



MARCH BARGAINING 2019 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. 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

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

The increase in prices over a certain time period. Measured as an annual percentage increase (for example, December 2017 to December 2018). Almost always presented as an annualised 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 December 2018 and it is reported to be 4.5%, then this tells us what happened to prices over the last 12 months (from December 2017 to December 2018).

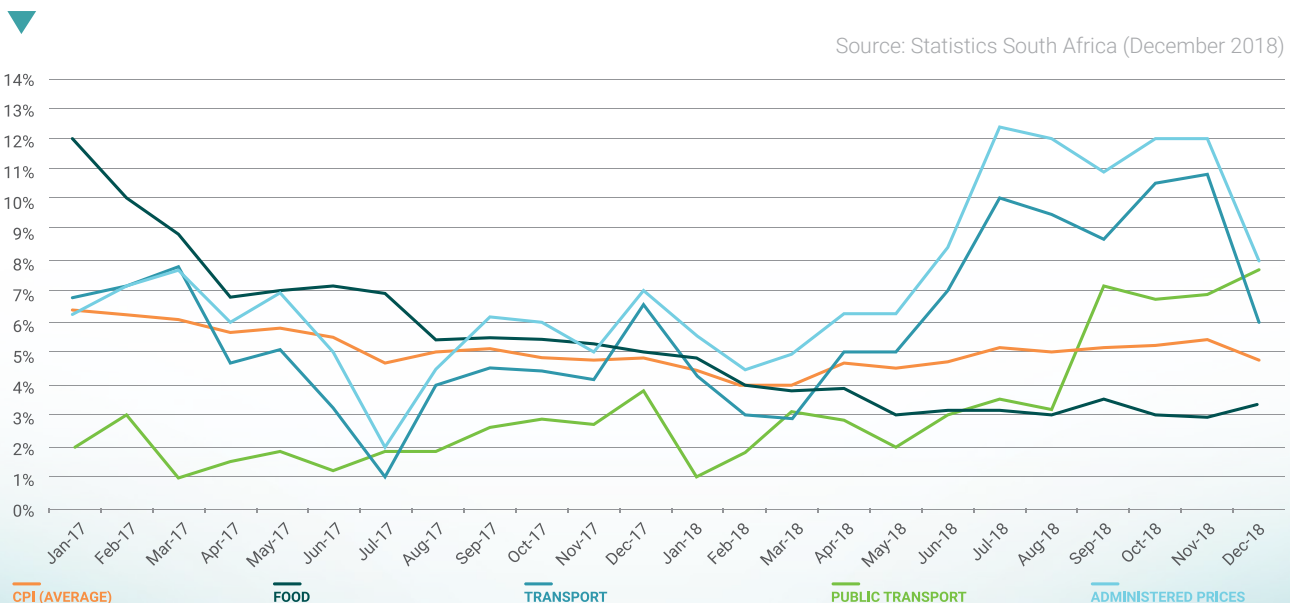
The easiest way to understand inflation is to think of buying power. If a worker receives a 10% increase, but the price of the goods that the worker buys also increase by 10%, then that worker will not be able to buy anything beyond what they bought previously, even though they appear to have more money. 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 4.5% at December 2018.

This means that the price of goods and services generally increased by 4.5% from December 2017 to December 2018.

You can find this monthly release at www.statssa.gov.za/

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



Overall CPI is made up of different categories of goods and services. So for example, while overall CPI increased by 4.5%, the price of transport and transport-related items increased by 6% and the price of public transport increased by 7.5%. Administrative prices (school fees, telephone, electricity, trains, and petrol/paraffin) increased by 8% to December 2018, while the price of food increased by 2.4% in the same period.

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

Table 1: Contribution of the different groups to the annual change in inflation December 2018.



Group	Contribution (Dec-18)
Housing and utilities	1.3
Transport	0.9
Miscellaneous goods and services	0.9
Food and non-alcoholic beverages	0.5
Alcoholic beverages and tobacco	0.3
Education	0.2
Clothing and footwear	0.1
Household contents and services	0.1
Restaurant and hotels	0.1
Health	0.1
Recreation and Culture	0.1
Residual	-0.1
All items	4.5%

Source: Statistics South Africa (December 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 (2018)

Table 2: Annualised increases in prices from December 2018



CPI	4.5%
Water	11.1%
Fuel	8.7%
Primary and secondary school	7.7%
Electricity and other fuels	7.7%
Private transport operation	7.6%
Books, newspapers and stationery	7.3%
Insurance	6.8%
Education	6.7%
Medical services	6.6%
Financial services	6.5%
Miscellaneous	5.6%
Tertiary	5.3%
Health	5.2%
Restaurants	5.1%

Inflation by expenditure group

Table 3:
Annualised inflation
by expenditure group,
December 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 (December 2018)

Monthly expenditure		Inflation Rate Dec-18
Average annual CPI		4.5%
Decile 1	Up to R1477 per month	3.7%
Decile 2	R1477 up to R2456 per month	3.7%
Decile 3	R2456 up to R3549 per month	3.7%
Decile 4	R3549 up to R4742 per month	3.7%
Decile 5	R4742 up to R6151 per month	3.8%
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	4.8%
Decile 10	R22492 and more...	4.8%

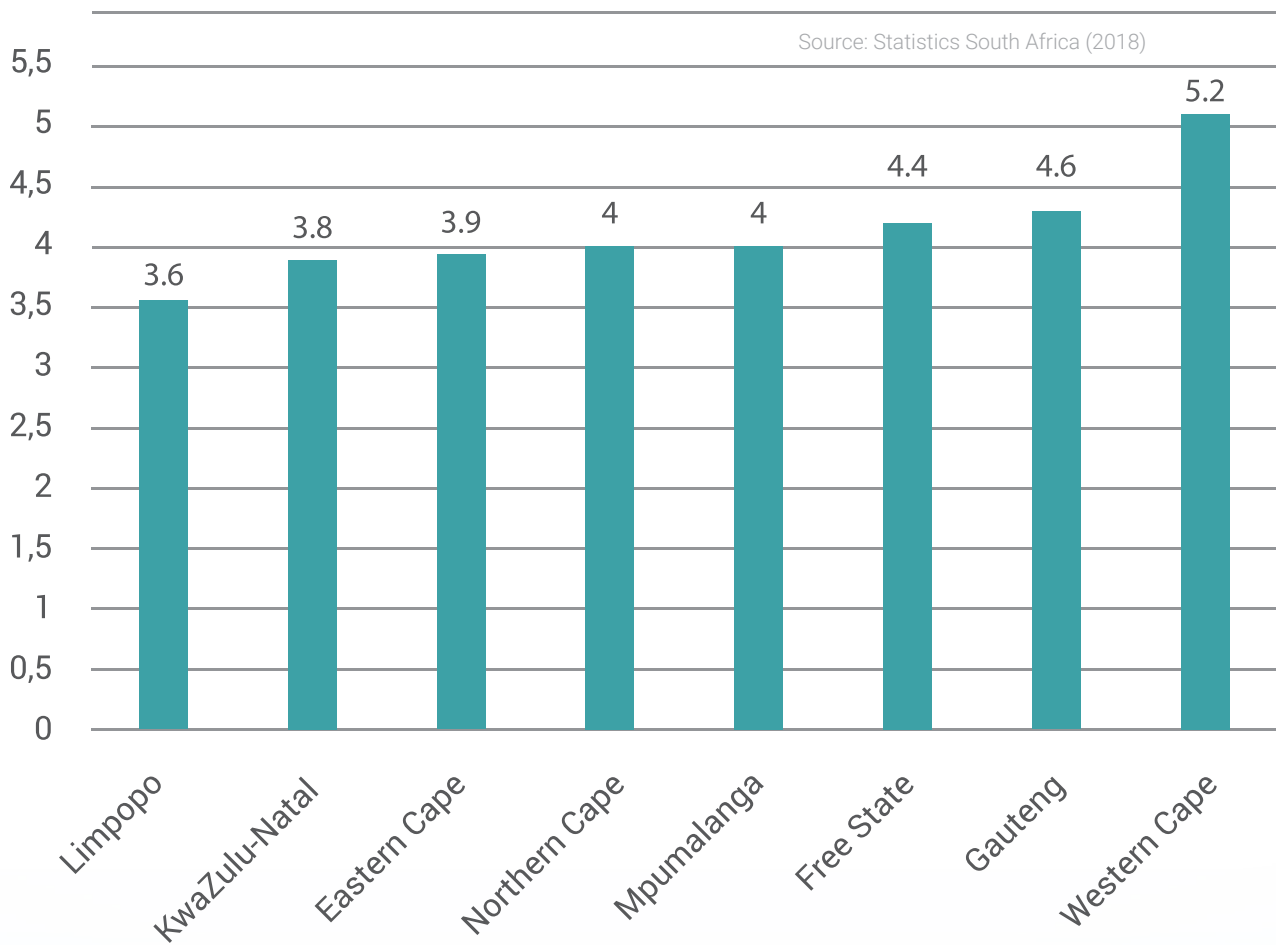
At the moment, inflation appears to be higher for wealthier households. This is not always the case. For example, back in 2009, the inflation rate for the poorest households was 4% higher than inflation for the wealthiest households.

Inflation rate by province

Figure 2:
Annualised Inflation
Rate (%) by Province,
December 2018



When comparing the overall inflation rate according to provinces, it can be seen that Western Cape attained the highest inflation rate in the fourth quarter of 2018 while the lowest inflation rate was in Limpopo Province.



Producer price index

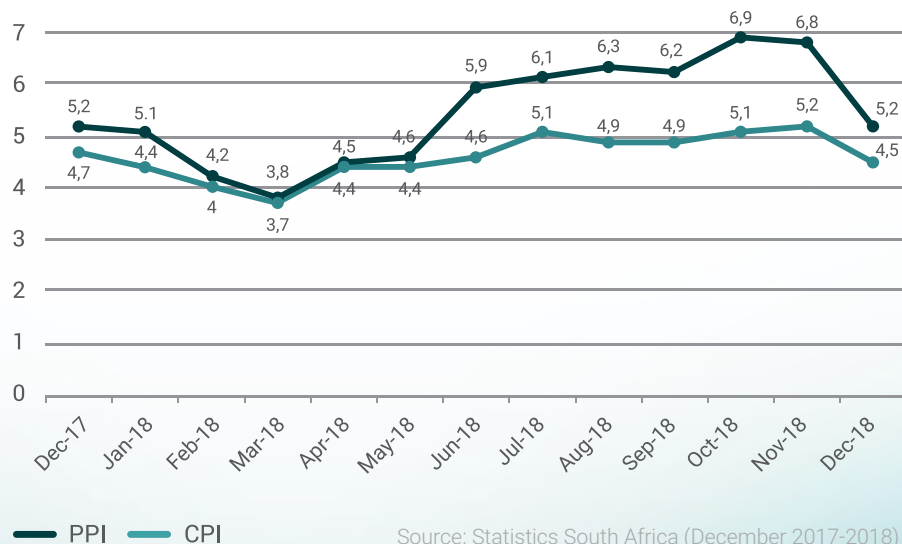
The line chart below shows monthly movement of the Producer Price Index (PPI).

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 4.5%.

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



Source: Statistics South Africa (December 2017-2018)

Employment rate

Each year new workers enter the labour market.

Figure 4 shows that employment rate in South Africa was 43.1% in the fourth quarter of 2017 and increased to 43.3% in the fourth quarter of 2018. This translates to an increase of 0.2% between Q4 2017 and Q4 2018.

Figure 4:
Employment Rate
(%) December 2017
to December 2018

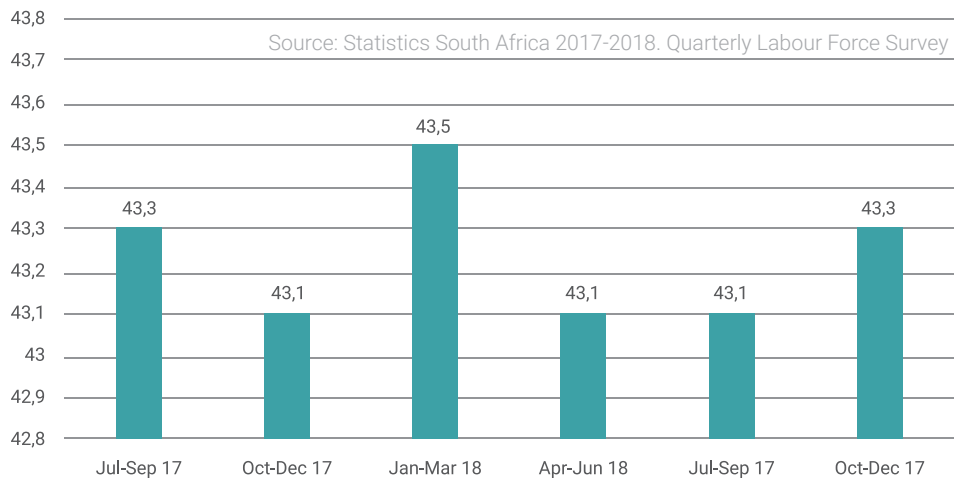


Table 4:
Employment rate
by Industries
September 2017
to September
2018



	Sep 18 (‘000)	Sep 18 (‘000)	Year-on- Year % Change
Utilities	149	134	-10.1
Mining	411	438	6.6
Agriculture	849	849	0.0
Transport	1001	965	-3.6
Private household	1270	1332	4.9
Construction	1390	1481	6.5
Manufacturing	1791	1766	-1.4
Finance & other business services	2373	2611	10.0
Trade	3240	3320	2.5
Community & social services	3691	3624	-1.8
Total	16165	16520	1

The table above shows employment gains were found in the following industries: mining (6.6%), private household (4.9%), construction (6.5%), finance (10%) and trade (2.5%). Sectors that experienced decline in employment were utilities (-10.1%), transport (-3.6%), manufacturing (-1.4%), community and social services (-1.8%).

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 2018, GDP was -2.6% and declined to -0.5% in Q2 2018. The GDP increased to 2.6% in Q3 2018 and increased to 1.4% in Q4 2018.

Figure 5:
Growth in GDP %
January 2018 to
December 2018

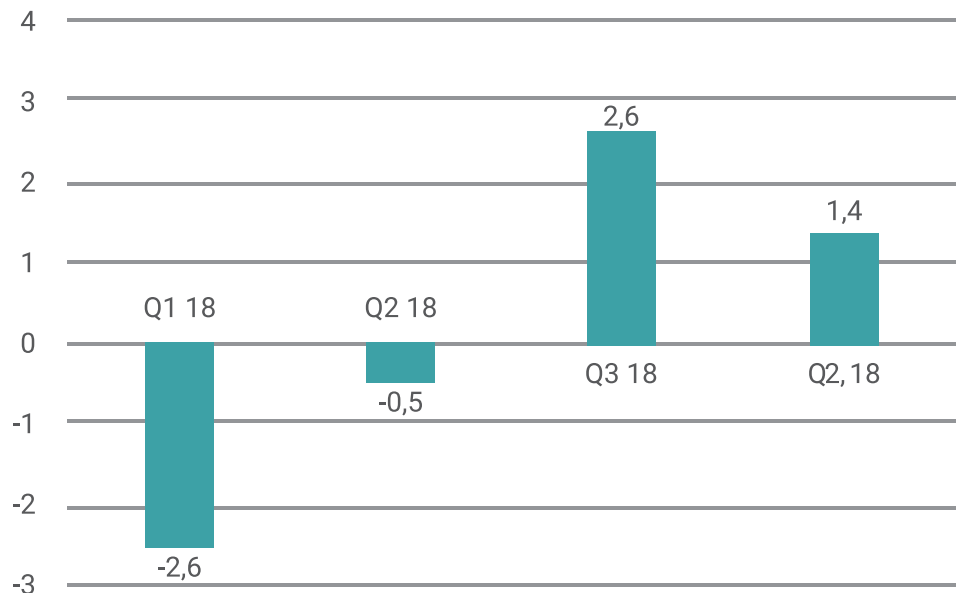
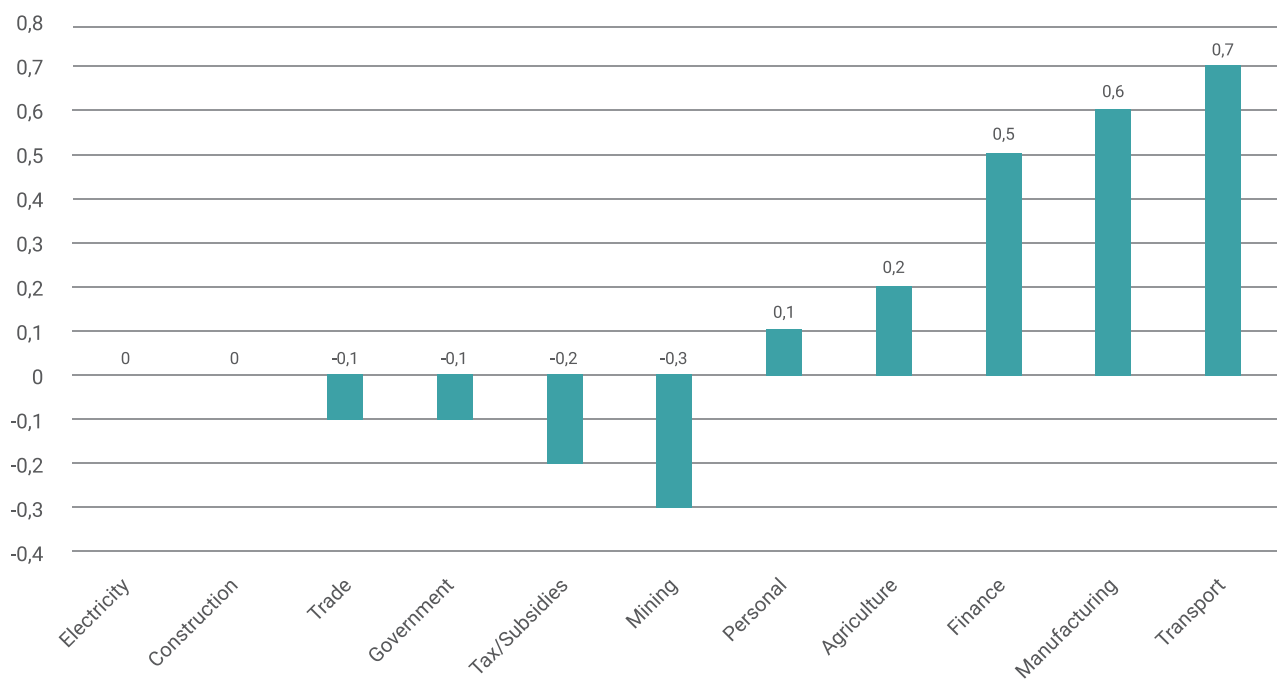


Figure 6:
Contributions to
growth (%) in GDP
by Industries in Q4
2018



The biggest positive contributors to growth in GDP in the fourth quarter were Personal (0.1%), Agriculture (0.2%), Finance (0.5%), Manufacturing (0.6%) and Transport (0.7%). Negative contributions to GDP growth came from trade (-0.1%), Government (-0.1%), Tax/Subsidies (-0.2%) and Mining (-0.3%).



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.

The table below provides the median salary increase over various industries for the third quarter of 2018.

Source: LRS AWARD Database (September 2018)

Table 5:
Median Wage Settlements by industry Q4 2018



Industry	Median Minimum Wage	% Median Wage Increase
Agriculture, Hunting, Forestry & Fish	3988	7
Construction	4967	8
Financing, Insurance, Real Estate & Business Services	3986	7
Manufacturing	4002	7
Wholesale & Retail Trade, Catering & Accommodation	3467	8
AWARD Benchmark (all Collective Agreements)	3988	7

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.

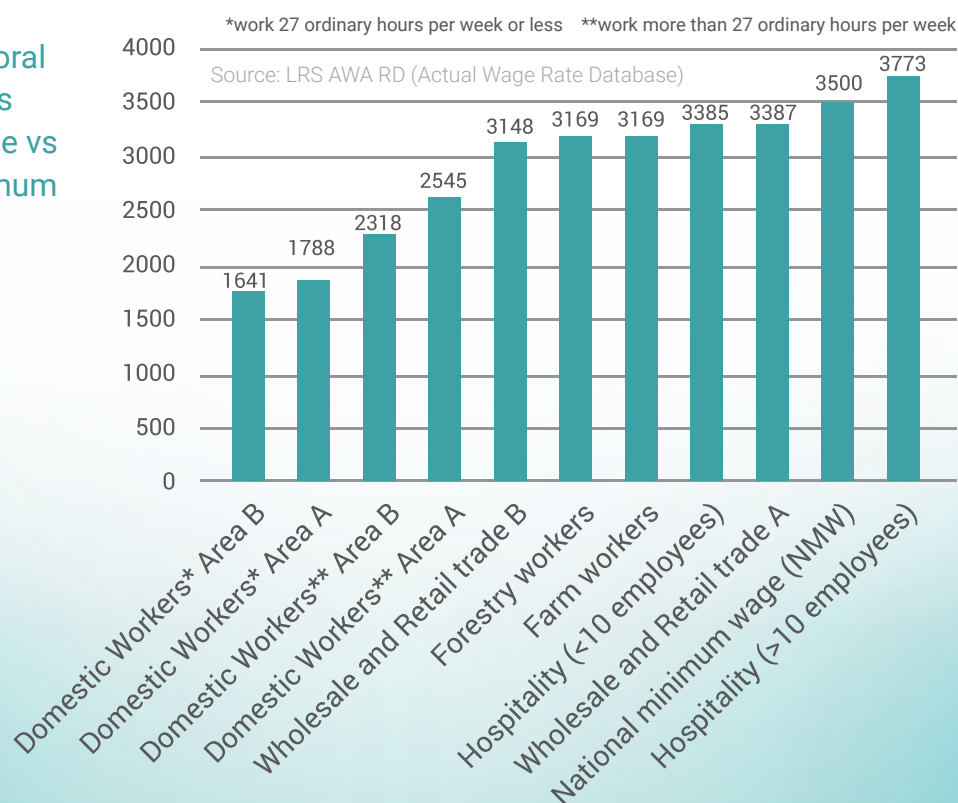
Sectoral determination minimum wages

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).

The graph below shows that the lowest minimum wage was found in the domestic sector area B at R1641 per month and highest was found in the hospitality (more than 10 employees) at R3773 per month. Most of the sectoral determination minimum wages were lower than the proposed national minimum wage (NMW) of R3500 per month.

Figure 6: Sectoral Determinations Minimum Wage vs National Minimum Wage 2018



Bargaining council minimum wages

The table below shows that the lowest minimum wage was found in the Hairdressing & Cosmetology Trade (Kimberley) at R1 463 per month in 2018. The highest wage floor was found in the new tyre manufacturing bargaining council at R12 314 per month in 2018.

Bargaining Council	Monthly Wage 2018
BIBC-Bloemfontein	4174
BIBC-Boland Area B	5455
BIBC-Malmesbury Area C	5455
BIBC-North West Boland Area A	3789
BIBC-North West Boland Area C	3506
BIBC-North West Boland Area D	3678
BIBC-Overstrand Area D	5127
BIBC-Cape Peninsula Area A	5207
Civil Engineering	6713
Clothing Group A Eastern Cape (Garment Knitting)	4342
Clothing Group A Gauteng (Garment Knitting)	4724
Clothing Group A North West (Garment Knitting)	4394
Clothing Group A Western Cape (Garment Knitting)	4967
Clothing Group B Eastern Cape (Garment Knitting)	4377
Clothing Group B Gauteng (Garment Knitting)	4768
Clothing Group B North West (Garment Knitting)	4435
Clothing Group B Western Cape (Garment Knitting)	5036

Electrical Arae A	4382
Electrical Area B	4892
Electrical Area C	3551
Electrical Area D	2789
Electrical Arae E	2726
Electrical Area F	3824
Electrical Area H	3121
Electrical Area I	4517
Electrical Area J	3982
Electrical Area K	4381
Electrical Area L	3351
Electrical Area M	4070
Electrical Area N	2477
Electrical Area O	3279
Fibre & Particle Board Sector (NBCWPS)	6986
Fishing (Inshore)	3820
Fishing Deep sea	4595
FMCG (NBCCI)	6576
Furniture Manufacturing (Free State)	3500
Furniture Manufacturing (Western Cape)	2903
Glass (NBCCI)	5375
Grain Co-Operative GWK	4378
Grain Co-Operative KOLK	4545
Grain Co-Operative MGK	4238
Grain Co-Operative NTK	4631

Grain Co-Operative NWK	4520
Grain Co-Operative OVK	4483
Grain Co-Operative NTK	4631
Grain Co-Operative SENWES	4404
Grain Co-Operative SUIDWES	4377
Grain Co-Operative VKB	4729
Hairdressing & Cosmetology Trade (Gauteng Excluding Alberton) Division 101 Gauteng	3207
Hairdressing & Cosmetology Trade (Kimberley) Division 103 Kimberley	1463
Hairdressing & Cosmetology Trade (Port Elizabeth, Uitenhage & Humansdorp) Division 104 Port Elizabeth, Uitenhage & Humansdorp	2729
Hairdressing & Cosmetology Trade (Alberton) Division 105 Alberton	1965
Hairdressing Trade (Cape Peninsula) Division 106 Cape Peninsula	3364
Hairdressing & Cosmetology Trade (Free State) Division 107 Freestate	1505
Hairdressing & Cosmetology Trade (Klerksdorp & Potchefstroom) Division 108 Klerksdorp & Potchefstroom	2126
Hairdressing & Cosmetology Trade (KwaZulu-Natal) Division 109 KwaZulul-Natal, Durban, Inanda & Pinetown	2379
Hairdressing & Cosmetology Trade (Pretoria) Division 112 Wonderboom	2935
Hairdressing & Cosmetology Trade (Pretoria) Division 113 Wonderboom	3018
Hairdressing & Cosmetology Trade (Pretoria) Division 114 Kungwini, Cullinan & Bronkhorstspuit	2095
Industrial Chemicals (NBCCI)	7105
Laundry, Cleaning & Dyeing (Other) WC	4038
Laundry, Cleaning & Dyeing D/C (WC)	3933

Leather (General Goods & Handbags)	4446
Leather (Tanning)	6006
Leather industry National BC (Footwear)	6329
Meat Trade Gauteng	3904
MEIBC (Construction Site)	4459
MEIBC (Electrical Cable)	8548
MEIBC (Gate & Fence)	6049
MEIBC (General Wage Increase)	8059
MEIBC (Structural Engineering)	6645
MIBCO Sector 4,5 & 7 Only Area A	3258
MIBCO Sector 4,5 & 7 Only Other Areas	5688
MIBCO Sector 4,5 & 7 Only Other Areas	4254
MIBCO Sector 6 Only Other Areas	4456
Motor Ferry Industry BC	6712
NBCRFLI	5497
New Tyre Manufactures Employer's Association	12314
Petroleum (NBCCI)	6000
Pharmaceutical (NBCCI)	8089
PSCBC	8470
Pulp & Paper Sector (NBCWPS)	7250
Restaurant, Catering and Allied Trades Wits	3659
SARPBAC	6617

Sawmilling Sector (NBCWPS)	3900
South African Local Government Association (SALGA)	7324
Sugar Manufacturing & Refining (Illovo) Eston	7570
Sugar Manufacturing & Refining (Illovo) Sezela	
Sugar Manufacturing & Refining (Illovo) Woodsberg	7788
Sugar Manufacturing & Refining (Illovo) Umzimkulu	7241
Sugar Manufacturing & Refining (Tongaat Hulett) Amatikulu	8255
Sugar Manufacturing & Refining (Tongaat Hulett) Damal & Felixton	8283
Sugar Manufacturing & Refining (Tongaat Hullet) Refinery	9719
Textile (Blanket) Isithebe Area	3532
Textile (Blanket) Urban Areas	3807
Textile (Woven Cotton)	6510
Textile (Woven Crochet)	5949
Transnet SOC Limited	8249
	4930
	5147

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