



# Q3 2018 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. 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

<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.
<b>WAGE FLOOR</b>	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, September 2017 to September 2018). Almost always presented as an annualised number covering the previous 12 months.

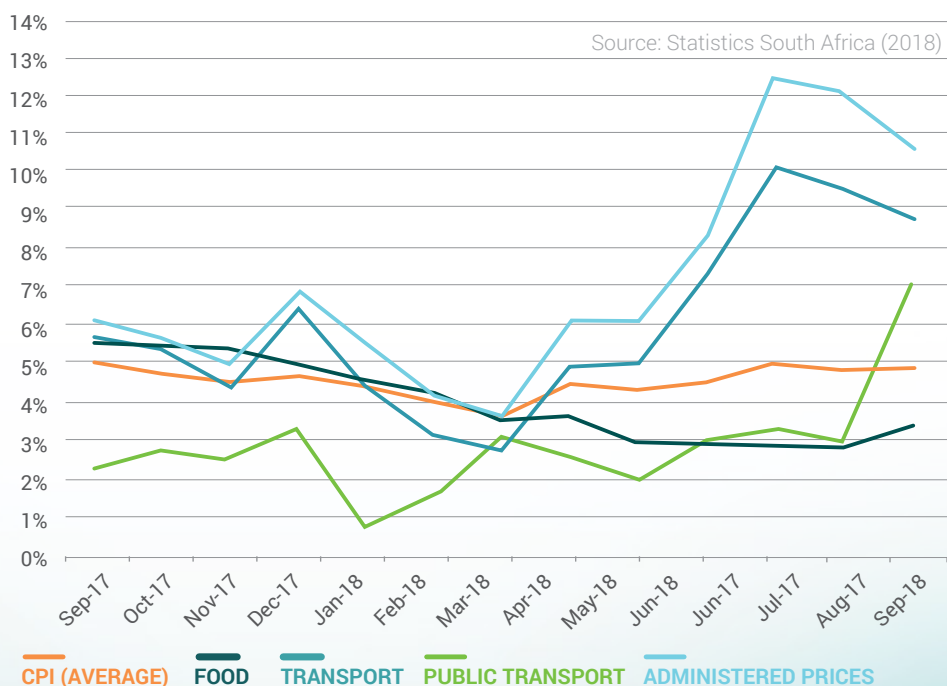
The first thing to be aware of is that inflation is backward looking. As an example, if the latest inflation number is for March 2018 and it is reported to be 3.8%, then this tells us what happened to prices over the last 12 months (from March 2017 to March 2018).

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 4.9% at September 2018. This means that the price of goods and services generally increased by 4.9% from September 2017 to September 2018.

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 September 2017 to September 2018.



Overall CPI is made up of different categories of goods and services. So for example, while overall CPI increased by 4.9%, the price of transport and transport-related items increased by 8.7% and the price of public transport increased by 7.1%. Administrative prices (school fees, telephone, electricity, trains, and petrol/paraffin) increased by 10.7% to September 2018, while the price of food increased by 3.4% in the same period.

The next table shows the contribution of the main kinds of expenditure to the inflation rate for September. You can see that housing & utilities and transport prices are the biggest contributors to average inflation of 4.9%.

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



Group	Contribution (Sep-18)
Housing and utilities	1.3
Transport	1.2
Miscellaneous goods and services	0.9
Food and non-alcoholic beverages	0.7
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
<b>All items</b>	<b>4.9%</b>

Source: Statistics South Africa (September 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 fuel, private transport and water increased fastest.**

Source: Statistics South Africa (2018)

**Table 2:** Annualised increases in prices from from September 2017 to September 2018 by expenditure category



<b>CPI</b>	<b>4.9%</b>
Fuel	18.5%
Private transport operation	15.2%
Water and other services	11.1%
Vegetables	9%
Primary and secondary school	7.7%
Public transport	7.1%
Insurance	6.8%
Medical services	6.6%
Financial services	6.5%
Restaurant	6.1%
Books, newspapers and stationery	5.8%
Fish	5.3%
Tertiary	5.3%
Electricity and other fuels	4.8%

# Inflation by expenditure group

**Table 3:**  
Annualised inflation  
by expenditure group,  
September 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 (September 2017- September 2018)

	Monthly expenditure	Sep-18
Decile 1	Up to R1477 per month	4.1%
Decile 2	R1477 up to R2456 per month	3.9%
Decile 3	R2456 up to R3549 per month	4%
Decile 4	R3549 up to R4742 per month	4%
Decile 5	R4742 up to R6151 per month	4.1%
Decile 6	R6151 up to R7907 per month	4.2%
Decile 7	R7907 up to R10352 per month	4.4%
Decile 8	R10352 up to R14419 per month	4.9%
Decile 9	R14419 up to R22492 per month	5.3%
Decile 10	R22492 and more...	5.2%

**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.**

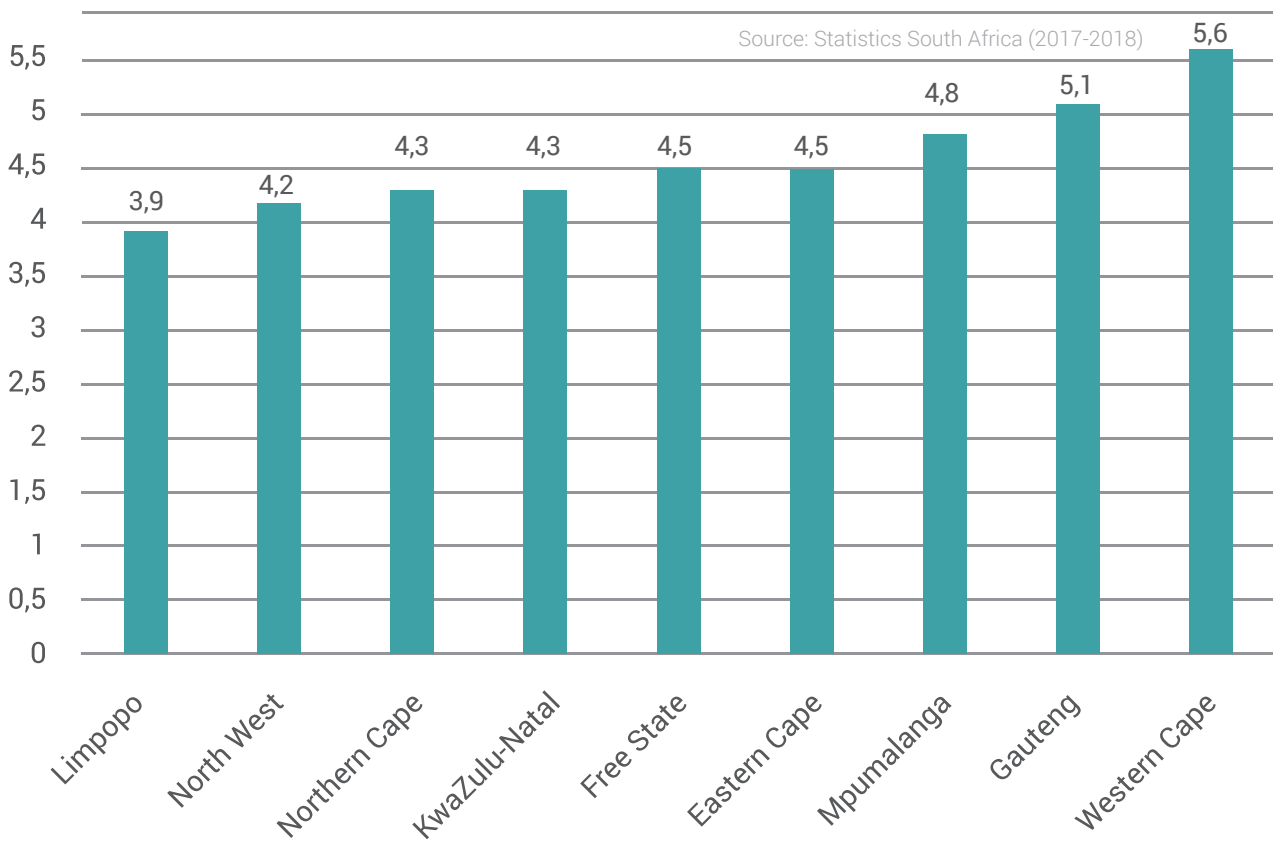


# Inflation rate by province

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



When comparing the overall inflation rate according to provinces, it can be seen that Western Cape attained the highest inflation rate of 5.6% and lowest was found in Limpopo (3.9%) in the third quarter of 2018.



# Producer price index

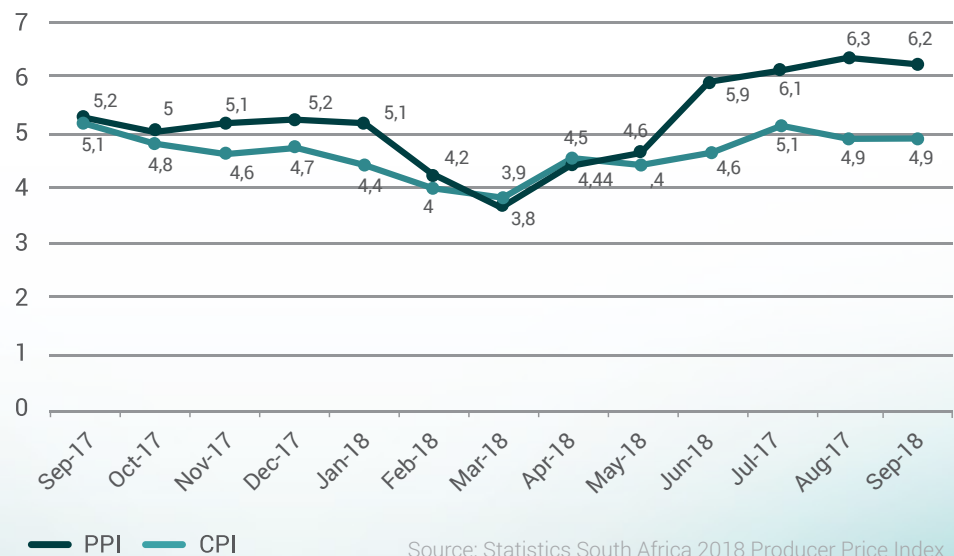
The line chart below shows monthly movement of the Producer Price Index (PPI).

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 4.9%.

**Figure 3:** annualized percentage increase in PPI and CPI June 2017 to June 2018



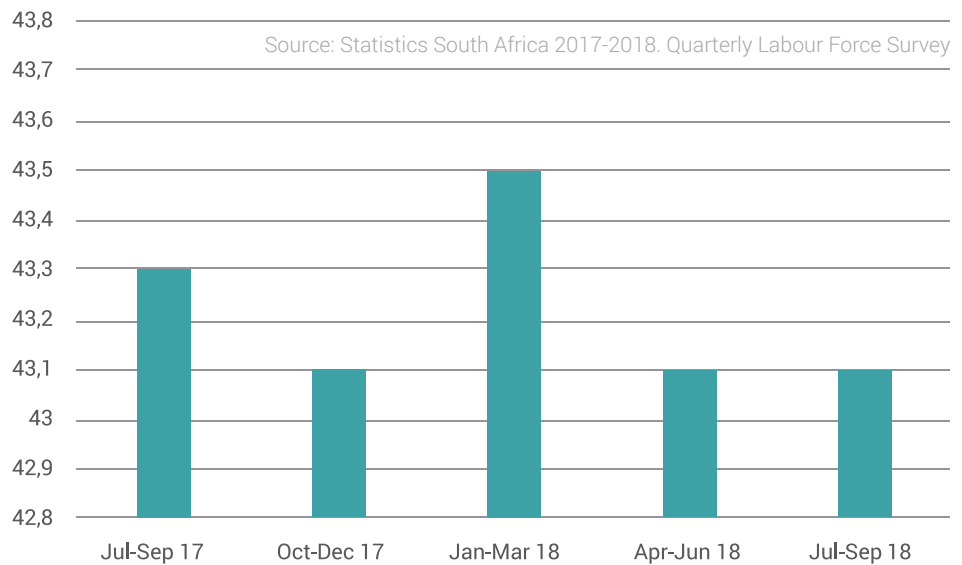
Source: Statistics South Africa 2018 Producer Price Index

# Employment rate

Employment is the fact of having a paid job. Each year new workers enter the labour market (some straight from school, some from tertiary institutions).

Figure 4 shows that employment rate in South Africa was 43.3% in the third quarter of 2017 and declined to 43.1% in the third quarter of 2018.

**Figure 4:**  
Employment Rate  
(%) September 2017  
to September 2018



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



	Sep 18 (‘000)	Sep 18 (‘000)	Year-on- Year % Change
Utilities	153	156	1.9
Mining	446	406	-8.9
Agriculture	810	842	3.9
Transport	988	996	0.8
Private household	1313	1267	-3.5
Construction	1365	1502	10.1
Manufacturing	1749	1719	-1.7
Finance & other business services	2463	2502	1.6
Trade	3286	3305	0.6
Community & social services	3616	3675	1.6
<b>Total</b>	<b>16189</b>	<b>16370</b>	<b>1</b>

The table above shows employment gains were found in the following industries: utilities 1.9%, agriculture 3.9%, transport 0.8%, construction 10.1%, finance 1.6%, trade 0.6% and community 1.6%. Sectors that experienced decline in employment were mining -8.9%, private household -3.5% and manufacturing -1.7%.

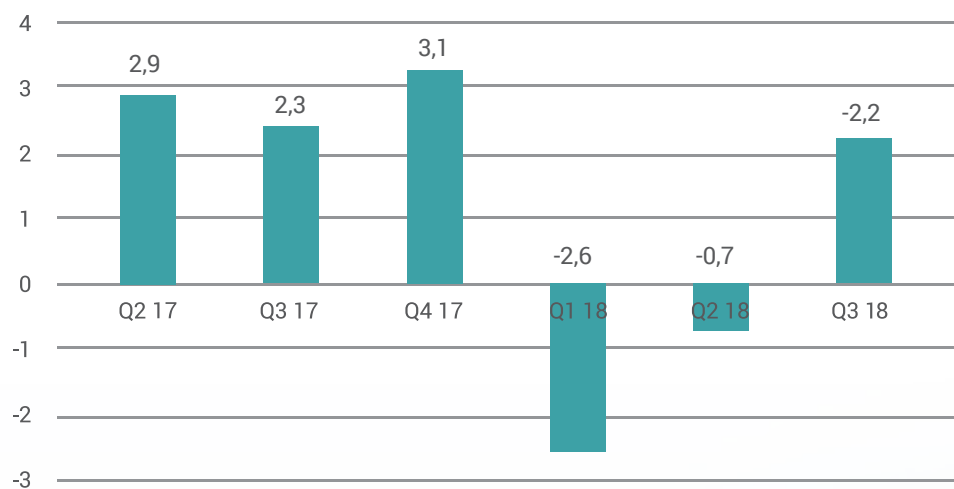
# Economic growth and GDP

**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 Q3 2017, GDP was 2.3% and increased to 3.1% in Q4 2017. The GDP fell to -2.6% in Q1 2018 and -0.7% in Q2 2018 and increased to 2.2% in Q3 2018. Manufacturing contributed 0.5%, Finance, real estate and business services industry contributed 0.5%, Transport, storage and communication industry contributed 0.5% to gross domestic product in June 2018. The largest negative contributor in the gross domestic product were construction (-0.1%) and mining (-0.7%).

**Figure 5:**  
Growth in GDP  
% March 2017 to  
March 2018



# Wage settlements

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.

Source: LRS AWARD Database (June 2018)

**Table 6:**  
Median Wage Settlements by industry in the third quarter of 2018.



Sample size	Industry	% Median Wage Increase
24	Mining & Quarrying	9
11	Electricity, Gas & Water	8
53	Manufacturing	8
7	Fishing	7
5	Community, Social & Personal Services	7
2	Civil Engineering	7
7	Financing, Insurance, Real Estate & Business Services	7
5	Transport, Storage & Communication	7
31	Wholesale & Retail Trade, Catering & Accommodation	7
<b>145</b>	<b>AWARD Benchmark (all Collective Agreements)</b>	<b>8</b>

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.

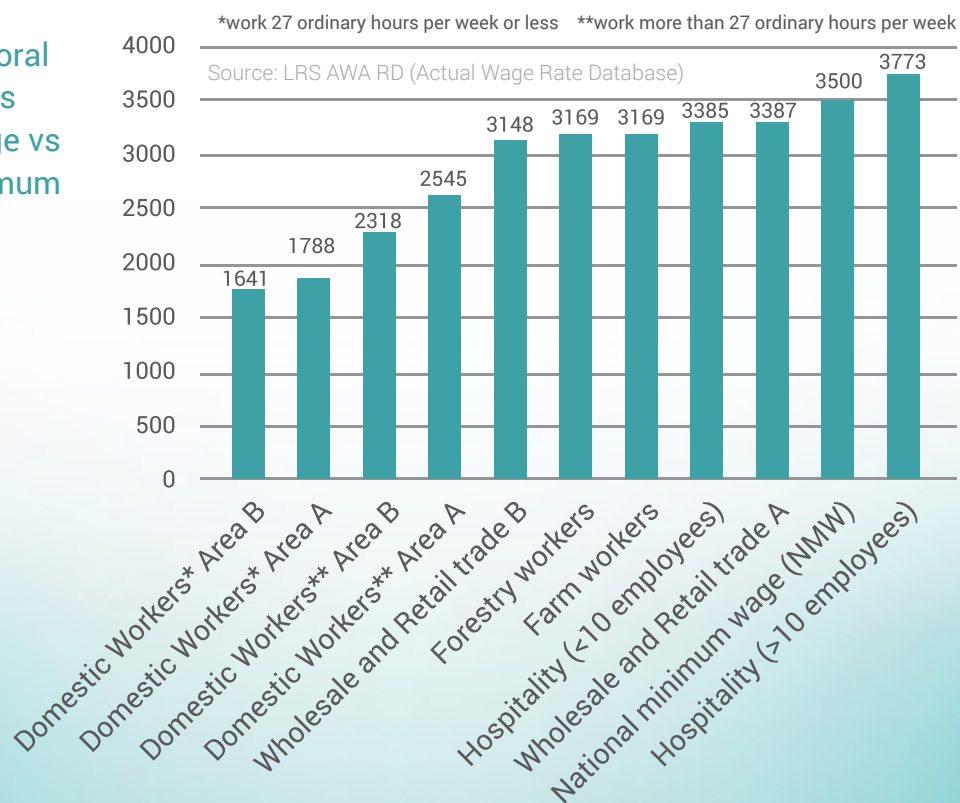
# Sectoral determination minimum wages

**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	Industry	Monthly Wage 2017	2017 % Increase on Actual wages	Monthly Wage 2018	2018 % Increase on Actual wages
BIBC-Bloemfontein	Construction	4174	8.5	4174	
BIBC-North West Boland Area C	Construction	3308	7	3506	6
BIBC-Overstrand Area D	Construction	4691	9.3	5127	9.3
Civil Engineering	Construction	6237	8.9	6713	7.5
Clothing Group A (Garment Knitting)	Manufacturing	5138	7.6	5523	7.5
Clothing Group A (Garment Knitting)	Manufacturing	4620	7.6	4967	7.5
Clothing Group A (Garment Knitting)	Manufacturing	4039	7.6	4342	7.5
Electrical Area E	Construction	2582	8	2726	5.6
Electrical Area B	Construction	4633	8	4892	5.6
Electrical Area F	Construction	3621	8	3824	5.6
Fibre & Particle Board Sector (NBCWPS)	Manufacturing	6529	7.0	6986	7.0
Fishing (Inshore)	Agriculture, Hunting, Forestry & Fishing	3553	7	3820	7.5
Fishing Deep sea	Agriculture, Hunting, Forestry & Fishing	4294	8	4595	7



FMCG (NBCCI)	Manufacturing	6175	7.5	6576	6.5
Furniture Manufacturing (Free State)	Manufacturing	2714	10.0	3500	7.0
Furniture Manufacturing (Western Cape)	Manufacturing	2713	10.0	2903	7.0
Glass (NBCCI)	Manufacturing	5375	7.5	5375	7.5
Grain Co-Operative MGK	Manufacturing	3961	8.0	4238	7.0
Hairdressing & Cosmetology Trade (Kimberley) Division 103 Kimberley	Community, Social & Personal Services	1380	6	1463	6.0
Hairdressing & Cosmetology Trade (Port Elizabeth, Uitenhage & Humansdorp) Division 104 Port Elizabeth, Uitenhage & Humansdorp	Community, Social & Personal Services	2574	6	2729	6.0
Hairdressing & Cosmetology Trade (Pretoria) Division 112 Wonderboom	Community, Social & Personal Services	2769	6	2935	6.0
Hairdressing & Cosmetology Trade (Pretoria) Division 113 Wonderboom	Community, Social & Personal Services	2847	6	3018	6.0
Hairdressing Trade (Cape Peninsula) Division 106 Cape Peninsula	Community, Social & Personal Services	3174	6	3364	6.0
Industrial Chemicals (NBCCI)	Manufacturing	6671	7.5	7105	6.5
Laundry, Cleaning & Dyeing (Other) WC	Finance, Insurance, Real Estate and Business Services	3835	5.0	4038	5.3

Laundry, Cleaning & Dyeing D/C (WC)	Finance, Insurance, Real Estate and Business Services	3735	5.0	3933	5.3
Leather (General Goods & Handbags)	Manufacturing	4117	8.0	4446	8.0
Leather (Tanning)	Manufacturing	5587	7.5	6006	7.5
Leather industry National BC (Footwear)	Manufacturing	5888	7.5	6329	7.5
Meat Trade Gauteng	Wholesale & Retail Trade...	3281	7.0	3904	7.0
MEIBC ( Construction Site)	Manufacturing	4177	7.0	4459	6.75
MEIBC (Electrical Cable)	Manufacturing	8007	7.0	8548	6.75
MEIBC (Gate & Fence)	Manufacturing	5667	7.0	6049	6.75
MEIBC (General Wage Increase)	Manufacturing	7550	7.0	8059	6.75
MEIBC (Structural Engineering)	Manufacturing	6225	7.0	6645	6.75
MIBCO Sector 4,5 & 7 Only Area A	Wholesale & Retail Trade...	3046	8.0	3258	7.0
MIBCO Sector 4,5 & 7 Only Other Areas	Wholesale & Retail Trade...	5267	8.0	5688	8.0
MIBCO Sector 4,5 & 7 Only Other Areas	Wholesale & Retail Trade...	3975	8.0	4254	7.0
MIBCO Sector 6 Only Other Areas	Wholesale & Retail Trade...	4164	4.8	4456	7.0
Motor Ferry Industry BC	Transport, Storage & Communication	6143	9.0	6712	9.0
NBCRFLI	Transport, Storage & Communication	5066	8.5	5497	8.5
New Tyre Manufactures Employer's Association	Manufacturing	11402	8	12314	8.0

Petroleum (NBCCI)	Manufacturing	6000	6.8	6000	7.0
Pharmaceutical (NBCCI)	Manufacturing	7525	7.5	8089	7.5
PSCBC	Community, Social & Personal Services	7916	7.3	8470	7.0
Pulp & Paper Sector (NBCWPS)	Manufacturing	7007		7250	7.75
Restaurant, Catering and Allied Trades Wits	Wholesale & Retail Trade...	3420	7.5	3659	7.0
SARPBAC	Transport, Storage & Communication	6071	9.0	6617	9.0
Sawmilling Sector (NBCWPS)	Manufacturing	3450	7.0	3900	7.0
South African Local Government Association (SALGA)	Community, Social & Personal Services	6916	7.3	7324	7.0
Sugar Manufacturing & Refining (Illovo) Umzimkulu	Manufacturing	6736	7.5	7241	7.5
Textile (Blanket) Isithebe Area	Manufacturing	3098	10.5	3532	14.0
Textile (Blanket) Urban Areas	Manufacturing	3525	8.0	3807	8.0
Textile (Woven Cotton)	Manufacturing	6028	8.25	6510	8.0
Textile (Woven Crochet)	Manufacturing	5508	4.6	5949	8.0
Transnet SOC Limited	Transport, Storage & Communication	7702	8.25	8249	7.1
	<b>Median</b>	<b>4627</b>	<b>7.5</b>	<b>4930</b>	<b>7</b>
	<b>Average</b>	<b>4804</b>	<b>7</b>	<b>5147</b>	<b>7</b>

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