

THE MANDELA INITIATIVE

Dialogue and action to overcome poverty and inequality



UNIVERSITY OF CAPE TOWN
IYUNIVESITHI YASEKAPA • UNIVERSITEIT VAN KAAPSTAD

Theme: Labour Market

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1. What are the major issues you have identified about the manifestations of structural poverty and persistent, deep inequalities, in the existing wage gap in South Africa?

The term “apartheid wage gap” refers to the pay differentials between skilled, semi-skilled and unskilled workers who are predominantly black and management who are predominantly white.² The post-apartheid government headed by Nelson Mandela acknowledged the persistence of the this gap. They were also mindful that the vertical pay gap need not only be ‘deracialised’, but needs to be eradicated.

The Labour Market Commission stated in 1996: "Large pay differentials are rooted in apartheid inequality where whites expected a standard of living that could only be sustained if income distribution was highly unequal. Once based almost entirely on race, these differentials are now being deracialised rather than narrowed. The Commission believes South Africa must adopt the long-term goal of reducing earnings differentials substantially, not simply deracialising them."³

Those pay differentials framed in many workplaces the income differences between the top and the bottom, and do so until today. Due to the discriminatory character of the pay differentials between the occupational levels,

About this brief

This brief was commissioned by the Mandela Initiative to help inform a synthesis report on its work since the 2012 national conference, *Strategies to Overcome Poverty and Inequality*, organised by the University of Cape Town. The MI provides a multi-sectoral platform to investigate and develop strategies to overcome poverty and reduce inequality in South Africa. While the Nelson Mandela Foundation is a key partner, the Initiative has relied on collaborations between academics and researchers, government, business leaders, civil society, the church and unions.

The synthesis report serves as a framework for reporting on the work of the MI at a national gathering on 12 – 14 February 2018 at the University of Cape Town. The MI *Think Tank* has identified the objectives for the gathering as:

- to anchor the contributions of the MI within an analysis of the current South African political and economic context;
- to share the recommendations emanating from the MI-related work streams at a policy/strategic level to advance the goal of eliminating poverty and reducing inequality;
- to critically engage with the potential impact of the recommendations on eliminating structural poverty and inequality; and
- to discuss ways of promoting popular conversations and debate about what needs to be done to eliminate poverty and reduce inequality, beyond the MI.

The synthesis report aims to assist participants to prepare for the national gathering. The report drew on findings from the sectoral research projects of Think Tank members; the MI’s *Action Dialogues*; a report on an MI *Community of Practice workshop* with research chairs from different universities to identify cross-cutting themes emerging from the MI’s *research programme*; and the work programmes of others who have expressed an interest in contributing to the goals of the MI.

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² Nyman, 240

³ Labour Market Commission (1996) *Report of the Presidential Commission to Investigate Labour Market Policy: Restructuring the South African Labour Market, June 1996*. Para 228.

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inherited by the past, I call it 'vertical pay discrimination'. The Global Wage Report 2014/2015⁴ showed that the pay gap between the top and the bottom income earners in South Africa is double as high as in India and three times as high as in Brazil. Also, investment in cheap, semi-skilled labour plus and the use of less technology rather than high technology use plus highly skilled labour are maintaining the wage gap.

2. What do you think are the main reasons for the persistence of the deep inequalities and poverty in your focus area(s)? These can include policy, capacity or implementation constraints/problems.

The apartheid wage gap has been created by the undervaluation of black labour and the overvaluation of white labour in the apartheid era and before that. These structures haven't changed or, according to the Global Wage Report 2014/2015, have become even worse. Some people argue that it is a problem of education. I do not agree. Education is a crucial issue but the unskilled workers will everywhere be the people who receive the lowest income. The size of the gap between the top and the bottom is also an outcome of discrimination and undervaluation of unskilled and semi-skilled workers. 'Race' was the reason to differentiate (doing difference). 'Race' was the reason to discriminate against. 'Race' was the reason to undervalue. The outcome of the long-time discriminatory practices is a wage structure with a pay gap between the top and the bottom which still persists. Apart from a few, proactive measures to overcome this injustice have not been taken yet and the gap will not disappear by itself. Worldwide, you find the most vulnerable at the bottom of the income scale. This will persist until measures will be taken to overcome the apartheid wage gap. The lack of the implementation of section 27 of the Employment Equity Act (EEA) contributes to the gap since the provision has not been put into practice up to now.

3. What is being recommended at a macro policy/strategic level to deal with the major issues you have identified?

My major issue is to make section 27 of the EEA an effective tool to overcome discriminatory disproportionate income differentials at the workplace. Section 27 of the EEA calls for proportionate non-discriminatory income differentials between the occupational levels. The provision has been passed by parliament in 1998 to address the apartheid wage gap.

Section 27 of the EEA calls for the proportionality of the total pay structure inclusive of the unskilled. To do this the implementation of norms and benchmarks for proportionate income differentials is the right tool as such implementation of norms and benchmarks provide different options.

One is a code of good practice on the implementation of section 27 of the EEA. A draft on such a code should be created. Another option could be the development of collective agreements along the value chain. A possible pilot project to gain first experience could be a collective agreement along the value

⁴ ILO (2015) *Global Wage Report 2014/2015*. P. 25, figure 22a.

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chain in a South African plant of a German Group. This requires that the cooperation of the relevant stakeholders is organised.

The development of norms and benchmarks for proportionate income differentials, the deepening of the collaboration between the relevant German and South African trade union and the dialogue between the trade union and the employer could be organised under the roof of the Mandela Initiative. The organisation of the research and dialogue by the Mandela Initiative could provide the necessary confidence to the key stakeholders.

4. What do you think the potential impact of the recommendations will be on eliminating structural poverty and reducing inequality?

The effect of proportionate non-discriminatory income differentials between the occupational levels will specifically raise the lowest incomes. This will not only effect purchase power and quality of living in the poorest areas. More workers which are today forced to live from hand to mouth will be able to do life planning and invest in the future for their kids. It will be a way of specifically increasing the incomes of those disadvantaged in the past, including those who had no access to education. A fairer pay structure will result in more stability. One reason for the present frustration is the lack of transformation. A long-time perspective for non-discriminatory pay structures and a focus on overcoming vertical pay discrimination will also bring more stability in the trade union movement. All this together may result in a workplace where human dignity is also expressed in a fair income structure between the top and the bottom. The tool to put that into practice exists; so why not use it?

For more information on the Mandela Initiative:

