THE IMPACT OF MINIMUM WAGES ON THE MARKET FOR DOMESTIC WORKERS IN SOUTH AFRICA

BY

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In September 2002 South Africa saw the implementation of labour market regulation policy in the market for domestic workers, known as Sectoral Determination 7: domestic worker sector. This policy has been promulgated through the Basic Conditions of Employment Act, No 75 of 1997. The primary rationale behind the introduction of Sectoral Determination 7 was to protect the most vulnerable labour market sectors in South Africa such as domestic services workers and farm workers. This mini dissertation thus investigates the impact of the policy of minimum wages on the market for domestic workers in the South African context, and examines whether minimum wages in South Africa contribute to higher employment levels and better conditions of employment in the market for domestic workers. This is achieved through a comprehensive comparative analysis of a survey undertaken in the City of Pretoria at Orchards and Soshanguve against two similar surveys conducted in Bloemfontein in 2006 and 2001, respectively.
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DECLARATION

MAKHWASANE ANDREW MATJEKE

Declare that

THE IMPACT OF MINIMUM WAGES ON THE MARKET FOR DOMESTIC WORKERS IN SOUTH AFRICA

Is my own work, that all sources used or quoted have been indicated and acknowledged by means of complete references, and that this research was not previously submitted by me for a degree at another University.

Makhwasane A Matjeke
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<td>CPI</td>
<td>Consumer Price Index</td>
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<td>Consumer Price Index Less Mortgage Bonds</td>
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<td>ECM</td>
<td>Employment Conditions Commission</td>
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<td>HSRC</td>
<td>Human Sciences Research Council</td>
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<td>ILO</td>
<td>International Labour Organisation</td>
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<td>DOL</td>
<td>Department of Labour under the South African government</td>
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<td>Tshwane University of Technology</td>
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<td>UIF</td>
<td>Unemployment Insurance Fund</td>
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<td>U.S.A.</td>
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1 INTRODUCTION AND STUDY OBJECTIVES

In September 2002 South Africa saw the implementation of labour market regulation policy in the market for domestic workers, known as Sectoral Determination 7: domestic worker sector. This policy has been promulgated through the Basic Conditions of Employment Act, No. 75 of 1997. The primary rationale behind the introduction of Sectoral Determination 7 was to protect the most vulnerable labour market sectors in South Africa, such as domestic services workers and farm workers. This policy of Sectoral Determination thus has provisions for two factors, namely: conditions of employment as well as minimum wages in the domestic worker’s labour market.

In terms of minimum wages the legislation prescribes the minimum pay that any domestic worker (e.g., child minders, cleaners and gardeners), should receive in compensation for his/her labour. During the time of its implementation in September 2002, domestic workers who are classified under Area A had a higher minimum wage determination of R800 per month as compared to their Area B counterparts with a minimum wage of R650 per month. Area A included all cities and towns, whilst Area B was loosely described as “Areas not mentioned in Area A” which could be seen as rural areas. Thus the minimum wage in urban areas exceeded the rural one by 18.75 percent. The legislation has further provided for an annual increase of 8 percent to be implemented from 1 November 2002 (Department of Labour, 2002).

Recent studies show that in March 2006 there were about 850 00 jobs in the domestic services sector in South Africa (Blaauw & Bothma, 2007: 5). This number shows a decline in the number of jobs in this sector of about 29 percent as compared to the 2005 estimate of 1.2 million (Hertz, 2005: 1). However, these figures show that the domestic services sector is still an important source of employment, especially for black women in South Africa. Studies by the Human Sciences Research Council (HSRC) conducted in 1999 predicted that in the future, employment of skilled workers will continue to increase, but the demand for semi-skilled and unskilled workers will continue to fall
(Fryer & Vencatchellum, 2003: 1). This becomes a cause for great concern for the latter workers as far as their future employment position is concerned.

With such high levels of unemployment and a low absorption rate in the category of unskilled workers in South Africa, it should be expected from government to create an enabling environment in terms of labour legislation, in order for employers in the unskilled sector to hire more workers. This view is held by economists who argue strongly against minimum wage policies. They argue that minimum wage policies will impede job creation and employment in the sectors where they are implemented (Lee, 2002: 2).

This study thus endeavours to examine whether the implementation of this labour regulation (Sectoral Determination 7) in 2002 contributed positively towards employment creation and towards improving other conditions in the South African labour market for domestic workers.

The key objectives of this study are to: (i) investigate the impact of the policy of minimum wages on the market for domestic workers in the South African context, and (ii) examine whether minimum wages in South Africa contribute to higher employment levels and better conditions of employment in the market for domestic workers.

The rest of the study is structured as follows: Chapter two provides an overview of minimum wage theory. Chapter three focuses on the international experiences of minimum wage policies as well as some valuable lessons that can be learned from those experiences. In chapter four the data collection method for the survey undertaken in this study is discussed, followed by an analysis of the results in chapter five. Chapter six provides the summary, conclusions and policy recommendations.
2 AN OVERVIEW OF MINIMUM WAGE LABOUR MARKET THEORY

2.1 Introduction

The economic consequences of minimum wage legislation have been of interest for many years. The first country to develop minimum wage regulations was New Zealand in 1896. Australia followed in 1899, and then Britain in 1909. The main objective of minimum wage regulations was to eliminate the payment of exceptionally low wages by employers (a practice known as 'sweating') (Lee, 2002: 2).

Other countries which introduced minimum wages to protect their low-paying sectors include Sri Lanka with their Minimum Wage Ordinance which was promulgated in 1927. Argentina introduced the Home Work Act in 1918 in this regard. The number of countries adopting minimum wage regulations grew rapidly towards the end of the economic depression of the 1930’s and after the Second World War (Lee, 2002: 2).

This chapter focuses on the theory of minimum wages. It starts off, by providing a definition of minimum wages, and secondly defines domestic work. Thirdly, it outlines arguments for and against minimum wage legislation and lastly, it reviews the relationship between employment and minimum wages.

2.2 Definition of a minimum wage

According to the Basic Conditions of Employment Act, No 75 of 1997, one could define a minimum wage as a wage rate, prescribed by law, so that poorly paid, vulnerable workers are paid at that adjusted level. It is therefore a wage floor established by the regulators in the labour market below which no payment should be made by employers. Lee (2002: 1) defines a minimum wage as a "minimum level of payment established by law for work performed". Lee further states that the particular historical and institutional development of the country concerned is reflected both in the exact nature and the scope of minimum wage protection. For instance some Asian countries, like Thailand,
Indonesia, China, and Japan opted to decentralise their minimum wage systems. Other countries such as South Korea and Vietnam have a single minimum wage for the entire country (Lee, 2002: 1).

It could be argued that the South African system of minimum wages (Sectoral Determination 7: domestic workers) resembles the decentralised form of a system of minimum wages. This is because the Basic Conditions of Employment Act, No 75 of 1997, distinguishes areas in which minimum wages apply according to different labour market sectors. One could argue that the reason for decentralising the system is based on the fact that the sectors targeted by these labour regulations, are not only different in nature, but they have different historical developments.

Ehrenberg and Smith (2006: 109) refer to minimum wages as a policy that compels the employers to increase wages paid to all low-wage workers. The fact that a minimum wage is a compulsory rate should have an interesting economic effect on such factors as working hours and the worker’s output. These dynamics will be discussed in the relevant subsequent sections.

2.3 Definition of domestic work

A loose definition of domestic workers could account for all those workers who offer their labour through various household activities on a part-time, casual, contract or permanent basis in exchange for payment. These involve amongst others, baby sitters, house-keepers and gardeners. However, the Basic Conditions of Employment Act, No. 75 of 1997, Sectoral Determination for domestic workers makes certain exceptions with regard to domestic work. That is, those workers who are involved in household or domestic work on farms are not regarded as domestic workers. This is because such workers are covered under the Sectoral Determination for farm workers, which are different from those of domestic workers in remunerations, working hours and terms of employment.
Statistics South Africa (Stats SA) bases their definition of domestic work on a single occupation code and corresponding industry code (Hertz, 2005: 7). Applicable codes include those for domestic cleaners and helpers (code 9131), security guards (code 5169), and nannies (code 5131). Not all people who are covered by the domestic workers regulations are included in their definition of domestic work. Gardeners, who are mostly men, are a principal example of such an omission.

The different methodological treatments of the domestic work definition could be attributed to the varied purposes for which they are defined. Statistics South Africa, as a statistical institution for instance, defines domestic work and breaks it down in terms of various codes to effectively achieve their statistical objectives which are already based on predetermined sectors in the South African economy. The sectoral determination’s methodology, on the other hand, is driven chiefly by its quest to protect a particular group of workers (occupational sector), with historical considerations different from those of other sectors, such as farm workers.

This is why Saget (2001: 13) states that minimum wage regulations are introduced in countries with very different economic and social situations. As outlined in the previous sections, the introduction of minimum wage policies was mainly meant to protect those vulnerable labour market sectors with low wages. Nonetheless, there are still arguments levelled against minimum wages. The next sections highlight some of the arguments made in favour of and against minimum wages.

### 2.4 Arguments for and against minimum wages

#### 2.4.1 Arguments for minimum wages

The following are some of the major reasons why minimum wages are regarded as being desirable in the labour market (Barker, 2007: 108):
To ensure that workers are not paid at a level that is below the minimum standard of living – thereby ensuring that workers’ basic needs are satisfied;

To ensure that wages are not left entirely to market forces, so that many unskilled workers are not exploited by unscrupulous employers;

To ensure that non-competitive employers would not sustain their businesses at the expense of the vulnerable workers (mainly unskilled);

To compel employers to utilise their workers more productively, in the sense that they will be paying them at a higher wage rate for the same job as the one they held before wage increases – thereby ensuring effective recruitment, training and development of the workers by the employer;

To improve workers’ morale and nutrition through higher wages and hence reduce absenteeism, illness and labour turnover in order to potentially improve productivity (i.e., the efficiency wage theory); and

To protect workers from the many distortions associated with the market mechanism such as discrimination; non-competitive conditions in the product market; labour immobility between regions, occupations or employers, as well as insufficient information.

Lee (2002: 1) states that the main reason cited in favour of minimum wages “… is to protect vulnerable low wage workers from exploitation and poverty …”. This implies that minimum wages are perceived as a social instrument since they allow low wage, unskilled workers sufficient purchasing power to at least afford a basic living standard. Minimum wages may also be seen as having an economic objective. This is because minimum wages not only motivate workers, but also afford them an opportunity to enjoy the benefits of economic growth and contribute to the economy.
Mdladlana (2001), prior to the introduction of the minimum wage policy in South Africa identified common characteristics in the market for the domestic worker services sector regarding wages and conditions of employment. Domestic workers worked for long hours and they were given heavy workloads. Furthermore, “high level of control, regimented lifestyle, lack of privacy and high levels of job insecurity and powerlessness” were also cited as some of the common factors which characterised this sector (Mdladlana, 2001: 3).

In terms of wage levels the national monthly mean wage for a domestic worker was R598, whereas the median wage was R524 in 2001. The report further reveals that there were considerable wage differentials between rural and urban domestic workers, where the median rural and urban wage was R409 per month and R588 per month, respectively. This accounts for a R200 (or approximately 38 percent) difference. In addition, Mdladlana maintains that these low wages were not complemented by more benefits such as food and accommodation (Mdladlana, 2001: 3).

It can be deduced from the above that arguments in favour of minimum wages do not only relate to employees’ social fundamentals, but also have implications for the economic circumstances of employers. Supporters of minimum wage regulations perceive a strong correlation between employees’ basic human needs and efficiency and productivity in the workplace.

2.4.2 Arguments against minimum wages

Various reasons are cited as some of the major arguments against minimum wages in the labour market. Barker (2007: 108) argues that minimum wages do not accommodate the specific circumstances of an individual enterprise or of a specific industry. For example, profits and productivity of any company are not fixed over time. They may vary with seasons. This implies that workers’ remuneration should not be fixed, but be based on their marginal productivity. This means that those workers who work harder and are
more productive relative to others should receive higher wages than their counterparts who are less productive.

Saget (2001: 17) agrees and states that as a result of a high minimum wage, teenagers might be induced to leave school early and start working. He further argues that the incentive to leave school may be higher in industrialised countries where minimum wage policies largely affect teenagers, young workers and workers with low levels of education such as high school learners. This implies that minimum wages may avail as a higher monetary incentive, not only for workers who are not diligent, but also for learners at the pre-tertiary educational level.

Minimum wages are also blamed for having an effect of inflating the prices of goods and services in the economy, in the sense that enterprises will usually pass costs associated with the introduction of minimum wages on to the consumers. In addition, the system of minimum wages is blamed for interfering with the “proper and flexible operating of the market”. The results are reduced efficiencies that eventually slow down the economic growth rate and increase unemployment levels in the economy (Barker, 2007: 108-109).

Becker and Posner (2007: 1) add that although some workers benefit from the introduction of minimum wage regulations others are: “… pushed into unemployment, the underground economy or crime. The losers are therefore likely to lose more than the gainers gain; they are also likely to be poorer people. And poor families are disproportionately hurt by the rise in the price of fast foods and other goods produced with low-skilled labour because these families spend a relatively large fraction of their incomes on such goods … Most minimum-wage workers are part time, and for the majority their minimum-wage income supplements an income derived from other sources. Examples are retirees living on Social Security or private pensions who want to get out of the house part of the day and earn pin money… An increase in the minimum wage will thus provide a windfall to many workers who are not poor”.

Any employee should choose to work for any wage that he or she can accept. Otherwise the introduction of minimum wages will have an effect of distorting the price of labour
and this could result in workers being replaced with machinery (substitution effect). Likewise, during periods of economic recession, for instance, companies would be forced to cut down the number of employees through retrenchments in order to sustain their business. This is because they are not afforded the flexibility of negotiating down wages with interested employees by the minimum wage system (Barker, 2007: 109).

Lee (2002: 2) adds that the standard argument against the minimum wage system was based on the assumption that a minimum wage above a certain level will cause unemployment and therefore inadvertently work against poverty reduction. Lee further states that a minimum wage system in the formal sector was blamed for removing jobs from that sector into the informal sector.

It could be deduced from Lee’s argument, which is consistent with other arguments against minimum wages, that one of the major reasons why minimum wages are said to be undesirable is the fact that they do not help the poorest workers. Instead, workers in the formal sector are pushed out to the informal sector and those in the informal sector are sent to the under-ground economy (Becker & Posner, 2007: 1). Based on these implications, therefore, Lee also cites minimum wage regulations as a possible barrier to the process of optimising globalisation and thus a possible hindrance to foreign direct investment as well (Lee, 2002: 2).

The effect of a minimum wage system is therefore seen to be beyond economic frontiers. It also has adverse social consequences such as crime (i.e., it fuels under-ground economic practices). Thus, on a balance of probability, when also taking into account the arguments cited by supporters of minimum wages (i.e., basic living standard argument), it would be fair to mention that a decision to adopt minimum wage policies would never be made with definite certainty of its future consequences.
2.5 Minimum wages and employment

According to the basic theory of economics, a minimum wage has the potential to reduce employment. Addison and Blackburn (1999: 393) assert that most economics text books concur that *ceteris paribus* an increase in an effective minimum wage will reduce the employment of unskilled labour. This is because minimum wages are associated with increasing the wage rate above the equilibrium price in the sector in which minimum wages are introduced. This explains the warning that: “…if the minimum wage … is actually enforced, a lot of maids are going to lose their jobs” (The Economist, 1999: 2).

Barker (2007: 109), cautions and states conditions that governments need to consider to minimise the negative effect of minimum wages on the economy:

- Minimum wages should be set at a level generated by the market and should not increase all or most wage levels in the informal sector;
- Minimum wages should affect only a marginal percentage of the workforce;
- Minimum wages should not apply to a large proportion of the workforce;
- Minimum wages should not be used as an instrument to reduce unemployment.

Becker and Posner (2007: 1) strongly agree and state that even the defenders of minimum-wage laws should agree that beyond a certain level, higher minimum wages would cause unemployment. They thus suggest that if a minimum wage is increased by at least 40 percent, unemployment will be most likely to rise.

The first and second conditions above imply that when minimum wages are set, governments should try not to increase the existing wage by a big margin. This is because the standard model of a unified and perfectly competitive labour market suggests that when minimum wages are set above the market equilibrium, the result will be reduced employment (Hertz, 2002: 3). This therefore implies that the smaller the increase in the wage rates, the smaller will be the effect on the workforce in terms of
employment reduction. The third condition is based on the fact that minimum wages will only benefit those fortunate few employees who do not lose their jobs when labour supply and labour demand re-adjust to the new wage level – thereby reducing the level of employment.

Ehrenberg and Smith (2006: 108) also warn that minimum wages have a potential effect of reducing employment, especially among the group or sector it is intended to protect. They add that “… in the face of a downward-sloping labour demand curve, a policy that compels firms to raise the wages paid to all low-wage workers can be expected to reduce employment opportunities for the least skilled and least experienced”. Grossberg and Sicilian (2004: 632) agree and state that since a minimum wage is binding to employers, it has an effect of compressing the wage distribution, such that a single wage is associated with a large range of jobs.

2.6 Conclusions

Economic theory suggests that the effect of increased minimum wages is reduced employment levels. This argument is however highly contested. There are various arguments for and against the adoption of minimum wage policies in the labour market. These arguments are cited for various social and economic reasons and are based on the competing interests of both the employee’s and employer’s welfare.

The Minister of Labour revealed that the reason for the introduction of minimum wages in South Africa was that prior to the introduction of minimum wages regulations in South Africa (i.e. prior to 2001), conditions of employment in the sector for domestic workers, were appalling (Mdladlana, 2001: 3). The domestic services sector was, for instance, characterised by low wages, high levels of job insecurity, lack of privacy, powerlessness and a regimented lifestyle for employees.

There are a variety of reasons cited by inter alia, Barker (2007), Saget (2001), Lee (2002), and Ehrenberg and Smith (2006) against minimum wages. Although these
arguments have different perspectives, they are all anchored towards the same conclusion, namely, that minimum wages have an effect of reducing employment. For that reason, minimum wages are seen as undesirable, not helping the poorest workers and thus not serving their intended purpose. Minimum wages are for instance said to reduce opportunities for employment for the least skilled and least experienced. They are also blamed for having an effect of inflating the prices of goods and services in the economy. This is so because the costs associated with the introduction of a minimum wage will be passed on the consumers. Minimum wages are said to be seen as an incentive by others, specially the youth, to leave school at a lower education level and to take up unskilled jobs.

Important to note also is the warning by Barker (2007) that if minimum wages are to be adopted in a particular labour market, they should be set at a realistic economic level, to minimise their possible effect of reduced employment levels.
3 INTERNATIONAL EVIDENCE OF THE IMPACT OF MINIMUM WAGES ON THE LABOUR MARKET – A CASE STUDY APPROACH

3.1 Introduction

The concept of minimum wages is an international phenomenon. Numerous studies have been done around the globe on the impact of minimum wages on labour market conditions, especially on employment. This chapter will examine empirical evidence on the effect of minimum wage policies on/for labour market conditions. This will be achieved by analysing cases for other minimum wage countries as well as examining the South African experience of minimum wage regulations.

The analysis will focus mainly on the resultant market conditions in the minimum wage country in question to evaluate such factors as job creation, employment, earnings, and working hours. Firstly, the analysis of three international cases on the results of minimum wage policies will be undertaken, namely for Indonesia, Latin America, and for Thailand. Secondly, focus will be placed on the lessons that South Africa could draw from the evidence provided by these case studies. Lastly, this chapter will then be concluded by discussing the South African minimum wage system, minimum wages in the South African sector for domestic workers. Finally, some empirical evidence will be provided on the impact of minimum wages on the South African labour market for domestic workers.

3.2 International experiences of minimum wages

3.2.1 Minimum wages – The Indonesian case

Rama (2001) presents Indonesian evidence on the substantial increase in the minimum wage, major reasons behind this labour policy regulation and its outcomes, and focus mainly on changes in wages and employment in the Indonesian labour market.
In the 1990’s Indonesia tripled minimum wages in nominal terms and doubled them in real terms. Rama (2001) analysed the 1993 labour force survey data to assess the impact of these minimum wage increases on wages and employment. The increase of minimum wages is said to be attributable both to international and domestic pressures. This is because there were concerns by consumers and trade unions in the United States of America (U.S.A) that workers’ rights are violated in Indonesia. American firms which imported their goods from Indonesia were said to be benefiting from “a degree of labour exploitation that is not acceptable by any country standards” (Rama, 2001: 864). These concerns resulted in export sanctions being placed against Indonesia by the U.S.A government. Consequently, America decided to deny Indonesia low export tariffs to the U.S.A. economy (Rama, 2001: 864).

The results of the study revealed that this minimum wage hike had a rather modest impact on the conditions of the Indonesian labour market. Average wages increased by about 5 to 15 percent and urban wage employment decreased by 0 to 5 percent. However, the impact of the minimum wage hike on employment varied according to the size of the enterprise. It was apparent that employment in small enterprises decreased substantially, whilst in certain large firms, employment actually increased – thereby benefiting workers in those large firms (Rama, 2001: 864).

Important to note in this Indonesian case of doubling real minimum wages, is the evidence that high minimum wages are more likely to reduce employment in small enterprises than in large ones (Rama, 2001: 864). This is a relevant finding, especially for South Africa, where minimum wages are said to be introduced to protect vulnerable, unskilled and low-income sectors (Basic Conditions of Employment Act, No 75 of 1997). These are sectors which are most likely to have a majority of small businesses.
3.2.2 Minimum wages – The Latin American case

Lee (2002) reveals the findings of some of the empirical studies undertaken around 2002 which did not show a negative effect on employment when minimum wages are moderately increased. The International Labour Organisation (ILO) as cited in Lee (2002: 2) undertook a cross-country statistical analysis of the effect of minimum wages. This effect was analysed on such factors as poverty, employment, and informalisation in developing (mainly Latin American) countries.

The outcome of this study reveals two interesting conclusions which are contrary to the basic fundamentals of economic theory. Firstly, the study found that \textit{ceteris paribus}, the level of the minimum wage has an insignificant effect on the level of employment. Secondly, the study concluded that changes in the ratio between the minimum wage and the average wage exert no significant impact on the share of the informal economy in South and Central America. This conclusion was arrived at, after analysing economic data in Latin American countries (Lee, 2002: 2).

With regard to the effect of a minimum wage on poverty, it was found that, in one locality, a higher minimum wage is associated with a lower national level of poverty. These conclusions were made after observing the constant level of GDP per capita and the average wage in manufacturing (Lee, 2002: 2). Therefore, it would be fair to say that the results of this study imply that a minimum wage is not a major contributing factor to the size of the informal sector of the Latin American economy.

These findings suggest that minimum wages may contribute towards poverty alleviation (Lee, 2002: 2). Lee adds two other major findings of this study: (i) introducing minimum wages may improve the living conditions of workers and families without negatively affecting employment, and that (ii) contrary to the average wage, the level of minimum wage has no effect on the size of Latin America’s informal economy (Lee, 2002: 2).

In conclusion, as Lee (2002: 2) argues, the outcomes of the above studies suggest that the argument against a minimum wage system in developing countries on the grounds of employment and poverty is not convincing.
3.2.3 Minimum wages – Thailand-Asian case

The ILO (as cited in Lee, 2002) conducted a study to test the view that a minimum wage was one factor responsible for the Asian financial crisis in 1997 – 1998. The ILO tested the argument that the minimum wage was one factor responsible for the diminishing competitiveness of Thailand’s industries which eventually triggered the Asian crisis. In testing the latter, the ILO then conducted research to investigate the relationships between wages and other economic variables (Lee, 2002: 2).

The ILO’s research found that it was not predominantly the level of the minimum wage which prompted falling competitiveness in Thailand. Rather, the study pointed to other macroeconomic factors such as a fixed exchange rate and the declining productivity of Thai industries as major forces behind the crisis in question (Lee, 2002: 2).

The relevance of these findings points to the fact that minimum wages alone can not stabilise conditions in any economy. It should be coupled with other sound macroeconomic fundamentals such as exchange rate, and interest rate policies. For instance, if inflation policies are not managed appropriately, as in the case of the Zimbabwean Labour market, minimum wages would not serve any useful purpose in alleviating poverty.

3.3 Other international experiences

Burkhauser, Couch and Wittenburg (2000) conducted a study to reassess the new economics of the minimum wage literature and report on a number of interesting findings of the studies conducted on the effect of minimum wages on teenage employment. Firstly, they report on the findings of the study that was conducted by Brown, Gilroy and Kohen, (1982) and Brown (1988) which found that “increases in the minimum wage rate had a significant but modest negative effect on the employment of teenagers” (Burkhauser et al., 2000: 654).

During the 1980’s agreements began to develop among researchers, most of which concluded that increases in minimum wages had a modest but negative impact on the
employment of teenagers (Burkhauser et al., 2000: 654). Burkhauser et al. (2000) further report on the results of studies conducted by Card, Kartz and Krueger (1994), and Card and Krueger (1995), which empirically challenge the neoclassical predictions and reveal new evidence that increases in the minimum wage over the last quarter of the 20th century did not have significant effects on the employment of teenagers. Another study conducted by Neumark and Wascher (1994), also found that minimum wage increases over that period (1994) had no significant impact on teenage employment (Burkhauser et al., 2000: 657).

Thus, one can deduce from the above study that historically minimum wage experiences differ from country to country. Whereas the effects on employment of minimum wages in certain countries are reported to be notable, they seem to be insignificant in other countries.

3.4 Some lessons to be learnt by South Africa

Possible lessons could be drawn from the case study evidence for the South African labour market. Evidence obtained from the international case study analyses have proven that in developing, middle-income countries, minimum wages could produce positive as well as negative results for the labour market. Minimum wages could help increase wages for the low-wage, unskilled sectors. This could be accompanied by undesirable consequences of reduced total employment and working hours in that sector. The effect could also be positive with only an insignificant detrimental effect on employment (Rama, 2001 and Lee, 2002).

Based on the Indonesian case it was evident that minimum wages are most likely to reduce employment in small enterprises as opposed to large ones. This point to the fact that minimum wages are ineffective in terms of improving conditions in those sectors characterised by many small enterprises (Rama, 2001: 864). One would thus argue that these small enterprise-concentrated sectors are synonymous with the low-wage,
informal and unprotected sectors which are most likely to be protected by governments through minimum wage policies (Basic Conditions of Employment Act, No 75 of 1997).

On the contrary, evidence obtained from the Latin American findings suggests that minimum wages may contribute towards poverty alleviation while having no negative effect on employment, including on the size of the informal economy (Lee, 2002: 2). Lastly, the Thai findings provide balanced evidence to that of Latin America and Indonesia, that minimum wages could not be effective if applied in macroeconomic conditions that are not stable (Lee, 2002: 2). It thus provides a useful lesson to the would-be minimum wage countries to test their countries economic fundamentals for stability and viability for such labour market policies as the minimum wage.

3.5 The South African experience of minimum wages for domestic workers

Minimum wage regulations for domestic workers in South Africa were only introduced in 2002. The main purpose for their introduction in the South African labour market was to protect the most vulnerable workers (mainly the unskilled workers). The majority of such workers are employed in the informal (unregulated) sectors such as domestic work services, and on farms. In other words it could be said that the introduction of minimum wage regulations was an attempt by the South African government to formalise these sectors in terms of compensation (tangible and intangible) and working conditions (Basic Conditions of Employment Act, No. 75 of 1997).

There are two ways in South Africa, in which minimum wages are determined, namely, sectoral determinations and bargaining councils. Bargaining councils are used in those sectors where collective bargaining is adequate between unions and employers. Sectoral determinations, on the other hand, are used in those sectors in which collective bargaining is not prevalent (Barker, 2007: 111). The Ministry of Labour seeks and obtains advice from the Employment Conditions Commission (ECC) on all matters relating to the Basic Conditions of Employment Act as well as on the making of sectoral determinations (Barker, 2007: 117). In making recommendations on wages there are three crucial factors which are considered by the Employment Conditions Commission,
namely: the ability of workers to successfully execute their activities, cost of living, and activities of new and small enterprises (Barker, 2007: 111).

In May 1999 the Minister of Labour announced his intention to embark upon a process of setting minimum wages for workers in the domestic services sector. This was followed by an investigation by the Department of Labour prior to the implementation of wage settings. The report of this investigation was released in 2001 and submitted to the ECC who by law should advise the Minister of Labour in this regard (Mdladlana, 2001: 2).

As a consequence, five main recommendations were made. Firstly, a minimum wage of R400 and R600 was proposed in rural areas and urban areas, respectively. Secondly, the recommendations suggested three different wages, namely, for urban areas, for rural areas and for those areas which fall between rural and urban. Thirdly, an hourly rate as well as a monthly rate was recommended.Fourthly, a wage reduction of up to 25 percent was recommended where the employer provides accommodation of reasonable standard for the domestic worker. Lastly, it was recommended that wages be increased by 7 percent per annum in the second and third year of sectoral determination (Mdladlana, 2001: 4).

In August 2002, the Minister announced Sectoral Determination 7: domestic worker sector, subsequent to the recommendations of the above investigation report (Department of Labour, 2002: 4). The determination did not tie in with the recommendations of the report in several aspects. Firstly, it made a provision that the payment of differentiated hourly minimum wages were not only going to be based on the municipal council area, but also on the number of hours worked per week. Secondly, the determination only identified two areas (A and B), instead of three as was the case in the report. Thirdly, it stipulated Area A to encapsulate all metropolitan areas (cities and towns), and thus prescribed a minimum wage of R800 per month in this area. Fourthly, in area B which is loosely described as “the rest of South Africa”, the determination prescribed lower minimum wages, and provides that domestic workers who work for 27
or less normal hours per week must be compensated at a higher level than those working more than 27 normal hours per week (Blaauw & Bothma, 2007: 3; Bothma & Campher, 2003: 191). Fifthly, an annual wage adjustment of 8 percent instead of 7 percent, as was prescribed in the report, was stipulated by the determination (Mdladlana, 2001: 4).

Part A of the Sectoral Determination 7: domestic worker sector applies to domestic workers working for or supplied by employment services as well as those working as independent contractors. The determination does not apply to those domestic workers employed on farms where there are other employees performing agricultural work. This is because this category of employees falls under a different sectoral determination also set in terms of the Basic Conditions of Employment Act, No 75 of 1997 for farm workers or they may fall under a bargaining council agreement in terms of the Labour Relations Act 66 of 1995 (Department of Labour, 2002: 3-4).

Part B of this legislation provides for the minimum wage which should be paid to a domestic worker in compensation for his or her services. It stipulates that minimum wages must be based on hours spent by the employees performing their duties. For instance, the employer is obliged to pay a domestic worker who works more than 27 normal work hours per week a different wage rate to the domestic worker who works 27 or less normal hours of work per week. Thus, the part-time domestic worker in Area A who works 27 or less normal hours earns an hourly minimum rate which is 10 percent more than that of a domestic worker working more than 27 normal hours per week (Department of Labour, 2002: 4).

Similarly, a part time domestic worker in Area A still receives a minimum weekly rate of about 15 percent more than those who work more than 27 normal hours per week. However, domestic workers who work more than 27 normal hours per week are favoured in terms of the monthly minimum rates in the sense that they earn a rate that is 34 percent more, relative to part time domestic workers. The picture is, however, completely different when it comes to the monthly minimum rate in Area B, where
domestic workers working more than 27 normal working hours per week are favoured compared to part time domestic workers on both the weekly and monthly minimum rates, with about 34 percent in both instances (Department of Labour, 2002: 4). These figures are reflected in Table 1 below.

**Table 1**

<table>
<thead>
<tr>
<th>Percentage Difference</th>
<th>Category of workers favoured</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hourly rate (%)</strong></td>
<td></td>
</tr>
<tr>
<td>10.0</td>
<td>Workers working 27 normal hours or less per week</td>
</tr>
<tr>
<td><strong>Weekly rate (%)</strong></td>
<td></td>
</tr>
<tr>
<td>15.3</td>
<td>Workers who work 27 normal hours or less per week</td>
</tr>
<tr>
<td><strong>Monthly rate (%)</strong></td>
<td></td>
</tr>
<tr>
<td>34.0</td>
<td>Workers working more than 27 normal hours per week</td>
</tr>
</tbody>
</table>

**Area B**

<table>
<thead>
<tr>
<th>Percentage Difference</th>
<th>Category of Workers Favoured</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hourly rate (%)</strong></td>
<td></td>
</tr>
<tr>
<td>9.91</td>
<td>Workers working 27 normal hours or less per week</td>
</tr>
<tr>
<td><strong>Weekly rate (%)</strong></td>
<td></td>
</tr>
<tr>
<td>34.12</td>
<td>Workers working more than 27 normal hours per week</td>
</tr>
<tr>
<td><strong>Monthly rate (%)</strong></td>
<td></td>
</tr>
<tr>
<td>34.12</td>
<td>Workers working more than 27 normal hours per week</td>
</tr>
</tbody>
</table>

Source: Author’s calculations

Part B also prescribes that the employer must pay a domestic worker for four hours who works for less than four hours (Department of Labour, 2002: 4-5). These different wage rates are outlined in Table 2 and Table 3, respectively.
### Table 2

Minimum wages for domestic workers who work more than 27 ordinary hours per week as determined by the Department of Labour in 2002

<table>
<thead>
<tr>
<th>AREA A</th>
<th>Minimum rates for the period 1 November 2002 to 31 October 2003</th>
<th>Minimum rates for the period 1 November 2003 to 31 October 2004</th>
<th>Minimum rates for the period 1 November 2004 to 31 October 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hourly rate (R)</td>
<td>4,10</td>
<td>4,42</td>
<td>4,77</td>
</tr>
<tr>
<td>Weekly rate (R)</td>
<td>184,62</td>
<td>198,90</td>
<td>214,65</td>
</tr>
<tr>
<td>Monthly rate (R)</td>
<td>800,00</td>
<td>861,90</td>
<td>930,15</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>AREA B</th>
<th>AREAS NOT MENTIONED IN AREA A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum rates for the period 1 November 2002 to 31 October 2003</td>
<td>Minimum rates for the period 1 November 2003 to 31 October 2004</td>
</tr>
<tr>
<td>Hourly rate (R)</td>
<td>3,33</td>
</tr>
<tr>
<td>Weekly rate (R)</td>
<td>150,00</td>
</tr>
<tr>
<td>Monthly rate (R)</td>
<td>650,00</td>
</tr>
</tbody>
</table>

Source: Department of Labour (2002: 6)
The Sectoral Determination 7: domestic worker sector, also prescribes the rate at which wages should be increased by the employers annually. It thus, specifies that all domestic workers should receive a wage adjustment by at least 8 percent on 1 November 2003, as well as on 1 November 2004 (Blaauw & Bothma, 2007: 4). These increases must be based on the worker’s actual wage in the previous month. It further cautions that if the Consumer Price Index (as published by Statistics South Africa), is 10

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**Table 3**

Minimum wages for part time domestic workers who work 27 ordinary hours per week or less as determined by the Department of Labour in 2002

<table>
<thead>
<tr>
<th>AREA A</th>
<th>Minimum rates for the period 1 November 2002 to 31 October 2003</th>
<th>Minimum rates for the period 1 November 2003 to 31 October 2004</th>
<th>Minimum rates for the period 1 November 2004 to 31 October 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hourly rate (R)</td>
<td>4,51</td>
<td>4,87</td>
<td>5,25</td>
</tr>
<tr>
<td>Weekly rate (R)</td>
<td>212,77</td>
<td>131,49</td>
<td>141,75</td>
</tr>
<tr>
<td>Monthly rate (R)</td>
<td>527,67</td>
<td>569,79</td>
<td>614,25</td>
</tr>
</tbody>
</table>

| AREA B | AREAS NOT MENTIONED IN AREA A | Minimum rates for the period 1 November 2002 to 31 October 2003 | Minimum rates for the period 1 November 2003 to 31 October 2004 | Minimum rates for the period 1 November 2004 to 31 October 2005 |
|--------|---------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|
| Hourly rate (R) | 3,66 | 3,95 | 4,26 |
| Weekly rate (R) | 98,82 | 106,65 | 115,02 |
| Monthly rate (R) | 428,22 | 462,15 | 498,42 |

Source: Department of Labour (2002: 7)
percent or more, a domestic employer should pay his or her worker a wage increase that is equivalent to the CPI (Department of Labour, 2002: 5).

In addition, Sectoral Determination 7: domestic worker sector generally grants domestic workers market protection which includes a written contract with their employers, the right to paid leave, the right to severance pay, and the right to notice prior to dismissal. Since May 2003, employers were also required to register any domestic worker in their service, who is required to work for more than 24 hours a week, with the Unemployment Insurance Fund (UIF) and also to withhold UIF contributions from their earnings (Hertz, 2005: 1).

3.6 Minimum wages and employment in South Africa

Minimum wages for domestic workers have now been in effect for almost five years in South Africa (Department of Labour, 2002: 1). Since then, several impact studies have been conducted in South Africa to test the minimum wage effect on employment and other related variables. Hertz (2005: 1) undertook a comprehensive labour market study with the aim of determining the overall impact that minimum wage regulations had on employment levels, hours of work, total earnings, and the conditions of employment of domestic workers. This was achieved by using data from the semi-annual Labour Force Surveys (LFS) of September 2001 to September 2004. This study was conducted by way of an econometric cross-regional, before-and-after comparison and analysis of the labour market variables outlined above.

The results of this study (with no adjustment for other factors that might have affected the market for domestic services) reveal that since the regulations were implemented in 2002, the real average hourly wages of domestic workers have increased by about 20 percent (i.e., from R3.74 in September 2001-February 2002 to R4.45 in mid 2004). Wages increased by almost 22 percent for women and by about 6.6 percent to 12 percent for men, depending on the sample definition (Hertz, 2005: 1). These findings are quite different from those of a survey on minimum wages for domestic workers, conducted by Blaauw and Bothma (2007) in a residential area of Bloemfontein known as
Langenhoven Park. The average hourly cash wage reported in the latter study is R9.73. This average hourly cash wage of R9.73 can be converted into a real average wage, with a given 2006 annual CPIX figure of 5.3 percent, to arrive at a real average wage of R9.28. Thus, when compared to the 2001 average hourly wage of R6.19 (i.e., real average wage of R5.78) in the same area of Langenhoven Park, this figure shows a notable increase of 57.19 percent. However, the real average hourly wage shows a moderate increase of 7.09 percent (Blaauw & Bothma, 2007: 13). One can deduce, therefore, from the results of the two studies that since the implementation of minimum wages in South Africa, average wages increased not only in nominal terms, but also in real terms.

The findings of the Hertz (2005) study show that women’s average hours worked per week declined by 5 percent and men’s by 2 percent. This decrease for men, however, was said not to be statistically significant at 10 percent (Hertz, 2005: 1). These results are similar to those of Blaauw & Bothma (2007: 10), which revealed that changes in the average working hours of domestic workers in Langenhoven Park were insignificant in 2006 at 6.65 average hours worked by domestic workers per day. This decreased slightly from 6.9 average hours in 2001 (Bothma & Campher, 2003: 198).

Full and part-time employment of women (results not adjusted for fulltime equivalency) also dropped, by 10 or 12 percent, whereas employment of men increased by 14 or 15 percent. (Hertz, 2005: 2). Blaauw and Bothma (2007: 9) found that the number of employers who hire a domestic worker once a week has increased considerably from 33.6 percent in 1997 to 41 percent in 2006. They attributed this increase to the increased regulation in the sector.

The outcome of this was that the overall effect of the changes in wages and hours of work (between September 2001 and mid 2004) resulted in employed domestic workers’ average real monthly earnings increasing by about 9 percent for men, and 16 percent for women (Hertz, 2005: 1). Hertz further reports that the total earnings for men increased by about 27 percent and by 3.5 to 5 percent for women (figure not statistically
significant). The combined increase in the earnings for men and women is estimated at a statistically significant number of 8 percent or 9 percent (Hertz, 2005: 2).

Lastly, the findings also show that the rate of compliance in terms of the mandatory written employer-employee contracts and the withholding of UIF contributions by employers were estimated at a figure of less than 30 percent (Hertz, 2005: 2). These findings are quite different from those of the Langenhoven Park study, wherein firstly, it was found that only 24.2 percent (i.e., 74.8 complied) of the employers who hired domestic workers for more than 24 hours per month did not enter into a formal contract of service with their workers. Secondly, the Langenhoven Park study revealed that a similar number of about 22 percent (i.e., 78 percent complied) of employers who hired domestic workers for more than 24 hours per month did not register them with the Unemployment Insurance Fund (UIF) (Blaauw & Bothma, 2007: 11). This implies in terms of Blaauw and Bothma’s (2007) study, that on average 76.4 percent of employers were compliant with both the contract of service and the UIF requirements as opposed to less than 30 percent of compliant employers in Hertz’s (2005) study. This shows that compliance with both the UIF and service contract requirements increased considerably over time.

The econometric results of Hertz’s (2005) study are based on a cross-regional analysis of before/after changes in wages, hours, and jobs, and they generally support the proposition that the introduction of minimum wages caused average wages to rise, and hours of work and total employment to fall. For women, the minimum wage appeared to have no effect on employment in Year 1, but a significant negative effect in Year 2. For men, whose employment rose over time, there is nonetheless a detectable negative effect of the minimum wage, which also appeared to have been stronger in the second year than the first (Hertz, 2005: 1). Although the statistical findings of this study are not the same when compared to those of the studies conducted by Bothma and Campher (2003), and Blaauw and Bothma (2007), they generally came to the same conclusion that average wages in the South African labour market for domestic workers increased notably, while employment has dropped on the other hand. On the same breath, it is
worth noting that Blaauw and Bothma's (2007) findings categorically show that there is an increasing trend by domestic workers’ employers towards hiring workers on a part-time basis.

### 3.7 Conclusions

The cross-regional analysis of Hertz (2005) shows that the introduction of minimum wages in 2002, and the subsequent annual adjustments thereof mainly brought about changes in wages and employment. Whilst employment for men has actually increased by about 15 percent, women’s employment has dropped by a significant 12 percent between September 2001 and mid 2004, but women and men have seen a significant increase in real wages of 20 percent and 12 percent, respectively. This implies that men are winners both in terms of employment gains and wage gains. However, although women seem to be winners by a bigger wage gain of about 8 percent relative to that of men, they are unfortunately net losers in terms of employment.

Therefore, it could be fair to say that minimum wages in this regard have produced two conflicting pieces of evidence. That is, in terms of men, minimum wages have proven to be effective in terms of alleviating poverty for their households – whilst the opposite could be said for women. These results show an interesting men-women employment trade-off wherein men’s employment in the labour market for domestic workers increases, whilst simultaneously women’s employment drops.

It should be emphasised that although the study provides a gender breakdown, which seems to favour men, the results revealed that the overall employment in this sector of the labour market has dropped significantly. This observation confirms the fact that there are very few men employed in this sector. According to Hertz (2005) men employed in the sector for domestic workers constitute only about 17 percent of the entire sector.
Furthermore, although Blaauw and Bothma (2007) and Hertz (2005) show a decline in average hours worked per week, both studies also conclude that the decrease is not statistically significant.

Lastly, Blaauw and Bothma’s (2007) study found that there is a considerable increase in employers who complied with both the contract of service and the UIF requirements. The compliance percentage was found to be an average of 76.4 percent in 2006. However, Hertz’s report showed a contrasting percentage figure of less than 30 percent in this regard. Hertz’s survey’s results, however, cover the period September 2001 to mid 2004. It could be deduced therefore, that compliance of the former variables have increased drastically between the period mid 2004 and 2006 when Blaauw and Bothma’s (2007) study was conducted. Therefore, the results of the two studies are not actually contrasting, but share the same sentiment that employers in the domestic services sector have increasingly been complying with the UIF and contract of service legislative requirements since the introduction of the minimum wages in 2002.
4 RESEARCH METHODOLOGY

4.1 Introduction

In order to investigate the effect of the minimum wage policy on the market for domestic workers in South Africa, two residential areas of Pretoria (Soshanguve and Orchards) were chosen to conduct interviews. This data collection method was used by Blaauw and Bothma (2007: 6) as well as by Bothma and Campher (2003: 194) in similar minimum wages studies. They suggest that instead of applying ambiguous elasticities that are not suited to the domestic worker sector, a structured interview would be a rather more reliable and simpler method to collect data. The aim of this chapter is to explain the research methodology followed in the study.

4.2 Research design

The first step in this study was to undertake a theoretical and literature review which are presented in chapters two and three, respectively. Chapter two focused on the main concepts of the theory of minimum wages and the labour market. Chapter three provided international case study evidence of the effect of minimum wages on the labour market. This was followed by the determination of the research population relevant for this study. An investigation in both a suburb and a township in South Africa, was undertaken as a case study. Hence the suburb of Orchards and township of Soshanguve were identified, based on their proximity to each other. The availability of domestic workers was determined through observation and through informal interviewing of people in those areas.

Soshanguve and Orchards are both located in the North-West part of Pretoria and they have completely different demographic characteristics. Orchards can be regarded as a middle class multi-racial suburb, occupied predominately by Africans (Blacks) and white Afrikaans speaking people. This area is dominated by private houses, although it has several town houses as well. It was also observed that most households employed a
domestic worker in Orchards. A minimum of 85 respondents were required to obtain representative findings.

Soshanguve on the other hand can generally be regarded as a lower to middle class African township. Although Soshanguve is quite a massive residential area as compared to Orchards (roughly 3-4 times the size of Orchards), no town houses were observed in Soshanguve, and the number of households which employ domestic workers is very limited as well. At least 80 respondents were necessary to ensure that results of the study were representative. The following sections in Soshanguve were interviewed, namely, Blocks C, G, F, L, K, CC, and WW.

4.3 Sampling method

In sampling the population targeted for investigation, participants were not randomly selected since not every household had a domestic worker working for it, most especially in Soshanguve. The sampling technique that was used is known as criterion sampling. This sample method was guided by the following principles: During the process of conducting the interviews, all the cases that met the criterion had to be chosen for quality assurance (Jacob, 2007: 35). In this case only households with domestic workers met the criterion to be interviewed. Parallel to this method the purposeful sampling method was used to complement criterion sampling. This method requires that the researcher selects information-rich cases and allows the population size and specific cases to be dependent on the study purpose. The main advantage of this method is that it allows the researcher to target those places where the information required is in abundance to ensure that the investigation is comprehensive (Jacob, 2007: 34).

Furthermore, the sampling process also practically involved some degree of convenience sampling. This is firstly because in the circumstances where the domestic worker was not present during the time of the visit in that household, the fieldworker requested the employer to respond on behalf of the employee. Second, if the field
workers met a domestic employer while moving from one house to another in the street, they were instructed to interview the domestic worker in question if possible. This method enhanced the generalisability of the study in terms of the number of sections which were covered in the process, “… without falling into the trap of not being able to evaluate the ‘goodness’ of the sample” (Williams, Sweeney & Anderson, 2006: 301). As such it was estimated that a total of between 160 and 180 interviews had to be conducted across the two respective areas.

4.4 Questionnaire design

The questionnaire used by Blaauw and Bothma in their 2007 study was adopted as an appropriate design for the current survey. The questionnaire was in the form of a structured interview. According to Bless & Higson-Smith (1995: 111), “… this method can help to prevent misunderstandings and misinterpretations of questions”. The questionnaire is attached in Appendix A. The first part of the questionnaire focused on the demographic characteristics of the domestic workers in those areas. This section included questions relating to age, education and number of dependents, and the domestic workers’ place of residence. Domestic workers were further asked to specify the tasks that they were hired to perform as well as the number of households (employers) that they work for. This question was used to establish how many of them were working for more than one employer (Blaauw & Bothma, 2007: 7).

Employers were required to respond to questions pertaining to the size of the household, number of working days for their domestic workers, their number of working hours per week and whether there was any signed up employment contract. In addition, employers had to provide information pertaining to the employees’ level of remuneration. This was achieved by having them respond to questions relating to whether their workers were paid on a weekly or monthly basis, how much their cash payment was, and if their workers were provided with money for transport.
4.5 Fieldworkers

Two suitable field workers were recruited to assist in conducting the interviews. The study benefited from the close proximity of the Tshwane University of Technology (TUT) to the areas targeted for interviews in Soshanguve. The fieldworkers were both final year students doing National Diplomas in Accounting and Auditing, respectively at TUT, and can speak several of the official languages prevalent in the two areas of the field study. They are also both in the student representative council at TUT for the third consecutive year, and have been involved in a number of structured oral and written student awareness, attitude, and prevalence survey projects for the student representative council.

They were both provided with appropriate training prior to them commencing with this activity. To ensure that these fieldworkers were sufficiently proficient in carrying out their interviewing activities, they were given theoretical coaching as well as taken through a number of questionnaire completion simulation exercises. Although they were both willing to volunteer their services to undertake this activity, the fieldworkers were recruited on a paid part-time employment basis in order to try and motivate them to excel in their performance.

4.6 Fieldwork

When conducting a fieldwork study, timing is crucial in order to gather the best possible data. Factors such as seasonality had to be taken into cognisance when planning the fieldwork. Other factors such as the lifestyle of the target population were also taken into account. The data was collected between the second week of June and the third week of July 2007. Since the fieldwork had to be done in winter and the survey targeted mainly the employers, most of whom are working during the day interviews had to be conducted between 17h00 and 19h00 during the week and between 10h00 and 16h00 during weekends. These times were deliberately chosen to accommodate the targeted research participants’ different life styles, such as people who are working and mostly
knocking off at 16h00-16h30 during the week and knocking off at 12h00-14h00 on Saturdays as well as those who attend church (8h00-10h00) on Sundays.

The months of June and July were devoted to going around the two residential areas and physically interviewing domestic workers in various sections of the chosen areas based on a standardised set of questions. The data was cleaned and all questionnaires with misinterpreted (flawed) responses were eliminated. The cleaned data was then computed to derive the percentages and frequencies of the relevant research dimensions under investigation; such as earnings (per hour, per day and per month) and employment (hours of work per day and days of work per week). These results are depicted in chapter five.

In instances where domestic workers were not found (especially during weekends), employers were requested to also respond to the questions relating to the demographics of their employees. When a suspicious response was given by the employer the questionnaire was regarded as spoiled and was excluded from the survey.

All the completed questionnaires of acceptable quality were taken to the University of Johannesburg’s Statistical Consultation Service (STATKON) for data capturing and descriptive analysis. This data was used for the purpose of analysis in order to meet the study objectives set out in chapter one. The results are presented in the subsequent chapters of this study.

4.7 Conclusions

In this chapter a comprehensive overview of the research methodology applied in this study was presented. A detailed discussion is outlined of the process undergone to investigate the research problem presented in chapter one. The two residential areas of Pretoria (Soshanguve and Orchards) in which the study took place were identified and the rationale behind their selection was also explained.
The study relied on the data collection method of structured interviews which was used by Blaauw and Bothma (2007), and Bothma and Campher (2003). Various data sampling techniques used in the study and their benefits are explained in terms of how they support the objectives as well as the representativeness of the study, namely criterion sampling, purposeful sampling and convenience sampling.

Important to note also is the adoption of the questionnaire used by Blaauw and Bothma in their 2007 study as a suitable design for the present study’s research problem. Issues relating to the process of recruiting and training suitable fieldworkers were also described together with critical timing factors which were considered in the planning stage of the fieldwork. These factors included seasonality, the lifestyle and cultural norms of the targeted communities and the appropriate time at which data could be obtained.

The fieldwork was undertaken between the second week of June and the third week of July 2007. Completed and acceptable questionnaires were taken to the University of Johannesburg’s Statistical Consultation Service (STATKON) for data capturing and descriptive analysis. This data was used for analysis purposes in order to achieve the study objectives set out in chapter one. The results are outlined in the subsequent chapters of this study.
5 ANALYSIS AND INTERPRETATION OF RESULTS

5.1 Introduction

The purpose of this case study was particularly to determine the minimum wage effect on employment and on conditions of employment in the market for domestic workers in South Africa. In this regard, data was collected by means of a survey in the form of structured interviews, in two residential areas of Pretoria (Soshanguve and Orchards), which were conducted during June and July 2007, as a case study. The main aim of this chapter is to analyse the results of this 2007 Soshanguve/Orchards empirical study under the following dimensions: domestic workers, employment, hours worked, wages, compliance of employers with the Unemployment Insurance Fund (UIF) requirements, and compliance of employers with employment contract requirements.

The analysis will be in the form of reporting on the results from both areas where the study was undertaken. It will take the form of a qualitative and quantitative comparison of the two respective residential areas concerned, since they have different socio-economic and historical characteristics. The data will also be compared to other similar micro studies elsewhere in South Africa.

5.2 Domestic workers

In total, 176 (i.e., 89 in Soshanguve and 87 in Orchards) domestic workers and/or their employers were interviewed in both Soshanguve and Orchards. Out of these 176 questionnaires, 5 (1 from Orchards and 4 from Soshanguve) were spoiled and hence eliminated. This brings the total number of questionnaires that were completed in good order to 171. The following paragraphs report on the demographic characteristics of the domestic workers in the two areas.

On average the workers involved in this study were 33.83 years of age. The youngest and oldest being 18 and 61 years of age, respectively. When comparing the two areas,
Orchards relatively had the oldest (an average age of 34.83 years) of the employees on average as compared to Soshanguve (an average age of 32.80 years). This average figure is significantly lower than an average age of 43.3 recorded in the (Blaauw & Bothma, 2007: 7) study of Langenhoven Park in Bloemfontein. This figure is also notably lower relative to that of the Bothma and Campher (2003: 197) study, who recorded an average age of 42.6 years for Langenhoven Park in Bloemfontein. Table 4 below shows that in both areas domestic workers have on average about 2 children.

Table 4: Number of children per domestic worker in Orchards and Soshanguve in 2007

<table>
<thead>
<tr>
<th>Number of Children per domestic worker</th>
<th>Orchards</th>
<th></th>
<th></th>
<th>Soshanguve</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of domestic workers with children</td>
<td>Domestic workers with children (%)</td>
<td>Number of Children per domestic worker</td>
<td>Number of domestic workers with children</td>
<td>Domestic workers with children (%)</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>26</td>
<td>32.1</td>
<td>1</td>
<td>22</td>
<td>31</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>33</td>
<td>40.7</td>
<td>2</td>
<td>30</td>
<td>42.3</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>14</td>
<td>17.3</td>
<td>3</td>
<td>14</td>
<td>19.7</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>5.6</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>2</td>
<td>2.5</td>
<td>6</td>
<td>1</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>1</td>
<td>1.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>1</td>
<td>1.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>81</td>
<td>100</td>
<td>Total</td>
<td>71</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey data

Figure 1 below presents the percentage of domestic workers with formal education in Orchards and Soshanguve in 2007. As illustrated in this figure the level of education is relatively low; both in Soshanguve and in Orchards. Furthermore, 63 percent of the respondents had no formal education at all and only 37 percent of them had achieved some level of formal education in Orchards. In Soshanguve the picture is very similar with 65 percent of the respondents having no formal education and 35 percent of them with some level of education.
Figure 1: Percentage of domestic workers with formal education in Orchards and Soshanguve, Pretoria in 2007

<table>
<thead>
<tr>
<th>Education levels of domestic workers in Orchards</th>
<th>Education levels of domestic workers in Soshanguve</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic workers with some formal education</td>
<td>Domestic workers with some formal education</td>
</tr>
<tr>
<td>Domestic workers without any formal education</td>
<td>Domestic workers without any formal education</td>
</tr>
</tbody>
</table>

Source: Survey data

These results are generally worse-off when compared to Bothma and Campher (2003: 198), who reported that only 25 percent have no formal education at all, 42.3 percent had achieved their primary education and 32.7 percent had attained their secondary education level in Langenhoven Park in Bloemfontein in 2001. Blaauw and Bothma (2007: 8), who also conducted a similar study at Langenhoven Park in Bloemfontein in 2006, report that only 19.7 percent of domestic workers did not undergo any formal schooling at any stage in their lives.

One could argue, therefore, that the differential skill levels between the two areas (Orchards and Soshanguve), although not considerably significant, could be attributed to the two areas’ social status. Orchards as an elites’ area is expected to employ more skilled workers than Soshanguve which is a residential area with bigger variance in the social status of its dwellers.

Table 5 below shows the education level of domestic workers who achieved some formal education at any stage in their lives in Orchards and Soshanguve in 2007.
Table 5: Education level of domestic workers with formal education in Orchards and Soshanguve in 2007

<table>
<thead>
<tr>
<th>Soshanguve</th>
<th></th>
<th>Orchards</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Education level (Grades)</td>
<td>Domestic workers with some formal education (%)</td>
<td>Education level (Grades)</td>
<td>Domestic workers with some formal education (%)</td>
</tr>
<tr>
<td>4</td>
<td>2.7</td>
<td>1</td>
<td>3.4</td>
</tr>
<tr>
<td>5</td>
<td>5.4</td>
<td>5</td>
<td>10.3</td>
</tr>
<tr>
<td>6</td>
<td>5.4</td>
<td>6</td>
<td>3.4</td>
</tr>
<tr>
<td>7</td>
<td>13.5</td>
<td>7</td>
<td>17.2</td>
</tr>
<tr>
<td>8</td>
<td>21.6</td>
<td>8</td>
<td>17.2</td>
</tr>
<tr>
<td>9</td>
<td>10.8</td>
<td>9</td>
<td>13.8</td>
</tr>
<tr>
<td>10</td>
<td>8.1</td>
<td>10</td>
<td>10.3</td>
</tr>
<tr>
<td>11</td>
<td>18.9</td>
<td>11</td>
<td>6.9</td>
</tr>
<tr>
<td>12</td>
<td>13.5</td>
<td>12</td>
<td>17.2</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey data

The lowest and highest levels of education achieved by domestic workers in Orchards and Soshanguve are grades 4 and 12, and grades 1 and 12, respectively. Of those with some form of education, the average domestic worker’s highest level of formal education in both areas is grade 8. Furthermore, 52 percent had achieved primary school education and 48 percent had achieved secondary education in Orchards. In Soshanguve, however, 49 percent had achieved primary education, whereas 51 percent had secondary education.

These results are slightly higher when compared to those of Langenhoven Park in Bloemfontein in 2001, which reports that 42.3 percent and 32 percent of domestic workers in that area had only attained primary and secondary school level, respectively (Bothma & Campher, 2003: 198). The Orchards/Soshanguve results are somewhat comparable to the results of Blaauw and Bothma (2007) in Langenhoven Park, Bloemfontein in 2006 which shows 53.8 percent of respondents having not attained secondary education level. The improvement in the situation in Langenhoven Park can, to some extent, be attributed to the government’s basic education initiatives (Blaauw & Bothma, 2007: 8).
5.3 Employment

5.3.1 Duties

In terms of this dimension there seem to be significant differences between domestic workers in Soshanguve and Orchards. A total of 86 and 84 domestic workers, respectively were asked to respond to the question: Which of the following duties do you perform, namely: cleaning, washing, ironing, cooking, and caring for children/old people? Table 6 below presents a breakdown of the various tasks performed by domestic workers in Orchards and Soshanguve in 2007.

**Table 6**: Composition of duties performed by domestic workers in Orchards and Soshanguve in 2007

<table>
<thead>
<tr>
<th>Duties</th>
<th>Unit</th>
<th>Orchards</th>
<th>Soshanguve</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleaning</td>
<td></td>
<td>79</td>
<td>52</td>
<td>65.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>91.90%</td>
<td>61.90%</td>
<td>76.90%</td>
</tr>
<tr>
<td>Washing</td>
<td></td>
<td>81</td>
<td>78</td>
<td>79.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>94.20%</td>
<td>91.80%</td>
<td>93%</td>
</tr>
<tr>
<td>Ironing</td>
<td></td>
<td>75</td>
<td>77</td>
<td>76</td>
</tr>
<tr>
<td></td>
<td></td>
<td>88.20%</td>
<td>90.60%</td>
<td>89.40%</td>
</tr>
<tr>
<td>Cooking</td>
<td></td>
<td>25</td>
<td>7</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>31.60%</td>
<td>9.10%</td>
<td>20.35%</td>
</tr>
<tr>
<td>Care for children/old age people</td>
<td></td>
<td>61</td>
<td>17</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td></td>
<td>70.90%</td>
<td>20.70%</td>
<td>45.80%</td>
</tr>
</tbody>
</table>

Source: Survey data

A significant number of 79 domestic workers (or 91.9 percent) in Orchards were doing cleaning as part of their job description, whereas in Soshanguve 52 respondents (61.9
percent) were also doing cleaning. Laundry was performed by 94.2 percent of domestic workers (81 respondents) and 91.8 percent (78 respondents) of domestic workers in Orchards and Soshanguve, respectively. Ironing on the other hand was done by 75 respondents (88.2 percent) in Orchards and 77 respondents (90.6 percent) in Soshanguve. Cooking was the responsibility of 25 respondents (31.6 percent) in Orchards and only 7 respondents (9.1 percent) in Soshanguve. Care for children/old people was executed by 61 respondents (70.9 percent) in Orchards and 17 respondents (20.7 percent) in Soshanguve.

One would attribute the considerably higher figure of domestic workers doing caring for children as one of their duties in Orchards to the fact that Orchards is a newer and relatively youthful area, relative to Soshanguve which is a very old township and with more elderly people whose children are older and living on their own.

Table 6 above also shows that in general an average domestic worker in Orchards and Soshanguve is mainly employed to perform washing, ironing and cleaning, with an average of 93 percent, 89 percent and 76 percent, respectively. It is not surprising to find washing and ironing with a close average figure, since the two job activities are complementary to each other. Notable also in this table, is the low general average for cooking of 20.35 percent. This implies that in general domestic workers in Orchards and Soshanguve are not employed to perform cooking. A possible explanation for this low average figure is the fact that in most cases domestic workers look after the homes of employers who are not present during the day. This figure thus shows that only a few employers in these areas would still require their domestic workers to cook for them in their absence. In general, one would deduce that domestic workers in Orchards are mainly employed to do all duties except cooking, whilst domestic workers in Soshanguve are employed to perform all duties except cooking and caring for children.

Table 7 below presents a comparison of duties performed by domestic workers in Orchards and Soshanguve in 2007, with the same duties in Langenhoven Park, Bloemfontein in 2001 and 2006.
Table 7: Composition of duties performed by domestic workers in Orchards and Soshanguve, compared to Langenhoven Park in Bloemfontein in 2001 and 2006

<table>
<thead>
<tr>
<th>Groups</th>
<th>Langenhoven Park, Bloemfontein</th>
<th>Orchards</th>
<th>Soshanguve</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duties</td>
<td>2001</td>
<td>2006</td>
<td>2007</td>
</tr>
<tr>
<td>Cleaning</td>
<td>99.20%</td>
<td>100%</td>
<td>91.90%</td>
</tr>
<tr>
<td>Washing</td>
<td>65.10%</td>
<td>62%</td>
<td>94.20%</td>
</tr>
<tr>
<td>Ironing</td>
<td>93.80%</td>
<td>84%</td>
<td>88.20%</td>
</tr>
<tr>
<td>Cooking</td>
<td>20.70%</td>
<td>15%</td>
<td>31.60%</td>
</tr>
<tr>
<td>Care for children/old age people</td>
<td>7.90%</td>
<td>14%</td>
<td>70.90%</td>
</tr>
</tbody>
</table>

Sources: Bothma and Campher (2003: 199); Blaauw and Bothma (2007: 10)

Survey data

Domestic services for washing and caring for children at Orchards and Soshanguve in 2007 occur far more frequently in comparison to the same services which were offered in Langenhoven park in 2001 and 2006. The Langenhoven park figures for washing are recorded in the region of 62 to 65 percent, whilst the Orchards/Soshanguve figures in the region of 90 percent and higher. The figures for caring for children are also higher, with Orchards recording a significant figure of 70.9 percent and only 20.7 percent for Soshanguve. The caring figures in Langenhoven Park are below 15 percent, both in 2001 and 2006. The cleaning figure in Langenhoven Park was 100 percent in 2006 and nearly 100 percent (99.20 percent) in 2001, whilst in Orchards and Soshanguve this figure was lower at 91.9 percent and 61.9 percent, respectively. Ironing is comparable in the two areas in the range of 80 to 90 percent. In terms of cooking, the difference between the 2001 and 2006 Langenhoven Park studies, and the 2007 Orchards and Soshanguve study is fairly marginal as well.

5.3.2 Domestic workers with two or more jobs

Figure 2 below depicts the percentage of domestic workers working in more than one household in Orchards and Soshanguve in 2007.
Only 7 percent of domestic workers in Orchards work in more than one household. Important to note is the fact that nearly half (49.4 percent) of the domestic workers in Soshanguve are working for more than one employer. This could be correlated to the very low level of salaries prevailing in Soshanguve as compared to salaries in Orchards. It could therefore be deduced that domestic workers in Soshanguve are making an attempt to supplement their salaries by holding multiple jobs. This could also be explained by a notably lower average of days per month (16.68 days) worked by domestic workers in Soshanguve as compared to an average of 22.07 days worked by domestic workers in Orchards.

5.3.3 Domestic workers working in houses and townhouses

A significant 86.2 percent of domestic workers in Orchards are employed in free standing houses while only 13.8 percent of them are working in townhouses. In Soshanguve, 85.9 percent of domestic workers are employed in free standing houses and 14.1 percent are working in townhouses. This is illustrated in figure 3 below.
Figure 3: Percentage of employers hiring domestic workers in free standing homes and in clusters/townhouses in Orchards and Soshanguve, Pretoria in 2007

One could argue that the differential percentage of employers hiring domestic workers in free standing homes and in clusters or townhouses in Orchards and Soshanguve is insignificant. It would thus, be interesting to find a possible explanation for this high demand for domestic service in houses in both residential areas (Orchards being a suburb and Soshanguve being a township).

One would expect that the greater the size of the household, the lesser should be the demand for domestic services, especially when the household is mainly composed of elderly people who can provide for these services themselves. On the other hand one would argue that the smaller the size of the household, the greater the demand for domestic services, especially when the household mainly consists of young inhabitants who are dependent on others for the provision of the domestic services. It would appear that these two arguments could be the possible explanation for the high demand in houses in the two residential areas. The first argument could hold for Soshanguve which is an older residential area and with older household members than Orchards. The second argument could apply to Orchards with the age and household size characteristics being younger and smaller, respectively, than those in Soshanguve.
If the above arguments hold true, the implication would therefore be that in Soshanguve, although the family is big in terms of size and age to provide for themselves, it would appear that it is not the case. This could be as a result of other socio-economic demands facing family members on a daily basis. This could include employment, schooling by the children and parents, sporting activities, church and other social community activities. The fact that these areas have few townhouses is in all probability the most plausible explanation.

Table 8 presents a comparison of the proportion of domestic workers’ employers living in free standing houses and townhouses between 2001 and 2006 at Langenhoven Park in Bloemfontein and in 2007 at Orchards and Soshanguve in Pretoria.

Table 8: Percentage of employers for domestic workers living in houses and townhouses in Orchards and Soshanguve, Pretoria in 2007 compared to Langenhoven Park in Bloemfontein in 2001 and 2006

<table>
<thead>
<tr>
<th>Group</th>
<th>Period</th>
<th>Langenhoven Park, Bloemfontein</th>
<th>Orchards &amp; Soshanguve, Pretoria</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2001</td>
<td>2006</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Houses</td>
<td>Townhouses</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Period</td>
<td></td>
<td>2001</td>
<td>2006</td>
</tr>
<tr>
<td></td>
<td></td>
<td>52.7</td>
<td>47.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>86.05</td>
<td>13.95</td>
</tr>
<tr>
<td>Sources: Bothma and Campher (2003: 198); Blaauw and Bothma (2007: 8); Survey data</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Worth noting on this table is the fact that employers of domestic workers who live in freestanding houses have decreased, from 52.7 percent in 2001 to 50.76 percent in 2006 at Langenhoven Park in Bloemfontein. This should not be surprising as Langenhoven Park developed as a suburb with a large number of townhouse complexes as opposed to free standing houses. This figure was recorded at 86.05 percent in 2007 in Orchards and Soshanguve. The percentage of employers living in townhouses has consequently increased slightly from 47.3 percent to 49.24 percent at Langenhoven Park in Bloemfontein between 2001 and 2006. This figure was lower in Orchards and Soshanguve in 2007, recorded at 13.95 percent.
5.3.4 Hours worked

Table 9 below depicts the average number of hours worked by domestic workers per day in the suburb of Orchards and the township of Soshanguve in 2007.

Table 9: Average hours worked by domestic workers per day in Orchards and Soshanguve, Pretoria in 2007

<table>
<thead>
<tr>
<th>Group</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orchards</td>
<td>87</td>
<td>4</td>
<td>10</td>
<td>7.13</td>
</tr>
<tr>
<td>Soshanguve</td>
<td>79</td>
<td>3</td>
<td>8</td>
<td>6.03</td>
</tr>
<tr>
<td>Orchards and Soshanguve</td>
<td>166</td>
<td>3</td>
<td>10</td>
<td>6.58</td>
</tr>
</tbody>
</table>

Source: Survey data

The average hours worked by domestic workers in Orchards is 7.13 hours per day, whilst the average hours worked by domestic workers in Soshanguve is 6.03 hours. The general average hours worked is therefore 6.58 hours per day in both Soshanguve and Orchards. This figure is slightly lower relative to the average hours worked in 2001 of 6.9 hours per day, recorded at Langenhoven Park in Bloemfontein (Bothma & Campher, 2003: 198). In 2006 the average hours worked per day at Langenhoven Park in Bloemfontein stood at 6.65 (Blaauw & Bothma, 2007: 10).

In 2007, 17.4 percent of employers hired domestic workers for 7 hours per day in Orchards; 40 percent of them hired domestic workers for 8 hours per day and 17.2 percent of them for 9 hours per day. In Soshanguve, however, a lower 26.6 percent of employers hired domestic workers for 7 hours per day, 21.5 percent hired domestic workers for 8 hours per day and 26.6 percent of them hired domestic workers for 9 hours per day.
5.3.5 Days per week domestic workers are employed

Table 10 below presents the number of days that employers hired their domestic workers per week in Orchards and Soshanguve, Pretoria in 2007.

**Table 10:** Number of days per week that employers were hiring their domestic workers in Orchards and Soshanguve, Pretoria in 2007

<table>
<thead>
<tr>
<th>Number of days per week</th>
<th>Orchards</th>
<th>Soshanguve</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of employers (%)</td>
<td>Number of employers (%)</td>
</tr>
<tr>
<td>2 days</td>
<td>3 (3.4)</td>
<td>1 day</td>
</tr>
<tr>
<td>3 days</td>
<td>5 (5.7)</td>
<td>2 days</td>
</tr>
<tr>
<td>4 days</td>
<td>6 (6.9)</td>
<td>3 days</td>
</tr>
<tr>
<td>5 days</td>
<td>45 (51.7)</td>
<td>4 days</td>
</tr>
<tr>
<td>6 days</td>
<td>26 (29.9)</td>
<td>5 days</td>
</tr>
<tr>
<td>7 days</td>
<td>2 (2.3)</td>
<td>6 days</td>
</tr>
<tr>
<td>Total</td>
<td>87 (100)</td>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Survey data

The minimum number of days of work in Orchards for which employers hired domestic workers per week is 2 days and the maximum is 7 days. The corresponding percentage of employers who hired domestic workers for 2 days per week is 3.4 percent and 2.3 percent for 7 days. In Orchards the majority (51.7 percent) of employers hired their domestic workers for 5 days and the second most (29.9 percent) hired them for 6 days. The least number (2.3 percent) of employers in Orchards hired their domestic workers for 7 days. It could therefore be concluded that a significant number of 81.6 percent of employers in Orchards, hire their domestic workers for 5 and 6 days. This implies that most domestic workers in Orchards are hired on a full time basis.

In Soshanguve, however, the minimum number of days of work in which employers hire domestic workers per week is 1 day and the maximum is 6 days, with corresponding percentages of 8.1 percent and 5.9 percent respectively. Similarly to Orchards, most employers (34 percent) in Soshanguve hire their domestic workers for 5 days. However, unlike in Orchards, the second highest number of employers (16 percent) in
Soshanguve hire their domestic workers for only 2 days. Furthermore, in Soshanguve the majority of employers (94.1 percent) hired their domestic workers for a period of 5 days and less. This means that the remaining 5.9 percent of employers hire domestic workers for 6 days while no employer in Soshanguve hired their domestic workers for 7 days. Most domestic workers in Soshanguve are therefore hired on a part time basis.

It should be stressed that the biggest difference between these residential areas is the fact that employers in Orchards have a greater demand for domestic services for more days per week (i.e., 5 and 6 days), whilst in Soshanguve the greatest demand for domestic services is for 5 days and less. It should also be emphasised that generally, no employers are willing to hire domestic workers for 7 days in both the suburb and in the township. Only 2.3 percent employers in Orchards hired their domestic workers for 7 days and Soshanguve demanding none for 7 days.

5.4 Wages

Figure 4 below shows the breakdown of different payment methods used by employers in Orchards and Soshanguve in 2007.

**Figure 4**: Employers’ distribution of payment frequencies in Soshanguve and Orchards, Pretoria in 2007

<table>
<thead>
<tr>
<th>Employers’ frequency of payment for domestic workers (Orchards)</th>
<th>Employers’ frequency of payment for domestic workers (Soshanguve)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employers who pay their domestic workers weekly 2.50%</td>
<td>Employers who pay their domestic workers weekly 5.20%</td>
</tr>
<tr>
<td>Employers who pay their domestic workers monthly 97.50%</td>
<td>Employers who pay their domestic workers monthly 94.80%</td>
</tr>
</tbody>
</table>

Source: Survey data
In 2007 only 2.5 percent of employers in Orchards paid their domestic workers weekly, whilst 97.5 percent of them paid their domestic workers on a monthly basis. In Soshanguve the situation is somewhat similar. The weekly payment figure stood at 5.2 percent and the monthly figure at 94.8 percent. The common denominator in these two residential areas is the fact that the vast majority of employers prefers to pay their domestic workers on a monthly basis. This could possibly be explained by the fact that most of the employers for domestic workers are also employees in other sectors of the economy who earn a salary on a monthly basis.

In Orchards, 1.1 percent of the respondents are the least paid earners who earn R300 per month. The same percentages of respondents earn the highest salary of R1800 per month. In Soshanguve, however, the least paid earners earn R60 and the most paid earners earn R1500 per month. The proportion of those who earn R60 and R1500 is 1.2 percent in both instances. On average a domestic worker in Orchards earns R833.68 per month and one in Soshanguve earns R555.29.

Figure 5 below presents the distribution of the monthly salaries of domestic workers in Orchards and Soshanguve in 2007.

**Figure 5: Domestic workers’ monthly salaries in Orchards and Soshanguve, Pretoria in 2007**

Source: Survey data
Figure 5 shows that there is no domestic worker earning a salary within the range of R60 and R299 per month in Orchards. The percentage of domestic workers earning within this lowest salary range per month in Soshanguve is 7.06 percent. In Orchards 1.15 percent of domestic workers earn between R1700 and R1899 per month. The highest salary range in Soshanguve is from R1500 and R1699 per month, with Orchards accounting for 2.3 percent and Soshanguve 1.18 percent of domestic workers earning within that range.

It could be estimated that the people who earn within the salary ranges R1100 to R1299; R1500 to R1699 and R1700 to R1899 are the ones whose salaries mainly comply with the 2007 minimum wage of R1066.83 per month, although there will be a few in the upper level of the R900 to R1099 salary range. This picture tells the story that there are generally, more employees who are earning below rather than above the minimum monthly wage level in both areas. Orchards, however, has more minimum wage complied salaries compared to Soshanguve.

Table 11 below presents the 2006 and 2007 hourly, weekly and monthly minimum wages for domestic workers who work more than 27 ordinary hours per week and for domestic workers who work 27 ordinary hours per week or less in both urban and rural areas, named Area A and Area B, respectively. These minimum wages are prescribed by the Ministry of Labour, and all employers hiring domestic workers are by law obliged to adhere to them.

<table>
<thead>
<tr>
<th>Area A</th>
<th>Minimum rates for the period 1 December 2005 to 30 November 2006</th>
<th>Minimum rates for the period 1 December 2006 to 30 November 2007</th>
<th>Minimum rates for the period 1 December 2007 to 30 November 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hourly Rate (R )</td>
<td>5.11</td>
<td>Hourly Rate (R )</td>
<td>5.47</td>
</tr>
<tr>
<td>Weekly Rate (R )</td>
<td>230.10</td>
<td>Weekly Rate (R )</td>
<td>246.21</td>
</tr>
<tr>
<td>Monthly Rate (R )</td>
<td>997.04</td>
<td>Monthly Rate (R )</td>
<td>1066.83</td>
</tr>
</tbody>
</table>
### Minimum wages for domestic workers who work 27 ordinary hours per week or less*

<table>
<thead>
<tr>
<th>Area A</th>
<th>Minimum rates for the period 1 December 2005 to 30 November 2006</th>
<th>Minimum rates for the period 1 December 2006 to 30 November 2007</th>
<th>Minimum rates for the period 1 December 2007 to 30 November 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hourly Rate (R)</td>
<td>6.04</td>
<td>Hourly Rate (R)</td>
<td>6.46</td>
</tr>
<tr>
<td>Weekly Rate (R)</td>
<td>163.08</td>
<td>Weekly Rate (R)</td>
<td>174.50</td>
</tr>
<tr>
<td>Monthly Rate (R)</td>
<td>706.63</td>
<td>Monthly Rate (R)</td>
<td>756.09</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Area B</th>
<th>Minimum rates for the period 1 December 2005 to 30 November 2006</th>
<th>Minimum rates for the period 1 December 2006 to 30 November 2007</th>
<th>Minimum rates for the period 1 December 2007 to 30 November 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hourly Rate (R)</td>
<td>4.90</td>
<td>Hourly Rate (R)</td>
<td>5.24</td>
</tr>
<tr>
<td>Weekly Rate (R)</td>
<td>132.3</td>
<td>Weekly Rate (R)</td>
<td>141.56</td>
</tr>
<tr>
<td>Monthly Rate (R)</td>
<td>573.26</td>
<td>Monthly Rate (R)</td>
<td>613.39</td>
</tr>
</tbody>
</table>

The official CPIX for October 2006 was 5% therefore the increase to the minimum wage has been calculated as 5% + 2% = 7%. The domestic worker minimum wage increase for the period 1 December 2006 to 30 November 2007 is therefore 7% as reflected in the table above.

Source: Department of Labour (2006: 1 – 2).

The table shows that in 2006 in Area A (i.e., urban areas) the hourly, weekly and monthly minimum wages for domestic workers who worked more than 27 ordinary hours per week were R5.11, R230.10 and R997.04, respectively. In Area A and for the same category in 2007 the hourly, weekly and monthly minimum wages 2007 were R5.47,
R246.21 and R1 066.83, respectively. In Area A, the hourly, weekly and monthly minimum wages for domestic workers who worked 27 ordinary hours per week or less in 2006 and 2007 were lower compared to the domestic workers who worked more than 27 ordinary hours per week. In 2006 these figures stood at R6.04, R163.08 and R706.63, respectively and in 2007 they stood at R6.46, R174.50 and R756.09 respectively.

In Area B (i.e., in rural areas) the monthly minimum wages for domestic workers who worked more than 27 ordinary hours per week in 2006 were lower than those in Area A. The minimum wage was R4.15 for hourly, R186.69 for the weekly and R808.92 for the monthly rates. In 2007 these figures were slightly higher at R4.44 for the hourly rate, R199.76 for the weekly rate and R865.54 for the monthly rate.

The minimum wages for domestic workers who worked 27 ordinary hours per week or less in 2006 were R4.90, R132.3 and R573.26 per hour, week and month, respectively. The corresponding minimum wages for 2007 were R5.24, R141.56 and R613.39, respectively.

Two critical conclusions can be drawn from this table with regard to minimum wages: firstly, that rural minimum wages are generally lower than the urban ones and secondly, that the minimum wage rates for domestic workers who worked more than 27 ordinary hours per week were lower than of those who worked 27 ordinary hours per week or less. Table 12 below shows the general average wage per day earned by a domestic worker in Orchards and Soshanguve in 2007.

**Table 12:** Domestic workers’ average compensation per day in Soshanguve and Orchards, Pretoria in 2007

<table>
<thead>
<tr>
<th>Days</th>
<th>Number</th>
<th>Minimum (R)</th>
<th>Maximum (R)</th>
<th>Mean (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Days</td>
<td>7</td>
<td>60</td>
<td>265</td>
<td>98.2143</td>
</tr>
<tr>
<td>2 Days</td>
<td>19</td>
<td>20.45</td>
<td>105.56</td>
<td>54.2929</td>
</tr>
<tr>
<td>3 Days</td>
<td>14</td>
<td>23.08</td>
<td>92.31</td>
<td>50.8791</td>
</tr>
<tr>
<td>4 Days</td>
<td>20</td>
<td>14.71</td>
<td>61.76</td>
<td>33.7647</td>
</tr>
<tr>
<td>5 Days</td>
<td>79</td>
<td>15.91</td>
<td>81.82</td>
<td>36.3464</td>
</tr>
</tbody>
</table>
The one-day average pay for a domestic worker in Orchards and Soshanguve was R98.21, and the seven-day average pay for a domestic worker in both areas was R35. This implies that on average the majority of domestic workers earned between R35.5 and R98 per day since the majority of employers in 2007 hired their domestic workers for 6 days and less, with of course, a very insignificant number of employers hiring their domestic workers for seven days as mentioned in section 5.4.1. The table also shows that the average daily wage decreases with the increase in number of days per week that a domestic worker works for a particular employer. This implies that it is more beneficial for a domestic worker to work part-time than full-time. This implication could however, be counteracted by the fact that part-time employment may not be sustainable in the long-run. That is in the long-run a domestic worker may experience difficulties in finding employment with an employer who prefers to hire part-timers. This is because with such employers the age and health of a domestic worker could be crucial in their selection criteria. They are therefore more likely to select the younger and more healthier domestic work seekers, relative to the older ones. Domestic workers also find it physically difficult to do the same hard work 5 to 6 days per week at different employers.

This average wage for 1 day of work of R98.21 is considerably higher when compared to the one recorded in 2001 in Langenhoven Park in Bloemfontein of R45.68 (Bothma & Campher, 2003: 199). It is also higher than the one reported by Blaauw and Bothma (2007: 11) in 2006 of R65.47 in Langenhoven Park in Bloemfontein. This generally shows some growth in the compensation of domestic workers in the country and thus implies that employers are to some degree attempting to comply with the annual inflation adjustment requirement provided for in the Sectoral Determination 7: domestic worker sector.
Figure 6 below presents a distribution of employers in Orchards and Soshanguve who compensated their domestic workers with additional cash as a travelling fee and those who do not in 2007.

**Figure 6:** Employers who pay extra cash for travelling in Soshanguve and Orchards, Pretoria in 2007

Source: Survey data

Figure 6 clearly shows that not all employers in these two areas pay extra cash to their employees for travelling. The number of employers who do not contribute to their employers' transport fees is greater in both Orchards and Soshanguve, as opposed to those who do, with Orchards reporting a 79 percent and Soshanguve recording a relatively lower 67.5 percent. This implies that Orchards has a considerably higher percentage of employers who do not contribute to their employers' transport costs, relative to Soshanguve. It is thus interesting to find that Orchards, being the area with higher salaries compared to Soshanguve, recorded a lower percentage of employers of domestic workers who contribute to their employees' transport costs. One could thus argue that the higher wages in Orchards compensate intrinsically to the employees' transport fee, in any case. It could further be argued that the higher percentage of employers, who pay extra for their domestic workers' transport fees in Soshanguve, is immaterial since their salaries are for the most part below the minimum wage.
Table 13 below presents the monthly average salaries adjusted for transport fares paid by domestic workers’ employers in Orchards and Soshanguve in 2007.

**Table 13: Monthly average salaries adjusted for transport fares in Soshanguve and Orchards, Pretoria in 2007**

<table>
<thead>
<tr>
<th>Group</th>
<th>Description</th>
<th>N</th>
<th>Minimum (R)</th>
<th>Maximum (R)</th>
<th>Mean (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orchards</td>
<td>Salary in cash (monthly) &quot;after travel pay&quot;</td>
<td>87</td>
<td>300</td>
<td>1800</td>
<td>801.95</td>
</tr>
<tr>
<td></td>
<td>Valid N (Listwise)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soshanguve</td>
<td>Salary in cash (monthly) &quot;after travel pay&quot;</td>
<td>85</td>
<td>60</td>
<td>1320</td>
<td>515.18</td>
</tr>
<tr>
<td></td>
<td>Valid N (Listwise)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orchards &amp; Soshanguve</td>
<td>Salary in cash (monthly) &quot;after travel pay&quot;</td>
<td>172</td>
<td>60</td>
<td>1800</td>
<td>660.23</td>
</tr>
<tr>
<td></td>
<td>Valid N (Listwise)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey data

The average domestic workers’ monthly salaries adjusted for transport fares in Orchards and Soshanguve were R801.95 and R515.18 per month, respectively. When the two residential areas are combined, this figure stood at R660.23. This implies that on average domestic workers’ salaries adjusted for transport fees in Orchards are 35.63 percent higher than those in Soshanguve, although the percentage of employers who contributed to their employees’ transport fees is lower in Orchards relative to those in Soshanguve as outlined in figure 6. The irony is the fact that the number of employers willing to pay extra cash for travelling for their domestic workers in Soshanguve is greater than those in Orchards, but Orchards’ monthly salaries far outweigh those in Soshanguve. This explains how significant the salary gap between these two residential areas is (Orchards being a suburb and Soshanguve a township).
5.5 Compliance of employers with the Unemployment Insurance Fund (UIF) requirements

Figure 7 below depicts the percentage of employers of domestic workers who registered their employees with the Unemployment Insurance Fund (UIF) in Orchards and Soshanguve in 2007.

Figure 7: Percentage of employers who registered their domestic workers with the Unemployment Insurance Fund in Soshanguve and Orchards, Pretoria in 2007

<table>
<thead>
<tr>
<th>Employers who registered their domestic workers for UIF (Orchards)</th>
<th>Employers who registered their domestic workers for UIF (Soshanguve)</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ Employers who registered their domestic workers for UIF</td>
<td>□ Employers who registered their domestic workers for UIF</td>
</tr>
<tr>
<td>□ Employers who did not register their domestic workers for UIF</td>
<td>□ Employers who did not register their domestic workers for UIF</td>
</tr>
</tbody>
</table>

Source: Survey data

Only 32.2 percent of the employers in Orchards have registered their domestic workers with the Unemployment Insurance Fund (UIF). This figure is even lower in Soshanguve with a minimal 9.4 percent. The general average UIF compliance by employers in Orchards and Soshanguve is 20.8 percent. These results are lower when compared to the 24.2 percent compliance found by (Blaauw & Bothma, 2007: 11) at Langenhoven Park in Bloemfontein in 2006.
5.6 Compliance of employers with employment contract requirements

Figure 8 below shows the percentage of employers of domestic workers who signed service contracts with their domestic workers in Orchards and Soshanguve in 2007.

**Figure 8**: Percentage of employers who signed service contracts with their domestic workers in Soshanguve and Orchards, Pretoria in 2007

![Pie charts showing percentage of employers who signed service contracts with domestic workers in Orchards and Soshanguve in 2007]

Source: Survey data

Just more than 47 percent of the employers in Orchards have signed contracts of service with their domestic workers in 2007. This figure stood at only 10.6 percent in Soshanguve. Therefore on average 28.6 percent of domestic workers in Orchards and in Soshanguve have met this requirement. In 2001, this figure was standing at 30.3 percent in Langenhoven Park in Bloemfontein (Bothma & Campher, 2003: 199), and improved even further in 2006 when only 24.2 percent of the employers who hired domestic workers did not sign a written contract with their employees (Blaauw & Bothma, 2007: 11)

5.7 Possible employment effects of 2007 minimum wage levels

As was noted earlier in table 11, the level of minimum wages for domestic workers in urban areas were set at R5.47 per hour for workers working more than 27 ordinary
hours per week and R6.46 for those working 27 hours or less in 2007 (Department of Labour, 2006: 1).

In order to have an idea of possible job losses as a result of the above it is necessary to compare current wage levels with the prescribed minima for 2007. The data shows that in Soshanguve 13 (52 percent) of the 25 employers who hire full-time domestic workers are currently paying wages that are lower than the prescribed R5.47 for workers working more than 27 ordinary hours per week in 2007. When the higher level of R6.46 is considered for those working 27 ordinary hours or less, the figure is 39.2 percent (20 of 51) of employers who are paying wages that are lower than the prescribed minima. This implies that the wages of part-time domestic workers in Soshanguve are slightly higher than the wages of full-time workers.

In terms of Orchards the data show that 41 (51.9 percent) of the 79 employers are currently paying wages that are lower than the prescribed R5.47 for workers working more than 27 ordinary hours per week in 2007. When the higher level of R6.46 is considered for those working 27 ordinary hours or less, the figure is lower at 33.3 percent (2 of 6) of employers who are paying wages that are lower than the prescribed minima. This implies that in Orchards, part-time domestic workers’ salaries are significantly higher than those of their full-time counterparts.

Furthermore, the 2007 data can be used to estimate the possible job losses for 2008. The Department of Labour uses the following formula to adjust the hourly minimum wage for this sector, namely: annually adjusted rate = previous wage + CPIX + 2%. Based on this formula the hourly minimum wage rate for 2008 can be estimated as R6.05 for workers working more than 27 ordinary hours per week and R7.15 for workers working 27 ordinary hours per week or less.

The data shows that in Soshanguve 18 (72 percent) of the 25 employers would be paying wages that are lower than the prescribed R6.05 for workers working more than 27 ordinary hours per week in 2008. This would thus increase the number of employers
who pay their employees below the prescribed minimum wage from 52 percent in 2007 to 72 percent in 2008 under this wage category. When the higher level of R7.15 is considered for those working 27 ordinary hours or less, the figure is 56.9 percent (29 of 51) of employers who are paying wages that are lower than the prescribed minima. Therefore, the number of employers who pay their employees below the prescribed minimum wage would increase from 39.2 percent in 2007 to 56.9 percent in 2008 under this wage category.

Furthermore, in Orchards the data shows that 56 (70.89 percent) of the 79 employers would be paying wages that are lower than the prescribed R6.05 for workers working more than 27 ordinary hours per week in 2008. This implies that in the event that all employers in Orchards are not able to adjust their employees’ wages accordingly, the number of employers who would be paying their employees below the minimum wage will increase from the 2007 figure of 51.9 percent to the 2008 one of 70.89 percent.

When the higher level of R7.15 is considered for those working 27 ordinary hours or less, the figure thus stays at 33.33 percent of employers who are paying wages that are lower than the prescribed minima. Thus, 33.33 percent of employers under this category will still have to increase their wages to comply with the South African labour law in 2008.

It is interesting to note that the 2008 part time minimum wage compliance in Orchards is still the same as in 2007, even when the minimum wage rate has been increased from R6.46 to R7.15 per hour. This thus implies that the level of wages in Orchards is more or less enough to comply with the increased minimum wage rate of R7.15 for part time domestic workers.

These employers have one of three options open to them. They can either pay the new minimum wage, discharge their workers or reduce the working hours of their domestic workers (Blaauw and Bothma, 2007: 14). The last option seems to be the more likely one, given the dependence of a number of these employers on their domestic workers.
for aspects such as washing, ironing and cleaning. The continued increase in the number of domestic workers who work for more than one employer seems to support this view. This view may, however, not entirely be valid in the case of Orchards where only 6 of 86 employees are working part time and only 2 (33.33 percent) of these 6 employers were paying salaries that were below the 2007 and 2008 hourly minimum wage rate.

5.8 Conclusions

Chapter five analyses the results of the 2007 Soshanguve/Orchards empirical study based on the following dimensions: domestic workers, employment, hours worked, wages, compliance of employers with the Unemployment Insurance Fund (UIF) requirements, compliance of employers with employment contract requirements, and the possible employment effects of the forthcoming increase in the level of minimum wages.

The analysis takes the form of a qualitative and quantitative comparison of the two respective residential areas concerned with their different socio-economic and historic characteristics. The data is also compared to other similar micro studies elsewhere in South Africa and the possible employment effects of the forthcoming increase in the level of minimum wage.

The domestic workers involved in this study were on average 33.83 years of age. The youngest being 18 and the oldest 61 years of age. Orchards had the older (average age of 34.83) of the employees as compared to Soshanguve (average age of 32.80).

This average figure is significantly lower than an average age of 43.3 years recorded in the Blaauw and Bothma (2007: 7) study of Langenhoven Park in Bloemfontein. This figure is also notably lower relative to that of the Bothma and Campher (2003: 197) study, who recorded an average age of 42.6 for Langenhoven Park in Bloemfontein.
The domestic workers’ level of education is relatively low both in Soshanguve and in Orchards. The lowest level of education achieved by domestic workers in Orchards and Soshanguve was grade 4 and the highest was grade 12. Furthermore, on average more than 63 percent (62.1 percent in Orchards and 64.7 percent in Soshanguve) of respondents had no formal education at all in both Orchards and Soshanguve.

These results are generally worse-off when compared to the Langenhoven Park in Bloemfontein survey results recorded in 2001 and 2006. In 2001 only 25 percent had no formal education at all in Langenhoven Park, Bloemfontein (Bothma & Campher, 2003: 198), whilst in 2006 only 19.7 percent of domestic workers did not undergo any formal schooling at any stage in their lives in this area (Blaauw & Bothma, 2007: 8).

The results also show that of those who had some formal education, the average domestic worker’s highest level of formal education in both Orchards and Soshanguve is grade 8. On average the number of those who had only achieved primary education and those who had only achieved secondary education is virtually the same at about 50 percent in both Orchards and Soshanguve.

The results from Bothma and Campher (2003: 198) of Langenhoven Park in Bloemfontein in 2001, reports that 42.3 percent and 32 percent of domestic workers in that area had only attained primary and secondary school levels, respectively.

In terms of employment, the results show that in general an average domestic worker in Orchards and Soshanguve is mainly employed to perform washing, ironing and cleaning, with an average of 93 percent, 89 percent and 76 percent of the respondents indicating this as part of their duties, respectively. Cooking recorded a low general average of 20.35 percent, meaning that in general, domestic workers in Orchards and Soshanguve are not employed to perform cooking. Generally, domestic workers in Orchards are employed to do all duties except cooking, whilst domestic workers in Soshanguve are employed to perform all duties except cooking and caring for children.
Caring figures in Orchards and Soshanguve were in general higher than those recorded in Langenhoven Park in 2001 and 2006. The cleaning figure in Langenhoven Park in 2001 and 2006, was higher than the one recorded in Orchards and Soshanguve. The ironing figure was virtually comparable in the two areas in the range of 80 percent to 90 percent, while cooking recorded a fairly marginal difference between the 2001 and 2006’s Langenhoven Park, Bloemfontein and the 2007’s Orchards and Soshanguve studies.

The results also show that not all domestic workers worked for one employer. Whilst 7 percent of domestic workers in Orchards work in more than one household, nearly half (49.4 percent) of the domestic workers in Soshanguve are working for more than one employer. This could be correlated to the very low level of salaries prevailing in Soshanguve as compared to salaries in Orchards.

Furthermore, the results show that a significant average figure of about 85 percent of domestic workers in Orchards and Soshanguve was employed in free standing houses.

The differential percentage of employers hiring domestic workers in free standing homes and in clusters or townhouses in both Orchards and Soshanguve was found to be insignificant. A possible explanation for this high demand for domestic service in houses in both residential areas (Orchards being a suburb and Soshanguve being a township) is based on the fact that the majority of free standing households have older family members. Two arguments or counterarguments were cited to support this explanation, namely:

- the bigger the size of the household, the lesser should be the demand for domestic services, especially when the household is mainly composed of elderly people who can provide these services themselves; and
- the smaller the size of the household, the greater the demand for domestic services, especially when the household mainly consists of young people who are dependent on others for the provision of these services.
Various socio-economic and demographic factors are said to be moderating in these arguments/counter-arguments. These include such factors as age, size of the household, employment, schooling by the children and parents, sporting activities, church and other social community activities. The fact that these areas have few townhouses is in all probability the most plausible explanation.

The general average hours worked was 6.58 hours per day in both Soshanguve and Orchards. This figure is slightly lower relative to the average hours worked in 2001 of 6.9 hours per day, recorded at Langenhoven Park in Bloemfontein (Bothma & Campher, 2003: 198). It is also comparable to the average hours worked per day in 2006 at Langenhoven Park in Bloemfontein recorded at 6.65 (Blaauw & Bothma, 2007: 10).

The results also show that a fair majority of employers hired domestic workers for between 7 and 8 hours per day in Orchards and Soshanguve, with very few of them hiring them for above 8 hours and under 7 hours per day.

In Orchards the majority (51.7 percent) of employers hired their domestic workers for 5 days and the second most (29.9 percent) hired them for 6 days. The least number (2.3 percent) of employers in Orchards hired their domestic workers for 7 days. This implies that most domestic workers in Orchards are hired on a full time basis.

In general the biggest difference between these residential areas is the fact that employers in Orchards have a greater demand for domestic services for more days per week (i.e., 5 and 6 days), whilst in Soshanguve the greatest demand for domestic services is for 5 days and less. Generally, no employers were willing to hire domestic workers for 7 days in both the suburb and in the township.

In 2007, the vast majority of employers in these two residential areas preferred to pay their domestic workers on a monthly basis. This could possibly be explained by the fact that most of the employers for domestic workers are also employees in other sectors of
the economy who earn a salary on a monthly basis. In terms of wages, 2.5 percent of the domestic workers in Orchards received their payment weekly, and 97.5 percent of them are paid on a monthly basis. In Soshanguve the weekly and monthly figures are 9.4 percent and 90.6 percent, respectively.

There was no domestic worker earning a salary within the range of R60 and R299 per month in Orchards. The percentage of domestic workers earning within this lowest salary range per month in Soshanguve is 7.06 percent. In Orchards 1.15 percent of domestic workers earn between R1700 and R1899 per month. The highest salary in Soshanguve ranges from R1500 and R1699 per month, with Orchards accounting for 2.3 percent and Soshanguve 1.18 percent of domestic workers earning within that salary range.

It could be estimated that the people who earn within the salary ranges R1100 to R1299; R1500 to R1699 and R1700 to R1899 are the ones whose salaries mainly comply with the 2007 minimum wage of R1066.83 per month, although there wil be a few in the upper level of the R900 to R1099 salary range.

With regard to the 2006 and 2007 table for minimum wages prescribed by the Department of labour, the rural minimum wages are generally lower than the urban ones. Secondly, the minimum wage rates for domestic workers who worked more than 27 ordinary hours per week were lower than of those who worked 27 ordinary hours per week or less.

The results also show that on average, the majority of domestic workers earned between R35.5 and R98 per day, with the the majority of employers in 2007 having hired their domestic workers for 6 days and less.

It is also worth noting that the per-day wage decreases with the increase in number of days per week that a domestic worker works for a particular employer. This implies that it is more beneficial for a domestic worker to work part-time than full-time.
The average wage for 1 day of work of R98.21 is higher when compared to the 2001 figure of R45.68 and the 2006 figure of R65.47 recorded in Langenhoven Park in Bloemfontein (Blauw & Bothma, 2006). This generally shows some growth in the compensation of domestic workers in the country and thus implies that employers are to some degree attempting to comply with the annual inflation adjustment requirement provided for in the Sectoral Determination 7: domestic worker sector.

This picture tells the story that there are generally, more employees who are earning below rather than above the minimum monthly wage level in both areas. Orchards, however, has more minimum wage-compliant salaries relative to Soshanguve.

Orchards has a considerably higher percentage of employers who do not contribute to their employers’ transport fees relative to Soshanguve. It is thus interesting to find that Orchards, being the area with higher salaries compared to Soshanguve, recorded a lower percentage of employers of domestic workers who do not contribute to their employees’ transport cost. One could thus argue that the higher wages in Orchards compensate intrinsically to the employees' transport cost. It could further be argued that the higher percentage of employers who pay extra for their domestic workers' transport fees in Soshanguve, is immaterial since their salaries are for the most part below the minimum wage.

The general average domestic workers' monthly salaries adjusted for transport fares in Orchards and Soshanguve stood at R660.23. On average domestic workers' salaries adjusted for transport fees in Orchards are 35.63 percent more than those in Soshanguve. Ironically, although Orchards' monthly salaries far outweigh those in Soshanguve, employers willing to pay extra cash for travelling for their domestic workers are greater in Soshanguve than in Orchards. This explains how significant the salary gap is between these two residential areas (Orchards being a suburb and Soshanguve a township).
The general average UIF compliance by employers in Orchards and Soshanguve is 20.8 percent. These results are lower when compared to the 24.2 percent compliance found by Blaauw & Bothma (2007) at Langenhoven Park in Bloemfontein in 2006.

On average 28.6 percent of domestic workers in Orchards and Soshanguve have signed contracts of service with their employers. In 2001, this figure stood at 30.3 percent in Langenhoven in Bloemfontein (Bothma & Campher, 2003). In 2006, however, only 24.2 percent of the employers in Langenhoven Park who hired domestic workers did not sign a written contract with their employers (Blaauw & Bothma, 2007).

The 2007 level of minimum wages for domestic workers in urban areas was set at R5.47 per hour for workers working more than 27 ordinary hours per week and R6.46 for those working 27 hours or less (Department of Labour, 2006: 1). The 2008 hourly minimum wage rate for 2008 was estimated as R6.05 for workers working more than 27 ordinary hours per week and R7.15 for workers working 27 ordinary hours per week or less.

The data shows that in Soshanguve 52 percent of employers are currently paying wages that are lower than the prescribed R5.47 for workers working more than 27 ordinary hours per week in 2007. When the higher level of R6.46 is considered for those working 27 ordinary hours or less, the figure is 39.2 percent (20 of 51) employers who are paying wages that are lower than the prescribed minima. This implies that in Soshanguve part-time domestic workers’ wages were slightly higher than the wages of full-time workers.

In Orchards 51.9 percent of employers were paying wages that are lower than the prescribed R5.47 for workers working more than 27 ordinary hours per week in 2007. When the higher level of R6.46 is considered for those working 27 ordinary hours or less, the figure is lower at 33.3 percent. This implies that in Orchards, part-time domestic workers’ salaries are significantly higher than those of their full-time counterparts.

The data shows that in Soshanguve 72 percent of the employers would be paying wages that are lower than the prescribed R6.05 for workers working more than 27
ordinary hours per week in 2008. This would thus increase the number of employers who pay their employees below the prescribed minimum wage from 52 percent in 2007 to 72 percent in 2008 under this wage category. When the higher level of R7.15 is considered for those working 27 ordinary hours or less, the figure is 56.9 percent. Therefore, the number of employers who pay their employees below the prescribed minimum wage would increase from 39.2 percent in 2007 to 56.9 percent in 2008 under this wage category.

Furthermore, in Orchards the data show that 70.89 percent of employers would be paying wages that are lower than the prescribed R6.05 for workers working more than 27 ordinary hours per week in 2008. This implies that the number of employees who would be paying their employees below the minimum wage will increase from the 2007 figure of 51.9 percent to the 2008 one of 70.89 percent. In terms of the wage category of workers working for 27 ordinary hours per week or less, the figure of workers working 27 ordinary hours or less stays at 33.33 percent. This implies that the level of salaries in Orchards is more or less enough to comply with the increased minimum wage rate of R7.15 for part-time domestic workers.

These employers who pay their employees below the minimum wage level have one of three options in their disposal. They can either pay the new minimum wage, discharge their workers or reduce the working hours of their domestic workers. The last option seems to be the more likely one (Blaauw and Bothma, 2007: 14).
6. SUMMARY AND CONCLUSIONS

Minimum wages for domestic workers is a contentious issue in the South Africa labour market. In September 2002 South Africa saw the implementation of labour market regulation policy in the market for domestic workers, known as Sectoral Determination 7: domestic worker sector. The primary rationale behind the introduction of Sectoral Determination 7 was to protect the most vulnerable labour market sectors in South Africa such as domestic services workers and farm workers.

Recent studies show that in March 2006 there were about 850 000 jobs in the domestic services sector in South Africa. The key objectives of this study are to investigate the impact of the policy of minimum wages on the market for domestic workers in the South African context, and examine whether minimum wages in South Africa contribute to higher employment levels and better conditions of employment in the market for domestic workers.

The first country to develop minimum wage regulations was New Zealand in 1896. Australia followed in 1899, and then Britain in 1909. The main objective of minimum wage regulations was to eliminate the payment of exceptionally low wages by employers (a practice known as 'sweating').

According to the Basic Conditions of Employment Act, No 75 of 1997, one could define a minimum wage as a wage rate, prescribed by law, so that poorly paid, vulnerable workers are paid at that adjusted level. The effect of a minimum wage system is therefore, seen to be beyond economic frontiers. It may also have adverse social consequences such as crime (i.e., it may fuel underground economic practices).

Economic theory suggests that the effect of increased minimum wages is reduced employment levels. This is because minimum wages are associated with increasing the wage rate above the equilibrium price in the sector in which minimum wages are introduced.
The Minister of Labour reported that the reason for the introduction of minimum wages in South Africa was that prior to the introduction of minimum wage regulations in South Africa (i.e. prior to 2001), conditions of employment in the sector for domestic workers, were appalling. The domestic services sector was, for instance, characterised by low wages, high levels of job insecurity, lack of privacy, powerlessness and a regimented lifestyle for employees.

Various arguments were cited in favour of and against minimum wages. The arguments against minimum wages have different perspectives but they are all anchored towards the same conclusion, namely, that minimum wages have an effect of reducing employment. As such, minimum wages are seen as undesirable, not helpful to the poorest workers and thus not serving their intended purpose. Supporters of minimum wage regulations perceive a strong correlation between employees’ basic human needs and efficiency and productivity in the workplace. If minimum wages are to be adopted in a particular labour market, they should be set at a realistic economic level, to minimise their possible effect of reduced employment levels.

The cross-regional analysis of Hertz (2005) shows that the introduction of minimum wages in 2002 and the subsequent annual adjustments thereof mainly brought about changes in wages and employment. Hertz’s findings shows an interesting men-women employment trade-off in the sense that whilst the employment of men in the labour market for domestic workers increased, simultaneously that of women drops. Men employed in the domestic services sector constitute only about 17 percent of the entire sector.

The findings of this study report on various aspects in this labour market after the introduction of minimum wages in 2002. It was found that domestic workers’ skills level in 2007 was very low with 65 percent of domestic workers in Orchards and Soshanguve not having undergone any formal schooling. In 2001, a 25 percent figure was recorded in Langenhoven Park, Bloemfontein.
The general average hours worked per day in 2007 in Orchards and Soshanguve was 6.58. This figure was recorded as 6.9 hours per day in 2001 and as 6.65 hours per day in 2006 in Langenhoven Park, Bloemfontein. Employers across the country are therefore careful not to have their domestic workers work for more than 7 hours per day.

It was also found that on average cooking was the least sought-after activity among five domestic services performed by domestic workers in Orchards and Soshanguve, with only 20.35 percent of domestic workers performing this activity.

In 2007 the percentage of employers of domestic workers who lived in free standing houses in Orchards and Soshanguve was recorded at 86.5 percent. This figure is higher than the one found at Langenhoven Park in Bloemfontein in 2001 and 2006 of 52.7 percent and 50.76 percent, respectively.

The domestic workers in Soshanguve were mostly represented at the lower monthly salary distribution ranges and earned between between R60 to R299 and R1500 to R1699, whilst those in Orchards earned at the relatively higher distribution levels of between R300 to R499 and R1700 to R1899 in 2007.

The domestic workers’ general average wage per day in Orchards and Soshanguve was R98.21 per day for domestic workers only working for one day and R35 per day for domestic workers working 7 days per week. This implies that part-time domestic workers working only a day per week earn 35.64 percent more than full-time domestic workers working for 7 days per week. It was also evident that this average pay per day decreased with the number of days worked per week. This supports the findings of surveys conducted by Blaauw and Bothma (2007) as well as Bothma and Campher (2003) in Langenhoven Park, Bloemfontein after the introduction of minimum wages in South Africa, which all reported that part-time domestic workers earned higher wages than full-time ones.
Generally, in 2007 the majority of domestic workers’ employers in Orchards and Soshanguve did not pay extra to their domestic workers as a transport fee, with only 21 percent and 32.5 percent of them paying for this in Orchards and Soshanguve, respectively.

In 2007 the percentage of domestic workers who worked for one employer was 93 percent and 50.6 percent in Orchards and Soshanguve, respectively. In 2001 and 2006 only 36.1 percent and 34.9 percent of domestic workers were respectively reported to have worked for one employer in Bloemfontein at Langenhoven Park.

The level of compliance with the minimum wage requirements prescribed by the Ministry of Labour is very low in Orchards and Soshanguve in 2007. On average 28.6 percent of domestic workers in Orchards and Soshanguve have signed contracts of service with their employers. This figure stood at 30.3 percent in 2001 and a significant 75.8 percent in 2006 in Langenhoven Park, Bloemfontein.

The average UIF compliance by employers in Orchards and Soshanguve is 20.8 percent. This figure was recorded as 24.2 percent at Langenhoven Park in Bloemfontein in 2006.

The 2007 level of minimum wages for domestic workers in urban areas was set at R5.47 per hour for workers working more than 27 ordinary hours per week and R6.46 for those working 27 hours or less. The 2008 hourly minimum wage rate for 2008 was estimated as R6.05 for workers working more than 27 ordinary hours per week and R7.15 for workers working 27 ordinary hours per week or less in that area.

The data show that in Soshanguve 52 percent of employers are currently paying wages that are lower than the prescribed R5.47 for workers working more than 27 ordinary hours per week in 2007. When the higher level of R6.46 is considered for those working 27 ordinary hours or less, the figure is 39.2 percent of employers who are paying wages
that are lower than the prescribed minima. This implies that in Soshanguve part-time domestic workers' wages were slightly higher than the wages of full-time workers.

In Orchards 51.9 percent of employers were paying wages that are lower than the prescribed R5.47 for workers working more than 27 ordinary hours per week in 2007. When the higher level of R6.46 is considered for those working 27 ordinary hours or less, the figure is lower at 33.3 percent. This implies that in Orchards, part-time domestic workers’ salaries are significantly higher than those of their full-time counterparts.

The data shows that in Soshanguve 72 percent of the employers would be paying wages that are lower than the prescribed R6.05 for workers working more than 27 ordinary hours per week in 2008. This would thus increase the number of employers who pay their employees below the prescribed minimum wage from 52 percent in 2007 to 72 percent in 2008 under this wage category. When the higher level of R7.15 is considered for those working 27 ordinary hours or less, the figure is 56.9 percent of employers who are paying wages that are lower than the prescribed minima. Therefore, the number of employers who pay their employees below the prescribed minimum wage would increase from 39.2 percent in 2007 to 56.9 percent in 2008 under this wage category.

Furthermore, in Orchards the data show that 70.89 percent of employers would be paying wages that are lower than the prescribed R6.05 for workers working more than 27 ordinary hours per week in 2008. This implies that the number of employers who would be paying their employees below the minimum wage will increase from the 2007 figure of 51.9 percent to the 2008 one of 70.89 percent. In terms of the wage category of workers working for 27 ordinary hours per week or less, the figure remains at 33.33 percent. This implies that the level of salaries in Orchards is more or less enough to comply with the increased minimum wage rate of R7.15 for part-time domestic workers.

These employers who pay their employees below the minimum wage level have one of three options at their disposal. They can either pay the new minimum wage, discharge
their workers or reduce the working hours of their domestic workers. The last option seems to be the more likely one.

The results of the Orchards/Soshanguve 2007 Survey showed that part-time domestic workers earned more than their fellow full-time ones. This validates the decision taken by The Minister of Labour in 2002 to introduce a minima of wages in the domestic services sector where the rates for part-time workers are higher than the ones for full-time workers. These results are supported by findings obtained from two surveys conducted in Langenhoven Park, Bloemfontein in the past decade which also show that part-time domestic workers have indeed earn higher wages than their full-time counterparts.

The results for Soshanguve revealed that there is a significant number (49.40 percent) of domestic workers that work for more than one employer. This study reveals mixed results in terms of the improvement of working conditions of domestic workers in these two areas. The results show that there is a very low level of compliance with UIF and formal employment contracting between the employers and employees in Orchards and Soshanguve. Other research has indicated differently though. For instance, Hertz (2005) found that the conditions of employment and real wages did improve as a result of minimum wages. Blaauw and Bothma (2007) found an improving picture in terms of working conditions pertaining to the signing of a written contract of employment. A follow up study in the area of Orchards and Soshanguve will help to provide a more definite answer to the picture there.

The findings of this study thus support the conclusions by Blaauw and Bothma (2007) that the Minister still has a big challenge in terms of striking a balance between the improvement of the lives of domestic workers and the limitation of job losses in the market for domestic workers in South Africa.
REFERENCES


Department of Labour. (2006). *Wage Tables for the Domestic Worker Sector*, available from:  


Academic Research Library.


APPENDICES

Appendix A

<table>
<thead>
<tr>
<th>Field Worker</th>
<th>Area</th>
<th>Age</th>
<th>Number of children</th>
<th>Where do you stay</th>
<th>Do you sleep at work?</th>
<th>Did you attend school?</th>
<th>If yes, highest standard/grade passed</th>
<th>Which of the following duties do you perform?</th>
<th>Do you work at any other houses?</th>
<th>If yes, at how many?</th>
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<tr>
<td></td>
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<td></td>
<td></td>
<td>1</td>
<td>Cleaning ○ Yes/No</td>
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<td>2</td>
<td>Washing ○ Yes/No</td>
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<td>3</td>
<td>Ironing ○ Yes/No</td>
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<td>4</td>
<td>Cooking ○ Yes/No</td>
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<td>5</td>
<td>Care for children/old age people ○ Yes/No</td>
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<td>6 – 7</td>
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EMPLOYER

<table>
<thead>
<tr>
<th>Freestanding home</th>
<th>Cluster/townhouse</th>
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</thead>
<tbody>
<tr>
<td>-1</td>
<td>-2</td>
<td>18</td>
</tr>
</tbody>
</table>
11. Amount of people staying in house  ………………….  □ 16

12. Have you signed a service contract with your domestic worker?  Yes/No □ 17

13. Have you registered your domestic worker with the unemployment fund?  Yes/No □ 18


15. Salary in cash? (monthly) R…………… □□□□ 20-23

14. Do you pay extra for traveling?  Yes/No □ 24

15. If yes, how much? R…………… □□ 25-26

16. How many days per week do you hire a domestic worker?
   1 day -1-
   2 days -2-
   3 days -3-
   4 days -4-
   5 days -5-
   6 days -6-
   7 days -7-  □ 27

17. How many hours does your domestic worker work per day?  …………………………….  □ 28

**OFFICE USE**

18. Salary per month (including traveling) R ……………… □□□□ 30-33

19. Days per month (per week x 4,33) R ……………… □□ 34-35

20. Cash compensation per day R ……………… □□□□ 36-39

21. Cash compensation per hour  R ……………… □□□□ 40-43