

The Economic Consequences of Abolishing Subminimum Wage Rates in South Africa

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Article Info	ABSTRACT
<p>Article history:</p> <p>Received Jun, 2025 Revised Oct, 2025 Accepted Oct, 2025</p> <hr/> <p>Keywords:</p> <p>Economic Impact; Labour Market Dynamics; Poverty Alleviation; Social Impact; Subminimum Wage</p>	<p>The purpose of this study is to examine the legal and economic ramifications of wage policy reforms in South Africa, particularly in relation to the abolition of subminimum wage rates. Minimum wage is a crucial step toward reducing income inequality and promoting social justice, the implementation of such policies may inadvertently create economic challenges. The study explores how wage reforms have been applied in a post-apartheid legal framework, considering whether they have effectively balanced worker rights with economic sustainability. By analysing legislative measures, court rulings, and economic trends, this paper investigates whether wage policies have contributed to meaningful socioeconomic progress or if they have, in some instances, hindered employment opportunities and economic stability. The authors will assess the extent to which wage reforms align with constitutional principles of fairness, equality, and human dignity. This study will also evaluate whether the state has effectively mitigated unintended consequences, such as job losses and reduced competitiveness for small businesses. This research further aims to explore whether wage increases have translated into tangible improvements in workers' quality of life, access to essential services, and overall economic participation. The authors hope that the arguments presented in this paper would assist in understanding the intricate balance between economic growth and labor rights, offering insights into the evolving role of wage policy in post-apartheid South Africa.</p> <p><i>This is an open access article under the CC BY-SA license.</i></p> <div></div>
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1. INTRODUCTION

Subminimum wage rates have long been a contentious issue in South Africa, particularly for low-income workers in

industries that typically rely on vulnerable labor.¹ These wage rates, often lower than the standard minimum wage, are a form of legal exemption granted to certain groups, such as youth or trainees.² However, subminimum

¹ DT Greenwood 'Work, Pay, and Sustainability: A New Economics of Labor' (2024) John Wiley & Sons

² MJ Bailey, J DiNardo & BA Stuart 'The economic impact of a high national minimum wage: Evidence from the 1966 Fair Labor Standards Act'

wage policies have sparked considerable debate, particularly regarding their impact on poverty alleviation, income inequality, and social justice.³ The implementation of the National Minimum Wage (NMW) in South Africa marked a significant shift in the country's labor market landscape.⁴ While the NMW aimed to provide greater economic security to workers, subminimum wage practices persist, especially for certain demographic groups.⁵ South Africa's history of wage legislation is deeply intertwined with its colonial past and apartheid-era policies, which entrenched inequalities in income distribution.⁶ Since the establishment of the democratic government in 1994, the country has worked towards redressing these imbalances.⁷ Despite the progress made, the persistence of subminimum wage rates raises questions about the effectiveness of current labor policies in ensuring fair wages for all workers.⁸ The NMW aimed to reduce poverty and inequality, yet challenges such as employer non-compliance and the use of exemptions have limited its effectiveness.⁹ Issacs argues that while some employers have adjusted wages to comply with the NMW, others have reduced working hours or sought exemptions, undermining the policy's objectives.¹⁰ This study seeks to examine the impact of subminimum wage policies on poverty alleviation, income inequality, and social justice in South Africa. By analysing the

effectiveness of the NMW and the continued use of subminimum wages, the study aims to identify gaps in current labor policies and propose recommendations for ensuring fair wages for all workers.

The study will begin by providing a historical overview of wage legislation in South Africa, highlighting the evolution from colonial and apartheid-era policies to the introduction of the NMW. Subsequently, it will analyse the current landscape of subminimum wage practices, focusing on sectors and demographic groups most affected. The research will then assess the impact of these wage policies on poverty levels and income inequality, drawing on recent studies and statistical data. Finally, the study will explore the challenges faced in implementing the NMW, including issues of compliance and enforcement, and offer policy recommendations aimed at achieving greater social justice in the labor market.

2. METHODOLOGY

This paper aims to explore the historical context, current practices, and the potential implications of abolishing subminimum wages in South Africa, with a focus on their economic, social, and political ramifications. Qualitative methodology will be used in this paper to analyse the scholarly articles, judicial precedent, South African Reports, and international reports. The study

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³ M Cabe ‘“We want a living wage”: the impact of the national minimum wage on struggles of domestic workers in South Africa’ (2024) Master’s dissertation, University of the Witwatersrand, Johannesburg.

⁴ L Shai ‘Public Employment Programmes in the Care Economy: The Case of South Africa’ (2021) ILO Working Paper 29, Geneva.

⁵ LA Stuart ‘The social value of work: a case study of Public Employment Programmes in Orange Farm, South Africa’ (2022) DLitt et Phil thesis, University of Johannesburg

⁶ M van Staden ‘Land Loss and Labour Control: The Intersection of Land Dispossession and Labour

Law in South African History’ (2024) *Industrial Law Journal* dwae034.

⁷ B Levy, A Hirsch, V Naidoo & M Nxele ‘South Africa: When Strong Institutions and Massive Inequalities Collide’ (2021) Carnegie Endowment for International Peace, Cape Town.

⁸ R Duval & MI Shibata ‘Labor Market Reform Options to Boost Employment in South Africa’ (2021) IMF Working Paper No. 2021/165.

⁹ RS Masango ‘Factors that Negatively Affect the Implementation of the National Minimum Wage in South Africa’ (2020) 28(1) *Administratio Publican* 1-a5.

¹⁰ G Isaacs ‘A National Minimum Wage Would Cut Poverty and Boost Growth in South Africa’ (2016) Wits University.

combines primary and secondary sources to outline the historical context of wage legislation in South Africa, followed by an examination of the current subminimum wage practices, their justifications, and the economic rationale for abolishing such practices.

3. HISTORICAL CONTEXT OF WAGE LEGISLATION IN SOUTH AFRICA

The history of wage legislation in South Africa can be traced back to the early 20th century, when the country's labor laws were designed to perpetuate racial and economic inequalities.¹¹ Under colonial rule and apartheid, the majority of South Africans, particularly black workers, were subjected to lower wages and poor working conditions compared to their white counterparts. The passage of the Industrial Conciliation Act¹² of 1924 and later the Bantu Labour Act¹³ of 1953 institutionalized racial wage disparities. These laws not only reinforced the system of cheap labor for the benefit of a minority, but they also laid the groundwork for a highly segmented labor market, which persists to this day. For instance, in *Atlas Finance (Pty) Ltd v. CCMA and Others*.¹⁴ In this case, the Labour Court reviewed an arbitration award concerning the calculation of wages under the National Minimum Wage Act (NMWA). The court found that the commissioner had committed a material error by excluding

commission earned by the employees from the wage calculation.

The transition to a democratic South Africa in 1994 marked a shift toward a more inclusive labor market.¹⁵ The establishment of the Labour Relations Act¹⁶ and the Basic Conditions of Employment Act¹⁷ were foundational in creating a fairer framework for wage determination. However, the country's labor market remained deeply unequal, with many workers still earning well below a livable wage.¹⁸ The introduction of the National Minimum Wage Act¹⁹ (NMWA) in 2018, which came into effect in 2019, aimed to advance economic development and social justice by protecting workers from being paid unreasonably low wages. This act was a key step in addressing wage inequality by setting a baseline for worker compensation.²⁰

Despite the NMWA, subminimum wages have continued to be allowed in certain sectors, raising questions about their continued existence in a post-apartheid labor market.²¹ Specifically, the policy permits youth and trainee workers to earn less than the established minimum wage.²² This section will explore how these provisions have evolved and the ongoing debates about their fairness and necessity.

4. OVERVIEW OF THE NATIONAL MINIMUM WAGE POLICY

The National Minimum Wage (NMW) policy, which came into effect on

¹¹ D Fourie 'The neoliberal influence on South Africa's early democracy and its shortfalls in addressing economic inequality' (2024) 50(5) *Philosophy & Social Criticism* 823–843.

¹² Industrial Conciliation Act of 1924.

¹³ Bantu Labour Act of 1953.

¹⁴ *Atlas Finance (Pty) Ltd v Commission for Conciliation, Mediation & Arbitration & Others* (2022) 43 ILJ 1655 (LC).

¹⁵ T Sisk *Democratization in South Africa: The Elusive Social Contract* (2017).

¹⁶ Labour Relations Act of 1995.

¹⁷ Basic Conditions of Employment Act (BCEA) of 1997.

¹⁸ H Botwinick *Persistent Inequalities: Wage Disparity under Capitalist Competition* (2017) Vol 152 *Bril*.

¹⁹ The National Minimum Wage Act 9 of 2018.

²⁰ L Mishel & J Bivens 'Identifying the policy levers generating wage suppression and wage inequality' (2021) *Economic Policy Institute* 13.

²¹ RN Barreto *Temporary Employment Services (Temporary Agency) Work: The South African Case* (2020) PhD thesis, Kingston University.

²² A Todolí-Signes 'The "gig economy": employee, self-employed or the need for a special employment regulation?' (2017) 23(2) *Transfer: European Review of Labour and Research* 193–205.

January 1, 2019, sought to address wage inequality by ensuring that all workers, regardless of their sector or job type, are entitled to a minimum wage.²³ The NMW was set at R20 per hour for the general workforce, with lower rates for domestic workers and workers in the agriculture sector.²⁴ According to the National Minimum Wage Act, workers who fall under the NMW umbrella are guaranteed a minimum standard of living, reducing extreme poverty and promoting fairness in wages.²⁵ However, implementing the NMW has not been without challenges. There are several exceptions to the NMW, which include provisions for subminimum wage rates.²⁶ For example, workers under 18 and trainees can be paid less than the statutory minimum. These exemptions are justified as a way to encourage youth employment and skills development, but they have also been criticized for perpetuating exploitation and creating a two-tiered wage system.²⁷

The policy has been a subject of intense debate in South Africa. Many scholars argue that it is a necessary step towards addressing the country's deeply entrenched inequalities, while critics argue that it fails to address the broader issues of job creation,

economic growth, and the cost of living.²⁸ NMW has had mixed results, with some sectors reporting increased wages, while others have struggled to comply.²⁹

5. SUBMINIMUM WAGE PRACTICES AND THEIR JUSTIFICATIONS

Subminimum wage practices continue to be a contentious issue in South Africa. As mentioned, certain categories of workers, particularly youth and trainees, can be paid below the established minimum wage.³⁰ These exemptions are justified on the basis that they offer a “learning opportunity” and facilitate entry into the labor market for young people and those without skills.³¹ For instance, according to the Department of Employment and Labour’s 2020 report, youth under the age of 18 can be paid R15 per hour instead of the R20 minimum wage.³²

Proponents of subminimum wages argue that they are an essential tool for promoting youth employment and providing training to workers who may otherwise struggle to find employment.³³ By offering lower wages, employers are incentivized to hire young workers and invest in their

²³ M Nzama ‘The violation of the National Minimum Wage Act in South Africa and recommendations for improving compliance’ (2024) LLM dissertation, University of Cape Town.

²⁴ M Cabe “‘We want a living wage’: the impact of the national minimum wage on struggles of domestic workers in South Africa’ (2024) Master’s dissertation, University of the Witwatersrand, Johannesburg.

²⁵ G Bosch, F Hüttenhoff & C Weinkopf *The Monitoring and Enforcement of Minimum Wages* (2023) Springer VS.

²⁶ A Dube ‘Impacts of minimum wages: review of the international evidence’ (2019) Independent Report, UK Government Publication.

²⁷ A Todolí-Signes *Labour Law and Economic Policy: How Employment Rights Improve the Economy* (2024) Hart Publishing.

²⁸ AJ van Niekerk ‘Inclusive economic sustainability: SDGs and global inequality’ (2020) 12(13) *Sustainability* 5427.

²⁹ S Devereux ‘Violations of farm workers’ labour rights in post-apartheid South Africa’ (2020) 37(3) *Development Southern Africa* 382–404.

³⁰ J Sumberg, L Fox, J Flynn, P Mader & M Oosterom ‘Africa’s “youth employment” crisis is a “missing jobs” crisis’ (2021) 39(4) *Development Policy Review* 621–643.

³¹ C Timmermann ‘Contributive justice: An exploration of a wider provision of meaningful work’ (2018) 31(1) *Social Justice Research* 85–111.

³² D Pakkies ‘Impact of the national minimum wage on social reproduction and the livelihoods of black working-class women’ (2021) MA thesis, University of Johannesburg.

³³ OM Levin-Waldman *Restoring the Middle Class through Wage Policy: Arguments for a Minimum Wage* (2018) Springer.

development. The BCEA (1997) also allows for different rates for domestic and agricultural workers, which can sometimes be lower than the national minimum wage.³⁴

However, Yin, Seo and Vu asserted that these subminimum rates exploit vulnerable workers, offering them lower wages for the same work performed by adult workers.³⁵ The justification for subminimum wages is increasingly being questioned, especially in light of the growing body of evidence suggesting that they contribute to the persistence of inequality.³⁶ Some researchers, such as Heppell, argue that these wage exemptions not only undermine the effectiveness of the NMW but also disproportionately affect women and workers from disadvantaged backgrounds.³⁷

6. THE ECONOMIC BENEFITS OF ABOLISHING SUBMINIMUM WAGES

Abolishing subminimum wages is seen by many as a necessary step towards ensuring fair compensation for all workers, regardless of their age or experience level.³⁸ The economic rationale for this position is grounded in the idea that a higher wage floor would reduce income inequality, increase

worker productivity, and enhance economic stability.³⁹ By ensuring that all workers receive the same minimum wage, irrespective of age or training status, the government could create a more equitable labor market that benefits the broader economy.⁴⁰ Additionally, evidence from various studies suggests that abolishing subminimum wages could lead to better job satisfaction, lower employee turnover, and improved overall productivity.⁴¹ This is especially true in industries where skilled workers are in high demand and where there is potential for rapid advancement.⁴² Furthermore, critics of the current system argue that subminimum wages hold back economic growth by underpaying a significant portion of the workforce, thus limiting their purchasing power and ability to contribute to the broader economy. Inequality can hinder economic growth, reduce well-being and increase poverty.⁴³ Furthermore, the argument for abolishing subminimum wages aligns with global trends towards more equitable wage policies.⁴⁴ However, countries like Germany and South Korea have demonstrated the benefits of a universal minimum wage that applies to all workers, regardless of their

³⁴ R Duval & MI Shibata 'Labor market reform options to boost employment in South Africa' (2021) IMF Working Paper No. 2021/165.

³⁵ M Yin, R Seo & H Vu 'The labor market effects of subminimum wage elimination: Evidence from a national analysis' (2025) SSRN Working Paper No. 5172698.

³⁶ M Maroto & D Pettinicchio 'Worth less? Exploring the effects of subminimum wages on poverty among US hourly workers' (2023) 66(3) Sociological Perspectives 455–475.

³⁷ E Heppell 'Compliance with minimum wages: A South African legal perspective' (2021) LLD thesis, Stellenbosch University.

³⁸ K van der Zee 'Assessing the effects of two agricultural minimum wage shocks in South Africa' (2017) MA thesis, University of Cape Town.

³⁹ BD Beal & M Astakhova 'Management and income inequality: A review and conceptual

framework' (2017) 142 Journal of Business Ethics 1–23.

⁴⁰ N Kabeer 'Gender equality, inclusive growth, and labour markets' in Women's Economic Empowerment (2021) 13–48 Routledge.

⁴¹ H Ku 'Does minimum wage increase labor productivity? Evidence from piece rate workers' (2022) 40(2) Journal of Labor Economics 325–359.

⁴² A Habiyaemye, N King & F Tregenna 'Innovation and socio-economic development challenges in South Africa: An overview of indicators and trends' (2022) SARChI Industrial Development Working Paper Series WP 2022-03.

⁴³ S Soares 'Minimum wage: global challenges and perspectives' (2018) Policy in Focus, International Policy Centre for Inclusive Growth.

⁴⁴ P Böckerman, T Juuti, T Kosonen & H Keränen 'Are firms willing to pay lower wages? A quasi-experiment on subminimum wage policy' (2024) IZA Discussion Paper No. 17453.

experience level or job type.⁴⁵ These countries have seen improvements in labor market participation and reductions in poverty, suggesting that a similar approach in South Africa could yield positive results.⁴⁶

7. THE IMPACT OF ABOLISHING SUBMINIMUM WAGES ON SOUTH AFRICA'S SEGMENTED LABOR MARKET

The segmented labor market model describes the impacts of minimum wages on covered and uncovered sectors.⁴⁷ The impacts of an industry-specific minimum wage has been examined in South Africa as a state characterised by high unemployment, a robust union movement, and the presence of a large informal sector.⁴⁸ Under the industry-specific wage law, formal agricultural and household workers are covered, while workers in other sectors are not.⁴⁹ Therefore, the unique aspect of this study lies in the ability to compare the impacts of minimum wage legislation on formal covered, informal covered, formal uncovered, and informal uncovered workers. These findings underscore the need for reform to ensure that all workers are paid a fair and livable wage. There are several industries most affected by

abolishment such as agriculture, domestic work, and hospitality. These industries are most affected by subminimum wage practices.⁵⁰ Abolishing subminimum wages in these sectors could lead to higher labor costs but also improve workers' living conditions. Sector-specific strategies are necessary to balance these impacts.⁵¹

8. YOUTH EMPLOYMENT, SUBMINIMUM WAGES, AND COMPLIANCE CHALLENGES

Youth employment trends have stipulated their views based on the subminimum wages that play a role in reducing youth unemployment.⁵² However, the long-term benefits of fair wages, such as skill development and economic stability, outweigh the short-term employment gains.⁵³

Policies should focus on providing training and support to young workers. The potential economic benefits of abolishing subminimum wages abolishing subminimum wages can lead to several economic benefits,⁵⁴ including increased consumer spending, reduced poverty, and improved productivity.⁵⁵ Higher wages can stimulate demand and contribute to overall economic

⁴⁵ CJ Yang *The Political Economy of the Small Welfare State in South Korea* (2017) Cambridge University Press.

⁴⁶ D McKenzie 'How effective are active labor market policies in developing countries? A critical review of recent evidence' (2017) *The World Bank Research Observer* 32(2) 127–154.

⁴⁷ MJ Millea, JP Rezek, B Shoup & J Pitts 'Minimum wages in a segmented labor market: Evidence from South Africa' (2017) 38 *Journal of Labor Research* 335–359.

⁴⁸ Heppell op cit (n37).

⁴⁹ M Ngwenya 'Extension of social security to the informal hospitality industry workers in South Africa' (2020) LLM dissertation, University of the Western Cape.

⁵⁰ K van der Zee 'Assessing the effects of two agricultural minimum wage shocks in South Africa' (2017) MA thesis, University of Cape Town.

⁵¹ J Fine & J Gordon 'Unpacking the logics of labour standards enforcement: An alternative approach' in *Are Bad Jobs Inevitable?* (2017) 193 Palgrave Macmillan.

⁵² L Patel, Z Khan & T Englert 'How might a national minimum wage affect the employment of youth in South Africa?' (2020) 37(1) *Development Southern Africa* 147–161.

⁵³ H Marais 'The crisis of waged work and the option of a universal basic income grant for South Africa' in *Challenging Inequality in South Africa* (2021) 88–115 Routledge.

⁵⁴ E Jardim, MC Long, R Plotnick, E van Inwegen, J Vigdor & H Wething 'Minimum-wage increases and low-wage employment: Evidence from Seattle' (2022) 14(2) *American Economic Journal: Economic Policy* 263–314.

⁵⁵ M Ivanic & W Martin 'Sectoral productivity growth and poverty reduction: National and global impacts' (2018) 109 *World Development* 429–439

growth.⁵⁶ Additionally, fair wages can reduce reliance on social welfare programs. Compliance with minimum wage regulations poses challenges, particularly for small businesses and informal sectors.⁵⁷ Ensuring that all employers adhere to wage laws requires robust enforcement mechanisms and support for businesses to transition to fair wage practices.⁵⁸ Abolishing subminimum wages may increase labor costs for businesses, particularly in labor-intensive industries. However, these costs can be offset by improved productivity and reduced turnover.⁵⁹ Businesses may need to adopt new strategies to manage these changes effectively.

9. POVERTY, INEQUALITY, AND WAGE REFORMS

Fair wages play a crucial role in reducing poverty and income inequality.⁶⁰ By ensuring that all workers receive a living wage, South Africa can make significant strides towards social equity and economic justice. This can lead to improved social cohesion and stability.⁶¹ Abolishing subminimum wages strengthens worker

rights and protections. It ensures that all workers are treated fairly and receive adequate compensation for their labor.⁶² This aligns with international labor standards and human rights principles. Moreover, public sentiment towards wage reforms is generally positive, with strong support for fair wages and worker rights.⁶³ However, political discourse often highlights the potential economic challenges and the need for balanced policies.⁶⁴ Engaging stakeholders in meaningful dialogue is essential for successful reforms.

10. ECONOMIC GROWTH PROJECTIONS POST-ABOLISHMENT

According to Ogunmakinde et al, long-term economic growth projections indicate that fair wage policies can contribute to sustainable development.⁶⁵ By investing in human capital and ensuring fair compensation, South Africa can build a more resilient and inclusive economy.⁶⁶ This requires a comprehensive approach to economic planning and policy

⁵⁶ E Fukase & W Martin 'Economic growth, convergence, and world food demand and supply' (2020) 132 World Development 104954

⁵⁷ J Fine 'Enforcing labor standards in partnership with civil society: Can co-enforcement succeed where the state alone has failed?' (2017) 45(3) Politics & Society 359–388.

⁵⁸ EA Bennett 'Voluntary sustainability standards: a squandered opportunity to improve workers' wages' (2018) 26(1) Sustainable Development 65–82.

⁵⁹ J Pastorino 'Employment effects of the 2015 minimum wage increase in Johnson County, Iowa' (2017) MA thesis, University of North Dakota.

⁶⁰ E Derenoncourt & C Montialoux 'Minimum wages and racial inequality' (2021) 136(1) The Quarterly Journal of Economics 169–228.

⁶¹ N Rustamova, S Sharifzoda, X Burxanxodjaeva, L Rahimqulova, M Turdialiev, F Nurullaev & D Eshchanova 'Social protection in developing countries: Legal, economic, and social trends' (2025) 5(1) Qubahan Academic Journal 118–149.

⁶² H Shierholz 'Strengthening labor standards and institutions to promote wage growth' (2018) Economic Policy Institute [Online] Available at: <https://www.brookings.edu/research/strengthening-labor-standards-and-institutions-to-promote-wage-growth>.

⁶³ F Koliev & JH Lebovic 'Selecting for shame: The monitoring of workers' rights by the International Labour Organization, 1989 to 2011' (2018) 62(2) International Studies Quarterly 437–452.

⁶⁴ A Bénassy-Quéré, B Coeuré, P Jacquet & J Pisani-Ferry Economic Policy: Theory and Practice (2018) Oxford University Press.

⁶⁵ OE Ogunmakinde, T Egbelakin & W Sher 'Contributions of the circular economy to the UN sustainable development goals through sustainable construction' (2022) Resources, Conservation and Recycling 178, 106023.

⁶⁶ AJ van Niekerk 'Inclusive economic sustainability: SDGs and global inequality' (2020) 12(13) Sustainability 5427.

implementation.⁶⁷ On the other side, trade unions and collective bargaining play a critical role in shaping wage policies. They advocate for fair wages and worker rights, ensuring that labor interests are represented in policy discussions.⁶⁸ Strengthening these institutions can enhance the effectiveness of wage reforms.

11. THE ROLE OF TRADE UNIONS IN WAGE POLICY

Trade unions play a crucial role in shaping wage policies in South Africa, particularly in advocating for fair labor practices and influencing legislation related to minimum and subminimum wages.⁶⁹ Historically, trade unions have been instrumental in pushing for wage reforms that protect vulnerable workers from exploitation.⁷⁰ The Labour Relations Act⁷¹ empowers trade unions to engage in collective bargaining, ensuring that employees receive equitable wages that reflect the cost of living and economic conditions. Unions have also been vocal in opposing subminimum wage policies, arguing that they contribute to systemic inequality and hinder efforts to improve workers' living standards. Through negotiations with employers and the government, trade unions have played a central role in shaping policies that seek to abolish exploitative wage structures, aligning labor laws with constitutional principles of fairness and dignity under Section 23 of the South African Constitution,⁷² which

guarantees fair labor practices. For instance, in the case of *South African National Defence Union v Minister of Defence*.⁷³ In this case, the Constitutional Court considered whether members of the South African National Defence Force (SANDF) had the right to form and join trade unions. The government argued that allowing military personnel to unionise would undermine national security and discipline. However, the Constitutional Court ruled in favor of the union, emphasising that the right to collective bargaining and fair labor practices is a fundamental constitutional right. The court's decision reinforced the role of trade unions in advocating workers' rights, including fair wages and working conditions. This ruling set an important precedent, demonstrating that labor rights extend to all workers, regardless of their employment sector. The case underscores the necessity of trade unions in negotiating fair wages and protecting employees from exploitative labor practices, further strengthening the call to abolish subminimum wages in favor of an inclusive and equitable labor market.

12. EVALUATING SOUTH AFRICA'S NATIONAL MINIMUM WAGE IMPLEMENTATION

In 2018, the South African government introduced the National Minimum Wage (NMW) Act as a structured policy intervention to address the high levels of working poverty and income inequality.⁷⁴

⁶⁷ S Gustafsson & J Ivner 'Implementing the global sustainable goals (SDGs) into municipal strategies applying an integrated approach' in Handbook of Sustainability Science and Research (2017) 301–316 Springer International Publishing.

⁶⁸ I Bernstein The New Deal Collective Bargaining Policy (2022) University of California Press.

⁶⁹ E Heppell 'Compliance with minimum wages: A South African legal perspective' (2021) LLD thesis, Stellenbosch University.

⁷⁰ V Tait Poor Workers' Unions: Rebuilding Labor from Below (2016, Completely Revised and Updated Edition) Haymarket Books.

⁷¹ Labour Relations Act 66 of 1995.

⁷² Section 23 provides essential rights related to labour relations. It ensures that everyone has the right to fair labour practices, safeguarding workers and employers within the workplace. Workers are specifically entitled to form and join trade unions, participate actively in their programs, and engage in strikes as a means of collective bargaining.

⁷³ South African National Defence Union v Minister of Defence (1999) (4) SA 469 (CC).

⁷⁴ M Cabe "'We want a living wage': the impact of the national minimum wage on struggles of domestic workers in South Africa' (2024) Master's

Economic models projected that a NMW set at R3 500 a month would raise the incomes of almost half of South Africa's workforce.⁷⁵ However, a study commissioned by the National Minimum Wage Commission post-implementation, observed only a moderate increase in wages and a limited effect on the wage distribution.⁷⁶ The "muted" impact of the NMW was attributed primarily to high levels of non-compliance, a lack of knowledge by employers and weak enforcement.⁷⁷ However, a study commissioned by the National Minimum Wage Commission after the implementation found only a moderate rise in wages and a limited impact on wage distribution. The "muted" effect of the NMW was mainly due to high levels of non-compliance.⁷⁸ Additionally, the lack of awareness among employers and weak enforcement mechanisms further contributed to the limited success of the NMW. Ensuring better compliance and stronger enforcement could enhance the effectiveness of such wage policies in the future.⁷⁹

13. DISCUSSION SUMMARY

The abolition of subminimum wage rates in South Africa has significant economic and social implications, particularly for low-income workers and vulnerable labor sectors. Historically, subminimum wages have been justified as a means to encourage youth employment, support small businesses, and provide flexibility in labor markets. However, these lower wages have also contributed to income inequality and perpetuated economic disparities, especially among marginalized communities. The removal of subminimum wages aligns with broader social justice and

labor rights goals, ensuring that all workers receive a fair and livable income. Scholars have shown that while eliminating subminimum wages may initially raise labor costs for employers, the long-term benefits such as increased worker productivity, reduced employee turnover, and enhanced consumer spending can contribute to overall economic growth. The shift to a standardised minimum wage must be supported by policies that mitigate potential negative impacts on employment, particularly for small businesses and industries heavily reliant on lower-wage labor. Additionally, integrating technological advancements and skills development programs will be crucial in fostering economic resilience and job creation in a post-subminimum wage economy. Ensuring fair wages across all sectors is not just a labor market concern but a fundamental human rights issue, as recognised in international labor standards and South African labor laws.

14. RECOMMENDATIONS

To ensure a smooth transition from subminimum wage rates and promote economic stability, it is essential to strengthen wage policies by aligning labor laws with international best practices. This will help guarantee that all workers receive fair and equitable wages, reducing income inequality and ensuring financial security for vulnerable labor groups. Additionally, supporting small businesses through financial assistance, tax incentives, and subsidies will help employers adjust to higher wage costs without resorting to layoffs or reducing job opportunities. A structured and gradual transition plan will be

dissertation, University of the Witwatersrand, Johannesburg.

⁷⁵ H Bhorat, R Kanbur & B Stanwix 'An empirical assessment of the national minimum wage in South Africa' in N Bohler-Muller, V Reddy & C Soudien (eds) *Ethics, Politics, Inequality: New Directions* (2022) 154-172 Lynne Rienner Publishers.

⁷⁶ OP Guzi 'An analysis of pre-implementation and post-implementation concerns and issues raised by organized labour, business and government

regarding the setting of the South African National Minimum Wage' (2021) Master's dissertation, University of the Witwatersrand, Johannesburg.

⁷⁷ K Bales, A Bogg & T Novitz "'Voice" and "choice" in modern working practices: problems with the Taylor review' (2018) 47(1) *Industrial Law Journal* 46-75.

⁷⁸ Government Gazette 42060, 27 November 2018: National Minimum Wage Act 9 of 201.

⁷⁹ The National Minimum Wage Act 9 of 2018.

necessary to minimize disruption in labor intensive industries. Investing in workforce development programs is crucial to enhance employability, particularly for youth and workers previously engaged under subminimum wage schemes. This can be achieved by expanding vocational training, reskilling initiatives, and entrepreneurship programs, allowing workers to access better paying jobs. Furthermore, monitoring the economic impact of abolishing subminimum wages is essential. Establishing a regulatory body to track labor market trends and employer responses will enable timely interventions to prevent unintended consequences such as job losses or exploitative labor practices.

Inclusive economic growth should be promoted by ensuring that diverse stakeholders, including labor unions, employer organizations, and policymakers, actively participate in shaping labor policies. Collaboration among these groups will facilitate balanced decision-making that benefits all sectors of society. Additionally, leveraging technological innovations by encouraging businesses to adopt automation and digital tools can improve productivity, helping employers sustain higher wage structures without compromising competitiveness. Lastly, enhancing social protection measures such as unemployment benefits, housing assistance, and access to

affordable healthcare will safeguard workers transitioning from subminimum wage employment, ensuring long-term economic resilience.

15. CONCLUSION

The abolition of subminimum wage rates in South Africa represents a crucial step towards reducing economic inequality and fostering social justice. While concerns about job losses and increased labor costs remain, the long-term economic benefits such as improved worker well-being, enhanced consumer spending, and greater economic participation outweigh the short-term challenges. A well-managed transition, supported by policies that promote skills development, business resilience, and technological adaptation, can ensure sustainable economic growth. As South Africa moves forward, it is imperative to prioritise fair labor practices that empower workers while fostering a competitive and resilient economy. This transformation is not just about wages, it is about ensuring dignity, equality, and economic inclusion for all. By embracing progressive wage policies and inclusive economic strategies, we can pave the way for a future where every worker receives fair compensation, contributing to a more just and prosperous society.