



July 2022

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

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 the average change in the 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 backwards-looking. For example, if the latest inflation number is for May 2022 and it is reported to be 6.5%, then this tells us what happened to prices over the last 12 months (from May 2021 to May 2022).

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 the same buying power they had before, despite the 10% increase.

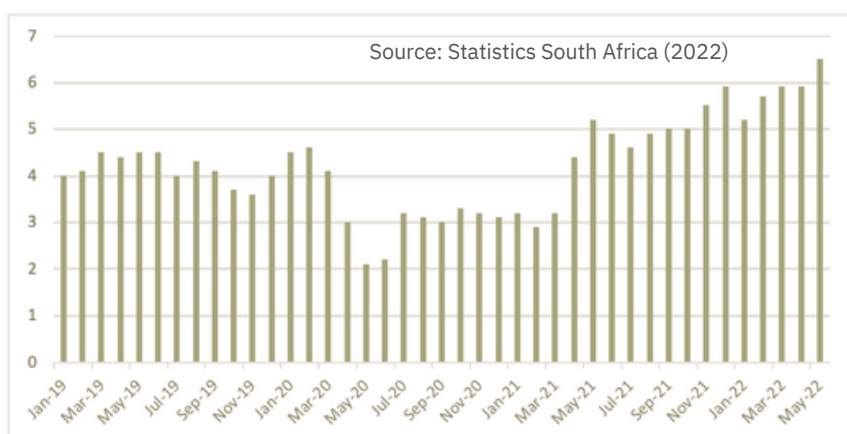
The Consumer Price Index (CPI) represents the overall increase in prices of all goods. The inflation rate as measured by the CPI was 6.5 % in May 2022. This means that the price of goods and services generally increased by 6.5% from May 2021 to May 2022.

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, May 2021 to May 2022). Almost always presented as an annualized number covering the previous 12 months.

Figure 1: Consumer Price Index, Jan 2019 - May 2022



Overall CPI is made up of different categories of goods and services.



May 2022

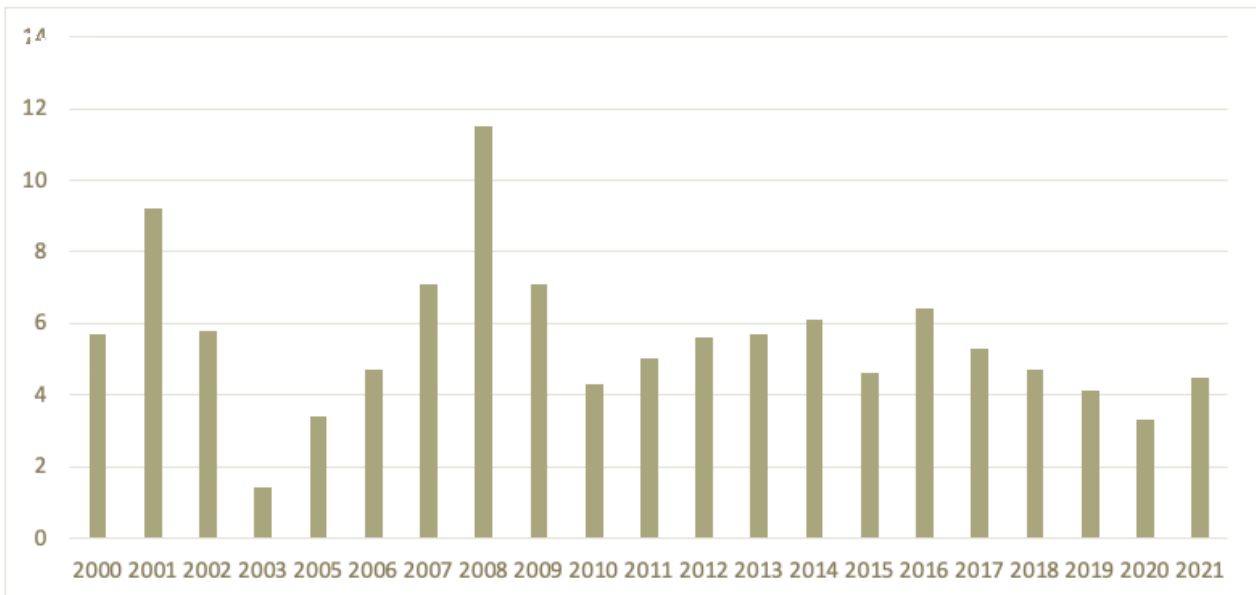
Remember that the inflation rate describes a rate of increase. So, if annualised inflation is lower this month than it was last month, it does not mean that things are cheaper. It just means that the prices increased more slowly than they did before.

If we look even closer, we can see which sub-categories are currently driving inflation.



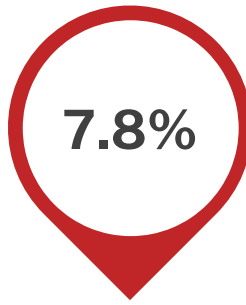
If annualised inflation is lower this month than it was last month, it does not mean that things are cheaper.

Figure 2: Average Consumer Price Index (CPI) | 2000-2021

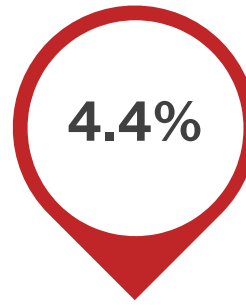


Source: Statistics South Africa

The food price index shows the increase in the price level of food products only, every month. This rate is incorporated in the overall CPI inflation rate.



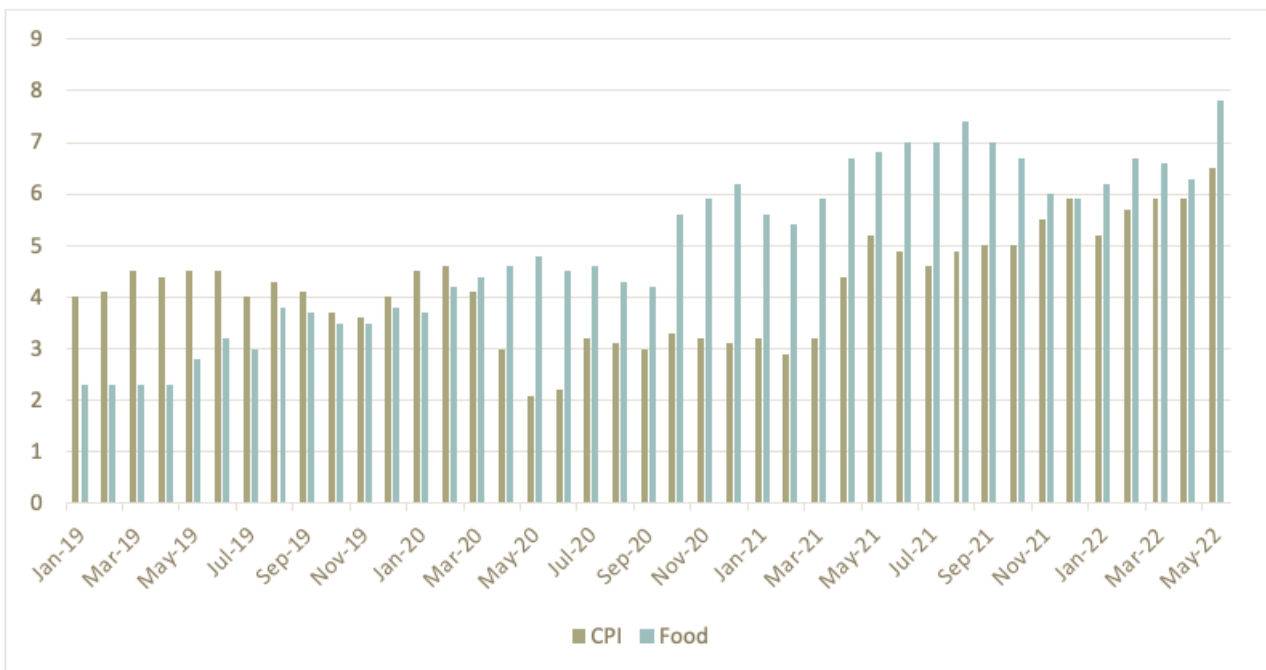
May 2022



March 2020

Figure 3 shows food price overtook the consumer price index in March 2020 and escalated to 7.8% in May 2022.

Figure 3: The Food Price



Source: Statistics South Africa (2020-2021)

The transport price index indicates the increase in the price level of transport items in the basket of goods and services that make up the inflation index. This rate is incorporated in the overall CPI inflation rate.

Figure 4 shows the movement of transport price between January 2019 to May 2022. The transport price was below the CPI in January 2019 but increased to 15.7% in May 2022.

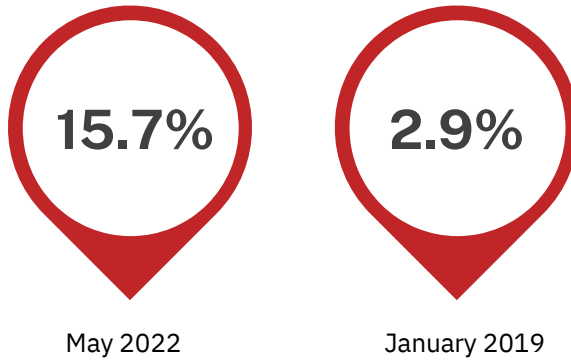
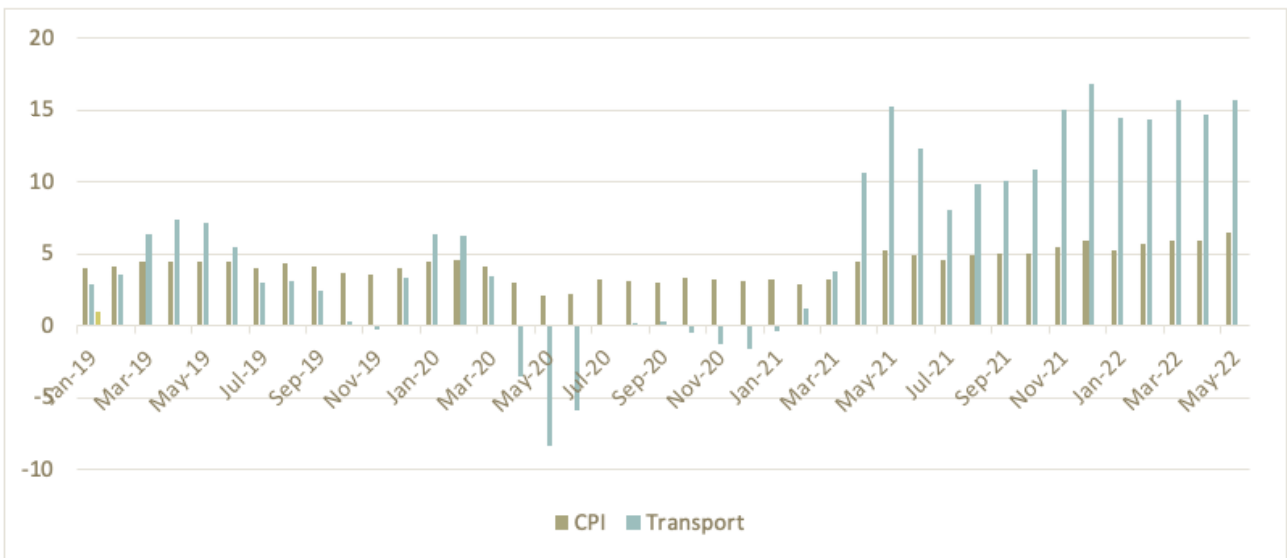


Figure 4: Transport price



Source: Statistics South Africa (2020-2021)

The public transport price index shows price increases in taxis, trains, buses, or other public transport that ferry passengers or goods.

This rate is incorporated into the overall CPI inflation rate.

Overall CPI is made up of different categories of goods and services. So, for example, while overall CPI increased to 6.5%, the price of transport-related items increased by 15.7% and the price of public transport increased by 14%.

Figure 5: Public Transport price

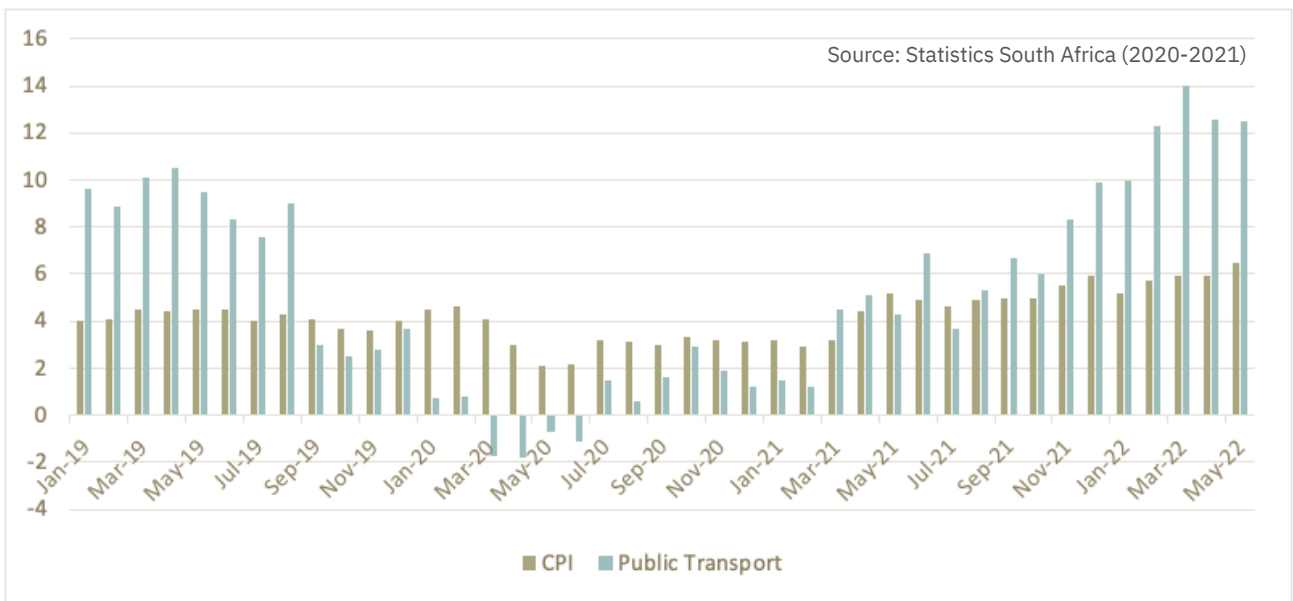
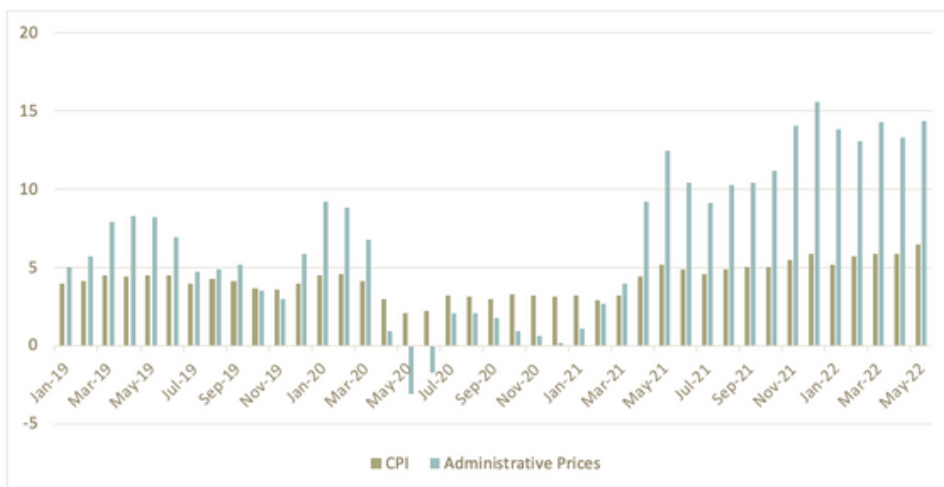


Figure 6: Administratives price



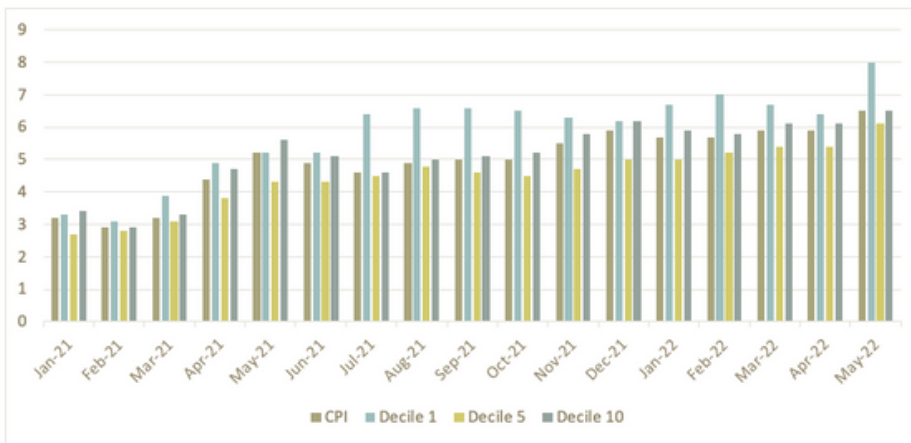
Source: Statistics South Africa

Administrative prices (school fees, telephone, electricity, trains, and petrol/paraffin) increased by 14.3% compared to CPI which recorded 6.5% in May 2022.

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.

Figure 7: Annualised inflation by expenditure group | Jan 2018 - May 2022

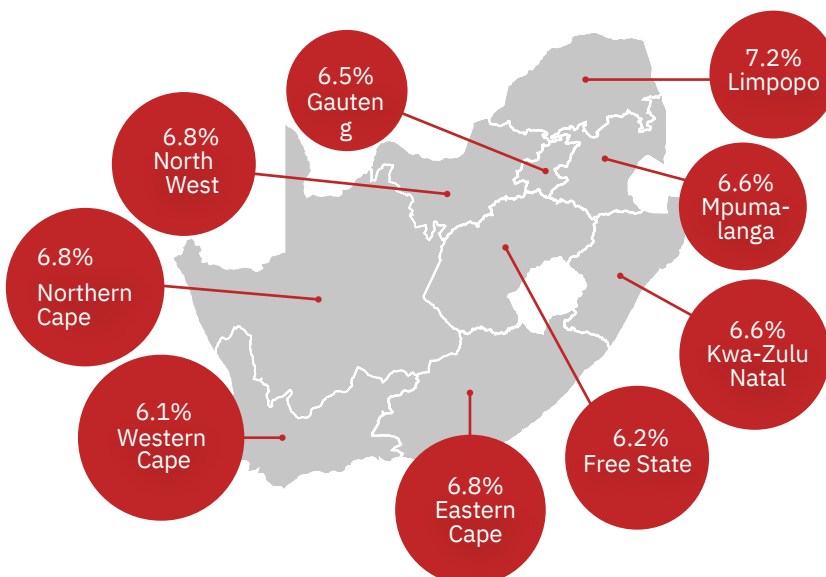


◀ The very low group (Decile 1) experienced an inflation rate of 6.7%, higher than the headline inflation rate of 5.9%, while the very high expenditure group (Decile 10) had an inflation rate of 6.1% in March 2022.

Source: Statistics South Africa

Inflation by province

Figure 8: Annualised Rates by Province | May 2022



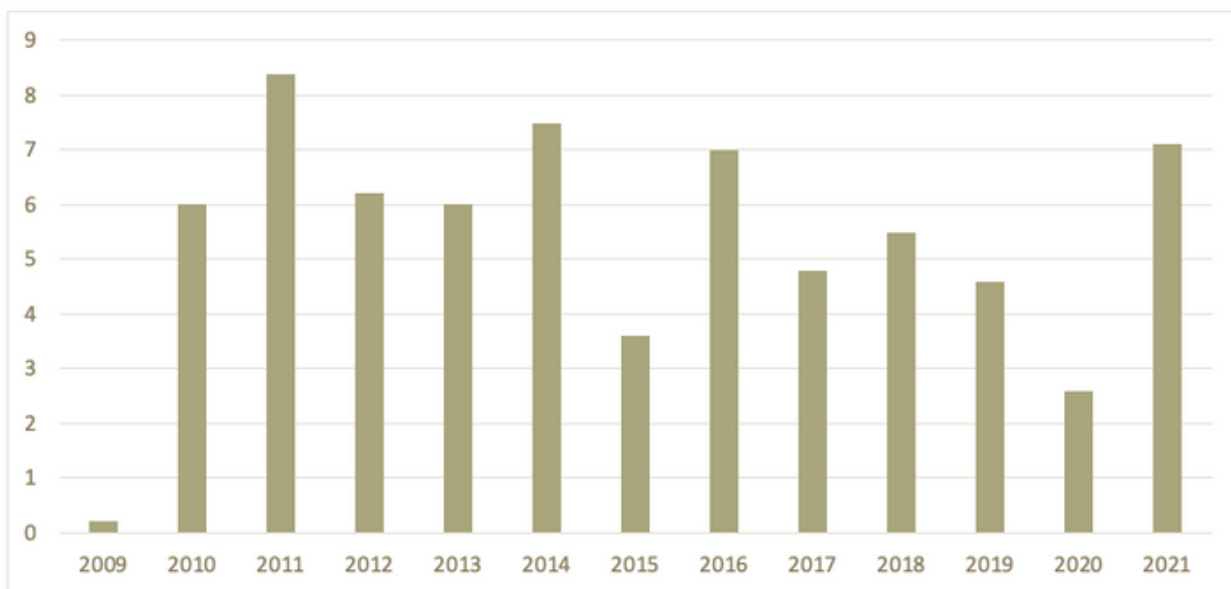
◀ The provinces with an annual inflation rate lower than or equal to headline inflation were Western Cape (6.1%), Free State (6.2%) and Gauteng (6.5%). The provinces with an annual inflation rate higher than headline inflation were KwaZulu-Natal (6.6%), Mpumalanga (6.6%), Eastern Cape (6.8%), North West (6.8%), Northern Cape (6.8%) and Limpopo (7.2%).

Source: Statistics South Africa (2022)

Producer Price Index

The Producer Price Index (PPI) measures the average change in the price of a basket of representative goods and services sold by manufacturers and producers in the wholesale market, while CPI measures price changes in a basket of goods and services bought by the average household.

Figure 9: Average Producer Price Index (PPI) | 2009 - 2021



Source: Statistics South Africa (2020-2021)

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

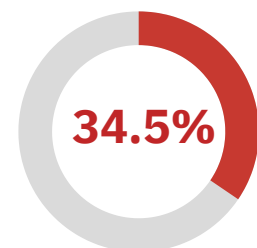
Figure 9 shows that the average Producer Price Index (PPI) increased from 0.2% in 2009 to 7.1% in 2021.

Unemployment rate Q1 2017-2022

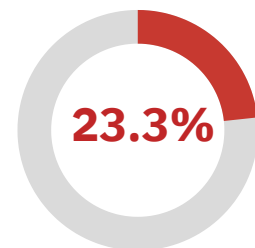
The unemployment rate is the proportion of the labour force that is unemployed.

➤ Figure 10 shows that the unemployment rate in South Africa increased to 34.5% in Q1 2022, from 27.7% in Q1 2017. In Q2 2020 the unemployment rate declined to 23.3% due to the covid-19 pandemic measures.

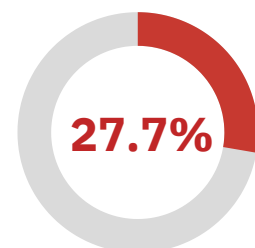
Figure 10:
Unemployment Rate (%) Q1 2017-Q1 2022



Q1 2022



Q2 2020



Q1 2017

Table 1: Unemployment rate (%) 2017-2022

	Q1 18	Q1 19	Q1 20	Q1 21	Q1 22
Agriculture	-3	-12	-21	-18	-23
Mining	-14	-20	6	12	36
Manufacturing	-58	14	-15	7	263
Utilities	-6	16	-4	16	21
Construction	40	-142	-7	-87	-60
Trade	36	25	71	-84	98
Transport	-41	59	-17	-40	10
Finance	30	-94	-50	215	-72
Community & Social Services	95	-50	-33	16	281
Private household	5	-31	-30	-70	-186



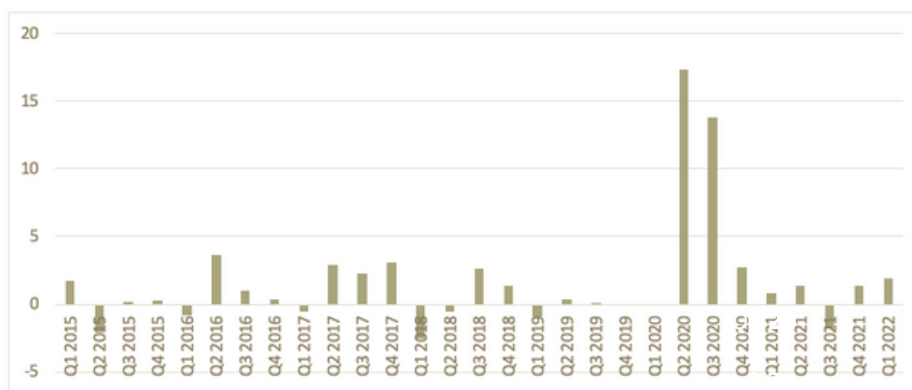
The table above shows employment rate by industries between Q1 2018 to Q1 2022. The number of employed persons decreased in four of the ten industries in Q1 2018, for example, agriculture, (3 000), mining (14 000) utilities (6 000), and transport (41 000). The largest increases in employment in Q1 2018 were recorded in community and social services (95 000), manufacturing (58 000), construction (40 000), trade (36 000) finance (30 000) and private household (5 000). In Q1 2022, agriculture lost about -23 000 jobs, construction 60 000, finance 72 000 and private household -186 000 jobs. Industries that increased employment in Q1 2022 were mining (36 000), manufacturing (263 000), utilities (21 000), trade (98 000), transport (10 000) and community (281 000).

Source: Statistics South Africa Quarterly Labour Force Survey

Economic growth and GDP

The GDP represents the total market value, or prices, of all final goods and services produced in an economy during a period. GDP is expressed as a comparison to the previous year or quarter.

Figure 11: Growth in GDP % 2015-2022



Source: Statistics South Africa (2021)

Real Gross Domestic product (measured by production) faced two consecutive declines in Q1 and Q2 in 2018.

The economy suffered in the last two last quarter of 2019, and the first quarter of 2020. The economy assumed an upward trend in the second quarter of 2020.

The economy picked up in the last quarter of 2021 and the first quarter of 2022 following a relatively disappointing growth in quarter three of 2021.

Table 2: Contributions to growth (%) in GDP by Industries in Q1 2021 - 2022

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Agriculture	-0.1	0.2	-0.4	-0.3	0
Mining	1.2	0.1	0	-1.2	-0.1
Manufacturing	-0.2	-0.1	-1.5	0.3	0.6
Electricity	-0.1	0	0	-0.1	0
Construction	0	0	0	-0.1	0
Trade	0.8	0.3	-0.7	0.3	0.4
Transport	0.4	0.5	-1.7	-0.2	0.2
Finance	1.5	-0.1	0.3	-0.2	-0.4
Government	0.1	-0.1	0	0	0.1
Personal	0.1	0.4	0.1	-0.4	-0.2
Tax/Subsidies	0.3	0.1	-0.1	0.1	0.2

Source: Statistics South Africa (2020)

Table 2 shows that eight industries recorded positive growth between the first quarter of 2021.

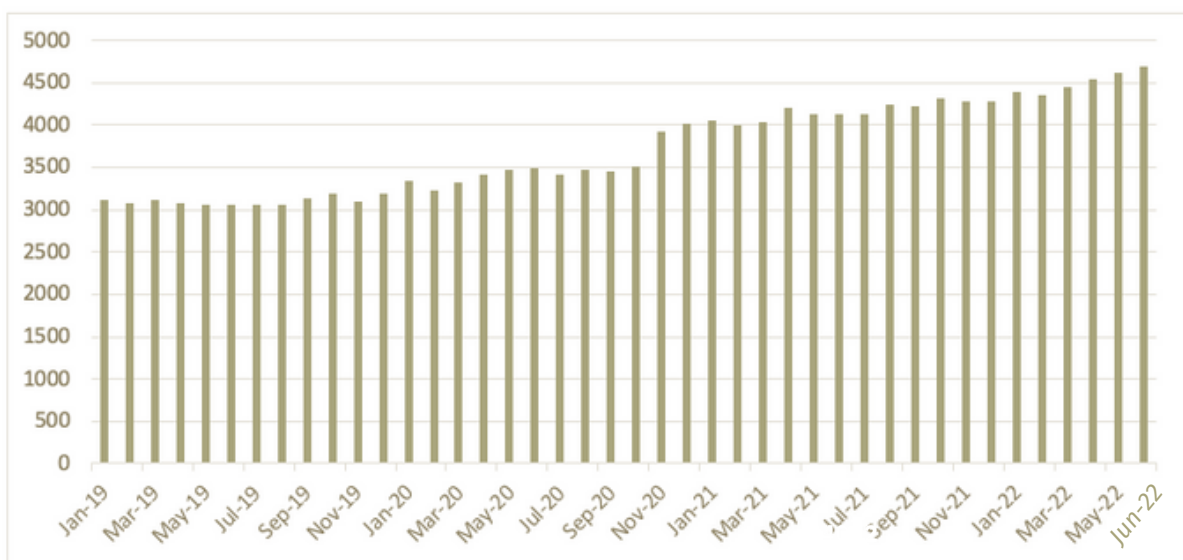
Only two industries - agriculture and electricity - contributed negative to the to economy.

In the first quarter of 2022, seven industries contributed positively to the economy and only one industry (mining) contributed negatively to economy.

Month-on-month household food basket index | Jan 2019-Jun 2022

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 12: The cost of the household food basket, January 2019 to June 2022



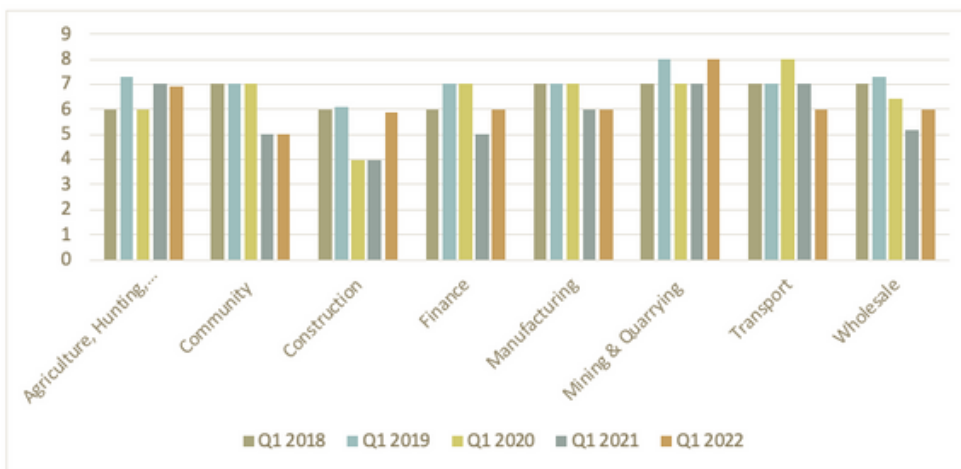
Source: Pietermaritzburg Economic Justice and Dignity

Figure 12 shows that the cost of the household food basket increased to R4 689 in June 2022 from R3118 in January 2019. This translated to an increase of R1 571 or (50.3%) between January 2019 and June 2022

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.

Figure 13: Median increases by industry (%)



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**.

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