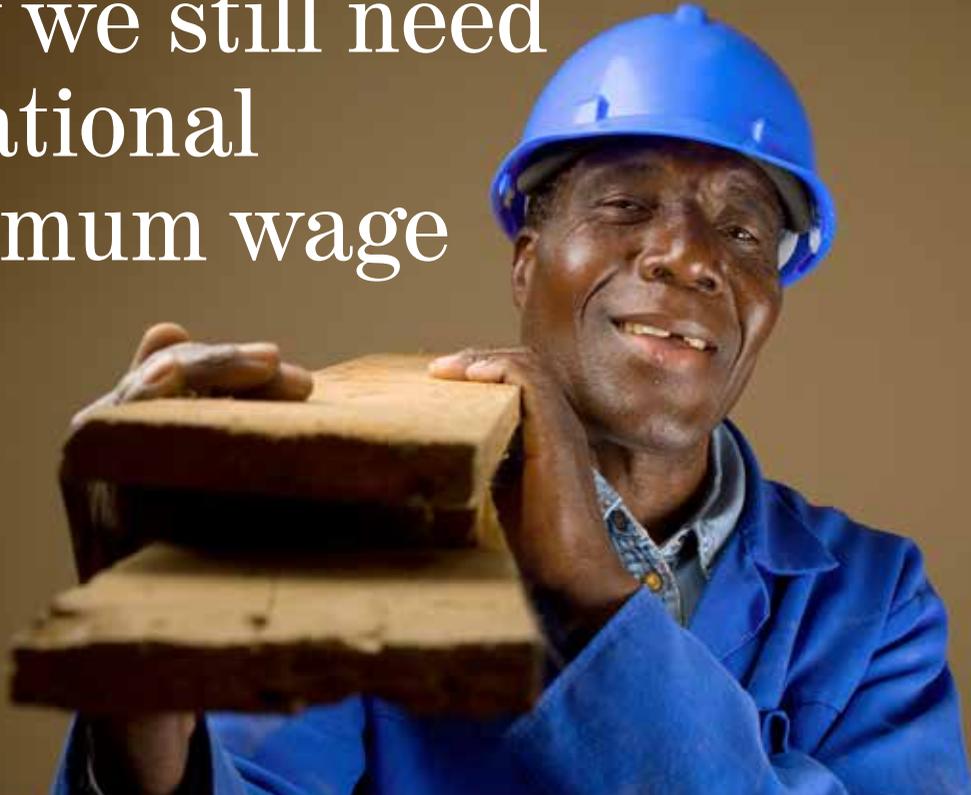


Why we still need a national minimum wage



Unlike a basic income grant, the national minimum wage is backed by political will, and supported by an appropriate institutional structure. More importantly, perhaps, it is a small step towards a future of decent work for decent pay, and a more just allocation of resources.

By Imraan Valodia and David Francis

There has been a lot written about the impact of technological change and the advancement of artificial intelligence on the future of work. This often arises as part of discussions about the so-called fourth industrial revolution. The most common form of this argument, most briefly, is that the displacement of workers by machines is inevitable and the impact on employment will be catastrophic, and so we need to think about the viability of a basic income grant as jobs become increasingly scarce.

Much of the thinking underlying this view is dismayingly deterministic. While we do not deny that artificial

intelligence-based technologies will have significant impacts on society, we believe that the argument in this form ignores important considerations about the role of work in society, and the role of society in shaping work. Furthermore, a focus on technological change as inexorable leads to a misspecification of the problem. The interesting question is how society can shape the future of work and the economy in light of rapid technological change.

The central challenge in contemporary South Africa is not that machines are displacing workers, but that there is insufficient demand to provide full employment. This results

in staggering and persistent inequality, and growing poverty. According to research by the Development Policy Research Unit at UCT, in 2016 there were 6.2 million workers out of 13.2 million (47.3%) who earned less than R3,500. What is more notable, however, is that 53.1% of all working women earn less than R3,500 per month, compared to 42.5% of men, while 40.8% of all working women earn less than R2,500 per month, compared to 29.9% of men. Furthermore, far more women than men work in low paid jobs, and women earn less than men across the income distribution. Indeed, recent research by Stats SA found that, in 2015, the median

wage for women was only 77.1% of that for men. For the bottom 25% of wage earners, the median wage for women is only 75.0% of that for men (Statistics South Africa 2016). Over the last 25 years we have seen significant growth in wage inequality, in spite of a profusion of redistributive policies enacted by the state, and the policies in place to address vulnerable work.

To understand our way out of this mess, we need to be clear on our vision of the good society. While technological innovation is inevitable, the ways in which it shapes our society are not predetermined. Our support for the national minimum wage comes from our vision of the good society, which is one where those who want to work can do so, and are paid fairly for the work they do. In contemporary South Africa, neither of these requirements is met.

We do not argue that there is some inherent value in work, nor that all people who can work must do so. But there is no denying that work is one way to a fulfilling life. And yet more than a third of those who want to work cannot find any employment, and of those who do work, almost half earn less than R20 an hour. Clearly tackling a problem of this magnitude requires a range of economic and labour market policies, and ultimately requires rapid growth in demand. But growth alone will not address the structural problems in the economy which reproduce such widespread low pay.

What, then, are possible solutions? In the area of labour market policy, there are two main proposals: universal coverage of minimum wages, and universal basic income (often called the basic income grant).

While the time for universal basic income may arrive, we believe it is not appropriate in contemporary South Africa. We would argue, in fact, that a basic income grant is not a radical enough solution: it is too early to give up on a society built on decent work for those who want to work. Our scepticism of the need for a universal basic income arises out of our concern about veracity of the predictions about wide-scale job destruction. The alarmism about the end of work as we know it arises from an ahistorical

understanding of the “fourth industrial revolution” which sees it as a wholly new and distinct phenomenon. In fact, it is a continuation of a process of technological change which began in earnest with the industrial revolution (if not even earlier). Indeed, the way in which technology impacts on employment was written about extensively and insightfully by Karl Marx in the mid-19th century. Of course, artificial intelligence is a new and exciting technology, but there is very little evidence to support claims that it will usher in the end of work. Technological progress leads to reallocations of resources and of workers, but the evidence of the past

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two centuries is that it creates new opportunities for work, too.

Secondly, a focus on a basic income instead of decent work avoids the important questions of ownership and the distribution of income in a world of increasing mechanisation and digitisation. The argument for a basic income by implication concedes the bulk of the economic surplus to capital, whereas we should continue to contest the allocation of income and profits to foster a more equitable distribution of income and wealth. The labour movement in South Africa and around the world has been formidably successful in this regard. Production, whatever the level of technological progress, remains a social relation and we should not fall into deterministic thinking about the inevitability of the destruction of work.

Finally, the argument for a universal basic income presupposes a world

which does not yet exist – certainly not in the global South – where there are abundant resources, and the institutional capability to allocate them fairly and at a level that would be meaningful. The cost of a basic income grant at a level that would allow households to live a decent life is beyond the capacity of our current fiscal resources, and indeed much of the rest of the world, with the possible exception of countries with the highest GDP/capita. Furthermore, given the globalisation of production and the ability of corporations to move in search of the most favourable tax regimes, a universal basic income would need to be part of a global pact which would ensure that this basic income was at a comparable level across the world.

On 23rd November 2018, President Cyril Ramaphosa signed the National Minimum Wage Act into law. We believe that this is a vital legal and policy intervention because the South African labour market continues to generate the very high levels of income inequality illustrated above. This is, of course, partly the result of our stubbornly high levels of unemployment and the resultant gap in income between those who have and do not have work. But it is also due to vast inequalities in income among those who do work.

This has been driven by the rapid growth in low-paid work, and weak or even no bargaining power for those in low-wage work. This is a structural problem, and the national minimum wage has been conceived as a structural intervention to attempt to transform the South African labour market through the setting of a realistic and meaningful wage floor. The minimum wage is one tool that can be used to raise wages at the bottom of the income distribution, mitigate poverty to some extent, and begin to decrease South Africa’s rampant inequality. Unlike a basic income grant, the national minimum wage is backed by political will, and supported by an appropriate institutional structure. More importantly, perhaps, it is a small step towards a future of decent work for decent pay, and a more just allocation of resources. ■