

A MINIMUM WAGE: MUCH TOO LOW. WHAT ABOUT A CAP TO EXECUTIVE INCOME?

The current recommendation for a minimum wage of R3500 for South Africans is far too little. It should be at least twice that. In addition, we should also legally cap the income of company executives. This is according to the majority of people who participated in the HSRC's most recent social attitudes survey. They responded to questions related to a minimum wage and whether there should be a limit to what company heads could earn. These questions were included as part of the HSRC's ongoing work into issues of poverty, inequality and restitution. *Dr Ben Roberts, Prof. Sharlene Swartz and Dr Adam Cooper report.*

Income inequality has grown in post-apartheid South Africa, as the democratic period has brought with it greater disparities in earnings between a small, increasingly deracialised affluent group and the poor Black majority. This has been shown by Prof. Murray Leibbrandt and his colleagues at the Poverty and Inequality Initiative at the University of Cape Town who describe a shift in the Gini-coefficient, a measure of income inequality, from 0.6 in 1993 to 0.7 in 2008. According to Leibbrandt and colleagues, wage income is responsible for 85% of income inequality with the labour market playing the defining role in ongoing income differences.

To test how the South African public feels about these differences in wage earnings, questions on the topic were included in the 2017 edition of the annual South African Social Attitudes Survey (SASAS). SASAS is a nationally representative sample survey of adults aged 16 and older that investigates public opinion in the country. The long-term aim of this survey programme is to construct an empirical evidence base that will enable analysts to track and explain the attitudes, values, beliefs and behaviour patterns of the country's diverse populations by age, sex, population group, educational attainment, province, geographic subtype and class.

The survey questions explored South Africans' perceptions regarding appropriate legislative interventions

in labour market rewards aimed at both the top and bottom end of the income continuum. Specifically, the questions probed what respondents thought were appropriate minimum wages for workers and whether remuneration of corporate executives should be restricted. The participants were asked:

"What do you think is a fair minimum amount that all South African workers should earn each month? (No worker should earn less than this a month)."

and

"To what extent do you agree or disagree that a law should be introduced in South Africa that limits the amount that a person in charge of a large national company can earn?"

"THE MINIMUM WAGE OF R3,500 FOR SOUTH AFRICANS IS FAR TOO LITTLE ... WE SHOULD ALSO LEGALLY CAP THE INCOME OF COMPANY EXECUTIVES."

Table 1: Individuals preferred minimum wage amount, 2016 (in Rands per month, mean)

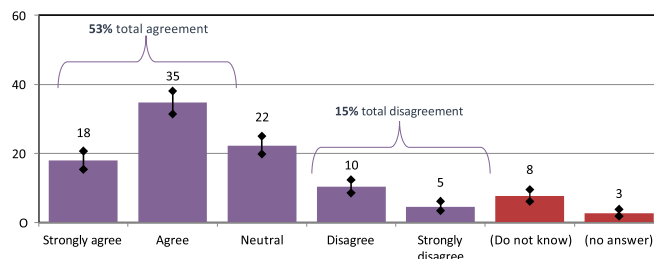
	Preferred minimum wage value (Rands) per month
South Africa	R 6,953
Age group	
16-24	R 8,257
(16-19)	(R 10,121)
(20-24)	(R 6,879)
25-34	R 6,380
35-49	R 6,618
50-64	R 6,597
65+	R 6,604
Gender	
Male	R 6,629
Female	R 7,256
Population group	
Black African	R 6,878
Coloured	R 6,463
Indian/Asian	R 8,837
White	R 7,475
Educational attainment	
Primary or no schooling	R 6,469
Grades 8-11 or equivalent	R 6,892
Matric or equivalent	R 6,924
Tertiary	R 8,990
Employment status	
Employed	R 6,412
Unemployed	R 6,607
Pensioner	R 6,662
Student	R 9,678
Other labour inactive	R 6,047
Subjective poverty status	
Poor	R 6,231
Just getting by	R 7,045
Non-poor	R 7,543
Geographic location	
Urban formal	R 6,576
Urban informal	R 5,844
Rural traditional authority areas	R 8,314
Rural farms	R 5,707

Source: HSRC SASAS 2017

Results showed that South Africans believe that a mean figure of R6,953 per month is an appropriate minimum amount, substantially more than the R3,500 for a 40-hour week proposed in the National Minimum Wage Bill. Differences between sub-populations within the sample were noteworthy, with figures ranging from rural farm dwellers believing R5,707 to be adequate, in comparison to R9,678 for students and R10,121 among adolescents.

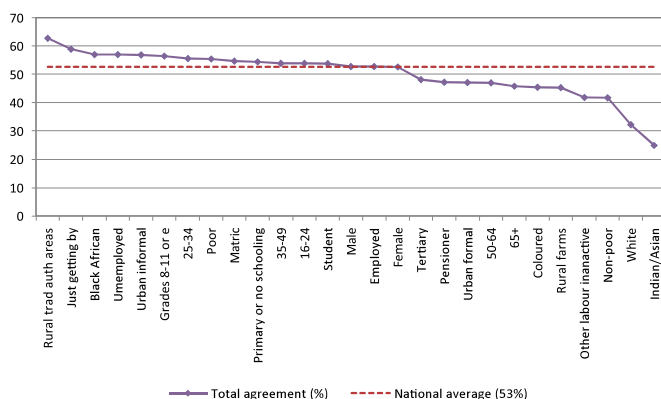
Opinions about executive pay were recorded on a five-point scale (ranging from 'strongly agree' that a law should be introduced to limit earnings to 'strongly disagree'). In total, 53% of the participants agreed that executive pay should be limited, 15% disagreed, 22% remained neutral and 11% were uncertain of the appropriate course of action or did not answer the question. Interesting differences between attitudes of sub-groups also emerged from this question, as Black Africans displayed greater support for limiting executive pay, in comparison to White and Indian adults. More unemployed people favoured income restrictions than employed respondents, as did young people in comparison to those over 50 years old.

Figure 1: Support for legislation to impose limits on executive pay (percent)



Source: HSRC SASAS 2017

Figure 2: Support for legislation to impose limits on executive pay by socio-demographic attributes (% total agreement, ranked highest to lower)



Source: HSRC SASAS 2017

The results resonate with data from elsewhere in the world – for example in the United States (US), between half and three-fifths of Americans concur with this kind of regulatory policy. Populations in the highly unequal societies of South Africa and the US therefore agree that measures to restrict corporate salaries should be introduced.

The survey results indicate that the public is acutely aware of existing wage disparities and favours courses of action to reduce these differentials. This was true both at the top end, in terms of executive pay, and for attitudes towards those most vulnerable in our society, people who receive very low wages. At the very least, the minimum wage should be closer to R40 per hour according to the South African public. Importantly, these findings were consistent across the class spectrum, suggesting that a broad consensus exists in relation to this issue, one that can only function to bolster the South African democracy.

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