



December 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 September 2022 and it was reported to be 7.5%, then this tells us what happened to prices over the last 12 months (from September 2021 to September 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.

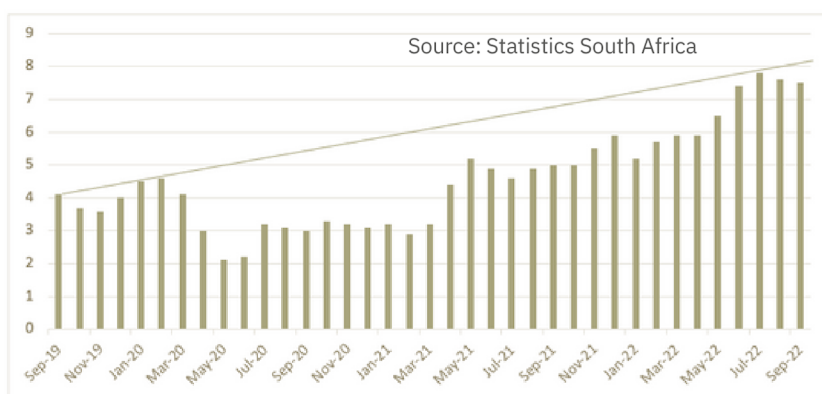
The Consumer Price Index (CPI) represents the overall increase in prices of all goods. The inflation rate as measured by the CPI was 7.5% in September 2022. This means that the price of goods and services generally increased by 7.5% from September 2021 to September 2022.

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

Figure 1: Consumer Price Index, SEP 2019 - SEP 2022



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



September 2022

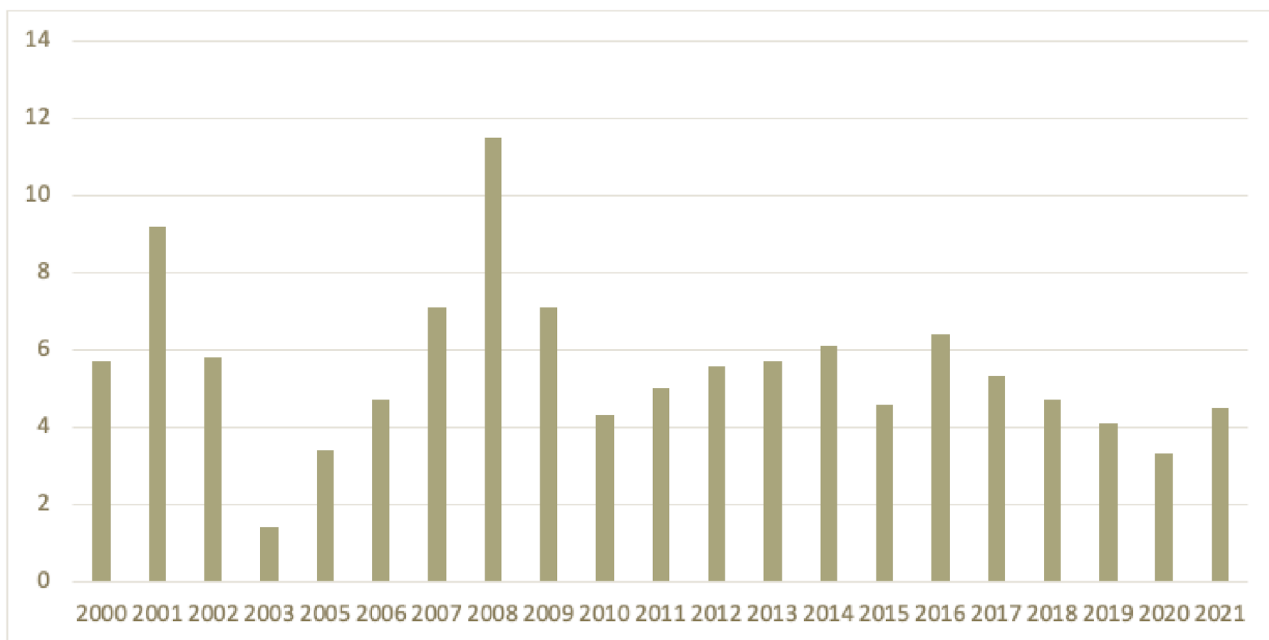
Remember that the inflation rate describes a rate of increase. So, if annualised inflation is lower this month than it was last month, it does not mean that things are cheaper. It just means that the prices increased more slowly than they did before.

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.



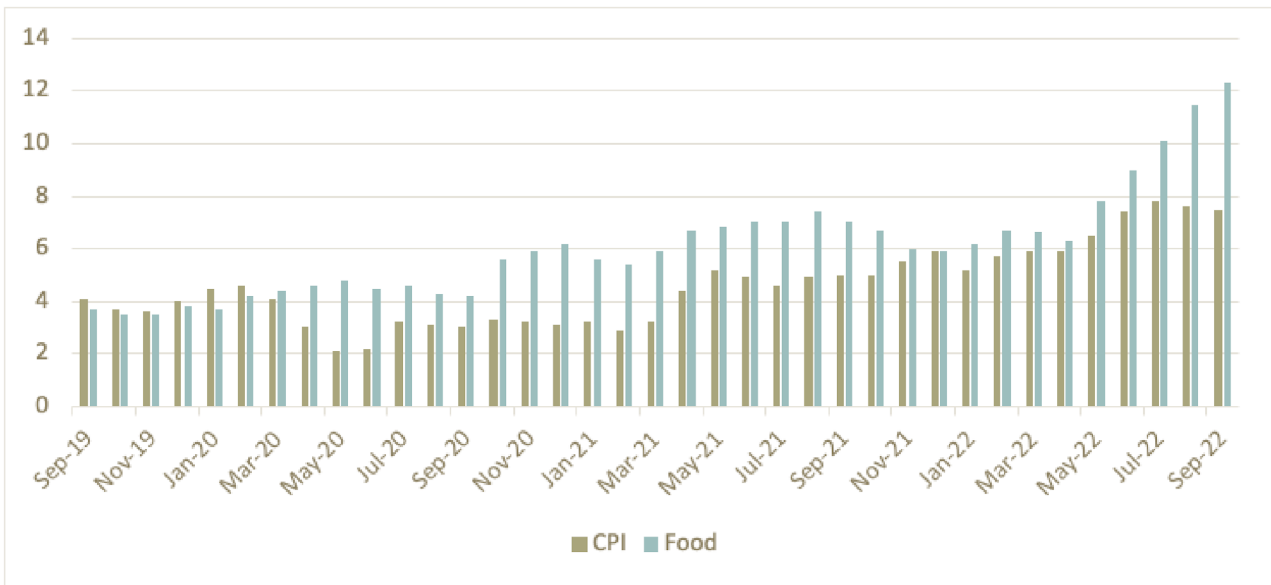
SEP 2022



March 2020

Figure 3 shows food price overtook the consumer price index in March 2020 and escalated to 12.3% in September 2022.

Figure 3: The Food Price | Sep 2019 - Sep 2022



Source: Statistics South Africa

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.

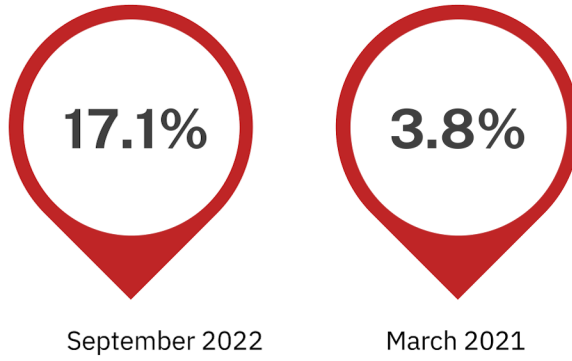
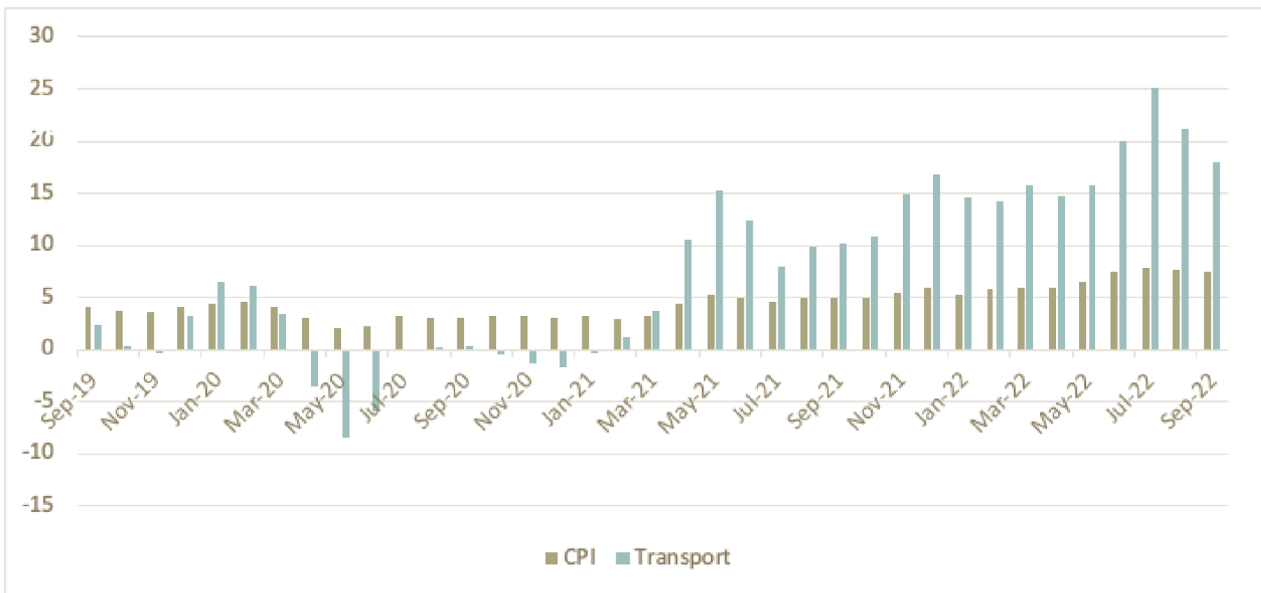


Figure 4 shows the movement of transport price between September 2019 to September 2022. The transport price increased massively from March 2021 to September 2022, to 17.1%.

Figure 4: Transport price | Sep 2019 - Sep 2022



Source: Statistics South Africa

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.

So, for example, while overall CPI increased to 7.5%, the price of transport-related items increased to 17.9% and the price of public transport increased to 22.1%.

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

Figure 5: Public Transport price | Sep 2019 - Sep 2022

Source: Statistics South Africa

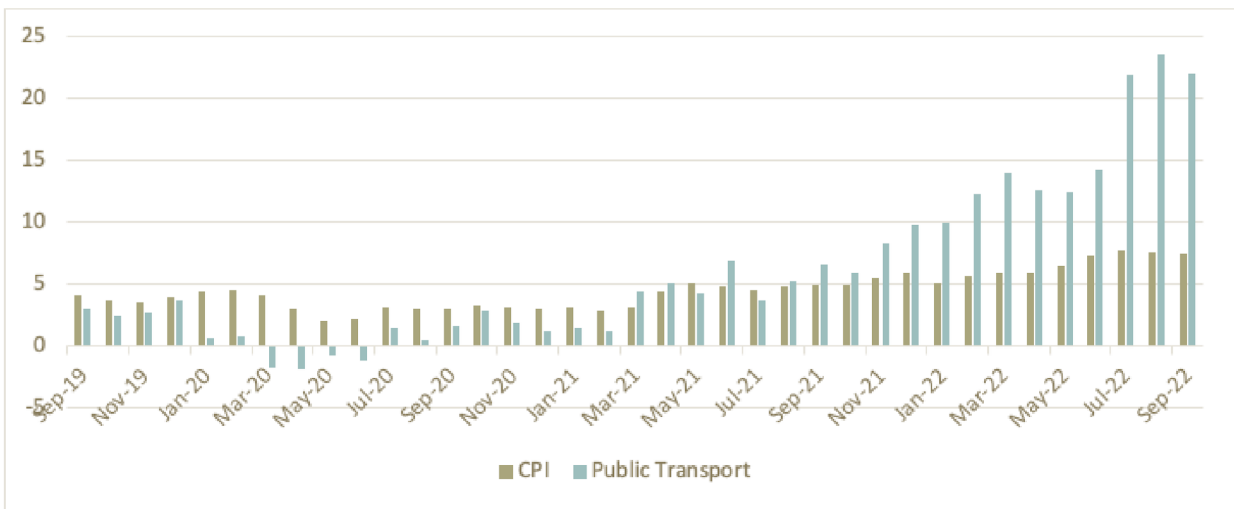
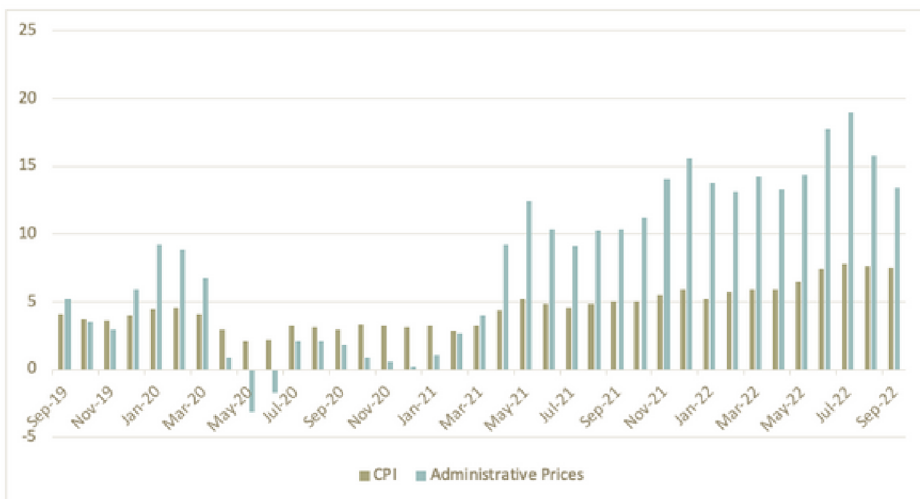


Figure 6: Administered price | Sep 2019 - Sep 2022



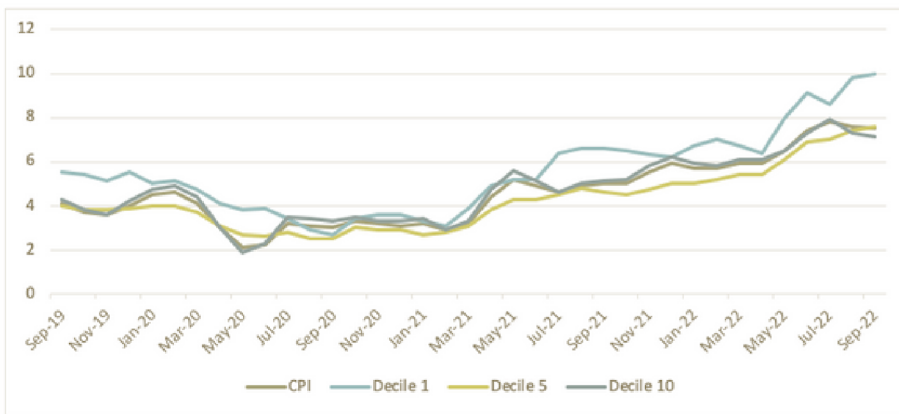
Administered prices (school fees, telephone, electricity, trains, and petrol/paraffin) increased to 13.4% compared to CPI which recorded 7.5% in September 2022.

Source: Statistics South Africa

Inflation by expenditure group

There is more than one inflation number. 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 | Sep 2021 - Sep 2022

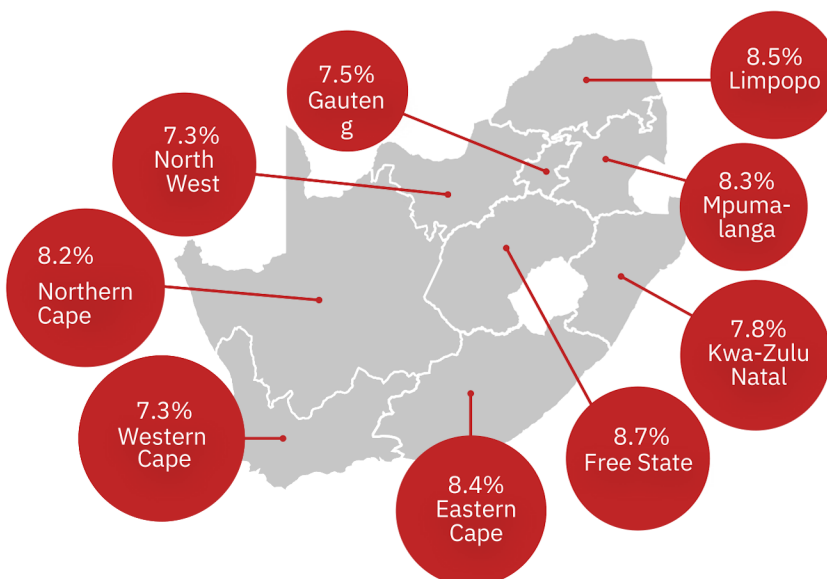


◀ The very low group (Decile 1) experienced an inflation rate of 10%, higher than the headline inflation rate of 7.5%, while the very high expenditure group (Decile 10) had an inflation rate of 7.1% in September 2022.

Source: Statistics South Africa

Inflation by province

Figure 8: Annualised Rates by Province | September 2022



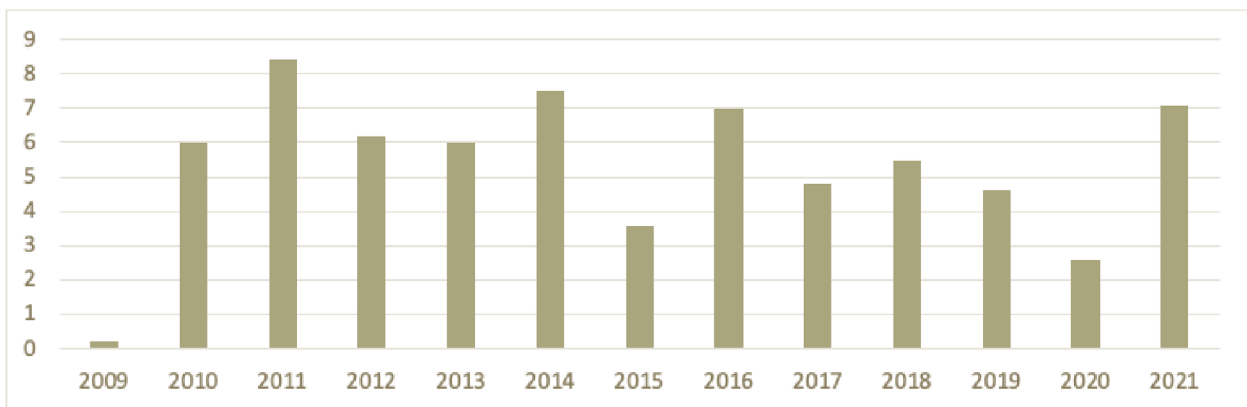
◀ The provinces with an annual inflation rate lower than or equal to headline inflation were Western Cape (7.3%), North West (7.3%) and Gauteng (7.5%). The provinces with an annual inflation rate higher than headline inflation were KwaZulu-Natal (7.8%), Northern Cape (8.2%), Mpumalanga (8.3%), Eastern Cape (8.4%), Limpopo (8.5%) and Free State (8.7%).

Source: Statistics South Africa

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

▲ 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.

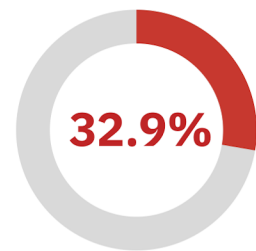
Figure 9 shows that the average Producer Price Index (PPI) increased from 0.2% in 2009 to 7.1% in 2021.

Unemployment rate Q3 2017-2022

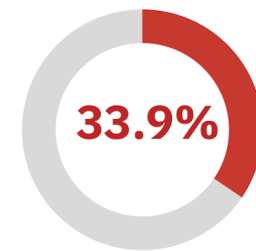
The unemployment rate is the proportion of the labour force that is unemployed.

➤ Figure 10 shows that the unemployment rate was at 33.9% in quarter two of 2022, down from 34.5% in quarter one of 2022 and a high of 35.3% in quarter four of 2021. South Africa's unemployment rate decreased by 1,0 percentage point to 32,9% in Q3 2022 compared to 33.9% Q2 2022.

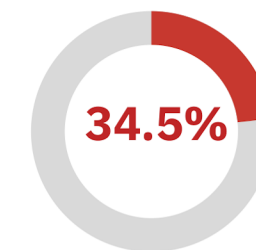
Figure 10: Unemployment Rate (%) Q1 2017-Q1 2022



Q3 2022

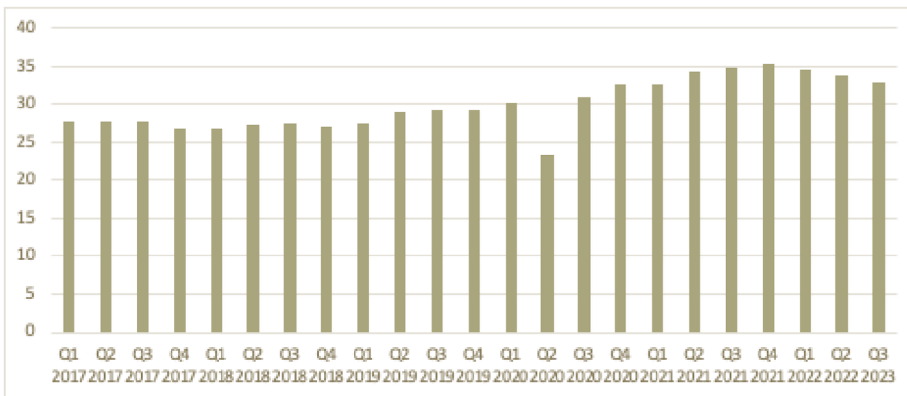


Q2 2022



Q1 2022

Figure 10 : Unemployment rate (%) Q1 2017 - Q3 2022



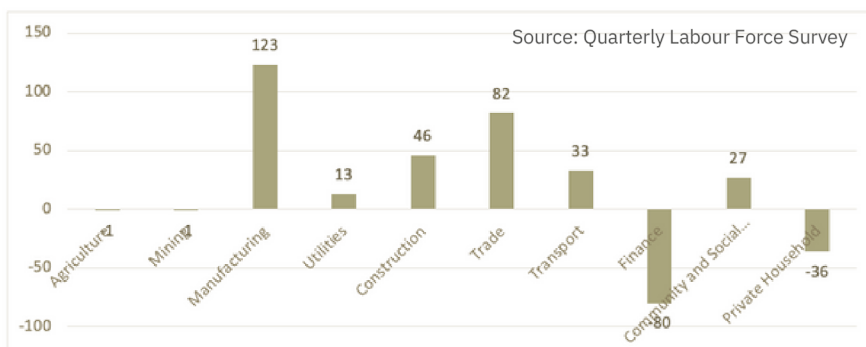
Source: Quarterly Labour Force Survey



Shows change in employment from Q1 2021 to Q3 2022.



The number of employed persons increased in six of the ten industries in quarter three (Q3) of 2022. The largest increase in employment was recorded in Manufacturing (123 000), Trade (82 000), Construction (46 000), Transport (33 000), Community and Social Services (27 000) and Utilities (13 000). Decreases in employment were recorded in agriculture (-1 000), Mining (-1 000), Finance (80 000) and Private Household (36 000).



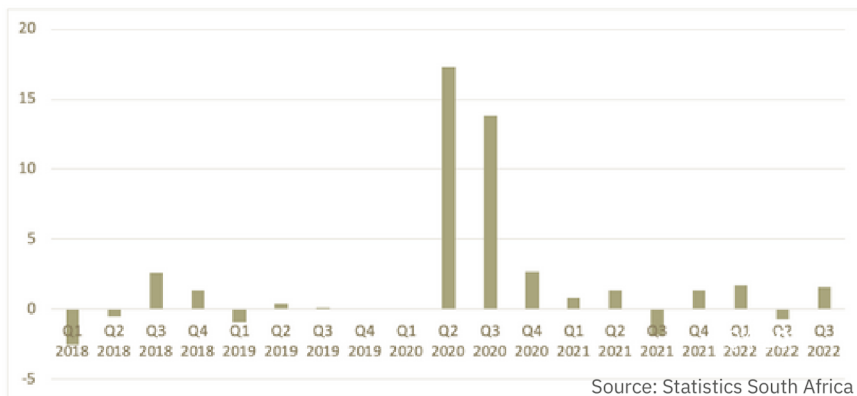
Source: Quarterly Labour Force Survey

◀ Figure 10: Unemployment rate by industries Q3 2022

Economic growth & GDP (Q1 2018- Q3 2022)

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 % Q1 2018 - Q3 2022

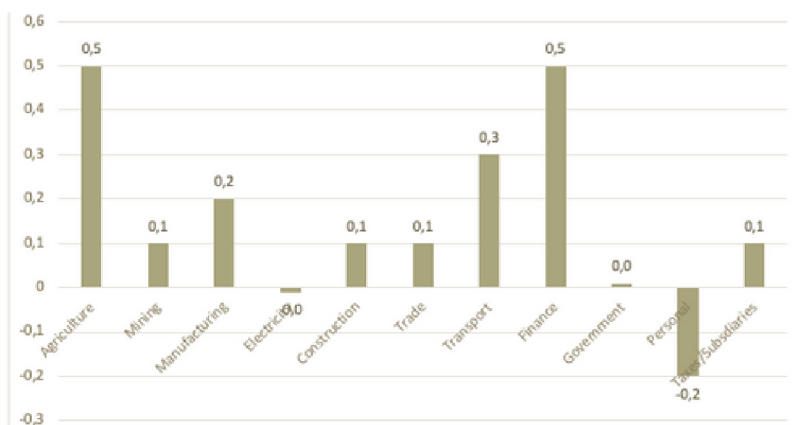


Real gross domestic product (measured by production) increased by 1.6% in the third quarter of 2022, following a decrease of -0.7% in the second quarter of 2022.

Eight industries recorded growth between the second quarter of 2022 and the third quarter of 2022. The agriculture industry increased by 19,2% and contributed 0,5 of a percentage point to GDP growth. The finance industry increased by 1,9% and contributed 0,5 of a percentage point to GDP growth. The transport industry increased by 3,7% and contributed 0,3 of a percent-

-age point to GDP growth. The manufacturing industry increased by 1,5% and contributed 0,2 of a percentage point to GDP growth.

Figure 12: Contributions to growth (%) in GDP by Industries in Q3 2022

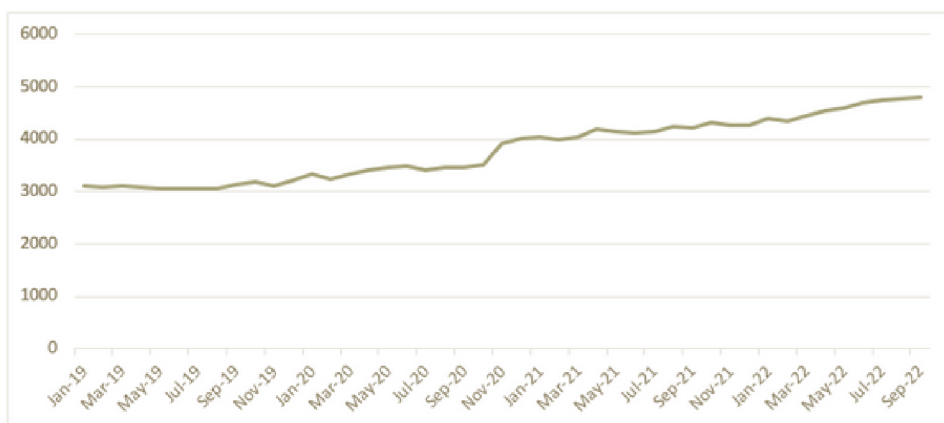


Source: Statistics South Africa (2020)

Month-on-month household food basket index | Jan 2019-Sep 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 13: The cost of the household food basket, January 2019 to Sep 2022



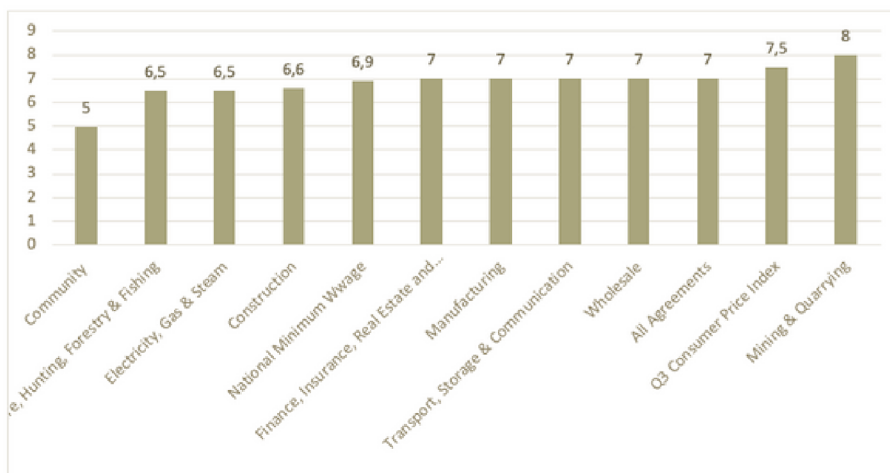
◀ The cost of the household food basket increased to R4805 in September 2022 from R3118 in January 2019. This translated to an increase of R1687 or (54.1%) between September 2022 and January 2019.

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 can be used to inform bargaining cases.

Figure 14: Median increases by industry (%) | (Q3) 2022



Source: LRS Actual Wage Rates Database

The lowest median wage increase was recorded in the community social and service (5%) and was below the inflation rate of 7.5% in the third quarter of 2022. The highest median wage increase was recorded in mining (8%) and was 0.5% higher than the inflation rate of 7.5% in the third quarter of 2022. Also, the national minimum wage increase was higher when compared to the community (5%), agriculture (6.5%), electricity (6.5%) and construction 6.6%).



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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KNOWLEDGE
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LEAVE IN THE
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