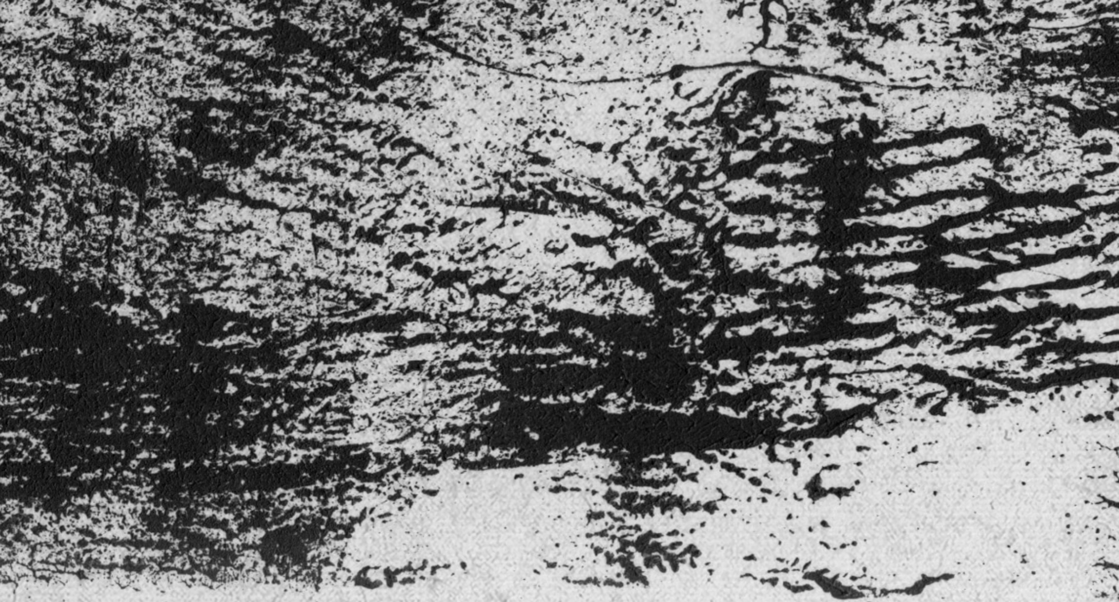

Strategies to inspire, organise and represent workers.

The Negotiator's Guide

LRS Labour Research Service

NSF National Skills Fund
FUNDING TO SKILL OUR NATION

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6

An Introduction to Wage Bargaining

LRS Labour Research Service

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Wage bargaining

Introduction

The hourly, weekly or monthly wage for a job is the single biggest determinant of the quality of life of a worker and their household. This chapter provides a guide for approaching wage bargaining and discusses some of the key issues that any negotiator will have to deal with.

In some workplaces, there might be allowances that influence pay. In other workplaces, overtime might have a big influence on pay. Benefits such as provident funds and medical insurance are also important, but these are different in that they can be seen as forced savings for the future. Unlike the basic wage, these benefits have no immediate effect on the lives of workers, even if it has potential to be very valuable when it does eventually come into effect.

The idea of remuneration involves more than just the basic wage, but wages determine the general level of pay for a job. Wages are easily understood by workers and highly visible to them – after all, that wage is on their payslip every month.

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The Wage Negotiator's Checklist

Gather information

Find benchmarks you can use when you talk to workers. What is the latest inflation rate? What are workers doing similar work at other companies earning? What settlement levels have we seen in collective bargaining recently? How has our industry or sector been performing in the last year or more?

Know your members and workers

How many workers are you representing? Are they all earning a similar amount, or are different categories earning different amounts? What are non-union workers earning? Is using casual workers a cheap option for the employer?

Get a mandate from workers

Organise a general meeting and speak to as many workers as you can informally. Listen to what is important to them. Try and get agreement on what workers think they can realistically win, and what they are prepared to do to support the demand.

Know the workplace

What are the critical parts of the production process and where are your members situated in the production process? How crucial are they to the production process?

Quantify and motivate your demand

Identify the issues

What is important to workers now and, what is important to management now? What counter proposals do you expect management to bring to the table?

Develop positions to take into negotiations

Develop an ideal position or starting position, a fallback or realistic position, and a bottom line.

Negotiate

Communicate with workers along the way

Renew your mandate with workers

Avoid bargaining alone

Here’s what to ask

- What will the increase look like to workers in practice?
- What increase will workers see on their payslips?
- Ask the company to show you an example.
- Are there any hidden costs for workers?!

What is the difference between a wage and total cost-to-company?

A basic salary is quite straightforward. This is the base amount that a worker is paid for their work before any other variable income like allowances and bonuses.

If you settle on an 8% increase, then the basic salary will increase by 8%. An increase in salary should have an effect on any benefits that are linked to salary. For example, an employer’s contribution to a worker’s provident fund will often be expressed as a percentage of salary. So, as salary goes up, so too does the percentage contribution.

Cost-to-company or cost-of-employment approaches are a little different. Wages are one part of cost-to-company. Cost-to-company also includes statutory deductions like UIF contributions, skills development levies, and other benefits and allowances that might not be linked to salary.

The most important thing is that you are clear about what any negotiated wage settlement would look like to workers.

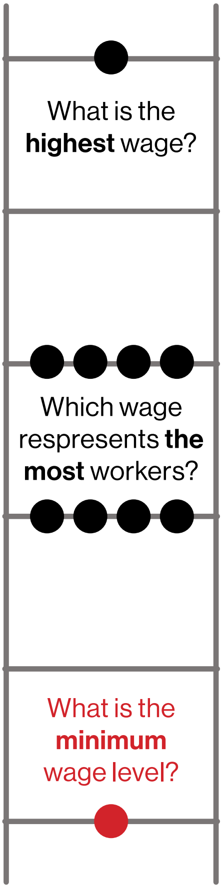
How many wage levels are you

working with?

A negotiator wants to know what the minimum wage is, what the highest wage in the workplace is, and most importantly, where members sit on the wage ladder. Do most workers earn similar amounts, or do different groups earn different amounts?

Knowing where your members are positioned on the wage ladder will help you decide on a settlement strategy. Here are some choices.

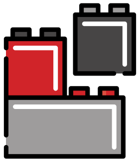
There are different wage levels:



How will the wage increase be structured?

Your options include:

- an across-the-board **percentage** increase, or
- a **staggered** increase (the higher wage gets a slightly lower percentage increase, while the lower wage gets a higher percentage increase), or
- a **Rands-and-cents** increase across-the-board (all wages are increased by the same amount of money), or
- a **mix** of these strategies (for example, workers can choose between a percentage increase (10%) or an amount of money (1000), whichever is better for them. In this example, all workers earning below 10000 would be best off choosing an increase of 1000.



Building my argument

A wage demand is more persuasive if it can be shown the demand is reasonable in some way. Here's how to put together your argument.

What kind of information do I want, and where can I find it?

The most common way to build an argument is to compare the current wage to other benchmarks that show that the wage should be higher. If the wages for similar jobs at other companies in the same sector are higher than the wages at your company, then that is one motivation for your demand.

The kind of information that a negotiator needs for wage bargaining is not always freely available. We must consider producing our own information. As a negotiator, I can get information from workers,

workers in other parts of the company and workers at other companies.

The ability to search the Internet for some of the information that we need for wage bargaining is increasingly important.

Here are some examples of sources:

- **Wage settlement trends** at www.lrs.org.za
- **Industry-specific information**:
    - The Quarterly Labour Force Survey QLFS at www.statssa.gov.za (publications). There is sometimes commentary in print and online newspapers on particular companies.
    - There are online resources such as www.statssa.gov.za for labour market statistics in different industries.
- **Inflation trends** at www.statssa.gov.za or www.lrs.org.za
- **Wage levels**: get information from workers and from the company, and visit www.lrs.org.za
- **Company information at CIPC** register of companies, at www.lrs.org.za , in online annual reports of companies listed on the stock exchange, or on request.
- **Workers' expectations** – get information from workers.

Building my Wage Demand

What will the Wage Demand be?

- What wage levels am I dealing with, and for which occupations?
- Is my focus on percentages or rands-and-cents?
- Do we want an across-the-board increase or a staggered increase?
- What is happening with inflation, and what does this mean for wage negotiations?
- How is the industry performing?
- How is the company performing?
- Are there any factors currently at play in the company or industry that might influence negotiations?

Your formula:

A percentage (%) is a number divided by 100.

In practice:

$3500 \times 6 \div 100 = 210$

The employer is offering an increase of 6%, which amounts to an increase of R210 per month.

Brush up on your understanding of Percentages

When you are considering a percentage increase, think about the following:

- How does that percentage **translate** into Rands-and-cents, and what does that Rands-and-cents amount **mean to workers?**
- How would **inflation affect the increase?**

An example:

Workers are earning R3500 per month as a basic wage. Employers are offering a **6% increase. Inflation is 3.5%.**

Understanding Inflation

The latest inflation number tells you what has happened to prices over the last 12 months. The source of inflation information is Statistics South Africa. They publish the consumer price index, which measures the increase in prices (of a basket of goods and services) over time. The CPI is published monthly, with a lag of 1 to 2 months.

You can find the original publication at www.stassa.gov.za. Search for the publication number (P0211). Or find a simplified version of monthly inflation at www.lrs.org.za.

1. "STATISTICAL RELEASE P0211." n.d. https://bit.ly/3HpxZva

2. https://www.lrs.org.za/resources/

Inflation and Wages

Inflation should not dominate wage negotiations, but it is an important consideration. Inflation tells you about the buying power of a worker. **If a worker gets a 5% increase and inflation is at 5%, then the buying power of the worker stays the same.** If a worker does not get an increase for a time, then the buying power of their wage will decrease because prices tend to increase over time.

What is a real wage and real increase?

An example

The **current wage is R4000** per month in January 2020. The **wage increase on the table is 6%**. The latest **Inflation rate available is CPI 4.5%** in January 2020 (This describes the increase in prices between January 2019 and January 2020).

If inflation stays at 4.5% in the months to come, then that is the increase that is needed **just to protect** the value of the wage. Anything less than 4.5%, and workers will become poorer.

In this example, we hope that the increase in workers' wages in the previous year was greater than 4.5%, otherwise, they have less buying power than they had before.

The increase of 6% is greater than the estimated inflation rate by 1,5%. The real wage increase is 1,5%. In theory, this worker should have 1,5% more buying power than they did before.

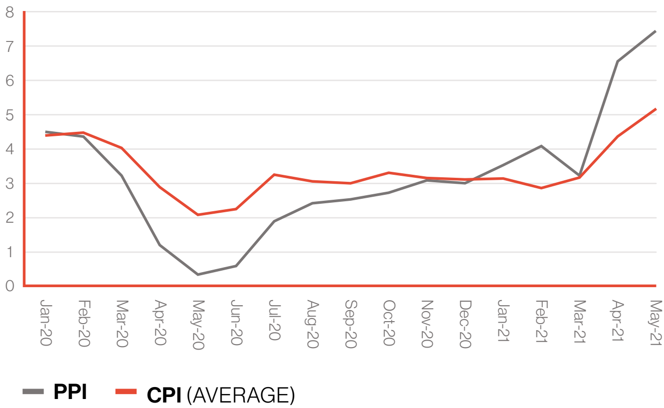
You can also look back at past settlements and compare them to inflation to see what gains and losses workers have made in the past.

In practice, this will depend on what they spend their money on and what the inflation rates are for the items that take up most of their spending.

The inflation numbers that we have now hold clues about what inflation will be in the next period. **Look at the trend in inflation over the last 12 months** to see if it has been rising, falling, or up and down.

The Producer Price Index (PPI), also published by StatsSA, can help you predict what inflation might do going forward. If PPI has been rising for the last 3 months, then that increase might begin to show in consumer prices (CPI) within the next few months. **The graph below shows the monthly CPI and PPI between Jan 2020 and May 2021.**

Consumer Price Index (CPI) and Producer Price Index (PPI): Month-on-month Annualised % change



Your formula:

1. The NEW minus the OLD
2. Divide by the OLD
3. Multiply by 100

In practice:

5000 - 4100 = 900
900 ÷ 4100 = 0.22
0.22 x 100 = **22%**

The percentage increase from 4100 to 5000 is 22%.

Calculate the **percentage increase** from one wage level to another wage level

An Example

The wage now is 4100 per month and we want to shift this to 5000 per month. What is the percentage increase from 4100 to 5000?

You can use a calculator if you choose. In our example, the **new** wage is 5000, and the **old** wage is 4100.

The full calculation would be:
(5000 - 4100) ÷ 4100 x 100 = **22%**

Your formula:

1. The WAGE times the PERCENTAGE increase
2. Divide by 100

In practice:

4100 x 4 = 16400

16400 ÷ 100 = **R164**

A wage increase of 4% on a wage of R4100 is an increase of R164 per month.

How to convert a percentage increase **into Rands-and-cents**

An Example

I am working with a monthly wage of 4100 and exploring a 4% wage increase. What is this percentage increase in Rands-and-cents?

In our example, the wage is 4100 and the percentage increase is 4%.

The full calculation would be:
4100 x 4 ÷ 100 = **R164**

Your formula:

The wage increase (%) **minus** the CPI inflation rate (%)

In practice:

4% – 3.9% = **0.1%**

A formula for understanding the **real increase** after inflation

An Example

The wage is R4000. The percentage increase on the table is 4%. CPI inflation is 3.9%. How do I deal with this in negotiation?

Following the formula, the increase that is left after inflation is 0.1%. In other words, after the increase in the prices of the things we usually buy, this is the real increase.

Your formula:

The **wage** (Rands) multiplied by the **real increase** (%) and divided by 100.

In practice:

4000 x 0.1 = **4**

What is the money value that is left of this increase after accounting for price increases?

If prices increased by 3.9% immediately following the above wage increase, it is important to calculate how much extra the worker will have after buying the things which they usually buy each month.

Following the formula, the real increase in the wage per month after inflation is R4. This means that the buying power of the wage is practically unchanged after the increase and that workers would need an additional increase to improve their buying power. If the increase left after inflation is very small or negative, then one must look at adding an improvement factor to the increase.

Checklist for dealing with inflation in wage increases:

- What is the wage increase percentage that is on the table?
- What is the latest rate of inflation?
- What is the trend in inflation over the last 6 months or more? What does it tell us about the likely inflation rate over the next 12 months?
- Are there any other reasons why inflation might increase or decrease significantly in the coming months?
- Is the wage increase greater than inflation? How much of the increase is left after inflation?
- How much do we want the buying power of the wage to increase by?