

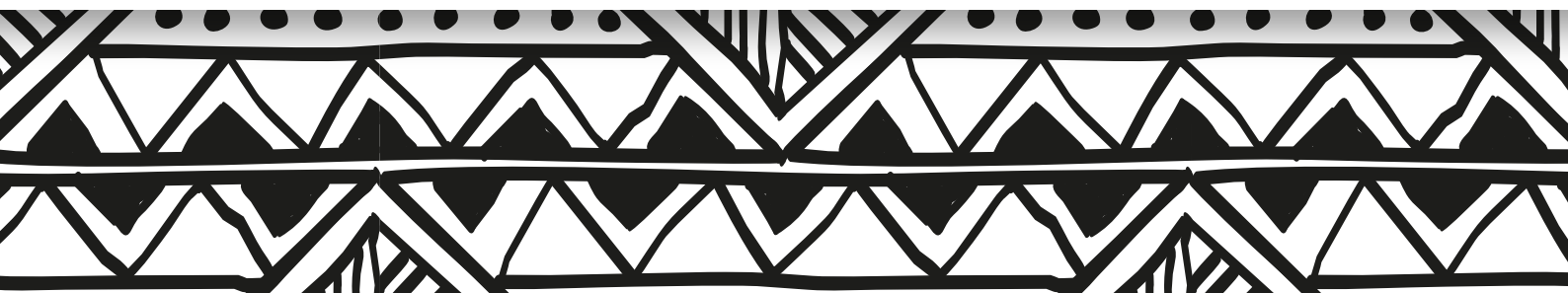


December 2020

Bargaining Benchmarks

A resource for trade union negotiators
in South Africa

LRS Labour
Research
Service



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 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).

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 backward looking. For example, if the latest inflation number is for September 2020 and it is reported to be 3%, then this tells us what happened to prices over the last 12 months (from September 2019 to September 2020).

The easiest way to understand inflation is to think of buying power. If a worker receives a 10% increase and 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 worker, therefore, has exactly the same buying power they had before, despite the 10% increase.

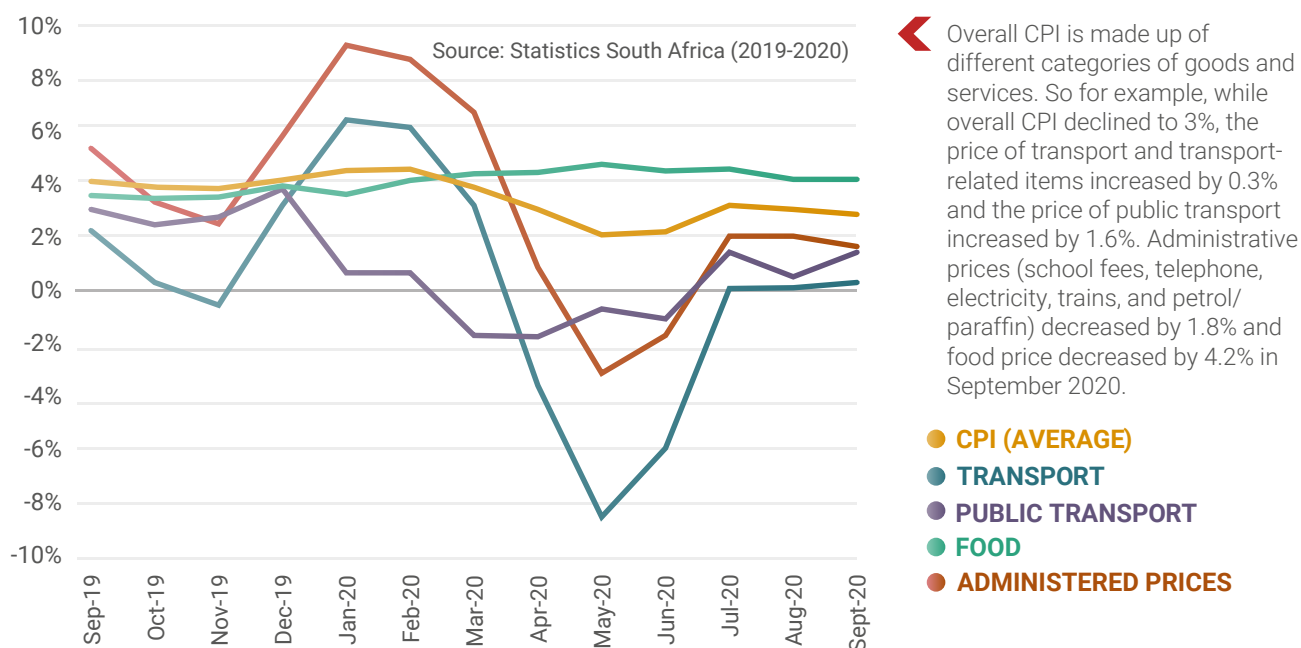
The CPI represents the overall increase in prices of all goods. The inflation rate as measured by the CPI was 3% at September 2020. This means that the price of goods and services generally increased by 3% from September 2019 to September 2020.

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

Figure 1: Consumer Price Index (CPI) and selected price categories, Q3 2020.



The next table shows the contribution of the main kinds of expenditure to the inflation rate for June. You can see that food and non-alcoholic beverages, transport and miscellaneous goods and services prices were the biggest contributors to the annualized inflation rate of 3% in September 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. The CPI came at 3% in September 2020, but other annualized items recorded increased above the consumer price index, for example, food (4.2%), alcohol beverages and tobacco (4.1%), water and other services (6%), electricity and other fuels (6%), health (3.9%), education (6.4%) and miscellaneous goods and services 6.5%.



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

Table 1: Contribution of the different groups to the annual change from Q3 2020.

Group	Contributions
	Sep-20
Miscellaneous goods and services	1.0
Food and non-alcohol beverages	0.7
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
Residual	-0.1
All Items	3

Source: Statistics South Africa (2020)

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 2020

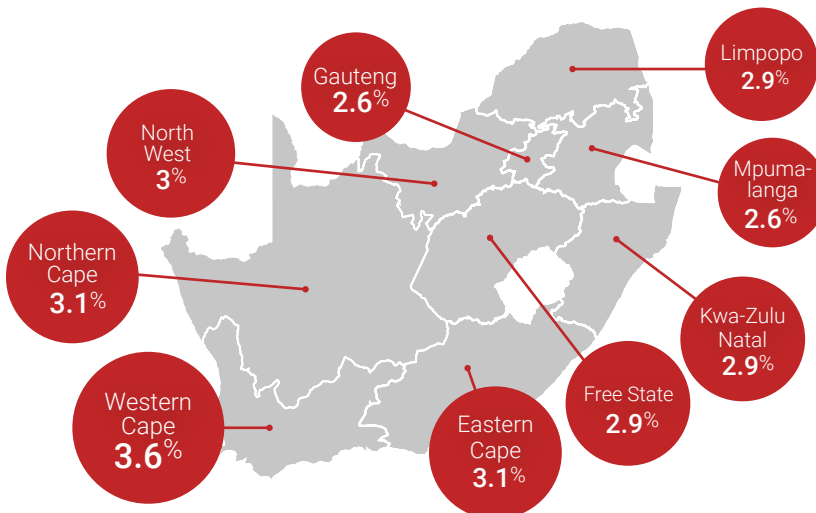
Monthly expenditure		Inflation Rate Sep-20
Average annual CPI		3%
Decile 1	Up to R1477 per month	2.70%
Decile 2	R1477 up to R2456 per month	2.80%
Decile 3	R2456 up to R3549 per month	2.60%
Decile 4	R3549 up to R4742 per month	2.50%
Decile 5	R4742 up to R6151 per month	2.50%
Decile 6	R6151 up to R7907 per month	2.40%
Decile 7	R7907 up to R10352 per month	2.50%
Decile 8	R10352 up to R14419 per month	2.50%
Decile 9	R14419 up to R22492 per month	3%
Decile 10	R22492 and more...	3.30%

◀ The very low group (Decile 1) experienced an inflation rate of 2.7%, lower than headline inflation rate of 3%, while the very high expenditure group (Decile 10) had an inflation rate of 3.3% in September 2020.

Source: Statistics South Africa (2020)

Inflation by province

Figure 2: Annualised Inflation Rates by Province, September 2020



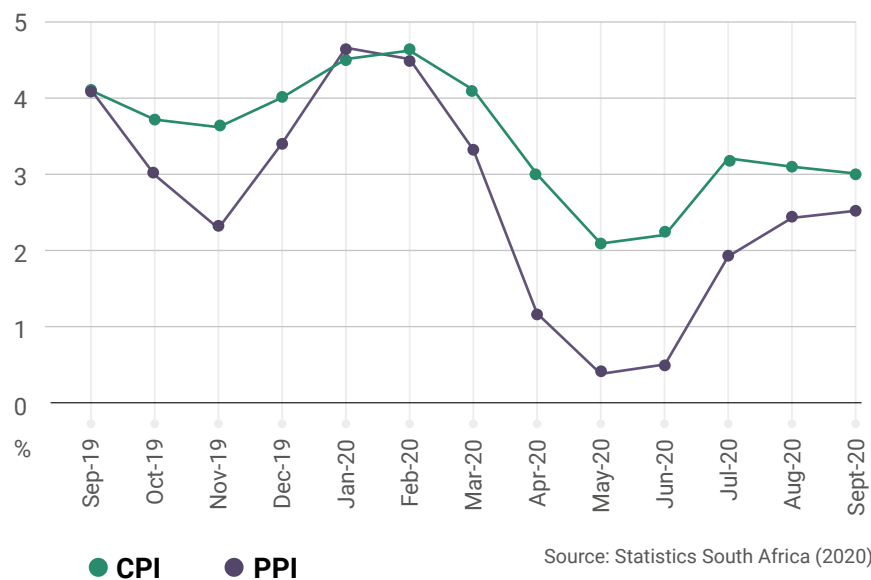
◀ The province with annual inflation rate lower than or equal to headline inflation were Gauteng (2.6%), Mpumalanga (2.6%), KwaZulu-Natal (2.9%), Free State (2.9%), Limpopo (2.9%) and North West (3%). Northern Cape, Eastern Cape, and Western Cape had an annual inflation rate higher than headline inflation at 3.1%, 3.1% and 3.6%, respectively.

Source: Statistics South Africa (2020)

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.

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



◀ The PPI can assist us in understanding what inflation might do in the future. Many factors can influence the inflation rate. The trend in PPI is one way of predicting what prices will do in the short term.

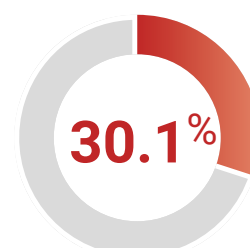
Figure 3 shows that the annualized PPI increased from 2.5% in September 2020 from 1.9% in July 2020. The CPI declined to 3% in September 2020 from 3.2% in July 2020.

Unemployment rate Jan to Q3 2020

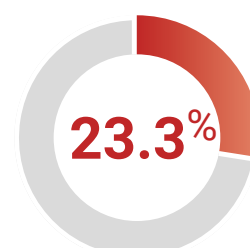
The Unemployment rate is the proportion of the labour force that is unemployed.

➤ Figure 4 shows that unemployment rate in South Africa was 30.1% in Q1 of 2020, declined to 23.3% in Q2 of 2020 and increased to 30.8% in Q3 of 2020. This translated to a percentage change of 2.3% between Q1 and Q3 of 2020. 2.2 million jobs were lost in the second quarter of 2020, according to Statistics South Africa

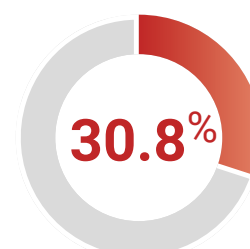
Figure 4:
Unemployment Rate (%) Q3 2020



Q1 2020



Q2 2020



Q3 2020

Table 3: Employment rate by industries Q3 2020

	Q2 2020 (Thousand)	Q3 2020 (Thousand)	Quarter-on-quarter % Change
Agriculture	865	808	1.10%
Mining	436	419	12.30%
Manufacturing	1 706	1 460	0.30%
Utilities	116	90	-20.40%
Construction	1 343	1 080	1.30%
Trade	3 320	3 008	2.10%
Transport	995	878	-0.80%
Finance	2 517	2 434	9%
Community & Social Services	3 759	3 381	4.20%
Private Household	1 316	1 121	11.50%



The table above shows the number of employed persons declined in two industries in the first quarter of 2020. The largest decline was found in utilities at -20.4% and the lowest was in transport, at -0.8% in Q3 2020.

Source: Statistics South Africa 2019-2020 Quarterly Labour Force Survey

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 during a period of time. GDP is expressed as a comparison to the previous year or quarter.

Figure 5: Growth in GDP % Q3 2020

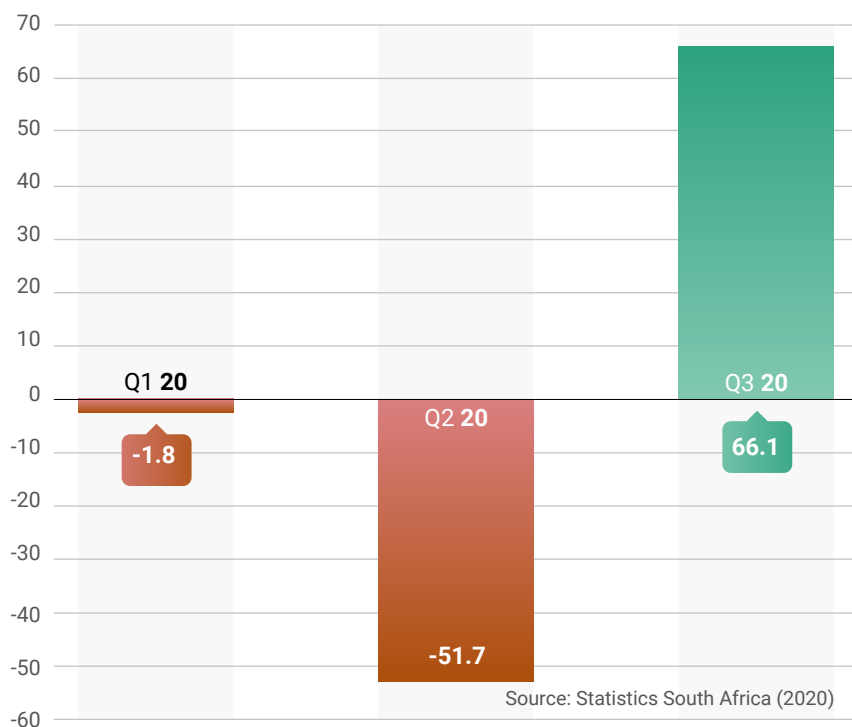
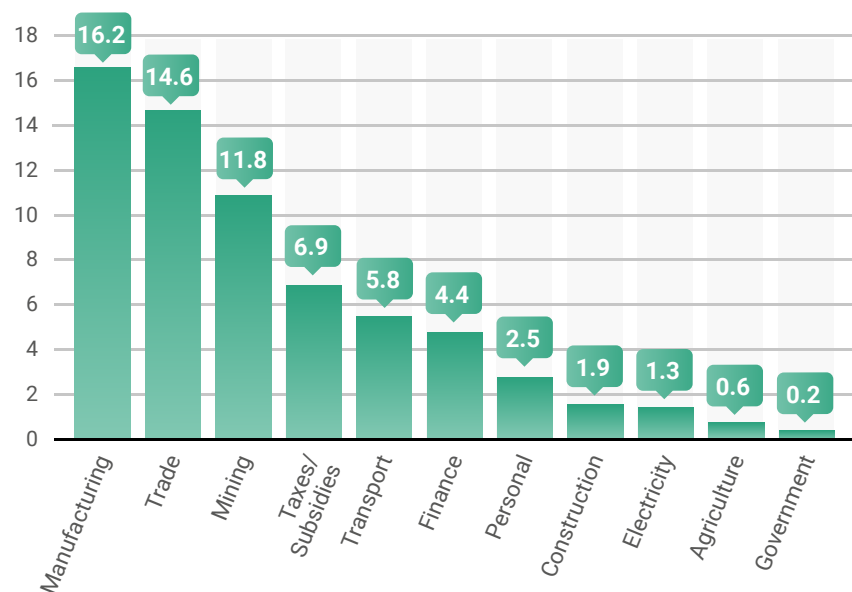


Figure 5 shows that the GDP was -1.8% in the first quarter of 2020, collapsed to -51.7% in the second quarter of 2020 and increased to 66.1% (annually) in the third quarter of 2020, or 13.5% quarter on quarter. The increase in the third quarter of 2020 was largely due to the easing of COVID-19 lockdown restrictions.

Figure 6: Contributions to growth (%) in GDP by Industries in Q3 2020



All sectors attained positive growth between the second quarter and third quarter of 2020. The biggest positive contributors to growth in GDP in the third quarter of 2020 were manufacturing (16.2%), trade (14.6%) and mining (11.8%). The lowest positive contributors to growth in GDP in the third quarter of 2020 were government (0.2%), agriculture (0.6%), electricity (1.3%) and construction (1.9%).

Month-on-month household food basket index Q3 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, Q3 2020

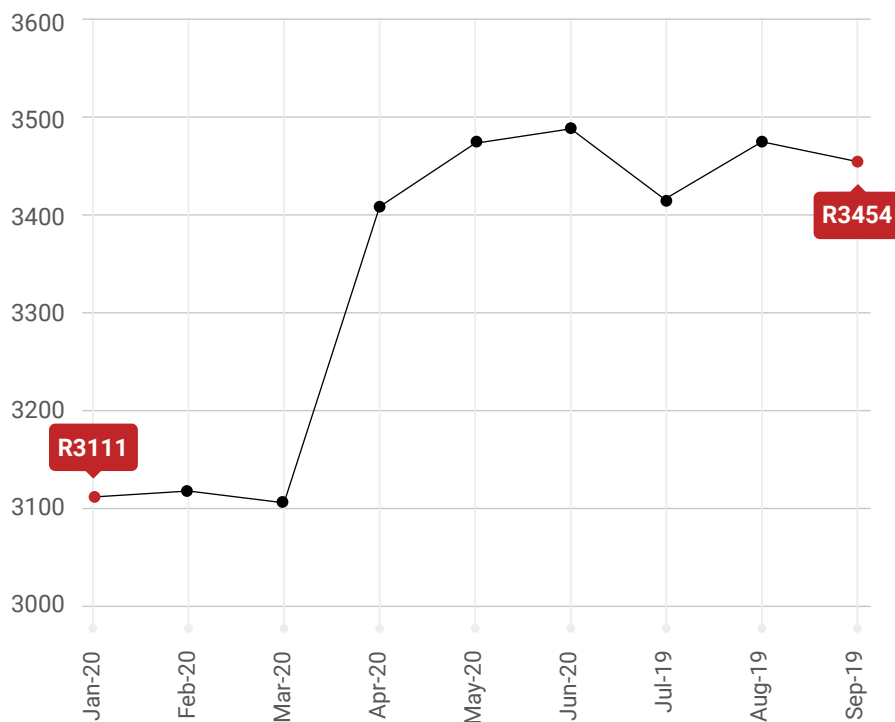


Figure 3 shows that the cost of the household food basket was R3104 in the first quarter of 2020 and increased to R3486 in the second quarter of 2020. The cost of the household food basket declined to R3454 in the third quarter of 2020. This translates to an increase of R350 or (11.2%) between the first quarter and third quarter of 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.

The table below provides a percentage wage increase by various industries in the third quarter of 2020. The highest wage increase was found in mining (9%) and the lowest in construction and finance (4%).

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	6
Construction	4
Electricity, Gas & Water	7
Financing, Insurance, Real Estate & Business Services	4
Manufacturing	7
Mining & Quarrying	9
Transport, Storage & Communication	8
Wholesale & Retail Trade, Catering & Accommodation	7
AWARD Benchmark (AI CBA)	7

Source: LRS AWARD Database (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**.

References

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