



March 2021

Bargaining Benchmarks

A resource for trade union negotiators
in South Africa

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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Definitions

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 is 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)

Measure of the average change in the 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.

PMBEJD

Pietermaritzburg Economic Justice and Dignity.

The median

The number found in the middle of a range of numbers. For example: if the range of numbers is 2, 4, 6, 8, 10, 12, 14, 16, 18 then the median is **10**.

Price inflation: Cost of living

The first thing to be aware of is that inflation is backwards-looking. For example, if the latest inflation number is for December 2020 and it is reported to be 3.1%, then this tells us what happened to prices over the last 12 months (from December 2019 to December 2020).

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 the same buying power they had before, despite the 10% increase.

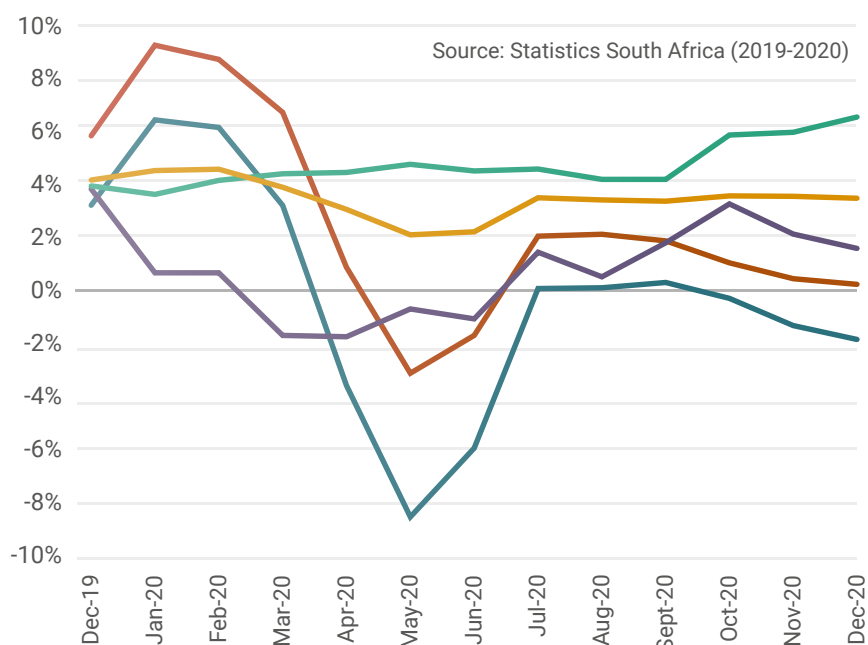
The Consumer Price Index (CPI) represents the overall increase in prices of all goods. The inflation rate as measured by the CPI was 3.1% in December 2020. This means that the price of goods and services generally increased by 3.1% from December 2019 to December 2020.

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, December 2019 to December 2020). Almost always presented as an annualized number covering the previous 12 months.

Figure 1: Consumer Price Index (CPI) and selected price categories, Q4 2021.



Overall CPI is made up of different categories of goods and services. So for example, while overall CPI declined to 3.1%, the price of transport and transport-related items increased by -1.6% and the price of public transport declined by 1.2%. Administrative prices (school fees, telephone, electricity, trains, and petrol/paraffin) decreased by 0.2% and the price of food increased by 6.2% in December 2020.

- CPI (AVERAGE)
- TRANSPORT
- PUBLIC TRANSPORT
- FOOD
- ADMINISTERED PRICES

The next table shows the contribution of the main kinds of expenditure on the inflation rate for December. You can see that miscellaneous goods and services, food and non-alcohol beverages and housing utilities prices were the biggest contributors to the annualized inflation rate of 3.1% in December 2020.

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.

Although the CPI came at 3.1% in December 2020, other annualized items recorded increases above the consumer price index. For example, milk, eggs and cheese (6.4%), bread and cereals (5%), meat (7.3%), fish (5.3%), fruits (11.8%) and water and electricity 6%.



If annualised inflation is lower this month than it was last month, it does not mean that things are cheaper.

Table 1: Contributions of the different groups to the annual percentage change in the CPI headline | December 2020

Group	Contributions
	Dec-20
Miscellaneous goods and services	1.1
Food and non-alcohol beverages	1.0
Housing and utilities	0.7
Alcoholic beverages and tobacco	0.2
Education	0.2
Household contents and services	0.1
Health	0.1
Recreation and culture	0.1
Transport	-0.2
Residual	-0.2
All Items	3.1

Source: Statistics South Africa

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, December 2020

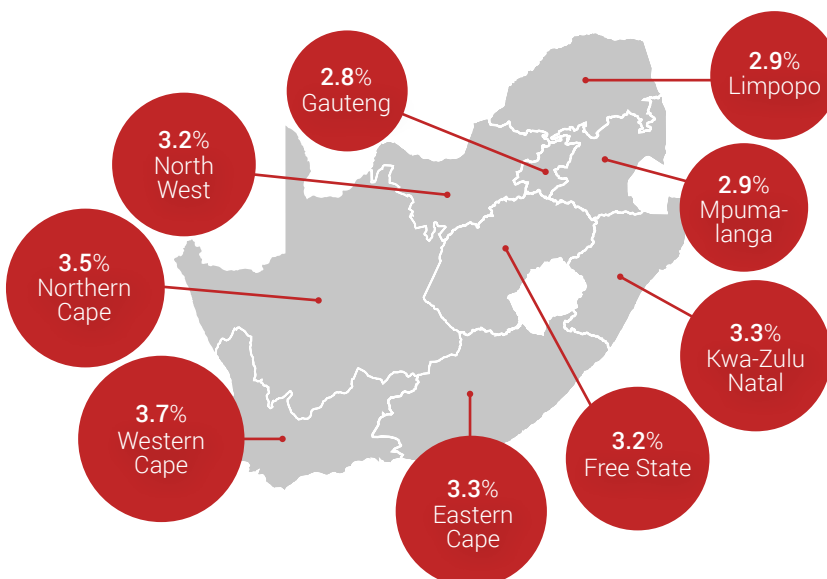
Monthly expenditure		Inflation Rate Dec-20
Average annual CPI		3.1%
Decile 1	Up to R1477 per month	3.6%
Decile 2	R1477 up to R2456 per month	3.7%
Decile 3	R2456 up to R3549 per month	3.3%
Decile 4	R3549 up to R4742 per month	3%
Decile 5	R4742 up to R6151 per month	2.9%
Decile 6	R6151 up to R7907 per month	2.8%
Decile 7	R7907 up to R10352 per month	2.8%
Decile 8	R10352 up to R14419 per month	2.7%
Decile 9	R14419 up to R22492 per month	3%
Decile 10	R22492 and more...	3.3%

◀ The very low group (Decile 1) experienced an inflation rate of 3.6%, higher than the headline inflation rate of 3.1%, while the very high expenditure group (Decile 10) had an inflation rate of 3.3% in December 2020.

Source: Statistics South Africa (2020)

Inflation by province

Figure 2: Annualised Inflation Rates by Province, December 2020



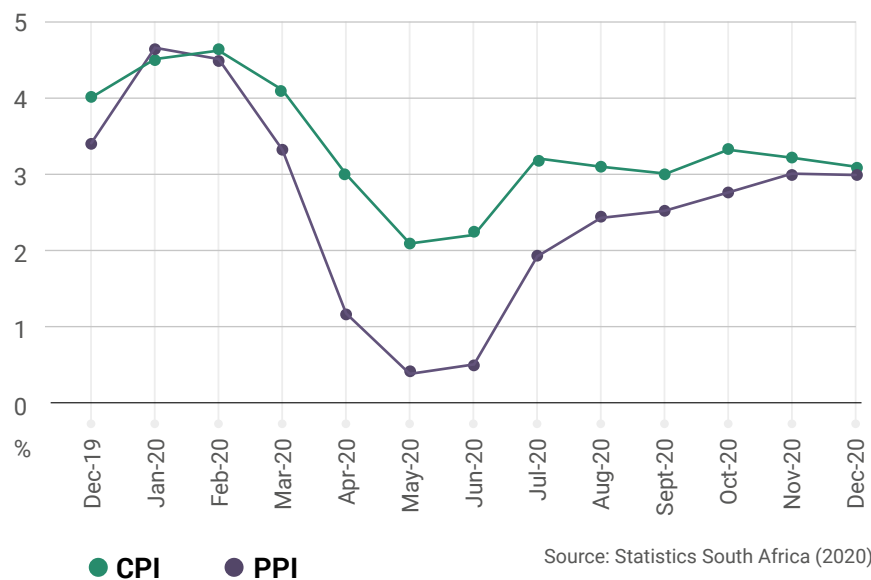
◀ The provinces with an annual inflation rate lower than or equal to headline inflation were Mpumalanga (2.9%), Limpopo (2.9%) and Gauteng (2.8%). The provinces with an annual inflation rate higher than headline inflation were Free State (3.2%), North West (3.2%), KwaZulu Natal (3.3%), Eastern Cape (3.3%), Northern Cape (3.5%) and Western Cape (3.7%).

Source: Statistics South Africa (2020)

Producer Price Index

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

Figure 3: Producer Price Index (PPI) & Consumer Price Index (CPI), December 2020



◀ 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.

Figure 3 shows that the annualised Producer Price Index (PPI) declined to 3% in December 2020 from 3.4% in December 2019. CPI declined to 3.1% in December 2020 from 4% in December 2019.

Unemployment rate Jan to Q4 2020

The unemployment rate is the proportion of the labour force that is unemployed.

➤ Figure 4 shows that the unemployment rate in South Africa increased to 32.5% in Q4 2020, from 30.8% in Q3 2020. This translated to a percentage change of 1.7% between Q4 and Q3 of 2020. The expanded unemployment rate stood at 42.6% in Q4 2020.

Table 3: Employment rate by industries Q3 2020

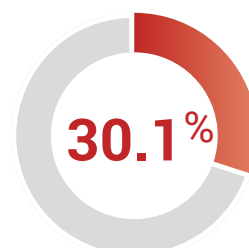
	Q3 2020 (Thousand)	Q4 2020 (Thousand)	Quarter-on-quarter % Change
Agriculture	808	810	2
Mining	419	384	-35
Manufacturing	1 460	1 491	31
Utilities	90	99	9
Construction	1 080	1 166	86
Trade	3 008	3 063	55
Transport	878	943	65
Finance	2 434	2 312	-123
Community & Social Services	3 381	3 551	170
Private Household	1 121	1 197	76



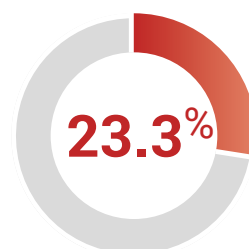
The table above shows that between Q3 of 2020 and Q4 of 2020, the number of employed persons increased in eight of the ten industries, with the largest increase recorded in Community and social services (170 000), followed by Construction (86 000) and Private households (76 000). The only decreases in employment were recorded in Finance (123 000) and Mining (35 000).

Source: Statistics South Africa Quarterly Labour Force Survey

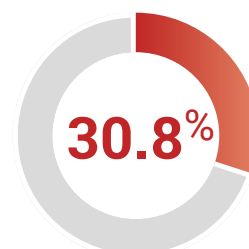
Figure 4:
Unemployment Rate (%) Q4 2020



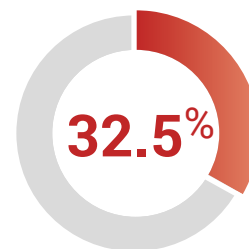
Q1 2020



Q2 2020



Q3 2020

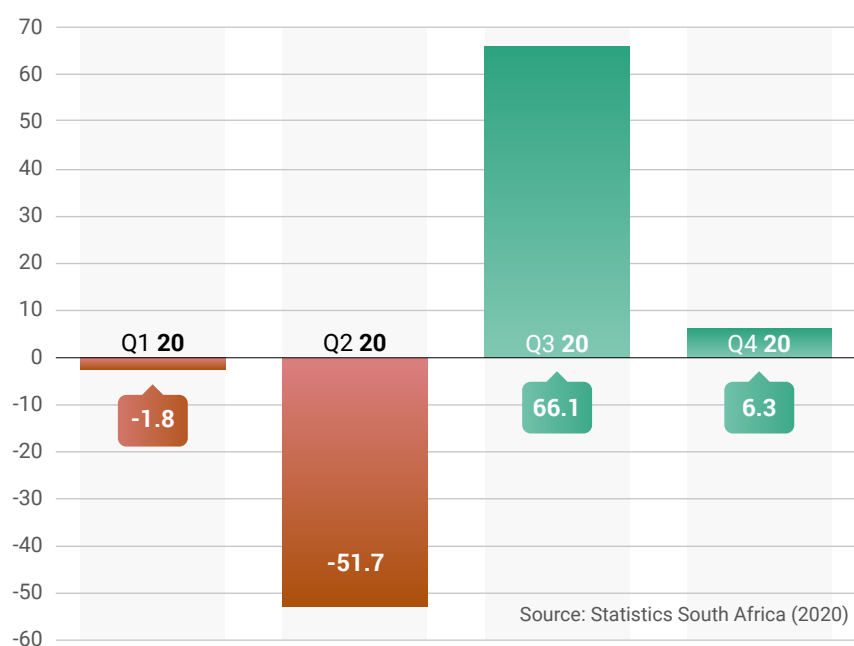


Q4 2020

Economic growth and GDP

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

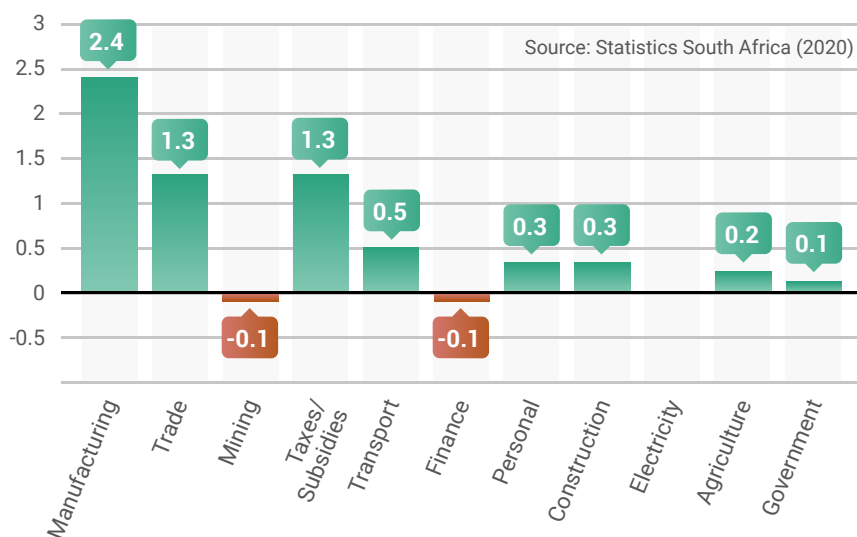
Figure 5: Growth in GDP % Q4 2020



Real gross domestic product (measured by production) decreased by 2.0 % in the first quarter of 2020, following a decrease of 1, 4% in the fourth quarter of 2019. It decreased by a record 51% in the second quarter of 2020 due to the impact of the Covid-19 lockdown measure implemented at the end of March 2020.

It increased at an annualised rate of 66.1% in the third quarter of 2020, largely due to the easing of the Covid-19 lockdown restrictions. It increased at an annualised rate of 6.3% in the fourth quarter of 2020, largely as a result of further easing of the restrictions.

Figure 6: Contributions to growth (%) in GDP by Industries in Q4 2020



The largest positive contributors to growth in GDP in the fourth quarter were the manufacturing, trade and transport industries. The manufacturing industry contributed 2.4% points to GDP growth. Trade, catering and accommodation industry contributed 1.3% points to GDP growth. Taxes/subsidies contributed 1.3% points to GDP growth. Transport, storage and communication contributed 0.5% points to GDP growth. Negative contributors to growth in GDP in the fourth quarter were mining and finance, at -0.1%.

Month-on-month household food basket index Q4 2020

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.

Figure 7: The cost of the household food basket, January to December 2020

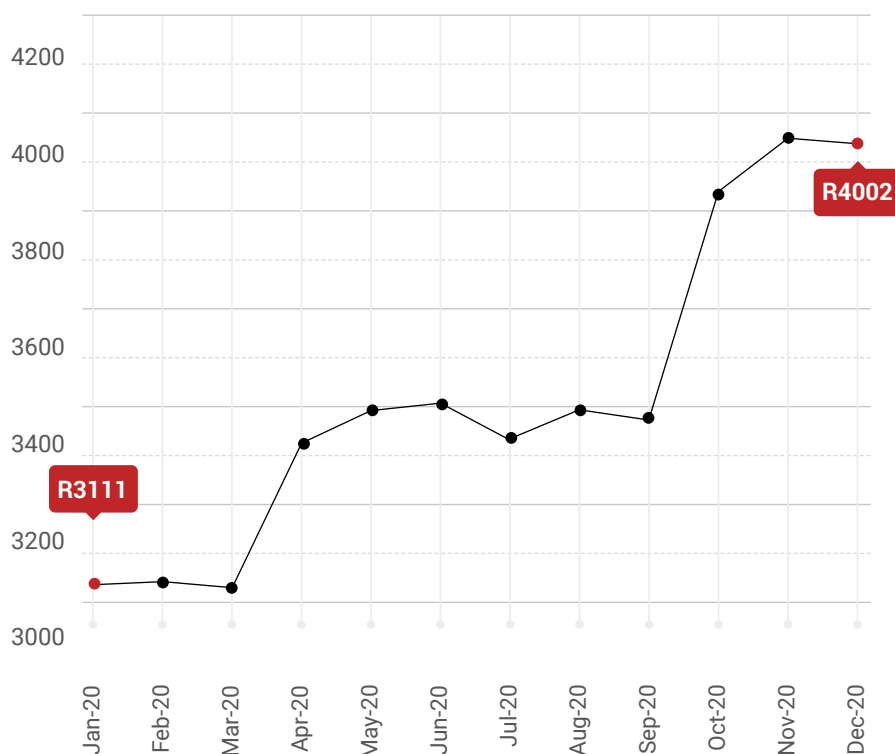


Figure 7 shows that the cost of the household food basket increased to R4 002 in December 2020, from R3 111 in January 2020. This translates to an increase of R891 or (28.6%) between January and December 2020.

Source: Pietermaritzburg Economic Justice and Dignity

Wage indicators

The LRS Actual Wage Rates Database (AWARD) samples agreements in any given year to determine the median wage increase across various industries. The information can be used to inform bargaining cases.

Table 4: Percentage wage increases by companies, Q3 2020

Industry	Median Increase % By Industry Q3 2020
Agriculture, Hunting, Forestry & Fishing	7.3
Community, Social & Personal Services	7
Construction	4
Electricity, Gas & Water	7
Financing, Insurance, Real Estate & Business Services	5
Manufacturing	7
Mining & Quarrying	9
Transport, Storage & Communication	7
Wholesale & Retail Trade, Catering & Accommodation	7
AWARD Benchmark (AI CBA)	7

Source: LRS AWARD Database (2020)

Table 4 provides the percentage wage increase in various industries from January to December 2020. The highest wage increase was found in mining at 9% and the lowest was recorded by construction at 4%. The median wage increases for all agreements was 7% in 2020.



The median

is the number which is found in the middle of a range of numbers. For example, if the range of numbers is **2, 4, 6, 8, 10, 12, 14, 16, 18** then the median is **10**.

Table 5 shows the bargaining council minimum wages attained by trade unions in 2020. The lowest minimum of R 3 598 was found in the Hairdressing & Cosmetology Trade (Pretoria) Division 112 Wonder boom and the highest minimum wage of R14 098 per month was found in the tyre manufacturing bargaining council.

Table 5: Bargaining Council Minimum Wages 2020

Bargaining council	Industry	Monthly Wage 2020 (R)	Hours of work
Hairdressing & Cosmetology Trade (Pretoria) Division 112 Wonderboom	Community, Social & Personal Services	3598	40
Electrical Area G	Construction	3653	44
Fast Food, Restaurant, Catering & Allied Trades (Employers with 10 or fewer employees)	Wholesale & Retail Trade...	3852	45

Furniture Manufacturing (Johannesburg)	Manufacturing	3955	44
Textile (Home Textile)	Manufacturing	4045	45
BIBC-North West Boland Area A	Construction	4086	42
Restaurant, Catering and Allied Trades Wits	Wholesale & Retail Trade...	4210	45
Sawmilling Sector (NBCWPS)	Manufacturing	4260	45
MEIBC (Construction Site)	Manufacturing	4749	40
National Bargaining Council for the Private Security Sector (Area 1)	Finance, Insurance, Real Estate and Business Services	4805	48
MiBCO Sector 4,5 & 7 Only Area A	Wholesale & Retail Trade...	5204	45
Fishing Deep sea	Agriculture, Hunting, Forestry & Fishing	5310	45
BIBC-Cape Peninsula Area A	Construction	5467	42
Glass (NBCCI)	Manufacturing	6600	42
National Bargaining Council Road Freight Logistical Industry (NBCRFLI)	Transport, Storage & Communication	6768	45
Leather industry National BC (Footwear)	Manufacturing	7294	45
South Africa Road Passenger Bargaining Council (SARPBC)	Transport, Storage & Communication	7576	45
Sugar Manufacturing & Refining (Illovo) Umzimkulu	Manufacturing	7682	43
Civil Engineering	Construction	7759	45
Motor Ferry Industry BC	Transport, Storage & Communication	8112	45
South African Local Government Association (SALGA)	Community, Social & Personal Services	8329	40
PSCBC	Community, Social & Personal Services	8902	40
Transnet SOC Limited	Transport, Storage & Communication	9533	45
New Tyre Manufactures Bargaining Council	Manufacturing	14098	40
	Median	5 388	45
	Average	6 244	44
	Minimum	3 598	44
	Maximum	14 098	44

R5 388

Median

R6 244

Average

R3 598

Minimum

R14 098

Maximum

Table 6: Sectoral Determination Minimum Wages 2020

	Monthly Wage 2020 (R)	Hours of work
Expanded Public Works Programme (EPWP)	1978	40
Domestic Workers (who work 27 ordinary hours per week or less) Area B	3034	45
Domestic Workers (who works more than 27 ordinary hours per week) Area A	3034	45
Domestic Workers (who works more than 27 ordinary hours per week) Area B	3034	45
Domestic Workers (who work 27 ordinary hours per week or less) Area A	3242	45
Forestry Workers	3640	45
Farm Workers	3640	45
Contract Cleaning Area C	4059	40
Hospitality (more than 10 employees)	4048	45
Hospitality (less than 10 employees)	4048	45
Wholesale & Retail Trade A	4048	45
Wholesale & Retail Trade B	4048	45
Contract Cleaning Area A	4450	40
Contract Cleaning Area B	4489	45
	Median	5 388
	Average	6 244
	Minimum	3 598
	Maximum	14 098



Table 6 shows sectoral determination minimum wages in 2020. The lowest minimum of R1 978 was found in the Expanded Public Works Programme (EPWP) and the highest minimum wage was found in Contract Cleaning Area-A at R4 489 per month.

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KNOWLEDGE
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LEAVE IN THE
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