



# Q1 2018 BARGAINING BENCHMARKS

A resource for negotiators in South Africa

**LRS** Labour  
Research  
Service

“Knowledge is too important to leave in the hands of bosses”

Negotiators often have very few resources to assist them with preparing for bargaining processes at company or sector level. There is very little information on wages and other key indicators in the public domain and trade union negotiators in particular have limited scope to buy the information that they might need. It is also true that much of the information that is available is not in a form that is easily understood by negotiators.

**Bargaining Benchmarks is a basic resource for role players in collective bargaining in South Africa. This report provides negotiators with a series of benchmarks that will help them enter into bargaining processes as informed role players.**

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# Table of Contents

<b>Definitions</b>	<b>4</b>
<b>Price Inflation: Cost of Living</b>	<b>5</b>
<b>Contribution of different groups to annual change</b>	<b>6</b>
<b>Annualised increases in prices</b>	<b>7</b>
<b>Inflation by Expenditure Group</b>	<b>8</b>
<b>Annualised Inflation Rates by Province</b>	<b>9</b>
<b>Producer Price Index</b>	<b>10</b>
<b>Employment Rate</b>	<b>11</b>
<b>Employment by Industry</b>	<b>12</b>
<b>Growth in GDP</b>	<b>13</b>
<b>Contribution in Growth in GDP (%) by Industry</b>	<b>13</b>
<b>Snapshot Wage Settlement</b>	<b>14</b>
<b>Sectoral Determinations Minimum Wages</b>	<b>15</b>
<b>References</b>	<b>16</b>

# Definitions

<b>BARGAINING COUNCIL</b>	Comprises of one or more registered trade unions and one or more registered employer organisations. The aim is to provide a forum for collective bargaining by which settlement on matters of joint interest can be reached through negotiation.
<b>CPI (CONSUMER PRICE INDEX)</b>	Measures changes in the price level of market basket of consumer goods and services purchased by households.
<b>ECONOMIC GROWTH</b>	The increase in the inflation-adjusted market value of the goods and services produced by an economy over time. It's conventionally measured as the percent rate of increase in real gross domestic product, or real GDP.
<b>EMPLOYMENT</b>	The fact of having a paid job.
<b>INFLATION</b>	The rate at which prices increase over time, resulting in a fall in the purchasing power of money.
<b>GDP (GROSS DOMESTIC PRODUCT)</b>	A monetary measure of the market value of all the final goods and services produced in a period of time, often annually or quarterly in a country.
<b>PPI (PRODUCER PRICE INDEX)</b>	The measure of average change in price of a basket of representative goods and services sold by manufacturers and producers in the wholesale market, including finished goods, intermediate goods, and raw materials or crude commodities).
<b>SECTORAL DETERMINATION</b>	A set of wages and conditions of services that govern vulnerable workers in a particular sector.
<b>WAGE FLOOR</b>	The lowest wage found in collective agreements.

# Price inflation: Cost of living

## INFLATION

The increase in prices over a certain time period. Measured as an annual percentage increase (for example, March 2017 to March 2018). Almost always presented as an annualized number covering the previous 12 months.

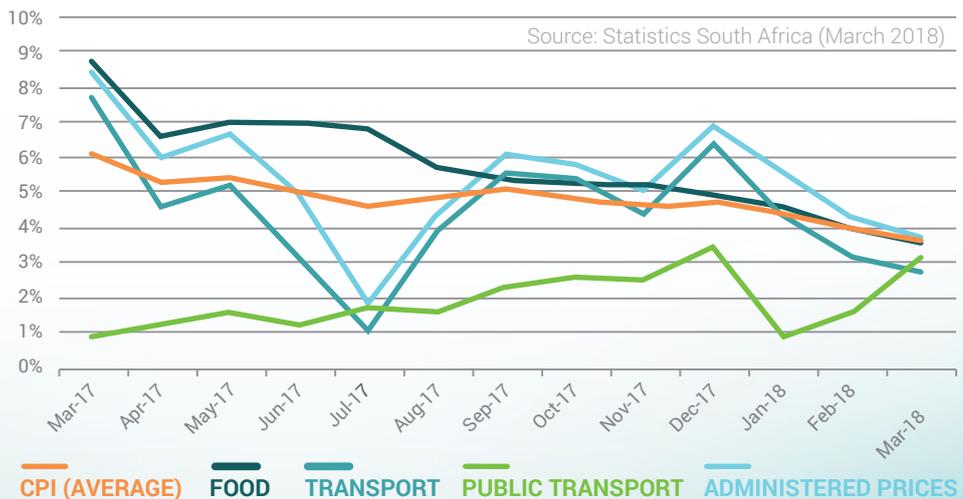
The first thing to be aware of is that inflation is backward looking. As an example, if the latest inflation number is for March 2018 and it is reported to be 3.8%, then this tells us what happened to prices over the last 12 months (from March 2017 to March 2018).

The easiest way to understand inflation is to think of buying power. If a worker receives a 10% increase, but the price of the goods that the worker buys also increase by 10%, then that worker will not be able to buy anything beyond what they bought previously, even though they appear to have more money. The wage earner, therefore, has exactly the same buying power they had before despite the 10% increase.

The Consumer Price Index (CPI) represents the overall increase in prices of all goods. The inflation rate as measured by the CPI was 3.8% at March 2018. This means that the price of goods and services generally increased by 3.8% from March 2017 to March 2018.

You can find this monthly release at [www.statssa.gov.za/](http://www.statssa.gov.za/)

**Figure 1:** Consumer Price Index (CPI) and selected price categories March 2017 to March 2018.



Overall CPI is made up of different categories of goods and services. So for example, while overall CPI increased by 3.8%, the price of transport of transport-related items increased by 2.8% and the price of public transport increased by 3.1%. Administrative prices (school fees, telephone, electricity, trains, and petrol/paraffin) increased by 3.7% to March 2018, while the price of food increased by 3.6% in the same period.

The next table shows the contribution of the main kinds of expenditure to the inflation rate for September. You can see that housing & utilities and transport prices are the biggest contributors to average inflation of 3.8%.

**Table 1:**  
Contribution of the different groups to the annual change March 2018.



Group	Contribution (Mar-18)
Transport	1.4
Housing and utilities	1.1
Miscellaneous goods and services	1
Food and non-alcoholic beverages	0.6
Alcoholic beverages and tobacco	0.3
Education	0.2
Restaurant and hotels	0.1
Health	0.1
Household contents and services	0.1
Clothing and footwear	0.1
Residual	-0.2
<b>All items</b>	<b>3.8</b>

Source: Statistics South Africa (March 2018)

Remember that the inflation rate describes a rate of increase. So, if annualised inflation is lower this month than it was last month, it does not mean that things are cheaper. It just means that the prices increased more slowly than they did before.

**If we look even closer, we can see which sub-categories are currently driving inflation. The next table shows that the prices of meat, primary and secondary education, other goods and services, insurance and water increased fastest.**

Source: Statistics South Africa (March 2018)

**Table 2:** Annualised increases in prices from March 2017 to March 2018



Meat	10%
Primary and Secondary Education	7.6%
Other Goods and Services	7.5%
Insurance	7.1%
Water	6.9%
Financial Services	5.8%
Medical Services	5.5%
Tertiary Education	5.3%
Actual Rental for Housing	5.1%
Owner's Equivalent Rent	4.6%
Medical Products	4.3%
Fuel	2.9%

# Inflation by expenditure group

**Table 3:**  
Annualised inflation  
by expenditure  
group, March 2018



There is more than one inflation number. The inflation rate that is reported in mainstream media is the average inflation rate. Different groups, from the very poor to the wealthy, can experience different rates of inflation, because they buy different things.

Source: Statistics South Africa (March 2018)

	Monthly expenditure	Mar-18
CPI		3.8%
Decile 1	Up to R1477 per month	1.3%
Decile 2	R1477 up to R2456 per month	2%
Decile 3	R2456 up to R3549 per month	2.5%
Decile 4	R3549 up to R4742 per month	2.9%
Decile 5	R4742 up to R6151 per month	3.1%
Decile 6	R6151 up to R7907 per month	3.4%
Decile 7	R7907 up to R10352 per month	3.7%
Decile 8	R10352 up to R14419 per month	3.8%
Decile 9	R14419 up to R22492 per month	4.2%
Decile 10	R22492 and more...	4%

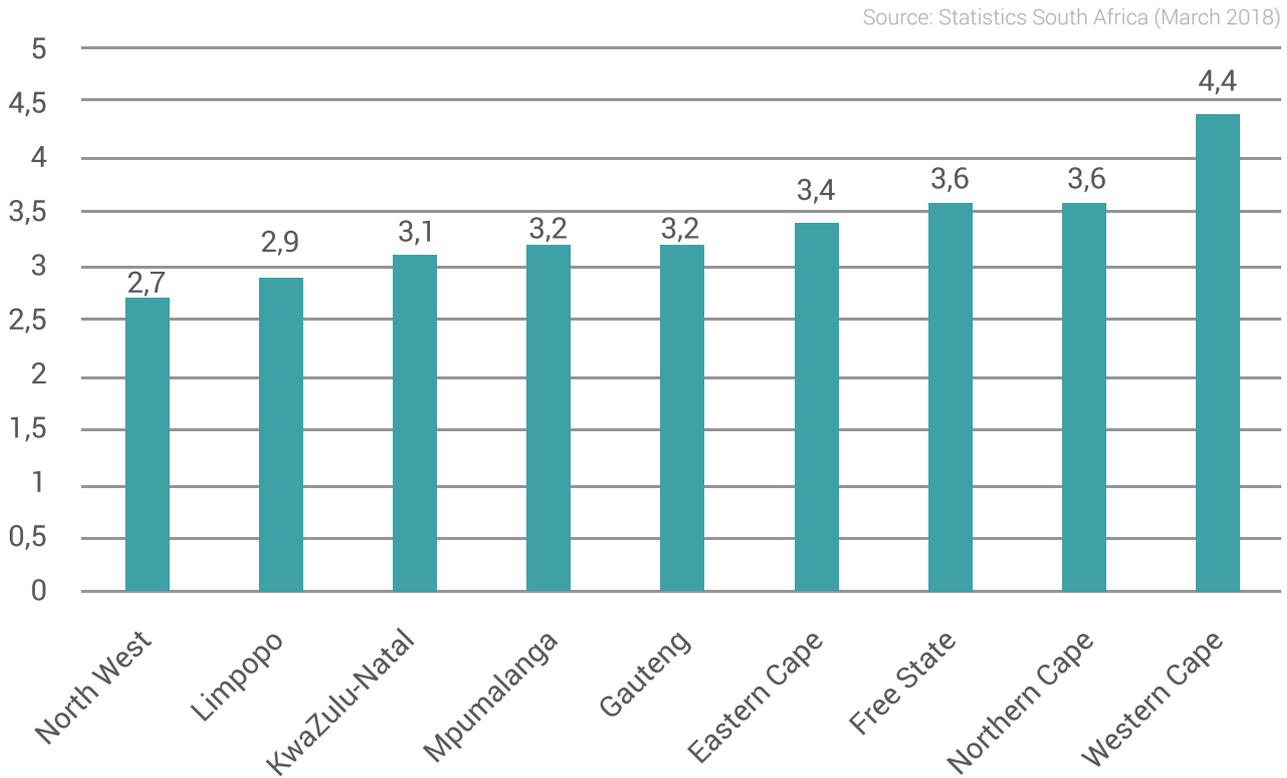
**At the moment, inflation appears to be higher for wealthier households. This is not always the case. For example, back in 2009, the inflation rate for the poorest households was 4% higher than inflation for the wealthiest households.**

# Inflation by province

**Figure 2:**  
Annualised Inflation  
Rates by Province  
March 2018



When comparing the overall inflation rate according to provinces it can be seen that Western Cape attained the highest inflation rate in the first quarter of 2018 and the lowest inflation rate was found in North West.



# Producer price index

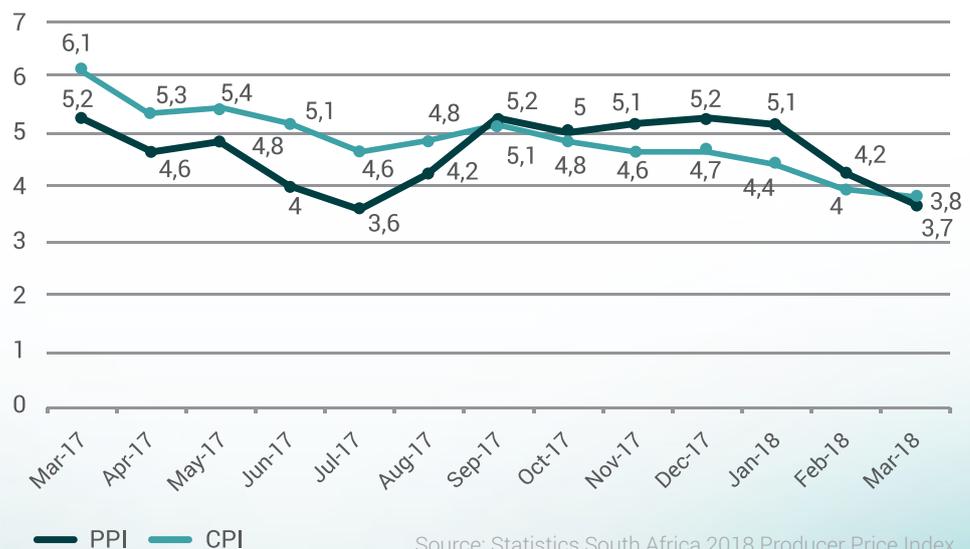
The line chart below shows monthly movement of the Producer Price Index (PPI).

The Producer Price Index (PPI) measures an average change in price of a basket of representative goods and services sold by manufactures and producers in the wholesale market, while CPI measures price changes in a basket of goods and services bought by the average household.

The PPI can assist us in understanding what inflation might do in future. There are many factors that can influence the inflation rate, but the trend in PPI is one way of predicting what prices will do in the short term.

The chart below shows the annualized rate of increase of the Producer Price Index (PPI) by month. The fact that PPI is running ahead of CPI at the moment suggests that those prices will feed through to the consumer in time and that inflation is likely to increase in the months to come, off the current base of 3.8%.

**Figure 3:** Producer Price Index (Final Manufactured Goods) and Consumer Price Index (CPI) March 2017 to March 2018



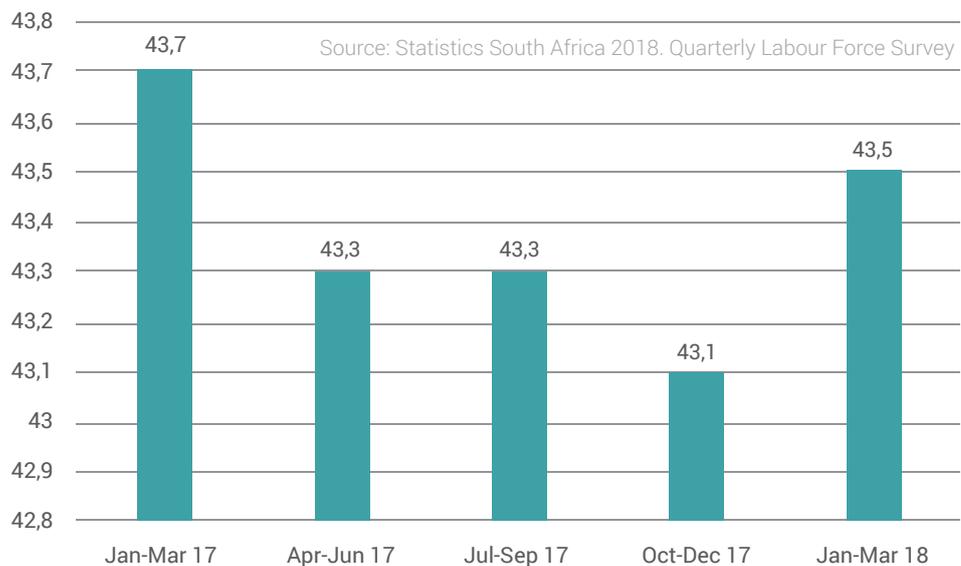
Source: Statistics South Africa 2018 Producer Price Index

# Employment rate

Employment is the fact of having a paid job. Each year new workers enter the labour market (some straight from school, some from tertiary institutions).

Figure 4 shows that employment rate in South Africa was 43.3% in the third quarter of 2017 and declined to 43.1% in the third quarter of 2018.

**Figure 4:** shows that employment rate increased from 43.7% in the first quarter of 2017 and declined to 43.5% in the first quarter of 2018.



The contributors to the increase were the Community and social services (95 000), Manufacturing (58 000), Construction (40 000), Trade (36 000), Finance and other business services (30 000) and private household (5 000). Industries Employment declines were recorded in Transport (resulting in a loss of 41 000 jobs), and Mining (14 000), Utilities (6 000) and Agriculture (3 000).

**Table 4:**  
Employment by  
Industry March  
2018



	Dec 17 (‘000)	Mar 18 (‘000)	Qtr to Qtr Change
Agriculture	849	847	-3
Mining	447	397	-14
Manufacturing	1790	1791	58
Utilities	149	143	-6
Construction	1390	1431	40
Trade	3240	3276	36
Transport	1001	960	-41
Finance & Other Business Services	2373	2402	30
Community & Social Services	3691	3785	95
Private Household	1270	1275	5
<b>Total</b>	<b>16 171</b>	<b>16 378</b>	<b>206</b>

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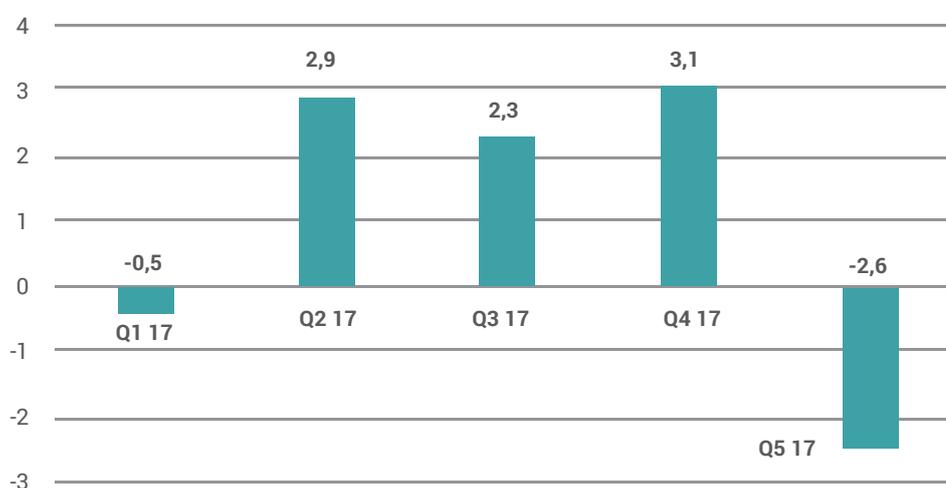
As shown in the table above, jobs increased by 206 000 in the first quarter of 2018.

# Economic growth and GDP

**The Gross Domestic Product (GDP) is an indicator or tool used to measure the country's economy.**

The GDP represents the total of the market value, or prices, of all final goods and services produced in an economy during a period of time. GDP is expressed as comparison to the previous year or quarter.

The graph below shows that in Q1 2017, GDP fell by -0.5%, increased to 2.9% in Q2, declined to 2.3% in Q3 and increased to 3.1% in Q4 2017. In the first quarter of 2018, the Gross Domestic Product plummeted to -2.6% compared to -0.5% in the first quarter of 2017.



**Figure 5:**  
Growth in GDP  
% March 2017 to  
March 2018



The table below shows that the largest positive contributor to growth in the GDP in the first quarter of 2017 were government (0.3%), finance (0.2%), personal (0.1%) and transport (0.1%). The largest negative contributor in the gross domestic product were mining (-0.8%), manufacturing (-0.8%), agriculture (-0.7%) trade (-0.4%) and construction (-0.1%).

**Table 5:**  
Contribution in  
Growth in GDP  
(%) by Industry  
March 2018



Government	0.3	Manufacturing	-0.8
Finance	0.2	Agriculture	-0.7
Personal	0.1	Trade	-0.4
Transport	0.1	Construction	-0.1
Mining	-0.8		

# Wage indicators

Through the LRS AWARD Database, it is possible to determine the median wage increase over various industries. Such information provides valuable insights into negotiation trends that can be utilized towards building your own bargaining case.

Source: LRS AWARD Database (2018)

**Table 6:**  
Median salary increase over various industries for the first quarter of 2018.



Industry	% Median Wage Increase
Community, Social & Personal Services	7
Electricity, Gas & Water	
Manufacturing	7
Mining & Quarrying	7
Transport, Storage & Communication	7
Wholesale & Retail Trade, Catering & Accommodation	7
Construction	6
Agriculture, Hunting, Forestry & Fishing	6
Financing, Insurance, Real Estate & Business Services	6
<b>AWARD Benchmark (all Collective Agreements)</b>	<b>7</b>

02	04	06
08	10	12
14	16	18

## The median and why we like to use it:

The mean is the sum of all the numbers in a given set divided by the amount of numbers in the set. The median is the middle point of the number set, in which half the numbers are above the median and half are below. For example: if the range of numbers is 2, 4, 6, 8, 10, 12, 14, 16, 18 then the median is 10.

We prefer using median when analyzing wage data as the result cannot get distorted by an outlier (very big or small number) as is the case with calculating averages.

# Wage indicators

**Sectoral determinations** regulate the terms or conditions of employment for vulnerable employees in sectors where they 'are likely to be exploited, or where worker organizations and trade unions are absent' (DPRU, 2010:15). The Employment Conditions Commission convenes public hearings in order to gather proposals from both employers and employees and then makes recommendations to the Minister of Labour.

Once the Minister approves the recommendations, they are published in the Government Gazette as new wage rates or sectoral determinations (Basic Conditions of Employment Act, Act No. 75 of 1997 Section 51/62).

**Table 7: Sectoral Determinations Minimum Wages 2017**



Sectoral Determination	Monthly Wage 2017	% Incr.on Actual wages
Contract Cleaning Area A	3592	7.0
Contract Cleaning Area C	3273	7.0
Domestic Workers (who work 27 ordinary hours per week or less) Area B	1641	5.0
Domestic Workers (who work 27 ordinary hours per week or less) Area A	1788	5.0
Domestic Workers (who work more than 27 ordinary hours per week) Area B	2318	5.0
Domestic Workers (who work more than 27 ordinary hours per week) Area A	2545	5.0
Expanded Public Works Programme (EPWP)	1905	5.3
Farm Workers	3001	8
Forestry Workers	3001	8
Hospitality (less than 10 employees)	3193	7.9
Hospitality (more than 10 employees)	3559	7.9
Private Security Area 1	4102	8.2
Private Security Area 3	3414	9.0
Wholesale & Retail Trade B	2953	8.8
Wholesale & Retail Trade A	3223	7.3
<b>Median</b>	<b>3001</b>	<b>7.3</b>
<b>Average</b>	<b>2901</b>	<b>7.0</b>

The table shows that the lowest minimum wage was found in the wholesale and Retail Trade Area B (R3148) in the first quarter of 2018. The highest minimum wage recorded by the wholesale and Retail Trade Area A at R3387 per month.

# References

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Statistics South Africa 2018 Producer Price Index publication  
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