of 31 countries (Benin, Botswana, Burkina Faso, Coˆte d'Ivoire, Malawi, Mali, Niger, Senegal, Togo, Algeria, Morocco, Tunisia, Azerbaijan, Philippines, Syria, Thailand, Turkey, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Guyana, Mexico, Paraguay, Peru, Uruguay, Venezuela) from 1985-1996 that showed very little increases in unemployment, but showed a decrease in some cases. Added to this, a simulation was produced by the National Minimum Wage Research Institute (2016: 12) looking at the possible impact of a national minimum wage in South Africa. The report concludes that poverty would decrease by between 1.3% and 2.6%, inequality 0.4%-1.7% depending on the level that a minimum wage is pegged at.

It is clear that the impact on poverty of the minimum wage is a contested space like the policy option itself and is not clear-cut. The contested nature is not simply a theoretical argument but is an issue of how one reads and understands the economic data and empirical evidence. It is the great, though fictitious, detective, Sherlock Holmes who argued that:

> Circumstantial evidence is a very tricky thing. It may seem to point you very straight to one thing, but if you shift your point of view a little, you might find it pointing in an equally uncompromising manner to something entirely different (cited in Fryer, 2013: 18)

What is clear is that researchers are often looking at the same set of data and still conclude different thing, due to slight shifts in perspective. An easy example of this is Pauw and Leibbrandt (2012) producing micro-simulation which argue that minimum wages will decrease employment by 350 000-500 000. Once job data was produced and 2 000 000 jobs were created in the South African economy over the period, the argument was that minimum wage legislation could have deflated job creation by up to 500 000 jobs. What this shows, is that evidence and how it is written about can also be hugely contested in this area.

2.6 THE MINIMUM WAGE AND INDUSTRIAL RELATIONS

Minimum wage legislation does not only impact wage levels and therefore only have the broader macroeconomic implications that have been discussed above. Rather, it also has serious implication for industrial relations. Historically research into the impact of minimum wage legislation on industrial relations has been scarce with the prime focus being the broader macroeconomic issues (Belman, 2013: 272). This is in error one must argue because the broader macroeconomic consequences of minimum wage legislation will always be conditioned by how minimum wages affect industrial relations within firms. The extent and nature of the impact on industrial relations shape how firms respond, with negative employment consequences being a possibility, but not necessarily a certainty.

2.6.1 Defining Industrial Relations

Industrial relations concerns itself with the employment relationship, i.e. the relationship between the employer/manager and the employee. The focus of this area of study is an understanding of the rules that govern and guide these relationships (Hyman, 1975). These rules include, but are not limited to; legislation, standard conventions, managerial decisions, collective agreements, and accepted customs and means. Of interest is not simply what the rules are, but also includes why and how they came to be and how internal dynamics within firms have been shifted and affected by these rules.

Edwards, Ram, Gupta and Tsai (2006) argue that the nature of the employment relationship is that it is antagonistic between the employer and the employee. This is a claim that dates back to Marxist class analysis, which argues that this is due to having divergent interests when it pertains to the share on profits (Wright, 2005). These interests diverge due to the zero-sum nature of profit, to distribute more towards labour, you have to give less to capital. The consequence of the antagonistic nature of this relationship is that it is characterised by conflict and contradiction. What further adds to this antagonism is the fact that for capital to increase their share of profits, the exploitation of the working class must be intensified (Mandel, 1977; Sayer,1991). By exploitation, Marx argued that the amount the workers are compensated for their labour power is not the amount the labour produces, but rather is paid to reproduce the "labourer". Thus, the difference between labour costs and the productivity of labour (the profit extracted by the capitalist) is exploitation (Ake, 1981). It is this exploitation that needs the consent of the workers and the process by which consent is drawn is complex (Wright, 2005). Consent is important because of the mutual dependency of the owning class and the working class (Wright, 2005). An easy example of the contradictions between labour and capital over consent is an owner believing that a particular way of working will make the workers or the production more efficient, but workers feel like they are hitting their targets or are getting the job done without needing to do as such.

In addition to being contradictory and subject to conflict, these employment relationships are embedded within broader social and political forces and not simply linked to the economic (Edwards et al., 2006). The social relations are not simply shaped by the pursuit of profit, but a range of other political and social factors matter, for example, family. The embeddedness, however, does not necessarily mean that structure overrides agency and that management teams within firms are simply reactive and devoid of agency. The relationship between structure and agency is one that is considered to be dialectical by Barret and Rainnie (Ram and Edwards, 2003: 720). This then goes to the issue of the sociology of agency vs structure. Ram and Edwards (2003: 721) considering this very question cite Barrett and Rainnie:

> Both structure and human agency should be taken into account, and this requires a consideration of the influence of the owners and the managers of the firm as well as the structural determinant

Labour and product markets, family networks, etc. shape and influence the employment relationship, but workers and employers have power and agency and they can also act (Ram and Edwards, 2003: 720-723). This action is both proactive as well as subjective to send signals to the market as well as respond to the market as they see fit as Ram and Edwards (2003: 721) argue that similar firms have been seen to respond to the similar situation differently. Workers and employers are not simply yielding to the said dictates of the market (Edwards et al., 1999: 22). This immediately brings into question the neoclassical understanding of markets. This understanding subordinates everything and everyone to the whims of the invisible hand of the market as though human agency stops to exist in the face of the market. It is, however, markets relations, together with agency, that will result in similar firms responding to the same external shock differently (Ram and Edwards, 2003). This is also linked to perceptions of what the markets are. These perceptions are important because they shape and inform the strategies taken in preparing for legislative and market changes that impact the firms (Ram and Edwards, 2003; Morris et al., 2005: 202).

2.6.2 Small Firms

Of particular interest to the research at hand is the question of small, micro, and medium enterprises (SMMEs henceforth). Wilkinson (1999) cautions that we should not assume that there is a homogeneous small type of business and that size alone is not enough to explain employment patterns. Rather, size in conjunction with a range of other things, such as technology, social relations, and sector should be considered (Edwards et al., 2006: 704). It must then be established that small firms have different employment relations and these differences can also be seen across different industries (Ram, Edwards, Gilman, Arrowsmith, 2001: 845). In early thought in this area, two extremes with regards to small firms were apparent in literature (Wilkinson, 1999). It was either the small is beautiful scenario or bleak house scenario. The argument is that small firms' industrial relations are harmonious, there are good human resources practices, little bureaucracy as well as the family style of management. The alternative, bleak house, highlights hidden conflicts, instability, dictatorial leadership, and poor working conditions.

This narrative of extremes has been debunked as it is argued that the same firm can portray both the characteristics of a bleak house as well as the "small is beautiful" scenario. This is captured when Curran (cited in Wilkinson, 1999) argues:

> Small firms do offer more varied work roles and greater opportunities for close face-to-face relations in a flexible social setting with less of the bureaucracy of the larger enterprises. But these conditions also offer greater opportunities for interpersonal conflicts.

A further caveat added here was that the family-style leadership and deep family ties that are often found in small firms can be a source of great flexibility, but also great trouble when family demands go against economic sense. Thus, it makes the nature of relations within small businesses complex and contradictory (Wilkinson, 1999: 208).

2.6.3 Family in Small Firms

The issue of family and family resources, according to Edwards et al (2006), is a structural factor, which interacts with others, and that is very important in understanding small firms. An easy example of this would be that the more resources a family has, financial or otherwise, the more assistance a business can get once it runs into troubled times and this would shape this firm's response to external shocks and structural pressures and opportunities presented by the labour and product markets for example. Further, workers' familial relations within and outside the firm are important (Ram and Edwards, 2003: 721). They form recruitment networks and allow for flexibility in work because family can cover for each other for example (Ram and Edwards, 2003: 721-722). It is also the existence of the family nature of these firms that partly allows for the gaining of consent (Edwards and Ram, 2003: 722). The nature and role of the family and the family nature of small firms is complex in how it used by managers as well as workers, but this does not mean sameness in operation and manifestation in small firms as they are not homogenous (Ram and Edwards, 2003: 722). Wheelock and Baines (cited in Ram and Edwards, 2003: 722) argue that to fully understand a business and how it functions, you must also understand the household out of which the employees and employers are based. Based on the above, it can be argued that there is a level of dependence that small firms have on the family networks that they interact with for a range of resources that help ensure that the business remains viable and function.

A further nuance about family is with regards to the paternalistic relationships that can exist between employers and employees. Lee (2001: 841) defines paternalism as:

> A reciprocal, cooperative style of management in which the employer acknowledges and considers the employees' rights and feelings. This type of relationship is analogous to a father who does not forcibly control or direct the activities of his child or children but guides them in an understanding and loving way.

The nature of these relations tends to lend it a relationship a parent would have with their child and therefore provide a platform of consideration between employers and employees. However, Naidoo et al. (2007: 36) caution against such a relationship as they often include payment-in-kind as opposed to cash. They argue that such relationships, particularly when they include payments in kind tend to bind the employee to the employer. For example, when the payment in kind is via accommodation or grocery, the loss of the job could very well also result in a loss of accommodation and those groceries. Of key concern with such relations is the degree of dependence that they can create on an employer by an employee.

2.6.4 Informality

Ram and Edwards (2003: 723) highlight small firms have more face-to-face interaction, instead of more bureaucratised procedures, and interactions are more likely to be informal in a different manner than interactions within firms with a greater bureaucracy. This can be seen for example in some the ad hoc ways that time off is handled, with fewer procedures than in larger firms (Ram and Edwards, 2003: 723). Informality refers to employment relations that are shaped by a process of unwritten understandings and customs that are derived via interactions at work instead of codified procedures (Ram et al., 2001: 846). Informality is not an issue of whether it is present, but rather a question of the degree of informality within any firm, regardless of size. It should not be assumed that because an enterprise is bigger it is more formal; industrial relations are more complex than that. Ram et al. (2001: 847) further argue that smaller firms tend to be marked by lower pay as well as a higher degree of informal relations.

Informality can be a double-edged sword (as will be explored later). On the one side, it can allow workers flexibility and some freedom, but on the other, it can allow managers unilateral powers to make important decisions. In some cases, as Ram et al., (2001) found, informality was used to press employees into accepting difficult working condition and changes such as pay cuts and reductions in benefits.

2.6.5 Responses to external shocks

Economic orthodoxy argues that small firms would be the firms that would be first in letting some members of staff go and thus contributing to unemployment as a result. Arguing that small firms are the first to let employees go once there is an external shock is an argument that ignores the social embeddedness of wage determination (Ram et al., 2001: 847). This is because within wage setting there is a level of indeterminacy; i.e. the range from which employers choose salaries for their employees (Ram et al., 2001; 847).

This highlights the failures of working within disciplinary silos. Instead of allowing for a space of a more complex and nuanced understanding of markets, working within silos leaves thinkers with one-sided accounts masquerading as the complete picture. Taking a sociological understanding of labour markets offers the opportunity of enriching a purely economically orthodox position, while the economic perspective would also add value to the sociological.

This complication of the economic by the sociological can be seen in the three different responses found by Ram et al. (2001) to the implementation of the national minimum wage in the United Kingdom. Three different adjustment strategies were found; (1) Business as usual approach, (2) Shocks to efficiency and (3) Work intensification. Within the "business as usual" case, the firms were found to largely maintain informal approaches to work as well as adapting to the legislation instead of simply adopting the legislation (Ram et al., 2001: 849). These firms also felt that paying the wage was not an issue as other firms were also paying it and thus it would not be a source of creating unfair competitive advantages. Further, since the increase was believed to be a small increase in pay, the costs were simply passed on to the customers or absorbed and work was not reorganised due to how difficult that would practically be. Further, familial relations were seen as an important part of these firms into ensuring flexibility as well as in creating awareness about the better working conditions as some of the employers as well as employees did not know about the minimum wage legislation. This speaks to the possibility of the minimum wage being self-enforcing due to word of mouth (Ram et al., 2001; Saget, 2008: 35). What is of further importance, in this case, was that pay was seen as part of a broader pay package and thus when the pay was below minimum wage levels, the workers accepted due to them receiving the tips, free food and drinks as well as transport. What is clear here was the fact that informality absorbed the external shock without the need to fire staff (Ram et al., 2001: 852).

Within the second case, the employers realised that they were underpaying their employees, despite believing that they paid a fair wage (Ram et al., 2001: 853). This group of firms was largely found to have increased pay rates without too many adverse effects as they had anticipated the increase in costs. What is important about these increases is that they were linked to skills development and were above the minimum wage stipulated by the legislation (Ram et al., 2001: 853). What made these increases possible was that the firm was doing do. This was coupled with the purchasing of better machinery to increase supply as well as save on labour costs in the future (Ram et al., 2001). This purchasing of machinery was also coupled with increased formality and supervision of work, with CCTV cameras as well as swiping machines to control attendance as well as formalised disciplinary processes (Ram et al., 2001). This was not simply due to the introduction of minimum wage legislation, but also the pressure imposed by the success of the business. The product market placed a degree of pressure on the company and, there were attempts to become more efficient as a result, and thereby also improving productivity (Ram et al., 2001: 854-856).

The third case was the work intensification case. This was characterised by firms not being able to afford the minimum wage and as a result, monitoring was increased as a strategy to increase productivity. Added to this, no paid breaks were allowed. This all lead to drops in employment, with some firms shutting down. The firms interviewed said they were worse off than they were before the wage was enacted. This was attributed to difficult market conditions, though the new legislation was cited as the cause at times (Ram et al., 2001). Claims such as the fact that the minimum wage had forced employers to change everything and as a result slowed down production. Things like no paid holidays, overtime or sick leave were instituted in other firms, with some resorting to illegal operations in a bid to survive (Ram et al., 2001: 857).

What we see in the above cases studied by Ram et al. (2010) are similar to the results found by Adam-Smith, Norris and Williams (2003), which draw our attention to some of the non-wage effects of a national minimum wage as observed in the hospitality industry in the UK. Wages form part of a broader rewards package in the industry and increasing wages but taking away other incentives could imply a negative impact. Added to this is the 'informal' nature of management within the sector, which gives managers a considerable amount of power to act unilaterally. Brown and Crossman (cited in Adam-Smith et al., 2003: 33) argue that cost-minimization, in the form of withdrawing benefits and intensifying work, were the most common methods for dealing with the introduction of a minimum wage in hotels as opposed to upskilling to improve productivity. In addition, it was found that costs were in some regard passed on to consumers as a means to adjust to the minimum wage.

A few things can be gleaned from the above case studies, one of which is that informality can both be useful and detrimental to workers. Added to this, is the fact that different firms combine levels of formality and informality differently as they pursue results. Thus, informality in small or big firms should not be assumed as being straightforward and simple, but rather as deeply contextual.

What the above sociological analysis provides that the economic analysis does not, is the importance of agency in responding to market condition. This agency shapes the response firms take in responding to market shocks and regulation relying on family as well as informality at times to make the required adjustments. Further, what remains clear from the above, Ram et al., (2001) argue, is that the dilemma for policymakers is the need to balance the companies that went upmarket and survived as explored by the companies that applied the "shock to efficiency" and business as usual approaches, and in some cases improved as result of the minimum wage, with those that could not survive failed as reflected by the work intensification approach.

2.6.6 Empirical Survey

Just as can be seen in the nature of the debate, the research used is also deeply varied in conclusion. The question then becomes what do we conclude from seemingly divergent empirical data? The quote cited above by Sherlock Holmes seems apt again:

> Circumstantial evidence is a very tricky thing. It may seem to point you very straight to one thing, but if you shift your point of view a little, you might find it pointing in an equally uncompromising manner to something entirely different (cited in Fryer, 2013: 18)

Herr et al. (2009) lists 51 different studies that show varied results with regards to the employment consequences of the minimum wage. These consequences show variation even within the same market. For example, the employment effects for men might be negative, while positive for females.

This is a trend that has reproduced itself in South Africa. Conradie (cited in Bhorat et al., 2014: 1404) argued that a wage increase of 10% would likely decrease employment by between 3% and 6% in agriculture, but this was often lessened by work intensification strategies and the decreasing of benefits as highlighted above. In additions, Murray and Van Walbeeck (cited in Bhorat et al., 2014: 1404) in assessing the impact of sectoral determination in the sugar cane industry found that there were no retrenchments as a result of the minimum wage. However, it was noted in the same study that workers that left were often not replaced, alongside decreasing in-kind benefits as well as decreasing total working hours a week. Naidoo et al. (2007: 25), in a study of the impact of sectoral determination on farm work, argue that farmers adjusted to the minimum wage legislation via a mixture of work intensification, use of female and casual workers, selective compliance and increased deductions. Bhorat et al. (2014) also provide an analysis of the agricultural industry they found that wages increase between 2000 and 2007 by 30% compared to the control group, the presence of contracts increased, though hours worked had fallen for all the workers assessed, it was noted that farm workers worked less than the control group, though the hours worked by farmworkers had increased relative to the control group. On the question of employment effects, Bhorat et al. (2014) argue that there was excess labour employed during the period before the minimum wage came into force and the introduction of the minimum wage resulted in the excess unskilled labour being let go. What is of further interest here is the fact that, on top of firing unproductive workers, investments in machinery increased the year the wage was announced and thus the firms in the agricultural industry were shocked towards efficiency.

Dinkelman and Ranchhold (cited in Bhorat et al., 2012: 2) in a study of the impact of the minimum wage in the domestic work sector in South Africa found, among others, argue that they found an increase in the presence of employment contracts, as this formed part of the new legislation. Added to this, they argue that the probability of a typical domestic worker being hired after the implementation of the legislation was unchanged. Hertz (2004), in a study of the impact of the sectoral determination for domestic work in South Africa between September 2001 and September 2004, found that it raised wage levels and increased the purchasing power of poorly paid workers as well as improved their working conditions by compelling employers to issue workers with employment contracts. Bhorat et al., (2012) in an analysis of the agricultural sector between 2000 and 2007 find that wages increased by 17% as a result of the minimum wage. Further, contract coverage increased, but employment was found to have fallen significantly, this was also coupled with the fact that the probability of being hired as a farm worker also decreased by 13% over the period in question.

Morris et al. (2005), exploring the impact of the national minimum wage in the United Kingdom on the equestrian sector, found that 37% of schools that closed cited minimum wage legislation as the cause, though many firms simply paid the higher wage as they were in support of it. Further, benefits were shifted as a means to cope with the minimum wage and were paid in cash. Thus, there was a shifting of resources within the total rewards package instead of shifting from profits. It is the shifting of benefits that makes it difficult to fully understand the impact of the minimum wage, though it is conceded that cash transaction with regards to wages are believed to be better as they promote transparency as well as the breaking of dependency (Morris et al., 2005; Bhorat et al., 2012: 4).

Research on the impact of the sectoral determinations issued by the Department of Labour portrays sectoral determination as having had a positive impact (Seafield, 2011). The research found that jobs have not been lost but have grown in general and in the hospitality industry specifically as well as showing a positive impact on poverty via increasing wages by an average of 3.7% annually in real terms from 2001 to 2007 in the hospitality industry (Seafield, 2011). The minimum wage for the hospitality industry was set at R2,761 (firms with less than 10 workers) and R3,077 (for firms with more than 10) and the industry employed 333 656 people in 2015 for the hospitality industry (Employment Conditions Commission, 2016: 29).

2.8 Conclusion

Minimum wage legislation is a contentious policy option, despite how attractive it might be to legislators, primarily because the burden for it is not placed on the state, but rather on the different employers across the country. The contention is due to the different theoretical frameworks used to understand labour markets. Added to this complexity is the fact that empirical evidence does not seem to settle this debate, with research pointing in both directions. Some argue that minimum wage legislation has been good for things such as poverty and inequality, via raising wage rates and protecting workers from exploitation (Hertz, 2004; Seafield, 2011). However, it is equally argued that as a pro-poor policy the minimum wage is mistargeted, as well as the fact that it makes poverty worse via the unemployment effects of the legislation (Morris et al, 2005; Bhorat et al, 2012; Bhorat et al, 2014).

What is clear from the above, though, is the fact that analysing the minimum wage without understanding other impacts, such as how it shapes industrial relations, will only lead to a partial understand as well as the possibility of producing economic anomalies, such as wage market distortions that increase employment as opposed to the unemployment argued for within an orthodox approach. It is sociology, in conversation with economics, psychology, politics and other disciplines that will allow us to produce a comprehensive understanding of labour markets and how they work. This is because isolated approaches run the risk of reductionist approaches to solving the problem of poverty (Abramo, D’Angelo and Di Costa, 2018: 2). It is within the terrain of the sociological we begin to unlock and unpack some of the non-wage impacts of the minimum wage as well as the different strategies that firms adopt in dealing with the minimum wage. These include things such as work intensification, short time (the practice of asking your workers to work shorter hours) and the reduction of benefits.

It is these strategies that are a portrayal of the importance of agency in unpacking and understanding the relationship between the markets (labour and product) as well as the individual firm and its responses to the markets. Simply speaking, implementing a minimum wage does not leave firms without other options to adjust, but to fire employees. Rather, between the implementation of a minimum wage and decision towards letting staff go, there are other strategies that firms often adopt. These strategies are located within the individual firm. These strategies help to make the impact of a minimum wage indeterminate. The strategies applied are a representation of the agency of workers and employer within each individual firm in managing the broad macroeconomic changes that their firms are subject to.

The research plans to continue this conversation between economics and sociology to enrich our understanding of the impact of minimum wage legislation. What is also clear from the above is the fact that much sectoral analysis in South Africa still needs to be done in understanding the impact of minimum wage legislation.

CHAPTER 3

THE METHODS OF THE RESEARCH

The goal of this research is the pursuit of understanding the impact or at least the perceived impact of the minimum wage on industrial relations and poverty. The approach used to explore this is a qualitative one, while specifically applying the case study research design. From a paradigm point of view, this will be located with the critical approach. Theoretically, the study will be guided by citizenship as understood by Mamdani as well as Keynesian theory. The theoretical approaches are explored in depth within the theoretical review.

3.1 Qualitative research

Qualitative research is endeavoured on once the goals of the research require thinking and reading beyond the surface and digging deeper into reality by looking at all the various angles to ensure the production of nuanced accounts of history and differing phenomena (Leedy & Ormord, 2005: 133). To put it in different terms, qualitative research focuses on two things commonly, 1) to think through things in their natural settings, 2) To think through reality and phenomena in all its complexity. This then requires not simplifying phenomena, but rather presenting it in all its complexity and truly portraying reality as truly multifaceted (Leedy & Ormord, 2005: 133). Further to this, Leedy & Ormord (2005: 134-135) argue that qualitative research is usually appropriate in four cases, descriptions (Reveal nature of certain things), interpretations (Gain new insights about the phenomena, develop new concepts and theoretical frameworks, and to discover phenomena), verifications (This problems within allows researchers to test certain assumptions and theories that are held and to see their real-world consequences) and evaluations (This allows for the judging of the effectivity of certain policies). A qualitative approach allows for an in-depth review of the data and is therefore superior for the envisioned review. It further allows the asking of question around the impacts on poverty of the minimum wage within the context of the hospitality industry in Grahamstown and the attempt is not to posture as to understand the mathematical correlation between the different variable as qualitative research would attempt to do, but rather to gain better understanding of the perceived impacts of the minimum wage with the context of the livelihoods of the employees (Leedy and Ormord, 2005: 179).

3.2 Research Paradigm

Guba and Lincoln (1994) argue that a research paradigm “A paradigm may be viewed as a set of basic beliefs (or metaphysics) that deals with ultimates or first principles. It represents a worldview that defines, for its holder, the nature of the "world," the individual's place in it, and the range of possible relationships to that world and its parts, as, for example, cosmologies and theologies do.” An important concession they make out front is that, though these beliefs are often strongly held and articulately defended they are fundamentally that, beliefs.

Issues of worldview, at least as it pertains to knowledge generation, are of incredible consequence because they have an impact on issues of ontology, epistemology and the methodology. I would even go as far as arguing that, a particular worldview limits the kinds of ontological, epistemological and methodological assumptions and approaches one can take up.

With all the above in mind, this research adopts the critical approach to inquiry. This method of inquiry is centred on notions of academic activism; the goal is the imagination and advocacy for a better world via the unbundling and doing away with inequitable relationships as it pertains to power (Hansen, 1993: 4). The approach bothers itself with the question of why things in society happen, while equally looking at a more humane society (Hansen, 1993: 5). By implication from the above, the researcher cannot be viewed as a neutral bystander, but on some level, the research is undertaken as motivated by underlying values. Scholars of the critical method argue as far as to say that the researcher is embedded in the research they are undertaking (Guba and Lincoln, 1994: 115; Mumby, 1988 and Hansen, 1993). Taking cognisance of South Africa’s history and the current socio-economic ill of the land requires that a scholar does not simply adopt study from a place of intellectual curiosity, but rather for the means of understanding, critique and education (Hansen, 1993: 6).

3.3 Ontology and Epistemology

As conceded to above, the critical approach then requires that certain ontological and epistemic assumptions be made. These are necessarily built to oppose positivist thought (Hutton, 2009: 1). As a starting point, critical researchers hold that reality is real and socially constructed (Guba and Lincoln, 1994: 110). The social construction is known to create structures that are then crystalised and real. An example of this kind of ontological position can be found within Marxist thought. This is evident from how Marx's argues on the isolation of man and the abstraction of the economy into an abstract separate being, a superstructure (Sayer, 1991). It is within an economy, that is not embedded in society that an ordinary, and by ordinary, I mean neo-classical, explanation of markets can be used to understand the impact of the minimum wage. It is this very position that critical scholars reject; the assumptions that these superstructures are real, as such creating the space for these to be challenged and therefore reshaped.

It then logically flows from this position, that if reality is socially constructed, then so is knowledge. As such, because knowledge is socially constructed, the sharing of knowledge is profoundly important as such critical theory requires that the knowledge creation process be one of a partnership between the researcher and the researched (Hutton, 2009: 1). The consequence of this is that the role of "place" must be factored into research. Since knowledge is socially constructed, then the manner and the place in which the knowledge process happens is significant and as such the critical scholar must engage with the local context seriously (Hutton, 2009: 1). Further, the critical scholar must concede that what is then considered knowledge, or at least valuable knowledge, is mediated by social power structures. As such, whoever wields the social power gets the right to determine the knowledge we consider as valuable (Hutton, 2009: 1). As such, it is the duty of the critical scholar, whose goal is geared towards emancipation and to give voice to knowledge from parts and people of the world whose voices have not always been treated as valuable. This is of significant interest to this research as a large amount of research as will be witnessed in the scholars cited in the literature review has been outside the country and based in the global north. Bonnin and Ruggunin (2013) argue that an ontology and epistemology applied to African people must treat those lives as though they matter and are worthy of investigation, making a move from simply treating them as places for data collection and nothing else.

The critical approach with its ontological and epistemic assumptions allows the researcher to pose questions to the neo-classical theoretical framework, which is necessarily premised on positivist assumptions. Secondly, the study is located within a South Africa with high levels of poverty, whilst waiting in anticipation of the implementation of the national minimum wage. It is therefore wise to look at the impacts that minimum wage legislation in South Africa has already had. Lastly, the reality of a poor South Africa as has been highlighted in the literature and context chapters, present an opportunity and the obligation for a holder of the critical paradigm to engage in what may be loosely termed academic activism.

3.4 Methodology and methods

The study adopted the case study research design as it was best positioned to allow for an in-depth look at the hospitality industry in Grahamstown (Leedy & Ormord, 2005: 135). Yin (Cited in Monyai, 2011) argues that the case study approach can really be broken up into three main types; exploratory, descriptive, and explanatory. The style of this research is largely explanatory, as it really looks to explain and engage with the minimum wage and how this has impacted industrial relations as well as poverty. Leedy & Ormord (2005: 135) further argue that this approach is valuable when the case in question is unique. The hospitality industry in Grahamstown is unique for a couple of reasons and these reasons are covered more in depth within the context chapter of this thesis, however briefly they include the characteristics of the industry such as low wages, gendered work, weak collective structures among others, while Grahamstown has the conditions that should provide for perfect competition. Further, to this, while doing a survey of the literature, linked to the minimum wage, not much literature was forthcoming on the very issue as it pertains to the South African hospitality industry, though studies around agriculture were forthcoming.

Central to this case study research design were semi-structured, in-depth interviews. The interviews were semi-structured in order to allow for the participants of the interview to be active generators of knowledge. This allows and indeed allowed for richer conversation as well as deeper insights. Ensuring that there is a degree of structure ensured the general interview questions asked were similar to ensure that a degree of consistency in the interviews, as well as to ensure that there were themes that were being explored that were related to the research question. At every establishment visited, the goal was to at least interview one worker and one employer or manager to see the shift and to ensure that the voice of the worker and major recipient of the wage was not unheard.

3.5 The interviews

Interviews were conducted across five establishments, varying in size and in function within the industry. These interviews provided some insight into the pay patterns within the industry in Grahamstown, while also uncovering how wage relationships provide the contours on which industrial relations are built within the industry. Before we proceed with the analysis, it proves prudent that a better understanding of who the research participants are be provided. This will then be followed by a brief overview of how this data was analysed and to finally move on to an analysis of the data.

3.6 Research Participants

The interviews were held at a few different types of establishments in the hospitality industry. From a small Bed and Breakfast establishment that is run by a single parent to a hotel that is family owned. This was intentionally done to explore how the differences in the organisation would affect the nature of the operation in terms of wage patterns and the nature of informality exposed there. The interviews were set up to be at least one manager or owner and at least one employee. At some establishments, two employees were interviewed and offered slightly different perspectives partly due to tenure and internal differences in pay.

Starting with the employees, most of the employees interviewed were largely black, with only one white interviewee. Further, three of the interviewees were male, while the other three were female. The nature of the functions they fulfilled within the various businesses they worked in were different. They ranged from waiters, bar personnel, administrative work, cleaning, chef, and reception work. They also displayed a wide range in the tenure they had been at the different organisation, ranging from as short as two and a half months to as long as seventeen years in one case. Lastly, the interviewees had a differing range of academic qualifications, however, the lowest qualification was a matric certificate on average.

The businesses that formed part of the case study are varied. The smallest establishment was a Bed and Breakfast establishment that was owned and primarily ran by the owner, a white woman of American descent who moved to South Africa in 1993 and opened the Bed and Breakfast establishment then, to which the worker only arrived when they needed the money and did not exist within a formal working relationship. While on the far extreme, there is a family-owned hotel, guest house and restaurant business that employs 55 people and has been running since 1988 that is managed by a white male. The types of organisation interviewed also included a large and well-known franchise restaurant, which had a white family ownership, but a largely black management team and staff. The goal with the selection of the participating enterprises was to attempt to ensure that differing organisations formed part of the case, as to be able to compare if factors like size or whether an enterprise is a well-known franchise chain or not will have an impact on the results, while trying to also capture a broad spectrum of the different ways that the hospitality industry represents itself in Grahamstown.

The hospitality industry was described in a very similar manner by all the managers or owners and in some case, these sentiments were also echoed by the employees. The first thing to highlight was that the industry is seeing less international travellers, so much so that in one case one of the managers remarked that "… there were a lot more foreign tourists coming to Grahamstown before" while remarking that international revenue only makes up four percent of their total business currently (James, Managing Director, 21/11/2016). This lowered international dependence has increased dependence on travel linked to the courts and Rhodes University, government bureaucrats and the Grahamstown National Arts Festival. In 2016, Rhodes University was embroiled in student protest action while the arts festival was "not lucrative at all, the festival itself did not get the numbers it needed and thus impacting the rest of the town" as per Lindiwe (Managing Owner, 15/11/2016). Coupled with this, the industry in Grahamstown is said to be a saturated market. These economic conditions coupled with the broader issues discussed in the context formed the backdrop against which this research occurred.

3.7 How the data was analysed

The interviews were analysed by thematic analysis. Braun and Clark (2006: 6) define thematic analysis as “a method for identifying, analysing, and reporting patterns (themes) within data. It minimally organises and describes your data set in (rich) detail. However, it also often goes further than this, and interprets various aspects of the research topic”. This sentiment is echoed by Javadi and Zarea (2016: 34) who further argue that the important thing with thematic analysis is an attempt to “extract meaning” from text via the identification of themes within the data. An important question that follows thematic analysis is the question of what constitutes a theme and further what level of prevalence is required for something to be considered a theme? Javadi and Zarea (2016: 34), as well as Judger (2016: 3), argue it is simply an important point regarding in data that represents some level of patterned response. This is similar to what Braun and Clark (2006: 10) argue, however they extend the argument in grappling with the issue of prevalence as well. They concede that the more prevalent an idea across the data set, the better for the formation of themes, however, a high level does not necessarily mean that the theme is in and of itself an important theme, nor does a low level of prevalence indicate a lack of importance. As such, they emphasise that the researcher is never a passive party to the research, but rather form an instrumental part of what constitutes a theme.

The question then follows as to how the researcher will determine if the theme that is being presented by the data is an important or a meaningful issue to explore or even cover in their final report or in this case, thesis. This is done partly by a mechanism of two decisions, 1) whether the thematic analysis will be inductive or deductive/theoretical and 2) whether it will focus on latent or semantic themes. In inductive thematic analysis, the themes are allowed to emerge in a manner related to the data present (Javadi and Zarea, 2016: 35). As such it is very possible that themes explored in the final report have nothing to do with the research question at hand. This is done via coding the data without an attempt to fit into a prior analytic framework decided upon by the researcher (Braun and Clark, 2006: 12). Theoretical or deductive thematic analysis differs in that it is fundamentally driven by the researcher's analytical interest. As such the limitation that is obviously a part of this type of thematic analysis is that the final output cannot provide a rich analysis of the whole data set but rather will focus on the elements as determined by the research question (Braun and Clark, 2006: 12). The choice made here was for a theoretical thematic analysis for largely practical reasons. The thesis is written with the intent of engaging with a specific question as such analysing the data in an inductive manner would not be the best approach to engaging with the very specific questions proposed within the research. It may be illuminating to review the data in an inductive manner post this thesis.

The next question becomes whether only semantic or latent themes be recognised. The semantic approach requires that the researcher must bind themselves to exactly what the interviewees said in a bid to analyse, draw patterns from and eventually interpret what was said by the interviewees in a bid to understand the broader implications and the significance of what has been said in a theoretically sound manner (Braun and Clark, 2006: 13). The major difference between semantic and latent analysis is really at the level of analysis. Though the latent analysis starts at the semantic levels, it takes this further via exploring the "underlying ideas, assumptions and the conceptualisations" that informed the semantic analysis (Braun and Clarke, 2006: 13). The choice made here was for a semantic analysis to be used. The rationale for this was based on a serious attempt to be loyal to what the interviewees actually said, without an attempt to read further than what they actually said. What they say is located within a context and this will obviously be factored in, however, if the ideological and assumptions that undergird statements are not easily evident in the text, assuming that the responses are framed by the thought runs the risk of an over the imposition of the researcher's biases within the research. Further, Nyoka (2012) synthesising Archie Mafeje's thoughts around research warns about the importance of researchers attempting to be authentic interlocutors of the people they interviewed. As such, an important aim is to give voice to what the interviewees actually said. This is particularly important when handling the interviews of the workers as working-class voices are often ignored or spoken over in research and broader society.

What the process looked like in practice was essentially a "reading and a rereading of the data" as articulated by Rice and Ezzy cited in Fereday and Muir-Cochrane (2006: 80). It followed the five iterative process as envisioned by Braun and Clarke (2006). Starting from ensuring that the researcher is familiar with the data. Important to note here is that some of the interviews were conducted in isiXhosa, as such the researcher, a home language, isiXhosa speaker did the work of translating the interviews. From here codes were generated. From these codes, themes were established in an iterative manner and these themes are then reviewed and lastly, the results of this process are captured in the fifth chapter below. Four main themes were picked up; 1) a living wage, 2) minimum wage absorption, 3) dependency and 4) informality. Lastly, a simulation was done with the managers to get an understanding of how they would respond to a minimum wage of R4 500 and these responses are also discussed in chapter five.

3.8 Ethical consideration

The ethical process followed was informed by Leedy & Ormord's (2005: 101-2) outline of ethical conduct that needs to be kept in research. The inform consent of participants was requested and no interviews were done if this was not received. Further, all participation was voluntary, and the interviews have been used only for the purposes of this study, while the interviewees have been kept anonymous with pseudonyms used when names were used and further, the date was treated with the most confidentiality.

3.9 Conclusion

As breathing is to humans, so is the choice of methodology to research. The choice of methodology, research approach, and paradigm place particular limitations as to how you can and cannot approach your research with a very direct impact on the type of data that can be collected. This chapter looked to explore that very question and to provide the rationale for the choices made pertaining to how the research was undertaken.

As a way to start the overall layout of the research is qualitative in nature because that allows us to ask the questions of "what" and "why" without necessarily venturing into issues of mathematical relationships. Further, the approach here would be an explanatory case study in that this research provides the opportunity to explain how the minimum wage has impacted both poverty and industrial relations. Within this case study, the instrument of inquiry used were semi-structured interviews. This allowed for authentic engagement with research participants and allowed for a deeper exploration of the factors at play.

CHAPTER 4

ENTRENCHING CITIZENSHIP AND COMBATTING POVERTY

Applying thematic analysis to the interviews provided some important insight into the industrial relations in the different firms that were interviewed. These insights are important in understanding the impacts of the minimum wage of poverty and industrial relations in the hospitality industry in Grahamstown. The themes explored are; 1) the pursuit of a living wage, 2) approaches to absorbing the minimum wage, 3) understanding dependency, 4) formality and informality and lastly, 5) perceptions to a R4,500 minimum wage.

4.1 A living wage

The minimum wage is built on very strong social justice ideals of ensuring that the country's workers are able to meet their material needs and meaningfully participate in what is expected of an ordinary citizen of a country; i.e. access to quality education for children, quality health care, and access to quality sanitation for example. As such an important point for a minimum wage is whether it has been able to achieve that aim, via at least moving people above the upper bound poverty line at the very minimum. The aim of the upper bound poverty line, as explored above, shows the level of income each individual needs access to in order to meet all the non-food and food needs. It became immediately clear that most of the interview participants, though they did not know about the minimum wage had a strong understanding of fair pay and that minimum wage protection mattered. John (Waiter, 15 Nov 2016), one of the research participants, argued that the minimum wage was important or otherwise "capitalism would take effect and people would be paid the least so that owners could take more profit. It protects employees". This highlights the zero-sum nature of capitalism as articulated by Sayer (1990) and Mandel (1977), who, in explaining the rise of capitalism, state that the contention between owners of capital and the workers is that, among other things, is that in order to increase the share of capital for workers via higher wages, you need to take some from capital. Zola (Barman, 15 Nov 2016), another research participant, framed the same idea explained by John (Waiter, 15 Nov 2016), differently by stating that he approved of the minimum wage as it helped combat exploitation. Above these feelings, however, is the question of whether the workers were being paid above the minimum wage and if so, was this enough for them to live adequately in South Africa. This is an important question in ascertaining if the minimum wage has a wage ceiling as opposed to a wage floor. Therefore, the question to be explored here is whether the minimum wage was indeed, the minimum that workers were being paid as opposed to the maximum.

At the point that this research was conducted, the minimum wage for the hospitality sector stood at R2,761 for firms with less than 10 workers and R3,077 for firms with more than 10 for the periods 1 July 2015 to 30 June 2016, while it increased to R2,959.35 and R3,298.52 respectively from 1 July 2016 to 30 June 2017 (Department of labour, 2016). Looking at these numbers for November 2016, Zola (Barman, 15 Nov 2016) further remarked that is nowhere near enough to cover his cost of living factoring in the people that depended on him. He argued:

> An employer with more than four people should pay at least R4, 000 monthly. I spend my salary on rent, R600. I spend R500/600 on groceries. I also have two children that I send money to. I also send money to my mother's home. It is these three people plus me that depend on my wages.

At the time he was paid between R1,500 and R1,600 fortnightly, meaning a total pay of R3,000-R3,200 monthly. This translated into being paid within the range of the minimum wage for someone that is employed permanently. However, despite this, he argued the minimum wage was established in a bid to prevent exploitation, but he was not being paid enough to be able to meet all his needs. As such, it was no surprise when he responded to the question of how he understood his socioeconomic position stating that "I am poor man" (Zola, Barman, 15 Nov 2016). This statement coupled with the one just before that brings to the fore a few theoretical considerations made above that must be considered. The starting point being, the definition of poverty, secondly family income in shaping wealth status, thirdly current wage patterns as compared to the current poverty lines.

It is clear from the theory that there are a few different definitions of what constitutes poverty. The definition that seemed to stick with the employees interviewed was one that was centred on their ability to meet their needs as an ordinary citizen is expected to. This is in line with the definition adopted by this dissertation. This dissertation holds that poverty can be understood in terms of a citizen's ability to meet their needs, which are both social and physical (Lister, 2004: 13). Further to this, poverty lines can be a useful proxy for this once used a guide as can be seen in the poverty lines sued by Statistics South Africa (2015). This was apparent when respondents were asked how they understood their socio-economic status, all anchoring their wages, not on aspirations, but rather on whether one is able to afford to live and meet immediate needs. John (Waiter, 15 Nov 2016) nuanced this position by further stating that had he lived in another country, he would view his family income as very much middle class, however, looking at the broader South Africa, he felt he was able to afford much more than the average South African. The consequence of this identification was a concession that his family had a higher degree of access than their average family in the country due to the family income. As such, understanding poverty is not simply an income-based issue but is rather a question of how your income is able to meet your needs with your social context.

Of further importance to in thinking around the definition of poverty using the poverty lines is the question of family household income and well as whether wage employment formed the basis of all income. This is important because someone who earns below the minimum wage at work, but also has a side business that earns them an extra R20, 000 a month would not be considered poor, at least via the poverty lines in South Africa for example. This was the case with Nothemba (Chef, 18 Nov 2016). Though she earned the minimum wage as a chef, her husband earned between R48, 000 and R50, 000 a month, while she also braided hair on the side. As such from a household point of view it can be seen and understood that she was very comfortable and could not be seen as someone that was poor. Of principal importance to this is not the amount earned by the husband, but rather the idea that often income is shared across a family to meet the needs of the whole family. Since that is the case, the family overall's income is important when considering poverty.

Further, someone who only earned R3, 000 a month, but had only themselves to take care of would not necessarily be considered in the same light as someone who earned R5, 000 but had seven people depend on that income. This was the case with John (Waiter, 15 Nov 2016), though he earned below the minimum wage, he had all his necessities covered by his parents. So much so that he was in a position to save half of his earning and use the rest on ordering from fast food outlets and for social purposes. As such, extra income streams as well as the number of dependents one has become incredibly important in trying to understand the socio-economic positions of anyone. In cases like John, who earned less than the minimum wage, but had no dependents and a sufficient family income, the minimum wage mattered in so far as it was used to argue for fair pay, however, was unimportant around the question of poverty.

When asked about the extra wage benefits that the employers received, generally the managers and the employees agreed that there were very little to no formal benefits received. This meant that the income that they received reflected the total wage structure of the different firms. This meant two things primarily; 1) firms did not have the option of cutting benefits in a bid to absorb wage pressures and 2) the minimum wage provided the only protection from wages being kept even lower. Besides three employee respondents, all the other others earned the minimum wage. The three that were exceptions earned at R14 an hour, R4, 700 a month and R7, 900 a month having worked for three, three and seventeen years respectively. When it came to the number of financial dependents, bar one employee, one that essentially worked to ensure they had some pocket money while they studied in university, the other employees had at least three people financially dependent on their income including them.

A particularly sad case was that of Andisa (Waitress, 18 Nov 2016), who was a waitress said she had six people that depended on what she earned. However, she earned approximately R14 an hour and worked 36 hours a week. It is important to note she did not know anything about minimum wage legislation and therefore would not have known that she was being underpaid. Further, not knowing about minimum wage legislation would have meant that she did know any recourse she may have had in ensuring better pay. She supplemented her income with the state grant that her mother earned making a combined household income just above R3, 000. This meant that on a per capita basis, within her household, they earned R500. The question was posed on how they try live on that she said mostly on groceries for the month, which amounted to approximately R1, 000, they paid school fees for the children, bought uniforms, covered all other school needs, her transport fare to work and back as well as to pay for funeral policies to ensure a dignified burial especially for her mother in the event that she was to pass away.

To place the approximate total earning per person in context, it is important to note that the Lower Bound Poverty Line as determined by StatsSA sat at R501 in 2011 prices. This concept coupled with the fact that there were no additional benefits received as an easy example of what may easily be branded as a poverty wage; i.e. not nearly enough to act as an aid against poverty. When asked what level of wages would be enough, Andisa argued an amount of R16/17 an hour would go a long way in easing her strife. This is after she first gave the disclaimer that she cannot be too greedy because how well a business is performing needs to be considered. As such, it cannot be argued that she was greedy, but rather someone who wanted to be able to adequately feed and clothe her household.

Andisa's financial position is not profoundly unique, outside exposing the direness of the situation around poor pay. Zola, who earned between R3, 000 and R3, 200 monthly had four people including himself as dependent on his income. This equated to a per capita income of at most R800 per head month. He and his financial dependents fell below the Upper Bound Poverty Lines (R1, 002,76 and R884,33 in the Eastern Cape) adjusted for December 2015. He also conceded that he felt as though he lived as someone who was poor. He argued that a wage of about R4, 000 a month would place him in a significantly better position. What is clear in both these cases is that both Andisa and Zola were not greedy workers, but simply wanted to be able to meet their financial obligations.

The case of Nothemba who earned at the minimum wage, but also earned money on the side from braiding hair as well as being married to a husband that earned between R48, 000 and R50, 000 as a municipal official is important in highlighting that an understanding of poverty has to be at the household level rather than at individual earning capacity.

However, I am compelled to believe that Nothemba, rather than being the norm was the exception in the industry. This belief was compounded by the fact that she admitted that she would stop working there come to the end of the year as she would be done with her studies to then go take up an accounting traineeship. As such, she had prospects of upward mobility in society as opposed to someone like Joseph (Receptionist, 18 Nov 2016) who had worked for 17 years in the same place and believed that he had no prospects of leaving its employ. He said:

> This industry is lucky. If you would look, there are people who have been here longer than I have been, 24 years and upwards. Once you get in, it would seem like this industry is holding you in with witchcraft. You try to apply to other places, but it is hard to move. I used to say, just after I was appointed, that I would not stay long here. You try and apply and end up giving up. It is just how the industry is."

From the above, a few factors are evident. Firstly, socio-economic status must be assessed at the level of the family as opposed to the individual pay level, factoring in the number of dependents that a household has. Not doing this provides a superficial understanding of poverty. Accurately understanding any societal ill is important in being able to appropriately address it. Understanding poverty in this light is not unimportant. This consideration is especially important considering that according to the General Household Survey of 2009 (Statistics South Africa, 2011) there are 1 738 000 households in the Eastern Cape with only 49.1% of those households earning a salary, wages or commissions and each household would have had on average four occupants per household. However, 55.7% of households in the Eastern Cape received grant income. Of further importance is that the same General Household Survey (Statistics South Africa, 2011) highlighted that 88.27% of those same households spent less than R5, 000 monthly. What was further staggering was that fact that 70% of households spent less than R1, 800 on a monthly basis. This would inform us that the per capita expenditure of 70% of household within the Eastern Cape was in the range of about R450 per month or less. This translates to approximately R608,10 once adjusted for inflation to Sept 2015. This places most households within the Eastern Cape as earning marginally above the Lower Bound Poverty Line for the Eastern Cape, which was R590.28 using 2015 figures.

Looking closer into that 70%, the data from the household survey reveals that 56.52% of households in the Eastern Cape spent less than R300 per capita per month in 2009, translating to R405,38 in 2015 figures. This would mean that 56.52% of households within the Eastern Cape fell below the food poverty lines as well, which require at least a per capita spend of R414,56 per month. The above glim picture painted above about poverty in the Eastern Cape highlights the important role that a minimum wage has in providing a vital defence against poverty. In September 2015 the minimum wage for the hospitality industry, for example, was R2, 761 for firms that had less than 10 employees and R3,077 for firms with more than 10 employees. For households that had members work within the hospitality industry, it would have meant a per capita income of at least R690, 25 that could be spent on a monthly basis. This would have been more than the lower bound poverty line and would have protected the households from certain food poverty. However, an important critique to levy on the minimum wage with the hospitality industry was that it was not nearly enough, given the household data of the Eastern Cape, to ensure a per capita income above the upper bound poverty line. That line is important as it focuses not simply on issues of food, but rather is an attempt to ensure that one is able to access a broader sense of dignity and enjoy the social rights expected of ordinary citizens. This is not an unimportant position considering access to some fundamental rights of the people in the Eastern Cape. As per the Household Survey of 2009 (Statistics South Africa, 2011) 30.7% of youths between the ages of 15 and 24 that were not in school did not attend due to not having the financial means to do so. 40.8% of the Eastern Cape still depended on paraffin or wood in order to cook, while 718 000 households did not have adequate access to adequate sanitation by way of a ventilated toilet. What is important here is that, once you include the influence of household income requirement, you can easily tell that the minimum wage in the hospitality industry is substantively below what is required to fully combat poverty. It does add a layer of defence that those who earn it can use in their claim to full citizenship, however, there is still some distance to be covered before it is nearly enough.

Secondly, the income that the worker's received reflected their total income earnings from work, i.e. there were very few formalised incentive or benefit structures. An important point must be made here that when incentives and benefits formed part of the remuneration package, they were never formalised. This has two implications, 1) cutting back on these ad hoc benefits would be easiest should financial pressure arise and 2) non-cash benefits that are also ad hoc facilitate and advance dependence.

Thirdly, if the wages that an employee was earning are not supplemented in any way, it seemed as though the minimum wage resulted in the interviewees being paid at about the minimum wage. It did not necessarily result in them being paid much more than the minimum wage. As such, as opposed to the minimum wage being the floor for all wages, it seemed to have become a ceiling, resulting in wages being paid that ensured the entrenching of poverty and the inability to fully enjoy the full social benefits of citizenship. Though employers are not necessarily required to pay workers than the minimum wage, the wage is conceived as being the very lowest that workers ought to be paid, upward mobility in pay is imagined. It was thus meant to establish a wage floor, as opposed to a wage ceiling. Thus, it can be argued that employers may be using the minimum wage to anchor wages downwards with little prospect of increasing beyond is legislatively prescribed. The thinking behind this was accurately captured by one the managers, Juanre (Managing owner, 21 Nov 2016), who argued that

> "It [referring to sectoral determination] pushed the wage burden up by 20% at the time… general increases were usually 8-10%, but because if this CPIX+1% (*referring to the original mandatory increase of the* minimum wage) the increases have just been that, so it has been 6.5, 7.5 maybe. Otherwise, guys would have been given 10% etc".

As such, it seems as though, as opposed to being the very minimum that business ought to be paying, it then became the maximum of what they paid as well as offering the bare minimum by way of wage increases. This consideration is important considering that families that earn the minimum wage as set within the hospitality industry are most likely not earning more than upper bound poverty line per capita. Therefore, if employers are anchoring the wages at levels linked to the minimum wage, it would mean that we need a higher minimum wage to be able to meaningfully fight poverty.

Though the anchoring of wages at the minimum wage seemed to be repeated at your larger establishments that formed part of the case, established by the owners with the clear intent of making very big profits, two cases offered some hope and an alternative approach. Jane (Managing Owner, 17 Nov 2016), an owning manager of one of the establishments that formed part of the case argued that she does not understand how anyone could be expected to live on such a small amount of money, as such she has tried to pay generous salaries well above the minimum wage. This was confirmed by the salary of Talya (Cleaner and general employee, 17 Nov 2016), who earned R4700 a month. While, Sophie (Bed and Breakfast establishment owner, 19 Nov 2016) argued that she easily adds on 15% as it “the right thing to do… as my wages and cost of living go up, I try spread the wealth”. As such, it seemed as though Jane and Sophie offered the possibility of thinking about business slightly differently, not simply as a self-profit making scheme, but rather as a tool towards meaningfully combatting poverty and by extension improving the quality of life of those around them. Further, it seemed that this approach was not detrimental to profits as the revenue for the still expanding Bed and Breakfast establishment was forecasted to be over R1200 000 for the year.

Looking at the life of Zola and Andisa, the question that one must ask, if how do they do it? How are they able to fully enjoy the benefits of being South African citizens on such a low income? Perhaps, that amount of money does not impede on their ability to vote, for example, however, it would be misplaced to also then argue that the level of income is unrelated to the level of economic access one can enjoy in a country. For example, none of the employees interviewed had access to medical aid deducted from their salary. Largely because they were not earning enough to be able to afford medical aid, as such it meant that the only health care they could access was public health care with all the problem that results in middle class South African preferring private health care. The case of Andisa is another textbook case of compromised citizenship due to poverty. In line with Galtung definition of structural violence and understanding poverty as structural violence, it is clear that earning R500 per head limits the quality of medical protection, food choice and education choices that would ideally be available to every citizen of the country. This is implicit in the definition of the Food and Lower Bound Poverty lines. The Food Poverty Line admits that all you are able is the basic food required to meet the calorie requirements to not be undernourished. However, this means that you are not able to afford adequate high-quality education and health care for example. The Lower Bound Poverty Line indicates that individuals earning at that level are required to make some trade-offs, sacrificing food in order to access some other basic necessities like cleaning materials. The dilemma with earning the minimal amounts that the minimum wage offers is that it does not factor in the extent to which the workers have big families to support with those wages. Understanding this is important in thinking about the ability of the minimum wage to be considered a strong anti-poverty tool. This is because, it is misplaced to think about poverty at the individual level, but rather a more comprehensive approach would require that we think of income at the family level as that provides a better indication.

When asked about what they would argue would ease the financial pressure they felt they were under, the minimum wages suggested by the workers was between R4000 and R7000. These figures were lower than some proposed in some sectors of society (BusinessTech, 2016:1). Further, they fall within some of the scenarios explored by the National Minimum Wage Research Initiative (Labour Bulletin, 2016: 13). The two scenarios that fit most are the 45%-50% index scenario and the maximalist approach that look to raise the minimum wage to R4 623 (45% of 2015 average wage in the formal sector) excluding the agricultural and domestic sectors, while increasing to 50% by 2020 and R6000 for 65% of all workers in the country respectively increasing at inflation plus 2%. The 45%-50% index scenario seemed to increase household income the most annually with an increase of 5.1%, while per capita income will increase by 3.8% (Labour Bulletin, 2016: 14). As such, it seems as though the desires articulated were not totally out of step with what academics are arguing to be in the appropriate levels to look to peg wages in the country.

4.2 Minimum Wage Absorptions

Looking back to some of the prior research done within the field as highlighted above, it is clear that in understanding how firms deal with the impact of an external change within their markets, you must take seriously the agency of employers as well as employees. What was seen above is that employers do not simply resort to layoffs and firing people as the automatic response to minimum wage adjustments as current neo-classical thought would have us believe, but rather that they often adopt many internal readjustment strategies that do not necessarily require that staff is laid off. Below the different wage shock adjustment strategies applied by the different businesses that formed part of the case are reviewed.

Before an organisation has to adjust to a wage shock and before workers can be at a place to demand that they are paid the levels that are required by law is that they need to know what the correct levels are and there needs to be mechanisms in place that the workers know they can adopt should it be found that there are cases of underpay. When asking the worker's if they knew what the minimum wage standards were, they all did not know. This essentially meant that they were at the mercy of their employers when it came to being paid the correct levels and they would not have been any wiser had they not been. This means that on a level, there is a failure from the employers as well as the state in ensuring that workers know their rights so they can adequately defend them. What was further ironic is that the employees seemed to know very much about the massive levels of unemployment in the country as well as a level of understanding on the business finances. One employee, Joseph (Receptionist, 18 Nov 2016), when asked what they would ideally like to get paid provided the following disclaimer before responding

> They once told us what they pay us and it is not little money, because there are also senior workers that just also get paid and then you have to pay electricity and monthly that is about R55 000 that they pay.

It seemed as though this knowledge, as well as knowledge about the difficult economic conditions in the country, was used in a bid to keep workers in line, as to ensure they remember that they are disposable and that they must not ask for more because they are already being paid enough.

Further, from this knowledge piece that impedes on the worker's ability to ensure enforceability, is the question, of whether workers are simply let go in order to accommodate the minimum wage and other wage shocks and if not what other internal adjustments have the businesses that formed part of the case taken up in a bid to absorb the impact of the minimum wage. Across the board, all managers and workers agreed that they have never had to retrench and have never seen people let go due to financial reasons. The one time it was tried in one of the enterprises, the workers essentially organised against it and it was never implemented. Within these cases, it flies right at the face of neo-classical theory that argues that we should have seen people fired as a means to absorb wage shocks. This can lead to a few conclusions, one of which being that we need to look closer at how businesses disburse their own agency when faced with wage shocked.

Within the cases, two interesting trends became apparent, 1) that at times, they increase the workload after a pay increase and 2) resorting to short time. Increasing the workload happens in two major ways, either simply directly increasing the amount of work you expect people to cover, i.e. waiters not simply being expected to keep the tables and immediate surroundings clean, but also needing to ensure that the wall, walls and windows are cleaned. This was the case with one of the workers (Nothemba, waitress, 18 Nov 2016) saying that "nothing much changed, it is just more work". Added to this, one of the managers admitted that the second way they adjust is that once an employee leaves, they are not replaced and the new work must be done by existing staff members. This is important, because it may mean that, though workers are not being actively fired, employment that may have naturally occurred over time is disincentives and then secondly if the rate at which people leave work is sufficiently high, it would mean that the unemployment claims have some credence to them or at least being reproduced within the given case. However, as mentioned above, within the case, most workers had worked there for long periods of time and had even argued that the industry is sticky for employees, as such we can reasonably argue that within the case, workers have not been haemorrhaged. Further, the study quoted in the literature review by the department of labour reflected that over time with the minimum wage, employment has increased and not decreased, as such it would be difficult to argue that this has disincentivised employment as we do not see a placebo in hiring.

The second level of adjustment that we have seen is short-time. This basically means decreasing the number of hours people work. The immediate implication of that managers decreasing the working hours is that the increase in the minimum wage may not necessarily then translate to more money in the pockets of the workers. This seemed to be a popular strategy employed by employers as one manager argued

> If such happens (referring to wage shocks), we do not fire or retrench people, we simply lessen the hours. So, for example, if people used to work 8 hours, they will now work 6 hours one week and then alternate with another group and work 8 hours the following week. So, something like that, but it never happens that people have to go home because of that. For example, people will get two days off in a week as opposed to one and this will rotate. (Thandi, manager, 18 Nov 2016).

Having this unchecked would have the drastic impact on possibly depressing wage rates for workers in so far as that they may not receive the increase in what reflects in their pockets, however upon speaking to the employees, all of them conceded that their wages did indeed increase year after year as such, it seemed as though short time was not being used to such a high degree as to totally negate any progress that may be with wages.

What the two above internal adjustments really highlight is the spectrum of choices that owners and managers have in dealing with changes within the various markets that interact with their businesses. It shows that employers have a variety of options in order to absorb the impact of the minimum wage before they resort to letting workers go. This agency is accurately theorised within Keynesian theory. Essentially, Keynesian theory argues that the impact of a minimum wage adjustment is not easily determinable. The central argument of this dissertation is that the reason it is not easily determinable is that employers have a range of options they can adopt in adjusting to wage changes. This range of options can but does not necessarily need to include the firing of employees. As such, the impact of the minimum wage cannot necessarily be thought of directly. What further adds to this complexity is the adoption of a broader macro-economic review. As Keynesian theory argues, increasing the minimum wage in any one sector has the potential of affecting many other sectors via increased demand, either for technology by the managers and owners in a bid to offset increasing labour costs or via the workers spending more due to a higher disposable income. The increased demand within those sectors may result in an increase in the demand for labour and thereby resulting in an increase in employment. In fact, Keynesian theory argues that even if there is a decrease in labour within the sector that has the minimum wage implemented in, the increase in other sectors that are impacted may very well offset that decrease. This further complicates the narrative as advanced by proponents of the neoclassical view to labour markets.

The next question to explore here when considering wage shock absorption is to question the extent to which wages are a primary cost driver within the industry. This is important, because if it is, it may follow that partly an increase in wages, as a major cost centre, may have a significant impact on a company's ability to generate a profit. The managers all admitted that suppliers and the costs of their property were their biggest cost centre. One of the interviewees argued that the reason her Bed and Breakfast establishment had been the oldest and survived the longest in Grahamstown has been largely because she owned the home she was operating from and did not have to cover and repay any bonds. In one interview the manager admitted that they get two deliveries a week and each can cost up to R60, 000 a week. While a hotel admitted that raw materials, i.e. food and liquor made up 43% of all of their costs. Further, he argued that is he looked back years, those costs made up 32% of all of their costs, as such it seems as though the most of the cost pressure comes from suppliers and property largely as opposed to wages. This is not to argue that wages are a small and an unimportant cost centre, with the hotel having 31.81% of their turn over being paid over for wages, while another Bed and Breakfast establishment had it at approximately 22%, while bond and electricity cost made up approximately 28%. The hospitality industry finds itself at the end of the supply chain. They do not and cannot pass on their services to anyone back in the supply chain, but rather must push it on to the end user. This was conceded to by one of the managers who argued that "the restaurant and the hotel industry is the only industry that buys in raw materials and remanufactures them and sells to the final consumer." (Juanre, managing owner, 18 Nov 2016). As such, it means that the members of the case concede that within the supply chain, they are price takers, in particular being in a small Grahamstown and needing to order from outside the town. This would then weaken their ability and power to really limit the burgeoning supply costs that they are facing. However, they will still maintain their power in the relationship against workers that have not unionised, making it easier to simply cut costs via simply cutting the wage cost centre. In one case, one of the managers argued

> If you have a cost pillar that is 25% *(referring to labour costs),* you think that if you can knock 10% off on that, you end up with a 2.5% decrease and it will impact your bottom line immediately. You will lay off a few people, last in first out, first in first out, whatever you want to do. You pay them for three months and give them notice and then boom the loss picked up there and then and other people pick up the slack for that person. (Juanre, managing owner, 18 Nov 2016).

As such, the weakness of worker power as highlighted in the previous sections combined with downwards supply chain pressure helps make workers vulnerable.

4.3 Uncovering dependency

An important factor in considering when thinking about the wages paid to workers is with regards to the benefits they receive and what those benefits reveal about the nature of the relationship between the workers and their managers. The reason for this is highlighted in Naidoo et al. (2007: 36) who argue

> Payment in kind tends to perpetuate paternalistic relations and binds the employee to the employer. The loss of a job, for example, frequently means the loss of accommodation too. There is strong support for the gradual phasing out of payments in kind in favour of relationships based solely on monetary remuneration.

Further to this, the question of the impact of family from both an ownership and employment perspective as seen in the literature becomes important to review.

Starting with the role of family, it seemed that in ownership, the business seemed to be family owned and therefore pooling together capital and resources from an ownership level makes family ownership possible. At least three of the enterprises reviewed formed part of a family ownership structure, as well as a family leadership structure, where the managers could rely on their familial ties to run it. A similar thing seemed to replicate itself when it came to employment, it seemed as though familial networks became important in job recommendations and having insider information on jobs. However, unlike in some of the cases reviewed above, these networks did not seem to translate in being leveraged on post the point of actually getting the job. In one case, it even went as far as to argue that most people in the business did not even know that two cousins were related. As such, one can see a level of dependence on family in ensuring that the business is successful, this dependence was for pooling capital, talent and time and a level of dependence on family for employment.

Though wages and tips, where applicable, reflected the whole earning structure and there were no structured benefits as highlighted above, it became apparent that in some cases, there were many favours that the employers would provide to the employees. This was evident when Zola (Barman, 15 Nov 2016) stated that “we do not have any benefits, but our boss is flexible and is able to help out whenever there is a need”. This was echoed by one of the managers in another Bed and Breakfast establishment as she argued:

> We don’t have a pension, medical aid, we don’t pay money over to the UIF and all of that. One of my staff members who stay on the property get a discount on the rent they pay. She only pays R450 a month. If you work on a Sunday you get KFC. The maintenance guys work a lot of overtime.” (Jane, managing owner, 17 Nov 2016).

The dilemma with offering accommodation at a discounted rate, for example, is that, should the person decide to leave the owner’s employ, will the owner still offer the accommodation at the same rate or will that also mean loss of accommodation? As such, such structures entrench paternal relations of dependency, whereas the employee you know you can depend on your owner or manager should there be a personal problem. Though this is humane, it entrenches power dynamics that can be unhealthy and can be easily manipulated. Further, this dependency and lack of wage benefits can result in long term dependency being created. In that, these employees are paid, however, most of them bar one, had no retirement plan, meaning that once they decide that they are done working they will need to apply for an old age grant from the state, simply shifting dependency from the employer to the state.

An easy way to look at it would be to look at the level of retirement savings someone that works within the industry could amass over a career of 30 years. If this employee started contributing R200 a month into a retirement vehicle over the 30 year period while increasing contributions by about 6% every year (in keeping with inflation), they would be able to retire with R1 057 133, if the investment grew at 12.15% annually on average over the period. 12.15% is the growth rate of unit trust funds over the past 20 years within the Association of Savings and Investment South Africa's South Africa-Multi Asset-High Equity Category. The South Africa-Multi Asset-High Equity Category represents the category of investment that the average South African would use for retirement savings. Applying a more conservative rate of 10% provides a closing value of R739 845. This is more money than most of the workers will ever have at any given point, which would open up possibilities of self-sufficiency as well as of self-actualisation should they take a lump sum portion at retirement as currently allowed by the Pension Funds Act of 1956. This dilemma was highlighted when Zola (Barman, 17 Nov 2016), one of the workers, was asked about how he feels about the benefits he received, he stated "I am not happy with the deductions they make because you cannot live on the UIF if you cannot work and it would be good if they deducted things like provident funds". As such, the lament here was to the lack of value add deductions as opposed to only UIF, as it is a legal requirement. Such deduction would go a long way into ending the cycle of dependency that often requires workers that earn a low wage to work indefinitely without the option to retire.

An example of this was Gladys. Gladys had a cordial relationship with her employer, such that she only worked when she thought she needed the money and did not work regularly. Further, once at work, she would be treated as a "child of the house" within the Bread and Breakfast establishment and could, therefore, use whatever was in the house. However, the reason Gladys only worked as and when she needed the money was because was too old to fully stop working and her health had deteriorated. However, due to never actively working towards breaking the dependency, Gladys has no option but to arrive at work in a bid to supplement her income grant.

4.4 Formality and informality

As highlighted in the review of literature, the issue on formality and informality are not as much of whether or not we see this in the employment relations, but of more interest is the extent to which formality overarches operations. The dilemma with too little formality is that it has the possibility of creating uncertainty. For example, a worker without much education employed without an employment contract can find themselves fired on the spot, without knowledge of what recourse they can pursue as such contributing to uncertainty. It is this gap and this uncertainty, coupled with the institutionalised power of managers and owners creates the space for the possibly oppressive industrial relations. However, overly formal and dogmatic industrial relations can also be a tool and a representation of the same oppressive industrial relations. As such, even with the presence of the rules of an organisation it does not necesarily add nor take away from industrial relations, what is more important here is the role of workers in shaping those industrial relations.

Within all, but one of the enterprises that formed part of the case, it seemed as though the voice of workers counted for really little and often changes occurred without much prior consultation. However, though not unionised, in one case, it was worker solidarity that was instrumental in preventing changes such as retrenchments from occurring.

Often a good measure of the extent of formality that an enterprise espouses is reflected in the prevalence of contracts and procedures within a firm. All cases surveyed, big or small, reflected this. However, it seemed as though there was a large degree of flexibility still accorded to the managers. This, once muddied with the paternal relations that create dependency, creates a space in which it is not difficult to rue to lack of broader work solidarity to ensure better worker protections across the industry.

This large degree of informality in relations between employers and employees extends the scope for management autonomy with regards to the strategies that can be adopted should there be an external shock that needs absorption. Strict and codified procedures limit the array of options that a manager has and can choose when responding to external shocks. As such informality, within Keynesian theory, may be understood within the terms of employer agency with regards to the nexus of choices they have with regards to minimum wage absorption. Worker power and solidarity become important in tempering the extent of the choices that managers have. For example, Juanre (managing owner, 18 Nov 2016) argued that it is easier keeping costs down via letting a few employees go, rather than by placing upwards pressure on suppliers as explained above. Within the establishment he is an owning manager of, there was a period where costs were escalating, and they proposed to the employees that a few workers be let go in a bid to lower the wage bill. However, according to Joseph, the one time this was tried under the management of Juanre, the workers self-organised and argued against this successfully.

As such, worker power whether via unions or through ad hoc means as explained above is critical in keeping employer power in check and therefore important in also shaping the options that an employer has in looking to absorb the impact of external shocks, such as the minimum wage. Further, informality also allows for workers to self-organise in a bid address managerial concerns they may have collectively.

4.5 The perceptions of a R4500 minimum wage

An interesting question to ask of the owners and managers was how they would respond to a minimum wage of R4500. This was important because it would help reveal just exactly the approach that these employers take when looking at cost adjustments and external shocks in the business. This important because it highlights the various options that employers have when absorbing a minimum wage.

When confronted with the options in order to improve the responses were revealing. To start off, the general tendencies was towards reducing training, reducing paid leave, reducing working hours, the company with the pension benefit would consider letting these go, reduce bonuses, downsize, decrease over time, force people to work harder and they would consider outsourcing where possible. This spoke to a broader case of an approach that priorities taking a “low road” towards cost reduction as opposed to the “high road” towards the gathering efficiency gains and improved productivity. An easy way to see this is that the immediate attempt is not to improve training for example. Improving training could increase employee efficiency and therefore be central to improving company profits in absorbing a minimum wage. The decision to not improve training is within the context of managers feeling as though the quality of the labour market in Grahamstown is poor. Juanre (Managing owner, 21 Nov 2016), captured this sentiment, arguing that

> From a labour point of view, you have a lot of unqualified people for our industry. Because of the nature of Grahamstown as well as the ignorance that surrounds the hospitality industry in Grahamstown. There is not a service and hospitality culture in Grahamstown going on, despite having national and international events hosted here like the Grahamstown National Arts Festival. So young people coming in do not know what the hospitality industry is about. You have a big number of people that come in and have this picture that you just sit in a foyer in fancy hotels and so the exposure of a service ethic is quite low in Grahamstown.

As such, it could be reasonably argued that a competitive advantage could be created by introducing a servicing ethic within firms, however, this was not an option at the forefront of managers' minds. The instinct to contain costs within a firm in a bid to ensure its success seemed to override the instinct around how a better-equipped staff force may be an important investment. This cost limiting instinct, though valid and important in ensuring a successful and viable business, can be a limiting instinct.

Further, to this, there was also consensus on that passing some of the additional cost to the final cost payer, as such echoing the sentiments communicated by Keynes. That the logical thing for an employer to do would be to pass the final cost over to the final consumer, thereby starting the process of demand induced growth in the economy. Simply absorbing the impact of the change within the cost structure, would also aid with regards to the redistribution impacts of such a policy option.

As such, broadly speaking and of importance here is that, as highlighted above, employers have a range of options they can choose from when adopting a change in legislation and specifically the minimum wage. They may attempt to use such shocks as an opportunity to be more efficient and improve the manner in which they conduct business to either look to increase revenue. Alternatively, out of a focus on cost control, enterprises may take the low road, which looks to contain costs, but possibly at the cost of expansionary investment and training.

4.6 Conclusion

Broadly speaking, five primary themes became apparent once a thematic analysis of the data was concluded in relation to the research question. Mamdani argues that the choices around how the native population of conquered lands would be ruled eventually resulted in the creation of bifurcated societies and citizens. This bifurcation was important in fostering poverty and inequality. This bifurcation persists today. The minimum wage, therefore, offers an important defence for workers against the further compromise of their citizenship. However, the minimum wage does not go far enough in providing this protection and perhaps a higher wage may need to be considered in ensuring that workers are adequately clothed and feed.

Further, there is a relationship between the broader macro-economic impact of minimum wage legislation and the impact it has on industrial relations. This is because the macro-economic impact is simply the aggregate of the impact at the micro level. Of interest with regards to the level of the firm is that the impact of the minimum wage is indeterminate. This is because employers and employees have an array of choices, they are able to make in a bid to absorb the minimum wage, which may, but do not necessarily need to include letting some workers go. The minimum wage may become an external shock that shocks companies into efficiency or alternatively, it is possible for extreme cost consciousness to cause the adoption of a "low road approach". Further, the degree of informality a company has coupled with the degree of worker power, will either expand or limit the degree of choices that managers within that firm in adopting external shocks.

CHAPTER 5

CONCLUSION

The aim of this research was to look to understand the impact of the minimum wage. This impact was then localised to specifically look at the impact on industrial relations and poverty focusing on the hospitality industry. The overarching approach to the research was qualitative. This was to ensure a deeper as well as contextualised understanding of all the issues as opposed to a broader statistical analysis as would be provided via a qualitative approach. The research was conducted within the critical approach. The methodological approach adopted was the case study approach via in-depth semi-structured interviews that allowed for a greater degree of insight. Five employers and six employees were interviewed. This was to ensure that the views of the employees were not lost not drawn out, however, it was also important to understand the pressures that employees faced and the manner in which they navigate those moments. The data from these interviews were then analysed via thematic analysis. This was in a bid to narrow down the various ideas that came through in the interviews into broad themes that are then discussed within the data analysis chapter. These themes and data were all reviewed via the theoretical lens of citizenship as it pertains to poverty and Keynesian theory for industrial relations.

A few important insights become apparent when thinking through poverty and the impact the minimum wage has had on it via the lens of citizenship. Firstly, the minimum wage seems to be the very maximum that workers are paid. This means that to a degree, employers are using it as an anchor to keep wages down as opposed to being the very minimum that ought to be paid within the sector. This is not to argue that if the minimum wage did not exist wages would be higher. Rather, the argument is that if the minimum wage is the maximum that employers tend to be paying, then we need to ensure that the minimum is set at a level that actively combats poverty. Failing this opens up the possibility of a minimum wage that is weak at combatting poverty. Secondly and linked to the anchoring of the minimum wage is was then the argument that the minimum wage within the hospitality industry was too low especially considering the number of dependents that would often be looking towards the wage.

Central to the dissertation is the idea that poverty being reviewed through the lens of income levels and expenditure patterns must be filtered through the dependency. This is important because someone who earns at the minimum wage, for example, may not be able to combat poverty as they may have a few people dependent on them thereby needing to stretch that wage quite thin. An easy way to look at this is via the Eastern Cape, the Upper Bound Poverty line within the province as highlighted above was found to be R884.33. However, using the average size of the household in the Eastern Cape of four people per household, if the primary wage recipient in the family only earned the minimum wage, the per capita income of the family would be R690.25. This is well below the upper bound poverty line; however, it is higher than the lower bound poverty line of R590.28. Quite simply, the minimum wage, once tapered for dependence, is too low to adequately aid workers to be able to meaningfully enjoy the full extent of their citizenship. The word of Adam Smith ring through once more:

> No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, clothe and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, clothed and lodged (cited in Krueger, 2015: 535).

The same workers that provide their labour power in order economies to flourish find themselves as the very same workers that need to make these lifestyle sacrifices between being well fed and clothes or clean. These sacrifices that these families often have to make are the very things that weaken their claims to an equal level of access and therefore citizenship in the country. As such, this dissertation holds that though the minimum wage is central in alleviating poverty and deepening citizenship, it is currently too low and therefore has limited power to truly make this change.

The second broad argument of this dissertation is around the impact of the minimum wage on industrial relations. This dissertation found that an important consideration for how external shocks, such as a minimum wage being introduced or statutory wage increases, impact a business is not a simple and direct process. Rather, the agency of the employers and employees becomes important with regards to how the impact is absorbed, with people being let go a possible, but not necessarily a foregone conclusion. A possible policy position that the managers all agreed that would take in periods of wage increases, for example, would be to increase the prices that the end user pays for their products and thereby passing on the impact of the increase to the end user. This is in line with the expectation of Keynesian theory. Concluding that workers will simply get laid off as the impact of a minimum wage fails to recognise the array of alternatives that employers and employees have in order to absorb these impacts and avoid needing to fire people. This range of options that employers and employees have is exactly what makes the net impact of a minimum wage unclear when it pertains to the creation of unemployment. However, what is clear is that 1) for the covered workers, it increases their pay and is thus an important tool in poverty alleviation, 2) since employers will increase prices as the first adjustment to absorb the wage, the minimum wage can be an important redistributive tool as well with regards to combating inequality. As such, the broader macro-economic impact of a minimum wage is not removed from the micro-impact of the wage within very specific firms, but rather the choices made within the specific firms end up shaping the broader macro impact.

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APPENDICES

QUESTIONNAIRE GUIDE

Questions for employees

1. Please provide your biographical details. (Qualifications? Age? Sex? Home language?)
2. How long have you been working in your present job?
3. Are you employed on a permanent, temporary, part-time or casual basis?
4. How would you describe your job?
5. Are you aware of the sectoral determination for the hospitality industry that was introduced in July 2007?
6. Why do you think it was necessary for the government to introduce a minimum wage in the hospitality industry?
7. What are your views of the minimum wage for the hospitality industry?
8. Please describe your conditions of employment after the most recent increase in wages?
9. What was your hourly, weekly or monthly income before the most recent wage increase?
10. What was your hourly, weekly or monthly income after your most recent increase?
11. What deductions are made from your wages?
12. Do you have a problem with any of the deductions that are made from your wages? (Provide reasons for your answer).
13. Do you receive any extra-wage benefits or perks such as free food or a pension plan?
14. How many hours do you work on average in a week?
15. Do you work on weekends and public holidays?
16. How would you describe the relationship with your employer?
17. Does the employer consult with workers when he or she wants to introduce changes in the workplace?
18. Have any workers in the company lost their jobs in your recent memory?

19. Is your employer using more casual, temporary or part-time workers since 2007?
20. Have you received any training since you were first employed by the firm?
21. Do you have a contract?
22. What best describes your financial position; 1) Poor, 2) well off, 3) rich?
23. How many people are in your household?
24. How many of those are dependent on your income?
25. Besides your wages, are there other income streams the household gets? (grants, side businesses, etc.?)
26. What is the household gross income?
27. What deductions are placed on your wage?
28. What are the main items that you spend your wages on monthly and in what proportions?
29. Do you feel that minimum wage legislation has helped you in combatting and dealing with your needs at home?
30. What level of wages would you be satisfied with at your current job, thus what do you think the minimum wage should be set at?
31. How did you get the job?
32. Do you have any family members that also work here?
    a. If yes, how has the presence of family affected your work?
33. Do you have a contract?
34. Are there written rules about how things should be done in the workplace?
35. What are your working hours?
    a. Is the employer strict on these?
    b. Are there times when you do not work these times?
36. Since the previous minimum wage increase, has your salary increased as such?
    a. Has the work you do changed and if so how?
37. How would you describe your relationship with your employer or managers?

Questions for employers

1. Please provide a brief history of the company.

2. Why do you think the government introduced a minimum wage in the hospitality industry?

3. What are your views of the sectoral determination for the hospitality industry?

4. The annual wage increase in the sectoral determination is: (a) too high; (b) just right, or (c) too low.

5. What was included in your employees' wages *before/after* the introduction of the minimum wage?

6. Should tips and bonuses count as earnings? Should non-monetary benefits such as meals be taken into account when determining wages?

7. Should there be exemptions from the minimum wage?

8. What are the labour market constraints faced by employers in the hospitality industry?

9. How would you describe the market in which your company competes?

10. Percentage breakdown of input costs *before* and *after* the sectoral determination?

11. Rate, in order of importance, the various factors that shape cost structures in the company.

12. What shifts have taken place in the company's cost structures in the last five years?

13. The rate of labour turnover in the company is: (a) too high; (b) acceptable; (c) too low.

14. What is the extent of pay flexibility (individualised pay) in the company?

15. Who decides on pay levels?

16. The preferred method of wage determination is: (a) collective bargaining; (b) individual consultation; or (c) statutory minimum wage.

17. How were wages determined *before* the introduction of the minimum wage?

18. What deductions are made from workers' wages?

19. What extra-wage benefits or rewards are provided to employees?

20. Has wage determination changed since the introduction of the sectoral determination?

21. Is there a link between wages and (a) productivity; (b) skills; (c) experience; (d) responsibility; and (e) motivation of individual workers?

22. Current wages are: (a) set at the minimum wage rate; (b) marginally above minimum wage rate; (c) substantially above minimum wage rate; (d) variable but never below the minimum wage rate; or (e) always below the minimum wage rate.

23. Since the introduction of the minimum wage, the gap between the highest and lowest paid staff members has: (a) increased; (b) decreased; or (c) stayed the same.

24. Wages are increased on: (a) date of sectoral determination; (b) company date; or (c) no fixed date.

25. If the minimum wage was abolished: (a) wages would decrease marginally; (b) wages would decrease significantly; (c) wages would stay the same for longer periods; (d) wages would increase marginally; or (e) wages would increase significantly.

26. Please provide a breakdown of jobs in the company. (Number of workers? Job categories? Gender breakdown? Full-time, part-time and casual breakdown?)

27. Which categories of workers benefited from the minimum wage?

28. The company's human resource management approach is best described as: (a) long-term strategic; or (b) short-term pragmatic. (Provide reasons for your answer).

29. What impact has the minimum wage had on: (a) the grading structure; (b) recruitment and selection; (c) contracts of employment; (d) productivity and quality of service; (e) staff morale; (f) promotion policies; (g) job security; (h) management practices and policies; (i) turn-over; and (j) labour relations?

30. How has the minimum wage impacted on differentials between the lowest and highest paid employees?

31. What has been your employees' response to the minimum wage?

32. To what extent has the minimum wage changed existing work and employment arrangements in the firm?

33. Have you retrenched any employees since the introduction of the minimum wage?

34. Has there been effective enforcement of the minimum wage in the hospitality sector?

35. Which of the following characterise the company's reaction to the minimum wage?

REACTION	YES	MAYBE	NO
Employ more young/inexperienced staff			
Use more part-time/temporary workers			
Reduce training			
Reduce annual leave			
Reduce leave pay			
Reduce working hours			
Reduce pensions and medical aid			
Reduce bonuses			
Reduce the number of staff			
Reduce overtime			
Increase deductions from wages			
Introduce unpaid breaks			
Charge or increase charge for staff meals			
Raise charge for staff accommodation			
Increase self-service facilities			
Apply for exemption from sectoral determination			

Get employees to work harder			
Employ more older/experienced staff			
Employ better quality staff			
Develop a more effective staff retention policy			
Increase training			
Reduce wage differentials			
Introduce new technology			
Get employees to work smarter			
Improve advanced planning on wages			
Use agency staff or outsource services			
Increase prices			
Cut profits			
Close the business			

36. How would you describe how the relationship works between you and the employees? (Managerial style and nature of the relationship)