

# Employment and Inequality Challenges Facing South African Agriculture in a Minimum Wage Dispensation

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## ABSTRACT

*South Africa is regarded as the most unequal society in the world. This together with a high unemployment rate places increased pressure on entrepreneurs and government. Government has opted to introduce a national minimum wage (NMW) in order to address these problems. However, a minimum wage holds many challenges, especially for the agriculture sector. The purpose of this study is to identify the challenges facing the South African agriculture sector in terms of the NMW. A literature review is conducted, which allows for analysis of the minimum wage dispensation with specific reference to the South African agriculture sector. This analysis, and the relevance thereof in terms of employment and inequality, is depicted by means of a conceptual model. From the literature review conducted it is clear that the impact of the external environment cannot be ignored in the agriculture sector. It also becomes evident that although the NMW was introduced to reduce poverty, it may potentially hold negative consequences for sustainable employment, which may increase inequality and unemployment.*

**Keywords:** *national minimum wage, South Africa, agriculture sector, inequality, employment*

## INTRODUCTION

Economic growth is central to any government's drive to create sustainable jobs, which, in turn, alleviates poverty and reduces inequality. In South Africa, the agriculture sector



contributes significantly to the country's diversified economy. It is estimated that this sector contributes R1 054.08 billion (13%) to the overall gross domestic product (GDP) of the country (Statistics South Africa 2016c), and between 15% and 20% of the GDP in secondary industries (Mailovich 2017). In the last quarter of 2016 and the first quarter of 2017, South Africa faced two consecutive terms of economic decline, which, according to Rossouw (2017), resulted in a technical recession, with consequent negative economic growth, increased unemployment, further pressure on the welfare budget, and inequality. Bateman (2018) reports that in the second quarter of 2017, South Africa was able to have positive economic growth, i.e., 2.5% quarter-on-quarter and 1.1% six-months-on-six-months growth, with primary industries contributing 10.3%, secondary industries contributing 1.9%, and tertiary industries contributing 1.2%. It must be borne in mind that through the agriculture value chain, the sector contributes to primary, secondary and tertiary economic activity. The fourth-term quarter-on-quarter economic growth in 2017 compared to 2016 was 3.1%, after seasonal and annualised adjustment (Smith 2018). Agriculture was the major contributor to the 2.5% quarter-on-quarter growth, which helped to buffer the country's economic decline (Bateman 2018). This contribution was achieved despite South Africa facing severe agriculture conditions and challenges due to the recent drought in some parts of the country, and the after-effects thereof in other parts of the country.

The agriculture sector provides jobs to a significant proportion of the South African population. The country's National Development Plan (NDP 2011) states that the agriculture sector has the potential to create a further 1 million jobs of the planned 11 million by 2030, which is necessary to reduce poverty and social inequality. However, due to various factors present in the external environment, the agriculture sector's contribution to the country's GDP is declining, which hampers the prospects of job creation in this sector, as is articulated by the NDP. Sustained employment, with specific emphasis on permanent employment, is a central focus in addressing unemployment and inequality. Unfortunately, only 51% of employees in the agriculture sector are permanently employed, and 25% have limited-duration contracts (Visser and Ferrer 2015). This implies that many farm workers are not experiencing job security and are to a large extent unprotected, in spite of the country's progressive labour legislation. It is argued that despite developing countries (such as South Africa) having extensive labour regulation and social security systems, these are often not enforced, and, as such, employers are seldom compliant as far as minimum wages and labour legislation are concerned (Mayet 2010). Such non-compliance is generally the case within the agriculture sector, due to factors such as the distance between farms, logistical limitations, and a general absence of labour inspections by the Department of Labour.

Non-compliance and the general poor state of employment relations in the agriculture sector has led to farm workers becoming increasingly dissatisfied with their

working conditions, which promotes labour unrest. Since the labour unrest in the Western Cape province towards the end of 2012, conditions of employment and living conditions of farm workers have received increased attention (Davis 2013). Because of this labour unrest, the minimum monthly wage for farm workers was increased from R1 503.90 to R2 273.52 in March 2013 (Department of Labour 2013), which represents an increase of 51.26% (as per Sectoral Determination 13, as amended). The minimum monthly wage was further increased to R2 420.41 in 2014, to R2 606.78 in 2015, to R2 778.83 in 2016, and to R3 001.13 in 2017 (Department of Labour 2018). The minimum wage set for 2018 is R3 169 per month (Department of Labour 2018). These figures imply a cumulative wage increase of 110.8% from 2013 to 2018. At a cumulative average increase of 18.47% per year, it is the single highest increase of the labour price for a sector over a six-year period.

Addressing inequality, poverty, and unemployment was central in the initiation and determination of the national minimum wage (NMW) by the South African government. According to the country's president, addressing the dignity of the poor, and especially the working poor, is a priority for national government (Ramaphosa 2017). Not all labour federations support the NMW, but the fact that some of them do (for instance, Cosatu, South Africa's largest labour federation) illustrates the importance that organised labour attaches to implementation of the NMW. The NMW is of particular relevance to the agriculture sector if one takes into consideration that agriculture is closely linked with rural economies as a primary economic activity.

The World Bank reports that "the trajectory of poverty reduction was reversed between 2011 and 2015, threatening to erode some of the gains made since 1994. At least three more million South Africans slipped into poverty during this period, with the poverty rate increasing from 36% to 40%" (Sulla and Zikhali 2018:xx). Thus, the welfare of poor South Africans worsened as poverty deepened and the country became more unequal. Therefore, it is necessary to critically reflect on the NMW, since it has the potential to impede job-creation objectives of the NDP in the agriculture sector, and thus deepen poverty even further. Should this government initiative fail, it will hold dire consequences for the national economy of the country, and in particular the agriculture sector. Against this background, the aim of the study is to evaluate the existing South African position regarding unemployment, poverty, and inequality against the existing NMW and the proposed NMW for the agriculture sector, as the second-biggest employment sector in the economy. A conceptual model is used to critically assess the existing employment trends in a sectoral minimum wage dispensation and to identify the challenges faced by the South African agriculture sector.

## LITERATURE REVIEW

The appropriateness of setting a minimum wage in a free economy has been debated for many years. However, due to South Africa's unique history, the democratic government has opted to introduce a minimum wage in order to address social inequality, poverty, and other social ills. Setting of a minimum wage is done in line with the directives given by the International Labour Organization (ILO), of which South Africa is a member state. In the following section, the international perspective on a minimum wage will be discussed, after which a brief history of the NMW in South Africa will be presented, as well as a discussion regarding a minimum wage in the agriculture sector and the NDP.

### International perspective on a minimum wage

Determination of a minimum wage is not a new phenomenon. Since 1928, the ILO has formulated various procedures to arrive at a minimum wage (i.e., Convention 26 of 1928, Convention 99 of 1951, and Convention 131 of 1970) (Yu and Roos 2018). Moreover, after the global financial crisis, which started in 2007, the ILO formulated a decent work agenda, to be implemented by its member states as part of their broader economic and social strategies. The decent work agenda was aimed at staving off an economic slowdown and stimulating economic recovery. Decent work is defined by the ILO (n.d.) and endorsed by the international community as “productive work for women and men in conditions of freedom, equity, security and human dignity. This requires the creation of opportunities for work that is productive and delivers a fair income; provides security in the workplace and social protection for workers and their families; offers prospects for personal development and encourages social integration; gives people the freedom to express their concerns, to organize and to participate in decisions that affect their lives; and guarantees equal opportunities and equal treatment for all” (ILO 2008:v). In order to execute the directive given by the ILO regarding decent work, labour market policies are instrumental. Furthermore, as a member state of the ILO, South Africa is obliged to implement policies addressing decent work and poverty. For this reason, South Africa developed and implemented sectoral policies (also referred to as sectoral determinations), but now these policies need to be replaced with an NMW dispensation. This is mainly because the NMW cuts across sectors currently covered by various bargaining councils.

### The history of wage determinations in South Africa

Section 51 of the Basic Conditions of Employment Act (BCEA) (Act 75 of 1997), as revised in 2008, provides for the promulgation of sectoral determinations to establish a minimum wage for each sector. This was done through the establishment of the Employment

Conditions Commission, which replaced the previous Wage Board. The Wage Board was established in 1957 in terms of Act 5 of 1957, and its main aim was “to establish minimum wage rates for all workers irrespective of race in industries where collective bargaining was not sufficiently developed” (Bendix 2014:62). This change of structure led to cancellation of some wage determinations, and newly determined sectoral determinations were published for the respective sectors. *Government Gazette* 28518 (RSA 2006) published the sectoral determination for the agriculture sector. These wage determinations are in line with the ILO’s decent work agenda and were the first step South Africa took to establish minimum conditions of employment in unregulated sectors.

In sectors where a sectoral determination determines conditions of employment, employers are not obliged to grant any benefit higher than the minimum standard. However, trade unions still have the right in terms of the Labour Relations Amendment Act (Act 66 of 1995, as amended) to exercise organisational rights. Once representivity allows for the union to start the process of collective bargaining, it can lead to determination of wages higher than the minima. The collective agreement then supersedes the sectoral determination and will determine conditions of employment and remuneration for the workers covered under that agreement. However, before the changes made to labour legislation, which will be discussed in the following section, temporary employees were excluded from such agreements. This implies that most farm workers were excluded from collective agreements, due to the temporary nature of their work.

## **Legislative changes regarding wage determinations in South Africa**

Amendments to the BCEA (RSA 2014a) were promulgated on 29 August 2014, which authorised the Minister of Labour to make an “umbrella” sectoral determination in a sector. These amendments include the following:

- to prescribe minimum increases (actual, not percentages) in remuneration,
- to prohibit or regulate the subcontracting of work, and
- to prescribe a threshold of representativeness for a registered trade union, thus easing access for trade unions in the workplace.

Before the BCEA was amended, the only criterion that was used to establish wage increases in the free market system that South Africa subscribes to was the consumer price index, excluding volatile items (CPIX) +1.5%. However, due to employees often being exploited and the presence of high-income differentials in the country, it was necessary for government to intervene. After promulgation of the changes to the BCEA (RSA



2014a), amendments were also made to the Labour Relations Act (LRA) (RSA 2015), which was promulgated on 1 January 2015. One of the most significant amendments that were made relates to the flexibility of the employer to hire atypical or non-standard employees and fixed-term workers. This amendment is of concern to the agriculture sector because employment in this sector is often seasonal-based. A further significant amendment to the LRA (RSA 2015) involves the granting of rights to temporary employees in terms of union membership. It should be noted that before the changes to the LRA, outsourced employees as well as temporary or atypical employees were excluded from provisions contained in this act. The aforementioned changes to labour legislation implied that more power was given to employees and trade unions to negotiate on an equal basis with employers, who normally have more power in negotiations.

Agriculture is characterised by a seasonal cycle of production, which determines the demand for labour, and consequently employment levels. Thus, worldwide, non-standard employment is common practice in the agriculture sector (Cappelli and Keller 2013), in order to create flexibility for the employer and to accommodate higher employment levels. Non-standard employment is mainly the practice in the agriculture sector, due to the seasonal nature of agriculture, which requires the hiring of large numbers of employees for short periods of time. In spite of this worldwide phenomenon, amendments made to the LRA (RSA 2015) have made it more difficult for employers to hire employees for a period longer than three months without regarding these employees as permanent workers. Termination of employment would then require a full operational-requirements termination procedure, with subsequent payment of severance pay. Thus, the current stringent labour legislation that regulates wages and working conditions does not promote flexibility in the agriculture sector, which may potentially affect employment levels in this sector.

## **Minimum wages in the agriculture sector**

Determination of the minimum wage increase of 51% in 2013 took place amidst political and labour role players expressing their views about poverty, poor working conditions, and the living wage debate. This contributed to a larger debate within the broader South African discourse about implementation of an NMW. As with any legislative change, there are role players in the economy that are in favour of the setting of a minimum wage and those that are against it. In this regard, Castel-Branco (2015:2) postulates that “the adoption of a national minimum wage is an opportunity to simplify South African minimum wage-setting mechanisms, strengthen collective bargaining, uphold the principle of equal pay for work of equal value, and contribute to and improve compliance”. Although an NMW will mean a more simplified wage-setting system, one

cannot assume that farmers will be compliant as far as the NMW is concerned. As was mentioned earlier, farmers are often non-compliant as far as labour legislation is concerned. The Organisation for Economic Co-operation and Development's economic survey (2015:28) states that "a critical factor in introducing a national minimum wage is to balance social benefits against potential job losses, particularly in light of the current high unemployment rate. If such a high national minimum wage were introduced many employers would not be able to maintain employment, particularly SMEs, which have a high share of low-skilled workers". This statement is of importance to the agriculture sector, where most farm workers are unskilled, and, as such, the NMW in this sector can possibly mean that job losses will exceed social benefits.

## National Development Plan, Vision 2030

According to the NDP, the agriculture sector has the potential to create 1 million jobs by 2030. The NDP (2011:117) further acknowledges the importance of "small scale agriculture" and prioritises stimulation thereof in order to activate economic growth in rural areas. However, the job-creation objective is set against the backdrop of a 5.4% required economic growth objective (NDP 2011), and, as such, it is unlikely that this job-creation objective will be met. The employment levels in the agriculture sector since 2013 (when sectoral determinations were introduced) are presented in Table 1.

The information presented in Table 1 indicates an increase in employment of 110 000 jobs (12.96%) in the agriculture sector from 2013 to 2017. However, this is not a true reflection of employment levels in the sector. This statement is based on the fact that the master sample that was used by Statistics South Africa during the 2011 census was amended (Statistics South Africa 2011), and, as such, employment figures cannot be compared. Particulars regarding the changes to the master sample were not declared by government. However, although there are fluctuations in employment levels from term to term, it is evident that the overall trend in employment levels is downward.

## Previous research findings

The NMW debate and the setting of minimum wages in general have received much attention in media reports. However, academic research in this regard is limited. In a study conducted by Borhat, Kanbur and Stanwix (2015), an overview of minimum wage regimes in sub-Saharan African (SSA) countries is presented. The authors conclude that the impact of minimum wages in SSA countries has been marginally negative (Borhat *et al.* 2015). Van Niekerk, Henning, Strydom and Maré (2015) assert that when one compares South Africa to international standards, it is evident that labour is not utilised



**Table 1: Employment levels in agriculture**

Quarter	Employment level	Change (number and percentage)	Reference
<b>2013</b>			
Jan–Mar	739 000		QLFS (2013)
Apr–Jun	742 000	+3 000 (+0.41%)	QLFS (2013)
Jul–Sep	740 000	–2 000 (–0.27%)	QLFS (2013)
Oct–Dec	713 000	–27 000 (–3.65%)	QLFS (2013)
<b>2014</b>			
Jan–Mar	709 000	–4 000 (–0.56%)	QLFSQ1 (2014a)
Apr–Jun	670 000	–39 000 (–5.5%)	QLFSQ2 (2014b)
Jul–Sep	686 000	+16 000 (+2.39%)	QLFSQ3 (2014c)
Oct–Dec	742 000	+56 000 (+8.16%)	QLFSQ4 (2014d)
<b>2015</b>			
Jan–Mar	891 000	+149 000 (+20.08%)	QLFSQ1 (2015a)
Apr–Jun	889 000	–2 000 (–0.22%)	QLFSQ3 (2015b)
Jul–Sep	897 000	+8 000 (+0.89%)	QLFSQ3 (2015c)
Oct–Dec	860 000	–37 000 (–4.12%)	QLFSQ4 (2015d)
<b>2016</b>			
Jan–Mar	869 000	+9 000 (+1.04%)	QLFSQ2 (2016a)
Apr–Jun	825 000	–44 000 (–5.06%)	QLFSQ2 (2016b)
Jul–Sep	881 000	+ 56 000 (+6.35%)	QLFSQ4 (2016c)
Oct–Dec	919 000	+38 000 (+4.31%)	QLFSQ4 (2016d)
<b>2017</b>			
Jan–Mar	875 000	–44 000 (–4.78%)	QLFSQ1 (2017a)
Apr–Jun	835 000	–40 000 (–4.57%)	QLFSQ2 (2017b)
Jul–Sep	810 000	–25 000 (–2.99%)	QLFSQ3 (2017c)
Oct–Dec	849 000	+39 000 (+4.81%)	QLFSQ4 (2017d)
<b>Key:</b> QLFS: Quarterly Labour Force Survey; Q1: Quarter 1; Q2: Quarter 2; Q3: Quarter 3; Q4: Quarter 4			

Source: Statistics South Africa, Quarterly Labour Force Survey results 2013-2017



effectively, and that too much unproductive labour is situated on farms. This situation can be attributed to the unskilled nature of farm workers in South Africa, which points to the importance of developing the skills of farm workers. Skills development will not only result in higher productivity, but will also lead to higher wages and job creation.

## **RESEARCH METHODS AND DESIGN**

In order to address the aim of the study, a literature review was conducted. This research method allowed for analysis of the minimum wage dispensation and identification of the challenges that entrepreneurs in the agriculture sector face in terms of employment and inequality. In the following section, the theoretical framework guiding the minimum wage dispensation in South Africa will be discussed by means of a conceptual model.

### **Theoretical framework guiding the conceptual model**

The study will use a multiple theoretical framework. Firstly, critical social theory will be used, which seeks to “understand a situation and to alter conditions, thus leading to emancipation, equality and freedom for individuals” (Carnegie and Kiger 2009). Thus, by using critical social theory, it will be possible to understand the current situation pertaining to labour in the agriculture sector. Moreover, it is only through such an understanding that recommendations can be made to advance to a more equal society. Social inequality refers to a situation where valued resources and desired outcomes are distributed in such a way that people have unequal amounts of and/or access to them (Ferrante-Wallace 2013). Farm workers have very few, if any, valued resources at their disposal, and, as such, desired outcomes such as a skilled job or an education are often not within their reach. Therefore, it is difficult for them to develop as individuals, and, as such, they are often exploited. This concept is captured by Karl Marx and Friedrich Engels (1848), who assert that workers are exploited by capitalists, which results in denial of workers’ humanity. Their argument is based on the laws of capitalism, where labour is bought as cheaply as possible in order to produce and sell goods, so as to make a profit (Hodson and Sullivan 2012). In this regard, government can be seen as having intervened, by introducing a minimum wage, and now an NMW. Isaacs (2016) maintains that an NMW eradicates discrimination and that by setting a uniform wage for vulnerable workers, inequality will be addressed and poverty will be reduced.

Dual labour market theory asserts that the labour market can be distinguished by good jobs and bad jobs, and that in a developing country such as South Africa, one can distinguish between modern sectors and traditional sectors (Hodson and Sullivan 2012).



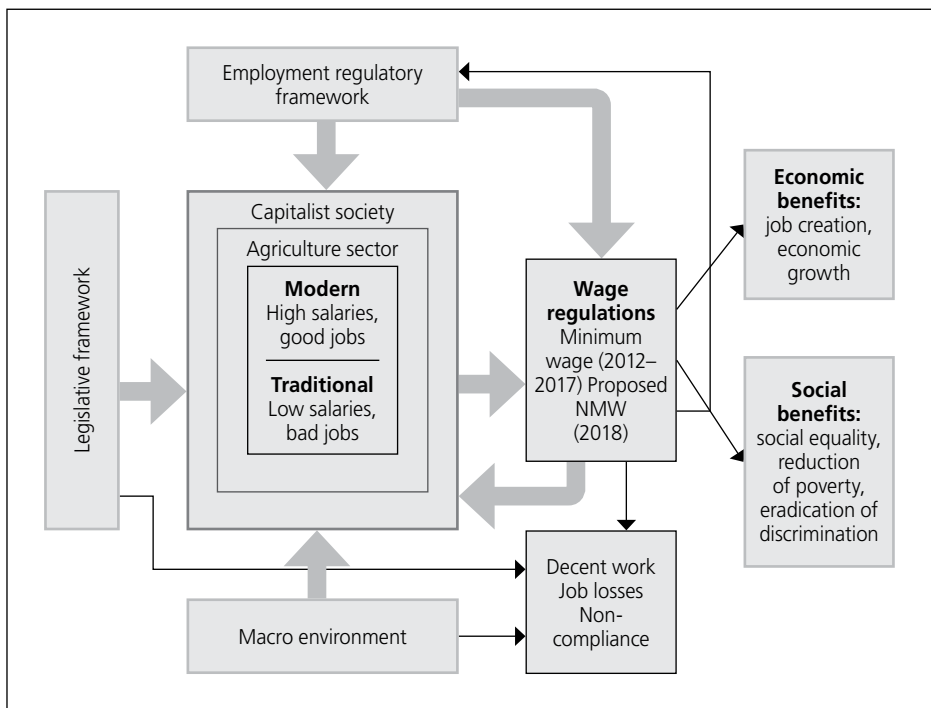
Farm workers are part of the traditional sector and may be regarded as marginalised workers, because of the nature of the work they do and the low salaries they receive. However, despite the poor working conditions and low salaries evident in this sector, it is predicted that this type of industry (i.e. a secondary, labour-intensive industry) will need to absorb a disproportionate number of workers, because “good” jobs are not going to grow significantly (Hodson and Sullivan 2012:352). This argument is consistent with the NDP, which proposes that 1 million jobs must be created in the agriculture sector.

## Conceptual model

Figure 1 represents the conceptual framework of the study, which is based on the theoretical framework, which was presented in the previous section.

From the conceptual framework depicted in Figure 1, it is evident that South Africa is a capitalist society which subscribes to a free market economy. Within this society, various sectors can be identified, but for the purposes of this study, the emphasis will be on the agriculture sector. Jobs in the agriculture sector can be categorised as modern or traditional. Traditional jobs are referred to as bad jobs, for which employees receive low

**Figure 1: Conceptual model of the study**



salaries. Due to the exploitation and poor working conditions of farm workers, government has decided to intervene and regulate the employer-employee relationship. In particular, government has formulated sectoral determinations to regulate this relationship, so as to promote the decent work agenda. Despite the intervention of government, it is possible that wage determinations in the agriculture sector have resulted in job losses and have promoted non-compliance, due to the unskilled nature of jobs in this sector and the country's high unemployment rate. Therefore, it is necessary to establish whether wage determinations in the agriculture sector have promoted social benefits, such as promotion of social equality, reduction of poverty, and eradication of discrimination. Furthermore, with the introduction of the NMW, sectoral determinations will no longer exist, and this is likely to affect employment levels, and consequently achievement of the objectives of the NDP in terms of job creation in this sector.

## **DISCUSSION AND PRACTICAL IMPLICATIONS**

The research objective of the study was to discuss employment and the inequality challenges facing South Africa's agriculture sector as a result of approval of an NMW. The literature review and the conceptual model presented indicate that implementation of the NMW may either increase inequality or increase unemployment, or both. South Africa's national government has articulated that unemployment is its focus. To give effect to this objective, the NDP plays a significant role, and it acknowledges the important part the agriculture sector plays in reaching the overall target of creating 11 million jobs by 2030. The NDP (2011) further acknowledges the importance of small-scale agriculture, and it prioritises stimulation thereof in order to activate economic growth in rural areas. The job-creation objective is set against the backdrop of a required 5.4% economic growth rate (NDP 2011). Unfortunately, recorded national economic growth in various quarters did not exceed even 1%, with the subsequent effect of job shedding. According to the World Bank (2018), the agriculture sector grew by a paltry 1.9%, while employment contracted by 2%, between 2000 and 2016 (Sulla and Zikhali 2018). A further concern expressed by the World Bank is that from 1995 to 2015, the share of semi-skilled workers in all sectors of the economy except for agriculture decreased (Sulla and Zikhali 2018). This could militate against workers displaced from this sector finding alternative employment, either in agriculture or in any other economic sector. It can also be expected that if an employer is required to pay more for labour, as is the case in the agriculture sector, the more skilled and more versatile workers will be employed. Unfortunately, formal training and skills development are not always fully embraced by the agriculture sector, and this increases the vulnerability of workers employed in this sector.



On the one hand, implementation of the NMW aims to address poverty, inequality, low wages, and violent and protracted strikes. This is mainly because extreme levels of wage inequality contribute to widespread poverty and inhibit economic growth and social development (Ramaphosa 2017). According to Whittles (2016), implementation of the NMW is a “pro-poor measure”, which will help “increase the average sector wage rates from below”, instead of disproportionately hiking the pay of highly-skilled workers. On the other hand, it is stated that the National Treasury warned that an NMW above R3 000 per month could contribute to the loss of up to 715 000 jobs, and that the NMW of R20 per hour could contribute to job losses of between 204 977 and 897 068 jobs (Whittles 2016). It can therefore be concluded that there are opposing positions on wage determinations. Those in favour of wage determinations argue that introduction of a minimum wage could reduce inequality and uplift the poor, while those opposing wage determinations highlight the job losses that could result from introduction of a minimum wage.

In conclusion, the problem is that the objective of the agriculture sector creating 1 million jobs seems to be over-optimistic. The high price of labour, external agriculture conditions, negative market forces (commodity prices), and internal conditions such as skills shortages inhibit job creation. Inequality and unemployment in a sector that is the second-biggest supplier of job opportunities in South Africa is increasing, rather than decreasing. Although there has been both positive and negative response to determination of the NMW at R3 500, the objective of addressing poverty and inequality seems to have been negated. If farm workers lose their jobs as a result of implementation of the NMW, it is counterproductive in terms of the job-creation objective. In addition, the Minister of Labour announced in March 2018 that the planned implementation date of May 2018 has been postponed, and no indication of the reasons for this or of a possible new implementation date has been given.

Based on the theoretical analysis of the NMW and the envisaged implications of implementation of an NMW dispensation, the following practical implications are regarded as important. Firstly, farmers are currently struggling to cope with either severe drought conditions or the consequences thereof. These unforeseen circumstances prevalent in the external environment suggest that the implementation date of the NMW is problematic. However, although the South African government created the expectation that the NMW will be implemented on 1 May 2018, this date was postponed at short notice. This may be a temporary relief for many farmers as employers, but failure to meet worker expectations, or worker discontent at the delay in implementation of the NMW, could trigger further disruptions and/or riots on farms, thereby further promoting the current unfavourable employment relations.

Secondly, many farmers indicated that they will not be in a position to pay the NMW, and provision has been made for application for exemption. Nedlac (2016:59) proposes that the NMW be implemented in a “phase-in process over a 24-month period”, and it states that “transitional arrangements” will have to be put in place to ensure compliance. It can be foreseen that between 80% and 90% of the minimum setting will be the transitional arrangement, with exemption applications if lower levels are to be paid. Unfortunately, this is only a temporary, short-term solution offered to farmers. A farmer that has obtained an exemption will have to pay 80% of the determined NMW in the current year and 90% of the NMW in the subsequent year. At the same time, the NMW is likely to be adjusted the following year by approximately 8%. This implies that the farmer will then have to pay an increase of approximately 18% in the subsequent year, which far exceeds current annual wage-increase trends. Furthermore, the suggested average annual increase of 18% is counterproductive to the appointment of permanent staff, which is a national directive in order to create sustainable employment. It is also possible that the recourse of applying for exemption will be used by farmers as a tactic to delay the inevitable, namely the laying off of farm workers.

A third challenge is the negative impact that the NMW may potentially have on employment levels. As was indicated earlier, farm workers are particularly vulnerable, due to their being unskilled and reliant on one income. As was alluded to by economist Mike Schussler, it is better to have more people in jobs than to increase the income of fewer people (Anon 2016b). Jadoo and Williams (2017) offer the opinion that implementation of the NMW could not only displace workers, but households could also be negatively affected, due to their having only one breadwinner, who, when displaced, will leave the household in a desperate state. However, national government should be commended for prioritising addressing the challenges of inequality and poverty. Unfortunately though, it is likely that the NMW of R3 500 per month will do very little to alleviate poverty, based on the baseline poverty principle. It has been highlighted that unemployment does not alleviate poverty, nor does it address inequality (Anon 2016b). According to Williams (2017), the food poverty line was adjusted to R531 per person per month. Noting the fact that farm workers receive payment in kind, accommodation, and water and electricity as part of their remuneration package, the minimum wage of R3 500 per month does not allow much room for spending for a family, based on this measurement.

One of the most pressing challenges that the agriculture sector faces is skills shortages. Although the lack of skills in South Africa is an established fact, ability to earn an income is directly related to the skills the person has. According to a report by the World Bank, the skills of farm workers have not improved; this contributes to the vulnerability of farm workers, and it is not conducive to addressing inequality (Sulla and Zikhali 2018).

If workers lose their jobs in this sector due to further increases in the price of labour, they will find it very difficult to re-enter the labour market in the same sector, but even more so in other sectors.

Finally, Schussler emphasises that 5.1 million workers earn a minimum wage set by sectoral determinations (Anon 2016b). Many of these determined minimum wages are above the current NMW, and, as such, workers in these sectors will not benefit from the NMW. Agriculture is one of the most prominent employment sectors in the country, but at the same time it is very vulnerable to environmental influences and market uncertainty, which makes farm workers vulnerable to exploitation. Existing employment tendencies are already showing job shedding, due to possible uncertainty about the implementation of the NMW, despite the fact that the actual determination has been well published. Although it can be accepted that some farmers have already reduced employment in anticipation of implementation of the NMW, it can be accepted that postponement of the actual implementation date will only give farmers more time to plan for implementation of the NMW.

## **CONCLUSION**

The overall aim of the study was to evaluate the existing South African position regarding unemployment, poverty, and inequality against the proposed NMW for the agriculture sector, as well as to identify the challenges faced by the South African agriculture sector regarding the NMW. The reason for this is that there is a dearth of research studies focusing on the NMW to be implemented in South Africa, and conflicting opinions exist regarding the potential impact thereof. Therefore, it is suggested that the South African government should take cognisance of the implications of the postponement of implementation of the NMW. It is only through careful evaluation of different opinions and rigorous academic research that the NMW can be understood and utilised as a means to reduce inequality and unemployment.

To develop a theoretical understanding of the NMW dispensation in South Africa, a conceptual model was developed. The model which was designed shows that the South African government should be able to achieve both economic and social benefits from introduction of the NMW. However, cognisance should be taken of unforeseen circumstances, such as the recent drought, which can potentially negatively affect the benefits envisaged to be achieved by the NMW. Thus, instead of addressing poverty, which is a founding principle of the NMW, implementation of the NMW could increase job losses and consequently increase unemployment, which are counterproductive to the drive to

better the lives of all citizens in this democratic state. Based on the theoretical approach adopted to identify the challenges facing implementation of the NMW dispensation, it is evident that the envisaged ideal is a far cry from the hard reality. Having said that, implementation of the NMW will hold many consequences. Some of these are anticipated, and others will only become apparent as the process unfolds.

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