THE IMPACT OF MINIMUM WAGES ON HUMAN RESOURCE MANAGEMENT PRACTICES IN THE HOSPITALITY INDUSTRY: A CASE STUDY OF SELECTED FIRMS IN POLOKWANE, LIMPOPO PROVINCE

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Abstract

This thesis sought to identify and isolate the impact of the minimum wage in the hospitality industry of Polokwane. To achieve this, qualitative research methods were used. These methods enabled an in-depth understanding of minimum wages. Thus in-depth, semi-structured interviews were conducted as they provided detailed information by enabling the researcher and the participant to have an informal, but expressive conversation about the minimum wage. Contrary to the assumptions of orthodox economics, which claim minimum wages create a 'shock' resulting in job losses, this research found that the minimum wage was absorbed causing few disruptions in existing work and employment relations in the selected establishments. This capacity to absorb the minimum wage is largely the outcome of informal labour relations policies and practices.

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CHAPTER 1

INTRODUCTION

This dissertation seeks to explore and provide a detailed understanding of the effects of the introduction of sectoral determination 14 (SD 14) on HRM decisions and practices in the hospitality sector in Polokwane. The dearth of research in South Africa on the effects of the minimum wage on the hospitality sector impelled this study. There is an extensive debate on the merits of a minimum wage. This research will explore the extent to which a statutory floor of wages has challenged existing work and employment arrangements. It will also assess whether the minimum wage has improved the employment conditions of workers.

Since its inception in the 19th century in New Zealand and Australia, the minimum wage has become a global phenomenon that has been adopted across industries in many countries (Cunningham, 2007: 6). The minimum wage is regarded as an effective policy tool for poverty reduction and social justice since it targets those at the bottom of the income distribution (Cunningham, 2007: 6; Crossman, 2001: 46; Neumark and Wascher, 2002; Pauw and Leibbrandt, 2012). According to Naidoo et al. (2007: 25), the state typically establishes mechanisms for the determination of minimum wages in industries where wages are "unregulated by voluntary collective bargaining" and where "market forces push wages to unacceptably low levels". In other words, the minimum wage is designed to promote fairness in the workplace and to enhance competitiveness within the market (Dickens and Hall, 2005: 9).

Despite its long history, very little is known about the effectiveness of the minimum wage in meeting its social justice or poverty alleviation objectives (Cunningham, 2007:7, Mascella et al, 2012). For Grimshaw and Carroll (2006: 7), interest in the minimum wage includes not only its direct impact on social justice (in the form of fair wages), but also on employment and the indirect impact on organizational performance resulting from "a reorientation of employer behaviour with regard to employment practices and product market competition".

According to Klein and Dompe (2007: 127), economists are divided when it comes to the effects of the minimum wage. Orthodox economists argue that the introduction of the minimum wage not only adds to firms' administrative burdens, but also raises firms' labour costs leading to job losses as well as a decrease in profits (Dillow, 2005: 51; Bennet, 2002). According to Crossman (2001: 46), the view that minimum wage regulation will have negative consequences is based on "neo-classical assumptions of the mechanistic competitive model of the labour market", which is in turn based upon the premise of perfect competition, information and choice. According to this model, the introduction of a minimum wage results in 'disemployment': "minimum rates that increase wages at the lower end of the wage distribution will cost jobs" depending on the "level of the minimum wage and the elasticity of demand" (Crossman, 2001: 46).

Heterodox economists reject the claims of neoclassical orthodoxy by arguing that there is no real empirical evidence that higher minimum wages produce unemployment; if anything, minimum wages have a "trickle-up" effect whereby many non-minimum wage workers also got raises and the turnover was reduced (Card and Krueger, 1994: 792). Other studies on the minimum wage seem to suggest that it is difficult to identify and isolate the impact of the minimum wage (Dillow, 2005; Grimshaw and Carroll, 2006).

Research shows a general trend of non-compliance when it comes to the minimum wage, which inhibits the process of identifying the effects of the minimum wage on employment relationships or the firms' competitiveness within the market (Bhorat et al., 2010: 10; Bhorat and Cassim, 2004; Lott and Roberts, 1995; Low Pay Commission, 2012). Thus, Dillow (2005: 47) argues the effects of the minimum wage, according to his research in the USA, are "often either negative or simply unknown". In England, the effects of the minimum wage for those firms that are compliant are either not visible or of a small magnitude (Edwards et al., 2003: 11; Edwards et al., 2006). Thus, the research conducted in England by Edwards et al shows that the effects of the minimum wage are rather less widespread than has often been thought.

Grimshaw and Carroll (2006: 23), Heyes and Gray (2003), Ram et al. (2001) and Bullock et al. (2001) argue that findings on the minimum wage have often proved to be misleading in that they assign certain effects to the minimum wage that are not necessarily produced by it. For example, the minimum wage has often been linked to an improvement in productivity (McLaughlin, 2009). This, according to Grimshaw and Carroll (2006: 23), is not always the case. Improvements in productivity are sometimes directly linked to other 'productivity-improving resources' such as investments in new technologies and a strengthened commitment to human resource practices.

There is, however, evidence that shows that regulation can have positive effects such as improved efficiency and fairness (Edwards et al., 2003: 11; Arrowsmith et al., 2003: 435; Kaufman, 2009). A study conducted by Edwards et al. (2003: 48) in the UK suggests that compliance costs, especially for small firms, were comparatively low. These firms also received efficiency benefits from the national minimum wage. According to Dillow (2005: 50), a minimum wage has the potential to raise productivity thus compelling firms to compete on the basis of high quality, rather than low prices. These efficiency effects, however, can lead to a reduction in the number of employees (Dillow, 2005: 50).

Although this is the case, Hutton (1997: 37, cited in Edwards and Gilman, 2006: 34) argues that an economy without minimum wage protection encourages a spiral of low wages and low productivity in which there is a "race to the bottom". What this means is that firms can only compete on the basis of low wages, they generally fail to train their staff, and threats to profitability are met by further downward pressures on wages. The minimum wage is thus seen as a way of breaking this downwards spiral. In an effort to adjust to the increased costs brought about by the minimum wage, Arrowsmith et al. (2003, cited in Dickens and Hall, 2005: 16) have observed how some employers have resorted to cutting rest breaks, reducing fringe benefits, and/or raising the intensity of work rather than shedding jobs. Some employers use informal systems of labour procedures, which Santiago (2010: 34-35) argues "lack structure and are even at times disorganised", to absorb minimum wages.

In post-apartheid South Africa, the Labour Market Commission (1996) recommended that minimum wages should be set at a 'realistic' level, should not attempt to regulate the conditions of too large a percentage of the workforce, should not be seen as the ultimate solution to poverty, and should not be used as a substitute for collective bargaining. The minimum wage for the hospitality sector (SD 14) became binding on the 1st of July 2007. It is adjusted annually by the Consumer Price Index (CPIX) plus two per cent increment on the minimum wage of the previous period (Department of Labour, 2007: 3). According to the Department of Labour (2007: 2), the purpose of SD 14 is to provide employers and workers in the hospitality sector with a guideline of employment conditions such as hours of work, leave, particulars of employment and termination of employment. SD 14 also prescribes the minimum wage that employers are required to pay (Department of Labour, 2007: 3).

Most of the research on minimum wages in South Africa has been conducted in the agricultural sector where some commentators predicted that the introduction of minimum wages would “constitute a significant regulatory ‘shock’ provoking specific strategic responses aimed largely at cost-minimisation” (Klerck and Naidoo, 2010: 176). In their study, Klerck and Naidoo (2010: 177) discovered there was no “regulatory shock” and that farmers were able to “adjust pay rates with few implications for other aspects of the employment relationship”. For Lotriet (1999: 900), by contrast, the introduction of minimum wages in South Africa’s low-productivity economy creates the “negative connotation of paying a certain remuneration irrespective of the employee’s level of productivity”. This research seeks to explore the extent to which minimum wages have disrupted prevailing employment and work arrangements in the hospitality sector.

The hospitality sector, as noted by the Department of Labour (2007: 3), consists largely of small firms. Thus, the focus of the research project will be on small firms in the hospitality sector. The reason for this is these firms are more likely to be affected by the minimum wage since they have fewer administrative resources as compared to larger firms meaning that they are more economically vulnerable (Edwards et al., 2003: 11; Dillow, 2005: 50). Thus, these firms are more likely to reveal the effects of the minimum wage.

This research is important as it will prove that a minimum wage is not administratively simple as orthodox economists portray it to be.

CHAPTER 2

THE IMPACT OF MINIMUM WAGES IN THE HOSPITALITY SECTOR

2.1 Introduction

Cunningham (2007: 6), Crossman (2001: 46), Neumark and Wascher (2002) and Pauw and Leibbrandt (2012) regard the minimum wage as an effective policy tool for poverty reduction and social justice since it targets those at the bottom of the income distribution . According to Cunningham (2007: 6). the minimum wage does not require significant direct government expenditures, is a simple and visible way for the government to show its commitment to social justice and support those at the bottom of the income distribution, is easily targeted to the poorest workers, and affects a market - the labor market.

The state typically establishes mechanisms for the determination of minimum wages in industries where wages are unregulated by voluntary collective bargaining and where market forces push wages to unacceptably low levels (Naidoo et al., 2007: 26). For Naidoo et al. (2007: 26), the implicit assumption is that statutory intervention becomes a necessary substitute for collective bargaining in the absence of "satisfactory methods of wage determination". This simply means that the statutory regulation of wages is reserved only for special cases. Thus, the minimum wage is designed to promote fairness in the workplace and to enhance competitiveness within the market (Dickens and Hall, 2005: 9).

Despite its long history, very little is known about the effectiveness of the minimum wage in meeting its social justice or poverty alleviation objectives (Cunningham, 2007: 7; Mascella et al., 2012). Thus, Bhorat and Mayet (2013: 1) question the impact of minimum wages: "Do they promote fair remuneration and social justice, or do they price workers out of the labour market and, in so doing, aggravate unemployment?" For Cunningham (2007: 8), although a minimum wage may increase consumption by "elevating wages above their market level", it may also lead to job loss (through layoffs) and decreased consumption. In their study of minimum wages and their effects in different states across the United States of America, Vedder and Galiaway (cited in Bennet, 2002: 2) found no evidence that minimum wages alleviated poverty even for full-time, year-round workers, and because of its disemployment effects (job losses, hour reductions), they concluded that increases in the minimum wage could actually exacerbate poverty. Thus, the usefulness of minimum wages for poverty and inequality reduction is uncertain (Cunningham, 2007: 8).

Jones (1997: 1) seems to share Cunningham's sentiments. In her study on the impact of minimum wage legislation in developing countries such as Ghana, Jones (1997: 1) argued that despite its popularity, there were several reasons to believe that minimum wages may not be an effective policy instrument for reducing poverty. Firstly, as illustrated by Jones (1997: 1), many workers are not covered by minimum wage legislation, particularly in developing countries. For example, in Ghana and several other African countries, employers have no legal obligation to pay apprentices and casual workers the minimum wage. In addition, it is common practice for part-time workers, domestic servants, the self-employed and child laborers to be excluded from coverage (Jones, 1997: 1). These groups of workers are, unsurprisingly, often among the lowest paid in the workforce (Jones, 1997: 1). Similarly, in the social justice context, an "exogenously imposed wage structure", as argued by Cunningham (2007: 8), may be a means of overcoming unfair market allocations of wages, but the market will still drive labour demand, and "higher-than-market" wages may lead to unemployment. This, according to Cunningham (2007: 8), begs the question of how the minimum wage can be designed to be an effective tool to ensure social justice or poverty alleviation.

For Grimshaw and Carroll (2006: 7), interest in the minimum wage includes not only its direct impact on social justice (in the form of fair wages), but also on employment and the indirect impact on organizational performance resulting from "a reorientation of employer behaviour with regard to employment practices and product market competition". Naidoo et al. (2007: 26), Starr (1981) and Shaheed (1994) speak of two elements required by the *Minimum Wage Fixing Convention* (131 of 1970) when setting a minimum wage: (a) the workers' and their families' needs, having regard to the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups; and (b) economic factors such as developmental objectives, levels of productivity and the desirability of attaining and maintaining a high level of employment. Consequently, the "level and ambit" of a minimum wage, according to Naidoo et al. (2007: 26), will therefore tend to reflect specific "trade-offs" between the "demands of social justice and the dictates of economic efficiency". As such, the role of the minimum wage in wage setting will tend to differ between regions and over time (Naidoo et al., 2007: 26).

For example, in Latin America and the Caribbean, minimum wage institutions were, according to Cunningham (2007: 8), based on two principal objectives: (a) the fair wage objective, which centres on the idea that each occupation has a fair wage that may be different from the level determined by the market (the imbalance would ideally be corrected by collective bargaining, but if that was not possible, it was the government's responsibility to set and enforce the wage structure by creating occupation-specific wages so that each worker received his or her relative due wage); and (b) the poverty alleviation objective, which is based on the idea that market wages would not necessarily be at a level that was socially acceptable. In this case, the minimum wage would ensure sufficient income for all citizens to maintain a minimum standard of living, regardless of occupation (Cunningham, 2007: 8). According to Alburquerque (1984: 58), the criteria and objectives of a minimum wage in underdeveloped countries, its scope of application, the procedure for the setting of wages, and the enforcement of the established rate of remuneration will be strongly influenced by the impact of the economic crisis involving the country and its dependency upon external financial aid.

A closer look at the minimum wage in wage setting in African countries such as South Africa seem to suggest that minimum wages should not attempt to regulate the conditions of too large a percentage of the workforce and should also not be seen as the ultimate solution to poverty (Labour Market Commission, 1996). Thus, it is sufficient to say that the study of minimum wages and their effects in industries across the globe is not only complex, but can also be regarded as a contested terrain: "in fact, minimum wage is provided by law in 90% of the world's countries; however, its implementation varies highly in both approach and effectiveness across countries" (Benassi, 2011:2).

2.2 Orthodox Economic Theory and Minimum Wages

According to Klein and Dompe (2007: 127), social scientists are divided when it comes to the effects of the minimum wage. This depends on the theoretical approach that they adopt when attempting to explain the effect of minimum wages on employment (amongst many other things like profit, etc.) (Benassi, 2011: 2). Benassi (2011: 2) asserts that by adopting different theoretical approaches, some authors support the negative correlation between employment and minimum wage, while others find no correlation or even positive effects of minimum wages. Orthodox economic theory predicts that regulatory interference that raises the cost of labour above market equilibrium will lead to unemployment (Bazen 1990, cited in Arrowsmith et al., 2003: 437; see also: Askenazy, 2001: 157). Thus, orthodox economists argue that the introduction of the minimum wage not only adds to firms' administrative burdens, but also raises firms' labour costs leading to job losses as well as a decrease in profits (Dillow, 2005: 51; Bennet, 2002). Profitability, as observed by Bazen (1990, cited in Arrowsmith et al., 2003: 437), would be adversely affected, jobs would be lost, and some rational actors would seek to escape regulation by resorting to illegal practices.

For Crossman (2001: 46), the view that minimum wage regulation will have negative consequences is based on "neo-classical assumptions of the mechanistic competitive model of the labour market", which is in turn based upon the premise of perfect competition, information and choice. Neoclassical economics predicts that distorting the price of one type of input will result in substitution of a cheaper alternative (Brown and Crossman, 2000: 208). According to the neoclassical economic theory, where the substitution of capital for labour is not feasible, the introduction of a non-universal minimum wage is therefore likely to lead to reduced employment of the affected group and greater employment of those workers who become relatively cheaper (Brown and Crossman, 2000: 208). This, according to Crossman (2001: 46) depends on the "level of the minimum wage and the elasticity of demand".

The traditional view of the employment effect of the minimum wage (neoclassical economics) was articulated in George Stigler's classic 1946 study. According to Stigler (1946, cited in Brander, 2013: 45), there is a direct relationship between minimum wages and unemployment. Furthermore, the effects of the minimum wage on aggregate employment were "substantial and negative" (Stigler 1946, cited in Brander, 2013: 45). Based on this basic supply and demand model of the labour market, Stigler argues that a competitive market is what sets the equilibrium wage rates where workers earn their own marginal product (1946, cited in Brander, 2013: 45). A minimum wage acts as an artificial price floor, raising the earnings of low-wage workers. Firms will not be willing to employ as many workers at newly increased wage rates, as this would mean paying workers more than their marginal product (Stigler, 1946, cited in Brander, 2013: 45). Thus, in the face of a minimum wage increase, low-wage workers will either have to raise their productivity so that the value of their marginal product matches the new wage rate, or face the possibility of being laid off (Stigler 1946: 358, cited in Brander, 2013: 45).

Brown (1982, cited in Brander, 2013: 45) argues that while the traditional view was clear on the effects of minimum wages on aggregate employment, their impact on the unemployment rate was seen to be more ambiguous. According to Brown (1982, cited in Brander, 2013: 45), while unemployment may rise from employers laying off workers, other outcomes could also emerge. Firstly, firms that planned on hiring more workers could forgo hiring and maintain their original level of employment, and secondly workplaces could reduce the size of their workforce gradually through "attrition" as employees retire (Brown, 1982, cited in Brander, 2013: 45). Another outcome involves workers being offered fewer paid hours so that employment numbers remain the same but underemployment rises (Brown et al.. 1982, cited in Brander, 2013: 45).

Douty's observations regarding the relationship between minimum wages and unemployment revealed that the unemployment rate rose considerably in areas where there were many low-wage workers as a result of a minimum wage increase (1960, cited in Brander, 2013: 46). This outcome tended to put the workers at a disadvantage relative to other regions in the same economy. Consequently, Stigler (1946: 359, cited in Brander, 2013: 46) argues that minimum wages are more likely to push workers into the informal sector of the economy where their work would be unregulated and wages potentially very low.

2.3 Heterodox Economic Theory and Minimum Wages

Heterodox economists reject the claims of neoclassical orthodoxy by arguing that there is no real empirical evidence that higher minimum wages produce unemployment; if anything, minimum wages have a trickle-up effect “whereby many non-minimum wage workers also got raises and the turnover was reduced” (Card and Krueger, 1994: 792). So, there is evidence that shows that regulation can have positive effects such as improved efficiency and fairness (Edwards et al., 2003: 11; Arrowsmith et al., 2003: 435; Kaufman, 2009).

Brander (2013: 46) studied Card and Krueger’s influential case study of the New Jersey fast food industry, in which they questioned the neo-classical economic assumptions about minimum wage rates in a competitive market. Card and Krueger’s study tracked the employment levels of 410 fast food restaurants in New Jersey before and after the implementation of a state minimum wage increase in 1992. The findings from New Jersey were then compared to the results from Pennsylvania where the state minimum wage was held constant over the same period (Brander, 2013: 46). The study, according to Brander (2013: 46), revealed a “surprising result”: after a minimum wage increase, instead of seeing reduced employment, workers most affected by the change saw an increase in employment levels (Card and Krueger 1993, cited in Brander, 2013: 46). This result was, according to Brander (2013: 46), especially surprising due to the fact that the minimum wage increase came during a period of economic recession.

Card and Krueger hypothesized that there could have been an increase in the proportion of full-time workers at the expense of part-time jobs, since full-time workers tended to be more productive. However, the regression revealed no significant shift in employment composition (Card and Krueger 1993, cited in Brander, 2013: 46). Card and Krueger tested for levels of fringe benefits received by workers (for example, free or reduced price meals), predicting that wage increases could have been offset by a reduction in fringe benefits.According to Brander (2013: 46) Card and Krueger’s study actually showed an increase in fringe benefits, though this particular result was not “statistically significant”.

The study, however, revealed that prices did rise to a higher level in New Jersey restaurants than those in the control group in Pennsylvania (Card and Krueger, 1993, cited in Brander, 2013: 46). There was, however, no evidence that suggested that prices rose more in restaurants that were most affected by the wage increase (Card and Krueger, 1993, cited in Brander, 2013: 46). This, according to Card and Krueger's study suggests that "price increases did not come as a result of firms trying to pass costs onto consumers" (Card and Krueger, 1993, cited in Brander, 2013: 46). Card and Krueger's study also revealed an increase in the number of restaurant openings despite the increase in minimum wages (Brander, 2013: 46).

In another study of the impact of a minimum wage increase on the Texas fast food industry, Katz and Krueger, found a "slight positive correlation between wages and employment". In their study, the proportion of fulltime workers increased and the proportion of part-time workers employed by the restaurants fell (Katz and Krueger 1992: 16, cited in Brander, 2013: 46). Machin and Manning studied the impact of the wages councils on employment in the UK, which set industry specific minimum wages during the 1980s. According to Brander (2013: 46-47), these authors created a measure of "toughness" of the wage councils' mandated minimums. This "toughness" captured how high the industry minimum wages were and how strictly they were followed (Machin and Manning, 1994, cited in Brander, 2013: 47). Machin and Manning found that "toughness was positively correlated with employment" in many of the large wage councils in Britain. These findings, according to Brander (2013: 47), suggest that Card and Krueger's initial results were not "anomalous, and not unique to one jurisdiction or industry", as similar results were observed in different industries elsewhere in the US and in the UK.

Though the measured positive impact of minimum wages on employment levels may have been due to a "statistical discrepancy", Brander (2013: 47) argued that several explanations had been put forward for why minimum wages would have had no impact on employment. One of the arguments for explaining the results of these studies was, according to Brown et al. (1982, cited in Brander, 2013: 47), the "shock effect." According to this theory, firms were willing to retain the same number of workers as long as the marginal product of labour increased to keep up with the new wage rate (Brown et al., 1982, cited in Brander, 2013: 47). What this meant was that workers would all have to raise their productivity levels to keep their jobs at the new wage rate.

Other studies on the minimum wage seem to suggest that it is difficult to isolate and identify the impact of the minimum wage (Dillow, 2005; Grimshaw and Carroll, 2006). This view is also supported by Edwards and Gilman (1999, cited in Adam-Smith et al., 2003: 30), who argue that since pay rates are influenced by a "complex and dynamic mosaic of economic, social, and organizational factors", they make the "specific impact of the minimum wage potentially difficult to isolate".

Non-compliance can also be regarded as a factor responsible for the unsuccessful identification of specific impacts of the minimum wage. If numerous firms do not comply with the minimum wage, it will be difficult to isolate and identify the effects of the minimum wage in specific industries.

2.4 Non-Compliance

According to Jones (1997: 1), it is a well-recognized fact that firms are likely to evade minimum wage legislation when "either the probability of detection is low or the costs of compliance are high". Looking at developing countries, Jones (1997: 1) argues that minimum wage laws have little impact because of lax enforcement, which increases "firms' incentive to cheat". Lax enforcement, according to Jones (1997: 1), usually occurs as a result of poor administration and the inability of regulators to carry out adequate inspection of firms. Firms, similarly, have an incentive to cheat when the distortionary costs of the minimum wage are high (Squire and Suthiwart-Narueput, 1995, cited in Jones, 1997: 1). Such a situation is said to arise when the minimum wage is above the market equilibrium (i.e., it is binding) and the relevant elasticities of supply and demand are high enough to make a substantial impact on firm efficiency (Squire and Suthiwart-Narueput, 1995, cited in Jones, 1997: 1).

In a report published by the Low Pay Commission (LPC) in the UK on why employers in the informal economy were deliberately non-compliant with the minimum wage, divergent reasons were revealed that were in line with fostering an understanding of how and why businesses paid below the minimum wage. In the report, two groups of employers gave two main reasons for their non-compliance with the minimum wage. The first group argued that they could not afford to pay, while the second group simply said that they were unwilling to pay (Low Pay Commission, 2012: 2). The latter group, according to the report, is "interesting" as they have myriad reasons to justify why they do not believe that they should pay. Some of these "myriad reasons" included:

a)   *The need to be competitive*:

According to the report, this reason was particularly evident in those cases where employers perceived that other businesses had a competitive advantage, such as the need for “fixed base retailers to compete with those working on market stalls” (Low Pay Commission, 2012: 3).

b)   Employee demand for work:

Employers, according to the report, stated that they came into contact with a large number of workers prepared to work for below the minimum wage. It was because of this reason that employers did not feel it was “incumbent on them to pay the minimum wage” (Low Pay Commission, 2012: 3).

c)   *The lack of an incentive*:

The report revealed that some employers were concerned that paying a “flat rate wage with no option to add to it” (due to low profit margins) would not “incentivise their workers” (Low Pay Commission, 2012: 3). This was, according to the report, true for both of those employers who paid workers on a “piece rate basis” and those such as restaurant workers who felt that productivity and performance improved as a result of employees realising their wages could be topped up with tips if they performed well (Low Pay Commission, 2012: 3).

d)   *Illegal working*:

The report found that some employers used only those workers who they knew did not have a valid permit to work in the UK (or were not allowed to work the number of hours they were contracted for) or those who were also claiming benefits (Low Pay Commission, 2012: 3). In this case, the employers believed they were doing these workers a “favour” by hiring them thus giving them access to money and skills they otherwise would not have had (Low Pay Commission, 2012: 3.

e)   *Additional benefits*:

Many employers, according to the report, described the extra benefits they were able to offer their workers, such as travel, meals, free access to the trade that they worked in (such as construction work being carried out at cost), or the fact that they were giving people with no skills and experience the training to potentially get a job elsewhere (Low Pay Commission, 2012: 3-4). The report found that many employers thought that if they were to be inspected by a minimum wage enforcement officer then the financial impact of the additional perks would be taken into account (Low Pay Commission, 2012: 3-4).

f) *The nature of employment*:

The report indicated an in-depth discussion pertaining to the idea of ‘proper’ workers and a ‘proper’ job (Low Pay Commission, 2012: 4). Many of the employers who took part in the research were, according to the report, employing people with no or low level qualifications to undertake unskilled work, often part-time (Low Pay Commission, 2012: 4). The employers also did not see these jobs as ‘proper’ jobs and therefore did not class them as being covered by the legislation in the same way as a “typical 9-5 job” in an office (Low Pay Commission, 2012: 4). According to the report, this was often compounded by the fact that very few employers had formal contracts with their employees (Low Pay Commission, 2012:4).

Alburquerque’s (1984: 66) study of the administration of minimum wages in Latin American countries identifies several obstacles, which he believed prevented inspections by the Labour Department from ensuring compliance with established minimum wage rates. For Alburquerque (1984: 66), financial limitations precluded assigning the number of labour inspectors necessary to carry out inspections efficiently. The study found that the salaries paid to the inspectors were minimal and thus the hired personnel were poorly qualified. The resources required for the effective performance of the task were limited. The author also found that the penalties imposed on violators of the law had no effect since the amount of the fine was small in relation to the economic worth of the employers. Although violators could be punished with imprisonment, the courts seemed reluctant to impose this type of penalty (Alburquerque, 1984: 66).

2.5 Human Resource Management Practices in the Hospitality Sector: a Low Wage Sector

The hospitality sector is said to comprise of hotels, restaurants, public houses, clubs, contract catering and so on, and is dominated by myriad small establishments (Hospitality Trading Federation, 2000, cited in Adam-Smith et al., 2003: 31). The hospitality industry could be identified as a low wage sector and it employs mostly semi-skilled and unskilled workers. According to Barchiesi (2011: 247), the remunerations and benefits of workers in low wage sectors were not as effective in providing a safety net against uncertainties and expenses. The deepening commodification of goods and services (e.g. healthcare, education, transport and municipal utilities) reduced wages even more as they absorbed a growing share of the wage. Barchiesi (2011: 76) saw casuals as having it worse than those that were employed on a full-time basis; their ability 'to cope' was threatened even more due to the low wages they received.

For the purpose of this research project HRM practices will be defined as those practices undertaken by hospitality management relating to the working arrangements in the selected hospitality firms. These include the type of workers the management in hospitality firms employ, training arrangements, tasks to be performed by employees, benefits and reward structures and lastly management and employee relationships.

Wood (1992; cited in Adam-Smith et al., 2003: 31) describes hospitality businesses as employing a relatively high number of young workers. The industry also employs a large proportion of temporary and part-time workers due to "seasonal and temporal fluctuations in the pattern of demand (Wood, 1992, cited in Adam-Smith et al., 2003: 31). According to Adam-Smith et al. (2003: 31; see also: Lucas, 1995; Rees and Fielder, 1992) women undertake over two-thirds of hospitality jobs; there is also a 'marked pattern of segregation'.

For Mars and Nicod (1984, cited in Adam-Smith et al., 2003: 31), women tended to be concentrated in "low-level menial jobs" such as kitchen hands and room attendants. Adam-Smith et al. (2003: 31; see also: Gabriel, 1988) described such work as "mundane, heavy and repetitive, requiring little in the way of formal training and qualifications". Wood (1992, cited in Adam-Smith et al., 2003: 31) argued that cleaning and housekeeping work, in particular, were degraded by virtue of their association with the household division of labour and the expectation that women will draw upon their reservoir of domestic skills in undertaking work tasks. For Adam-Smith et al. (2003: 31), since so much of hospitality work is part-time and can thus be fitted in and around childcare duties, many women found it difficult to find alternative employment opportunities because of their domestic responsibilities. As Crompton and Sanderson (1990, cited in Adam-Smith et al., 2003: 31) argued, female labour is used because it is "both cheap and available at the right time of day and season".

Royle and Towers (2002: 2, cited in Venter, 2011: 5) regarded limited menus and highly standardized product offerings which permitted the use of low skilled and easily replaceable labour as the major factor contributing to the success of hospitality firms such as fast-food outlets/restaurants. It was for this reason that fast-food companies were often seen to be of the primary exponents of increased flexibility in working arrangements, often driving down real wages and working conditions while playing important roles in the development and implementation of insecure and contingent forms of employment practices (Royle and Towers, 2002: 2, cited in Venter, 2011: 6).

The hospitality industry is well-known for its use of ’flexible specialisation’ or ‘lean production’ (Moody, 1997: 12). Some of the well-known features of lean production are just-in-time, multi-skilling, job rotation, teams, quality management, numerical and functional flexibility and extensive outsourcing (Moody, 1997: 12). According to this type of production, work has to conform to requirement standards to eliminate any mistakes in production; there should also be zero defects - “conformity is the goal, not creativity” (Moody, 1997: 12). Lean production and flexible production/specialisation have much in common as they both led to overtime and downsizing, multitasking, contracting out and the extensive use of casual labour - usually part-timers and temporary workers, or fixed or zero-hour contract workers (Moody, 1997: 12).

2.6 Hospitality Industry and Minimum Wages

According to Addison et al. (2012: 433), minimum-wage case studies, with a few exceptions, have focused on the restaurant sector. The obvious justification for this focus is the relatively large percentage of workers who are paid at the federal minimum in that sector. The sector’s high labour-turnover rate suggests that adjustments of employment to changes in costs can be fairly rapid. There are, however, a number of weaknesses attaching to this restricted focus (Addison et al., 2012: 434). According to their observations, Addison et al. (2012: 434) discovered how restaurants may show lower labour-demand elasticities than establishments in other sectors that can be more mobile in their choice of location. According to Addison et al. (2012: 434), production in the restaurant sector needed to be geographically close to the consumer. This was, however, not true in other sectors such as manufacturing. Addison et al. (2012: 434) reckon there may also be a level of product differentiation in the restaurant sector that allows a significant pass-through of higher labour costs into product prices. In their study on the impact of minimum wages in the restaurant sector, Addison et al. (2012: 434) failed to uncover adverse employment effects related to increases in the minimum wage.

Looking at the hotel sector, Crossman (1995, cited in Brown and Crossman, 2000: 206-207; see also: Price, 1994; Wood, 1992) argues the hotel sector exhibited many “secondary labour market characteristics”. There was a predominance of women, ethnic minority groups and young workers, many filling part-time positions; labour turnover was high; production was labour intensive, requiring low levels of skill; and the internal labour market was undeveloped (Mitchell, 1988, cited in Brown and Crossman, 2000: 207). Furthermore, Lucas (1992, cited in Brown and Crossman, 2000: 207) provided evidence of poorer terms and conditions of employment in smaller hotels, although there was some evidence to the contrary. Overall, the existing evidence seemed to suggest that managers were “reactive rather than strategic in their approach” and that they employed “ad hoc practices in order to keep labour costs to a minimum, generally at the expense of employees” (Brown and Crossman, 2000: 206-207). There seems to be a continuous debate regarding the reward package of workers in the hospitality industry

It has been argued that in evaluating the overall remuneration of hospitality workers it was misleading simply to examine basic pay since it comprised only part of the ‘total reward system’ (Adam-Smith et al., 2003: 32). According to Lucas and Radiven (1998, cited in Brown and Crossman, 2000: 207), the reward system in hotels tended to be “complex, extending beyond a simple exchange of hourly rates of pay for labour”. To date, Lucas and Radiven (1998, cited in Brown and Crossman, 2000: 207) argue, there has been little research into this phenomenon. The total reward package, particularly in hotels, according to Mars and Mitchell (1976, cited in Brown and Crossman, 2000: 207), was comprised of informal as well as formal elements. The formal included basic pay and subsidized food and lodgings and the informal involved gratuities, tips and ‘fiddles’. More sophisticated fringe benefits, such as pensions and share ownership, according to Mars and Mitchell (1976, cited in Brown and Crossman, 2000: 207), were less common in hotels than many other sectors.

According to the Hospitality Training Federation (2000, cited in Adam-Smith et al., 2003: 32), the provision of meals and lodging, among other things, could have a substantial effect on the value of the total remuneration package. Other research demonstrated, however, the fact that workers in the hospitality industry enjoyed relatively few fringe benefits compared with other industries (Lucas, 1995; Wood, 1992, cited in Adam-Smith et al., 2003: 32). Lucas (1995, 1996, cited in Adam-Smith et al., 2003: 32) spoke of the determination of pay in the hospitality industry as having traditionally been a matter of “managerial prerogative”. Furthermore, the hospitality industry was characterized by a low level of trade union activity. For Adam-Smith et al. (2003: 32), it was the absence of joint regulation that made for an employment relations climate within which managers appeared to enjoy considerable latitude to deal with staffing matters over a wide range of issues, unimpeded by formal systems and procedures.

In a survey conducted by Price (1994: 47) on nearly 250 hotels and restaurants, it was discovered that while a trend towards greater formalization of personnel arrangements could be identified among the larger establishments, in general there was a high incidence of “ad hoc, informal practice which pays scant regard to professional standards”. According to Wood (1992, cited in Adam-Smith et al., 2003: 32) even where formal personnel policies and procedures existed, line managers would not adhere to them. Thus the hospitality industry was unsurprisingly characterized by “persistent absenteeism and labour turnover, and a high rate of dismissals and usage of disciplinary sanctions” (Lucas, 1996, cited in Adam-Smith et al., 2003: 32).

2. 7 Hospitality Industry and Informality

According to the study of Adam-Smith et al. (2003: 30) in the UK, the hospitality industry, since it contains a relatively high proportion of low-paid workers, is one that should have been greatly affected by the introduction of the minimum wage since many employers were offering low levels of pay as a source of competitive advantage in a labour-intensive industry. This was, however, not the case: “contrary to the expectations of a regulatory or labour market ‘shock’, the introduction of the minimum wage appears to have reinforced rather than challenged, existing employment relations arrangements in the hospitality sector” (Adam-Smith et al., 2003: 30). This was made possible by both the managerial control over the terms of wage-work bargain as well as the significant influence of product and labour market pressures that allowed the minimum wage to be introduced with little disruption.

In an effort to adjust to the increased costs brought about by the minimum wage, Arrowsmith et al. (2003, cited in Dickens and Hall, 2005: 16) state that some employers have resorted to cutting rest breaks, reducing fringe benefits, and/or raising the intensity of work rather than shedding jobs. Some employers use informal systems of labour procedures, which Santiago (2010: 34-35) argues “lack structure and are even at times disorganised” to absorb minimum wages. It is these informal systems of labour procedures that Adam-Smith et al. (2003) postulate have facilitated the implementation and absorption of the minimum wage in the hospitality industry in the UK without significant job losses.

For Adam-Smith et al. (2003: 32-33), the degree of informality is conditioned by the “significant extent to which managerial actions are bounded and shaped by product and labour market imperatives”. Furthermore, Mars and Mitchell (1976, cited in Adam-Smith et al., 2003: 33) spoke of the way in which the often unanticipated demand for hotel services produced a style of management that could be characterized as “ad hoc”, and also that the existence of formal procedures would constrain the ability of managers to respond effectively to customer needs. According to Lucas (1995, cited in Adam-Smith et al., 2003: 33), the management in hotels and catering were “amateur, unsophisticated and ad hoc”. Thus, for Lucas (1995, cited in Adam-Smith et al., 2003: 33), a management style of “being there” contributed to a degree of informality that was associated with authoritarianism and autonomy.

Such a style of managing was not restricted to pay determination but was also evident in other aspects of the handling of employment relations, such as the organization of work. For Adam-Smith et al. (2003: 33), although there were certain parts of the hospitality industry where workers were able informally to swap tasks on their own account, the division of labour was largely mandated by managers, who considered staff a “disposable resource to be directed to whichever job needs doing”. So, according to Adam-Smith et al. (2003: 33), reports that pointed to the development of functional flexibility and multi-skilling in hospitality should be treated with some caution. All this, as indicated by Adam-Smith et al. (2003: 33), indicated that hospitality firms would react to the introduction of the minimum wage in a “reactive and ad hoc manner”, which had previously been predicted by Lucas and Langois (2000). So, what this means is that wages would be influenced by managerial, social and economic factors (Adam-Smith et al., 2003: 33).

For Adam-Smith et al. (2003: 33-34), with the minimum wage being established in an "increasingly volatile, relatively deregulated labour market within which managerial prerogative over matters like remuneration is more pronounced", firms would have plenty of scope to adjust to the new statutory floor of wages without it necessarily coming as a 'shock'. These contentions have, according to Adam-Smith et al. (2003: 34), received some empirical support. This was shown in the study by Ram et al. (2001, cited in Adam-Smith et al., 2003: 34), which shows that the impact of the minimum wage was simply an additional influence among the many that shape and influence the employment relationship in low-paying industries, of which the nature of the product market is the most significant. Furthermore, the fact that most competitors in the hotel and catering business paid the minimum wage rate, the relatively low level at which it was set which enabled additional costs to be passed on to customers, and the practical differences associated with changing the organization of work all meant that firms accommodated the statutory floor of wages relatively easy (Ram et al.,2002, cited in Adam-Smith et al., 2003: 34). Thus, as shown by Ram et al. (2002, cited in Adam-Smith et al., 2003: 34), the informal character of employment in low-paying sectors of the economy, and the discretion which firms enjoy over pay-setting decisions, have mediated the introduction of the minimum wage diminishing its impact as a regulatory 'shock'.

2.8 Minimum Wages in South Africa

Post-apartheid South Africa, as observed by Altman (2007;6), faces a "difficult conundrum, with a capital-oriented investment path and a very large low skill labour surplus". As a middle income economy, Altman (2007: 6) argues, the South African economy needs to simultaneously raise value-added in its production and services profile, and expand its low-productivity employment opportunities. For Altman (2007: 6), the context is one of high unemployment, slow employment growth, high earnings inequalities, low wages for low skill workers relative to the cost of living and a level of human development normally associated with a poor country. Thus, in her study on *Low Wage Work in South Africa*, Altman (2007: 3) found that in order for the government to halve unemployment and poverty, it would be necessary to have minimum wages and standards as well as social grants. These two policies are already in place; we are yet to discover their effectiveness.

In South Africa, the body responsible for issuing determinations in sectors it deems vulnerable is the ECC (Bhorat and Mayet, 2013: 2). The ECC is a representative body within the Department of Labour, which was established in 1999 in order to advise the Minister of Labour on “appropriate and feasible sectoral wage minima”, known as sectoral determinations (Department of labour, 2003). The broad aim of the ECC is to protect vulnerable workers in the South African labour market; that is, sectors in which workers are likely to be exploited or in which worker organizations and trade unions are absent, and where workers are not appropriately covered by bargaining councils or other wage regulating mechanisms (Department of Labour, 2003). Bhorat and Mayet (2013: 2) identified agricultural and domestic workers as two of the most vulnerable groups within this context in the South African labour market. At the moment, there are 11 sectoral determinations. Bhorat and Mayet (2013: 2) identified Farmworkers, Wholesale and Retail, Domestic Workers, Forestry, Taxi, Private Security, Civil Engineering, Contract Cleaning, Hospitality, and Performing Arts sectors as the most important sectoral determinations.

In post-apartheid South Africa, the Labour Market Commission (1996) recommended that minimum wages should be set at a ‘realistic’ level, should not attempt to regulate the conditions of too large a percentage of the workforce, should not be seen as the ultimate solution to poverty, and should not be used as a substitute for collective bargaining. It is important to emphasise that within the South African labour market, no unitary national wage minimum exists. The minimum wages are regularly updated in line with inflation through a formal government gazetting process (Bhorat et al., 2010: 3).

Bhorat and Mayet (2013: 1) aimed to provide evidence of the impact of the introduction of minimum wages on employment, hours worked and wage levels in the agricultural sector as well as in five (non-agricultural) sectors of the South African economy. They found that the effects of minimum wages were in general “more varied and perhaps unpredictable than one might expect from a standard economic analysis”. Their study did, however, reveal a decline in employment in the agricultural sector following the introduction of the minimum wage (Bhorat and Mayet, 2013: 1).

Whilst employment in the agricultural sector fell following the introduction of minimum wage laws, minimum wages in four out of five affected sectors in South Africa did not have a negative effect on employment – despite real wages having increased in most of the affected sectors after the introduction of the minimum wage (Bhorat and Mayet, 2013: 6). What did occur, as per the findings of their study, in some cases, there was a reduction in the number of hours of work per week, though this was proportionally small, relative to the wage increases (Bhorat and Mayet, 2013: 6).

So, contrary to orthodox predictions, Bhorat and Mayet's results did not show that the minimum wages have had any general negative impact on employment that was "statistically significant". Statistical calculations for the wholesale and retail, domestic work, and private security sectors actually suggested that the probability of finding employment in these sectors was significantly higher in the period after the introduction of minimum wages. According to their study, it was only the taxi sector that showed a "statistically significant drop in the likelihood of employment". For the forestry sector, this probability did not change significantly (Bhorat and Mayet, 2013: 5).

Whilst there was no evidence of a decline in the number of people employed in the affected sectors, it appeared that the minimum wage had an effect on the "deployment of workers in terms of the usual number of hours worked per week" (Bhorat and Mayet, 2013: 6). The study also showed statistically significant declines in hours of work, which occurred in wholesale and retail (a 4.5 per cent decline – 2.2 hours per week – from the year before minimum wages were enacted to 2007), domestic work (7.7 per cent: 3.3 hours) and the security sector (4.5 per cent: 2.7 hours) (Bhorat and Mayet, 2013: 6). These sectors were the sectors in which the employment numbers continued to rise after minimum wage laws were enacted. For Bhorat and Mayet (2013: 6), this finding suggested that employers may have started to reduce the usual work hours of employees in order to afford, or counter, higher hourly wages. These results suggest that the introduction of a minimum wage may not always have a negative effect on employment (Bhorat and Mayet, 2013: 6). Although the introduction of the minimum wage in non-agricultural sectors did not have a negative impact on employment, Bhorat and Mayet's study showed high levels of non-compliance in some sectors.

There was a low level of compliance with prescribed minimum wages in the period analysed. Their study revealed that in four of the five sectors, 40-60 per cent of workers were paid less than the applicable minimum wage (Bhorat and Mayet, 2013: 6). Non-compliance (although declining) was, according to Bhorat and Mayet (2013: 6), even worse in domestic work, averaging 75 per cent; this could have diluted any negative reaction of employers to the minimum wage.

It is evident that minimum wage legislation is central in South African policy discourse. This is with both strong support and strong opposition. The situation is similar in many if not most developing countries. As Ronconi (2008, cited in Bhorat et al., 2012: 2) points out, it is not the lack of labour regulations in developing countries that is the key issue, as most developing countries have an "extensive web of labour regulations". In South Africa, statutory minimum wages vary by sector and location, and consequently there are over 36 different wage minima. Hence, as indicated by Basu et al. (2010, cited in Bhorat et al. (2012: 2), it seems that the key issue is not a lack of legislation but rather a lack of compliance amongst employers due to "imperfect enforcement". Minimum wage violation in South Africa is, according to Bhorat et al. (2012: 2) "disturbingly high". In their study, Bhorat et al. found that 45 per cent of covered workers got paid wages below the legislated minima, whilst the "average depth of shortfall" was 36 per cent of the minimum wage. Around this average, violation was most prevalent in the Security, Forestry and Farming Sectors (Bhorat et al., 2010: 2). The Department of Labour has had to intervene in order to curtail this violation and to enforce compliance (Bhorat et al., 2010: 2).

The Department of Labour uses a team of labour inspectors whose job is to enforce compliance with the different sectoral determinations (Bhorat et al., 2012: 3). Inspections in most cases are, triggered by complaints from clients, whilst high risk sectors are identified and targeted through "focused blitz inspections". According to Bhorat et al. (2012: 3), there has been some discussion attributing regional variation in the degree of violation of minimum wage laws, to differences in the numbers and distribution of inspectors within areas, as well as the possibility of the corruption of the inspectorate deployed. It is, according to Bhorat et al. (2012: 3), the scant and poor quality data in the inspectorate that, however, renders this a "difficult set of propositions to investigate further".

2.9 Hospitality Industry in South Africa

According to the Department of Labour (2007: 3) and for the purposes of Sectoral Determination 14, "hospitality sector" means:

any commercial business or part of a commercial business in which employers and workers are associated for the purpose of carrying on or conducting one or more of the following activities for reward: providing accommodation and/or prepare, serve or provide prepared food or liquid refreshments, drinks other than in sealed bottles or cans whether indoors or outdoors or in the open air, for consumption on or off the premises in a hotel, motel, inn, resort, game lodge, hostel, guest house, guest farm or bed and breakfast establishment, including short stay accommodation, self-catering, time shares, camps, caravan parks, restaurants, pubs, taverns, cafes, tearooms, coffee shops, fast food outlets, snack bars, industrial or commercial caterers, function caterers, contract caterers and includes all activities or operations incidental to or subsequent on any of the activities mentioned above (Department of Labour, 2007: 3).

The minimum wage for the hospitality sector (SD 14) became binding on 1 July 2007. It is adjusted annually by the Consumer Price Index (CPIX) plus two per cent increment on the minimum wage of the previous period (Department of Labour, 2007: 3). According to the Department of Labour (2007: 2), the purpose of SD 14 is to provide employers and workers in the hospitality sector with a guideline of employment conditions such as hours of work, leave, particulars of employment and termination of employment. SD 14 also prescribes the minimum wage that employers are required to pay (Department of Labour, 2007: 3).

The current minimum wage (1 July 2013 to 1 July 2014) for the hospitality sector for employers with ten or less employees is R2415.86 per month and R2692.72 per month for employers with more than ten employees (Department of Labour, 2012). The Hospitality Sector in South Africa, according to the ECC (2009, 10), is one of the fastest growing sectors of the economy, which generated R179 billion of economic activity, created 445000 jobs through direct employment, and accounted for 7.6 per cent of total employment.

According to the Department of Labour (2007: 7), the employer may only deduct money for the reasons provided in the Sectoral Determination (14). The workers must then agree to these terms in writing. The deductions that may be considered include deductions for medical aid, retirement funds, union fees, home loans and court orders (Department of Labour, 2007: 7). Furthermore, if the employer requires the worker to sleep in, the employer is expected to provide the worker with food and accommodation for free (Department of Labour, 2007: 7-8).

Workers may not work for more than 45 ordinary hours per week. That is, nine hours on any day if the worker works for five days or less in a week or eight hours per day if the worker works more than five days per week (Department of Labour, 2007: 8). For these workers, overtime can only be worked by agreement. Furthermore, workers may not work more than 10 hours overtime per week; workers may also not work for more than 12 hours, including overtime on any day (Department of Labour, 2007: 8). Overtime, according to the Department of Labour (2007: 8), should be paid at one and a half times the worker's wage. Workers are meant to only work on a public holiday if there is an agreement to that effect.

The Department of Labour (2007: 12) defines "night work" as work performed after 18:00 and before 06:00 the next day. The Department of Labour (2007: 12) also stipulates that night work should only be performed by agreement and must be paid by an allowance or by reducing the working time. The Department of Labour (2007: 12) also requires that an employer ensures that transport is available between the worker's place of residence and workplace at the start and end of a shift; "if the transport cost more than the normal rate at night, the employer must subsidize the transport". An employer is also required by the Department of Labour (2007: 13) to give the worker a daily rest period of at least 12 consecutive hours between ending work and starting work the next day. Every employer on whom Sectoral Determination (14) is binding is required by the Department of Labour to keep a copy of the Sectoral Determination or an official summary available in the workplace in a "place to which the worker has access" (Department of Labour, 2007: 20).

In a report issued by the Provincial Secretary of FAWU in the Limpopo province (Polokwane), Mr Semenya identified and grouped the challenges faced by the union in the hospitality sector (with more emphasis on the restaurants seeing as they employed more workers) as: problems pertaining to the working hours, problems pertaining to wages and other working conditions, wages/compliance with the law, maternity leave and lastly, contract work.

a) Working hours:

According to Semenya (2013: 1), the situation in the restaurants was still very exploitative and oppressive. Semenya (2013: 1) draws on the number of workers' working hours as a form of exploitation stating that the hours were not only many, but also that workers received no guarantee for overtime pay-“they work from 06h30 to 22h00 in some instances”. With no overtime pay, workers enjoyed only the tips. Workers had day-offs but without pay for those days. Workers also had no transport to take them home after work (Semenya, 2013: 1).

b) *Wages and other working conditions*:

There was generally a low level of trade unions in this sector in Polokwane. Due to the restaurants being franchised owned, the workers were treated differently by each individual owner (Semenya, 2013: 1). The latter was also identified as a difficulty restricting trade unions to penetrate the sector to organise workers into a formidable union. The recruitment level in the industry was estimated to be about 10 per cent, with the union still working hard in trying to recruit workers (Semenya, 2013: 1.

c) *Wages and compliance with the law*:

The lowest worker, according to Semenya (2013: 1), was paid R1500 per month regardless of the fact that the Sectoral Determination Act set the minimum wage at R2500 per month. According to Semenya (2013: 1), only a few restaurants complied with the minimum wage.

d) *Annual and maternity leave*:

Workers in this particular sector were entitled to a 21 working day annual leave and three months of unpaid maternity (Semenya, 2013: 2). Negotiations between the employers and trade unions pertaining to the above issues were still underway with the trade unions aiming to increase the annual leave to 30 days and three months of fully paid maternity leave (Semenya, 2013: 2). Trade unions were also intending to establish a bargaining council for the sector within which all the conditions of employment would be negotiated (Semenya, 2013: 2). The bargaining council could however, only be established once the majority of the sector’s workers were organised and recruited into trade unions (Semenya, 2013: 2).

e) Contract work:

According to Semenya (2013: 2), a majority of the workers in the sector was compelled to sign contracts which were not properly explained to them. Labour brokers were also brought in and they dismissed workers at any time (Semenya, 2013: 2). The employer was not responsible for any action taken by labour brokers resulting in increased exploitation and harassment. It was for this reason that the trade union hoped for the new amendment of the LRA to address the concerns of the workers and also for workers to be protected (Semenya, 2013: 2).

2. 10 Conclusion

In summary, this chapter sought to emphasise how a minimum wage is not administratively simple as orthodox economists portray it to be. This means that the impact of the minimum wage is not as straightforward as it has often been portrayed. For example, the minimum wage is regarded as an effective policy tool for poverty reduction and social justice since it targets those at the bottom of the income distribution. Several studies contradicted this hypothesis and showed instead that the usefulness of minimum wages for poverty and inequality reduction was uncertain. The very fact that social scientists are divided when it comes to the effects of the minimum wage is proof that the minimum wage is not as simple as it has often been explicated. This observation is further supported by other studies on the minimum wage which suggest that it is difficult to identify and isolate the impact of the minimum wage. If numerous firms do not comply with the minimum wage, it will be difficult to identify and isolate the effects of the minimum wage in specific industries.

If firms do actually comply with the minimum wage, what impact will it have on the firms? More specifically, what impact will the minimum wage have on the HRM practices of the firms in the hospitality sector- a low wage sector? Will it result in a ‘shock’ causing firms to reduce the number of workers they employ or will it be accommodated with little effort? If it is accommodated with little effort what were some of the mechanisms used to achieve this? Adam-Smith et al. (2003) identified ‘informality’ as one of the mechanisms that resulted in the successful absorption of the minimum wage in most of the hospitality firms they studied. This ‘informality’ was inherent in the HRM practices of the specific hospitality firms where ‘managerial prerogative’ ruled every decision making process.

CHAPTER 3
RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

The research design provided a more systematic process which explained how the research goals would be attained. It was of great importance as it involved the clarification of the methods of research. The development of a research design was therefore affected by the research question, whether it was descriptive (what is going on) or explanatory (why it is going on). Research design, according to Creswell (2003: 3), was more like the foundation of a research; thus, it had a great influence on the results of the research. Creswell (2003: 3) defined research design as "the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure".

3.2 Research Objectives

The main objective of this research was to explore and provide a detailed understanding of the effects of the introduction of sectoral determination 14 (SD 14) on human resource management (HRM) decisions and practices in the hospitality sector in Polokwane. By so doing it will outline the direct effects (for example, a change in wages because of the minimum wage) and indirect effects (for example, the implementation of stricter laws relating to misconduct) of the minimum wage in the selected hospitality firms. With economists being divided in terms of the effects of a minimum wage, this research paper aims to deepen our understanding of the introduction of the minimum wage by answering the questions pertaining to the secondary goals of the research. The secondary goals of the research are:

- To determine the extent to which the selected firms adhere to SD 14.
- To identify the firms' adjustment mechanisms to accommodate and absorb the minimum wage.
- To establish if the minimum wage has led to job losses in the selected firms.
- To establish the extent to which the introduction of the minimum wage has disrupted existing work and employment relations in the selected establishments.

3.3 Methods and Methodology

For the purpose of this research, qualitative research was conducted. This kind of research made it possible for both the interviewee and the interviewer to have an in-depth conversation, thus curbing any miscommunication. According to Punch (1998: 5), "qualitative research is empirical research where the data are not in the form of numbers". Denzin and Lincoln (1994: 2) spoke of qualitative research as one that was "multimethod in focus, involving an interpretive, naturalistic approach to its subject matter". This, as stated by Denzin and Lincoln (1994: 2), meant that qualitative researchers studied things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people brought to them.

Thus, in-depth, semi-structured interviews were conducted as they provided detailed information by enabling the researcher and the participant to have an informal, but expressive conversation about the topic (Brewer, 2010: 10; Legard et al., 2003: 141; Bogdan and Taylor, 1998: 87; Patton, 1987: 113). In-depth interviewing was, according to Patton (1987:113), "a type of interview which researchers used to elicit information in order to achieve a holistic understanding of the interviewee's point of view or situation; it could also be used to explore interesting areas for further investigation". This type of interview involved asking informants open-ended questions, and it also allowed the researcher to "probe wherever necessary to obtain data deemed useful by the researcher" (Patton, 1987: 113). As in-depth interviewing involved qualitative data, it was also called qualitative interviewing as it entailed repeated face-to-face encounters between the researcher and the informants directed toward understanding informants' perspectives on their lives, experiences, or situations as expressed in their own words (Bogdan and Taylor, 1998: 87).

3.4 Sampling

According to Creswell (2003: 53), a sample is a set of subjects selected from a population. The sample best represented the population of interest. Purposive and stratified sampling was used as it targeted a particular group of people possessing the characteristics or experiences that were directly related to the research project (Creswell, 2003: 53; Matthews and Ross, 2010: 147; Babbie, 2010: 241). The reason behind the preference of purposive sampling was to eliminate the wasting of time. In order to respect the anonymity of the respondents, respondents were given fake names (the * in front of all the names, emphasised the fact that the names given to the respondents were not the real names of the respondents).

3.4.1 Characteristics of Firms

Name of firm	Nature of firm	Star rating	Number of employees	Date of establishment
Firm 1	Bed and breakfast	3 star	3	2008
Firm 2	Bed and breakfast	3 star	5	2010
Firm 3	Guesthouse	5 star	10	2007
Firm 4	Guesthouse	4 star	8	2010
Firm 5	Restaurant	3 star	15	2011
Firm 6	Restaurant	4 star	18	2007
Firm 7	Restaurant	5 star	15	2011
Firm 8	Restaurant	3 star	20	2010
Firm 9	Restaurant	3 star	16	2012
Firm 10	Inn	2 star	3	2010

3.4.2 Characteristics of Employees

Name of employee	Gender	Age	Education	Nature of firm and position
*Kamogelo	Female	22 years old	Matric	Restaurant: waitress
*Rudo	Female	21 years old	Matric	Restaurant: waitress
*Matome	Male	33 years old	Matric	Restaurant:

				barman
*Rosinah	Female	45 years old	Standard 6 (Grade 8)	Bed and breakfast: cleaner
*Tinyiko	Female	29 years old	Matric	Inn: chef and cleaner
*Sakkie	Male	32 years old	Matric	Restaurant: cashier
*Dennis	Female	26 years old	Matric-studying part-time	Bed and breakfast: receptionist
*Caroline	Female	35 years old	Matric	Guesthouse: chef
*Tshepho	Male	27 years old	Matric	Restaurant: waiter
*Lizzy	Female	41 years old	Standard 8 (Grade 10)	Guesthouse: chef and cleaner

3.4.3 Characteristics of employers

Name of employer	**Gender**	**Nature of firm**	**Position**
*Salphina	Female	Restaurant	Manager
*Vincent	Male	Bed and breakfast	Manager
*Arnorld	Male	Bed and breakfast	Manager
*Neil	Male	Restaurant	Manager
*Masana	Male	Guesthouse	Owner
*Ngobeni	Male	Guesthouse	Manager
*Tatenda	Male	Restaurant	Manager
*Fiona	Female	Restaurant	Manager

*Lashan	Male	Restaurant	Manager
*Steven	Male	Inn	Owner

3.5 Data Collection

Data collection involved the process of collecting information relevant or necessary for a particular research (Creswell, 2003: 54). During this process, problems would occur which would affect the collection of data (Creswell, 2003: 54). For example, age difference between the interviewee and the interviewer could restrict the interviewee from sharing some information that may be relevant. Also, ethical issues could arise where people may not be comfortable with disclosing their income.

The data collection took place through the administration of a total of 20 in-depth interviews with employees and managers from the selected firms within the hospitality sector in Polokwane. The interview schedule consisted of a list of themes from which questions were formulated. Some of the themes included, but were not limited to, the respondents' knowledge pertaining to minimum wages, the impact of minimum wages, working conditions (before and after the introduction of the minimum wage), informality, firms' competitiveness (before and after the introduction of the minimum wage) and unionization.

Data was collected within a period of two weeks, which made it easier to obtain sufficient information for the research. At least two weeks before the interviews were conducted, the firms in which the respondents were employed were contacted to set up meeting dates and times most suitable and convenient for all the parties involved. The in-depth interviews lasted 45 minutes to an hour, depending on the participation of the respondents. In order to respect the anonymity of the respondents, respondents were given pseudonyms.

3.6 Data Analysis

Data analysis was the process whereby important and relevant information was sifted from the data collected (Creswell, 2003: 60). Since the interviews took place in different firms, this allowed one to look at the similarities and the differences in the collected data.

3.7 Philosophical Framework

This thesis was framed using critical realism which, according to Danermark et al. (2002: 5), is a "philosophy of reality". Critical realism is an exemplar of a multi-causal analysis of the concrete as the synthesis of a multiple determinations (Danermark et al., 2002: 5). The research will use retroduction - that is, a method of finding the "basic conditions for the existence of the phenomenon studied" - to explain the impact of SD 14 (Danermark et al., 2002: 1; see also: Archer 1995; Meyer and Lunnay, 2013).

3. 8 Ethics

All the research participants that showed interest in participating in the study were read a participation and consent statement that required their verbal consent to participate in the study. The consent statement additionally informed the respondents about the research aims and objectives. Participants were also informed their responses would be treated with confidentiality. As a result, all interviewed participants acceded to participating freely in the study.

3. 9 Limitations

The biggest limitation was access to the firms' financial documents, which were pertinent to the success of the research project as they would provide concrete evidence pertaining to the firms' competitiveness before and after the introduction of the minimum wage. Tangible substantiation is always better than unfounded information. Another limitation was proper access to some (three) of the employees that were interviewed. The managers of these employees made it a point to sit in on the interviews resulting in the possibility of the employees' answers being biased. Some of the employees' lack of knowledge regarding the minimum wage could also be classified as a limitation seeing as this had a bearing on successfully capturing the views of such employees on the minimum wage.

CHAPTER 4

MINIMUM WAGES AND THEIR IMPACT ON HUMAN RESOURCE MANAGEMENT PRACTICES IN THE HOSPITALITY INDUSTRY OF POLOKWANE

4.1 Introduction

In the analysis of the data derived from the in-depth interviews with the employees and managers from the selected firms, responses were examined according to the broader themes of the impact of the minimum wage (direct and indirect effects on the selected firms), SD 14 (the extent to which the firms adhere to SD14), the selected firms' adjustment mechanisms (to the minimum wage), job losses (the extent to which the selected firms experienced job losses after the introduction of the minimum wage), and changes to work and employment relationships (after the introduction of the minimum wage).

All the information obtained from the data collection process was reviewed with reference to observations made during the course of the interview process to serve as a means of contextualizing responses.

4.2 Employee Perceptions Regarding the Impact of Minimum Wages on HRM Practices in the Hospitality Sector of Polokwane

4.2.1 Labour employed in the Selected Hospitality Firms

It was evident that the majority of workers employed in the selected firms were females. This observation was made during the interviews which took place in the selected firms. The ratio of females to males was high in all the firms. This information was consistent with the observations of Mitchell (1988, cited in Brown and Crossman, 2000: 207), who spoke of the hospitality industry as an industry characterised by a predominance of women and ethnic minority groups.

Crompton and Sanderson (1990, cited in Adam-Smith et al., 2003: 31) were also correct when they argued that firms in the hospitality industry preferred female labour as it was "both cheap and available at the right time of day and season". According to Mitchell (1988, cited in Brown and Crossman, 2000: 207) and Wood (1992; cited in Adam-Smith et al., 2003: 31), hospitality businesses employed a relatively high number of young workers. This was also true for this research project. Although there were older people (36-45) employed in the selected firms, the number of young workers (21-35) was higher than the number of older workers. The hospitality industry also required low levels of skill (Adam-Smith et al., 2003: 31; Lucas, 1995; Rees and Fielder, 1992). This was consistent with the information obtained from the interviews. The highest level of education majority of the workers had was matric with the exception of two workers without any matric qualifications.

4.2.2 Employees' Basis of Employment

When asked on what basis they were employed, there was a general confusion amongst some of the workers as they were not entirely sure. According to Semenya (2013: 2), a majority of the workers in the hospitality industry was compelled to sign contracts that were not properly explained to them. This was confirmed when respondents gave answers such as:

> *[Laughs] That one I cannot tell you because I am not sure myself. Our contracts do not stipulate that - it just says that you are an independent waitress. So, I do not know what we call my kind of employment. So yes, they do not tell us on what basis we are employed. Even those people who think they are employed on a permanent basis are not sure themselves because we are all treated the same* (Kamogelo, waitress, 11 July 2014).

> *Well, part-time I guess. The contract does not really say on what basis we are employed. We are pretty much all employed on the same basis, but we don't really know what exactly it is* (Matome, barman, 11 July 2014).

From the information gathered during the interviews, one could argue that majority of the respondents seemed to be employed on a part-time rather than permanent basis. This observation was made when the respondents stated there were more part-time workers in their respective firms than there were full-time workers. When asked about the reasons for this, the respondents mentioned how during the times when their respective firms were not busy, managers would need less staff and would therefore temporarily let go of its temporary staff. This information confirmed Wood's argument, which referred to the hospitality industry as one of the industries that employed a large proportion of temporary and part-time workers due to "seasonal and temporal fluctuations in the pattern of demand" (Wood, 1992, cited in Adam-Smith et al., 2003: 31).

Only four out of the ten employees interviewed seemed to have an idea of their basis of employment. These workers referred to their contracts as "flexi-contracts", which they also referred to as permanent contracts. These contracts were better known as "Flexi-Time Employment Contracts". These contracts allow the employer to offer its employees a more flexible week. The employee worked a set number of core hours with the ability to vary the hours outside of the core hours. It was meant to provide workers with all the rights they were entitled to including pension and disciplinary procedure amongst other rights, but as will be seen, these rights were not always made available for workers in these particular establishments. This was what a worker had to say regarding one such contract:

> *I was hired on a permanent contract. Look it works like this: when you start working here, they let you sign a contract for one month. If you qualify after passing all the tests pertaining to the work, then you sign another contract for three months. Then you do other tests for other positions in the business and when you pass all those tests, then you sign a flexi-contract after* (Sakkie, cashier, 11 July 2014).

Out of the four workers that claimed to be permanent workers in their respective firms, two workers were employed in two restaurants, one in a bed and breakfast and the last one in a guesthouse.

4.2.3 Employee Perceptions of the Hospitality Industry and the Working Conditions

Although workers from all the organizations viewed the hospitality industry as a "job provider", majority of these workers did not have positive feedback when asked about how they felt working in the hospitality industry. Generally, there were mixed responses with most of the workers accusing the industry as only being concerned with the maximization of profits, which normally occurred at the expense of workers. Workers had mixed responses when asked how many hours they worked during the week. Some worked more hours than others. The sectoral determination for the hospitality industry requires workers to work for 45 hours per week, nine hours on any day if the worker worked for five days or less in a week or eight hours per day if the worker worked more than five days per week (Department of Labour, 2007: 8). According to one of the workers, a shift was meant to be eight hours long. This was, however, not always the case. Workers would end up working overtime for which they were not compensated, especially during month ends or when most people got paid. One worker indicated that she worked six days a week, eight to ten hours a day. According to this worker, this has been the case since she started working at her job. This applied to most of the workers (eight out of the ten workers). Two of the remaining workers seemed to work fewer hours and days a week. One of the two workers was studying part-time, hence the need to work fewer hours. All the workers worked on public holidays and also during the weekends. Most, if not all the workers did not know how much their rate of pay was during these days.

These observations seemed to strengthen the views of the chairperson of FAWU, who argued that “the situation in hospitality businesses such as restaurants was still very exploitative and oppressive”. Semenya (2013: 1) drew on the number of the workers’ working hours as a form of exploitation stating that the hours were not only too many, but the workers also received no guarantee for overtime pay. According to Semenya, the workers were often made to work from 06h30 to 22h00 in some instances (Semenya, 2013: 1). With no overtime pay, the workers were said to enjoy only the tips. Semenya also argued that the workers had ‘day-offs’ but did not receive any money for those days (Semenya, 2013: 1). This was a typical response from the workers, when asked if they were satisfied with their jobs:

> *The work is tiring and repetitive, so there isn’t really anything exciting about it and the hours can be a lot as well especially during month ends or when people get paid. There are more disadvantages than advantages when working here. For example, when my shift starts at 7 am and ends at 3pm, I have to be up as early as four o’clock so that I can make it on time. My employer expects me to be here at 6 am. Even when I have a shift that starts at 3 pm, I end up leaving my workplace at 12 am. There can be a lot of*

> *overtime work, but we hardly get compensated for that. So the hours are not that favourable to us because we live far away from town and we cannot afford to pay for accommodation in town* (Tshepho, waiter, 12 July 2014).

Responses like this were predominant, which makes one question the “flexi-time employment contract” and its meaning. Such a contract was meant to give workers some type of right pertaining to their working hours, but during the course of the interviews it was soon established that this was not the case. Management still had the upper hand when it came to the working hours and other working conditions. The workers also felt that management took advantage of their desperation for employment. One worker had this to say:

> *The work can be a lot at times and no matter how hard you work the owners will never compensate you accordingly. They do not even recognize the amount of effort we put into our work. As if that is not discouraging enough, the customers treat us with the utmost disrespect-like we are not human beings but commodities. It is like they are aware of the fact that we are desperate for these jobs and have nowhere else to go* (Kamogelo, waitress, 11 July 2014).

4.2.4 Employee Perceptions Regarding Wages

Most of the workers seemed to be dissatisfied with their wages. They argued that the wages were too low for anyone to survive on. As stated by Barchiesi (2011: 247), the remuneration and benefits of workers in low-wage sectors were not as effective in providing a safety net against uncertainties and expenses. The deepening commodification of goods and services (e.g. healthcare, education, transport and municipal utilities) reduced wages even further as they absorbed a growing share of the wage (Barchiesi (2011: 247). This was also confirmed by Semenya (2013: 1), who argued that the lowest worker in hospitality businesses (especially in restaurants) was paid R1500 per month. The following reflects common statements given by the respondents with regards to their wages:

> *Well no, the pay is ridiculously low and there are no incentives whatsoever. It’s like working for pocket money really* (Dennis, receptionist, 12 July 2014).

> *Not at all. For example, this month I'll be able to pay for rent and leave school fees and then the next month I'll be able to pay for school fees and leave the rent, and so on. I'm not able to pay for everything with the wages I get* (Rosina, cleaner, 12 July 2014).

> *Not really, but you have to make sure that you budget in such a way that you are able to pay for some of these things. You sacrifice a lot of things in order to be able to pay for some of these things. It is really hard hey. I mean even if you are promoted, you still get almost the same pay as you got with your previous position. The wages hardly differ* (Lizzy, chef and cleaner, 12 July 2014).

One worker out of the ten that were interviewed seemed to be satisfied with both her job (working conditions) and her wages. What was interesting about this worker was the fact that she was a foreign national (Zimbabwean). She seemed to be really grateful for the job opportunity and the fact that she was able to provide necessities for herself and for her loved ones:

> *Yes, I enjoy my job - it beats sitting at home with no income. The tips we get are really helpful. I can pay for my basic needs with my commission* (Rudo, waitress, 11 July 2014).

4.2.5 Employee Perceptions of the Minimum Wage

When asked if they were aware of the sectoral determination for the hospitality industry that was introduced in July 2007, only three out of the ten workers answered positively. These workers came to know about the determination because they were previously members of a trade union. Of the remaining seven, two had a vague idea of what the minimum wage entailed, but had no idea how much the minimum wage was or what the provisions of the determination for the hospitality industry were. The remaining five workers were clueless when it came to the notion of the minimum wage. It was only after I provided these workers with an in-depth explanation of the concept of minimum wages that they began to question their employment contracts and the amount of money they were receiving as wages. When asked why it was necessary for the government to introduce a minimum wage in the hospitality industry workers mentioned exploitation, low wages and the generally poor working conditions as primary reasons. These reasons were confirmed by Rosina who had been employed by the firm for more than twenty years and admitted to getting paid less than the minimum wage. She was employed as a cleaner.

According to Rosina, when she began working in her current job she was hired as a temporary worker and paid R200. Twenty years later she was still treated as a temporary worker and receives less than the minimum wage.

This kind of information reinforce the views of Blaauw (2011: 5) pertaining to the workers in low wage sectors. Blaauw (2011: 5) argued that firms in low wage sectors entailed forms of employment wherein workers were exposed to certain forms of abuse and exploitation. These workers were either not covered or were insufficiently covered by national legal and regulatory frameworks and social protection schemes (Blaauw, 2011: 5). One could argue that the minimum wage was one of the ways in which workers could protect themselves both socially and economically.

With their accumulated knowledge (from the interviews) pertaining to the minimum wage, some workers felt that the minimum wage was not adequate considering the kind and the amount of work that they did. Most workers believed that they should be getting a minimum of R3000-R4000. When asked how they arrived at the figure, the majority workers spoke of the working hours, especially the unpaid overtime. These workers felt that if their overtime was accounted for they would be receiving much more than they were receiving as wages. Other workers cited the amount of profits that their employers were making as a result of their hard work as the method they used to arrive at the figure of R3000-R4000. This was what one of the workers had to say regarding the profits of the business:

> *We are not stupid. We can see that these people make a lot of money from our hard work. Money that they did not even work for; we do all the work! With the kind of money that they make we should be getting double the minimum wage!* (Matome, barman, 11 July 2014).

When asked about the costs that were involved in running the business that could be prohibiting the employers from paying the workers more than they were currently being paid, the same respondent had this to say:

> *Yes, I understand that they have a lot of expenses that they must account for, but I honestly feel like they are offsetting those expenses with our wages in order for them to retain profits. These people save through our wages and they are comfortable doing so because they know we will not object to anything that they do and say* (Tshepho, waiter, 11 July 2014).

Matome seemed to share Tshepho's sentiments by arguing that:

> *The employers need a way to cut down on costs and wages are the easiest medium through which this can be achieved. What would you rather sacrifice? Wages or quality? Look here, if you sacrifice quality in terms of the quality of food that you serve in your restaurant you will lose your customers and consequently lose profits. If you sacrifice wages it will only result in workers complaining, but that does not necessarily mean that they will complain and quit. Yes, they might not give customers quality service, but that could result in them getting fired. In this type of business, the worker is easily replaced! You get fired in the morning, but when the afternoon comes, you already have a replacement. Another thing is that these people do not want a lot of people working for them because that will mean that they will have to pay more people. So the less people they have, the more they are able to retain profits. So it has more to do with quality than with quantity* (barman, 11 July 2014).

These statements seemed to be consistent with Brown and Crossman's observations where they spoke of managers being "reactive rather than strategic in their approach", when dealing with the minimum wage and the overall costs of the business, and that managers employed "ad hoc practices in order to keep labour costs to a minimum, generally at the expense of employees" (Brown and Crossman, 2000: 206-207). This observation ties in with the concept of informality which characterises the HRM practises in the hospitality industry. What this means is that management has the upper hand when it comes to decision making. They decide on the number of employees to hire and fire, the amount of hours that employees should work, the methods used to cut costs, etc. If management decides that decreasing wages is a viable cost-cutting method, then that is the method that they will use to cut costs regardless of how the employees feel about it.

4.2.6 Employee Perceptions Regarding Firms' Compliance with the Minimum Wage

The very fact that workers were not aware of SD (14) was a problem in itself. How was it possible that most of the workers were not aware of the minimum wage; especially because every employer on whom Sectoral Determination (14) was binding was required by the Department of Labour to keep a copy of the Sectoral Determination or an official summary available in the workplace in a "place to which the worker has access" (Department of Labour, 2007: 20). Did this mean that the firms employing these workers were not complying with the sectoral determination? What other reasons were there for this direct non-compliance?

Seven out of the ten workers received less than the minimum wage. Semenya (2013) and Bhorat et al. (2012) all argued that workers in most industries including the hospitality industry were receiving less than the minimum wage. Minimum wage violation in South Africa was, according to Bhorat et al. (2012: 2) "disturbingly high". In their study, Bhorat et al. (2012: 2) found that 45 per cent of covered workers got paid wages below the legislated minimum, whilst the "average depth of shortfall" was 36 per cent of the minimum wage. According to Semenya (2013: 1), only a few businesses in the hospitality industry complied with the minimum wage. What were the reasons for these firms not paying workers the minimum wage? For Jones (1997: 1), it was a well-recognized fact that firms were likely to evade minimum wage legislation when "either the probability of detection is low or the costs of compliance are high". Was this also the case for some of the firms in the hospitality industry?

Two out of the three workers that received above the minimum wage were workers whose managers sat in with them during the interviews. One could never be really sure about whether or not these workers felt coerced to saying this or if they were really being paid more than the minimum wage. The other worker said that she was receiving an amount that was close to the minimum wage ("a couple of Rands off"). What was captivating was the fact that even some of the workers that were familiar with the determination (former members of trade unions) were part of those workers that were receiving less than the minimum wage. This was one of the responses from a worker when she was asked about this peculiar observation:

> *Yes, I get less than the minimum wage. What do you prefer? Being unemployed because you have a big mouth or being employed because you choose to keep quiet? I prefer the*

latter - thank you! I have seen people lose their jobs because of their big mouths. Where are they now? Unemployed! In here you either keep quiet and do your job as you are told or you get fired. Just like that! A colleague of mine and I were made to choose between our trade union and our jobs. We obviously chose our jobs! We are also constantly being reminded of the amount of people that are out there searching for jobs - jobs that we are "ungrateful" for. They do this by showing us the vast numbers of applications that come in daily (Dennis, Kamogelo, 11 July 2014).

4.2.7 Employee Perceptions Regarding their Living and Working Conditions after the Introduction of the Minimum Wage.

Most if not all the workers argued that there had been no improvement in their living conditions since the introduction of the minimum wage. This included even those workers that were being paid the minimum wage and above. Please keep in mind that most (seven out of the ten workers) of the workers that were interviewed received wages that were less than the minimum. So the argument here was that although the government introduced the minimum wage, it had no impact on these workers since they were not even getting the minimum wage. For all these workers, "things had actually gotten worse". The workers cited the increase in the prices of "everything" as one of the reasons why life had become more expensive. The more the prices of goods and services went up, the more their wages became inadequate. When this happened, they were unable to pay for even basic needs such as food because they had to pay more for things like transport. These workers could not go to work if they could not afford to pay for their transport.

So it became a vicious cycle - no transport money meant no wages and no wages meant no livelihood. As a result, poverty was likely to be exacerbated. According to Cunningham (2007: 7) and Mascella et al. (2012), very little was known about the effectiveness of the minimum wage in meeting its social justice or poverty alleviation objectives. The respondents in this study claimed that "things had actually gotten worse". In their study of minimum wages and their effects in different states across the United States of America, Vedder and Galiaway (cited in Bennet, 2002: 2) also found no evidence that minimum wages alleviated poverty even for full-time, year-round workers. They concluded that increases in the minimum wage could actually exacerbate poverty. Thus, the usefulness of minimum wages for poverty and inequality reduction was, according to Cunningham (2007: 8), uncertain. Most of these workers were breadwinners in their respective families and they therefore needed the jobs.

All the workers argued that there was no improvement in their conditions of employment after the introduction of the sectoral determination in 2007. Looking especially at the three workers that had been working for their respective firms for over ten years, this answer (no improvement in working conditions) was rather unforeseen, especially considering the fact that the workers were still (after more than ten years) dissatisfied with their conditions of employment. If this lack of improvement in the workers' working conditions was due to the fact that the workers were satisfied with their initial conditions of employment and therefore saw no need to improve the working conditions then it would not be troublesome. The sectoral determination was introduced to improve the working conditions of the workers (wages, working hours, etc.), but evidently it has not done so. Workers were still receiving low wages and still working more hours than are permitted. So, contrary to Card and Krueger's theory pertaining to minimum wages having a "trickle-up" effect "whereby many non-minimum wage workers also got raises and the turnover was reduced" (Card and Krueger, 1994: 792), most of the workers in this study still received wages that were below the minimum wage meaning that there was no trickle-up effect.

The same applied to those workers that had been employed for five years or less. One would expect there to be a significant improvement in the workplace, but as the interviews revealed, there really was no improvement. Instead, the workload doubled together with the responsibilities. Some of the workers also complained that their employers were withholding their tips from them. One worker had this to say with regard to this subject:

> *Our boss does not give us our tips. You see the container in which customers insert our tips, from the surface it looks like every worker has his/her own box; the reality is that that container is not really divided. So when a customer puts money into a box titled "Caroline" the money does not go into Caroline's box, but rather into one big container that the employer empties out at the end of business every day for himself. His argument is that the tips are made in his shop and he is therefore entitled to all the tips. He even goes as far as saying that if we want our own tips then we should open our own*

> *restaurants. This is extremely unfair because customers are trying to reward us for our services. The boss steals from both the customers and us the workers. He makes the customers believe that they are giving us the tips when in reality he knows that he keeps them for himself* (Kamogelo, waitress, 11 July 2014).

Other workers received their tips although this was often used as an excuse not to increase their wages despite the sectoral determination excluding tips and gratuities from wages. According to these workers, their employers argued that the tips were more than enough to supplement the workers' wages. One of the workers emphasized his disappointment regarding the subject matter by arguing that his employer monitored the amount of money he was receiving in tips and told him:

> *The amount of money he was getting in tips was almost equivalent to the amount that his lowest paid worker got and that he should be grateful because he was making a lot of money. These people will do and say anything not to pay us our rightful wages-wages that are equivalent to the amount of work that we do on a daily basis* (Sakkie, cashier, 11 July 2014).

All the workers were not comfortable in disclosing the exact figures of their wages, but seven employees - as previously stated - emphasized the fact that they were being paid less than the minimum wage. This had been the case before and after the introduction of the sectoral determination for the hospitality industry in 2007. The argument here was that these workers were always paid low wages. The three workers that were being paid close to and above the minimum felt uncomfortable in divulging information about their exact incomes. One of the two workers who were receiving wages above the minimum said that her income was increased every two to three years. This was dependent on the quality of her work. Her income would be increased by R100-R200, which she argued was never adequate. From the information that was gathered during the interview, this worker worked in a firm that prioritized quality service, the customer and the worker (according to management). According to the worker, management created a rule which necessitated the provision of quality service by workers whereby workers were liable for any loss that occurred as a result of poor service (again, despite the provisions on deductions in the sectoral determination). The idea being that a happy worker provided quality services to customers and happy customers always returned meaning the company was always guaranteed a profit. This was how the worker explained the rule:

> *What happens is that if three or more customers complain about the quality of service provided by a worker in one week, then you are liable to compensate the business for their loss. This usually comes out of your wages. So if I get three or more orders wrong in one week I am liable to pay for all those orders. According to management, getting orders wrong is a sign of poor service; this shows management that I am not fully immersed in my work and I therefore cannot provide customers with the kind of service that they pay for. The same applies for those workers that work in the kitchen. If the customers are not satisfied with the food, the chef responsible for the particular dish is liable. So basically we are always monitored. We get rewarded for good work and punished for poor work* (Tshepho, waiter, 11 July 2014).

4.2.8 Employee Perceptions regarding Deductions Made from their Wages

When asked about the deductions made from their wages most of the workers listed tax, the unemployment insurance fund and deductions for food. None of the workers did had a problem with deductions like tax and UIF. They did, however, have reservations regarding the deduction for food (which was not a normal deduction like a staff discount), especially those workers that worked in restaurants. Their argument was that there was always food left over, which management usually threw away. What this meant was that management stopped throwing the leftover food away and deducted a certain percentage from the workers' wages to allow them to consume the food. Workers felt that it was unfair for management to charge them for leftover food that usually ended up in dustbins. Before the workers were charged for the food, management did not allow the workers to take the food. One of the workers emphasized the seriousness of the issue:

> *We do not even have staff discount on food. You have to buy the food. If there are leftovers the managers will ask if anyone wants them, but you're going to have to pay for them. For example, if there is leftover pizza, we pay R5 per slice and if no one wants it (which is highly impossible, except that we have to pay for it) the food is thrown away*

and no one is allowed to take them. If you want to risk losing your job, then you'll open up that bin and take the food. And yes, we are at times tempted to steal the food, but management must not see you taking the food. So it got to a point where management sat us down and told us that if we want the leftover food, but do not have money available at that particular time, it would keep a record of the food we took and deduct it from our wages (Kamogelo, waitress, 11 July 2014).

What was dumbfounding about this was the fact that management did not see throwing the food away as a waste of money, but giving it to the workers for free was seen as wasting money. The argument, according to the management of the respective firms, was that if the customers could pay for it, so could the workers. One of the workers said that she was told by her manager that he was "running a business and not a charity". Was this another method of cutting costs by management?

4.2.9 Employee Perceptions Regarding Benefits and Training

All the workers received training. Workers employed in restaurants were trained to work in all the positions in their respective firms. For example, if someone was to apply for a job in one of the restaurants, he/she would be trained as a cashier, as a chef, as a drive-through assistant, etc. This was done to increase productivity, especially during days or periods when the restaurants got hectically busy. This was standard procedure for most restaurants in Limpopo province. Other groups of workers got training for their specific jobs. There was, however, one worker who worked in a bed and breakfast who said that after the FIFA World Cup in 2010, she was one of the two workers remaining in her workplace. She was initially employed as a receptionist, but after the World Cup she was asked also to clean and sometimes to help out in the kitchen.

Not all the workers had a pension plan. The only benefit that some workers received was transport money during weekends (as mandated by the BCEA). Other than that, all the workers received were wages and tips (those who were lucky).

4.2.10 Job Losses and the Minimum Wage

According to the workers, people have lost their jobs, but not only since 2007. This seemed to suggest that the sectoral determination was not the cause for people losing their jobs, but rather the nature of the industry. This links back to the informal nature of the HRM practices in the hospitality industry where it was the manager's prerogative that ruled every decision making process in the firms. Management solely decides who stays in the firm and who leaves; it does not a need a reason to fire someone. One worker had this to say about the subject:

> *People lose their jobs all the time in this line of work. You can be fired simply because the manager does not like you or because you dropped a plate. Some people even get fired for coming to work late. A friend of mine lost his job after he went for an interview. He had asked our manager for permission to go to the interview, but the manager refused and told him that if he was to go to the interview he would lose his job* (Sakkie, cashier, 11 July 2014).

4.2.11 Employee Perceptions Regarding Trade Unions

None of the workers were members of a trade union. This was consistent with Semenya's observations. According to Semenya (2013: 1), there was generally a low level of trade union density in the hospitality sector of Polokwane. Due to many of the firms (especially restaurants) being franchised owned, the workers were treated differently by each individual owner (Semenya, 2013: 1). The latter was also identified as a difficulty restricting trade union penetration into the sector to organise workers (Semenya, 2013: 1). The recruitment level in the industry was estimated to be about 10 per cent (Semenya, 2013: 1), with the union still trying to recruit workers.

Some workers chose not to become members of trade unions while other workers were coerced into not being affiliated with any trade union by management or they would lose their jobs. According to one worker, management believed that trade unions corrupted workers resulting in workers being disobedient to management and not doing their jobs properly. The following were some of the responses the workers gave regarding trade unions:

Well I have never been a member of any trade union, but those who have been I feel like they are too sold into the whole idea without any results to show for it. I mean we can be fired at any time … Why are they not doing anything about that? What rights are they protecting if they can't even protect us from being fired at any time? So, no! They are most definitely not improving workers' working conditions (Kamogelo, waitress, 11 July 2014).

For the mere fact that we are all still complaining about the wages we get answers to that question. So, no, our working conditions are not being improved. When I got here my colleagues were not satisfied with their working conditions and are still not satisfied even now. Some of them have been working here for years now and nothing seems to have changed (Matome, barman, 11 July 2014).

They are pretty much useless. A waste of money, if you ask me (Tshepho, waiter, 11 July 2014).

No I am not. I was, but then I stopped. It becomes a problem when management finds out that you are member of a trade union and sometimes they even discourage you or tell you directly that they do want you to become a member because it can be bad for business. They try manipulating you into withdrawing your membership or they simply find excuses or reasons to fire you (Sakkie, cashier, 11 July 2014).

4.2.12 Employee Relationships with Management after the Introduction of the Minimum Wage

The managers sometimes consulted with the workers when they wanted to introduce changes in the workplace. According to the workers, the managers usually consulted with them on things that directly affected the workers such as the introduction of new dishes/menus, the arrival of customers (this occurred especially in bed and breakfast establishments and guesthouses), increased working hours during the festive season and after someone has been hired or fired, etc. A meeting was usually scheduled for these consultations.

4.3 Managerial Perceptions Regarding the Impact of Minimum Wages on HRM Practices in the Hospitality Sector of Polokwane

4.3.1 Managers' Perceptions of the Minimum Wage

When asked why they thought the government introduced a minimum wage in the hospitality industry, all respondents cited low wages as the primary reason for the introduction of the minimum wage. There were, however, mixed responses when the respondents were questioned about their views pertaining to the sectoral determination for the hospitality industry. Some respondents felt that it was necessary for the government to intervene, while others felt that the government was interfering with their business operations. These respondents believed that their firms were working just fine before the government introduced the minimum wage. They also felt that there were instances where the minimum wage was unfair. The following were some of the respondents' responses pertaining to the subject of the statutory minimum wage:

> *The government was right by introducing the minimum wage in the hospitality industry as it acts as a motivator for workers. Once workers are happy then they can provide customers with quality services. If you give the workers less money they might end up stealing. So, in this case, the minimum wage is good for business because we are then able to provide quality products and services. The minimum wage is also good in the sense that workers are able to earn wages that enable them to afford basic necessities such as food, school fees, electricity, etc.* (Salphina, manager-restaurant, 14 July 2014).

> *It is a good idea. People can earn a living wage. Life is not cheap anymore; it is very expensive. Food, petrol and travelling costs are continuously going up - pretty much everything keeps going up. So the cost of living has increased dramatically. However, for us as a business, it can cause some problems. For example, this type of industry uses low skilled workers and so you have to train them. This increases the firm's training costs. Fine, so you cannot have an administrator and a cleaner-two people doing two completely different jobs- with completely different skills and training programs earning the same amount of money. In that light then the minimum wage may not be fair because the government is saying that we must pay every worker the same amount even if some workers do less work than others* (Vincent, manager-bed and breakfast, 15 July 2014).

Arnold seemed to share Vincent’s sentiments:

> *The minimum wage is a very good idea because the working population needs to be protected, but so should businesses. The minimum wage should be implemented differently. There are a lot of factors that need to be taken into account like how long has the worker been working in the establishment; do they understand the job because there is no point in paying someone R2500 if the person does not even know what the job entails* (manager-bed and breakfast, 15 July 2014).

It was these reasons (the tendency of the minimum wage to create certain “unfair conditions”) that resulted in some of the respondents arguing that the government should consider making specific exemptions from the minimum wage. These respondents felt that the minimum wage should not apply to everyone, especially those workers that were performing the menial of tasks. For these respondents, the minimum wage would be fair if it applied to those workers that not only performed the vital tasks within the organisation, but also for those workers that had been employed in the organisation for periods longer than three years. These workers were in most cases permanent workers. Hence, the argument here was that the minimum wage should also not apply to temporary and casual workers; it should only apply to permanent workers who had been employed by their respective firms for periods longer than three years.

This idea is problematic for at least two reasons. Firstly, three out of the ten firms were only using permanent workers (a five star guesthouse, a three star bed and breakfast and a two star inn). For these firms, the use of permanent workers was advantageous in that the firms were able to save time in training and also to gain stability. These respondents whose firms used only permanent workers felt that permanent employees were more efficient at their jobs because they had familiarised themselves with the processes. The respondents also argued for the use of permanent workers because they felt that if the firm did not have enough work to keep permanent employees busy on a regular basis, they would cut back on workers’ hours and thus be able to cut costs. So, if the minimum wage applied only to permanent workers, it would be unfair and also disadvantageous to those firms that used permanent workers exclusively. Secondly, the remaining seven firms employed a mixture of permanent and temporary workers. Some firms used/preferred permanent workers while other firms used/preferred temporary workers. Those firms that preferred the use of temporary workers (these were mainly restaurants) over permanent workers argued that using temporary workers was advantageous in the sense that it allowed the firm to hire the employees they needed for specific tasks and times that matched the firm’s current requirements. Once the need for the extra employee ended the firm did not need to fire or lay off the employee. So, if the minimum wage applied only to permanent workers, firms would hire temporary workers to avoid paying the minimum wage and to save costs.

4.3.2 Labour Market Constraints Faced by Firms in the Hospitality Sector of Polokwane

When asked about the labour market constraints that employers in the hospitality industry faced, most respondents replied that there were no labour market constraints. According to the respondents, labour was always easily available and accessible. There was never a shortage of labour; there were always sufficient qualities and quantities of labour in the hospitality industry. Respondents, however, argued that there were other constraints that employers in the hospitality industry faced. These ranged from constraints involving competitiveness due to the fact that there were many firms in the hospitality industry, which often made it difficult for firms to remain competitive to constraints involving operational costs that firms could not cover due to a lack of business. The following were some of the answers that respondents gave with regards to the constraints that they faced in the hospitality industry:

> *Look, truthfully speaking, the market for the hospitality industry in Polokwane is over saturated. There is a huge supply of firms, but the demand is not that big. In a five kilometre radius we have six hospitality establishments. Most of them are new. This demand that is continuously exceeding the supply creates a challenge for us. There is way too much competition and with this kind of competition you continuously need to figure out how to remain competitive without necessarily increasing your costs or reducing your profit. This is huge a problem because if you do not get customers [because your prices are high compared to the prices of other establishments in the same vicinity that your establishment is in] then you will not make any profit and we all know that without profits the business will not survive* (Vincent, manager-bed and breakfast, 15 July 2014).

Masana described the nature of the profits in hospitality industry as "seasonal". He explained it in the following way:

> *We experience seasonal profitability in the hospitality industry. For example, in 2010 we maximised profits because of the World Cup. Polokwane was one of the host cities and since we are well known for our excellent services in the industry, we received a lot of business and in turn increased our profits. It was, however, a very different story when the World Cup ended. After the World Cup, we were barely surviving. There was a time where we would only get five customers in a month. Those were the hardest times and we had to let some of our employees go just to be able to stay afloat. In 2012, we were hosting one of our provincial soccer teams that made it into the Premier Soccer League and our profits increased again. We also make money when there are conferences or functions. Other than that we get very little business. The trick in our line of business is to market your firm effectively. There is no use in running a business that customers are not aware of. So sometimes in order for us to stay relevant we need to continuously advance our brand - make it stick in the minds of customers. Yes, we do spend a lot of money for our marketing strategy, but we do not mind because we know that it will be beneficial in the long run* (Masana, owner-guesthouse, 15 July 2014).

Neil seemed to share Masana's sentiments regarding the seasonal nature of the hospitality industry:

> *Profits increase and decrease in this type of industry, it all depends on the time of the year. Regardless of whether or not we pay workers the minimum wage, there are some months where business is good and some other months where business is bad. Looking at expenses like salaries, rent, electricity and suppliers, you find that after these expenses the owner is left with nothing. We do not get customers every day and we do not make or lose money every day. For some business owners it is extremely bad. For example, this month the business did not perform as great so we are going to be operating on a loss".* (Neil, manager-restaurant, 14 July 2014).

4.3.3 Firms' Compliance with Sectoral Determination 14

Unsurprisingly, most of the respondents (eight out of the ten respondents) answered positively when questioned about their compliance with the sectoral determination for the hospitality sector. These included respondents from five restaurants, one bed and breakfast, one guesthouse and an inn. This information contradicted the information gathered from seven of the workers who claimed to be receiving wages that were lower than the minimum wage. So how does one determine which group of respondents was telling the truth? I guess the question really is what do the workers have to gain by being dishonest and what do the managers/owners have to lose by being honest? Some of the respondents claimed to be compliant with the sectoral determination because they did not want to get into trouble with the law.

For these respondents, it was the labour inspectors that made sure that the firms were complying with the sectoral determination by inspecting the firms and demanding to see their financial documents, pay slips, registers and also by interviewing the employees. These where some of the responses from the respondents pertaining to their compliance with the sectoral determination:

> *Our firm follows the labour law through and through. As a business you do not want to be on the wrong side of the law. It is not like we have a choice really. The Department of Labour sends out inspectors every now and again to come and check whether or not we are doing what the sectoral determination requires us to do. When they get here they demand to see our financial statements that show how the business is doing…you know the profits we are making…they also demand to see every workers' payslip so that they can see how much we are paying them. We also present them with the registers. They compare the registers (for the number of hours worked) and the payslips to check whether or not we are paying the workers the right amounts. So there really is no chance of avoiding to pay the workers the minimum wage* (Salphina, manager-restaurant, 14 July 2014).

> *Labour inspectors do come and check whether or not we are paying the workers what the government wants us to pay them. They are able to determine this by checking the workers' payslips. You cannot cheat the system, hey* (Tatenda, manager-restaurant, 14 July 2014).

Other respondents like Vincent gave the impression that it was possible to "cheat the system". This, according to Vincent, could be done in a "legal way". The owner or manager of a firm would sit down with a labour inspector and after going through the firm's financial statements would discuss the possibility of decreasing the workers' wages. Sometimes it meant decreasing the wages in such a way that they became less than the minimum wage. This was only permitted if the firm could prove that they were struggling financially, which made it difficult for them to pay workers the minimum wage. The BCEA allows employers to apply for exemption from the minimum wage, which many have done. This was how Vincent explained the process of "evading" the minimum wage:

> *There are times when the business is not doing well financially. For example, this week we did not have any clients. All our rooms are empty which means that we did not make a lot of profit. If we do not make enough profit then we obviously will not be able to pay our workers wages that are in accordance with the minimum wage. The other thing is that we cannot pay workers high wages if they did not work. We have to pay them according to the hours that they worked. Yes they do come in, but they have nothing to do so they end up leaving early. When this happens and the labour inspector comes through, we are able to discuss it. We show the labour inspectors our financial records and take it from there. If the labour inspector finds that the organisation has a sound argument and can also prove that the organisation is struggling to pay the minimum wage then we are able to settle on an amount that the firm can afford to pay the workers* (Vincent, manager-bed and breakfast, 15 July 2014).

For Fiona, it is helpful to discuss the firm's performance with the workers, especially when the firm is experiencing financial difficulties:

> *What often helps is discussing the firm's performance with the workers. The workers are a part of the organisation and also aware of how the firm operates meaning that they will know if the firm has not been doing well financially. So what we do is we sit down with the workers and alert them about what is going on … We then make suggestions, but we also allow them to contribute to the suggestions. We then decide [together] on an amount that we can pay them. So when the labour inspectors come we are able to explain together with the workers why we are paying the workers the amount that we are paying*

> *them. So when they interview the workers, the workers are able to confirm our reasons and to also explain why they are getting the wages that we are paying them* (Fiona, manager-restaurant, 14 July 2014).

As previously mentioned, eight of the respondents claimed to pay their workers at least the minimum wage or more. For these respondents, the minimum wage was not sufficient to cover the workers' expenses; hence, the need to pay the workers wages that were higher than the minimum wage. For these same respondents the annual increase in the minimum wage was not excessive. Thus, the annual increase was not seen as a problem for these firms. Other firms (firm 1-three star bed and breakfast employing three workers and firm 3-five star guesthouse employing ten workers) admitted that they were paying some of their workers wages that were below the minimum wage. The respondent from firm 1 claimed that their firm was exempt from paying workers wages that were equivalent to the minimum wage due to their firm struggling financially. The respondent from firm 3 could not afford to pay the minimum wage due to his business not performing well financially. The respondent did not mention his firm getting exempted from paying the minimum wage. The firm was therefore non-compliant. The following were some of the responses from the respondents with regards to the level at which they pay their workers:

> *My staff gets paid more than the minimum wage. Listen, we do understand that life has become expensive and that is why we pay our staff wages that are above the minimum wage. We employ people that are breadwinners in their homes, people who have dependents…do you honestly think that R2500 is enough for someone who to take care of let us say four people? The answer is obviously no. Take yourself for example; do you think that you would be able to survive on R2500 per month? I do not think so. These people have to buy food, electricity, pay school fees and transport with their wages. The truth of the matter is wages will never be enough. I am not saying that the amount that we give them is enough, but compared to the minimum wage it is a bit better…Apart from that when the minimum wage increases, we are always on the same level, it is never too high* (Neil, manager-restaurant, 14 July 2014).

> *We work well with our workers and that is why we choose to pay them wages that are above the minimum wage. It is important to remember that the minimum wage is the*

minimum amount that a firm is allowed to pay so it does not necessarily mean that firms have to pay the workers the exact amount of the minimum wage. The minimum wage is the starting wage (Salphina, manager-restaurant, 14 July 2014).

We do pay our workers the minimum wage. Some workers get paid higher due to experience, but all the workers [when they start out at our firm] receive the minimum wage. They are only eligible for wages higher than the minimum wage after their probation (Tatenda, manager-restaurant, 14 July 2014).

In our firm we pay the newly employed workers the minimum wage. For example, right now we have four workers that are fairly new and getting paid the minimum wage. The rest of the workers have been employed in the business for over four years so they receive wages above the minimum wage (Fiona, manager-restaurant, 14 July 2014).

4.3.4 Firms' Adjustment Mechanisms for the Minimum Wage

The minimum wage in the hospitality industry of Polokwane was perceived and accommodated differently by the selected firms. Some firms (seven firms out of the ten firms that were studied) were able to adjust and thus accommodate the minimum wage effectively without any disruptions. These firms included four restaurants, one bed and breakfast, one guesthouse and an inn. Firm 7 (a five star restaurant employing 15 workers) had to do minor adjustments to accommodate the minimum wage, while the two other firms (firm 3- a five star guesthouse employing ten workers and firm 1-a three star bed and breakfast employing three workers) seemed to be struggling to accommodate the minimum wage. The general perception of the minimum wage, as revealed by the respondents, was that as much as it was good for the workers, it could have dire consequences for businesses. Importantly, even those respondents whose firms were not affected negatively by the minimum wage also felt that the minimum wage could be costly, especially for firms that were already operating at a loss due to a decrease in demand for their services. This applied mostly to bed and breakfasts and guesthouses. There were some restaurants that could be affected, but the emphasis was mostly on the former businesses.

Firm 8 (a three star restaurant employing twenty workers) was not affected by the minimum wage as it used labour brokers, who were responsible for all the workers in the firm. The labour brokers hired, paid and fired the workers on behalf of the firm. So, basically everything that had to do with the HRM aspect of the business was left to the labour brokers. Lashan explained how the process works:

> *Okay, our firm uses labour brokers. What they do is provide us with the kind of workers that our firm wants. So the hiring, paying and firing of workers is done by them. The only time we have something to do with the workers is when they are now in the firm and we have to train them and allocate them to their posts. Right, so we send the labour brokers the hours that every worker worked and they calculate the rate. After that they tell us how much we need to pay. We then send the amount that the brokers calculated and they (the brokers) pay the workers. So we pay the brokers to handle our human resources. This means that our firm does not get involved with disciplinary activities. Our brokers represent us. So the workers are not our workers per se… we are not responsible for the workers, the brokers are. So if there is an increase in the minimum wage, the brokers notify us and we then have to pay the amount that they quote for us. So I would not say that the minimum wage affects us or them (the labour brokers) because the increase in minimum wage is not even a significant change. When the minimum wage increases, the labour brokers do not reduce the number of employees that they employ or even the employees' hours, etc. And the wages are always above the minimum wage* (Lashan, manager-restaurant, 14 July 2014).

Some of the other businesses simply increased their prices to accommodate the minimum wage. By so doing, the firms were still able to pay the workers the minimum wage, have enough money left over to finance their operating costs and still make profit. This is what one of the respondents had to say in this regard:

> *So far we have been doing well. We have not had to do something dramatic like letting go of workers to try to accommodate the minimum wage, but if push comes to shove and the business is unable to accommodate the minimum wage then we will be forced to let go of some of the workers. We do have costs, but they are just operation costs like paying rent, paying suppliers, paying wages, etc. They are not costs that have been induced by the minimum wage. Our prices increase annually so when the minimum wage increases, we also increase our prices to adjust. So the cost of the minimum wage is not necessarily borne by the business. I mean I would like to believe that our customers are aware of the*

> *quality service that we provide them with hence their continued support for our firm regardless of whether or not we increase our prices. The fact that we still get a lot of customers shows that our customers do not mind paying higher prices for our product* (Salphina, manager-restaurant, 14 July 2014).

For Tatenda, the minimum wage was costly because it increased the firm's operating costs.

> *From the operations side of things, the minimum wage hits us hard because it tends to increase our operation costs. The firm does not make as much money as it used to make. This means that there isn't enough money to sustain the operations because we need to take into account that people need to be paid the minimum wage. The truth is that we are working at a loss and this happens quiet often. It is only during certain periods like school holidays, public holidays and during the festive season where business tends to pick up. Keep in mind that our brand is a little on the expensive side meaning that not everyone can afford it. When business is not doing well we are forced to use temporary workers in order for us to be able to cut costs* (Tatenda, manager-restaurant, 14 July 2014).

Masana seemed to share Tatenda's sentiments:

> *Truly speaking, minimum wage figures are high. Looking at the economic conditions and some of the challenges that the business is facing (like seasonal profits), the minimum wage tends to create more problems… I mean, already we are struggling financially and we are forced to still comply with the minimum wage. As a business you then have to look for other ways to accommodate the minimum wage like reducing your staff because you are now forced to pay few people a higher amount of money rather than paying more people for more jobs a reasonable amount of money. Two years ago we had to restructure and in the process of restructuring we have had to let go of some of our staff. We did not replace them and there was no formal retrenchment procedure. A meeting was held where we informed the workers that the firm was experiencing financial difficulties and that anyone who had a job offer or was likely to find employment elsewhere could go. I honestly feel that R1500-R2000 is a reasonable price for the kind of jobs that our workers do. I do understand that the cost of living is high, but most of these*

> *jobs are not as intense as other jobs that would require wages that are higher than R2500. The minimum wage is really putting us under pressure resulting in us seeking other alternatives that may not be legal. The pressure that the minimum wage puts on us often results in us looking for desperate labour which is honestly the cheapest labour. So at times you have to decide; are you going to comply with the minimum wage and stay in business or are you going to break the rules a little by hiring desperate labour that you can pay reasonable wages and stay in business* (Masana, owner-guesthouse, 15 July 2014).

Vincent had to make minor adjustments in order to accommodate the minimum wage. This included decreasing the amount of hours that each worker worked.

> *We decided that in order to be able to pay our workers the minimum wage we have to make some compromise. These compromises included decreasing the number of hours that workers worked and paying them the daily rate according to the sectoral determination. We have also had to resort to using our staff (comprised mostly of permanent workers) in ways that usually applied to temporary workers like only calling them in when there is a conference or any other function. These adjustments made a huge difference as we were able to still keep our workers and run our businesses competently* (Vincent, manager-bed and breakfast-15 July 2014).

The respondents claimed to be paying their workers the rate that is stipulated in the sectoral determination. This included 'normal' working day rates (in other words, Monday to Saturday), rates for Sundays and also the rates for public holidays. Some respondents treated Sunday as a 'normal' working day and they therefore paid the same rates that they would normally pay workers on any other working day. This was the case before and after the introduction of the minimum wage. The BCEA does allow this.

4.3.5 Deductions Made by Firms from Workers' Wages

When asked about the deductions from the workers' wages most if not all the respondents cited UIF and tax. Some respondents also deducted money for food, transport and accommodation from their workers' wages. Other respondents claimed to deduct money for their workers' provident funds and for funeral covers. This seemed to have been the case before and after the introduction of the minimum wage. According to the Department of Labour (2007: 7), the employer was only allowed to deduct money for the reasons provided in the Sectoral Determination (14). The workers had to agree to these terms in writing. The deductions that the sectoral determination considered included deductions for medical aid, retirement funds, union fees, home loans and court orders (Department of Labour, 2007: 7).

Furthermore, if the employer required the worker to sleep in, the employer was expected to provide the worker with food and accommodation for free (Department of Labour, 2007: 7-8). This was, however, not the case for most of the firms. Fiona had this to say when questioned about the deductions that her firm made from the workers' wages:

> *There are quite a number of deductions that we make from our employees' wages. Some are required by the government like the tax deduction as well as the UIF. We also deduct money for transport that we provide our workers with mainly during the weekends. We deduct R20 per month for food and another R20 for transport* (Fiona, manager-restaurant, 14 July 2014).

Vincent, a manager of a bed and breakfast, deducted money for accommodation as well as for the UIF and tax:

> *Like I said before, business is not that great so we are unable to provide our workers with accommodation and also give them food. If you give people food and accommodation when they are employees you have to charge them for it, especially when you see that your business is not doing as well as it used to. But the workers do not want that. So they (the workers) have to get their own accommodation* (Vincent, manager-bed and breakfast-15 July 2014).

4.3.6 Benefits and Rewards Given by Firms to Workers

According to Lucas and Radiven (1998, cited in Brown and Crossman, 2000: 207), the reward system in hospitality firms tended to be "complex, extending beyond a simple exchange of hourly rates of pay for labour". The total reward package, particularly in hotels, according to Mars and Mitchell (1976, cited in Brown and Crossman, 2000: 207), comprised of informal as well as formal elements. The formal element included basic pay and subsidized food and lodgings, while the informal included gratuities, tips and ‘fiddles’. As much as some respondents charged their workers for things like food, transport and accommodation, the respondents treated these deductions as part of the benefits that the workers received from the firms.

Most of the respondents had been giving their workers these benefits long before the minimum wage and continued to do so after the introduction of the minimum wage. Two respondents (firm 3-a five star guesthouse employing 10 workers and firm 1-a three star bed and breakfast employing three workers) admitted to withdrawing some of the benefits that were previously given to their workers. The following were some of the respondents’ responses pertaining to the benefits that workers received from their respective firms:

> *The benefits that our employees get are overtime money; the full amount that the sectoral determination requires we pay the workers for their hours on Sundays, as well as on public holidays (the workers get double rates on public holidays) and the recommended leaves. These include annual leaves (21 days long) and maternity leave (up to three months). We also help them to open bank accounts so that they are backed up* (Neil, manager-restaurant, 14 July 2014).

> *We pay our workers overtime and also for work on Sundays. We treat them as benefits because it is very rare to find businesses in the hospitality industry paying overtime and giving their workers annual leave and all those other leaves that the workers should be given. In some organisations if a worker takes annual leave or maternity leave they are told not to come back and the worker gets replaced … Truthfully speaking, the minimum wage can also be considered as a benefit. Like I mentioned before, firms in the hospitality industry pay their workers very low wages-wages lower than the minimum wage so paying the workers the minimum wage in this industry is more of a benefit than an obligation* (Tatenda, manager-restaurant, 14 July 2014).

As previously mentioned two firms (firm 1 and firm 3) reduced some of the benefits that their workers enjoyed after the introduction of the minimum wage. Masana (the owner of a five star guesthouse) was one of those respondents whose firm has had to cut down on some of the benefits that their workers received 2007:

> *We used to provide accommodation for key personnel especially those who would be working at the front desk and also the chefs. But that increased our costs, especially after the minimum wage was introduced so we had to take away that benefit. We also used to give them free meals-breakfast and then lunch, but we were later unable to afford it so we advised them to bring their own lunch. If they want to eat here they have to pay for the meal, but at a discounted price* (Masana, owner-guesthouse, 15 July 2014).

According to all the respondents, all the workers they employed received training. Almost all the firms trained their employees for every post or workstation in the firm. For example, in restaurants the worker would be trained as a cashier, a cleaner, a chef, an order taker, etc. In a bed and breakfast establishment, the worker would be trained as a receptionist, a chef, a cleaner, etc. So, although workers applied for a specific job, they would end up performing different tasks that were not in line with the post that they had originally applied for. In other words, the workers did have job descriptions (e.g. a waiter), but when the need arose and the firm was busy or was short-staffed some of the workers (e.g. waiters) would have to go and help in other workstations like in the kitchen, for example.

The respondents referred to this kind of informality as one of the characteristics of the hospitality industry. These observations were consistent with the findings of Adam-Smith et al. (2003: 32-33), who argued that the degree of informality was conditioned by the “significant extent to which managerial actions are bounded and shaped by product and labour market imperatives”. Furthermore, Mars and Mitchell (1976, cited in Adam-Smith et al., 2003: 33) referred of the way in which the “often unanticipated demand” for hotel services produced a style of management that could be characterized as “ad hoc” and that the existence of formal procedures would constrain the ability of managers to respond effectively to customer needs. Thus, for Lucas (1995, cited in Adam-Smith et al., 2003: 33) a management style of “being there” contributed to a degree of informality that was associated with “authoritarianism and autonomy”. Such a style of managing was, according to Adam-Smith et al. (2003: 33), not restricted to pay determination but was also evident in other aspects of the handling of employment relations, such as the organization of work.

The workers in the hospitality industry worked according to shifts. In some firms (mainly restaurants), workers worked six-hour shifts from 9am to 3pm and from 3pm to 9pm. In other firms, the workers worked eight-hour shifts from 7am to 3pm and from 3pm to 10pm. All the respondents claimed to be paying the workers for all overtime worked. The respondents also suggested that tips should not be treated as part of the workers' earnings. Workers were, according to the respondents, incentivised when they performed well. The respondents believed that the more they showed their workers how much they appreciated their work ethic, the more workers would feel valued and provide good services to the customers. Workers earned different wages, which was mostly dependent on the type of work they were employed to do. For example, chefs earned more than waiters in some restaurants, while the receptionist earned more than the cleaner in a bed and breakfast.

4.3.7 Firms' Competitiveness after the Introduction of Sectoral Determination 14

Most of the selected firms seemed to remain competitive despite having to pay the workers the minimum wage. Only one or two seemed to be struggling. This included firm 7 (a five star restaurant employing 15 workers and firm 1-a three star guesthouse employing three workers). With regards to firm 7, not all customers can afford the prices charged by the firm and with the seasonal nature of the sector profits are not always made. The manager of firm 7 complained that the minimum wage only made things worse as it added to the operating costs of the firm. Firm 1 seemed to also be struggling to cope with the minimum wage due to the seasonal nature of the sector. For the manager in firm 1, it was impossible to pay workers the minimum wage when the firm was not getting any business. The following were some of the statements given by the respondents when asked about their firms' competitiveness:

> *There has been a steady growth; our product has stabilised well in the market, especially because it is a well-known brand in the industry. We have good staff retention; there isn't a huge exodus of staff leaving. We treat our workers well while at the same time protecting our business. We get repeat business. The bigger corporate gigs that we get show that we are still competitive in the market* (Masana, owner-guesthouse, 15 July 2014).

When the mall first opened the turnover was great, but as time passed people lost favour in the mall and went to the other mall and so profits started to decrease. Now we are on our way down (Tatenda, manager-restaurant, 14 July 2014).

4.3.8 Job Losses after the Introduction of the Minimum Wage

There was only one firm that had to let go of some of its workers due to financial problems and the minimum wage. This was firm 3 (a five star guesthouse employing ten workers). It is, however, important to note that the minimum wage was not the only factor leading to the firm having to let go of some of its workers; it was also the seasonal nature of the industry that led to this development. Without profits due to a decrease in demand for products/services, the firm would not be able to pay workers the minimum wage. In order to accommodate the minimum wage during these tough times, the firm had no choice but to let go of some of its workers.

The respondents claimed there were a number of dismissals in their respective firms, but that the dismissals had nothing to do with the minimum wage. The dismissals were for other things like misconduct, for example. Most of the respondents did not think that their workers were part of any trade union. The following statement was made by Tatenda, when asked if he knew whether or not his workers were part of a trade union:

We don't know if they are members of trade unions because I believe they do not want us to know. We have never heard of any worker being a member of a trade union. If we were to find out that someone is a member of a trade union, we will get rid of that person instantly! I'm just joking. Trade unions are problematic- they give us managers problems (Tatenda, manager-restaurant, 14 July 2014).

All the respondents claimed to have good relationships (managers and workers). This was the case before and after the introduction of the minimum wage. The introduction of the minimum wage did not affect the relationships between the managers and their employees in a negative way.

CHAPTER 5

CONCLUSION

The minimum wage remains a contested terrain. Majority of the workers interviewed saw the minimum wage as nothing more than a dream sold by the government. The workers argued they were not receiving wages that were consistent with the minimum wage. They complained about getting less than the minimum wage meaning the goals of the sectoral determination for the hospitality industry in Polokwane were not achieved. Conversely, majority of the managers and owners of the selected firms claimed to be paying their workers wages that were above the minimum wage. On the one hand, we have workers declaring non-compliance and, on the other hand, managers and owners declaring compliance.

To determine the impact of the minimum wage in the hospitality industry two approaches had to be taken. The one approach dealt with the impact of the minimum wage through a compliance lens (this simply meant that managers and owners of firms in the selected hospitality firms were compliant with SD 14), while the other approach dealt with the impact of the minimum wage through a non-compliance lens (this meant that the selected hospitality firms were not compliant with SD 14). From the non-compliance lens, it was concluded that it was difficult to identify and isolate the impact of the minimum wage. According to the workers, management paid them low wages that were not equivalent to the minimum wage. If management did not comply with the sectoral determination, there was no way the impact of the minimum wage could be identified. Compliance was pivotal when it came to successfully identifying and isolating the impact of the minimum wage. This was also confirmed by Bhorat et al. (2010), the Low Pay Commission (2012) and Alburquerque (1984). They all spoke of the high incidence of non-compliance when it came to minimum wages. These comments were not only directed at the hospitality industry, but at other industries as well.

Looking at the impact of minimum wages from a compliance lens, one could argue there was little impact. Management claimed to have been paying workers wages above the minimum wage before the introduction of the minimum wage. Contrary to orthodox economics, there was no “shock” or negative correlation between minimum wages and employment. Majority of the firms (eight out of the ten firms were interviews were conducted) adjusted and accommodated the minimum wage with little or no effort at all. As a result, the minimum wage did not cause any disruption in the HRM practices in majority of the selected establishments. Firms were still competitive even after accommodating the minimum wage. These firms still being in business served as proof that the minimum wage had no overwhelmingly negative impact on the businesses’ operations.

Only two out of the ten firms interviewed seemed to be struggling with adjusting to the minimum wage. These were firm 3 (a five star guesthouse employing ten workers) and firm 7 (a five star restaurant employing fifteen workers). It was, however, important to try to figure out what it was exactly that led to these two firms being unable to accommodate the minimum wage effortlessly. It was evident that the demand for the products and services offered by the selected hospitality firms was seasonal. Since this was the case, it is possible that the firms could not accommodate the minimum wage due to seasonal demand and not necessarily due to the increased costs brought about by the minimum wage. This needed to be debunked, especially because these firms could accommodate the minimum wage when business was thriving.

To adjust to the minimum wage, some firms reduced the hours the workers worked (for example, firm 1-a three star bed and breakfast employing 3 workers), some used more permanent workers (these were mostly bed and breakfasts and guesthouses) while others used more temporary workers (these were mostly restaurants). It is important to stress that these were minor adjustments. A major adjustment was when firm 3 (a five star guesthouse employing ten workers) had to let go of some of its workers, but as previously mentioned, this was mostly due to the firm not making enough profits at that particular time.

Another factor that eased the process of adjusting to and accommodating the minimum wage was the prevalence of informality, which seemed to characterise the HRM practices in the hospitality industry. Informality simply referred to the use of ad hoc, informal policies and tacit agreements. The managers’ prerogative was what governed the workers. The managers had the power to make all kinds of decisions regarding not only the workers, but the entire working conditions and arrangements of their respective firms. An example of this informality involved workers having no specific job description. Management would train the workers for all the jobs in the firm and when the need arose, the workers would then have to perform whatever tasks were assigned to them by the managers.

There were dismissals since 2007, but like the respondents said, these had nothing to do with the minimum wage. The dismissals resulted from the workers' negligence like misconduct, etc. Overall, the minimum wage did not disrupt the prevailing relationships between the employers and the employees to any significant degree.

In conclusion, using critical realism to study the impact of minimum wages on the HRM practices of the selected hospitality firms, it became evident that in order for firms to be able to absorb and thus accommodate the minimum wage, there has to be both compliance and informality.

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Appendix 1

Sectoral determination: Hospitality Industry: Employee Interview Schedule

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?** (Which aspects of your job are satisfactory? Which aspects of your job are not satisfactory?)
5. **Are you aware of the sectoral determination for the hospitality industry that was introduced in July 2007?** (What are the provisions for the determination? How did you come to know about the determination?)
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?** (Is the minimum wage adequate? What do you think the minimum wage should be? How did you arrive at this figure? Have your living conditions improved since the introduction of the minimum wage? Can you provide a percentage breakdown of how you spend your wages-i.e. food, transport, clothing, rent, etc? how many people depend on your wage?
8. **Please describe your conditions of employment *after* the introduction of the sectoral determination in 2007.** (Has the employer made you work harder? Has the employer increased control over the way your job is done? Have the responsibilities of your job increased? How are the tips from customers divided among the staff? What percentage of your pay consists of tips? Have there been any changes to your lunch or tea breaks? Has your annual leave changed?
9. **What was your hourly, weekly or monthly income before the introduction of the sectoral determination in 2007?**
10. **What deductions are made from wages?** (List of deductions on your pay slip? Amounts or percentages deducted? Have the deductions increased since the introduction of the sectoral determination in 2007?)
11. **Do you have a problem with any of the deductions that are made from your wages?** (Provide reasons for your answer)
12. **Do you receive any extra-wage benefits or perks such as free food or a pension plan?** (List of benefits? Monetary value of the various benefits? Have the benefits increased or decreased since the introduction of the sectoral determination in 2007?)
13. **How many hours do you work on average in a week?** (Are your weekly hours of work too much or too little? Has your working hours increased or decreased since the introduction of the sectoral determination?)
14. **Do you work on weekends and public holidays?** (If so, what is your rate of pay on these days?)

15. **How would you describe the relationship with your employer?** (Has this changed since the introduction of the minimum wage?)
16. **Does the employer consult with workers when he or she wants to introduce changes in the workplace?** (How is this done? On what issues does the employer consult? How are your wages determined?)
17. **Have any workers in the company lost their jobs since 2007?** (If so, what categories of workers lost their jobs? How many workers lost their jobs? Why do you think they lost their jobs?
18. **Is your employer using more casual, temporary or part-time workers since 2007?** (If so, why is the employer doing this? What is the relationship between the different categories of workers?)
19. **Have you received any training since you were first employed by the firm?** (If so, what type of training? What type of training would you like to receive?)

Appendix 2

Sectoral determination: Hospitality Industry: Management Interview Schedule

1. **Please provide a brief history of the company.** (Date of establishment? Rising or declining turnover? Business strategy? Customer base? Star rating? Ownership 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?** (Were wages too low in the hospitality industry? Was it necessary for the government to intervene? What should the minimum wage rate be? Is an annual minimum wage increase too frequent? Should the minimum wage be a basic hourly rate or earnings rate? For how many hours in a week should the minimum wage apply? Does the sectoral determination adequately reflect the conditions in your specific sector of the hospitality industry? What has been your experience of the administrative requirements of the sectoral determination? What alternatives are there?
4. **The annual wage increase in the sectoral determination is: (a) too high; (b) just right; or (c) too low.** (Provide reason for your answer)
5. **What was included in your employees' wages *before* the introduction of the minimum wage?** (Pension? Medical aid? Free food/accommodation?)
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 MW?** (If so, for whom? Why?)
8. **What are the LM constraints faced by employers in the hospitality industry?** (Availability of the sufficient qualities and quantities of labour? How do you compensate for shortcomings in the LM? Problems encountered when filling vacancies? Have your recruitment and selection policies changed since the introduction of the MW?)
9. **How would you describe the market in which your company competes?**
10. **Percentage breakdown of input costs *before* and *after* the sectoral determination?** (Labour, capital and intermediate costs? Labour costs as a percentage of total revenue?)
11. **Rate, in order of importance, the various factors that shape costs structures in the company.** (Market prices; exchange rates; interest rates; labour costs)
12. **What shifts have taken place in the company's cost structures in the last five years?** (Nature of changes? Extent of changes? Reasons for changes?)
13. **The rate of labour turnover in the company is; (a) too high; (b) acceptable; (c) too low.** (Provide reasons for your answer)
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 MW.** (Provide reasons for your answer)

17. **How were wages determined before the introduction of the minimum wage?** (Formula? Inflation? Wages of competitors? Local LM? Collective bargaining? Performance of the company? Performance of individual workers? Were tips and gratuities regarded as a part of pay?)
18. **What deductions are made from employees' wages?** (List of deductions by job category?)
19. **What extra-wage benefits or rewards are provided to employees?** (List of benefits by job-category? Value of benefits as percentage of pay?)
20. **Has wage determination changed since the introduction of the sectoral determination?** (How were changes introduced? Did you anticipate 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. **Since the introduction of the MW, the gap between the highest and lowest paid staff members has: (a) increased; (b) decreased: or (c) stayed the same**
23. **Wages are increased on: (a) date of sectoral determination; (b) company date; or (c) no fixed date**
24. **If the MW was abolished; (a) wages would increase marginally; (b) wages would decrease** significantly**; (c) wages would stay the same for longer periods; (d) wages would increase marginally; or € wages would increase significantly.** (Provide reasons for your answer)
25. **Which categories of workers benefitted from the MW?** (How many workers received a wage increase because of the sectoral determination? On average, by what percentage did the wages of these workers increase?
26. **What impact has the MW 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?**
27. **How has the MW impacted on differentials between the lowest and highest paid employees?**
28. **What has been your employees' responses to the MW?**
29. **To what extent has the MW changed existing work and employment arrangements in the firm?** (Nature of changes? Extent of changes? Reasons for changes? Future plans for the business?)
30. **Have you retrenched any employees since the introduction of the MW?**

31. Which of the following characterise the company's reaction to the MW

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			
Change or increase charge for staff meals			
Raise charge for staff accommodation			
Increase self-service facilities			
Apply for exemption for 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			