



# SEPT 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 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.**

**The LRS Bargaining Benchmarks is made possible through the support of the National Skills Fund (NFS).**

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# 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.

# Price inflation: Cost of living

## INFLATION

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

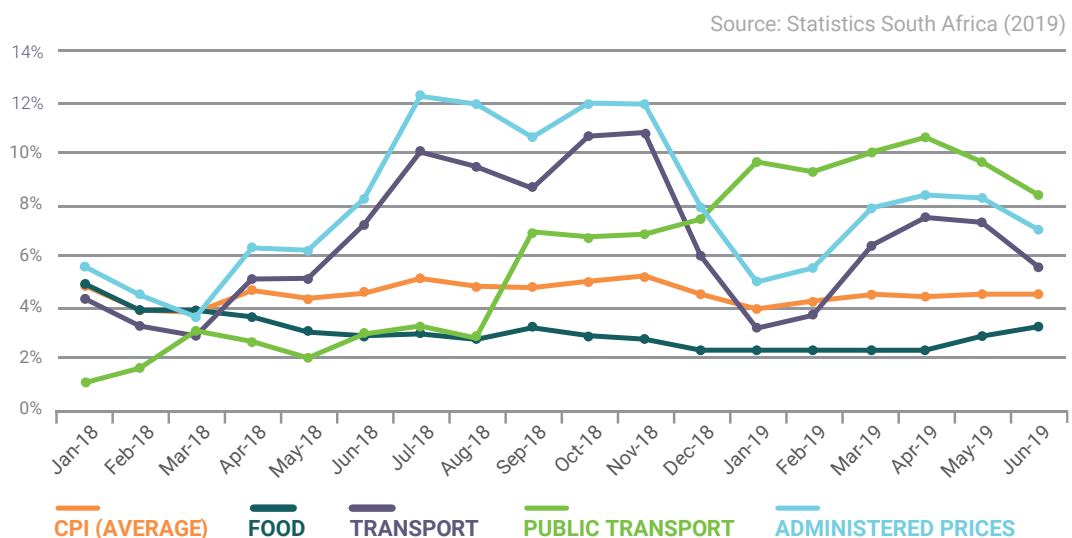
The first thing to be aware of is that inflation is backward looking. For example, if the latest inflation number is for June 2019 and it is reported to be 4%, then this tells us what happened to prices over the last 12 months (from June 2018 to June 2019).

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 won't be able to buy anything beyond what they bought previously even though they appear to have more money. Therefore, the worker has 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 4.5% in June 2019. This means that the price of goods and services generally increased by 4.5% from June 2018 to June 2019.

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 Jan 2018 to June 2019.



Overall CPI is made up of different categories of goods and services. For example, while overall CPI increased by 4.5%, the price of transport-related items increased by 5.5% and the price of public transport increased by 8.3%. Administrative prices (school fees, telephone, electricity, trains, and petrol/paraffin) increased by 6.9% in June 2019, while the price of food increased by 3.2% in the same period.

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

**Table 1:**

Contribution of the different groups to the annual change June 2019.



Group	Contribution (Jun-19)
Housing and utilities	1.2
Miscellaneous goods and services	0.9
Transport	0.8
Food and non-alcoholic beverages	0.6
Alcoholic beverages and tobacco	0.4
Education	0.2
Clothing and footwear	0.1
Household contents and services	0.1
Restaurant and hotels	0.1
Health	0.1
Residual	0.0
<b>All items</b>	<b>4.5</b>

Source: Statistics South Africa (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 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 fuel, water, private transport service, cold beverages and vegetables increased fastest than the average consumer price index.**

Source: Statistics South Africa (2019)

**Table 2:** Annualised increases in prices at June 2019.



CPI	4.5
Newspaper & Stationery	4.9
Domestic Worker's Wages	5,1
Medical Services	5.7
Education	5.7
Fish	5.9
Spirits	5.9
Clothing & Footware	6.1
Tertiary	6.2
Insurance	6.5
Sugar, Sweets & Desserts	6.8
Electricity & Other Fuels	6.8
Primary and Secondary School	6.8
Bread & Cereal	7.8
Wine	7.8
Vegetables	8
Cold Beverages	9.6
Private Transport Services	10.1
Water & Other Services	10.9
Fuel	11.6

# Inflation by expenditure group

**Table 3:**

Annualised inflation by expenditure group, June 2019.



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 (2019)

Monthly expenditure		Mar-19
Average annual CPI		4.5%
Decile 1	Up to R1477 per month	4.3%
Decile 2	R1477 up to R2456 per month	4.1%
Decile 3	R2456 up to R3549 per month	3.8%
Decile 4	R3549 up to R4742 per month	4%
Decile 5	R4742 up to R6151 per month	4%
Decile 6	R6151 up to R7907 per month	3.9%
Decile 7	R7907 up to R10352 per month	4%
Decile 8	R10352 up to R14419 per month	4.3%
Decile 9	R14419 up to R22492 per month	4.6%
Decile 10	R22492 and more...	4.7%

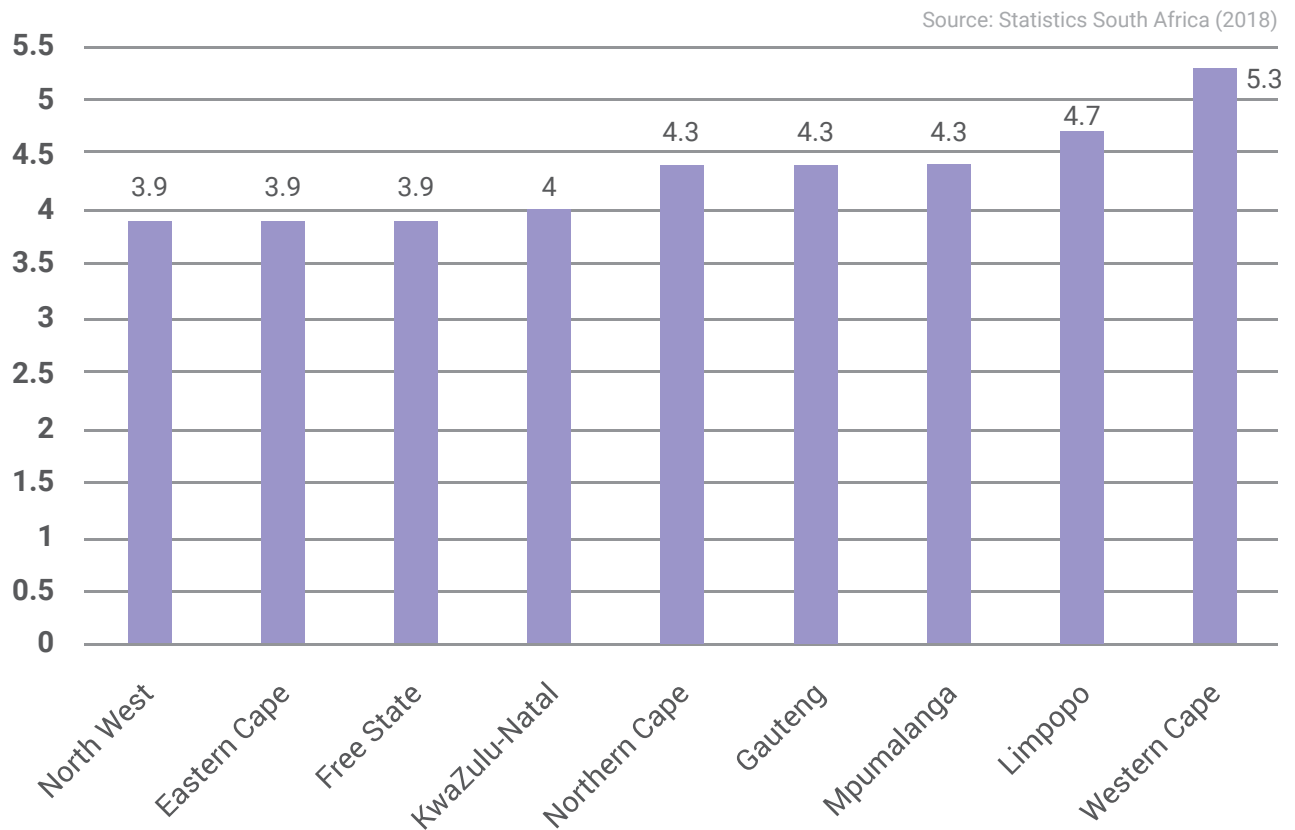
**At the moment, inflation appears to be higher for wealthier households. This isn't always the case. In 2009, the inflation rate for the poorest households was 4% higher than inflation for the wealthiest households.**



# Inflation rate by province

**Figure 2:**  
Annualised Inflation  
Rates by Province  
June 2019.

Western Cape Province attained the highest inflation rate (5.3%) in the second quarter of 2019, at 5.3%. The North West had the lowest inflation rate, at 3.9%.



# Producer price index

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

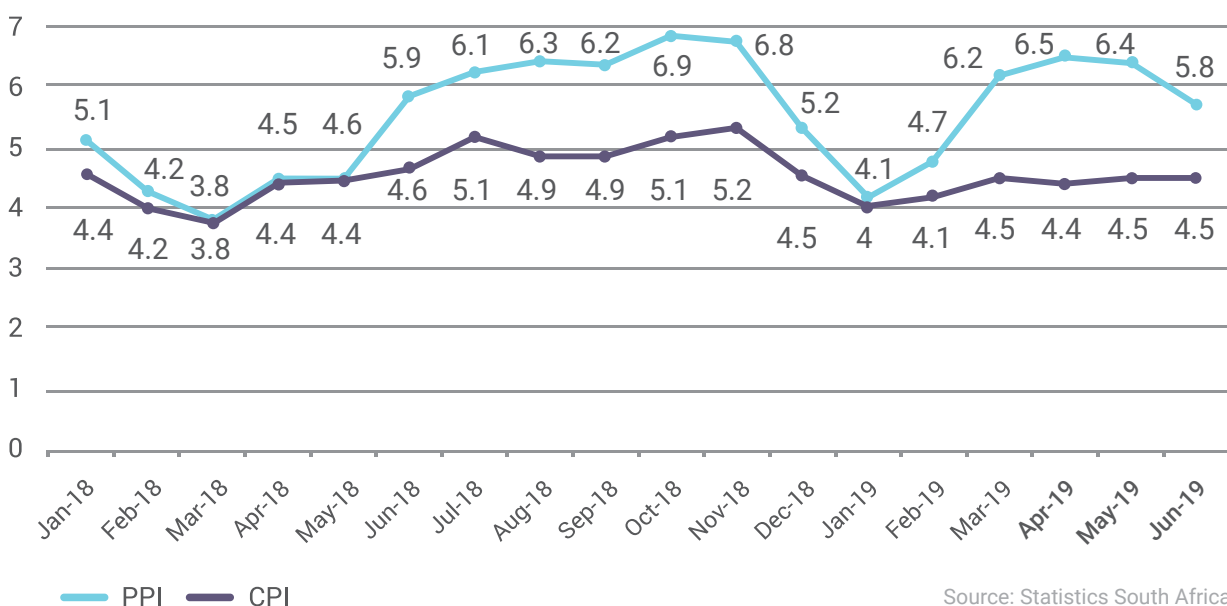
The Producer Price Index (PPI) measures an average change in price of a basket of representative goods and services sold by manufactures and producers in the wholesale market, while CPI measures price changes in a basket of goods and services bought by the average household.

The PPI can assist us in understanding what inflation might do in future. Many factors 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 in the Producer Price Index (PPI) by month. The fact that PPI (5.8%) is more than CPI (4.5%) 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.**

**The annual rate of PPI for final manufactured goods declined to 5.8% in June 2019 from 6.4% in May 2019, according to Statistics South Africa.**

**Figure 3:** Consumer Price Index (CPI) and selected price categories January 2018 to June 2019.



Source: Statistics South Africa

# Employment

Employment is the fact of having a paid job. Each year new workers enter the labour market.

Source: Statistics South Africa 2019 Quarterly Labour Force Survey

**Figure 4:**  
Employment rate  
(%) Q2 2019.

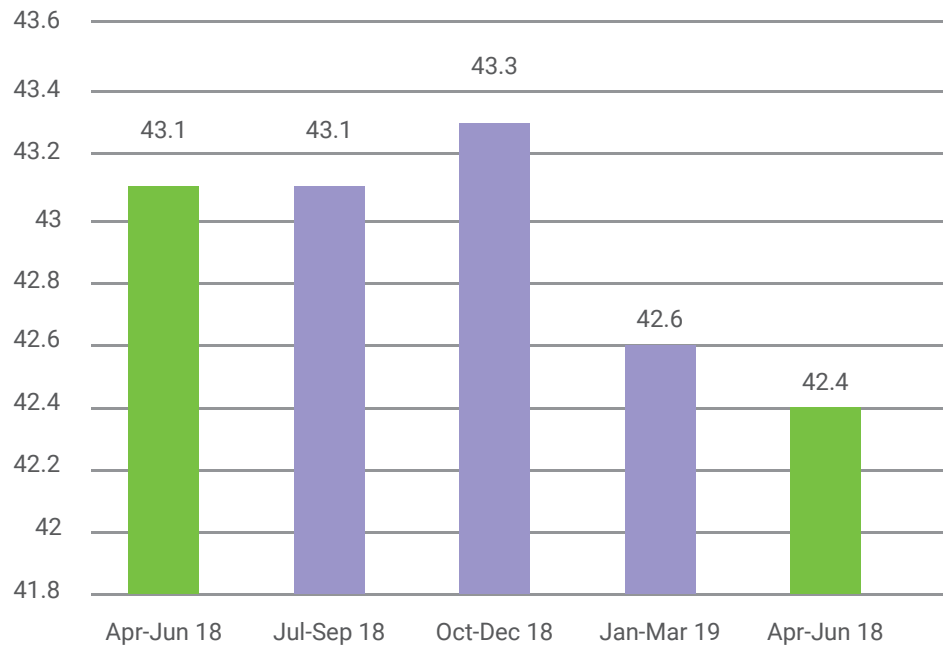


Figure 4 shows that the employment rate in South Africa was 43.1% in the second quarter of 2018 and declined to 42.4% in the second quarter of 2019. This translates to an increase of 0.9% between Q1 2018 and Q1 2019.

The table below shows employment gains were found in the following industries: manufacturing (45%), trade (210%), finance (96%). Sectors that experienced decline in employment were agriculture (-1%), mining (-54%), utilities (-10%), construction (-113%), transport (-31%), community & social services (-70%) and private household (-45%).

**Table 4:**  
Employment  
Rate by  
Industries  
Q2 2019.



	Jun 18	Jun 19	Year on Year % Change
	Thousand	Thousand	
Agriculture	843	842	-1
Mining	435	381	-54
Manufacturing	1 744	1 789	45
Utilities	161	151	-10
Construction	1 476	1 363	-113
Trade	3 219	3 429	210
Transport	1014	983	-31
Finance	2 399	2 495	96
Community & Social Services	3 692	3 622	-70
Private Household	1 296	1 251	45

Source: Statistics South Africa 2019. Quarterly Labour Force Survey

# Gender at work

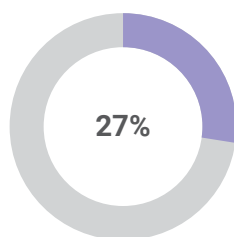
Here are the main challenges facing women in the workplace:

- Work-life balance was the issue concerning women the most, globally
- Equal pay and career opportunities was the second-most frequent concern for women
- Harassment – One third of women say they have been harassed at work, but more than 60% said that they would not report it
- Having children without damaging your career – Women were surprisingly upbeat on this question, with 63% of women in South Africa saying that they felt that they could

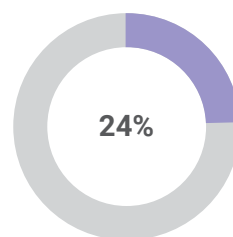
In the South African workplace, the survey found that only 27% of women felt they could speak up in the workplace. Only about quarter (24%) of women said that they would report harassment. Somewhat surprisingly, almost two thirds (63%) of the women in the study felt that having a family did not damage their careers.

If you begin to talk to these challenges and dynamics in the workplace, then you are talking to women and you begin to make the workplace and the union a home for women.

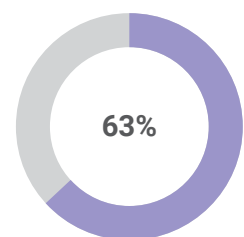
**Figure 5:**  
Key issues facing women in the workplace.



Stated ability to speak up was the key issue for women



Would report harassment



Felt having a family did not damage their careers

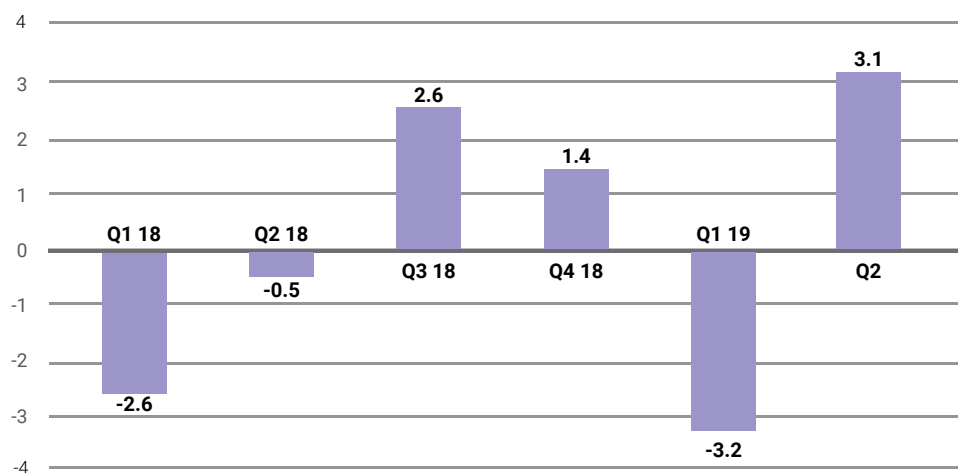
Source: Thomson Reuters Foundation, 2015  
<http://www.womenatworkpoll.com/country/?id=south-africa>

# 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.

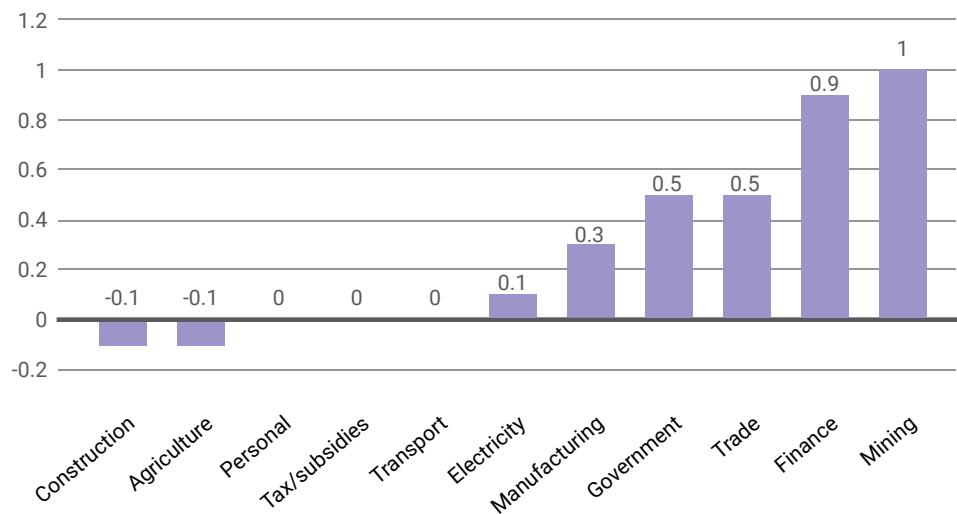
**Figure 6:**  
Growth in GDP  
% Q2 2019.



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 a 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 Actual Wage Rate Database (AWARD) provides information on median wage increases in various industries. The insight can assist negotiators to build strong bargaining cases.

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

04

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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.



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

Source: LRS AWARD Database (2019)

**Table 5:**  
Median Wage Settlement by industry Q2 2019.



Industry	Apr-Jun 19
Agriculture, Hunting, Forestry & Fishing	7%
Community, Social & Personal Services	8%
Construction	6%
Electricity, Gas & Water	–
Financing, Insurance, Real Estate & Business Services	7%
Manufacturing	7%
Mining & Quarrying	8%
Transport, Storage & Communication	7%
Wholesale & Retail Trade, Catering & Accommodation	7.7%
<b>AWARD Benchmark (all Collective Agreements)</b>	<b>7%</b>

The table above shows that unions managed to secure wage settlements above the inflation rate. The median wage settlement was 7% while the inflation rate was 4.5%. The highest median wage settlements in the second quarter of 2019 were reported in the Community, social and personal services and Mining sectors (8%) and the lowest was found in the Construction sector (6%).

## Sectoral determinations

**Sectoral determinations** regulate the terms or conditions of employment for workers 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 to gather proposals from both employers and employees and makes recommendations to the Minister of Labour. The approved recommendations are then 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).

The National Minimum Wage (NMW) was implemented on 1st January 2019. The NMW stipulates a wage rate of R20 per hour or R3 500 per month depending on the hours worked.

The graph below shows the sectors that benefited in the implementation of the NMW. The domestic, farm and forestry sectors have been exempted for now and workers will receive 90% and 75% of the minimum wage. This means farm and forestry workers get paid R18 per hour and domestic workers R15 per hour.

Source: Statistics South Africa 2019. Quarterly Labour Force Survey

**Figure 7:**  
Sectoral  
Determination  
Minimum  
Wage 2019.



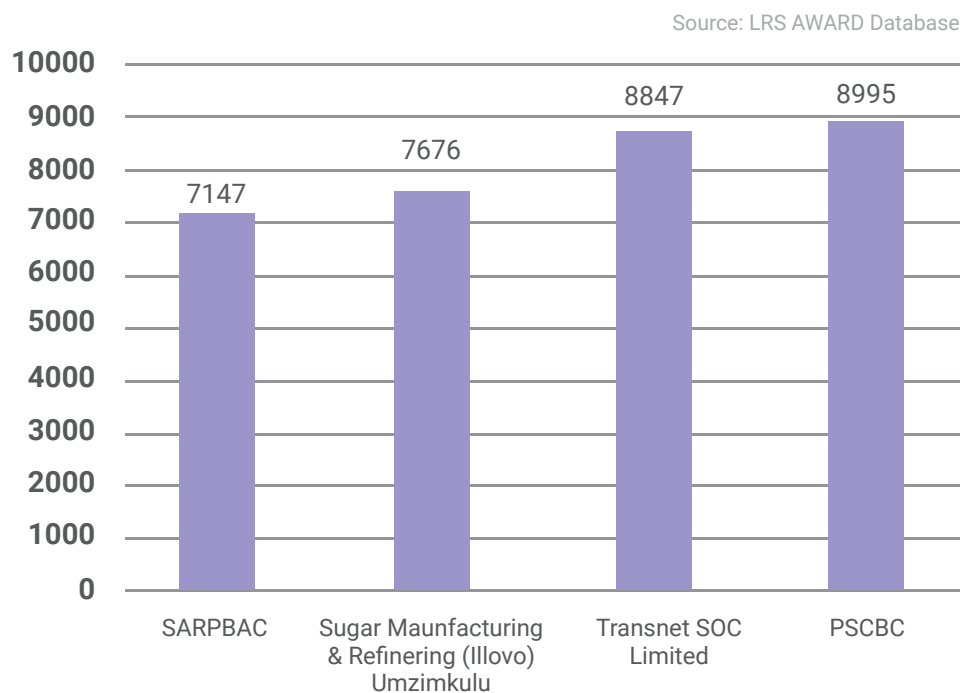
Sectoral Determination	Min Wage 2019
Domestic Workers (who work 27 ordinary hours per week or less) Area B	1754
Domestic Workers (who work 27 ordinary hours per week or less) Area A	1874
Expanded Public Works Programme (EPWP)	1999
Domestic Workers (who works more than 27 ordinary hours per week) Area A	2923
Domestic Workers (who works more than 27 ordinary hours per week) Area B	2923
Contract Cleaning Area C	3476
Forestry Workers	3507
Farm Workers	3507
Contract Cleaning Area A	3810
Contract Cleaning Area B	3845
Taxi	3897
Taxi	3897
Hospitality (more than 10 employees)	3897
Hospitality (less than 10 employees)	3897

Wholesale & Retail Trade A	3900
Wholesale & Retail Trade B	3900
Private Security Area 3	4157
Private Security Area 1	4377
Private Security Area 2	4377
Median	3 845
Average	3 469

## Bargaining Council Minimum Wages

The graph below shows bargaining council minimum wages in Q2 2019. The lowest minimum wage was in the South African Road Passenger Bargaining Council (SARPBC) at R7 147 and the highest minimum wage was recorded by Public Sector Coordinating Bargaining Council (PSCBC) at R8 995 per month.

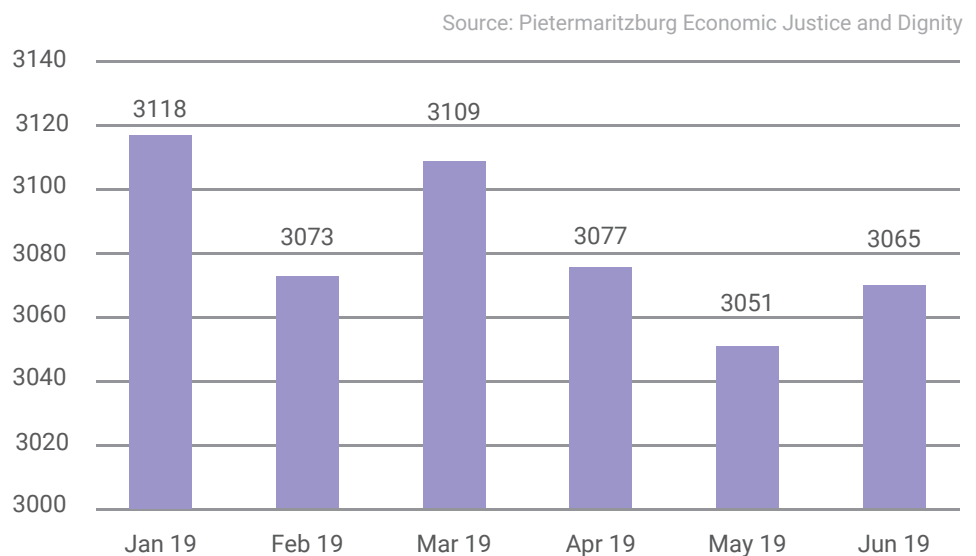
**Figure 8:**  
Bargaining Council Wage Floor (Lowest wage found in collective agreements) Q2 2019.



# Household Food Index

The household food index is based on women living on low incomes. The index provides a sense of what the food baskets of low-income households cost in Pietermaritzburg in Kwazulu-Natal Province and is specifically designed to measure food price inflation as experienced by households living on low incomes. The index may provide a picture of what food price inflation looks like in low income households in the rest of South Africa. The graph below shows that the cost of the household food basket fell to R3065 in the second quarter of 2019 from R3109 in the first quarter of 2019.

**Figure 9:**  
The Cost of the Household Food Basket 2019.



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