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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 December 2022 and it was reported to be 7.2%, then this tells us what happened to prices over the last 12 months (from December 2021 to December 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.

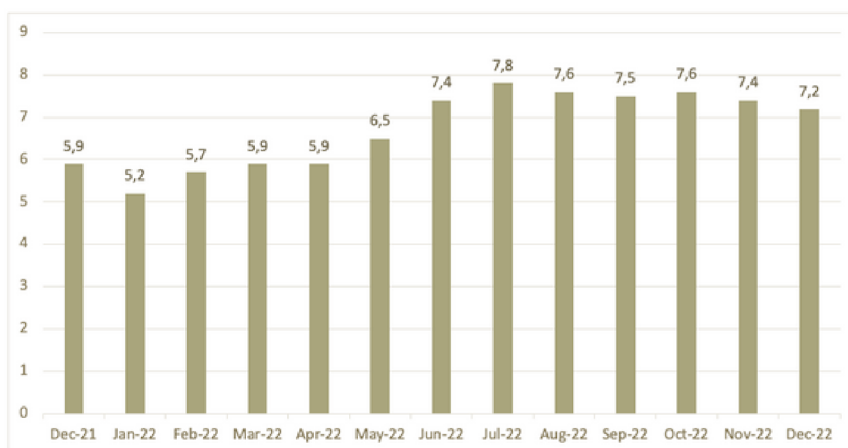
The Consumer Price Index (CPI) represents the overall increase in prices of all goods. The inflation rate as measured by the CPI was 7.2% in December 2022. This means that the price of goods and services generally increased by 7.2% from December 2021 to December 2022.

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

Figure 1: Consumer Price Index, DEC 2021 - DEC 2022



Source: Statistics South Africa

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



December 2022

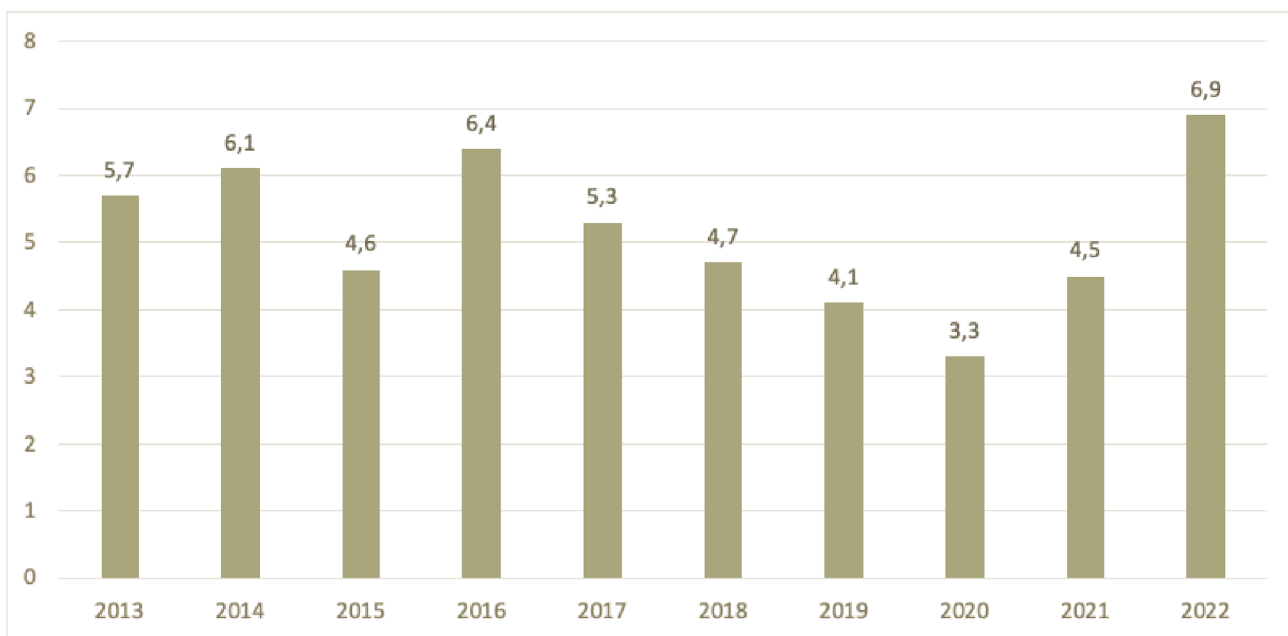
Remember that the inflation rate describes a rate of increase. So, if annualised inflation is lower this month than it was last month, it does not mean that things are cheaper. It just means that the prices increased more slowly than they did before.

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) | 2013 -2022



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.

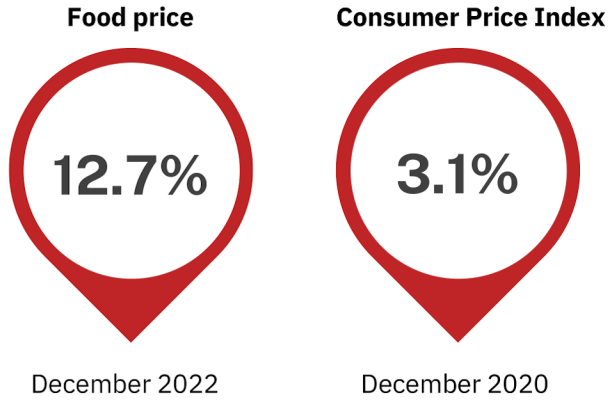
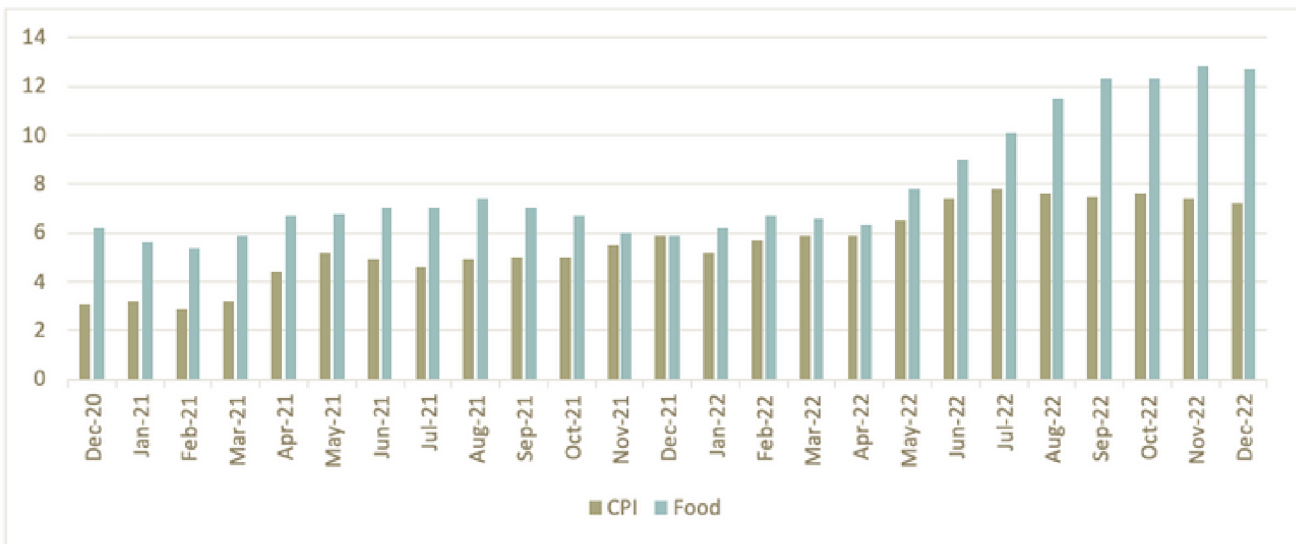


Figure 3 shows food price overtook the consumer price index in December 2020 and escalated to 12.7% in December 2022.

Figure 3: The Food Price | DEC 2020 - DEC 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.



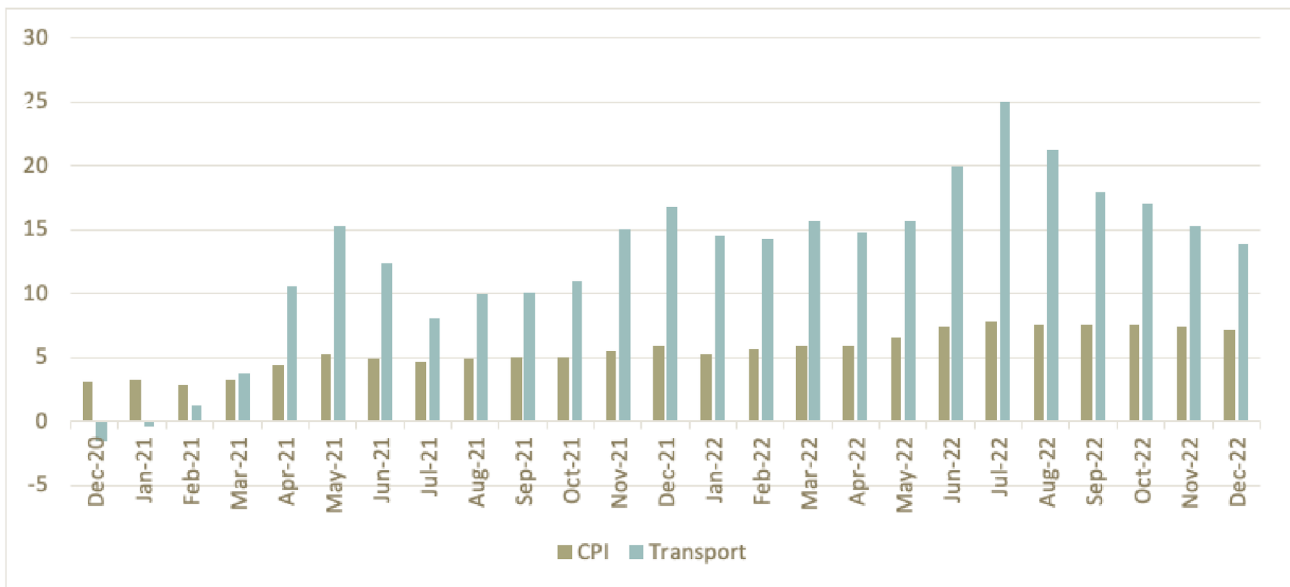
December 2022



April 2021

Figure 4 shows the movement of transport price between December 2020 to December 2022. The transport price increased from April 2021 (10.6%) to December 2022 (13.9%).

Figure 4: Transport price | DEC 2020 - DEC 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.

The transport price saw a big increase from November 2021 to December 2022. The transport price in December 2022 was 16.7%.

Figure 5 shows the movement of public transport price between December 2020 to December 2022.

Figure 5: Public Transport price | DEC 2020 - DEC 2022

Source: Statistics South Africa

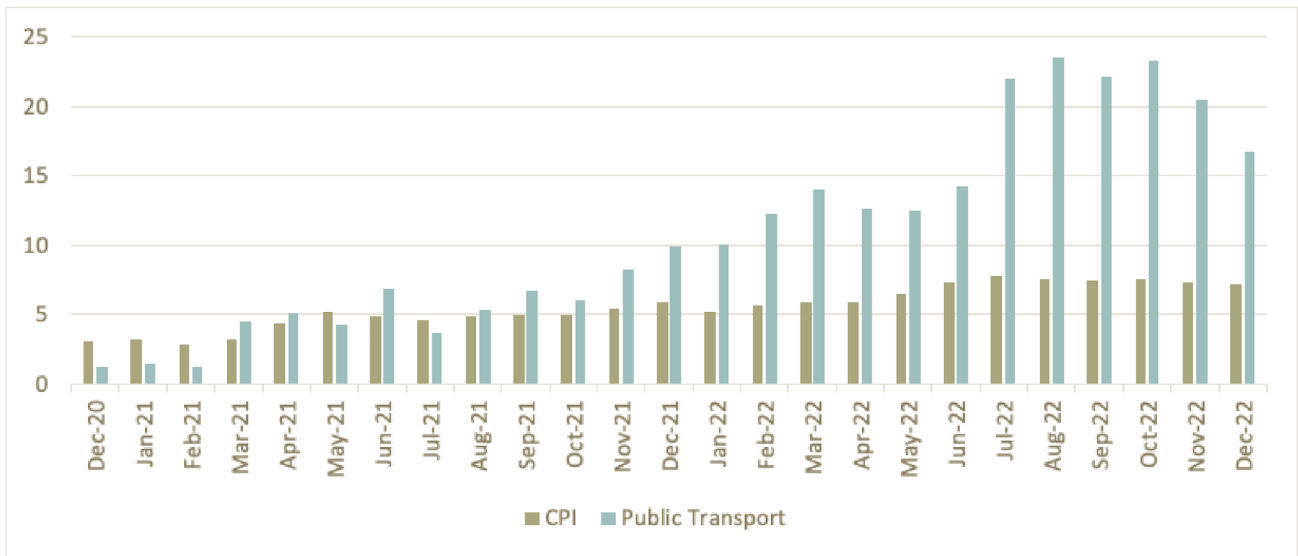
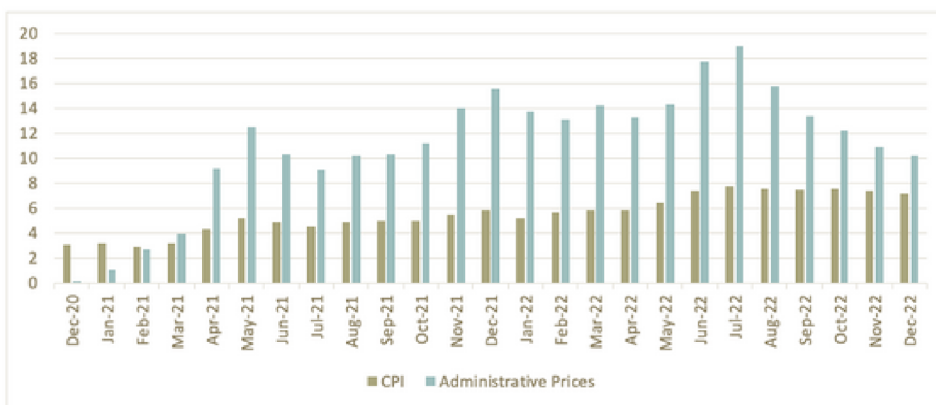


Figure 6: Administered price | DEC 2020 - DEC 2022



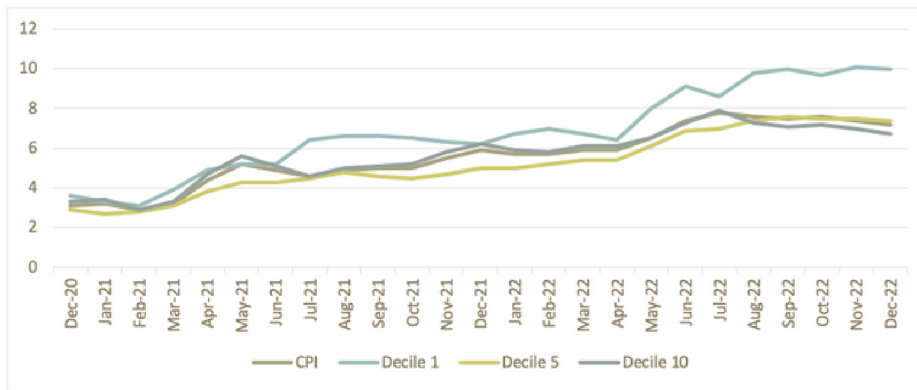
Source: Statistics South Africa

Administered prices (school fees, telephone, electricity, trains, and petrol/paraffin) increased from April 2022 to July 2022, slowed in August 2022 and settled at 10.3% in December 2022.

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 | DEC 2020 - DEC 2022

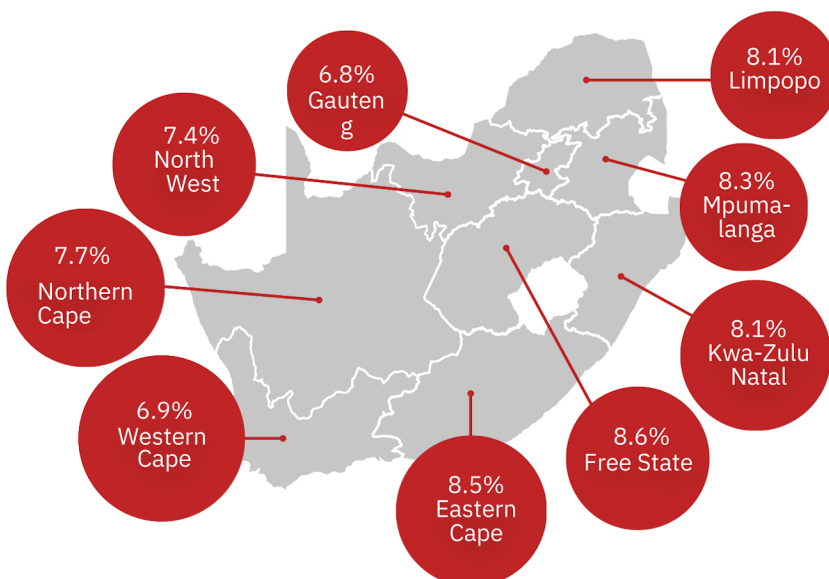


◀ The very low group experienced an inflation rate of 10%, higher than the headline rate of 7.2%, while the very high expenditure group had an inflation rate of 6.7%

Source: Statistics South Africa

Inflation by province

Figure 8: Annualised Rates by Province | December 2022



◀ The provinces with an annual inflation rate lower than or equal to headline inflation were Gauteng (6.8%) and Western Cape (6.9%).

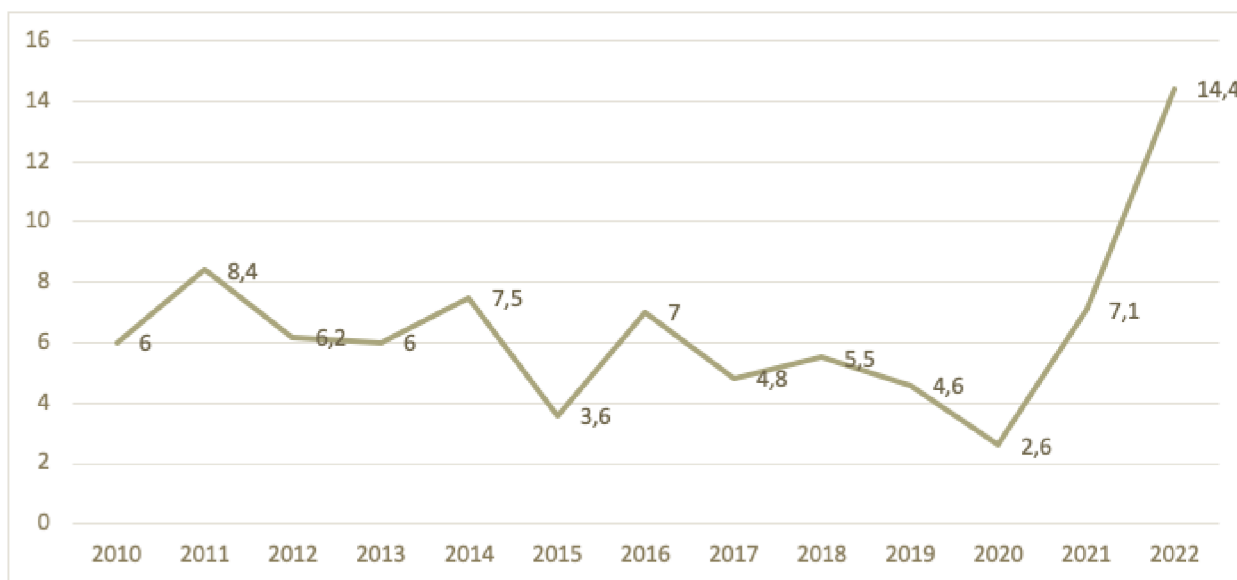
The provinces with an annual inflation rate higher than headline inflation were North West (7.4%), Northern Cape (7.7%), KwaZulu-Natal (8.1%), Limpopo (8.1%), Mpumalanga (8.3%) Eastern Cape (8.5%) and Free State (8.6%).

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) | 2010 - 2022



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 6% in 2010 to 14.4% in 2022.

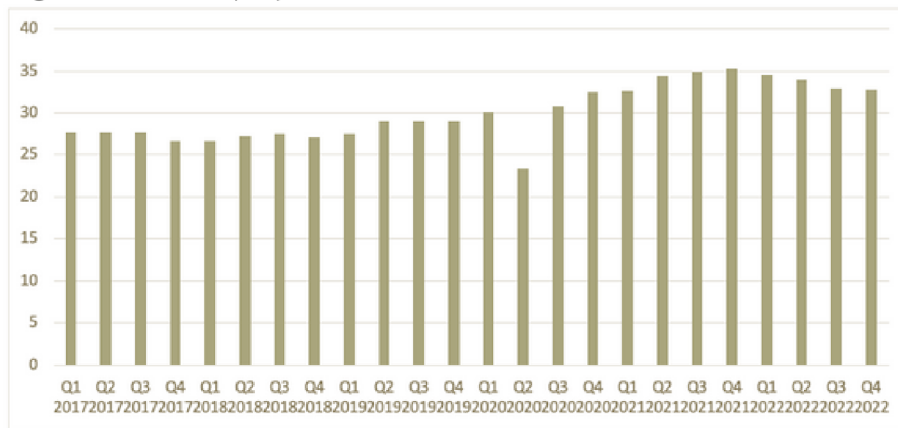
Unemployment rate

Q1 2017- Q4 2022

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

➤ Figure 10 shows the unemployment rate slowed to 32.7% in the fourth quarter of 2022, the lowest since the first quarter of 2021, from 32.9% in the prior period.

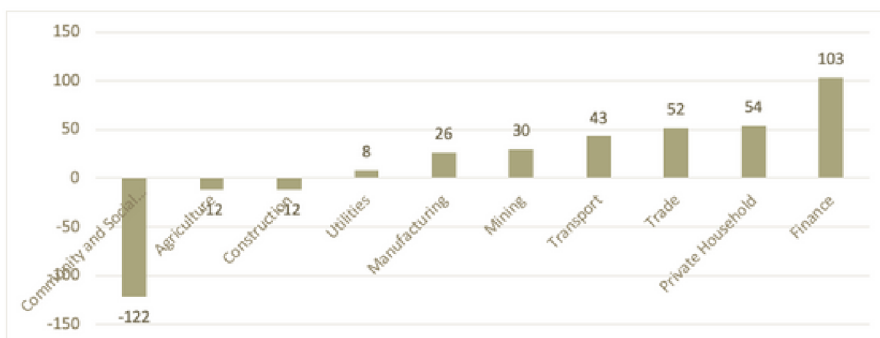
Figure 10 : Unemployment rate (%) Q4 2017 - Q4 2022



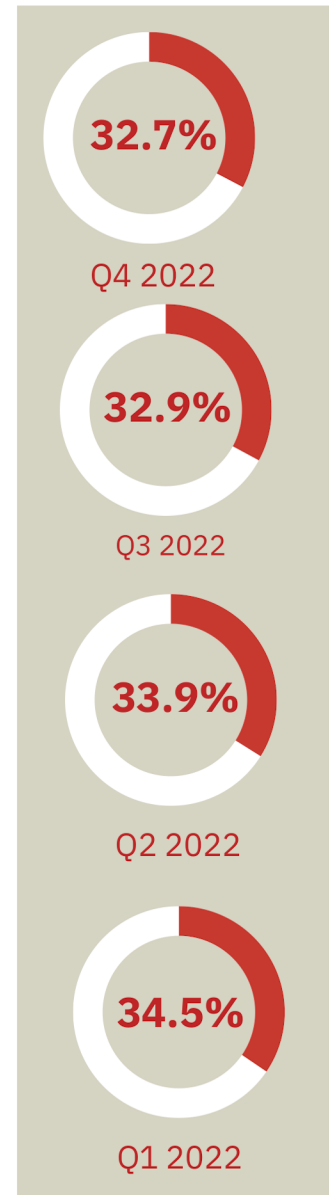
Source: Quarterly Labour Force Survey

✓ Figure 11: Employment rate by industries Q4 2022

the number of employed persons increased in seven of the ten industries. The largest increase in employment was recorded in Finance (103 000), followed by Private households (54 000), Trade (52 000), Transport (43 000), and Mining (30 000). Decreases in employment were recorded in Community and social services (122 000), and Construction (12 000) and Agriculture (12 000).



Source: Quarterly Labour Force Survey

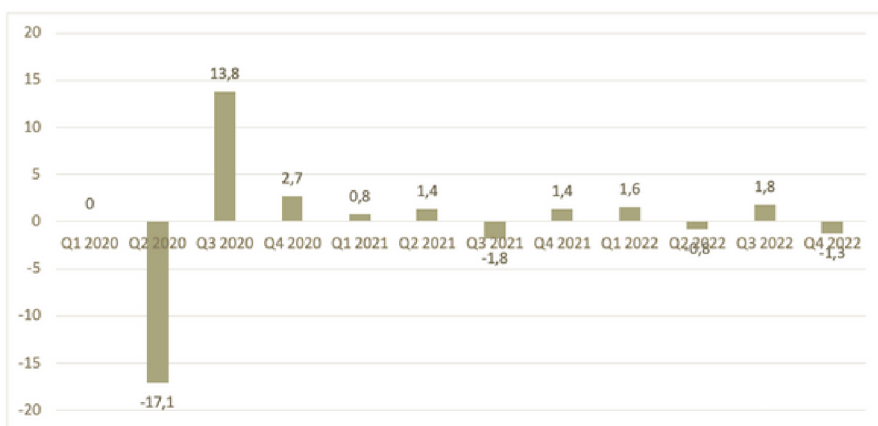


➤ Unemployment rate Q1-Q4 2022

Economic growth & GDP (Q1 2020-Q4 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 12: Growth in GDP % Q1 2020 - Q4 2022



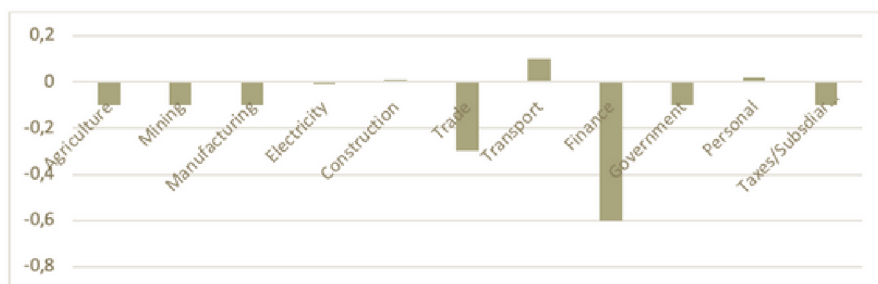
Real gross domestic product (measured by production) decreased by -1,3% in the fourth quarter of 2022, following an increase of 1,8% in the third quarter of 2022.

Source: Statistics South Africa

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

Figure 13: Contributions to growth (%) in GDP by Industries in Q4 2022

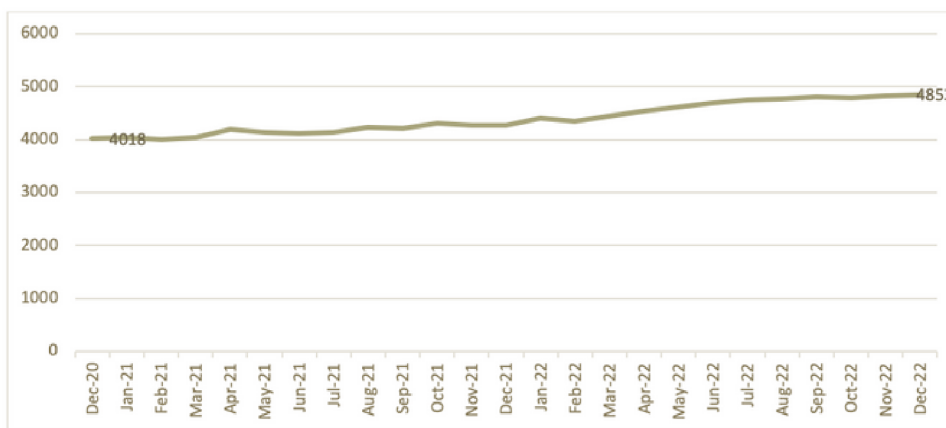


Source: Statistics South Africa (2020)

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 14: The cost of the household food basket | DEC 2020 to DEC 2022



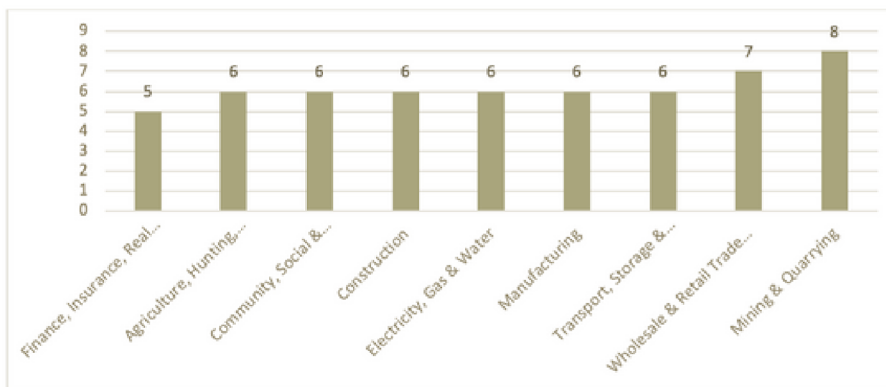
◀ The cost of the household food basket increased to R4853 per month in December 2022 from R4018 in December 2020. This translated to an increase of R835 or (20%) between December 2022 and December 2020.

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 can be used to inform bargaining.

Figure 15: Median increases by industry (%) | 2022



Source: LRS Actual Wage Rates Database



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**.

In 2022:

The financial services sector recorded the lowest median wage, at 5%.

The mining sector recorded the highest media wage increase, at 8%.

References

Labour Research Service, Actual Wage Rates Database (AWARD).

Available at: <http://www.lrs.org.za>

Statistics South Africa. Consumer Price Index publications.

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Available at: <http://www.statssa.gov.za>

Pietermaritzburg Economic Justice and Dignity, Household Affordability Index.

Available at: <https://pmbejd.org.za>

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LEAVE IN THE
HANDS OF THE
BOSSES