



October 2020

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

Bargaining council

Comprise 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 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).

Wage floor

The lowest wage found in collective agreements.

Price inflation: Cost of living

Inflation is the increase in prices over a certain time period. It is usually presented as an annual percentage increase covering the previous 12 months (for example, June 2019 to June 2020).

The first thing to be aware of, is that inflation is backward looking. As an example, if the latest inflation number is for June 2020 and it is reported to be 2.2%, then this tells us what happened to prices over the last 12 months (from June 2019 to June 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 exactly the same buying power they had before, despite the 10% increase.

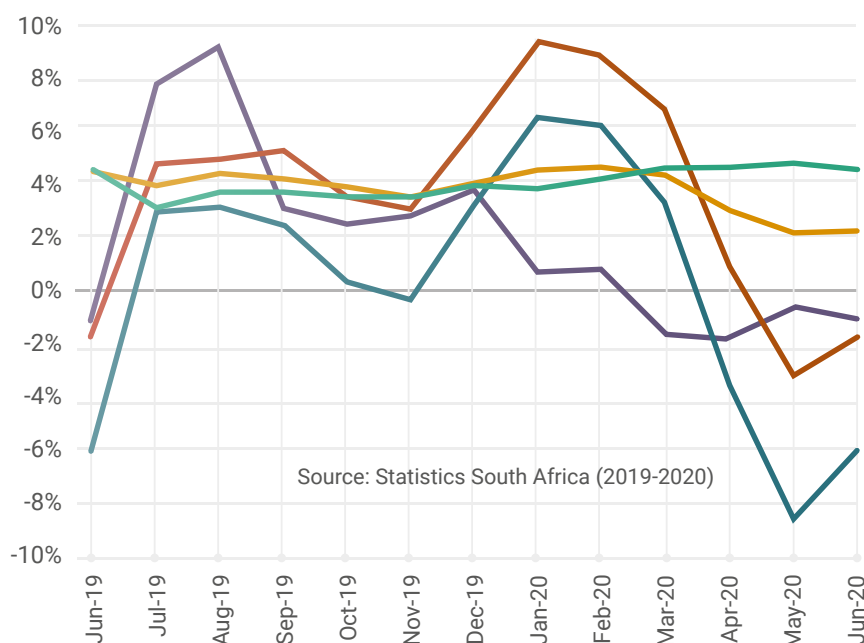
The Consumer Price Index (CPI) represents the overall increase in prices of all goods. The inflation rate as measured by the CPI was 2.2% at June 2020. This means that the price of goods and services generally increased by 2.2% from June 2019 to June 2020.

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

Figure 1: Consumer Price Index (CPI) and selected price categories, Q2 2020.



Overall CPI is made up of different categories of goods and services. For example, while overall CPI increased by 2.2%, the price of transport and transport-related items declined by -5.9% and the price of public transport decreased by -1.1%. Administrative prices (school fees, telephone, electricity, trains, and petrol/paraffin) increased by -1.7% and the price of food increased by 4.5% in June 2020.

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

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 4%.

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 graph shows that the prices of fuel, water, private transport service, cold beverages and vegetables increased fastest than the average CPI.

Although the CPI came at 2.2% in June 2020, other annualized items recorded increases above it. For example, bread and cereal (8%), fish (8.2%), sugar, sweets and deserts (4.7%), electricity and other fuels (11.8%), water and other services (7.1%), insurance (6.8%), education (6.7%), medical products (4.6%), medical services (4.9%) and books, newspapers and stationery (5.4%).



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 Q2 2020.

Group	Contributions	
	June 2019	Jun 2020
Housing and Utilities	1.2	1.0
Miscellaneous Goods and Services	0.9	1.0
Transport	0.8	0.9
Food and non-Alcoholic Beverages	0.6	0.7
Alcohol Beverages and Tobacco	0.4	0.1
Education	0.2	0.2
Clothing and Footwear	0.1	
Household Content and Services	0.1	0.1
Health	0.1	0.1
Restaurants and hotels	0.1	0.1
Residual	0.0	-0.2
All Items	4.5	2.2

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, Q2 2020

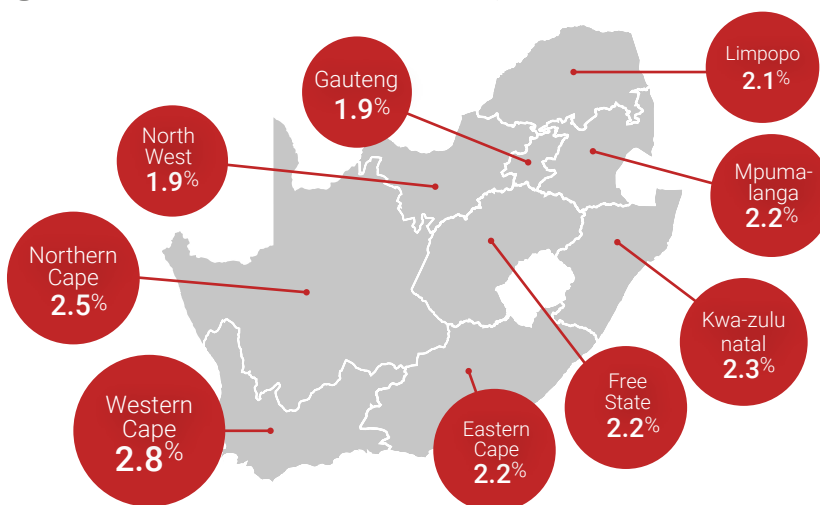
Monthly expenditure		Inflation Rate Jun-20
Average annual CPI		2.2%
Decile 1	Up to R1477 per month	3.9%
Decile 2	R1477 up to R2456 per month	3.7%
Decile 3	R2456 up to R3549 per month	3.1%
Decile 4	R3549 up to R4742 per month	2.7%
Decile 5	R4742 up to R6151 per month	2.6%
Decile 6	R6151 up to R7907 per month	2.2%
Decile 7	R7907 up to R10352 per month	1.9%
Decile 8	R10352 up to R14419 per month	1.8%
Decile 9	R14419 up to R22492 per month	1.9%
Decile 10	R22492 and more...	2.3%

◀ The very low group (Decile 1) experienced an inflation rate of 3.9%, higher than headline inflation rate of 2.2%, while the very high expenditure group (Decile 10) had an inflation rate of 2.3%.

Source: Statistics South Africa (2020)

Inflation by province

Figure 2: Annualised Inflation Rates by Province, Q2 2020



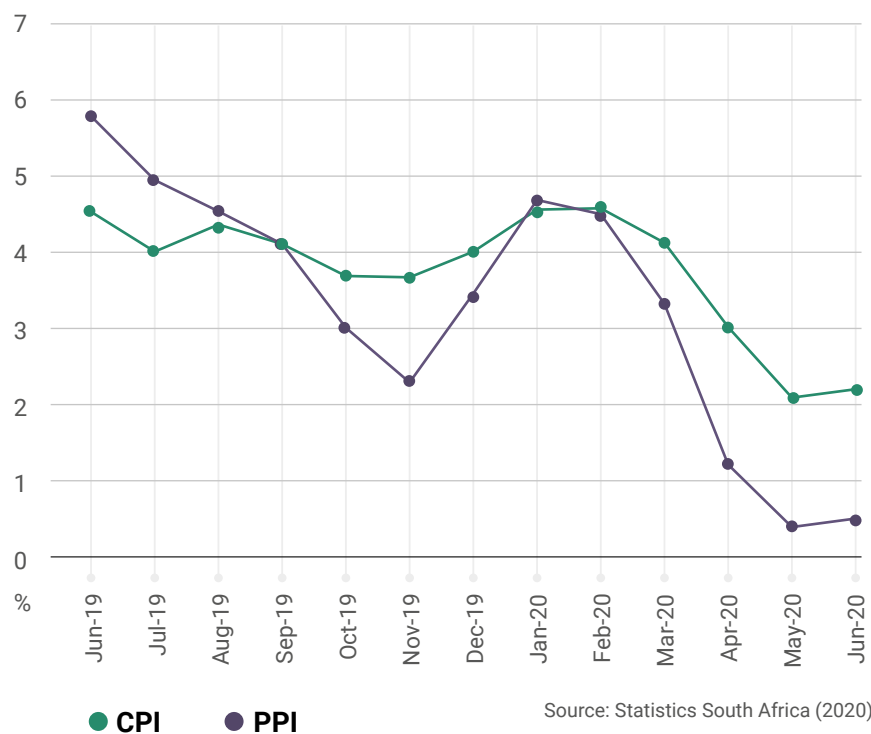
◀ The provinces with annual inflation rate lower than or equal to headline inflation were North West (1.9%), Gauteng (1.9%) and Limpopo (2.1%). The provinces with an annual inflation rate higher than headline inflation were Mpumalanga (2.2%), Eastern Cape (2.2%), Free State (2.2%), KwaZulu-Natal (2.3%), Northern Cape (2.5%) and Western Cape (2.8%).

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 & Consumer Price Index Q1 Jan-Mar 2020



◀ 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.

Figure 3 shows that the annualized Producer Price Index (PPI) declined to 0.5% in June 2020 from 4.5% in June 2019. The Consumer Price Index (CPI) declined to 2.2% in June 2020 from 5.8% in June 2019.

Unemployment rate Jan to Q2 2020

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

➤ Figure 4 shows that the unemployment rate in South Africa declined to 23.3% in Q2 2020 from 30.1% in Q1 2020. This translated to a percentage change of 6.8% between Q1 and Q2 of 2020. Statistics South Africa indicated that 2.2 million jobs were lost in the second quarter of 2020.

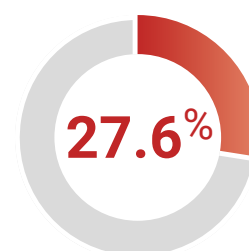
Table 3: Employment rate by industries Q1 (Jan-Mar 2019 to Jan-Mar 2020)

	Q1 2020 (Thousand)	Q2 2020 (Thousand)	Quarter-on-quarter % Change
Agriculture	865	799	-7.6%
Mining	436	373	-14.4%
Manufacturing	1 706	1 456	-14.7%
Utilities	116	113	-2.3%
Construction	1 343	1 066	-20.7%
Trade	3 320	2 946	-11.2%
Transport	995	885	-11%
Finance	2 517	2 234	-11.2%
Community & Social Services	3 759	3 244	-13.7%
Private Household	1 316	1 005	-23.6%

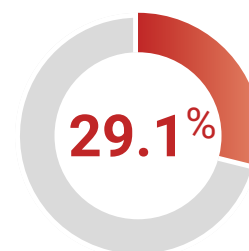


The table above shows that the number of employed persons declined in all ten industries in Q2 of 2020. The largest decline was found in private households and the lowest in Utilities, at -23.6% and -2.3%, respectively.

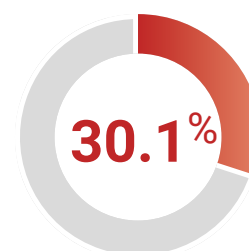
Figure 4: Unemployment Rate (%) Q2 2020



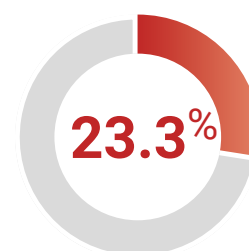
Q1 2019



Q4 2019



Q1 2020



Q2 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 comparison to the previous year or quarter.

Figure 5: Growth in GDP % Q1 2020

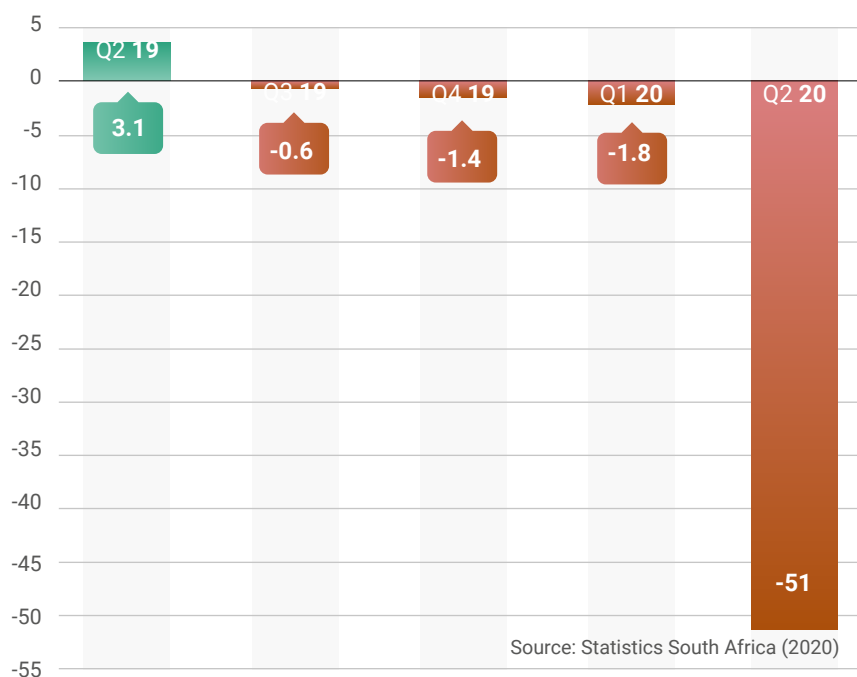
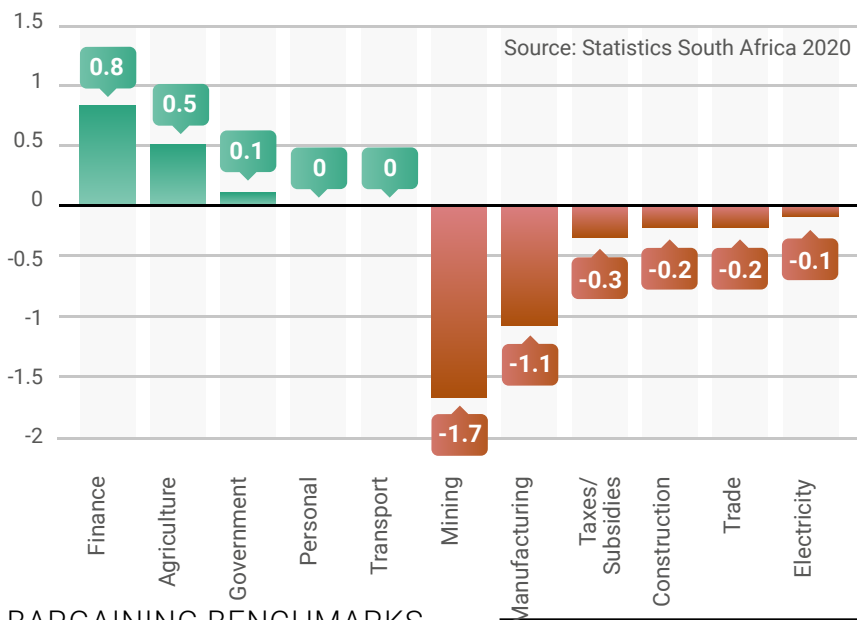


Figure 5 shows that the economy collapsed to -51% in Q2 of 2020 from 3.1% in Q2 of 2019.

Figure 6: Contributions to growth (%) in GDP by Industries in Q1 2020



The sectors that had a positive contribution to GDP growth in the first quarter of 2020 were finance (0.8%), agriculture (0.5%), government (0.1%), personal (0.0%) and transport (0.0%).

The biggest negative contributors to growth in GDP in the first quarter of 2020 were mining (-1.7%), manufacturing (-1.1%), taxes/subsidies (-0.3%), construction (-0.2%), trade (-0.2%) and electricity (-0.1%).

Month-on-month household food basket index Q1 2020

The household food index is specifically designed to measure food price inflation as experienced by low income households 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 Q1 Jan-Mar 2020

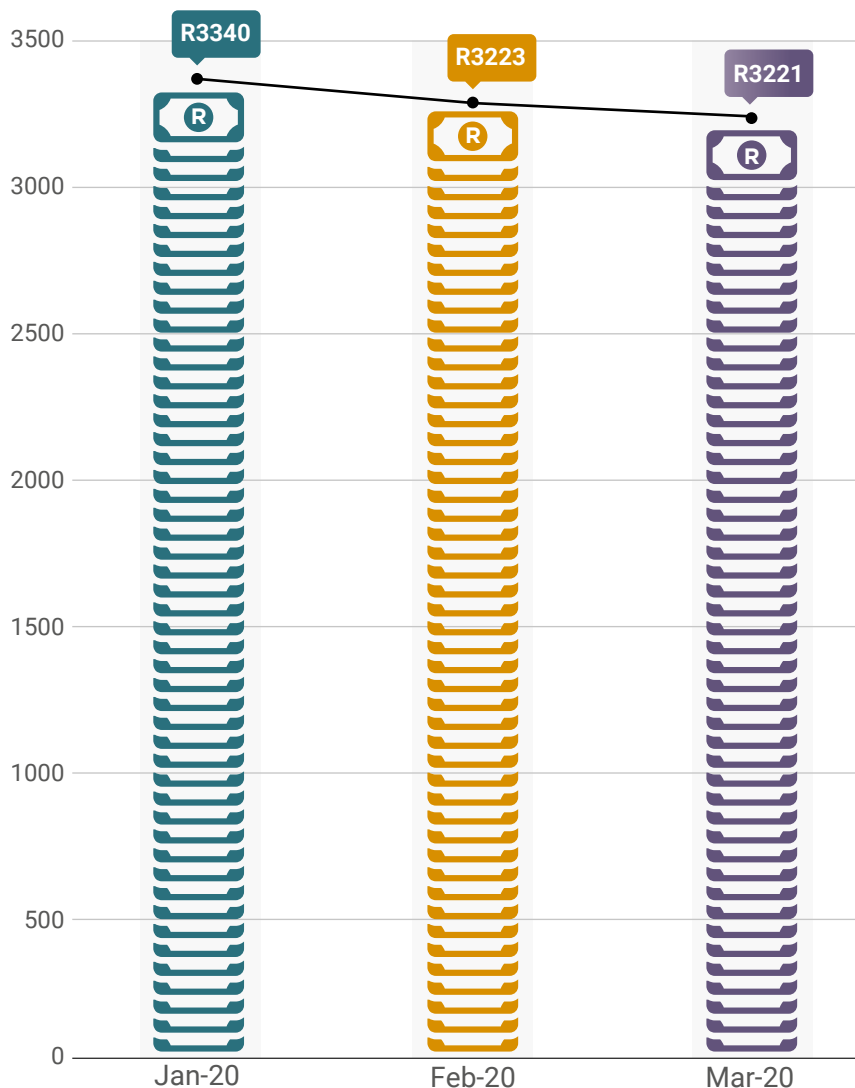


Figure 3 shows that the cost of the household food basket was R3340 in January 2020 and declined to R3223 in February 2020. This translated to a decrease of -R117 or -3.5% between January and February 2020. In March 2020, the cost of household food basket further declined by R3221. This translated to an increase of -R2 or -0.0% between February and March 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 provides insight into negotiation trends that can be used to build effective bargaining cases.

The table below provides the entry level minimum wage floor and percentage increase over various industries for the first quarter of 2020.

Table 4: Entry level minimum wage and percentage increases by companies Q1 (Jan-Mar 2020)

Bargaining Unit	Industry	Monthly Wage 2020	2020 % Incr. on Actual wages
Farmworker	Agriculture	3 640	3.8
Forestry Worker	Agriculture	3 640	3.8
Normandien Farms	Agriculture	4 152	3.8
Durban University of Technology	Community, Social & Personal Services		6.5
Walter Sisulu University	Community, Social & Personal Services		6.4
University of Cape Town (Academics)	Community, Social & Personal Services		6.3
University of Cape Town	Community, Social & Personal Services	13238	7.2
Unisa	Community, Social & Personal Services	9625	6.5
University of Mpumalanga	Community, Social & Personal Services		8.0
Domestic Workers	Community, Social & Personal Services	3034	3.7
Bargaining Council for the Electrical Industry Area C	Construction	3956	5.0
SGS South Africa Pty Limited	Finance, Insurance, Real Estate and Business Services	10000	7
Domestic Workers (who work 27 ordinary hours per week or less) Area A	Finance, Insurance, Real Estate and Business Services	1945	3.8
Domestic Workers (who work 27 ordinary hours per week or less) Area B	Finance, Insurance, Real Estate and Business Services	1821	3.8

Domestic Workers (who works more than 27 ordinary hours per week) Area A	Finance, Insurance, Real Estate and Business Services	3034	3.8
Domestic Workers (who works more than 27 ordinary hours per week) Area B	Finance, Insurance, Real Estate and Business Services	3034	3.8
Contract Cleaning Sector Area A	Finance, Insurance, Real Estate and Business Services	4450	4
Contract Cleaning Sector Area B	Finance, Insurance, Real Estate and Business Services	4489	4
Contract Cleaning Sector Area C	Finance, Insurance, Real Estate and Business Services	4059	4
Lafarge Cement Mining & Industries Pty Ltd	Manufacturing	6578	6.5
Afrisam S.A Pty Ltd (Engineering)	Manufacturing	6375	6.5
Afrisam S.A Pty Ltd (Production)	Manufacturing	6782	6.5
Everite Building Products Pty Ltd	Manufacturing	10886	6.5
Monier Coverland South Africa Pty Ltd	Manufacturing	4420	6.5
Cape Feldspar Minerals	Manufacturing	5826	9.0
Joe Soap	Manufacturing	6100	9.25
Amapak Specialist Packaging Pty Ltd	Manufacturing	4860	8.0
Corruseal Corrugated Pty Ltd Wadeville	Manufacturing	7 155	6.5
Heineken South Africa Pty Ltd	Manufacturing		5.5
A.C Witcher Sawmilling Pty Ltd (Eastern Cape)	Manufacturing	4000	10.0
Nestle	Manufacturing		7.0
BMI Coverland Pty Ltd	Manufacturing	5165	6.5
Tiger Brands Ltd Milling Division	Manufacturing		7.0
Coca-Cola Beverages South Africa Pty Ltd	Manufacturing	7820	9.0
Lafarge Mining South Africa Pty Ltd & Lafarge Industries South Africa Pty Ltd	Mining & Quarrying		6.5
Siyanda Bakgatla Platinum Mine Pty Ltd Surface Employees	Mining & Quarrying	13309	8.1
Siyanda Bakgatla Platinum Mine Pty Ltd Underground Employees	Mining & Quarrying	13950	7.7
Modikwa Platinum Mine Surface	Mining & Quarrying	11085	6.75
Modikwa Platinum Mine Underground	Mining & Quarrying	11824	6.75
Bidair Services Pty Ltd	Transport, Storage & Communication	5000	9.0
Motor Ferry Industry BC	Transport, Storage & Communication	8112	8.0

Bargaining Unit	Industry	Monthly Wage 2020	2020 % Incr. on Actual wages
National Bargaining for the Road Freight Logistic Industry	Transport, Storage & Communication	6768	7.5
Bushman Nek Share Block Limited & Drakensberg Holidays Limited	Wholesale & Retail Trade...	4478	7.0
Wholesale & Retail Trade Sector Area A & B	Wholesale & Retail Trade...	4048	3.8
Masstores Pty Ltd t/a Makro South Africa	Wholesale & Retail Trade...	6465	7.75
Boxer Superstore Pty Ltd	Wholesale & Retail Trade...	4277	7.8
Tecsareco Pty Ltd	Wholesale & Retail Trade...	6000	7
Sun International Pty Ltd	Wholesale & Retail Trade...	6555	7
Mopono Lodge t/a Madikwe Safari Lodge	Wholesale & Retail Trade...	5000	7
	Median	5 165	7
	Average	6 267	6
	Minimum	1 821	4
	Maximum	13 950	10

Source: LRS AWARD Database (2020)

R5 165

Median

R6 267

Average

R1 821

Minimum

R13 950

Maximum

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