
DOES UCT PRESCRIBE A LIVING WAGE?: EVALUATING THE UNIVERSITY OF CAPE TOWN'S PRESCRIBED MINIMUM WAGE FOR ITS OUTSOURCED WORKERS

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This paper evaluates whether the minimum wage prescribed by the University of Cape Town (UCT) for its outsourced workers should be seen as a living wage, and critiques attempts to 'scientifically' or objectively determine a numeric value for the living wage. It concludes that theoretically there is little reason to believe that the UCT-prescribed measure is a living wage, and that practically this wage is indeed insufficient to be described as such. The paper argues that there is no conceptually sound method of determining a 'scientific' or objective standard of a living wage, and that attempts to set a living wage must incorporate workers' demands. It also adds to the living wage discourse by discussing whether a living wage should be discounted for the potential presence of co-resident wage-earners in a given household.

1. Introduction

Despite being classified by the World Bank as an upper middle-income country (World Bank, 2012), South Africa is characterised by widespread, enduring poverty and extremely high rates of inequality. In Woolard and Leibbrandt's analysis of South African poverty lines (2006), a majority of the measures they examine result in a poverty head-count ratio of more than 50% for South Africa. This would suggest that at least half of the South African population should be classified as 'poor'. South Africa's Gini coefficient was approximately 0.70 in 2008, which suggests that South Africa is one of the most unequal countries in the world (Leibbrandt *et al.*, 2010). In addition, the incidence of poverty is clearly distributed along racial grounds, as measures of poverty dominance unambiguously show.¹ Leibbrandt *et al* find that both the scale of poverty and inequality and its racially-determined nature are reflected in the South African labour market, where employment prospects and returns to labour drive the majority of overall inequality and are highly correlated with household poverty. With a broadly defined unemployment rate of approximately 40% (Heintz and Posel, 2008), the extent to which poverty in South Africa is caused by unemployment as opposed to low wages is a matter of debate and is unresolved. However it is certainly clear, and will become clearer throughout this paper, that prevailing market wages do not engender a decent standard of living for most South Africans. The apparent inadequacy and unfairness of market wages in South Africa has led to calls for workers to be paid a 'living wage', rather than the market-determined one (COSATU, 2012; Frye, 2013; Labour Research Service, 2012). This paper will investigate how a living wage might be set, and will examine whether one attempt to set such a wage, the wage that the University of Cape Town (UCT) prescribes for its outsourced workers, is indeed a living wage.

The campaign for a living wage in South Africa extends at least as far back as 1919, when the president of the South African Native National Congress, later to become the African National Congress, referred explicitly to the need for a 'living wage' in his presidential address at the organisation's 1919 annual conference (Makgatho, 1919). The concept was important for the pre-Apartheid Wage Board (established in 1925), which introduced a cost-of-living allowance in addition to its minimum wage legislation (NALEDI, 2011). Gains for African workers were quickly lost as the National Party came to power in 1948, and this spurred a national minimum wage campaign by the South African Congress of Trade Unions in 1957, and an explicit 'living wage' campaign by the Federation of South African Trade Unions (FOSATU) in 1980 (Labour Research Service, 2012). The latter was the first systematic campaign for a living wage in South Africa. The Congress of South African Trade Unions (COSATU) launched a living wage campaign in 1987, and the issue is still

¹ This paper uses the 4 racial categories defined by the apartheid government and used by the Bureau of Market Research (2004), dividing the population into 4 groups: 'African', 'coloured', 'Indian' or 'white'. A particular group is 'poverty dominant' of another group if it will always have a higher poverty headcount ratio than the other group, irrespective of what poverty line is used (Deaton, 1997). Poverty dominance by racial group is shown in Appendix 1.

fundamentally important for COSATU today. The campaign for a living wage constitutes the first pillar of the ‘programme of action’ declared at the 11th National Congress of COSATU in 2012 (the last Congress to be held), and the concept is pertinent to the current debate about instituting a national minimum wage for South Africa (COSATU, 2012). Discussion about how to set a living wage is relevant in and of itself, and separate from analysis of the UCT-prescribed wage this paper aims to add to this broader discourse, specifically with reference to the unresolved question of whether a living wage needs to be discounted for the possible presence of other wage-earners in a particular household.

Structurally this paper is divided into 5 sections. This first section introduces the topic and explains its relevance, while section 2 attempts to define the key distinguishing characteristics of a living wage. Using a variety of historical and contemporary sources, it will be argued that the two most important and relevant characteristics of a living wage are that it should allow people to live decently and with dignity, and that it should be a wage which allows people to move out of poverty or near-poverty. Section 3 investigates methods by which the living wage could theoretically be quantified, by examining and adapting the methods used to create poverty lines. Though conceptually distinct from the concept of a living wages, practical similarities between the measures could potentially allow for the transfer, with adaptation, of some techniques used to create poverty lines. This section concludes that there are potentially insurmountable conceptual problems when it comes to creating a convincing quantitative measure of what a living wage should be.

Section 4 analyses the wage that UCT prescribes for its outsourced workers in light of the living wage concept. This involves critiquing the supposedly ‘scientific’ measure that UCT uses to prescribe wages, the Supplemented Living Level (SLL) produced by the Bureau of Market Research (BMR) at UNISA. After discussing whether the potential presence of co-resident wage-earners should affect wage determination, the paper uses both quantitative and qualitative analysis to conclude that there is little reason to believe that the UCT-adjusted SLL is a living wage even in theory, and that in practice it does not meet all of the criteria of a living wage. Section 5 concludes and tentatively discusses other ways in which wage-setters can ensure they prescribe a living wage in the absence of some ‘objective’ measure. This paper does not attempt to analyse the broader macroeconomic consequences of higher wages, or what their effects would be on poverty, as a substantial contribution on these topics is far beyond the scope of this paper.

2. Defining the living wage

The concept of a living wage has a long pedigree in Economics. Adam Smith, writing in the *Wealth of Nations* (1776), makes numerous comments on what would define a ‘just wage’, and explicitly

differentiates between a wage which only covers physical survival (what may be defined today as a poverty wage), and a wage which is just. Smith is explicit that a just wage should not only be about subsistence, but should also allow for expenditure on what he calls ‘customary expenses’, and he argues that the wage should allow for a level of decency which is socially determined (Noell, 2006). At this point, however, Smith diverges from contemporary thought on how a just wage could be implemented. He argues that market determination will lead to a just wage, whereas modern proponents of a living wage tend to see low market wages as either the result of market failures, uneven power relations, or as an inherent characteristic of capitalism, none of which the market can be expected to rectify itself (COSATU, 2012).

Despite agreement that market forces are not likely to engender living wages, definitions of what exactly constitutes a living wage vary from writer to writer. This is not just a conceptual problem but is also methodological, as the terms in which a living wage should be described are not clear. While almost all writers on the topic prescribe some normative goal as to what a living wage should allow people to do, generally some attempt is also made to define the wage in terms of sufficient consumption of specific classes of goods and services such as food, transport or education (Maher, 2013; NALEDI 2011, Labour Research Service, 2012). These kinds of definitions are not useful or comparable until they explain the standard by which some level of consumption is deemed to be sufficient. In the absence of this, their arbitrariness prevents any kind of comparison or generalisation of the definition.

It is clear that a living wage must be sufficient for people to not live in poverty (another nebulous concept), but living wages are distinct from poverty lines and envision a higher standard of living than the minimum needed to survive (Pollin and Luce, 1998; Frye, 2013). The movement for a living wage in the United States of America has often had to use the national poverty line as its measure of a living wage, but proponents of this measure are explicit in saying that this is a strategic decision, and does not accurately reflect the concept of a living wage (Luce, 2012). Being adequate to prevent living in poverty is a necessary requirement of a living wage, but it is not sufficient.

The distinguishing characteristics of a living wage are in what they allow people to do. It is argued here that the two distinguishing characteristics of a living wage are that it should allow a life to be lived with decency or dignity, and that it should facilitate a move out of poverty or near-poverty. Like Smith in 1776, almost all writing on the living wage includes some reference to the decency condition (Pollin and Luce, 1998; Frye, 2013). The Labour Research Service (LRS) elucidates well one argument for this condition, as they relate it to the ability of a person to engage in society in a meaningful way, where they can ‘participate in the social and cultural forms which locate us in our communities’ (Labour Research Service, 2012). This condition is fundamentally about enabling meaningful interactions between people. Even if a person is physically surviving, being dirty, poor,

uneducated, exhausted or living ‘indecently’ in some other way will limit the ability of that person to interact with others, and the LRS argues that social participation should be recognised as a fundamental component of living in society. The other argument for a wage which allows decency is related to dignity, and takes as its starting point simply that every person has the right to live with dignity (Frye, 2013). This right, which incidentally is enshrined and heavily emphasised in the Constitution of South Africa (University of Cape Town, 2006), would mean that a just wage must seek to allow dignity for its own sake. Both of these arguments stem from a distinction being made between ‘living’ and merely ‘surviving’.

The second condition, which essentially is about the wage stimulating social mobility, argues that any wage which condemns people to a life in poverty or near-poverty cannot be accepted as a living wage (NALEDI, 2011). The living wage is expected to have a transformative effect, if not on individuals’ life prospects, then at least on their children’s. It must allow people or households to lift themselves out of poverty (Pollin and Luce, 1998). Important provisions towards this end would be allowing for sufficient education, having the capacity to save money, and having residual income and time after satisfying immediate needs which can be used for self-improvement (Maher, 2013).

The living wage is often discussed in conjunction with the concept of a social wage, which is related to the goods and services that the state provides. It is argued that the ‘basket’ of goods required to achieve the aims of a living wage includes some public goods, such as healthcare, education and transport systems (NALEDI, 2011; Labour Research Service, 2012). This paper does not discuss the social wage concept, except implicitly when discussing provision made for the use of publicly provided services such as those above. This paper defines a living wage as a wage which is sufficient for a person to satisfy their subsistence needs, but which also allows for a life that is lived with dignity and decency, and which has the capacity to facilitate a move out of poverty or near-poverty.

3. Using poverty quantification techniques to quantify the living wage

Poverty lines set specific values of income, consumption or some other welfare variable, and people who are below this line are deemed to be in poverty, while those above the line are deemed to be non-poor (Ravallion, 1994). It is important to emphasise again that the concept of a living wage is distinct from that of a poverty line. However, much more work has been done on quantifying poverty than in quantifying living wages, and these two concepts, while distinct, do share some important characteristics. Like attempts to develop a numeric value for the living wage, poverty lines are fundamentally about stipulating some specific amount of income or consumption which is meant to represent a particular standard of living. While the standard of living is different between poverty lines and living wages, and this affects both method and result, the underlying process is comparable.

Poverty quantification techniques may therefore be useful in developing a procedure for quantitatively defining a living wage.

3.1 Approaches to setting a specific amount

There are a variety of different techniques which can be used to choose which specific income or consumption value will be the threshold for poverty or the living wage. In the case of the living wage this is clearly a question of choosing some income value, as wages are disbursed as money, whereas for poverty lines a variety of measures can be used. Whatever the measure, the choice of specific value will always be somewhat arbitrary (Deaton, 1997). There is no clear idea of what standard of living should be the threshold for poverty (Woolard and Leibbrandt, 2001), and the living wage definition is made up of concepts even more nebulous and personally subjective than poverty, such as dignity and decency, thus further complicating attempts to choose an appropriate standard of living. Broadly speaking there have been two different approaches to setting poverty lines, both of which incorporate the arbitrariness mentioned above: the absolute approach and the relative approach (Ravallion, 1994).

In the absolute approach a set of basic needs is specified, and the poverty line is determined at the level where someone has sufficient money to satisfy those needs. This approach conceptualises poverty as a level of absolute deprivation which is not dependent on a particular society's standard of living (Deaton, 1997). The chief arbitrariness comes in how the set of basic needs is defined.

According to the relative approach, a person is evaluated as poor if their standard of living is seen as unacceptably low compared to the living standards of the rest of society. This is often expressed as a proportion of the mean or median income (Woolard and Leibbrandt, 2001). The underlying conception of poverty here is related to a person's ability to interact with the rest of society, and it sees their welfare as being related to expectations of meeting social norms and participating in social activities (Ravallion, 1994). The arbitrariness inherent in this measure comes about when trying to define how much poorer than the rest of society someone must be to be called poor.

There is significant and unresolved debate about whether the absolute or relative approach is more correct when setting poverty lines (Ravallion, 1994). This paper will not enter into this debate except to say that both considerations are relevant when trying to define an acceptable measure of a living wage. On the one hand there must surely be some absolute measure below which people cannot subsist, and another level below which people cannot subsist with dignity. Contrastingly, the subjective idea of what constitutes living decently and with dignity will also likely be determined by comparison to the rest of society's living standards, and a living wage measure should therefore take a

society's average living standard into account. Unfortunately this paper must limit its scope to evaluating absolute measures of the living wage, as the UCT measure under consideration is an absolute standard and there is not sufficient space to evaluate relative measures in addition to this. This does not mean that absolute measures are more correct, but is simply a necessary limitation of this paper.

3.2 Methods of setting absolute measures

There are two main methods used to determine what amount of expenditure is necessary, and these methods are often combined. The fundamental problem concerns how the basket of goods which represents the required standard of living is chosen. Both of the methods used to address this problem are conceptually problematic.

The first method, which this paper calls the 'normative method', is for the researcher to make normative judgements about what goods are required if a person is to be classified as non-poor, or living decently (Woolard and Leibbrandt, 2006). The researcher will decide that a man needs, for example, one pair of trousers every year, and will price this and the other goods deemed necessary. The poverty line or living wage is set at the level at which the basket of goods set by the researcher can be afforded. How the researcher makes these normative judgements is very often unclear and under-investigated, as will be shown in the critique of the SLL. There is no developed framework for how a researcher should determine which goods make someone poor or not poor, and this problem is worse if the researcher tries to determine which goods are important for living with dignity or decency. There does not seem to be any good reason why the inherently subjective prescriptions of an economist or other researcher should carry analytical weight in this regard, as it would be impossible for these researchers to fully understand the needs of people in a near-poverty situation. Indeed it is these people, living in near-poverty, who are likely best placed to evaluate what is required for them to achieve their own desires. The one exception to this may possibly be a food allocation, whereby researchers use supposedly objective measures of caloric requirements, and convert this into food expenditure. However not only do measures of recommended caloric intake vary substantially, with no single figure being accepted as authoritative (Deaton, 1997), but in the process of transforming calories into prescribed foods the prescription problem raises its head again, as there are a variety of different ways for a person to consume a set amount of calories (Ravallion, 1994).

The prescription of specific foods is often done by a survey of what foods the target population eats, in an attempt to mitigate the unscientific paternalism inherent in the normative method (Bhorat, Oosthuizen and Van der Westhuizen, 2011; Ravallion, 1994; Ozler, 2005). This is the second method

used to set an expenditure basket, and it can be used generally rather than just for food. This paper calls this method the ‘survey method’. Survey data is used to describe the consumption and expenditure patterns of a population sub-group, and these patterns are used to set the required basket of goods (Budlender, 1985). While at first inspection this method may seem more scientific and less subjective than the previous measure, it suffers from major conceptual problems. The issue is that this method takes a descriptive measure and attempts to make it prescriptive, with no theoretical explanation of why this is acceptable. Indeed there is every reason to believe that poor people, the target group normally surveyed, will be consuming sub-optimally, and that their consumption patterns should not be used to set some kind of aspirational benchmark (Budlender, 1985). The survey method is even more troublesome in the case of a living wage prescription, which is meant to be transformative. It is certainly incorrect to associate the expenditure patterns of people who are socially immobile (as the poor likely are) with the basket of goods needed for a living wage.

The above discussion should make it clear that poverty quantifications, and by extension living wage quantifications, are at best subjective, and at worst are irrational. However the subjectivity of this process is often not recognised, and these methods are implicitly assumed to be objective.² Indeed, the author of the measure that UCT uses to prescribe wages explicitly referred to it as a ‘scientific’ measure (Martins, 2003). This paper now moves to evaluate the UCT-prescribed wage, both in terms of its theoretical foundation and its practical implications.

4.1 The desire to implement a living wage at UCT

The University of Cape Town had fully outsourced its supposedly ‘non-core’ services by the end of 1999 (Brown and Budlender, 2013). Currently the University contracts 6 different companies to provide these services, which are cleaning, security, catering, transport and grounds-keeping (Maree and Le Roux, 2014). Collectively these companies employ between 1170 and 1196 workers, who this paper refers to as ‘outsourced workers’. In 2006 UCT introduced a ‘Code of Conduct’ for the contracted companies and outsourced workers, which set certain standards regarding the conditions of employment and also set a minimum wage for workers at UCT, which the contracted companies had to meet (University of Cape Town, 2006). This decision was motivated by a desire to mitigate or prevent exploitation of outsourced workers at UCT, which was perceived to be inherent to the outsourcing process. As the 2014 outsourcing review states, this was an attempt by UCT to achieve

² An example of this implicit assumption can be seen in how the above two methods of measuring poverty are often categorised as being distinct from so-called ‘subjective’ measures, which are categorised as measures which rely on ‘individuals’ opinions as to what constitutes the minimum income or expenditure required by a household’ (Bhorat, Oosthuizen and Van der Westhuizen, 2011). It is clear from the above discussion that all poverty lines rely on individuals’ opinions on this question at some point of the quantification process, and the apparent technicality of this process should not obscure this fact.

‘outsourcing with heart’ (Maree and Le Roux, 2014). One UCT management figure interviewed in the 2014 review explicitly stated that the aim of the Code of Conduct was to ensure that workers were paid a ‘fair wage’. There was recognition on the part of UCT that market wages were too low and were inconsistent with UCT’s stated values, which are detailed in the University’s ‘A statement of values’ (University of Cape Town, 2001).

It is quite clear that in order for a wage to be in accordance with these values, it needs to be sufficient to satisfy at least this paper’s definition of a living wage. The clear commitments to affirming and protecting Constitutional rights, which includes the right to dignity, and also the commitment to generosity and concern for the ‘needs and aspirations’ of others clearly show that a wage which allows for dignity and decency is a minimum requirement. Furthermore, the repeated commitments to ‘social transformation’, ‘empowerment’, and ‘social justice and equity’ (which surely must include equality of opportunity) indicate that UCT cannot recommend a wage which will not enable workers to move out of poverty or near-poverty (University of Cape Town, 2001). It seems fair then for this paper to evaluate UCT’s prescribed minimum wage in light of whether it is a living wage. Even in the absence of these commitments by UCT, however, whether UCT or any other institution prescribes a living wage is a relevant question in its own right.

The wage that UCT adopted towards this end in the 2006 Code of Conduct was determined by a living standards measure published by the Bureau of Market Research at UNISA, called the Supplemented Living Level (SLL). The SLL is an absolute measure of welfare which prescribes a basket of goods deemed necessary for a ‘modest low-level standard of living’ (Bureau of Market Research, 2004). The basis of the SLL is what the BMR calls the Minimum Living Level (MLL). The MLL is defined as the ‘lowest sum possible on which a specific size family can live in our existing social set-up’. Like the SLL, the value of the MLL is determined by summing the Rand values that the BMR allocates to each category of consumption it deems essential, such as food, clothing and transport. The SLL incorporates additional consumption, such as additional food, and an allowance made for recreation which is not included in the MLL. Table 1 details the categories included in the SLL.

Both UCT’s treatment of the SLL and comments by one of the SLL’s authors, JH Martins, suggest that it is seen and presented as an objective scientific prescription for an acceptable standard of living. When talking about the MLL, Martins (2003) explicitly says that ‘the quality and type of items included in the MLL consumption basket are determined on a scientific basis’, and he further suggests that it is a measure of a ‘living wage’. The MLL tends to be around 75% of the total SLL value, suggesting that if Martins or UCT believes the MLL to be a living wage, then they would see the SLL as more than sufficient for this categorisation. While some of the outsourced workers earn above the SLL wage, depending on which company employs them, between 813 and 904 workers earn the SLL

amount, constituting a large majority of the total number of outsourced workers at UCT (Maree and Le Roux, 2014). Discussion from this point onwards regarding UCT's outsourced workers refers to those earning the SLL wage.

Table 1: description of the SLL expenditure categories with method of allocation

Category	Description	Method of allocation
Food	Expenditure on food and non-alcoholic beverages	Mixed
Clothing	Clothing	Normative
Compulsory payments	Rent, garbage disposal, sewerage, upkeep and other household levies	Unclear
Water	Water	Survey
Fuel & Light	Electricity and other fuels such as paraffin and wood	Mixed
Washing and Cleaning	Household and some personal cleaning items	Normative
Education	Education-related, but unclear	Mixed
Transport	Transport to and from work, school and shops	Mixed
Health	All health expenses	Survey
Household equipment	Furniture, cutlery, linen and stoves	Normative
Recreation and entertainment	Various recreational items	Normative
Personal care	An extra allowance for personal cleaning and beauty products	Normative
Contributions to funds	Contributions to pension, unemployment and burial funds	Survey

4.2 Explaining and critiquing the methodology of the UCT-adjusted SLL

The SLL, which was published bi-annually from the mid-1970s until March 2004, develops its overall expenditure prescription by assigning specific levels of expenditure to each of the categories indicated in Table 1 (Bureau of Market Research, 2004). The ‘normative method’, the ‘survey method’, or a combination of these two methods (both explained and critiqued in Section 3.2) was used to create each of these allocations, and the method used is also indicated in Table 1. The prescription per category is summed into a monthly household-level prescription, which is dependent on household size and geographic area (with the latter affecting prices).

The SLL also differentiates its monthly household expenditure prescription by race. In the two regions where coloureds are included in the measure, for a given household size and geographic location, African households are always prescribed lower amounts than coloured households. In Durban, which is the only place where an Indian SLL is prescribed, Indians are prescribed greater expenditure than Africans at small household sizes and large household sizes, whilst Africans are prescribed greater expenditure for households of 3 to 6 people. The SLL is not calculated for white households. This differentiation by race should already show that the SLL is not a scientific measure, and that it is not acceptable in contemporary South Africa. As will be shown when the different category prescriptions are analysed, this kind of discrimination permeates the measure and includes unjustified gender-based discrimination. The specific SLL amount that UCT prescribes is the amount for an average-sized African household in the Cape Peninsula (Maree and Le Roux, 2014).³

With the measure last having been published in 2004, UCT now updates the measure annually by Quintile-2 CPI inflation (Maritz, 2014). A study which compares increases in the MLL to headline CPI inflation by Martins (2003) shows that while these increases are related, their similarity varies substantially year-by-year. The relative rates change significantly by time period, with the MLL estimates having grown much faster than the CPI rates between 1995 and 2000 (the last year Martins examines), but significantly slower between 1984 and 1989. Between 1980 and 2000 the CPI increased by 826%, whereas the MLL increased by 697%. This does not mean that the UCT-adjustment is necessarily favourable to workers, as no conclusion can be made on the relative rate since the SLL was last published in 2004. Another confounding consideration is that Martins paper compares CPI headline inflation to increases in the MLL, whereas UCT has used Quintile-2 inflation, and these increases need to be compared to the SLL. With limited access to the yearly SLL reports there is unfortunately no way to ascertain whether the UCT inflation adjustment is favourable or unfavourable to workers, and the only conclusion that can be made here is that the UCT adjustment is

³ Note that while coloured families are allocated more than African families for a given household size, the BMR calculates the average household size for Africans as higher than for coloureds in the Cape Peninsula (Bureau of Market Research, 2004). UCT thus chose the higher of the two measures, which is the African measure.

likely to distort the value of the SLL in some way, though it is difficult to conceive of a better adjustment mechanism.

4.3 How to compare the SLL prescriptions to the expenditure patterns of comparable groups

While it has been made clear that using existing expenditure patterns to formulate a measure of a living wage is conceptually flawed, expenditure data is useful in assessing how accurate the prescriptions of the SLL's 'basket of goods' are. This is important not only for critique of the measure, but also helps facilitate tentative qualitative conclusions about the standard of living the SLL practically allows.

4.3.1 Data issues

The data used for this comparison comes from the 2010-2011 Income and Expenditure Survey (IES), conducted by Statistics South Africa (2013). UCT based its prescription on the last-published SLL report, from 2004 (Bureau of Market Research, 2004). The Rand values of each prescription from this report were inflated in line with UCT's inflation-updating method until 2011. Categories analogous to those described in Table 1 were created out of the IES data. Results were weighted using the IES 'Full weights', which include adjustments for survey-design shortcomings and for non-response, which was corrected for at the household and PSU level (Statistics South Africa, 2012).⁴ The IES data has been criticised for the under-reporting of income, but this imprecision is unavoidable in the absence of complicated and debatable adjustments which this paper does not seek to attempt. No adjustments are made for income tax as the UCT-prescribed SLL is below the income tax threshold (South African Revenue Services, 2014).

4.3.2 Choosing comparable groups

Three samples are created from the IES data. The first sample is defined by individuals who earn a wage which is similar to the UCT-prescribed SLL (R3 919.52 per month), and is meant to be roughly analogous to the set of outsourced workers at UCT. This sample is primarily used for analysis of the expenditure patterns of people who earn a similar amount to UCT's outsourced workers, and

⁴ This paper found a small proportion of presumably missing data at the individual level, as in some cases individuals who had elsewhere indicated that they earned an income were not included in the Personal Income dataset of the IES. This does not seem to have been corrected for in the IES 'Full weight', but without knowing the cause of this discrepancy or indeed if the omission of these people was deliberate, it must be assumed that this does not affect the results.

ultimately it is this sample which allows for a conclusion on what the practical implications of the SLL wage are. The second sample is defined by households whose total income (including grants and other non-wage income) is similar to the 2011 SLL value, while the third sample is defined by households whose total expenditure is similar to this value. The second and third samples are used to evaluate the accuracy of the SLL prescriptions per category.

In order for a wage, income or expenditure value to be considered sufficiently similar to the SLL value for inclusion in the relevant sample, that value needed to be greater than R3 496 per month but less than R4 343 per month. This relatively wide band of approximately an 11% increase or decrease on the SLL amount of R3 919.52 per month was necessitated by the shape of the measurements' distributions and the need for a reasonable sample size.⁵ The interval created by this upper and lower bound is from here referred to as the SLL-band. Households were excluded from the sample if household expenditure was at least 4-times greater than total household income or if household expenditure was at least 4-times smaller than total household income, as in both of these cases these results were assumed to be the result of measurement error.⁶ In addition, any households in the top 95th percentile of household incomes were excluded from the samples. This exclusion is relevant for the first sample, as in some cases individuals who earned an amount similar to the SLL belonged to very rich households, and therefore these individuals' household expenditure patterns skewed the results away from what can be considered representative of UCT's outsourced workers. In this regard this paper explicitly assumes that none of UCT's outsourced workers belong to households in the 95th percentile of household income, as the work done by the outsourced workers is certainly not typical of members of these households.⁷

4.4 A preliminary conceptual issue: setting a wage for a household

That UCT uses the SLL, a household-level measure, to prescribe wages for individuals raises questions about whether a living wage should be prescribed at a level which satisfies the dignity, decency and mobility requirements for the individual wage-earner, or for that wage-earner's household. If it is accepted that the wage should guarantee a decent life for the entire household, as is commonly the case, questions about the effect that other co-resident wage-earners will have on household welfare are pertinent. The effect that this discussion has on attempts to set a living wage is complicated.

⁵ For an explanation of how this band was chosen see Appendix 2.

⁶ The results represented in Table 3 are robust to the inclusion of these unrealistic values nonetheless.

⁷ Restricting this limit to the 95th percentile of household incomes as opposed to the 90th percentile, which is likely just as unrepresentative of UCT workers, is a deliberately conservative decision. That this paper still finds the UCT-SLL to not be a living wage when allowing such high-earning co-residents strengthens its findings.

The first question is whether wage-setters should take a worker's household size into account. If having children (or getting married) is understood to be a conscious choice made by an employee, it can be argued that employers do not have an obligation to compensate workers for this choice. However the living wage concept is explicitly about allowing people to live their lives with dignity and decency. This surely includes allowing people the right to make personal decisions about having children or being married, and a wage which does not support this choice cannot be said to be a living wage. It may be the case that this right only extends to a certain household size, and that employers should not have to support extra household members beyond what is considered socially reasonable. However this limitation is implicit in living wage calculations, which tend to prescribe a wage based on the average household size, which is likely a good proxy for a size which most people consider to be reasonable. It is for this and other reasons that living wages are almost always calculated on the premise that household welfare, rather than the wage-earner's welfare in isolation, must be at some sufficient level.

A second, more difficult question is related to the number of wage-earners in a household. As explained above, if there is only one wage-earner in a household, that worker's wage must be sufficient for the entire household in order for it to be a living wage. In the presence of other wage-earners, those wage-earners must collectively earn enough for the household, and this suggests that an individual's wage can be lower and still be a living wage. This question is not often addressed in the living wage literature. In the discussion that follows it is argued that in the UCT case an individual's wage should not be discounted for the potential presence of other wage-earners, and that this conclusion is likely to be broadly applicable.

For workers who earn a monthly wage within the SLL-band there are on average 1.5 wage-earners per household. At first inspection this seems to suggest that individual worker's wages could be reduced, perhaps by 33.3% of their original value (though this would be a very crude method of discounting). However the average of 1.5 hides a significant number of households which have only one wage-earner, and discounting by this average is overly simplistic. This is part of a broader problem with using averages to allocate resources, which Budlender alludes to in her paper on poverty datum lines (1985). Using an average across households essentially implies that because some households have multiple wage-earners, other households with one wage-earner should have less income. In the case of people earning wages within the SLL-band, 42% are part of one-wage-earner households, and discounting a hypothetical living wage would guarantee that all of these workers earn below the living wage required to support their households. The purpose of a living wage is to guarantee a decent standard of living for all wage-earners, and discounting the wage for the potential presence of co-resident wage-earners defeats this aim. With respect to the concept of a living wage it is preferable that multiple-wage-earner households earn above the minimum required for a living wage, rather than single-wage-earner households earning below this amount.

The above argument for not discounting wages for the potential presence of co-resident wage-earners uses statistics specific to the UCT case. However in the context of a broadly defined national unemployment rate of 40% (Heintz and Posel, 2008), which is disproportionately distributed amongst poor people, it is likely that these arguments will remain applicable for other cases. It is also doubtful that a wage which is dependent on other household members' earnings in order to be sufficient should be seen as a living wage, when much of the literature stresses that such a wage should mitigate the vulnerability that households face to changes in work and life circumstances (Labour Research Service, 2012). Some household income will be derived from various social grants, but the effects of these too are not considered, as for similar reasons of dignity and mitigation of vulnerability, the sufficiency of a living wage should not depend on a household's receipt of grants. Throughout this paper, therefore, the living wage is assumed to be the value that an individual wage-earner would need to support their household regardless of other co-resident wage-earners, and it is argued that this conception should be broadly applied to discussions of the living wage.

4.5 Analysing the SLL prescriptions and actual expenditure by category, with respect to the concept of a living wage

Table 2 shows the proportion of total expenditure allocated to each SLL category by households and individuals in the SLL-bands, and compares this to the proportion of total expenditure that the SLL prescribes for each category. This is distinct from Table 3, which compares the average absolute amount spent on each category by those in the SLL-bands with the amounts that the SLL prescribes, updated to 2011 prices.⁸ Both tables include a category for communication costs, which are not included in the SLL, and also show the residual expenditure not captured by the listed categories. The results reported here are used both to show the inaccuracy of the SLL prescriptions and to evaluate qualitatively whether the UCT-adjusted SLL is a living wage.

Having determined the methodological and conceptual problems of the SLL measure, which for every expenditure category uses at least one of the problematic 'normative' and 'survey' methods, this paper now turns to analysis of each category of expenditure specified by the SLL. This involves a discussion of both the SLL prescription and the actual expenditure on each category as evidenced by Tables 2 and 3. When evaluating average absolute expenditure as per Table 3, care must be taken to evaluate the SLL prescription with a comparable specification. Except in the case where actual

⁸ If the absolute amounts reported in Table 3 are used to calculate a proportion of total expenditure on each category, this result will be different to what is reported in Table 2. This is to be expected, as the Table 3 calculations will show the proportion spent on each category by the average household, whereas Table 2 shows the average of the proportions that each household spends on each category. Table 2 is the better measure of proportion by category as it will be less affected by outlying values of expenditure for specific categories.

expenditure is less than the SLL amount, the SLL amount should be compared to Specification 3, where households are restricted to spending within the SLL-band. This is because in Specification 1 the absolute amounts will tend to be larger than the SLL amount simply because household income is larger than the total SLL income (due to households with multiple wage-earners), and a larger expenditure under Specification 1 may be indicative of this effect rather than of under-provision in the SLL.

Table 2: Average proportion of total expenditure spent on each category, by SLL-band

	Income or consumption measure by which SLL-band is set:				SLL prescribed
	Specification 1: Indiv. Wage	Specification 2: H'hold income	Specification 3: H'hold expenditure		
Food	21.7%	28.3%	27.4%		58.6%
Clothing	5.2%	5.7%	5.5%		10.1%
Compulsory payments	8.7%	7.6%	6.9%		1.8%
Water	1.7%	1.4%	1.3%		1.4%
Fuel & Light	4.0%	4.4%	4.3%		6.0%
Washing and Cleaning	1.4%	1.6%	1.8%		2.1%
Education	1.0%	0.7%	0.7%		0.1%
Transport	14.6%	13.5%	14.4%		4.6%
Health	4.1%	2.3%	2.7%		4.3%
Household equipment	3.5%	3.9%	4.6%		2.3%
Recreation	4.5%	4.5%	3.9%		3.1%
Personal care	1.4%	1.6%	1.7%		1.6%
Contributions to funds	5.4%	4.5%	4.4%		4.0%
Communication	4.1%	3.9%	3.7%		0.0%
Residual expenditure	18.8%	16.1%	16.7%		0.0%
Sample size	1760	1437	1608		

Note: Author's calculations from IES 2010-2011 (Statistics South Africa, 2013) using 'Full weight'.

Table 3: Average absolute amount spent on each category in Rands, by SLL-band

Income or consumption measure by which SLL-band is set:				
	Specification 1: Indiv. Wage	Specification 2: H'hold income	Specification 3: H'hold expenditure	SLL prescribed
Food	1090.10	926.10	1060.70	2297.10
Clothing	276.70	190.40	214.10	394.25
Compulsory payments	612.20	290.60	270.60	69.64
Water	128.10	57.71	51.04	54.77
Fuel & Light	228.20	145.00	165.80	236.15
Washing and Cleaning	75.02	55.97	69.02	82.09
Education	82.32	30.46	27.62	3.32
Transport	869.70	512.90	558.60	181.74
Health	384.10	94.97	106.90	168.72
Household equipment	203.50	138.30	179.20	90.78
Recreation	279.80	155.10	151.90	122.21
Personal care	84.32	58.59	65.72	63.62
Contributions to funds	389.80	165.50	172.30	155.14
Communication	250.00	132.50	143.20	0.00
Residual expenditure	1590.90	689.40	652.20	0.00
Total expenditure	6544.76	3643.50	3888.90	3919.52
Sample size	1760	1437	1608	

Note: Author's calculations from IES 2010-2011 (Statistics South Africa, 2013) using 'Full weight'

4.5.1 Food

The SLL prescribes its food allowance directly, by setting a basket of products which people are expected to buy. It does this by adopting scales set by the Apartheid-era Department of National Health and Population Development (DNHPD), which in turn are based on standards set by the South African Medical Research Council (Bureau of Market Research, 2004). The DNHPD set food rations in 1994 which were differentiated by income group, and the SLL uses the second lowest out of the 4 specifications, which was designed for ‘lower income’ groups. This is already a problematic step, as while this paper cannot examine the rations scientifically, the fact that different rations were set for different income groups immediately suggests that they were not logically related to some human caloric or nutritional requirement, but rather were based on the dubious premise that poorer people do not need as much food as richer people. This is precisely the kind of assumption which belies the supposed science and objectivity of living standards quantifications.

The food prescription is also problematic in that it is set for people doing ‘light work’ which allows for 5 hours of standing, 7 hours of sitting, 2 hours of ‘other activity’ and only 2 hours of walking per 24-hour day (Bureau of Market Research, 2004). In applying this standard to one significant subset of UCT’s outsourced workers, those who work for cleaning company SuperCare, this is not an accurate reflection of the activities involved in what is usually an 8-hour working day (excluding lunch) which involves significant walking and various cleaning activities (Brown and Budlender, 2013). An additional number of calories is assigned to working men (increasing their caloric allocation by 15%), which has the effect of slightly increasing the average household provision for food.

With these problems in the prescription having been determined, it is startling that workers in the SLL-band spend significantly less of their income on food than the SLL prescribes, as is clear from Table 3. The absolute amount prescribed in Table 3 is R2 297.10 per month, but the average household with a wage-earner in the SLL-band will spend only R1 090.10 on food per month, suggesting that workers are consuming even less food than these problematic scales provide.⁹ If the Department of Health scales do have some bearing on nutritional requirements then these results suggest that workers are not getting sufficient food, and are being forced to underspend on food in order to supplement expenditure in other categories. Given that the food scales already differentiate by income group, and that the SLL uses the second-lowest category, it is likely that an inability to consume food at the SLL level represents a serious deprivation. This finding strongly suggests that the SLL amount is not sufficient.

⁹ It is also possible that rather than consuming less food, workers are buying cheaper calories. It is however unlikely that they will be buying food of equivalent nutritional value to the SLL-prescription at lower prices, as the SLL was priced at unrealistically low levels (see Section 4.6). Rather, if workers are buying cheaper calories, the foods they are buying are likely of lower quality than the SLL-prescription, which would still support this paper’s thesis.

4.5.2 Clothing

The clothing allowance set by the SLL is made up of a basket of specified goods which are expected to last for varying numbers of years. The method used by the BMR to decide what clothing to include in the basket is not explained in any way, and as a result the allocation seems to be completely arbitrary. It is also not entirely logical as, for example, while boys are allocated school shorts, they are not allocated school shirts. Girls are allocated school shirts, but no school pants, tunics or skirts. There is no other allocation for school uniform items. Subjectively, the clothing allocation does not seem to be one which engenders a sense of dignity and decency. Men are allocated 2 pairs of underpants to last them 2 years, while women are allocated 2 pairs of panties to last them a year. There is a serious dearth of warm clothing, with women allocated 2 jerseys to last them 2 years, while men are allocated one jersey and one sports jacket to last them 1 and 2 years respectively. This is a particular problem in the Cape Peninsula, which experiences wet and cold winters (Budlender, 1985).

Tables 2 and 3 show that actual expenditure on clothing is significantly less than the prescribed clothing budget recommends. This suggests that workers have to make do with even less clothing than is allocated, and the allocation itself has already been shown above not to be one which allows a standard of living commensurate with the notion of a living wage. That there is underspending in this category suggests, as was the case with food, that workers are being forced to buy less clothing because of under-provision elsewhere in the SLL.

4.5.3 ‘Compulsory’ payments

This category incorporates rent and other ‘compulsory’ payments, such as those for sewerage or garbage disposal services. The BMR allocates differently-sized houses and therefore different amounts of rent for specific family sizes. It is unclear how they estimate expenditure on compulsory payments apart from rent, which is allocated by area dependent on family size and the availability of suitably-sized housing.

The relevance of this category in determining the suitability of the SLL as a living wage is that the amount set for compulsory payments is seriously under-prescribed. While the SLL prescribes approximately 2% of total expenditure to rent, SLL-band workers spend nearly 9% of their income on this category. In absolute terms the shortfall is also stark, as while the average household (restricted to spending in the SLL-band) spends approximately R270 per month on this category, the SLL prescribes only R70 per month in 2011 prices. This is particularly problematic as rent is mostly a non-discretionary payment (Budlender, 1985), and its under-provision will necessarily cause under-consumption on other categories.

4.5.4 Fuel and light

This prescription is formed from a mix of direct, BMR-determined allocation and the use of survey data. The ‘survey method’ is used to conclude that people in coastal cities substitute the wood and coal used in inland regions for paraffin, and from this conclusion the BMR seemingly arbitrarily allocates specific amounts of certain types of fuel, but distinguishes between coastal and inland regions. The fuel specified here is used for lighting and heating, including cooking of food. In the case that a household has access to electricity, no other allocation apart from electricity is made under the fuel and light section. As will be shown under the Household Equipment section, this approach is not satisfactory, as no provision is made for appliances such as heaters, light bulbs or lamps, which convert electricity into a form which can be consumed.

In practice it seems that people consume less than is prescribed by the SLL, both proportionate to total expenditure and in absolute terms. The household equipment issue notwithstanding, no conclusion can be made on the suitability of the fuel and light provision. The fairness of the provision cannot be judged in the absence of another measure, because the reasoning which motivates the allocation is not at all explained. The fact that the SLL prescription is well-represented by the survey data does not necessarily mean it is a good measure, as explained under Section 3.2 of this paper.

4.5.5 Education

It is unclear what exactly the BMR prescribes under this section, as they exclude the cost of school books and stationery, school uniforms and school fees (which are assumed to be free). Nonetheless, an amount of R2.16 was allocated per month to the average-sized African family in the Cape Peninsula for education. The inexplicability of this aside, a significant problem with the education allocation is that it makes no provision for adult learning or for the post-secondary education of children.¹⁰ This automatically suggests that the SLL should not be seen as a measure of a living wage, which requires education expenditure that will facilitate a move out of poverty. Returns to high-school education have fallen in recent years in South Africa, with the returns to post-secondary education rising significantly (Branson *et al*, 2012), and this suggests that a wage which facilitates a move out of poverty would make some contribution towards tertiary education costs. More generally it is clear that a living wage would make provision for schooling beyond the bare minimum, and this measure does not do that.

¹⁰ Outsourced workers at UCT enjoy a partial fee rebate should they or their children study at UCT. However the 2014 outsourcing review makes it clear this is a symbolic rather than practical measure, as very few outsourced workers or children of these workers achieve the marks necessary for admission to the University, and even with the rebate some fees remain, while no provision is made in the SLL for tertiary education costs (Maree and Le Roux, 2014).

Actual expenditure on education in Table 3 is significantly higher than the SLL prescription, but is still low.¹¹ The implicit assumption made by the BMR here is that basic education, as a public good, will be provided for by the state as part of the social wage. The low monthly expenditure (R82) on education even under Specification 1 suggests that this is in large part the case, but this does not indicate that the quality of schooling is sufficient to be commensurate with the definition of a living wage. This is, however, an issue related to the social wage in South Africa rather than the living wage.

4.5.6 Transport

Similarly in some ways to the fuel and light allocation, the transport allocation is determined by a combination of BMR subjectively made prescription, and the use of survey data. The BMR prescription is evident in that regular allocation is only made for travel for work, school or shopping purposes, and an additional allocation is made for a 300km return train ticket for one holiday per year. The arbitrariness of the holiday allocation aside, there does not seem to be a good reason for the restriction of regular transport to that associated with school, work and shopping. Apart from the paternalism inherent in this kind of allocation, it is also problematic that no provision is made for health- or recreation-related activities, which are two categories where other (non-transport) provision is made elsewhere in the SLL. The work, school and shopping transport provision is determined by the 'survey method', which has already been described as unsuitable for the prescription of a living wage.

Most importantly, however, there is a serious under-provision of transport when measured against the survey data. Tables 2 and 3 show that people spend significantly more on transport than is allocated by the SLL, with this being one of the most serious under-allocations. Specification 3 in Table 3 shows that in absolute terms for a household restricted to total expenditure in the SLL-band, the average expenditure is about 3 times more on transport than is allocated. This is consistent with what is found for SLL-band workers in Table 2, who spend 14.6% of their total expenditure on transport while only 4.6% is prescribed. This overspending on transport suggests that people have to consume less in other sections, and is a likely cause of the under-consumption in food and clothing indicated above.

¹¹ It should be noted here that the education category used in Table 3 only accounts for school fees, and other educational costs such as school books will fall under either recreation or in the residual category. It is likely that actual education expenditure is higher than is reported.

4.5.7 Household equipment

The provision for household equipment seems to be another case, like that of clothing, where the BMR arbitrarily chooses what household amenities are required. No explanation is given for how the Bureau decided on its allocation. Apart from the methodological problem, the allocations made here are especially problematic, as they affect the validity of other sections' prescriptions. In particular, no prescription is made for light bulbs, lamps, heaters or for a fridge. As alluded to in Section 4.5.4, the exclusion of light bulbs, lamps and heaters renders the fuel and light allocation insufficient for households which use electricity, as no provision is made for other types of fuel for these households, and then no allocation is made under this section for the transformation of electricity into a consumable form of energy. That no fridge is allocated is problematic for the food allocation, as it will significantly increase the cost of food (Budlender, 1985). The BMR prices its goods at the cheapest level at which they can be bought, which includes buying in bulk. Without a refrigerator, much of the food the BMR prescribes cannot be stored in bulk, and thus families will have to buy smaller quantities of food at an increased price. The absence of a fridge also limits the ability of households to prepare food in large quantities, thus reducing potential economies of scale here.

Confirming the necessity of a fridge, 83% of SLL-band workers in fact own a fridge, and while this negates the food-storing concerns noted above, the omission of an essential item like a fridge from the SLL necessarily causes under-consumption in another area where expenditure is deemed necessary by the BMR. Per Tables 2 and 3, it is unsurprising that expenditure under this section is under-prescribed, which is a similar result to what Budlender finds in 1985. This raises similar issues as the transport under-provision, in that it forces under-consumption in other areas. In addition, Budlender argues that expenditure under this section should be seen as mainly non-discretionary, thus exacerbating the impact of the under-provision.

4.5.8 Washing and cleaning materials, Personal care, and Recreation and entertainment

These three categories are combined here as their items are prescribed according to the same method, and the prescriptions are problematic in similar ways. The prescriptions of these categories are allocated entirely at the discretion of the BMR, and no attempt is made to relate the prescriptions to actual expenditures or to explain the reasoning behind the prescriptions. The prescriptions of this section are notable mostly in that they are explicitly discriminatory with respect to both race and gender, and that they seem entirely arbitrary. For the recreation section, for example, provision is made for one cinema show per month for household members over the age of six, while males over the age of six are prescribed two soccer or rugby games per month. Apart from the arbitrariness of these allocations, which presumably reflect either the BMR authors' preferences or their subjective

judgement of what other people should prefer, there is very little allocation made for women in the recreation section, whereas men are also prescribed tobacco and matches in addition to that which is prescribed above. In contrast, or perhaps to make up for the paucity of the recreation allocation, women are allocated a variety of beauty products under the personal care section, while men are allocated very little in that section. The implicit assumption seems to be that women value being beautiful rather than recreational activities, which in the absence of empirical evidence suggests a prejudice on the part of the authors.

Racial discrimination is also evident in these sections, as, for example, while coloured and Indian men are allocated haircuts, African men are not and no allocation for haircuts is made for women. African households are allocated 8 litres of sorghum beer per month, while coloured household are allocated 4 litres of wine for the same period. Indians are allocated an amount for alcohol expenditure equal in value to the coloured wine allowance, but in this case the authors do not presume to speculate about what kind of alcohol will be bought.

Despite the overall allocation for each of these sections being reasonably accurate measures of realised expenditure in Tables 2 and 3, the arbitrariness and irrationality of the specific allocations again draw attention to the inappropriateness of calling the SLL a scientific measure. There is no reason to believe that the allocation made here should be taken more seriously than any other subjective opinion on the topic.

4.5.9 Other survey-determined allocations: Water, Health, and Contributions to funds

For all of these sections, the BMR does not attempt to prescribe consumption on specific goods, but rather calculates aggregate expenditure on these items by using their own survey data. The conceptual limitations of this approach have already been explained in Section 3.2, and there is no reason to believe that the allocation here is what would be required for a living wage.

The overall prescriptions for these sections are very similar to the aggregate expenditure results found in Tables 2 and 3, as is to be expected for prescriptions determined by survey data. However it bears repeating that this does not suggest that the prescribed amounts are sufficient enough to be part of a living wage, and indeed this is probably unlikely given that they are based on the expenditure patterns of poor people.

4.5.10 Communication

While there is much actual expenditure not allocated to an SLL category, as will be discussed in 4.4.11, expenditure on communication is so obviously a necessary category that it has been disaggregated here from the expenditure residual. The SLL makes no provision for communication costs, despite the fact that Tables 2 and 3 show that it makes up a significant portion of overall expenditure by those in the various SLL-bands. For workers in the SLL-band, the absolute amount spent on communication is roughly equivalent to the amount spent on clothing, while proportionally communication makes up 4.1% of total expenditure. Provision for communication must be seen as a necessary component of a living wage, both because it is necessary to satisfy basic needs, such as finding work or finding where the cheapest goods can be bought, but also because the ability to communicate with other people is a necessary prerequisite for social involvement, and having the choice to do this is part of living a dignified life (Budlender, 1985).

4.5.11 Residual expenditure

The size of the residual expenditure not accounted for by the SLL is significant in that it shows that the SLL does not accurately measure what kinds of expenditure people value and choose to consume. This is particularly significant if an attempt is made to use the SLL as a measure of a living wage, as inherent in the dignity condition of the living wage concept is surely an idea of personal freedom, whereby people must be able to buy goods which they want to buy, rather than being constrained to those which they are allocated by an external person. It is not a reasonable criticism of the BMR that they did not manage to account for every household's consumption choice, as this would be an impossible task. What the significant size of this residual rather shows is that the method of setting a wage by academics choosing a basket of goods does not work.

4.6 Concluding on the UCT-adjusted SLL

The discussion above shows that there is no reason to believe that the SLL is equivalent to a living wage, apart from an assertion to this effect by one of its authors (Martins, 2003). The 'survey' and 'normative' methods it uses are conceptually flawed, while its methodology is also permeated with problematic race- and gender-based discrimination. The prescriptions it makes, such as under the clothing and education categories, are subjectively judged not to be commensurate with the standard of living required of a living wage. Indeed there seems to be strong evidence that the SLL is not a living wage. The strongest evidence for this is in the food section, where workers must consume significantly less food than the SLL suggests is physiologically required. This, in addition to

underspending on clothing (where the prescriptions are judged problematic in any case), is necessitated by significant under-provision in the compulsory payments, transport, household equipment and communication categories. Much of the expenditure in these sections must be seen as non-discretionary, and the effect of the SLL is that workers are forced to buy less food than they require so that they can make these other payments.

The acceptability of the SLL is diminished further, however, by the manner in which goods were priced and the assumptions that the authors make regarding consumption habits. For almost every good, the BMR priced it at the absolute lowest level at which it could be bought in each specific locality.¹² The Bureau also assumed rational expenditure throughout, meaning that individuals are assumed to have detailed knowledge of dietary requirements and the ability to curb unnecessary spending. No provision is made for a newspapers or a television, or other means of finding where prices will be lowest, and even under rational expenditure, lack of information will prevent households from always finding goods at their cheapest price (Budlender, 1985). In the first chapter of the 2004 SLL report, the BMR itself acknowledges that these assumptions are unrealistic, especially for low-income consumers, and that the MLL should be seen only as a theoretical minimum (Bureau of Market Research, 2004). The implication here is that the SLL, which is designed according to the same methodology as the MLL, is just as theoretical, rather than being a functional measure. The consequence that this has for the analysis above is that workers will in practice consume even less than is suggested. The real value of the SLL is diminished by the unrealistically low prices and expenditure habits it assumes, further supporting the contention that it is not a living wage.

5. Conclusion

Given the analysis of Section 3, which showed that there is no conceptually clear way of developing a quantitative measure for the living wage, it is unsurprising that this paper finds little reason to believe that the UCT-prescribed SLL wage is a living wage, especially as the SLL methodology is problematic in a number of additional ways to those conceptual problems mentioned under Section 3.2. What is more significant is the finding that the UCT-SLL wage is not a living wage, both in terms of its theoretical prescriptions and in its practical application, especially with regard to how much food expenditure it allows. However given that the SLL is not a living wage, and the methodological problems involved in creating an ‘objective’ measure remain unanswered, a predictable question is how UCT could ensure it pays a living wage. A detailed answer to this

¹² The exception is furniture and clothing, where items were priced according to the cheapest prices found in ‘white areas’.

question is beyond the scope of this paper and is unresolved generally, but a tentative attempt is made to briefly discuss this problem.

In the FOSATU pamphlet *Policy on a Living Wage*, issued in 1980 for their living wage campaign, the first point they raise when defining the living wage was that it was ‘what workers themselves decide they require to live’ (Labour Research Service, 2012). In a 2013 presentation to the National Economic Development and Labour Council (NEDLAC), Neil Coleman of COSATU argued that approaches to determining a minimum acceptable living level must be driven by ‘the assertion of workers themselves as to what their basic needs are’ (Coleman, 2013). It seems clear, given the problems associated with attempts to quantify living wages by academics, that the determination of a living wage must include workers, who are best placed to know their own needs, and indeed what standard of living they themselves would classify as decent and dignified. Allowing workers to have a say in their wages is also a dignity-inducing process in and of itself, and it may be argued that a scenario where workers do not have a say in their own wages (as is the case at UCT, where in 2010 over 60% of workers did not know what the SLL was conceptually, or what its monetary value was (De Nicola and Shisana, 2010)) is inherently undignified for those workers. However workers clearly cannot choose their own wages in isolation, as employers must agree to hire workers at these wages. This suggests that the approach to determining a living wage involves bargaining between workers and their employees. However it is precisely the usual outcome of this bargaining process, namely market-determined wages, which the concept of a living wage hopes to replace, and employer-employee bargaining is clearly not a suitable method for determining a living wage.

Martins (2003) argues that the low level of market-determined wages in South Africa is due to an over-supply of labour which removes its scarcity value and therefore bargaining power, and Adam Smith (1776) similarly argues that in the case where employers have more power than workers, wages will be too low. The process whereby workers may be able to achieve a wage closer to what could be called a living wage is possibly through collective bargaining processes, which can potentially solve the issues raised by Martins and Smith. However, at UCT, the structure of outsourcing severely limits the ability of workers to bargain collectively, and there has been significant dispute about union recognition for the University’s outsourced workers (Maree and Le Roux, 2014; De Nicola and Shisana, 2010).

Though it cannot be definitively called a living wage, it is useful to compare what UCT’s outsourced workers earn now to what they may have earned had they remained direct employees of UCT, in order to compare the outcomes of two different bargaining processes. The 2014 outsourcing review suggests that the equivalent internal UCT payclass for the kind of work that the outsourced workers do is payclass 2, which pays R8 675.50 per month in 2014 (Maree and Le Roux, 2014). In comparison, the UCT-prescribed SLL for 2014 is R4 700 per month. Even if the more conservative

measure of payclass 1 is used, the equivalent UCT amount is R7 787 per month (University of Cape Town, 2014). Neither of these measures can be assumed to be a living wage, but they suggest that the currently outsourced workers could be earning significantly more if usual UCT bargaining processes were followed. There is no magic bullet to fair wage setting, but this paper suggests that incorporating worker demands, whether through collective bargaining or some other process, is a necessary component for the determination of a living wage.

This paper argues that there is no 'scientific' or objective way to quantitatively define a living wage. It concludes that there is no reason to believe that the UCT-prescribed wage for its outsourced workers is a living wage, and goes on to contend that the UCT wage is indeed not a living wage. It attempts to add to the discourse on living wage determination by presenting an argument for why living wages should not be discounted for the potential presence of co-resident wage-earners, and ultimately concludes that any attempts to set a living wage must incorporate workers' demands.

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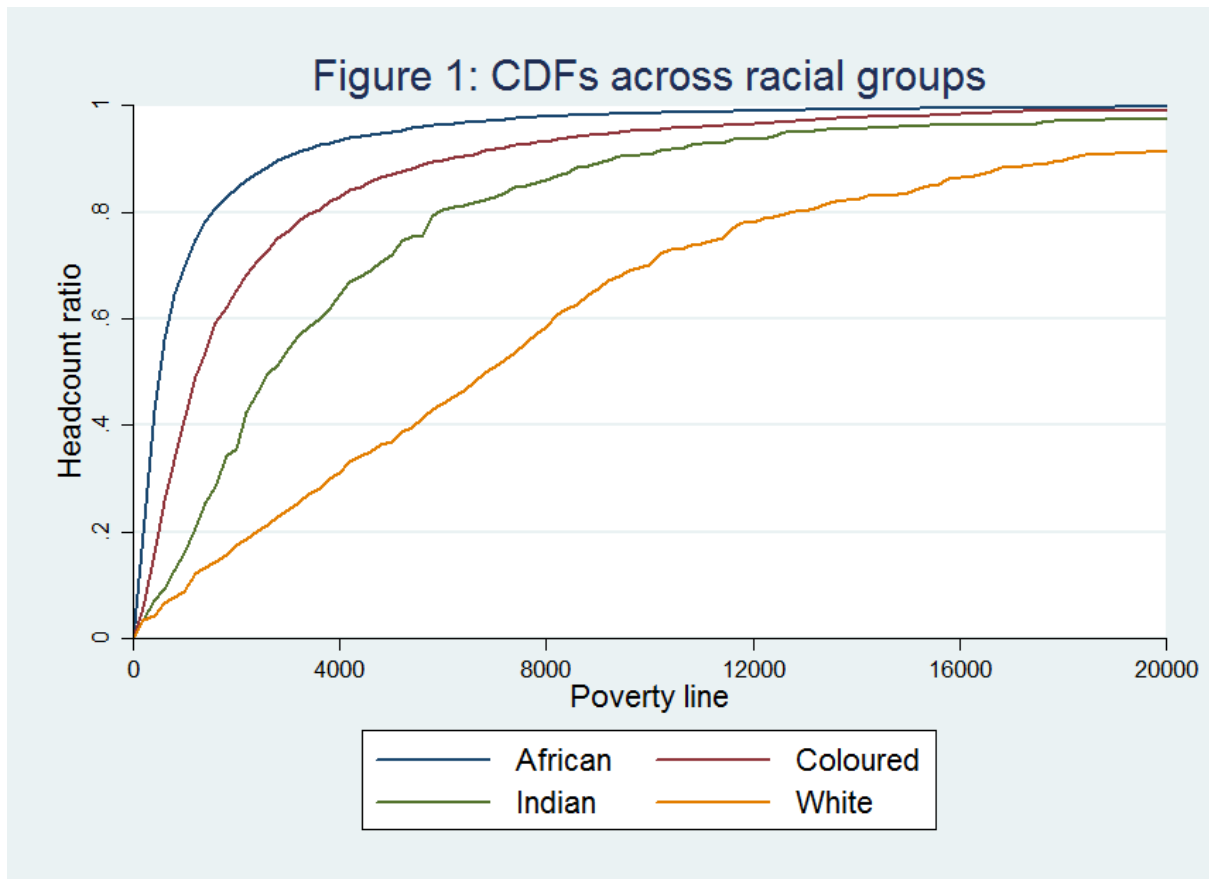
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¹³ The author thanks Johan Lorenzen for sharing this difficult-to-find document.

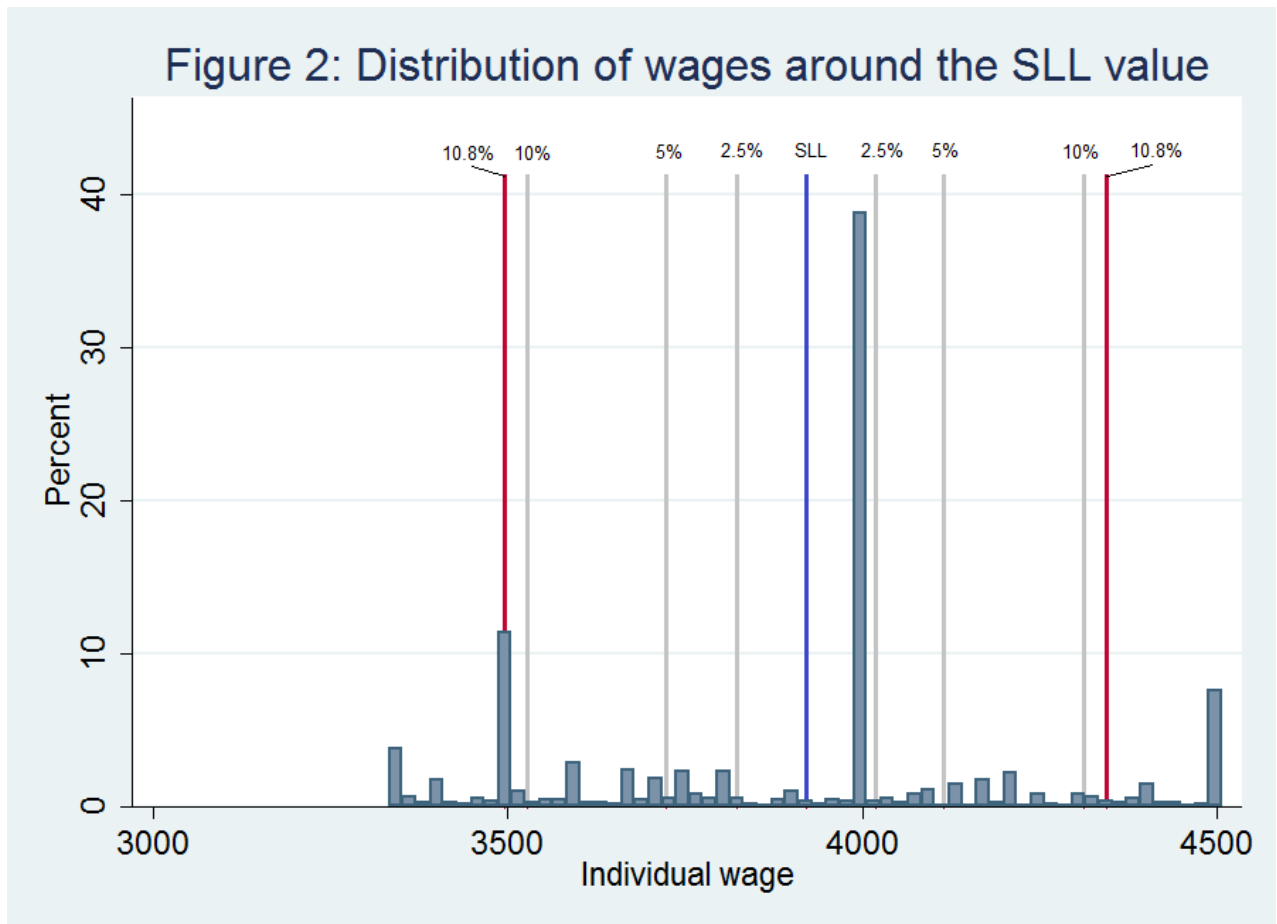
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Appendix 1: Poverty dominance



Note: Author's calculations from IES 2010-2011 (Statistics South Africa, 2013) using 'Full weight'.

Appendix 2: choosing the SLL band



Note: Author's calculations from IES 2010-2011 (Statistics South Africa, 2013) using 'Full weight'.

Figure 2 shows that the distribution of wages was skewed by reporting of individual wages at reference points such as R4 000, R3 500 and R4 500 per month. This only significantly affected the individual wages specification, but the restriction chosen here (10.8% above and below the SLL-value of R3 919.52) does balance the limited skewness evident in the household income and household expenditure specifications. How the different upper and lower bounds of 2.5%, 5%, 10% and 10.8% affected the distribution in the SLL-band is shown in a rudimentary fashion with the box and whisker plots that follow, where the red line represents the median wage in the particular SLL-band.

Figure 3.1: 2.5% upper and lower bound

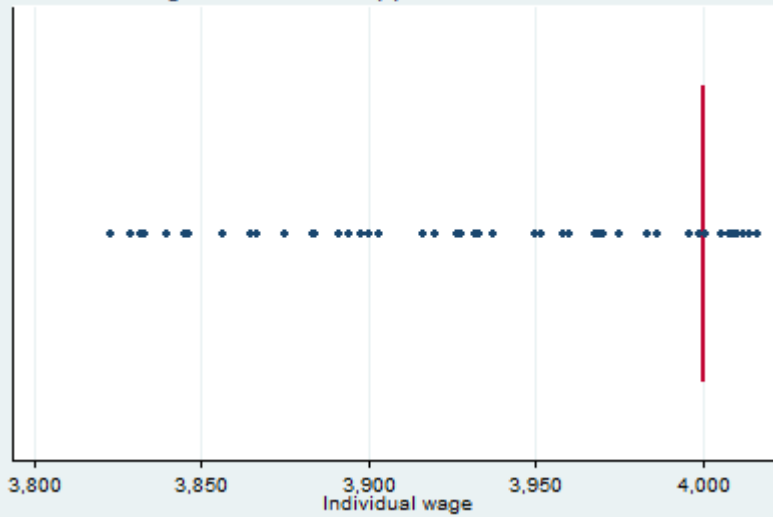


Figure 3.2: 5% upper and lower bound

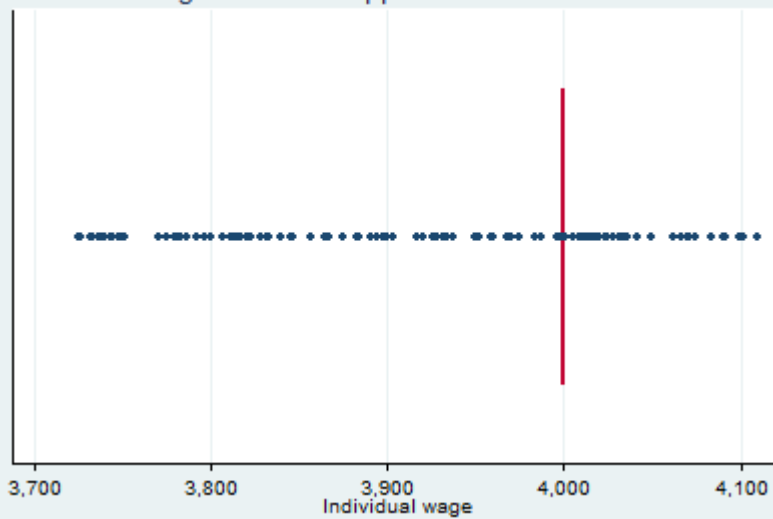
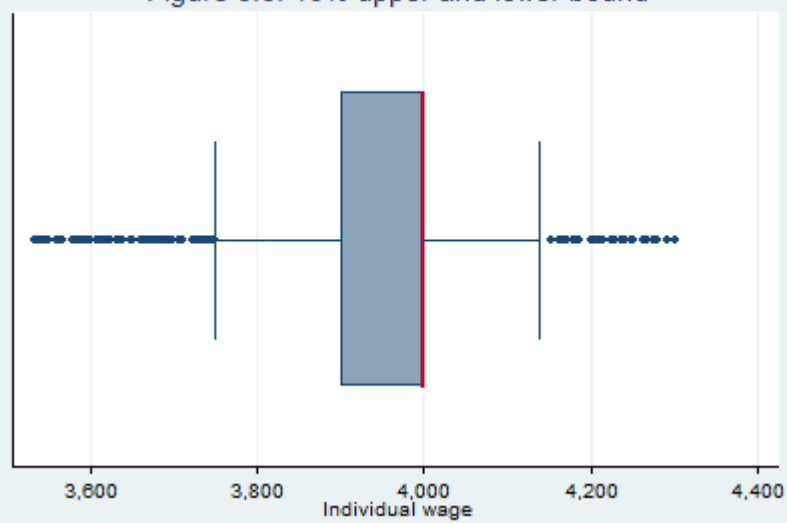
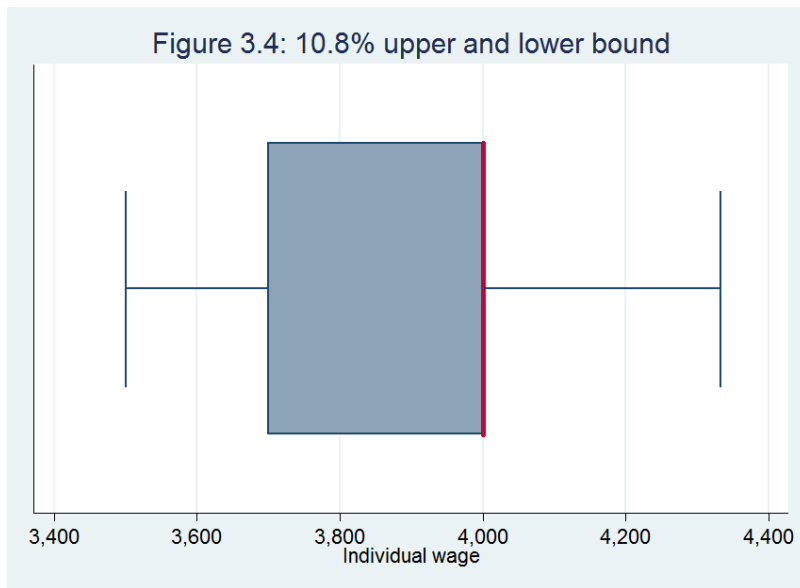


Figure 3.3: 10% upper and lower bound





Note for Figures 3.1-3.4: Author's calculations from IES 2010-2011 (Statistics South Africa, 2013) using 'Full weight'

The 10.8% upper and lower bound shown in Figure 3.4 allowed for a significantly more balanced sample around the SLL value of R3 919.52 than the other possibilities shown in Figures 3.1-3.3. This band is the best possible for representing the SLL value.