



**NOV
2019**

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. Also, much of the available information that is available is not in a form that is easily understood by negotiators.

Bargaining Benchmarks is a 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.

The LRS Bargaining Benchmarks is made possible through the support of the National Skills Fund.



Table of Contents

| | |
|---|----|
| Definitions | 4 |
| Price Inflation: Cost of Living | 5 |
| Contribution of different groups to annual change | 6 |
| Annualised Increases in Prices | 7 |
| Inflation by Expenditure Group | 8 |
| Inflation Rate by Province | 9 |
| Producer Price Index | 10 |
| Employment | 11 |
| Gender at work | 12 |
| Economic Growth and GDP | 13 |
| Wage Indicators | 14 |
| Sectoral Determinations | 15 |
| Bargaining Council Minimum Wages | 17 |
| Household Food Index | 18 |
| References | 19 |

Definitions

| | |
|-------------------------------------|--|
| BARGAINING COUNCIL | 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. |
| CPI (CONSUMER PRICE INDEX) | Measures changes in the price level of market basket of consumer goods and services purchased by households. |
| ECONOMIC GROWTH | 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. |
| EMPLOYMENT | The fact of having a paid job. |
| INFLATION | The rate at which prices increase over time, resulting in a fall in the purchasing power of money. |
| GDP (GROSS DOMESTIC PRODUCT) | 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. |
| PPI (PRODUCER PRICE INDEX) | 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. |
| SECTORAL DETERMINATION | A set of wages and conditions of services that govern vulnerable workers in a particular sector. |
| WAGE FLOOR: | The lowest wage found in collective agreements. |

Price inflation: Cost of living

Inflation is backward looking. If the latest inflation number is for September 2019 and it is reported to be 4.1%, then this tells us what happened to prices over the last 12 months (from September 2018 to September 2019).

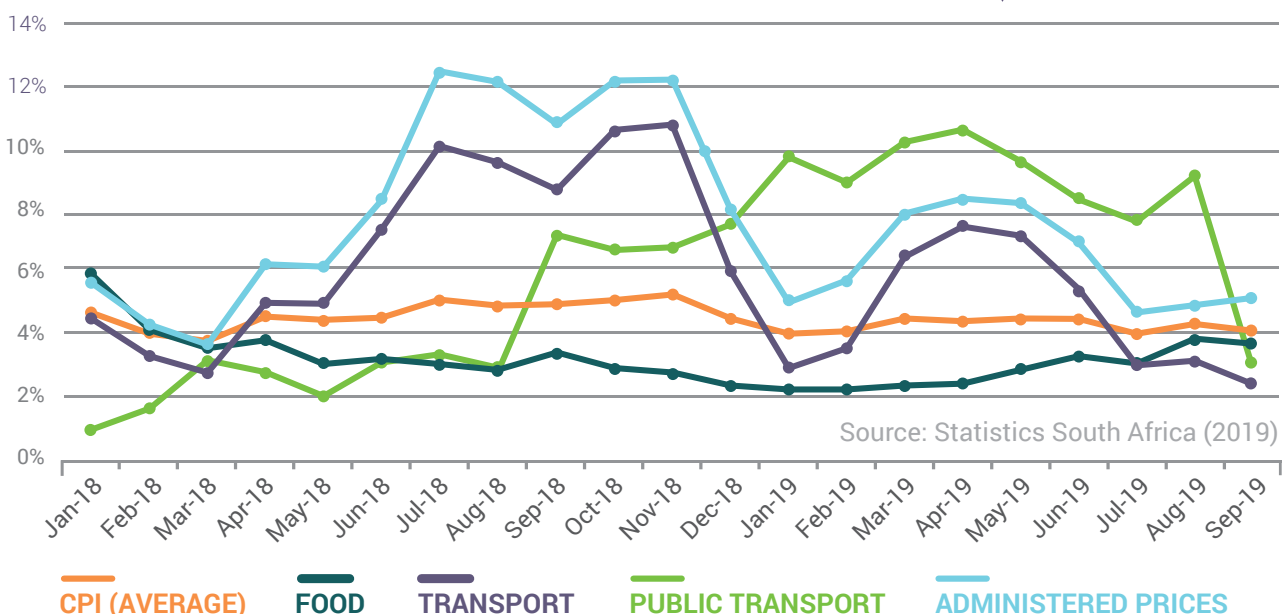
The easiest way to understand inflation is to think of buying power. If you receive a 10% increase but the price of the goods that you buy also increase by 10%, then you won't be able to buy anything beyond what you bought previously, even though you appear to have more money. You, therefore, have exactly the same buying power you 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 4.1% at September 2019. This means that the price of goods and services generally increased by 4.1% from September 2018 to September 2019. You can find this monthly release at www.statssa.gov.za/

INFLATION

The increase in prices over a certain time period. Measured as an annual percentage increase (for example, September 2018 to September 2019). Almost always presented as an annualized number covering the previous 12 months.

Figure 1: Consumer Price Index (CPI) and selected price categories Jan 2018 to Sept 2019.



Overall CPI is made up of different categories of goods and services. While overall CPI increased by 4.1% in September 2019, the price of transport and transport-related items increased by 2.4% and the price of public transport increased by 3%. Administrative prices (school fees, telephone, electricity, trains, and petrol/paraffin) increased by 5.2% the price of food increased by 3.3% in the same period.

The next table shows the contribution of the main kinds of expenditure to the inflation rate for September 2019. You can see that housing and utilities and transport prices are the biggest contributors to the average inflation of 4.5%.

| Group | Contribution (Sep-19) |
|----------------------------------|-----------------------|
| Food and non-alcoholic beverages | 0.7 |
| Alcoholic beverages and tobacco | 0.4 |
| Clothing and footwear | 0.1 |
| Housing and utilities | 1.2 |
| Household contents and services | 0.1 |
| Health | 0.1 |
| Transport | 0.4 |
| Recreation and culture | 0.1 |
| Education | 0.2 |
| Restaurants and hotels | 0.1 |
| Miscellaneous goods and services | 0.9 |
| Residual | -0.2 |
| All Items | 4.1 |

Source: Statistics South Africa (2019)

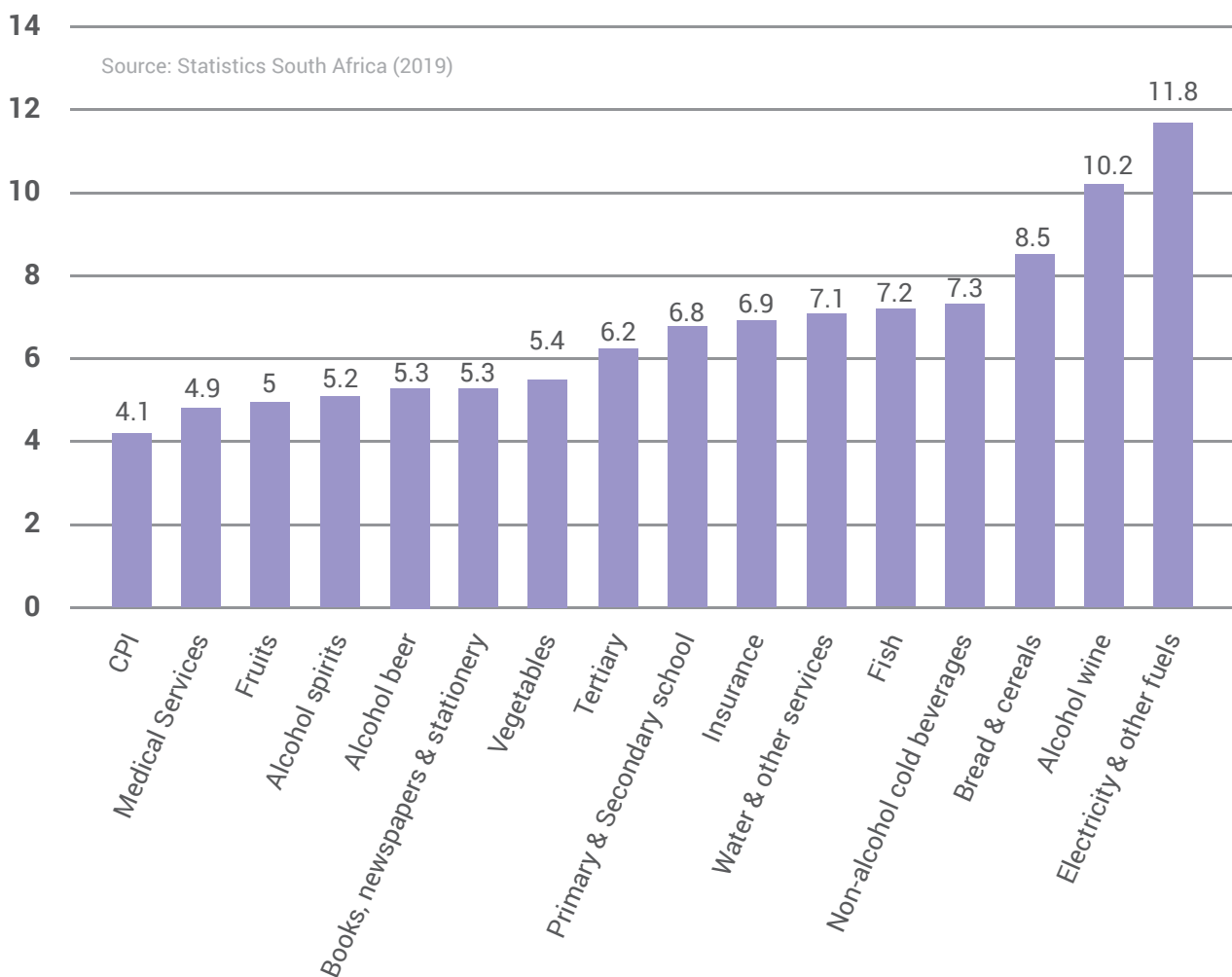
Table 1:
Contribution of the different groups to the annual change September 2019.



Remember that the inflation rate describes a rate of increase. So, if annualised inflation is lower this month than it was last month, it doesn't 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 graph shows that the prices of fuel, water, private transport service, cold beverages and vegetables increased fastest than the average consumer price index.

Figure 2: Annualised increases in prices at September 2019.



Inflation by expenditure group

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.

Table 2:
Annualised inflation by expenditure group, September 2019.



| Monthly expenditure | | Sept-19 |
|---------------------|-------------------------------|---------|
| Average annual CPI | | 4.1% |
| Decile 1 | Up to R1477 per month | 5.5% |
| Decile 2 | R1477 up to R2456 per month | 5% |
| Decile 3 | R2456 up to R3549 per month | 4.4% |
| Decile 4 | R3549 up to R4742 per month | 4.2% |
| Decile 5 | R4742 up to R6151 per month | 4% |
| Decile 6 | R6151 up to R7907 per month | 3.7% |
| Decile 7 | R7907 up to R10352 per month | 3.8% |
| Decile 8 | R10352 up to R14419 per month | 3.8% |
| Decile 9 | R14419 up to R22492 per month | 4.1% |
| Decile 10 | R22492 and more... | 4.3% |

Source: Statistics South Africa (2019)

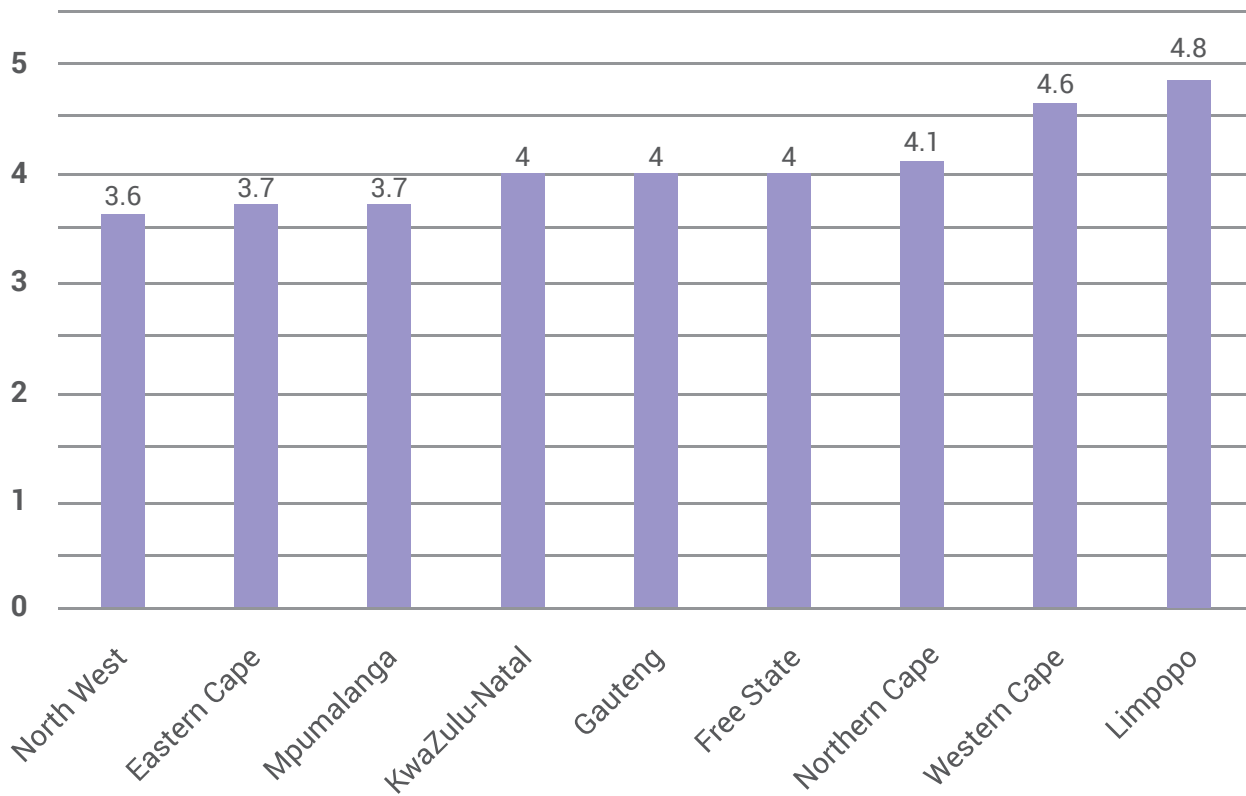
The very low group (Decile 1) experienced an inflation rate of 5.5%, higher than headline inflation rate of 4.1%, while the very high expenditure group (Decile 10) had an inflation rate of 4.3%.

Inflation rate by province

Limpopo Province had the highest overall inflation rate at 4.8% in the third quarter of 2019 while North West had the lowest inflation rate at 3.6%.

Figure 3:
Annualised Inflation Rates by Province
September 2019.

Source: Statistics South Africa (2019)



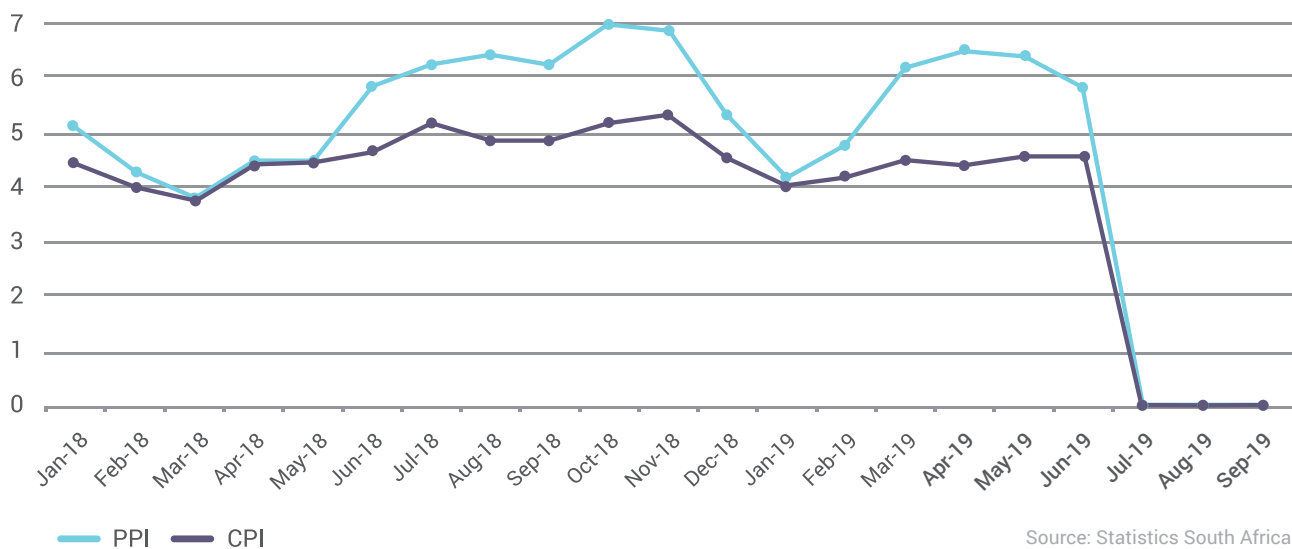
Producer price index

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

The chart below shows that the annualized PPI declined to 4.1% in September 2019 from 4.5% in August 2019. The CPI declined to 4.1% in September 2019 from 4.3% in August 2019.

Figure 4: Consumer Price Index (CPI) and selected price categories Q3 2019.



Source: Statistics South Africa

Employment

Figure 4 shows that employment rate in South Africa was 42.6% in the first quarter of 2019 and fell to 42.4% in the second and third quarter of 2019.

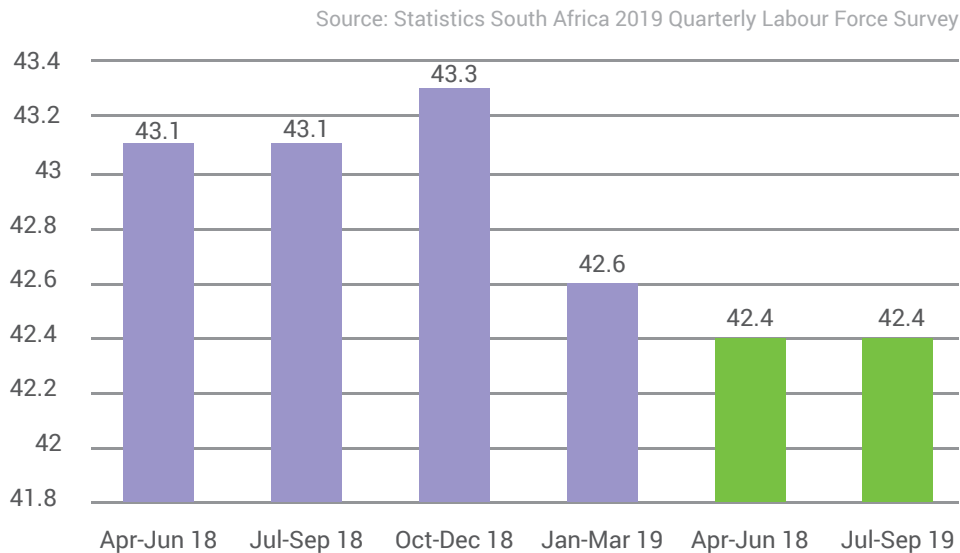


Figure 5:
Employment rate (%) Q3 2019.



The table below shows gains in employment happened in the following industries: agriculture (4.5%), Mining (3.2%), Manufacturing (2.4%), Trade (3.1%), Community 0.1% and Private household (1.5%). Sectors that saw a decline in employment were Utilities (-14.5%), Construction (-10.9%), Transport (-2.1%) and Finance (-0.4%).

Table 3:
Employment Rate by Industries Q3 2019.



| | Sept 18 (thousands) | Sept 19 (thousands) | Year on Year % Change |
|-----------------------------|---------------------|---------------------|-----------------------|
| Agriculture | 842 | 880 | 4.5% |
| Mining | 406 | 419 | 3.2% |
| Manufacturing | 1 719 | 1 760 | 2.4% |
| Utilities | 156 | 133 | -14.5% |
| Construction | 1 502 | 1 339 | -10.9% |
| Trade | 3 305 | 3 408 | 3.1% |
| Transport | 996 | 975 | -2.1% |
| Finance | 2 502 | 2 492 | -0.4% |
| Community & Social Services | 3 675 | 3 679 | 0.1% |
| Private Household | 1 267 | 1 286 | 1.5% |

Gender at work

The gender pay gap is still prevailing in South Africa, and Statistics South Africa's latest Inequality Trends report delivers some hard-hitting home truths about the problems women face in the workplace.

All over the country whether you are with education or tertiary education, females earn about 70.4% of what the male counterparts are earning. However, all population groups were increasing in terms of internet access.

The Inequality Trends report issued in November 2019 analyses and presents results of inequality measurements for household income and expenditure, assets, earnings, employment, education, health, access to basic services, and social mobility.

The labour market remains one of the key institutions through which South Africa's exceptionally high levels of both vertical and horizontal inequality get transmitted. Black Africans had the highest unemployment rates, which were between four and five times as high as they were amongst whites. The monthly average real earnings for employed whites are more than three times higher than those of black Africans.

Going forward, the report recommended improving data for inequality measurement, especially reliable sub-provincial data. Such effort would not only help researchers and policymakers to profile and understand inequality, but also boost ongoing LRS research on a Decent Standard of Living (DSL) measure in South Africa.

Women earn
70%
of what men get
across all levels.

On average,
women make
28%
less than their
male equals.

Females with no
qualifications earn
55% of
what their male
counterparts earn.

As the **educational
levels increase,**
females earn
70% of
what their male
counterparts earn.

Economic growth and GDP

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

The graph below shows that in Q1 2018, GDP was -2.6% and declined to -0.5% in Q2 2018. GDP increased to 2.6% in Q3 2018 and increased by 1.4% in Q4 2018. GDP fell by 3.2% in the first quarter of 2019 following an increase of 1.4% in the fourth quarter of 2018. The economy grew by 3.1% in the second quarter of 2019 compared to -3.2% recorded in the first quarter of 2019.

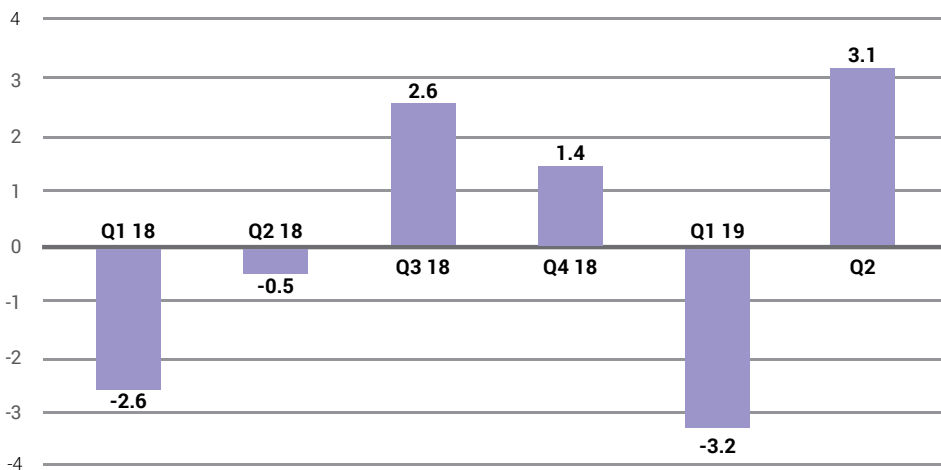


Figure 6:
Growth in GDP
% Q2 2019.



The biggest negative contributors to growth in GDP in the second quarter were construction (-0.1%) and agriculture (-0.1%). Personal, taxes/subsidies and transport contributed 0.0% growth in the second quarter of 2019. The largest positive contributors to growth in GDP in the second quarter were electricity (0.1%), manufacturing (0.3%), government and trade (0.5%) finance (0.9%) and mining (1%).

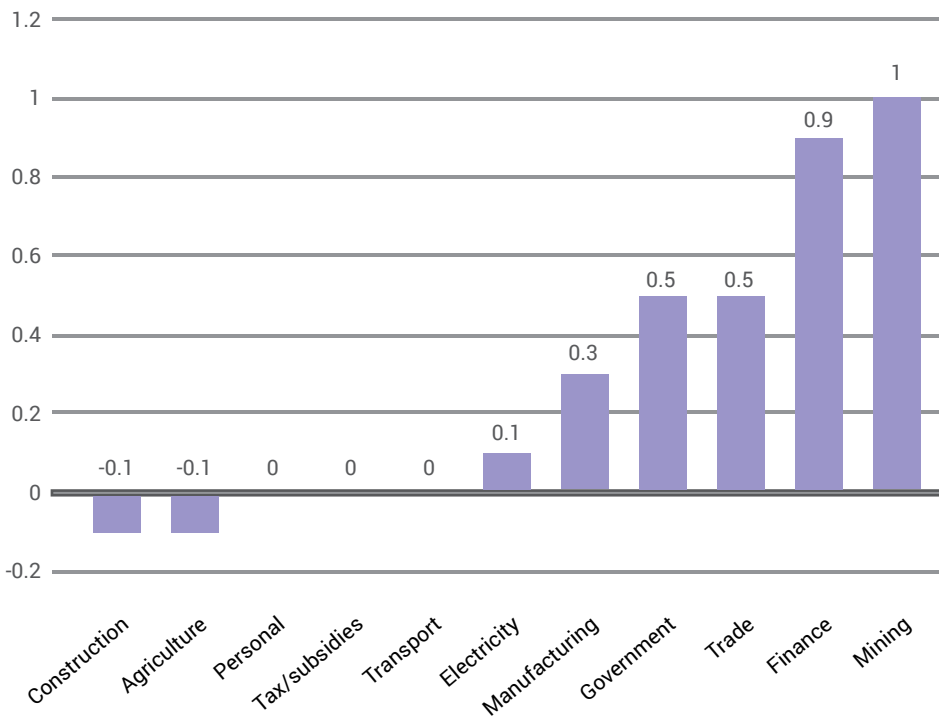


Figure 7:
Contributions to growth (%) in GDP by Industries in Q2 2019.

Wage indicators

The LRS AWARD Database provides median wage increases over various industries. Information on wages can shore up your bargaining case.

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.

02

04

06

08

10 ←

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18

The table below provides the median salary increase over various industries for the third quarter of 2019.

Table 4: Median Wage Settlement by industry Q3 2019. ▼

| Industry | Median Minimum Wage | Jul-Sep 19 |
|---|---------------------|------------|
| Agriculture, Hunting, Forestry & Fishing | 3897 | 8% |
| Community, Social & Personal Services | 7839 | 7% |
| Construction | | |
| Electricity, Gas & Water | 12934 | 8% |
| Financing, Insurance, Real Estate & Business Services | 6176 | 9% |
| Manufacturing | 6179 | 7% |
| Mining & Quarrying | 8972 | 9% |
| Transport, Storage & Communication | 8026 | 8% |
| Wholesale & Retail Trade, Catering & Accommodation | 3899 | 7% |
| AWARD Benchmark (all wage agreements) | 7089 | 8% |

Source: LRS AWARD Database (2019)

The table above shows that unions managed to secure wage settlements above inflation rate. The median wage settlements was 7% and inflation rate was at 4.5%. The highest median wage settlement was reported in the Community, Social and Personal Services and the Mining sector at 8% and the lowest was in the Construction sector at 6% in the second quarter of 2019.

Sectoral determinations

The table on the next page shows the minimum wage rates per hour for different sectoral determination. The National Minimum Wage Act has taken precedence over sectoral determinations. The highest hourly wage rate was found in the private security industry area 1 and 2 at R21.05 in 2019 and the lowest was found in the Expanded Public Works Programme (R11) and domestic workers who work more than 27 ordinary hours per week in Area B at R12.47.

Table 5:
Sectoral Determination Minimum Wage 2019.



| Sectoral Determination | Minimum Wage Rates per hour 2019 | Hours of work |
|--|----------------------------------|---------------|
| Forestry Workers | 18 | 45 |
| Farm Workers | 18 | 45 |
| Domestic Workers (who work 27 ordinary hours per week or less) Area A | 16.03 | 27 |
| Domestic Workers (who works more than 27 ordinary hours per week) Area A | 13.69 | 45 |
| Domestic Workers (who work 27 ordinary hours per week or less) Area B | 14.72 | 27 |
| Domestic Workers (who works more than 27 ordinary hours per week) Area B | 12.47 | 45 |
| Contract Cleaning Area A | 22 | 40 |
| Contract Cleaning Area B | 22.2 | 40 |
| Contract Cleaning Area C | 20 | 40 |
| Private Security Area 1 | 21.05 | 48 |
| Private Security Area 2 | 21.05 | 48 |
| Private Security Area 3 | 20.01 | 48 |
| Taxi Rank Marshal | 20 | 45 |
| Taxi Driver | 20 | 45 |
| Hospitality (more than 10 employees) | 20 | 45 |
| Hospitality (less than 10 employees) | 20 | 45 |
| Wholesale & Retail Trade A | 20 | 45 |
| Wholesale & Retail Trade B | 20 | 45 |
| Expanded Public Works Programme (EPWP) | 11 | 40 |

Source: Statistics South Africa 2019. Quarterly Labour Force Survey

Bargaining Council Minimum Wages

The table below shows bargaining council minimum wages in Q3 2019. The lowest wage floor was in the textile (blanket) Isithebe at R3761 per month and the highest in the textile (wool and mohair processing) at R8790 per month.

Table 6:
Sectoral Determination
Minimum Wage 2019.



Source: Source: LRS AWA RD (Actual Wage Rate Database)

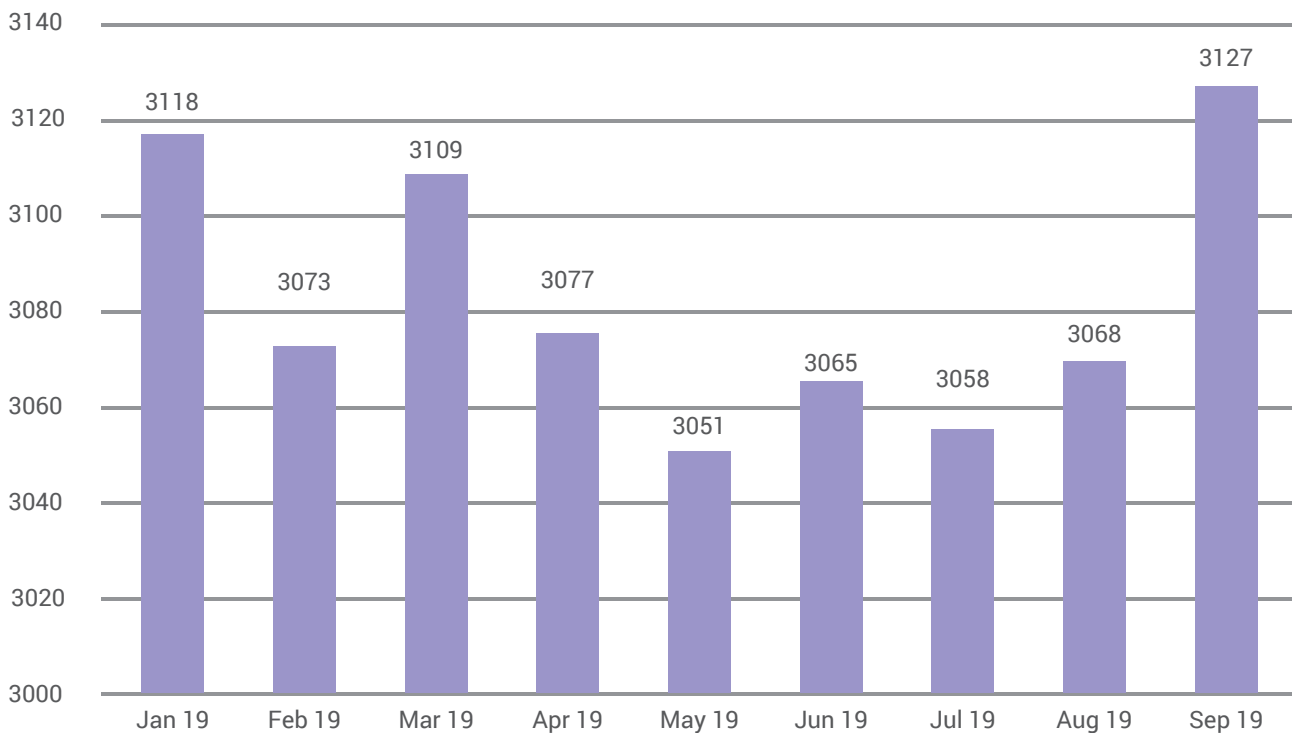
| Bargaining Unit | Monthly Wage 2019 |
|--|-------------------|
| Textile (Blanket) Isithebe Area | 3761 |
| Furniture Manufacturing (Western Cape) | 3810 |
| Furniture Manufacturing (Free State) | 3810 |
| Furniture Manufacturing (Pretoria) | 3810 |
| Furniture Manufacturing (Johannesburg) | 3810 |
| Furniture Manufacturing (KZN) Metro Areas | 3810 |
| Textile (Home Textile) | 3998 |
| Fishing (Inshore) | 4087 |
| Sawmilling Sector (NBCWPS) | 4135 |
| Textile (Braiding) | 4664 |
| MEIBC (Construction Site) | 4749 |
| Textile (Worsted Vertical) | 5773 |
| Textile (Worsted Spinners) B | 5773 |
| Textile (Accessories) | 5895 |
| Textile (Wool & Mohair Broking) | 6170 |
| Glass (NBCCI) | 6183 |
| Textile (Woven Crochet) | 6291 |
| Petroleum (NBCCI) | 6400 |
| Leather industry National BC (Footwear) | 6785 |
| Textile (Woven Cotton) | 6983 |
| FMCG (NBCCI) | 7020 |
| Pulp & Paper Sector (NBCWPS) | 7100 |
| Industrial Chemicals (NBCCI) | 7574 |
| South African Local Government Association (SALGA) | 7839 |
| Textile (Fibre) | 8250 |
| Pharmaceutical (NBCCI) | 8696 |
| Textile (Wool & Mohair Processing) | 8790 |

Household Food Index

The household food index is specifically designed to measure food price inflation as experienced by households living on low incomes in Pietermaritzburg, but may be used to give insight on food price inflation as experienced by households living on low incomes in South Africa.

The graph below shows the cost of the household food basket increased to R3 127 in September 2019 from R3 118 in January 2019. This translated to an increase of R9.00 or 0.2% over a period of nine months. The cost of household food basket increased by R106.93 (3.5%) year-on-year, from R3 028. 28 in September 2018 to R3 127.21 in September 2019.

Figure 8:
The Cost of the Household Food Basket 2019.



Source: Pietermaritzburg Economic Justice and Dignity

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