

The LRS Report

Bargaining Indicators

2005

Volume 10

June 2005

“Knowledge is too important to be left in the hands of the bosses.”



Published by the Labour Research Service
Cape Town, South Africa

Printed by Fingerprint Co-operative
Elsies River, South Africa

ISBN 1-874893-35-7

© 2005

The copyright of this work is reserved under the Copyright Act of 1978 and Berne Convention. Neither this work nor any part thereof may be reproduced in any form or by any means unless prior permission has been obtained from the Labour Research Service.

Labour Research Service
P.O. Box 376, Woodstock, 7915

Tel: +27 21 447 1677
Email: lrs@lrs.org.za

Fax: +27 21 447 9244
Web Page: www.lrs.org.za

Executive Summary

The Labour Research Service (LRS) publishes **Bargaining Indicators** annually to provide trade union negotiators with information on economic and wage indicators useful for collective bargaining. This is the 10th volume of Bargaining Indicators and contains the three regular reports: the *Economic Review*, the *Wage Review* and the *Directors' Fees Survey*.

The *Economic Review*, written by *Saliem Patel*, points out that the economy performed well in 2004 but due to the structure of the economy, rewards are distributed unfairly. Companies take all the benefits passing on very little to workers. The good performance had much to do with domestic demand. If conditions are created to make this demand sustainable, long term economic growth will become a reality. Easier said than done! These conditions can be created by ensuring that the economy produces for the domestic market and that these producers are rewarded. Instead, and as a result of the continued infatuation with neo-liberal orthodoxy by political and economic decision makers, producers for and buyers from external "global" markets are rewarded. These companies plough very little back into the economy given their preoccupation for shifting and illusive global markets. Collective bargaining must, therefore, begin to address this unsustainable trajectory, which is leading to "deindustrialization, job shedding and even worse living conditions.

The *Wage Review*, written by *Trenton Elsley*, shows that 2004 marks a turning point in the direction of minimum wage increases. The real average minimum wage rose by 6.7% in 2004 after very low increases and even wage cuts in the past five years. All industries showed real minimum wage increases but there is much unevenness. Some showed very high percentage increases but this is off a low base – making it very little in Rand terms. The challenge to ensure that this trajectory of high real wage increases continues is important for improving the living conditions of workers. In the light of low inflation and higher profits recorded by companies there can be no excuse – although greed will provide companies with many.

The *Directors' Fees Survey*, written by *Riedwaan Baboo*, once again highlights the long tradition of inequality within companies – on average, executives were rewarded with a 38% or R1.1 million increase in 2004. The average remuneration for executive directors has gone from over R2.5 million in 2003 to R3.7 million in 2004. The ratio of the average executive's remuneration to that of the average worker's wage has grown from 111 in 2003 to 150 in 2004. In certain sectors this gap is even higher. Needless to say, this should be stopped and taken up in collective bargaining at company, sectoral and national levels.

Acknowledgements

Drafts of the three reports in **Bargaining Indicators** were presented at the annual trade union “**Negotiators’ Conference**” hosted by the LRS in March 2005. The comments of trade union participants, located at the coal face of collective bargaining, were very helpful in ensuring that the information contained in the final reports is useful to people, like them, whose job it is to defend and advance workers’ interests on a daily basis.

All the staff at the LRS contributes in one or other way to the production, publication and distribution of **Bargaining Indicators**. Special mention must be made of the resource staff – the Actual Wage Rate Data Base administrator, *Oupa Mthethwa*, and the librarians of the Trade Union Library, *Busisiwe Vananda* and *Nokuthula Mankunu* – who gathered the necessary resource material that lays the basis for the reports in this publication. *Annelize Kotze*, a student research assistant at the LRS, provided assistance with logistics of the “**Negotiators’ Conference**”.

Warren Nelson designed the cover and *Fingerprint Co-operative* ensured that the publication was printed without delay.

Editor: Saliem Patel

Contents Page

List of Tables & Figures	2
Economic Review	3
Introduction	4
Poverty, Inequality and Unemployment	5
Economic Growth:	9
Domestic Expenditure and Gross Fixed Capital Formation	11
Employment and Remuneration	13
Operating Surpluses, Productivity and Labour Cost.....	14
Total Factor Incomes:	15
Inflation and Interest Rates	16
Savings and Debt:	17
Exchange Rate and Foreign Debt	18
Trade and Foreign Investment	19
Conclusion:	23
Resources:.....	24
Wage Review	27
Introduction	28
Methodology.....	29
General Trends of the Average Minimum Wage.....	30
The Average Minimum Wage In 2004	30
Average Minimum Wage: 2000 - 2004	30
The Minimum Wage in Bargaining Agreements	33
The Average Minimum Wage Compared to Subsistence Benchmarks	34
Minimum Wages By Industry.....	35
Agriculture:	37
Wholesale and Retail:	37
Manufacturing:.....	38
Community and Social Services:	39
Construction:.....	39
Mining:	40
Transport:.....	41
Bargaining Council Agreements and Sectoral Determinations.....	42
Minimum Wages in Bargaining Council Agreements	42
Bargaining Council Wages for Semi- and Skilled Work	44
Sectoral Determinations.....	45
Minimum Wages Negotiated By Selected Trade Unions	46
Conclusion	48
Resources.....	49
Directors' Fees Survey	51
Introduction	52
Methodology.....	54
General Trends	55
Sectors	57
Highest and Lowest Earners	58
Conclusion	59
Resources.....	60
Appendix One: Average Directors Fees 2004	61
Appendix Two: Average Non-Executive Directors Fees 2004.....	62
Appendix Three: Company Performance For 2004.....	63
Bargaining Challenges	64

List of Tables & Figures

Tables:

Table 1: National And International Poverty Lines	5
Table 2: Growth of Unemployment 1998-2003	8
Table 3: Industry Contribution to GDP and GDP growth (2002-2003)	11
Table 4: Gross Domestic Expenditure	12
Table 5: Change In Private Sector Employment (%)	13
Table 6: Inflation (CPI) 2003-2004.....	16
Table 7: Inflation of CPIX Components	16
Table 8: Ratio of Gross Savings To GDP (2003-4)	17
Table 9: Ratio of Household Debt To Disposable Income.....	18
Table 10: Foreign Capital Inflows and South African Capital Outflows (2000-2004).....	22
Table 11: Percentage Increase in the Average Minimum Wage in 2004	30
Table 12: Nominal and real increases in Average Minimum Wages in 2004	30
Table 13: Average Minimum Wage: 2000 & 2004.....	31
Table 14: Nominal and Real Annual Minimum Wage Increases – 2002-2004	32
Table 15: Average Minimum Wage: Agriculture	37
Table 16: Average Minimum Wage: Wholesale & Retail	38
Table 17: Average Minimum Wage: Manufacturing	38
Table 18: Average Minimum Wage: Community & Social Services	39
Table 19: Average Minimum Wage: Construction	40
Table 20: Average Minimum Wage: Mining.....	40
Table 21: Average Minimum Wage: Transport	41
Table 22: The Minimum Wage in Bargaining Council Agreements.....	42
Table 23: Wages for Semi-Skilled and Skilled Work in Bargaining Agreements.....	44
Table 24: Wages in Sectoral Agreements	45
Table 25: Rate of Unionisation by Industry	48
Table 26: Directors Average Annual Increase	55
Table 27: Ratio of Directors' Fees to the Average Minimum Wage: 2003 & 2004.....	56
Table 28: Executive and Non-Executive Directors' Fees for Selected Sectors in 2004.....	57
Table 29: Companies Paying the Highest Average Directors' Fees.....	58
Table 30: Companies Paying the Lowest Average Directors' Fees	58

Figures:

Figure 1: Average Annual Household Income (Rands) 1995 & 2000	6
Figure 2: Gini Co-Efficient (2003) For South Africa.....	7
Figure 3: Percentage Growth of Unemployment.....	8
Figure 4: Gross Domestic Product Annual Increase (Actual and Forecast).....	9
Figure 5: Compensation of Employees (Current Prices and % Change).....	14
Figure 6: Ratio of Compensation to Employees and Gross Operating Surpluses – 1997-2004 (at current prices) ..	15
Figure 7: Foreign Debt in Rands and U.S. Dollars.....	19
Figure 8: South Africa's Share of Global Trade (%) 1948-2003	20
Figure 9: South African Trade Balance (R 000)	20
Figure 10: Structure of the South African Trade Balance: 1992 -2004.....	21
Figure 11: Foreign Direct Investment in South Africa (1985-2003).....	22
Figure 12: Composition of Employment: March & September 2004	28
Figure 13: Nominal and Real Wage Increase (%) From 2000 To 2004	31
Figure 14: Real Percentage Increase of the Average Minimum Wage 2000-2004.....	32
Figure 15: Number of Bargaining Agreements In Minimum Wage Categories.....	33
Figure 16: Minimum Wage Compared to Household Income Requirements: 2003 & 2004.....	34
Figure 17: Wage Agreements Relative to MLL, SLL and HSL.....	35
Figure 18: The Average Minimum Wage Increase (%) in Selected Industries	36
Figure 19: Actual Average Minimum Monthly Wage (Rands) for Selected Industries	36
Figure 20: Minimum Wage Increase Attained By Selected Trade Unions (%).....	46
Figure 21: Actual Average Minimum Monthly Wage Attained By Selected Trade Unions in 2003 & 2004	47
Figure 22: Increase (%) of Directors' Fees, Company Performance, Wages, GDP and CPI	56

Economic Review

A Review of the Economy in 2004

Introduction

“With average growth projected at 4 per cent a year over the period ahead, real per capita income will rise by at least 30 per cent in the second decade of freedom. We surely need to target growth of at least this order of magnitude if we are to see the progress we desire in making hunger history, in facing the season of hope with pride and vision.” (Trevor Manuel, Budget Speech, February 2005, p8)

The task before us, however, is to ensure that this second decade of our freedom must be the decade for the workers and the poor, as part of consolidating the NDR and the struggle for socialism. (Political Report of the Central Committee of the SACP, April 2005, p2. – www.sacp.org.za)

The economy in 2004 performed well – at least in comparison to the past four years. Economic growth, investment, employment, company profits, inflation, trade and investment all show better than expected results. Significant among these economic indicators is the low inflation rate because inflation has become a crucial benchmark for collective bargaining on wages. The consumer price index (CPI) was 1.4% in 2004, down from 5.8% in 2003, and CPI-X (CPI excluding inflation of mortgage bonds) was 4.3% in 2004, down from 6.8% in 2003. While employers try to stick to inflation related increases, trade unions attempt to win above inflation increases so that workers can improve the quality of their lives. Given the low inflation rate, however, a two to three percent above inflation increase will not translate into much, in Rand terms, for workers. This is not to dispute the fact the high inflation did in any case eat into wages when workers previously received higher percentage increases. However, in the context of low inflation and companies recording higher profits, there is room in collective bargaining to tackle the key challenge facing South Africa – to raise wages so that a positive impact can be made on the structural problems of poverty, unemployment and inequality in our society.

The irony is that while economic indicators show improvements, socio-economic indicators show deterioration. Noting that the first decade of democracy brought limited change to the living conditions of the poor, the Political Report of the SACP points out “that this second decade of our freedom must be the decade for the workers and the poor”. Why and how this socio-economic deterioration occurs is a debate that is overdue and extremely necessary if we are to set concrete objectives for the decade ahead.

This year we celebrate 50 years of the Freedom Charter and it is timely to raise this debate and discuss strategies appropriate for this period that can eliminate poverty, discrimination and exploitation and take us closer to the vision of a free and egalitarian society. The Freedom Charter served as the basis for bringing together a range of organisations in different sectors and communities to confront the apartheid system. While sufficient strength was built up by the working class to get rid of the apartheid government, the system of oppression and exploitation remains at work. If the ten years of democracy has taught us one thing, it is that there is no alternative to strong organisations and unity within the working class to bring about further

fundamental changes to the unequal society that we live in – a society characterised by mass poverty on the one hand and extreme wealth for a few on the other.

This report is intended to equip trade union negotiators with basic information needed in collective bargaining and therefore highlights various economic indicators of 2004 that will impact on collective bargaining during this year. It also provides indicators on poverty, inequality and unemployment that are useful to keep in mind when engaged in collective bargaining. The shortcoming of mainstream indicators is that they do not reveal the impact of the economy on the social and economic conditions of workers and the poor. This is the reason that workers really engage in collective bargaining and so these indicators can, at best, assist in preparations to counter employers' arguments rather than to determine the actual demands of workers.

Poverty, Inequality and Unemployment

Poverty measures are constructs that tell us little about the effects of poverty and the hardships it bestows on individuals, communities and society as a whole. They are attempts to quantify how pervasive poverty is and how deeply embedded it is in our society. There are different poverty measures and the difference is based primarily on the different income values used. The National Poverty Line used an adult income level of R354 per month or less in 1995. This amount can be adjusted yearly by inflation increases. There are two International Poverty Lines: one is an income of less than \$2 a day the other is less than \$1 a day. Using the National Poverty Line, the UNDP shows that, in 2002, 48.5% of South Africa's population lived in poverty. Although an extremely high percentage, it is lower than the 51.1% that it was in 1995. It is also important to note that while the percentage has dropped, the numbers of people living below the National Poverty Line increased from 20.2 million in 1995 to 21.9 million in 2002. The UNDP also shows that the percentage of the population living on less than \$2 a day dropped from 24.2% in 1995 to 23.8% in 2002 but it increased for those living below \$1 a day from 9.4% to 10.5% in the same period.¹

Table 1: National And International Poverty Lines

	National Poverty Line	International Poverty Line	
	Population below the poverty line (%)	Population below \$2 a day (%)	Population below \$1 a day (%)
1995	51.1	24.2	9.4
2002	48.5	23.8	10.5

Source: UNDP, 2003: p41.

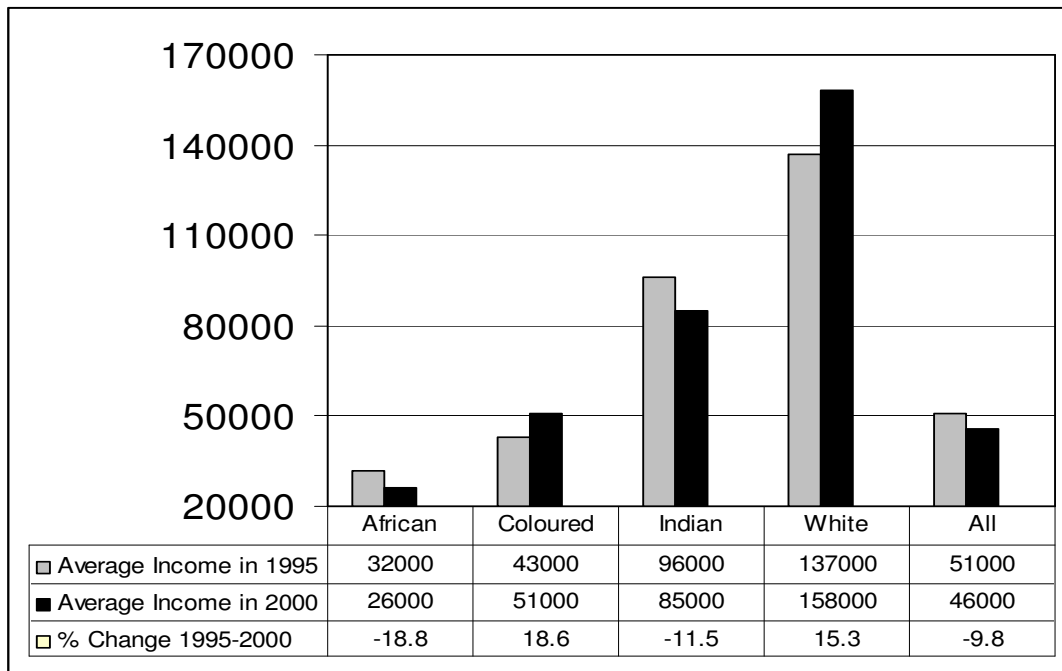
¹ United Nations Development Programme.2003. **South Africa Human Development Report 2003.** Oxford University Press, Oxford, pp40-41.

Poverty has racial and gender dimensions with Africans making up 91.1% and Women making up 54.4% of those living in poverty.²

Poverty in South Africa is accompanied by inequality. The 2004 **Human Development Report** states that in 1995, the poorest 10% of the South African population shared less than 1% of total income while the richest 10% of the population shared almost 50% of total income.³

The average South African household lived on an income of R46 000 in 2000, which is a drop from the R51 000 that it was in 1995. As shown in Figure 1, the average African household income is almost half the national average, the average Coloured household income is slightly more than the national average, the average Indian household income is almost double the national average, and the average White household income is more than three times the national average. While the average African household income dropped by about 19% between 1995 and 2000, the average White household income rose by about 15%. The average White household income increased from 4 times the average African household income in 1995 to 6 times more by 2000.⁴

Figure 1: Average Annual Household Income (Rands) 1995 & 2000



Source: South African Survey, 2004, p176

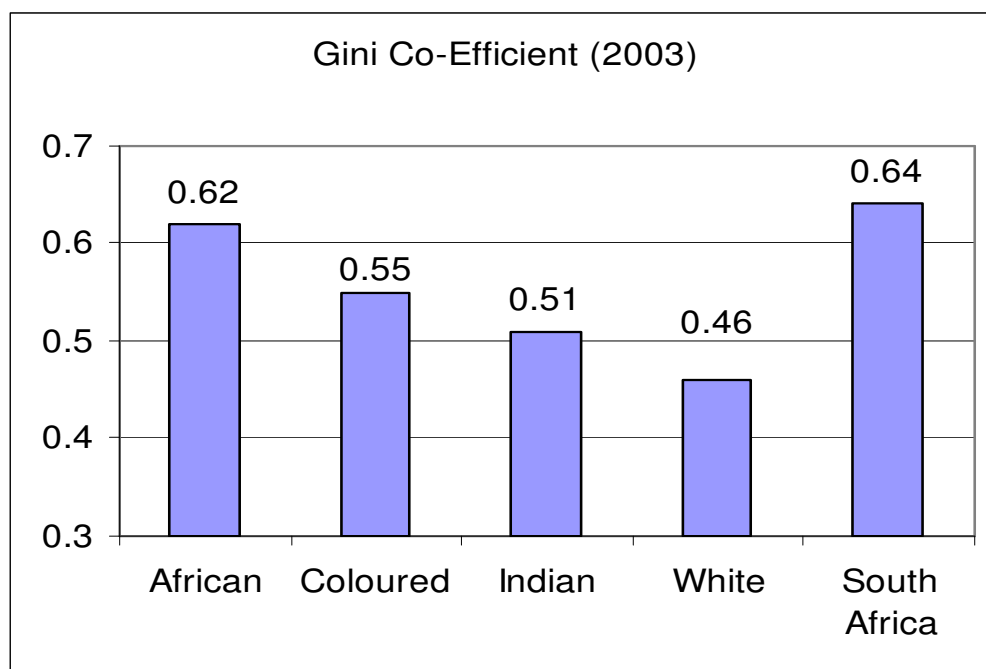
² Ibid. pp42-43.

³ UNDP, **Human Development Report 2004**, p284.

⁴ Kane-Berman, J. **South African Survey 2003/4**. South African Institute of Race Relations, Johannesburg, 2004.

The Gini Coefficient is a measure of inequality with a scale of zero to one. Zero being equality and one being inequality. The Gini Coefficient for South Africa is a high 0.64, comparable to countries in the world in which there are huge inequalities. Figure 2 reveals that inequality is highest among Africans and lowest among Whites. This implies that the gap between rich and poor Africans is greater than the gap between rich and poor Whites.

Figure 2: Gini Co-Efficient (2003) For South Africa



Source: SA Survey, 173

One way in which poverty and inequality is perpetuated by the socio-economic system is through structural unemployment or what can also be called economic exclusion.⁵ This is a situation in which large numbers of the population are unemployed and the chances of them obtaining decent work are unlikely. Furthermore, certain sections of the population entering the labour market will also be unlikely to obtain jobs. The number of people unemployed is shown in Table 2. Africans made up the biggest proportion of unemployed in 2003 – 7.4 million of the total 8.3 million.

⁵ Natrass 2003; Terreblanche 2002

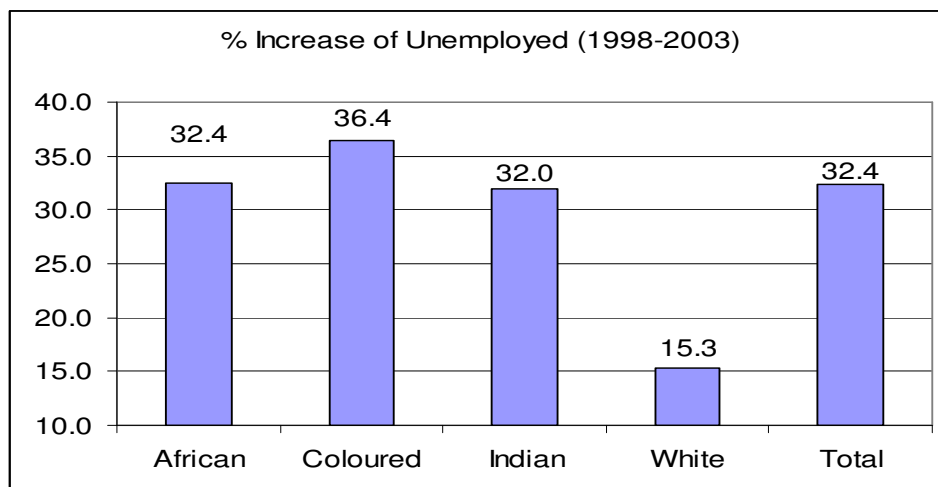
Table 2: Growth of Unemployment 1998-2003

Unemployment Trends 1998-2003 by Race (Expanded Definition)					
	African	Coloured	Indian	White	Total
1998	5,048,000	367,000	83,000	133,000	5,634,000
1999	5,235,000	397,000	99,000	146,000	5,882,000
2000	5,757,000	513,000	105,000	177,000	6,559,000
2001	6,774,000	582,000	145,000	193,000	7,698,000
2002	6,865,000	605,000	164,000	232,000	7,876,000
2003	7,472,000	577,000	122,000	157,000	8,332,000
Increase (1998-2003)	2,424,000	210,000	39,000	24,000	2,698,000
% Increase (1998-2003)	32.4	36.4	32.0	15.3	32.4

Source: SA Survey, 2004, p165.

Table 2 also shows that the number of unemployed people has grown tremendously in the recent past and that these numbers are growing in all the racial categories. What is also visible is that the growth of unemployment between 1998 and 2003 is higher for blacks than for whites. It grew by 32%, 36% and 32% for Africans, Coloureds and Indians respectively while unemployment among Whites grew by 15%, which is way below the percentage growth for the country as a whole.

Figure 3: Percentage Growth of Unemployment



These statistics gives credence to Sampie Terreblanche’s argument:

“Parallel to the process of ‘liberating’ black labour from centuries of subjugation, South Africa has since 1970 experienced socio-economic processes that have plunged the majority of Africans into a different kind

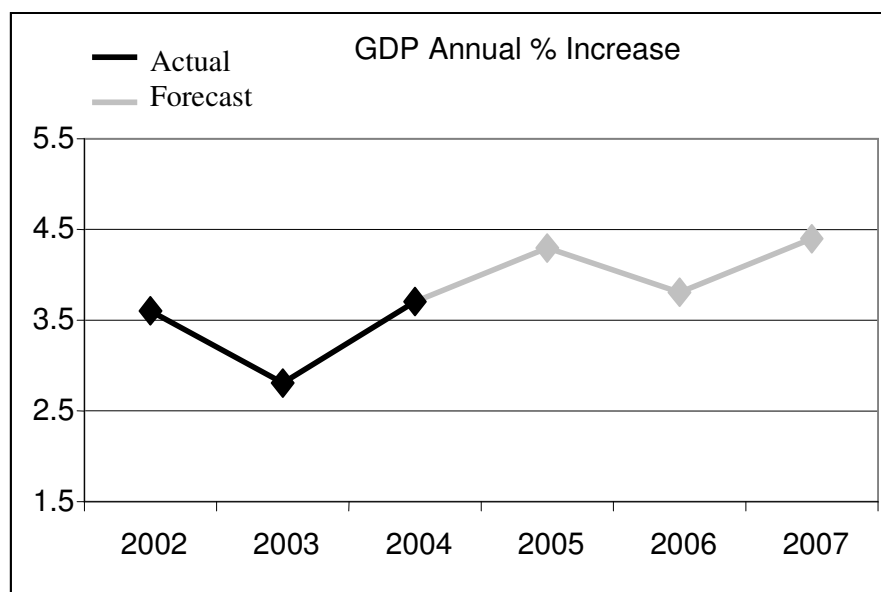
of economic bondage marked by structural unemployment and abject poverty.” (Terreblanche 2002: 11)

It is this bondage that ensures that “old forms of inequality have been perpetuated and some entrenched more deeply than ever before” despite South Africa’s transition to an inclusive democracy with positive economic growth rates since 1994.⁶

Economic Growth:

The gross domestic product (GDP) is a measure of the total flow of goods and services produced by the economy during a certain period. South Africa’s GDP grew by 3.7% in 2004, which was higher than the 2.9% expected at the beginning of that year. This led to a great deal of optimism. The Minister of Finance, Trevor Manuel, recently forecast an average of 7% GDP growth by 2010. In the National Budget, released by the Minister in February, growth rates of 4.3%, 3.8% and 4.4% is forecast for 2005, 2006 and 2007 respectively.⁷ “We expect a continued expansion of between 4 and 4.5 per cent over the next three years”, the Minister said in his budget speech, which is higher than the average 3.2% annual growth rate over the past three years.⁸

Figure 4: Gross Domestic Product Annual Increase (Actual and Forecast)



Sources: Stats SA, February 2005; Business Day, 17 March 2005.

⁶ Terreblanche, S. 2002. **The History of Inequality in South Africa – 1652-2002.** pp xv.

⁷ Linda Endor, Business Day, “Manuel Sets Sights on 7% Growth”, www.bday.co.za. 17 March 2005.

⁸ Trevor Manuel, Budget Speech, February 2005, www.finance.gov.za

The global economy, and especially the economies of the USA, Europe and Japan, started picking up in mid 2003 and continued into 2004. This, according to the Reserve Bank, accounts for the inflow of investment capital “to an amount exceeding the deficit on the current account”. This also contributed to the Rand’s strength, which although affecting profits of companies that rely on a weak exchange rate, did lead to improved terms of trade. Share prices on the JSE security exchange soared, recording all time highs in November 2004, as demand for shares increased. The demand for minerals, especially coal, diamonds and platinum more than compensated for the structural decline of gold production.⁹

Domestic factors played a big role in generating higher economic growth:

1. The growth rate of Agriculture, Forestry and Fishing, although a marginal 1.2%, compared well to the decline in 2003 (-6%), which was “acting as a drag on the economy in 2003”.¹⁰
2. The growth of consumer spending in South Africa also counteracted the “damaging impact of a stronger local currency and disappointing export growth” and “instigated a turn around in the manufacturing sector from its recession in 2003.”¹¹ The increase of consumer spending was attributed to low inflation, low interest rates, a larger part of the population being able to access finance and a change in the demographic profile of consumers.

According to Stats SA: “The main contributors to the increase in economic activity in 2004 were the wholesale, retail trade, hotels and restaurants (0,9 of a percentage point); finance, real estate and business services (0,7 of a percentage point); transport and communication (0,5 of a percentage point); and manufacturing (0,4 of a percentage point) industries.”¹² This can be seen in the last column of Table 3.

The second column in Table 3 shows that services contributes a large percentage of the GDP while mining and agriculture constitutes a small share. Finance, Personal Services and Government Services account for over 35% and if Transport and Retail are added then it amounts to over 60%. Manufacturing accounts for 17% and Construction 2.2% of GDP. Mining accounts for 6.5% and Agriculture for 3%.

The third column in Table 3 highlights the declining growth rate in three industries since 2002 – the transport, storage and communication industry, the finance, real estate and business services industry and the agriculture, forestry and fishing industry. All the other industries either grew or sustained previous growth rates.

⁹ SARB, Quarterly Bulletin, December 2004, p2-3.

¹⁰ Standard Bank, The Economy in 2005, January 2005, p4.

¹¹ Ibid. p5.

¹² Stats SA, Gross Domestic Product: Fourth Quarter 2004, February 2005, PO441. pg 1.

Table 3: Industry Contribution to GDP and GDP growth (2002-2003)

Industry	Relative size 2004 (percent) ^{1/}	Real annual percentage change for the year 2002 (compared with 2001), 2003 (compared with 2002) and 2004 (compared with 2003)			Contributions to the total real annual economic growth rate (percentage points) ^{2/}		
		2002	2003	2004	2002	2003	2004
Agriculture, forestry and fishing	2,9	6,5	-6,0	1,2	0,2	-0,2	0,0
Mining and quarrying	6,5	1,0	4,3	4,2	0,1	0,3	0,3
Manufacturing	17,2	2,8	-0,9	2,6	0,5	-0,1	0,4
Electricity, gas and water	2,2	0,2	0,4	1,9	0,0	0,0	0,0
Construction	2,4	5,8	5,2	6,3	0,1	0,1	0,2
Wholesale and retail trade; hotels and restaurants	13,0	2,3	6,7	6,5	0,3	0,9	0,9
Transport, storage and communication	9,5	9,0	5,2	5,5	0,8	0,5	0,5
Finance, real estate and business services	18,3	6,2	4,1	3,8	1,1	0,8	0,7
Personal services	5,5	2,5	4,9	3,9	0,1	0,3	0,2
General government services	13,5	0,5	1,0	1,2	0,1	0,1	0,2
<i>Total value added</i>	<i>91,1</i>	<i>3,6</i>	<i>2,9</i>	<i>3,8</i>	<i>3,4</i>	<i>2,6</i>	<i>3,4</i>
Taxes less subsidies on products	8,9	2,7	2,1	3,1	0,2	0,2	0,3
GDP at market prices	100,0	3,6	2,8	3,7	3,6	2,8	3,7

^{1/} The relative size of each industry for the year 2004 is the share of its real value added of the GDP for the year 2003. Similarly, the relative size of taxes less subsidies on products is the share of its value of the GDP for the year 2003.
^{2/} The contribution is calculated by multiplying the percentage change of each industry (and taxes less subsidies on products) with its share of GDP in the previous year (i.e. its relative size).

Source: StatsSA, Gross Domestic Product (P0441), February 2005, p1

Domestic Expenditure and Gross Fixed Capital Formation

The aggregate demand which determines the level of activity in the economic is measured by gross domestic expenditure (GDE) – this rose by 6.5% in 2004, which is higher than the annual increase of 5.5% in 2003. Although there were increases in all components of domestic expenditure, household consumption increased dramatically from 3.5% in 2003 to 6% in 2004. This was financed through households incurring higher levels of debt.

Table 4: Gross Domestic Expenditure

	Gross Domestic Expenditure									
	2003					2004				
	1st Q	2nd Q	3rd Q	4th Q	Year	1st Q	2nd Q	3rd Q	4th Q	Year
Household Consumption	3	3.5	5.5	6	3.5	6	6.5	6.5	7	6
General Government	6	6.5	6.5	14	6.5	6	6	0	13	7
Fixed Capital Formation	8	4.5	7	10	9	11.5	10	7.5	9	9.5
Change in Inventories	7.6	10.5	9.2	9.2	9.2	9.6	14.9	13.6	7.6	11.4
Gross Domestic Expenditure	7	5.5	6	8.5	5.5	5.5	9	2.5	4.5	6.5

Source: SARB, Quarterly Bulletin, March 2005, p7

Government expenditure rose by 7% in 2004, which is slightly higher than the growth of 6.5% in 2003. The ratio of government consumption expenditure to GDP in 2004 was 20%, “approximating levels previously observed during the period 1992 to 1994”. Notably the high increase in government expenditure in the 4th quarter of 2004 was for a maritime vessel that is part of the defense procurement programme.¹³

Gross Fixed Capital Formation (GFCF) is a measure of the spending on fixed investment (plant, equipment, etc.) during a specified period. In 2004, GFCF increased in both the public and private sectors. It has been noted that “the stellar rise in fixed investment mirrors the optimism reflected by business confidence indices, which are at record highs”.¹⁴ However, the percentage increase of 9.5% is only slightly higher than the 9% recorded for 2003 and still far below the 25% needed for a sustainable development trajectory to emerge. The Reserve Bank notes that: “The ratio of gross fixed capital formation to gross domestic product improved from 16 per cent in 2003 to 16.5 percent in 2004. This compares well with the average ratio of 15.5 percent from 2000 to 2003.”¹⁵

¹³SARB, Quarterly Bulletin, December 2004, p8.

¹⁴ Standard Bank, “The Economy in 2005”, January 2005. p7. www.standardbank.co.za

¹⁵ SARB, Quarterly Bulletin, March 2005, p10

Employment and Remuneration

Economic growth in the last year created more employment. Almost 196 thousand jobs were created between mid 2003 and mid 2004 in the formal non-agricultural sector. The annualised quarterly percentage growth of employment shot up from 2.2% in the third quarter of 2003 to 5% in the second quarter of 2004. Almost 90% of these jobs were created in the private sector.¹⁶

Table 5: Change In Private Sector Employment (%)

Second Quarter Annualised Change in Non Agricultural Private-Sector Employment (2004)	
Gold Mining	-10.1
Non-Gold Mining	19.9
Manufacturing	0.6
Electricity Supply	-1.7
Construction	1.5
Trade, Catering and Accommodation Services	8.5
Transport, Storage and Communication	6.4
Financial Intermediation, Insurance, Real Estate and Business Services	3.4
Washing and Laundry Services	20.2
Total Private Sector	5.3

Source: SARB, Quarterly Bulletin, December 2004, p13.

It appears that the expansion of the construction, retail, catering and manufacturing sectors will continue in 2005, so there is hope that more jobs will be created this year. In addition, the government's Expanded Public Works Programme that will take effect this year intends to contribute to job creation in the public sector. What is worrisome is that the economy is not creating jobs fast enough to deal with new entrants into the labour market – for example, while it is estimated that 2 million jobs were created between 1995-2003, the workforce expanded by 6 million in the same period and thereby adding 4 million to the unemployed.¹⁷ The unemployment rate stands at anything between 27.8% (the official rate) and 41%.¹⁸

Total Compensation of Employees increased throughout 2004 resulting in a yearly increase of 8.3%. This is down from the 9.2% increase in 2003. The Reserve Bank notes that “the slowdown in compensation to employees might ultimately reduce its share in total factor incomes”.¹⁹

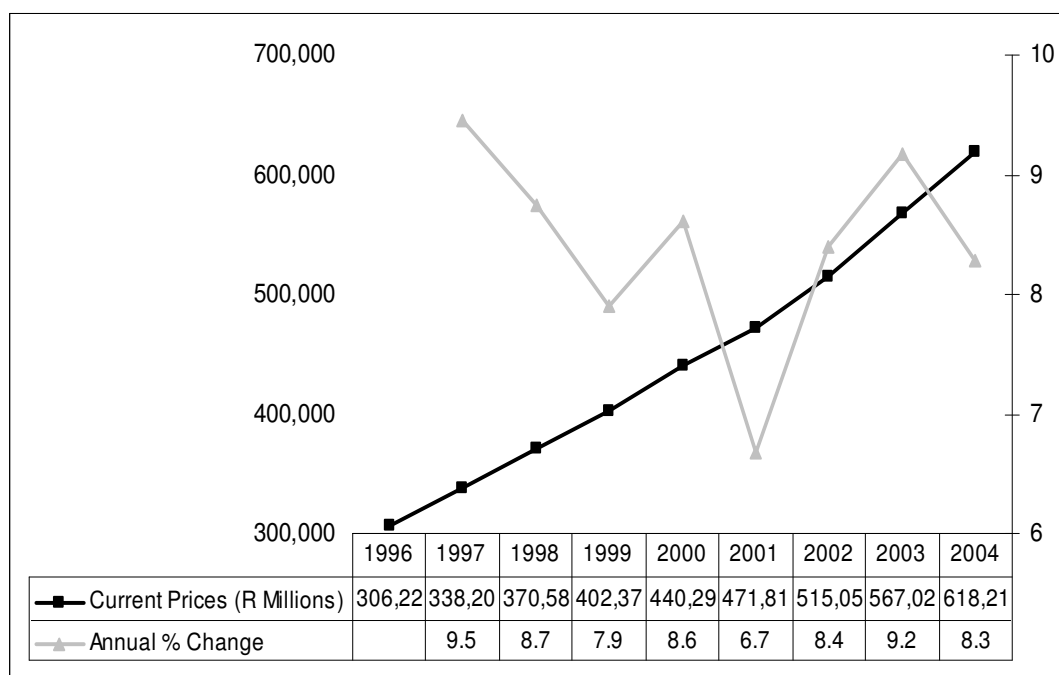
¹⁶ SARB, Quarterly Bulletin, December 2004, pp 12-13.

¹⁷ Business Day, “From Growth to Jobs”, 6 December 2004. www.bday.co.za

¹⁸ Linda Ensor, “Jobless rate ‘far lower than 40%’”, Business Day, 8 March 2005. www.bday.co.za

¹⁹ SARB, Quarterly Bulletin, March 2005. p11.

Figure 5: Compensation of Employees (Current Prices and % Change)



Source: SARB, December 2004 and March 2005 Quarterly Review S-137.

Operating Surpluses, Productivity and Labour Cost

Operating surplus is a measure of company profits – that is, the difference between the revenue made and the operating costs incurred. The Reserve Bank notes that nominal gross operating surpluses of businesses rose by 8% in 2004, which “is substantially higher than the 3.5% increase in 2003”.

Productivity continued to rise but not at the same level. Real output per worker in the formal non-agricultural sectors of the economy, notes the Reserve Bank, “had slowed down to 3.3 percent in the first quarter of 2004, moderated even further to 1.1 percent in the second quarter and 1.3 percent in the third quarter”.²⁰

As for average remuneration per worker, the Reserve Bank states that there have been moderate and declining increases – 9.6% in 2002, 8.7% in 2003 and 7.7% in the first three quarters of 2004. It also notes that the average wage settlements in collective bargaining agreements declined from 8.9% in 2003 to 6.8% in 2004 while the average

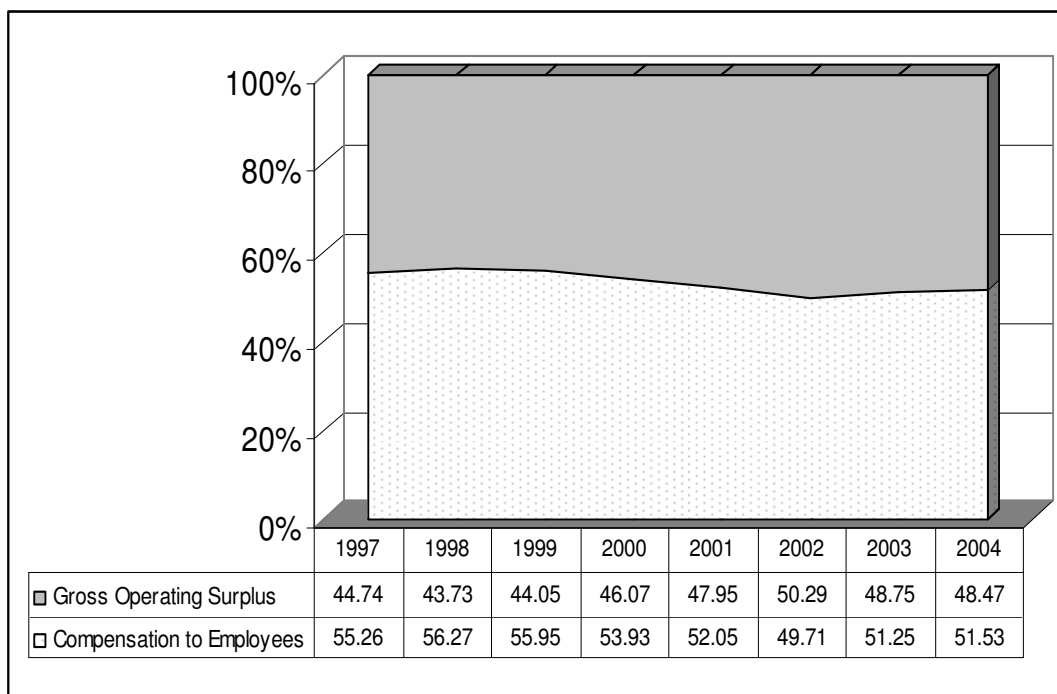
²⁰ SARB, Quarterly Bulletin. March 2005. pp12, 16.

minimum wage rose by a higher 7.4% in this year. The number of mandays lost in industrial action rose from 0.7 million in 2003 to 1.1 million in 2004.²¹

Total Factor Incomes:

Total factor incomes or the income generated in the economy is made up of gross operating surpluses (company profits) and compensation to employees (salaries and wages). The figure below shows that the proportion of income accounted for by company profits increased from about 45% in 1997 to over 50% in 2002. Thereafter it dropped to under 49% for 2003 and 2004. Conversely, the proportion accounted for by wages and salaries dropped from 55% in 1997 to 50% in 2002 before picking up slightly to 51% in 2003 and 2004.

Figure 6: Ratio of Compensation to Employees and Gross Operating Surpluses – 1997-2004 (at current prices)



Source: Calculated from SARB, Quarterly Bulletin, March 2005, S-133)

²¹ Ibid. p14.

Inflation and Interest Rates

Inflation is at historic lows. The measures used for inflation are the CPI (consumer price index) and the CPI-X (CPI without inflation of mortgage bonds). CPI has risen by a mere 1.4% in 2004 (see Table 6).

Table 6: Inflation (CPI) 2003-2004

Base year: 2000 = 100														
Year	Index	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Ave.
2003	Index	121,6	121,5	122,7	123,1	122,8	122,4	122,4	122,9	122,5	121,7	120,8	120,9	122,1
	% 1)	+11,6	+10,3	+10,2	+8,8	+7,8	+6,7	+5,2	+5,1	+3,7	+1,5	+0,4	+0,3	+5,8 2)
2004	Index	121,8	122,4	123,2	123,4	123,5	123,9	124,3	124,1	124,1	124,6	125,3	125,0	123,8
	% 1)	+0,2	+0,7	+0,4	+0,2	+0,6	+1,2	+1,6	+1,0	+1,3	+2,4	+3,7	+3,4	+1,4 2)
2005	Index	125,4	..	..	..	..	..	..	..	..	..	..	..	..
	% 1)	+3,0	..	..	..	..	..	..	..	..	..	..	..	.. 2)

Source: StatsSA, Consumer Price Index (CPI) January 2005

CPI-X (CPI without inflation of interest on mortgage bonds) also receded from 6.8% in 2003 to 4.3% in 2004. The Reserve Bank provides a breakdown of CPI-X components, showing that the prices of housing services, transport running costs and alcoholic beverages and tobacco all went up by more than 6%. The price of food as well as furniture and equipment went up by less than 3%. The price of vehicles, clothing and footwear actually declined.

Table 7: Inflation of CPIX Components

Inflation in CPIX components			
Percentage change over same period in previous year			
	Weights	2004 (annual average)	2005 Jan
Alcoholic beverages and tobacco	3,1	10,1	10,0
Transport running cost	5,7	10,2	9,0
Total housing services	13,4	8,7	6,4
Services excluding housing and transport	16,5	6,5	6,0
Total transport services	3,9	3,5	3,3
Total other goods (not included elsewhere)	17,5	3,6	3,0
Food	26,9	2,0	1,4
Furniture and equipment	3,2	0,5	-0,1
Vehicles	5,7	-0,8	-1,4
Clothing and footwear	4,1	-3,8	-2,8
Total CPIX	100,0	4,3	3,6

Source: SARB, Quarterly Bulletin. March 2005: 19

Interest rates remained stable through most of 2004 despite calls for a reduction from both labour and business organisations. The repurchase rate of 8% lasted from December 2003 to August 2004 when it was reduced to 7.5%. Private Sector Banks followed the reduction in August bringing the mortgage rate to 11%. The reasons for the stable interest rate are low inflation and the appreciation of the Rand, aside from the fact that the interest rate already declined by 6 percentage points between June 2003 and August 2004 and is at its lowest in 24 years.²²

Savings and Debt:

Economists have complained consistently that savings in South Africa is too low for sustainable growth. Despite this warning, “gross saving as a percentage of gross domestic product declined from 15% in the third quarter of 2004 to 13.5% in the fourth quarter”. As can be seen in Table 8, the ratio of savings to GDP declined from 15.7% in 2003 to 14.4% in 2004. Reasons for this are that the corporate sector made higher dividend and tax payments, while household expenditure rose faster than disposable income. Savings by government remained stable.²³

Table 8: Ratio of Gross Savings To GDP (2003-4)

Ratio of Gross Savings to GDP (2003-2004)					
	Seasonally Adjusted at Annualised Rates				Annual % at Current Prices
Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	
2003	16.6	14.3	16.2	15.8	15.7
2004	15.3	14.2	14.9	13.4	14.4

Source: SARB, Quarterly Bulletin, March 2005, S-156.

Household debt increased dramatically to finance the growth of household expenditure. This resulted in the increase of the debt to income ratio for households from 51.7% at the end of 2003 to 54.5% at the end of 2004. Table 9 below, shows a steady increase since the fourth quarter of 2003 with annualised rates going from 51.4% to 56.8% in the fourth quarter of 2004. If there is an increase in the interest rate, as has been in other countries, there will be grave consequences for household budgets.

²² SARB, Quarterly Bulletin, March 2005. p36)

²³ SARB, Quarterly Bulletin, March 2005. p12.

Table 9: Ratio of Household Debt To Disposable Income

Ratio of Household Debt to Disposable Income (2003-2004)					
	Seasonally Adjusted at Annualised Rates				Annual % at Current Prices
Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	
2003	51.4	51.5	52.5	51.4	51.7
2004	52.6	53.4	55.1	56.8	54.5

Source: SARB, *Quarterly Bulletin*, March 2005, S-156.

Exchange Rate and Foreign Debt

During 2004, the nominal effective exchange rate of the Rand appreciated by 5.7% in the first quarter, and 2.4% in the second quarter. In the third quarter it depreciated by 3.2% before appreciating by 5.2% between September and November of 2004. This exchange rate is based on a weighted average of the major currencies in the world, the European Euro, the US Dollar, the British Pound and the Japanese Yen. Despite the appreciation of the Rand, it is acknowledged that the currency is relatively volatile and this “has a negative influence on business and investor confidence and resource allocation”.²⁴ There have also been concerns that the Rand is overvalued and this is harming businesses that depend on a weaker currency to be internationally competitive.²⁵ The slowdown of international demand is one of the reasons used to explain job losses.²⁶

Figure 7 shows that the trend of foreign debt has been declining in Rand terms because of the exchange rate but it continues to rise in dollar terms.

But even in Rand terms, Foreign Debt grew by R11 billion in the third quarter of 2004 making the total foreign debt to the end of that quarter R254.39 billion.²⁷ If the exchange rate deteriorates, and it can deteriorate very fast as in the years of 2001-2, there will be severe consequences to the national budget, especially if international interest rates continue to rise.

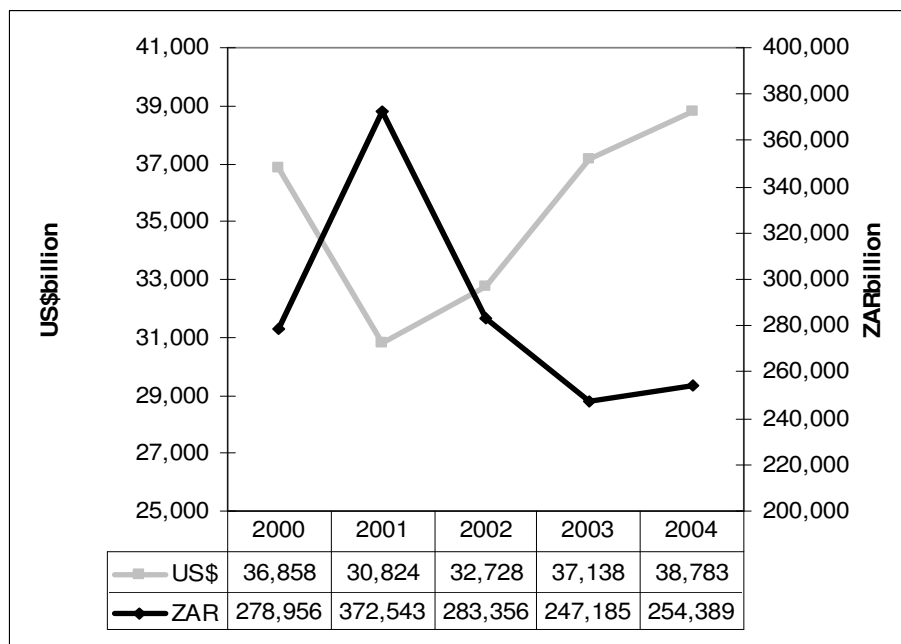
²⁴ SARB, *Quarterly Bulletin*, December 2004. p29.

²⁵ Business Day, “The Rand’s Soft Landing”, 25 May 2005. Business Day, “Rand Strength Crushes Profit at Illovo Sugar”, 25 May 2005.

²⁶ Business Day, “Consider Our Proposals Too, Allies Tell ANC”, 19 March 2005. Business Day, “ANC Slams Cosatu Over Strike Against Rand and Jobs”, 31 May 2005.

²⁷ SARB, *Quarterly Bulletin*, March 2005. p31.

Figure 7: Foreign Debt in Rands and U.S. Dollars



* The 2004 value only reflects debt until September 2004.

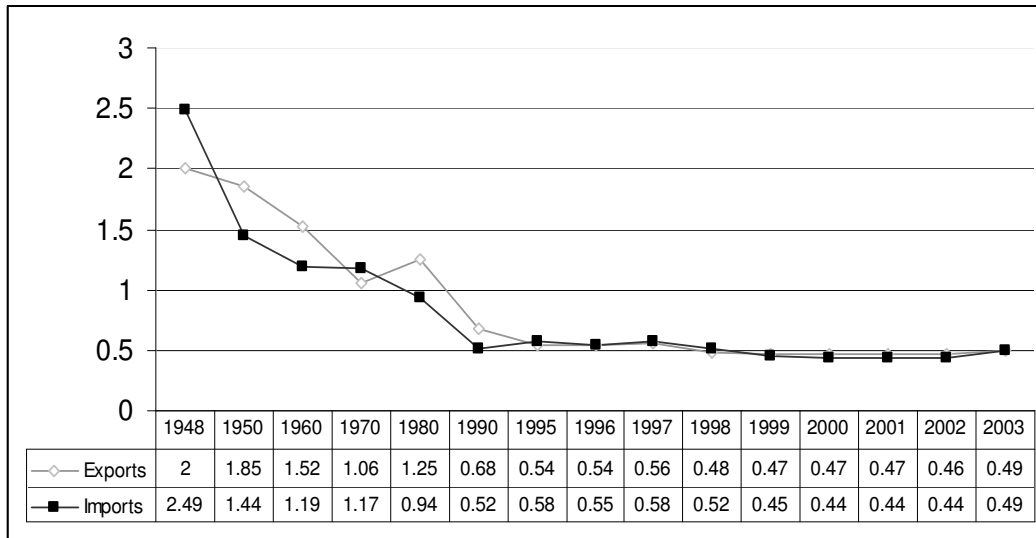
Source: SARB, Quarterly Bulletin, March 2005, S-106

Trade and Foreign Investment

Trade and investment figures reflect the position of the national economy in the world and especially the kind of relationship our economy has with the global economy. From Figure 8 it can be seen that South African trade (both exports and imports) has declined as a percentage of global trade. Although the decline began during the 1950s it intensified in the 1980s. It stabilised during the 1990s, however, the percentage of South Africa's exports in global exports declined from 0.68% in 1990 to 0.47% in 1999 and then rose slightly to 0.49% in 2003. The percentage of South Africa's imports in global imports also declined from 0.52% in 1990 to 0.44% in 2000 and then rose slightly to 0.49% in 2003.

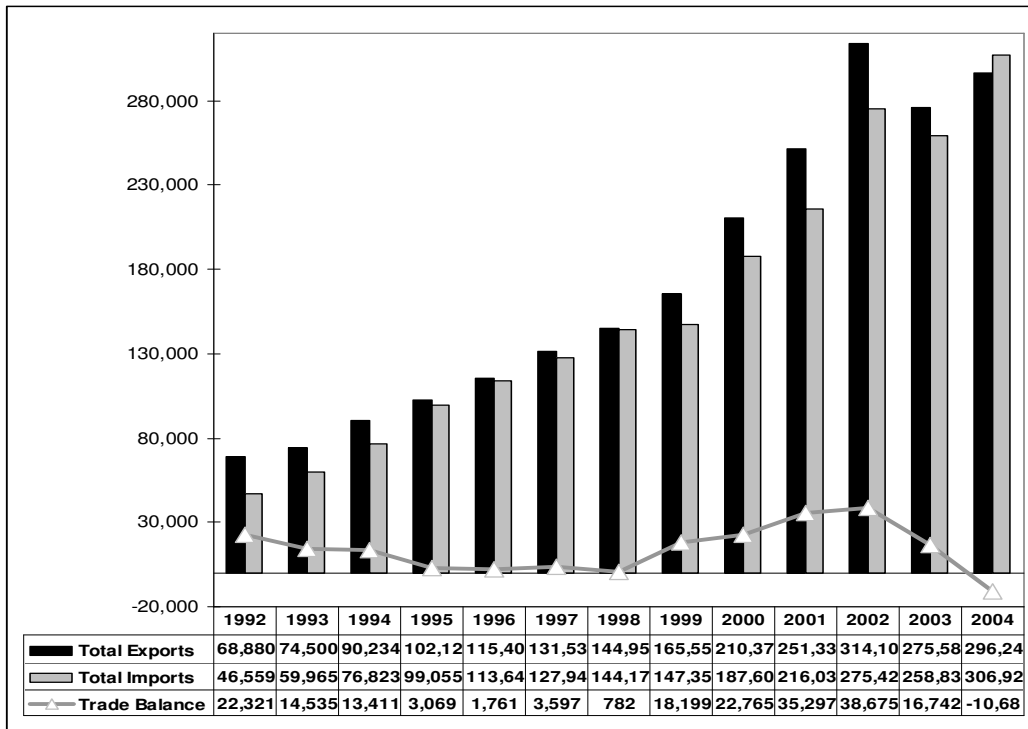
Furthermore, the trade balance (exports minus imports), as depicted in Figure 9, reveals that although exports and imports have been growing steadily since 1992, the trade balance itself fluctuates quite a bit. It went from a positive R22 billion in 1992 to R1.7 billion in 1996 to R0.7 billion in 1998 and then going back up to R38 billion in 2002. In 2004 it showed a negative balance of R10 billion.

Figure 8: South Africa's Share of Global Trade (%) 1948-2003



Source: Department of Trade and Industry, www.dti.gov.za

Figure 9: South African Trade Balance (R 000)

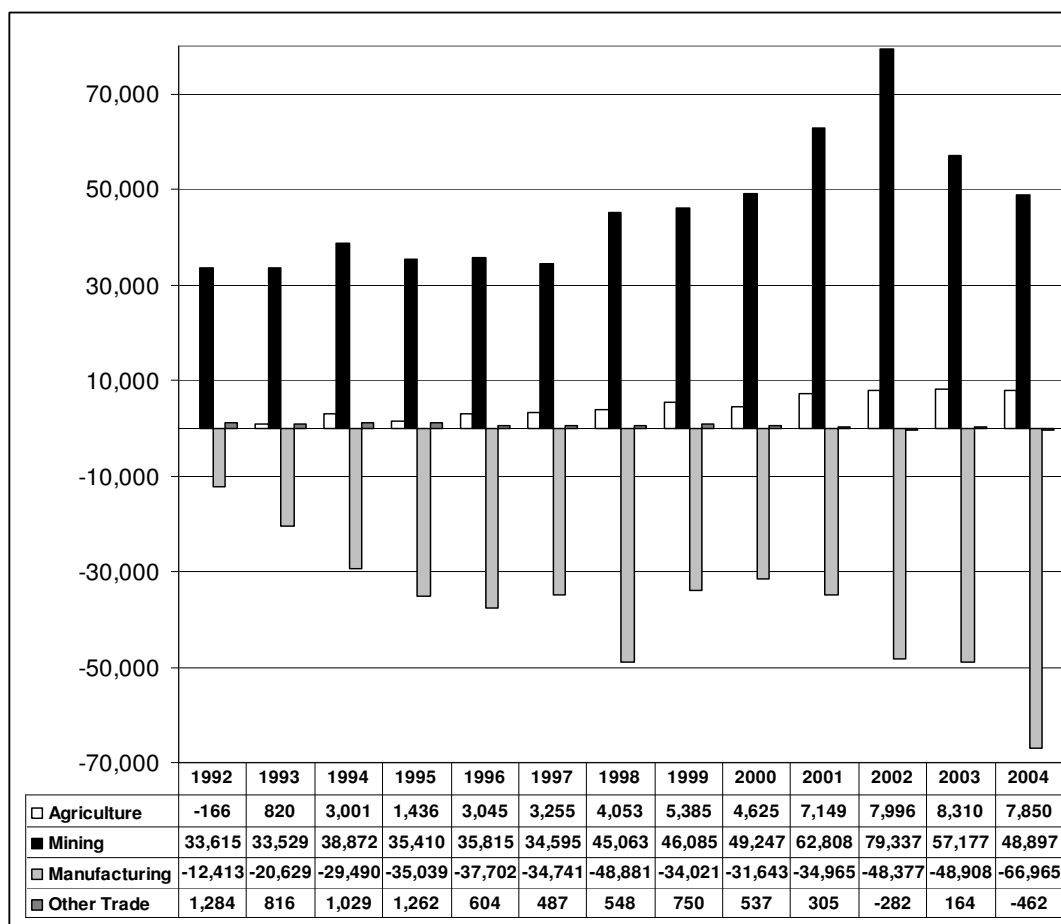


Source: Department of Trade and Industry, www.dti.gov.za

The structure of the trade balance is less positive. Although South Africa's exports of manufactured goods grew at high rates in the last ten years, the growth of imports of manufactured goods was higher. Since 1992 South Africa has attained a growing negative balance in the trade of manufactured goods. Due to high mining exports and the high surplus attained through exporting minerals the trade balance remained positive until 2003. There are two factors that account for the overall negative trade balance in 2004:

- The high deficit of imported manufactured goods, jumping from R49 billion in 2003 to R67 billion in 2004
- The lower earnings of minerals due to the appreciation of the Rand.

Figure 10: Structure of the South African Trade Balance: 1992 -2004



Source: Department of Trade and Industry. www.dti.gov.za

There was almost no foreign investment and specifically foreign direct investment in South Africa during the 1980s. In the 1990s, foreign investment started flowing to South Africa, but mainly portfolio investment. This trend continued post 2000. In the first three quarters of 2004 there was a huge leap in portfolio investment amounting to a total of R22 billion, which is almost 3 times higher than what it was for the entire 2003.

Table 10: Foreign Capital Inflows and South African Capital Outflows (2000-2004)

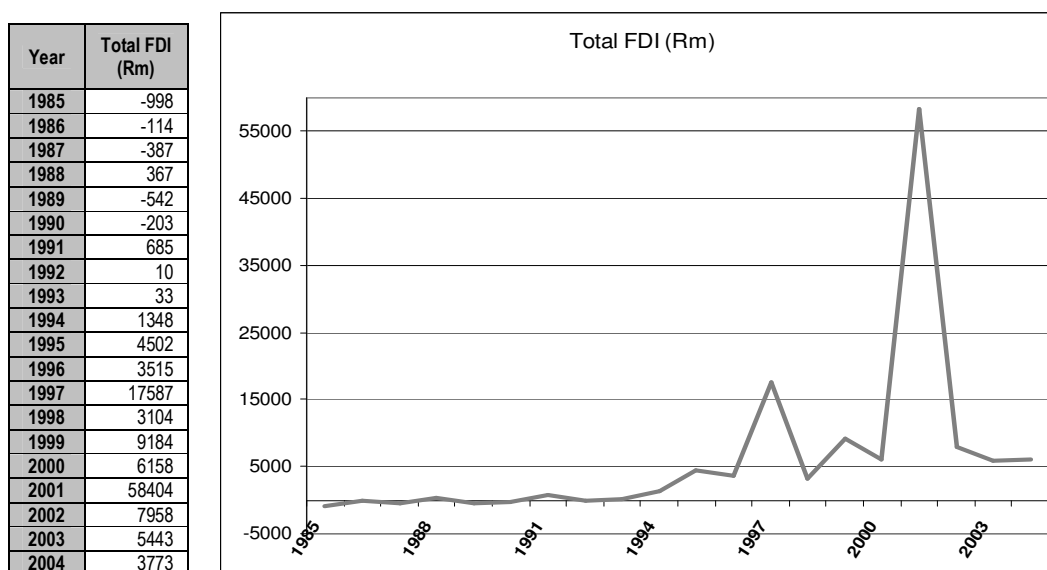
Foreign Capital Flows into South Africa (R millions) by type of Investment					South African Capital Outflows (R millions) to type of Investment				
Year	Foreign Direct	Foreign Portfolio	Other Foreign	Total Foreign	Year	Foreign Direct	Foreign Portfolio	Other Foreign	Total Foreign
2000	6,158	11,793	10,828	28,779	2000	1,878	25,628	-947	26,559
2001	58,404	-24,000	-10,226	24,178	2001	-27,359	43,626	12,324	28,591
2002	7,958	5,344	304	13,606	2002	-4,195	9,619	-16,738	-11,314
2003	5,768	7,842	13,572	27,182	2003	5,444	958	-23,394	-16,992
2004*	6,069	22,157	5,647	33,873	2004*	9,896	1,632	-6,744	4,784

*Values for 2004 are only for the first three quarters.

Source: SARB, Quarterly Bulletin, December 2004, S-92 and S-93

Investment outflows rose slightly in the first three quarters of 2004 after experiencing negative outflows (investment returning to South Africa) in 2002 and 2003. This was in line with global trends, in which especially FDI declined in 2002 and 2003 before picking up again in 2004.

Figure 11: Foreign Direct Investment in South Africa (1985-2003)



Source: DTI, www.dti.gov.za and SARB, March 2005

The attraction of Foreign Direct Investment, on which the success of the government's macroeconomic strategy is pinned, has been lacklustre as Figure 11 indicates. The highest peak in the graph was in 2001 but ironically had nothing to do with investment in new plants or production processes. It was due to the restructuring of the "corporate relationship between the Anglo American Corporation and the De Beers mining company".²⁸

Conclusion:

South Africa's overall economic performance improved in 2004 and provided optimism for the years ahead. The improvements can be attributed to increased consumer spending or the ability of the domestic market to counter negative impacts of global competition. But serious concerns remain. The first is that there appears to be a process of "deindustrialisation" as the primary and secondary sectors decline while the service sector grows. In a context of high unemployment the growth in the service sector will not be able to absorb the jobs lost in the other two sectors let alone begin to draw in large number of the unemployed. Haroon Borat, an economist from UCT, states that in the past ten years job growth has been about 2% a year while the labour force is growing at 4%.²⁹ The second concern is that domestic spending is resulting in growing debt levels. Without a significant rise of incomes the growth of consumer spending will come to an end with consumers struggling to pay debts. The third is that the nature of economic growth is leading to greater inequality as companies and the wealthy increase their income at a faster rate than the poor. Goolam Ballim, an economist at Standard Bank, warns that the current growth rate should therefore not allow us to be "lulled into a false sense of favourable growth".³⁰

The struggle to ensure that economic growth leads to greater incomes for the poor, faster job growth and grows in sectors that improve the quality of life of South Africans, is unquestionably upon us. Linking the conditions in the workplace with conditions in the community is part of the history of the labour movement and workers in South Africa – this struggle will therefore also be fought on the terrain of collective bargaining. The ability of the labour movement to make advances will, as always, depend on its strength and unity as well as the strategies it develops and alliances it forms in this struggle.

²⁸ SARB, Quarterly Bulletin, March 2002. p32

²⁹ Linda Ensor, "Growth without jobs will not lift SA out of poverty", Business Day, 2 March 2005

³⁰ *ibid.*

Resources:

Kane-Berman, J. 2004. South African Survey 2003/4. Johannesburg: South African Institute of Race Relations.

Manuel, T. February 2005. Budget Speech. www.finance.gov.za

Natrass, N. 2003. The State of the Economy: A Crisis of Unemployment In Daniel, J., Habib, A & Southall, R (eds.). State of the Nation: South Africa 2003-2004. Cape Town: Human Sciences Research Council.

South African Reserve Bank. Quarterly Bulletin. March 2005.

South African Reserve Bank. Quarterly Bulletin. December 2004.

South African Reserve Bank. Quarterly Bulletin. March 2002.

Stats SA. Gross Domestic Product: Fourth Quarter 2004, February 2005, PO441.

Terreblanche, S. The History of Inequality in South Africa, 1652-2002. Scottsville: University of Natal press, 2002.

United Nations Development Programme. 2003. South Africa Human Development Report 2003. Oxford: Oxford University Press.

United Nations Development Programme. 2003. Human Development Report 2004 – Cultural Liberty in today's Diverse World. New York: UNDP.

Newspapers:

Business Day 6 December 2004

Business Day 2 March 2005

Business Day 8 March 2005

Business Day 17 March 2005

Business Day, 19 March 2005.

Business Day, 25 May 2005

Business Day, 31 May 2005.

Websites

ABSA Bank

www.absa.co.za

Department of Finance:

www.finance.gov.za

Department of Trade and Industry:

www.dti.gov.za

Standard Bank:

www.standardbank.co.za

Stats South Africa

www.statssa.gov.za

Wage Review

A Review Of Minimum Wages In 2004

W
A
G
E

R
E
V
I
E
W

Introduction

This Review provides insight into minimum wage increases in 2004, and an examination of movements in the real wage for the period 2000 to 2004. It also provides more detailed information on minimum wage increases by industry, and includes bargaining council minimum wage rates. There is a further section on average minimum wages attained by selected trade unions in 2004.

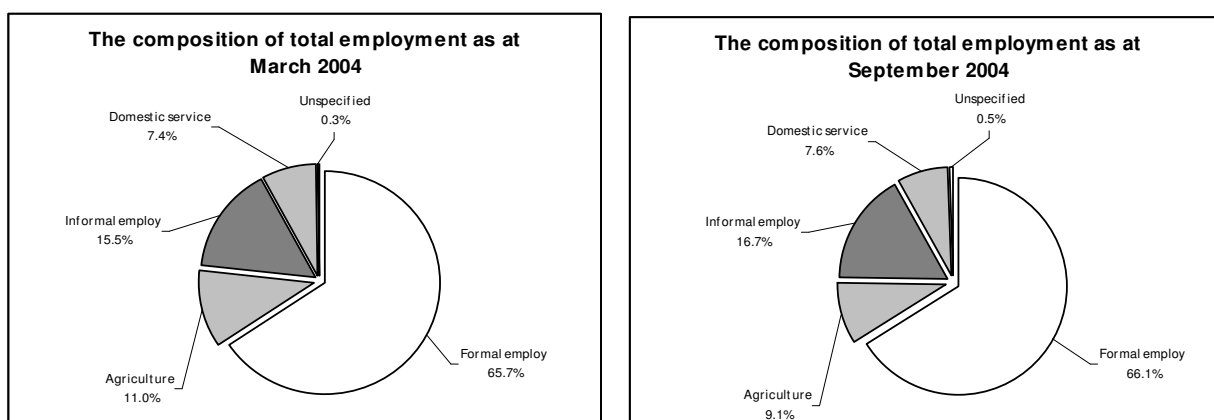
Last year workers earning the minimum wage gained high increases. The nominal minimum wage increased by 11% in 2004, up from around 9.5% in 2003 and 2002. The real average minimum wage (discounting the inflation rate) increased by 6.7% in 2004. This is much higher than the 2.6% in 2003 and a low 0.5% in 2002.

The conditions for collective bargaining continue to be difficult. National *unemployment* remains high, as the ability of the economy to generate jobs is overshadowed by the numbers of new entrants to the labour market.

On a more positive note, the most recently published Labour Force Survey ³¹ indicated that *employment* in the formal economy (excluding agriculture) grew by 209 thousand jobs between March and September of 2004. Much of this growth took place in construction and the wholesale and retail trade, but this increase was accompanied by major job-shedding in mining (150 thousand jobs) and agriculture (183 thousand).

Also significant is the growth of employment in the informal economy as a percentage of total employment. The figure below indicates that it increased from 15.5% to 16.7% between March and September 2004. Employment in the informal economy is relatively precarious, subject to lower pay and reduced non-wage benefits.

Figure 12: Composition of Employment: March & September 2004



Source: LFS10, September 2004, Stats SA, p0210

³¹ LFS 10, September 2004, P0210, Statistics South Africa.

There is evidence that more workers are covered by formal employment contracts than in previous years, but this does not appear to translate into the extension of key benefits such as provident fund provision.³²

Certain sub-sectors of the manufacturing industry, such as clothing, are coming under increasing *pressure from international producers*, while others face disadvantageous trading conditions stemming from the relative strength of the Rand in recent times.

The national fixation with *the rate of inflation* is putting downward pressure on wage settlements as employers look to benchmark increases against the current low levels of inflation and expected inflation.

While the Reserve Bank³³ says that it would prefer wage agreements to be forward-looking or to reflect the rate of inflation that is expected to prevail for the duration of the agreement, the Bank also acknowledges that wage agreements might still reflect efforts to compensate for the unexpected inflationary spike in 2002.

Methodology

Available sources of information on wages tend to reflect average wages, and provide little insight into an economy that we acknowledge to be characterised by high levels of inequality. The 2005 wage review utilises data on minimum wages obtained from the Average Wage Rates Database (AWARD). AWARD is an online facility maintained by the Labour Research Service in collaboration with trade unions. Information on wage and non-wage benefits have been collated on the database since 1996 precisely to get a better understanding of wages of ordinary workers that other sources do not allow for.

AWARD provides yearly wage and non-wage analysis across companies, sectors and industries. The data on minimum wages in this report have been extracted from over 1000 agreements and through telephonic and fax correspondence with trade union representatives of over 500 bargaining units. Also included are minimum wages negotiated through bargaining councils, as well as sectoral wage determinations.

In 2005, AWARD shifted to a system of rendering average wages that accounts for any wage agreement active in a chosen year, rather than only considering agreements that were concluded in a chosen year.

Average minimum wages on AWARD exclude payment resulting from bonuses and overtime.

³² Altman, 2005, p, drawing on OHS and LFS data.

³³ Address by Mr TT Mboweni, Governor of the South African Reserve Bank, at the Mercury/Safmarine Business Breakfast, International Convention Centre, Durban,
<http://www.reservebank.co.za/internet/Publication.nsf/0/645e93dc1237939942256ebd004929fe?OpenDocument&AutoFramed>

General Trends of the Average Minimum Wage

The Average Minimum Wage In 2004

The average minimum wage in 2004 was R476 for a 44 hour week. This weekly wage is 11% (or 10.96% to be precise) higher than it was in 2003, when it was R429 per week and translates into an increase of R47 per week in money terms.

The real wage increase – subtracting CPIX of 4.3% – is 6.7% for 2004. This amounts to an increase of only R29 per week. In other words, the increase in the price of the goods and services that the worker ordinarily buys accounts for about R18 of the R47 increase, leaving the worker with R29 to spend on additional goods and services.

Table 11: Percentage Increase in the Average Minimum Wage in 2004

<i>Average wage increase: 2004</i>	<i>Average annualised rate of CPIX inflation in 2004</i>	<i>Average real wage increase: 2004</i>
11%	4.3%	6.7%

Table 12: Nominal and real increases in Average Minimum Wages in 2004

	<i>Average hours worked: 2004</i>	<i>Average minimum wage 2004</i>	<i>Average minimum wage 2003</i>	<i>Average nominal wage increase: 2004</i>	<i>Average real wage increase: 2004</i>
Week	43.9	R 476	R 429	R 47	R 29
Month	190.1	R 2,061	R 1,858	R 203	R 124
Year	2282.8	R 24,752	R 22,308	R 2,444	R 1,495

Average Minimum Wage: 2000 - 2004

The nominal average minimum wage increased by 33% between 2000 and 2004. Taking CPI-X inflation for the same period into account (almost 30%) the real average minimum wage increase was 3% (see Table 13). Were it not for the better increase last year, workers would not have seen any real improvement in their income over the past five years.

Table 13: Average Minimum Wage: 2000 & 2004

Average Minimum Wage by Industry: 2000 & 2004 (Rands)							Nominal Increase	Real Increase
Industry	Weekly		Monthly		Annual			
	2000	2004	2000	2004	2000	2004	2000-2004(%)	2000-2004(%)
Agriculture	285.00	325.93	1,234.05	1,411.28	14,820.00	16,948.36	14.36	-15.44
Community and Social Services	431.00	583.79	1,866.23	2,527.81	22,412.00	30,357.08	35.45	5.65
Construction	225.00	410.74	974.25	1,778.50	11,700.00	21,358.48	82.55	52.75
Manufacturing	443.00	548.39	1,918.19	2,374.53	23,036.00	28,516.28	23.79	-6.01
Mining	328.00	505.03	1,420.24	2,186.78	17,056.00	26,261.56	53.97	24.17
Transport	477.00	578.83	2,065.41	2,506.33	24,804.00	30,099.16	21.35	-8.45
Wholesale and Retail Trade	318.00	379.26	1,376.94	1,642.20	16,536.00	19,721.52	19.26	-10.54
All Industries	358.14	476.00	1,550.76	2,061.06	18,623.43	24,751.78	32.91	3.11

Figure 13: Nominal and Real Wage Increase (%) From 2000 To 2004

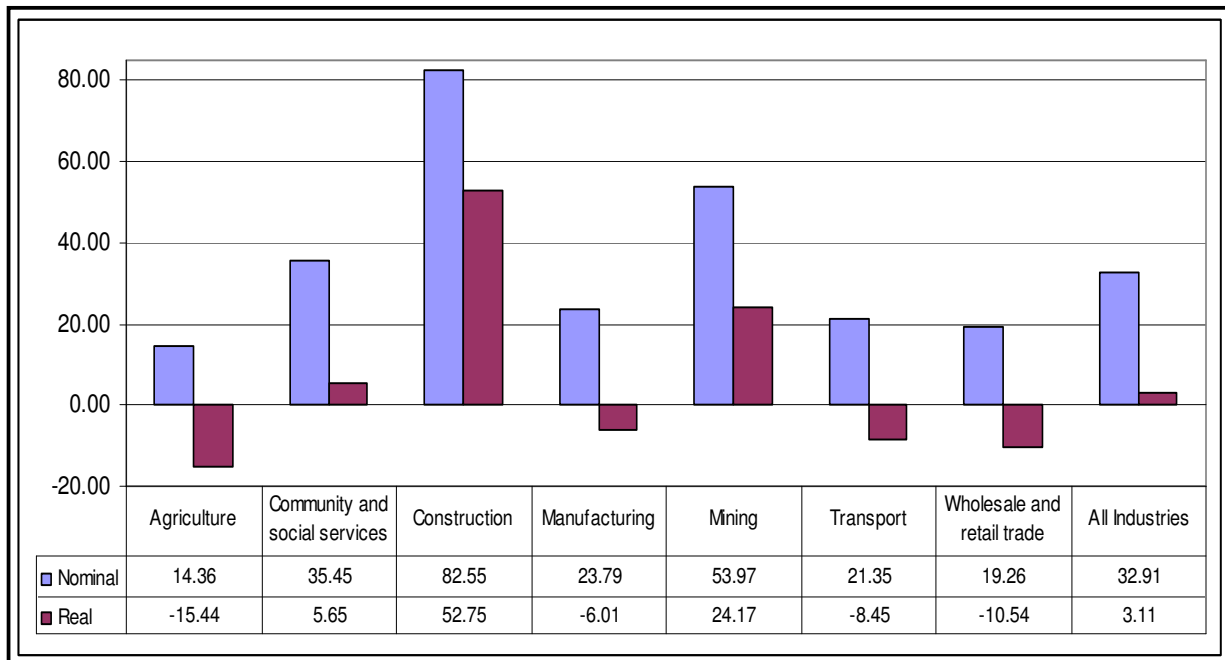


Figure 13 shows that movements in the real average minimum wage differ substantially between industries.

Workers in Agriculture obtained a 7.4% increase last year, however, between 2000 and 2004 these workers took a wage cut of 15.5% after inflation. The real wage declined by 6% in Manufacturing, 8.5% in the Transport industry, and by almost 11% in the Wholesale and Retail trade during the same period.

Construction and Mining showed significant real wage gains of 52% and 24% respectively. But minimum wages in Construction are extremely low and the Mining industry has one of the highest wage gaps (see the Directors Fees Survey). Workers in Community, Social and Personal Services attained a real increase of 5.6%, which is lower than the average increase in minimum wages between 2000 and 2004.

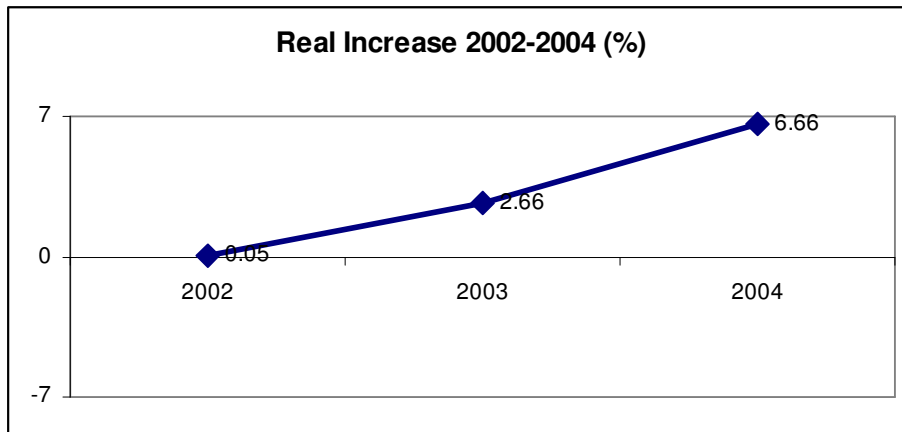
Looking at the years within this period, it can be seen that there was no real increase in 2002 (0.05%) and only a 2.66% in 2003.

Table 14: Nominal and Real Annual Minimum Wage Increases – 2002-2004

Year	Nominal Increase (%)	CPIX average for the year (%)	Real Increase (%)
2002	9.35	9.3	0.05
2003	9.46	6.8	2.66
2004	10.96	4.3	6.66

Hopefully the trend, which can be seen in figure below, of higher real wage increases that began in 2003, and improved in 2004, will be continue to improve in 2005.

Figure 14: Real Percentage Increase of the Average Minimum Wage 2000-2004

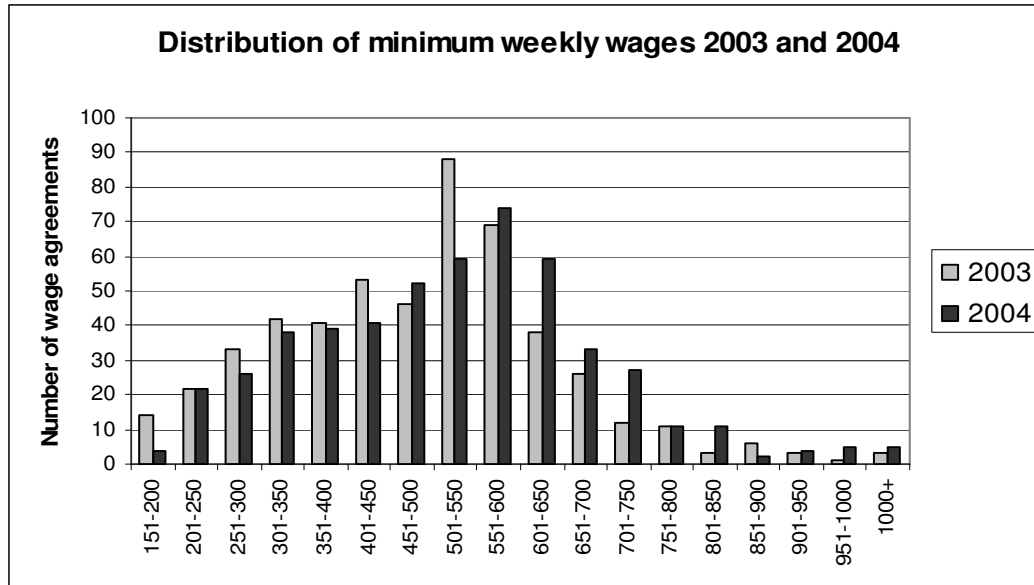


The Minimum Wage in Bargaining Agreements

While the average minimum wage effective in 2004 was R476 per week, we find that the minimum wage reflected in wage agreements concluded in 2004 ranged from R166 per week to R1 136 per week.

The figure below gives an indication of the distribution of minimum wages by income level in 2003 and 2004.³⁴

Figure 15: Number of Bargaining Agreements In Minimum Wage Categories



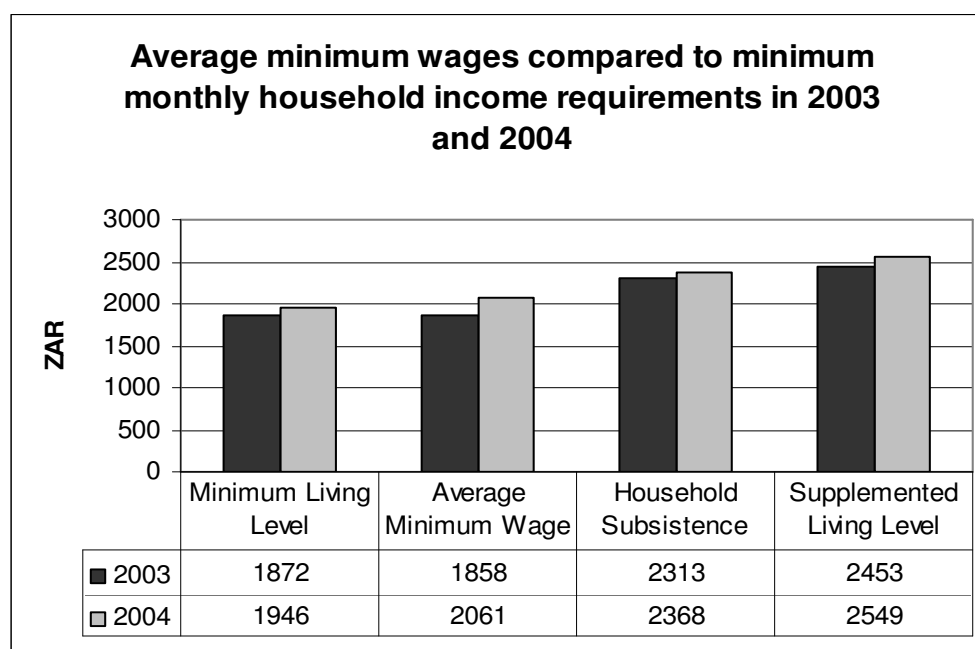
There are more wage agreements above the R551-R600 per week category than there were in 2003 and fewer agreements in 2004 below it than there were in 2003. This is a positive sign meaning that more agreements have registered higher minimum wages in 2004. Especially noticeable is the more than 50% drop in the lowest R151-R200 category between 2003 and 2004.

³⁴ Readers should note that this section only relies on data from wage agreements concluded in 2004 while the other sections combines the data of agreements concluded in 2004 as well as agreements entered into before but that is still in force during 2004. For this reason, the averages presented in this section will differ from those in other sections.

The Average Minimum Wage Compared to Subsistence Benchmarks

The table below compares the average minimum wage of AWARD to three measures of the minimum monthly income required to sustain the average low income household; the Minimum Living Level (MLL), the Supplemented Living Level (SLL) and the Household Subsistence Level.

Figure 16: Minimum Wage Compared to Household Income Requirements: 2003 & 2004



The Minimum Living Level (MLL), as published by the Bureau of Market Research at UNISA, purports to “denote the minimum financial requirements of members of a family if they are to maintain their health and have acceptable standards of hygiene and sufficient clothing for their needs”.³⁵ The MLL stood at R1 945 per month in March 2004. This means that a third (33.1%) of all agreements here reflect average minimum wages that are not sufficient to support the most basic income requirements of a household.

The Supplemented Living Level (SLL) reportedly “makes provision for more items than the MLL”, and attempts to describe “a modest low-level standard of living”.³⁶ The SLL stood at R2 549 per month in March 2004. Comparing minimum wage data from bargaining agreements to the SLL shows two-thirds (66%) do not meet this

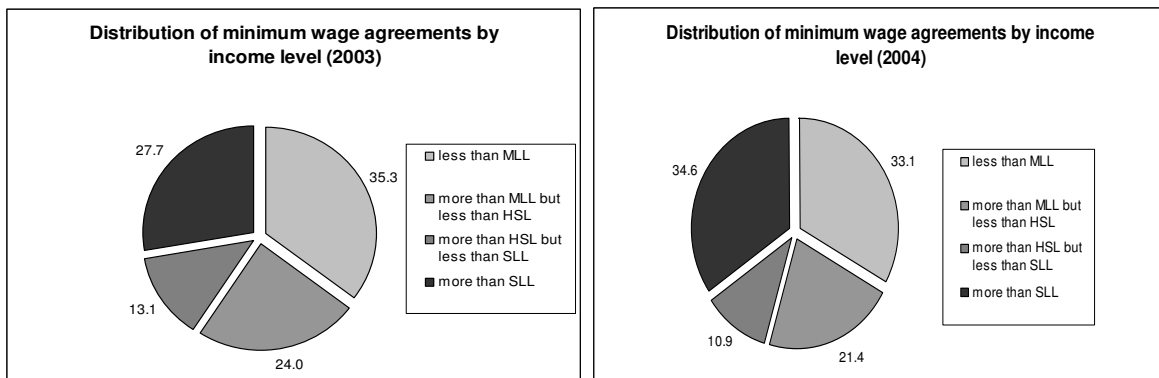
³⁵ BMR, research Report No. 319, p1

³⁶ *ibid.*

standard. In other words, they offer minimum wages below what is required in the SLL.

Another Benchmark, The Household Subsistence Level (HSL), is published by the Health and Development Research Institute at the University of Port Elizabeth. The HSL indicates that an income of R2 368 is required by the average household in order to meet its most basic material needs.³⁷ More than a fifth (21%) of all the wage agreements in this sample reflects minimum wage levels that would not be sufficient to maintain the average family in the absence of supplementary income.

Figure 17: Wage Agreements Relative to MLL, SLL and HSL



The figure above shows that the average minimum wage improved relative to these benchmarks in 2004. While 72% of agreements in 2003 reflected minimum wages below the SLL, this was reduced to 65% in 2004. The number of agreements with minimum wages below the MLL declined marginally from 35% to 33%. The proportion of agreements with minimum wages below the HSL also decreased slightly from 59% to 55%.

Minimum Wages By Industry

Wage increases in 2004 were above inflation in all industries.³⁸ There is however much unevenness in the rate of increase between them.

Workers in the Mining, Transport and Community Services³⁹ industries appear to be relatively better off, with higher average minimum earnings and more substantial annual wage increases operating off this base.

³⁷ The HSL applied for a 5 member household in the low-middle income group is used in this report. The HSL for a 5 member household in the low income group stands a little lower at R1874.

³⁸ Only industries for which AWARD has a substantial number of agreements are reflected in this section.

³⁹ The sample is dominated by local municipalities.

The Construction and Transport industries recorded average real increases in excess of 10%. The Agriculture, Community Services and Mining industries experienced real wage increases in the range of 5%-10% on average during 2004. The Manufacturing and Wholesale & Retail industries recorded average real minimum wage increases of less than 5%.

Figure 18: The Average Minimum Wage Increase (%) in Selected Industries

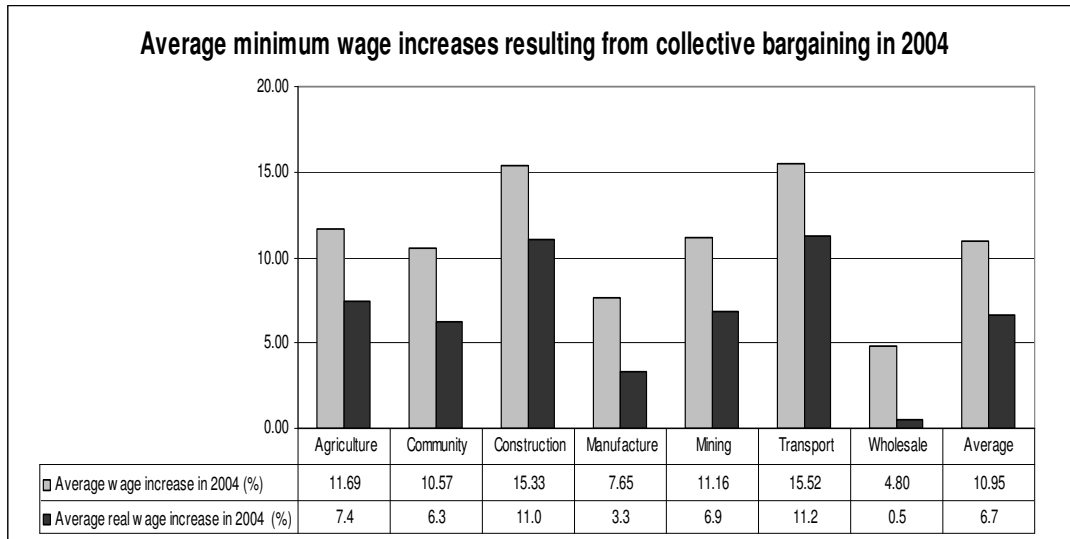
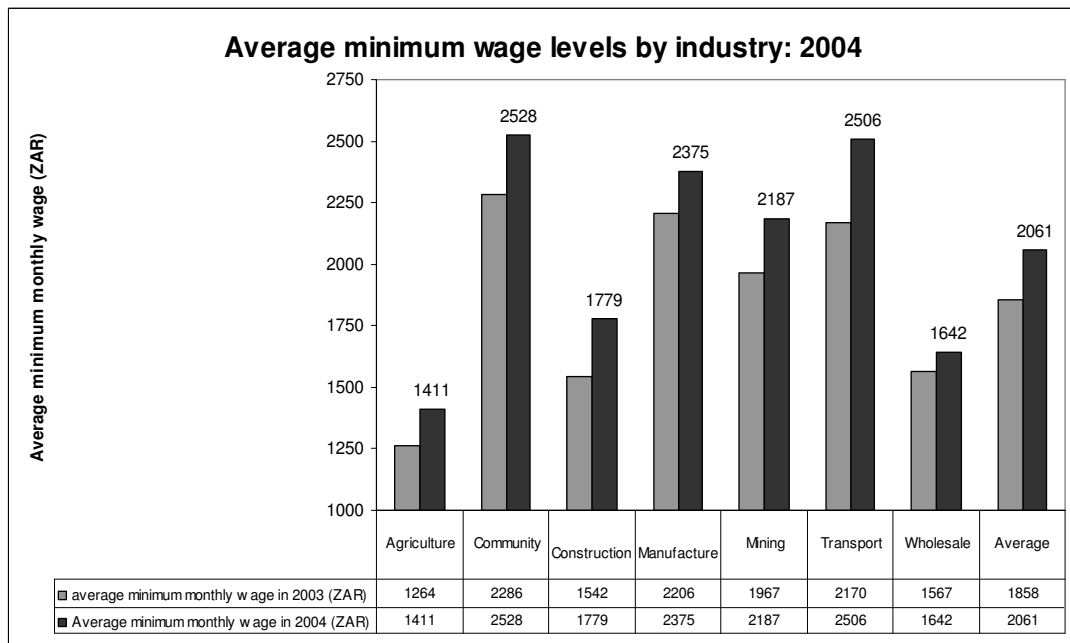


Figure 19: Actual Average Minimum Monthly Wage (Rands) for Selected Industries



Year on year changes in the average minimum wage for selected industries are explored below.

Agriculture:

In Agriculture, the average minimum wage stood at R1 411 per month in 2004. This is up from R1 254 in 2003 and amounts to an increase of about R150 per month. Following a 10% increase, farm workers in rural areas were entitled to a minimum wage increase of R165 per week (R715 per month) in terms of the 2004 sectoral determination for the sector. The rate of unionisation in the Agricultural industry is estimated to be less than 7% of the total workforce.

Table 15: Average Minimum Wage: Agriculture

Agriculture				
	<i>Weekly wage</i>	<i>Wage increase (%)</i>	<i>Average rate of CPIX inflation</i>	<i>Real wage increase (%)</i>
2000	285			
2001	232	-18.8	6.6	-25.4
2002	253	9.3	9.3	0.0
2003	292	15.2	6.8	8.4
2004	326	11.7	4.3	7.4

The table above shows that in 2001 workers took a 25% real wage cut and in 2002 did not get any real increase. In 2003 and 2004, however, they were able to improve their real wage and this trend will have to continue if they are to make up for the overall loss of a 15% wage cut between 2000 and 2004 (see Figure 13).

Wholesale and Retail:

The Wholesale & Retail Trade industry stands out as a poor wage increase performer with low actual earnings as well. Less than a fifth of the workforce in this industry is estimated to belong to trade unions. The monthly wage increased from R1 567 in 2003 to R1 642 in 2004 and amounts to an additional R75 per month. The 2004 sectoral determination for the Wholesale and Retail Trade set a minimum wage of R212 per week for a general assistant. This is about R920 per month, and amounts to an 8.8% increase.

Average minimum wage increases exceeded inflation for the first time in 2004 and not by all that much. The 19% nominal increase between 2000 and 2004 was much less than CPI-X for this period, resulting in a wage cut of 11% during this period (see Figure 13).

Table 16: Average Minimum Wage: Wholesale & Retail

Wholesale & Retail				
	<i>Weekly wage</i>	<i>Wage increase (%)</i>	<i>Average rate of CPIX inflation</i>	<i>Real wage increase (%)</i>
2000	318			
2001	325	2.0	6.6	-4.6
2002	343	5.7	9.3	-3.6
2003	362	5.4	6.8	-1.4
2004	379	4.8	4.3	0.5

Unions concluded a three year agreement within the Motor and Fuel Retail sectors in September of 2004. The agreement is reported to cover about 180 000 workers including those in component manufacture, at car dealerships, petrol service stations and vehicle panel shops. The agreement set a 7.5% wage increase for 2004, June CPI-X plus 1% in 2005, and June CPI-X plus 2 in 2006. Should CPI-X breach the 5-9% band in year two or three, negotiations will be re-opened.

Manufacturing:

The average minimum wage in the manufacturing industry was R2 375 per month in 2004. The LFS estimate of unionisation in the industry is about 34%. The industry recorded a marginal real wage increase of 3.3% in 2004. Wage increases in this industry only began to outstrip CPI-X from 2003. In both 2001 and 2002 workers in this industry experienced more than 4% real wage cuts.

Table 17: Average Minimum Wage: Manufacturing

Manufacturing				
	<i>Weekly wage</i>	<i>Wage increase (%)</i>	<i>Average rate of CPIX inflation</i>	<i>Real wage increase (%)</i>
2000	443			
2001	452	2.1	6.6	-4.5
2002	472	4.5	9.3	-4.8
2003	509	7.8	6.8	1.0
2004	548	7.7	4.3	3.4

As shown earlier the 24% nominal wage increase between 2000 and 2004 did not match the 30% inflation for this period and so workers still need to make up for the 6% wage cut in this period (see Figure 13).

NUMSA settled for a 7.5% increase in minimum wages in the Steel & Engineering as well as the Automobile manufacturing sectors last year.

Wage increases during 2004 in the Cotton; Home Textile; Woven & Crochet Textile; Canvas & Ropeworking; Laundry; Carpet; and Wool & Mohair sectors were firmly in the 5.5% to 6.5% range.

Community and Social Services:

The actual average minimum wage stood at just over R2 500 per month in 2004. The LFS suggests that about 60% of workers in this industry belong to trade unions.

In 2003 and 2004 minimum wage workers at local municipalities won real wage increases of 4.5% and 6.3% respectively (see Table 18). In the course of 2001 and 2002, however, workers experienced a decline in real wages of 4% and 2% respectively. The net outcome for the period 2000 to 2004 is that the real average minimum wage in this industry appreciated by 5.6 % (see Figure 13).

Table 18: Average Minimum Wage: Community & Social Services

Community...				
	<i>Weekly wage</i>	<i>Wage increase (%)</i>	<i>Average rate of CPIX inflation</i>	<i>Real wage increase (%)</i>
2000	431			
2001	442	2.6	6.6	-4.0
2002	474	7.2	9.3	-2.1
2003	528	11.3	6.8	4.5
2004	584	10.6	4.3	6.3

Major mobilization by public servants in 2004 resulted in a settlement of a 6.2% increase in 2004 and a 6.6% in 2005. This was higher than the government's initial offer of 4.4% for three years. Post office workers got an 8% wage increase in 2004.

Construction:

The average minimum wage in the construction industry stood at R1 779 per month for 2004. It was R1 524 in 2003 and therefore workers increased their wage by R255 per month. The rate of unionisation in the construction industry is estimated to be 13%.

Table 19: Average Minimum Wage: Construction

Construction				
	<i>Weekly wage</i>	<i>Wage increase (%)</i>	<i>Average rate of CPIX inflation</i>	<i>Real wage increase (%)</i>
2000	225			
2001	262	16.3	6.6	9.7
2002	327	24.8	9.3	15.5
2003	356	8.9	6.8	2.1
2004	411	15.3	4.3	11.0

Minimum wage increases in the construction industry have been consistently higher than CPI-X, although by only 2% during 2003. The net effect is that minimum wages have appreciated by over 50% in real terms between 2000 and 2004 (see Figure 13). Wage levels are, however, relatively low in the construction industry so the high percentage increases is not very high in Rand terms.

Mining:

The average minimum monthly wage was R2 187 in 2004. This was up by R220 from the average minimum monthly wage of R1 967 in 2003. The estimated rate of unionisation in this industry is over three quarters (75%) of the total workforce.

The mining industry departs from the trend in other industries examined. This industry has experienced nominal wage increases that outstrip inflation each year from 2001 to 2004 by more than 3% (see Table 20). As a result the real minimum wage has appreciated by 24 percent between 2000 and 2004 (see Figure 13).

Table 20: Average Minimum Wage: Mining

Mining				
	<i>Weekly wage</i>	<i>Wage increase (%)</i>	<i>Average rate of CPIX inflation</i>	<i>Real wage increase (%)</i>
2000	328			
2001	360	9.6	6.6	3.0
2002	411	14.4	9.3	5.1
2003	454	10.5	6.8	3.7
2004	505	11.2	4.3	6.9

In the platinum sector, wage increases at Angloplat were 9.5% for the lowest grades and 7.75% for the highest. Implat saw 8% across the board increases in 2004.

Transport:

In 2004 the average monthly minimum wage in the transport industry was R2 506. In 2003 it was R2 170 resulting in a monthly increase of R336 and a real percentage increase of 11%. It is estimated that a third of the workforce in this industry is unionised.

Table 21: Average Minimum Wage: Transport

	Transport			
	<i>Weekly wage</i>	<i>Wage increase (%)</i>	<i>Average rate of CPIX inflation</i>	<i>Real wage increase (%)</i>
2000	477			
2001	470	-1.4	6.6	-8.0
2002	468	-0.4	9.3	-9.7
2003	501	7.0	6.8	0.2
2004	579	15.5	4.3	11.2

Workers in the industry experienced an 8% cut in 2001, a 9% cut in 2002 and attained increases that just about matched inflation in 2003 (see Table 21). So while the nominal wage has increased by about 21% between 2000 and 2004, the real average minimum wage has in fact declined by 8.5% over the same period (see Figure 13)).

Bargaining Council Agreements and Sectoral Determinations

This section highlights data captured from Bargaining Council and Sectoral Determinations on AWARD.

Minimum Wages in Bargaining Council Agreements

Data from private sector Bargaining Council agreements entered into AWARD cover a minimum of 1.5 million workers. The average minimum wage for Bargaining Councils is R376 per week or a little over R1 600 per month, increasing by 7% in 2004. This is for a 42 hour average week.

Table 22: The Minimum Wage in Bargaining Council Agreements

<i>Bargaining Council</i>	<i>Occupation</i>	<i>Weekly Hours</i>	<i>Weekly wage 2003</i>	<i>Wage increase in 2004 (%)</i>	<i>Weekly wage 2004</i>
Building Industry (Southern-Eastern Cape) Area B	Operator (Electrical)	45	R 396	8.75	R 430
Building Industry (Bloemfontein)	Labourer	40	R 240	12	R 269
Building Industry (Cape of Good Hope) Area A	Labourer	40	R 310	6.7	R 331
Building Industry (East London)	Cleaner	42	R 267	6.4	R 284
Building Industry (Kimberly)	General Worker	45	R 237	7.4	R 254
Building Industry (North & West Boland)	Labourer	42	R 294	10	R 324
Building Industry (Southern-Eastern Cape) Area A	Operator (Electrical)	40	R 566	7.5	R 609
Building Industry (Southern-Eastern Cape) Area A	Construction Worker	40	R 398	7.5	R 428
Building Industry (Southern-Eastern Cape) Area B	Construction Worker	45	R 338	8.75	R 367
Building Industry (Southern-Eastern Cape) Area C	Construction Worker	40	R 220	7	R 236
Building Industry (Southern-Eastern Cape) Area D	Operator (Electrical)	40	R 294	7	R 314
Building Industry (Southern-Eastern Cape) Area D	Construction Worker	40	R 220	7	R 236
Building Industry (Southern-Eastern Cape) Area E	Operator (Electrical)	40	R 294	7	R 314
Building Industry (Southern-Eastern Cape) Area E	Construction Worker	40	R 220	7	R 236
Building Industry (Southern-Eastern Cape) Area C	Operator (Electrical)	40	R 294	7	R 314
Canvas Goods Industry, Witwatersrand & Pretoria	Labourer	42	R 449	6	R 479
Clothing Manufacturing Industry Eastern Cape	Cleaner	42	R 403	5	R 423
Clothing Manufacturing Industry Free State & Northern Cape	General Worker	42	R 293	4.9	R 307
Clothing Manufacturing Industry Northern Region	Labourer	40	R 430	4.9	R 451
Clothing Manufacturing Industry Northern Region (Knitting)	Labourer	40	R 420	5	R 441
Clothing Manufacturing Industry Northern Region (Millinery)	Machine Operator	40	R 465	4.9	R 488
Clothing Manufacturing Industry Northern Region (Millinery)	Labourer	40	R 396	4.9	R 416
Clothing Manufacturing Industry Western Cape	Underpresser Blocker	42	R 442	4.9	R 464
Clothing Manufacturing Industry Western Cape	General Worker	42	R 436	5	R 458
Clothing Manufacturing Industry Western Cape (Country Areas)	Machine Operator	42	R 340	4.4	R 355
Clothing Manufacturing Industry Western Cape (Country Areas)	General Worker	42	R 302	4.4	R 315
Clothing Manufacturing Industry Western Cape (Garment Knitting)	General Worker	42	R 436	5	R 458
Clothing Manufacturing Industry Western Cape (Millinery)	Millinery Machinist	42	R 406	5	R 427
Clothing Manufacturing Industry Western Cape (Millinery)	General Worker	42	R 375	4.9	R 394
Commercial Distributive Trade (Kimberley)	Light Vehicle Driver	45	R 232	6.5	R 247
Commercial Distributive Trade (Kimberley)	General Assistant	45	R 198	6.5	R 211
Contract Cleaning Industry (KwaZulu/Natal)	Cleaner	45	R 327	2.47	R 335
Diamond Cutting Industry of South Africa	Labourer	40	R 202	8	R 218
Electrical Industry Area A	Labourer	40	R 292	8	R 316
Electrical Industry Area B	Labourer	40	R 248	8	R 268
Electrical Industry Area C	Labourer	40	R 234	8	R 253

The LRS Report

<i>Bargaining Council</i>	<i>Occupation</i>	<i>Weekly Hours</i>	<i>Weekly wage 2003</i>	<i>Wage increase in 2004 (%)</i>	<i>Weekly wage 2004</i>
Electrical Industry Area D	Labourer	40	R 176	8	R 190
Electrical Industry Area E	Labourer	40	R 171	8	R 184
Electrical Industry Area F	Labourer	40	R 255	8	R 275
Electrical Industry Area G	Labourer	40	R 213	8	R 230
Electrical Industry Area H	Labourer	40	R 201	8	R 217
Electrical Industry Area I	Labourer	40	R 328	8	R 355
Electrical Industry Area J	Labourer	40	R 292	8	R 316
Electrical Industry Area K	Labourer	40	R 248	8	R 268
Electrical Industry Area L	Labourer	40	R 218	8	R 236
Fishing Industry (Main Agreement - Inshore Bottom Trawl)	Cleaner	45	R 327	6.5	R 348
Fishing Industry (Main Agreement - Deep Sea Bottom Trawl)	Cleaner	45	R 339	7	R 363
Furniture Manufacturing Industry Upholstery, Mattress & Bedding (KZN) Rural	Machine Minder	45	R 207	11	R 230
Furniture Manufacturing Industry Upholstery, Mattress & Bedding (KZN) Rural	Labourer	45	R 197	11	R 220
Furniture Manufacturing Industry (Eastern Cape) Area A	Handsander	45	R 532	7	R 570
Furniture Manufacturing Industry (Eastern Cape) Area A	General Assistant	45	R 408	7	R 437
Furniture Manufacturing Industry (Eastern Cape) Area B	Handsander	45	R 479	7	R 512
Furniture Manufacturing Industry (Eastern Cape) Area B	General Assistant	45	R 383	7	R 410
Furniture Manufacturing Industry (Pine & General) KZN Rural	Machine Minder	45	R 180	12.7	R 203
Furniture Manufacturing Industry (Pine & General) KZN Rural	Labourer	45	R 172	13	R 195
Furniture, Bedding & Upholstery Industry BC (G/North Region) Furniture, Bedding	Cleaner	44	R 303	7.4	R 325
Furniture, Bedding & Upholstery Industry BC (G/Northern Region) Curtaining	Cleaner	44	R 307	5.8	R 325
Grain Co-Operative Industry (GWK)	Labourer	45	R 360	6	R 382
Grain Co-Operative Industry (KOLK)	Labourer	45	R 362	6	R 383
Grain Co-Operative Industry (MGK)	Labourer	45	R 359	6	R 380
Grain Co-Operative Industry (NTK)	Labourer	45	R 362	7	R 387
Grain Co-Operative Industry (NWK)	Labourer	45	R 363	6	R 385
Grain Co-Operative Industry (OVK)	Labourer	45	R 363	7	R 389
Grain Co-Operative Industry (SENWES)	Labourer	45	R 362	6	R 383
Grain Co-Operative Industry (SUIDWES)	Labourer	45	R 360	6	R 382
Grain Co-Operative Industry (VKB)	Labourer	45	R 363	7	R 389
Hairdressing & Cosmetology (KwaZulu/Natal)	General Assistant	40	R 314	15	R 361
Hairdressing Trade (Cape Peninsula)	Cleaner	40	R 300	7.66	R 323
Jewellery and Precious Metal Industry (Cape)	Polisher	43	R 539	8	R 582
Jewellery and Precious Metal Industry (Cape)	General Worker	43	R 463	8	R 500
Laundry, Cleaning and Dyeing Industry (Natal)	Cleaner	45	R 426	6	R 452
Laundry, Cleaning and Dyeing Trade (Cape)	Cleaner	45	R 337	8	R 364
Leather Industry (Footwear) Area A	Labourer	42	R 508	6.3	R 540
Leather Industry (Footwear) Area B	Labourer	42	R 559	5.5	R 589
Leather Industry (General Goods & Handbags) Area A	Labourer	42	R 349	6	R 370
Leather Industry (General Goods & Handbags) Area B	Labourer	42	R 384	6	R 407
Leather Industry (Tanning)	Labourer	42	R 567	6.5	R 604
Metal and Engineering	Labourer	40	R 607	6.5	R 647
Metal and Engineering BC (General wage increases)	Labourer	40	R 551	7.5	R 592
Metal and Engineering BC (Special Provisions Related to Construction Sites)	Construction Worker	40	R 305	7.5	R 328
Metal and Engineering BC for the Gate and Fence Manufacturing (Division D/7)	Labourer	40	R 414	7.5	R 445
Metal and Engineering BC for the Structural Engineering	Labourer	40	R 455	7.5	R 489
Metal and Engineering BC for the Electric Cable (Schedule F)	Labourer	40	R 584	7.5	R 628
Motor Ferry Industry BC of South Africa	Cleaner	45	R 477	8	R 516
Motor Industry BC (MIBCO) Area A	Forecourt Attendant	45	R 249	7.4	R 267
Motor Industry BC (MIBCO) Other Areas	Forecourt Attendant	45	R 212	8.7	R 231
Public Sector Coordinating BC	Cleaner (Core Public Services)	40	R 594	6.1	R 630
Public Sector Coordinating BC	Cleaner (SA Police Services)	40	R 594	6.1	R 630
Restaurant, Catering and Allied Trades	Cleaner	45	R 235	10.6	R 260
Road Freight Industry	General Worker	45	R 403	8	R 438
Road Passenger Industry	Bus Cleaner	45	R 440	8	R 475
Average		42	R 351	7	R 376

Bargaining Council Wages for Semi- and Skilled Work

An examination of bargaining council wage rates for occupations that are characterised by semi-skilled and skilled work yields an average minimum wage in 2004 of R652 per week, or R2 823 per month. Although bargaining council minimum wage rates are relatively low, it becomes clear that advancing from low skill work to semi- and skilled work can secure a 75% average increase in earnings from that of low skilled work. The average for low skilled being R376 per week and for the semi-skilled and skilled being R652 per week.

Table 23: Wages for Semi-Skilled and Skilled Work in Bargaining Agreements

<i>Bargaining council</i>	<i>Occupation</i>	<i>Weekly Hours</i>	<i>Weekly wage 2003</i>	<i>Wage increase in 2004 (%)</i>	<i>Weekly wage 2004</i>
Building Industry (Bloemfontein)	Artisan	40	R 632	7.50	R 680
Building Industry (Cape of Good Hope) Area A	Artisan	40	R 1,032	7.20	R 1,106
Building Industry (East London)	Artisan (Qualified)	42	R 832	6.50	R 886
Building Industry (Kimberly)	Artisan	45	R 500	7.40	R 537
Canvas Goods Industry, Witwatersrand & Pretoria	Cutter (Qualified)	42	R 600	6.00	R 636
Clothing Manufacturing Industry Eastern Cape	Trimmer	42	R 486	5.00	R 510
Clothing Manufacturing Industry Free State & Northern Cape	Trimmer	42	R 446	5.00	R 469
Clothing Manufacturing Industry Northern Region	Pattern Maker	40	R 896	4.90	R 941
Clothing Manufacturing Industry Northern Region (Knitting)	Machinist	40	R 585	5.00	R 615
Clothing Manufacturing Industry Western Cape (Garment Knitting)	Machine Operator	42	R 492	4.90	R 517
Furniture, Bedding & Upholstery Industry BC (G/North Region) Furniture, Bedding	Stitcher	44	R 520	7.00	R 566
Furniture, Bedding & Upholstery Industry BC (G/Northern Region) Curtaining	Stitcher	44	R 487	6.16	R 517
Hairdressing & Cosmetology (KwaZulu-Natal)	Hairdresser (Qualified)	40	R 570	5.50	R 602
Hairdressing & Cosmetology Trade (Pretoria)	Hairdresser (Qualified)	40	R 653	5.00	R 686
Hairdressing & Cosmetology Trade (Pretoria)	Operator	40	R 434	6.50	R 462
Hairdressing Trade (Cape Peninsula)	Hairdresser (Qualified)	40	R 624	7.37	R 670
Public Sector	Minimum (educator)	37.5	R 768	6.10	R 815
Road Passenger Industry	Light Vehicle Driver	45	R 486	8.00	R 525
<i>Average</i>		41.42	R 614	6.17	R 652

Sectoral Determinations

At the bottom end of the wage scale, the average minimum wage from a number of sectoral determinations in force in South Africa was about R250 per week or R1 100 per month in 2004.

Table 24: Wages in Sectoral Agreements

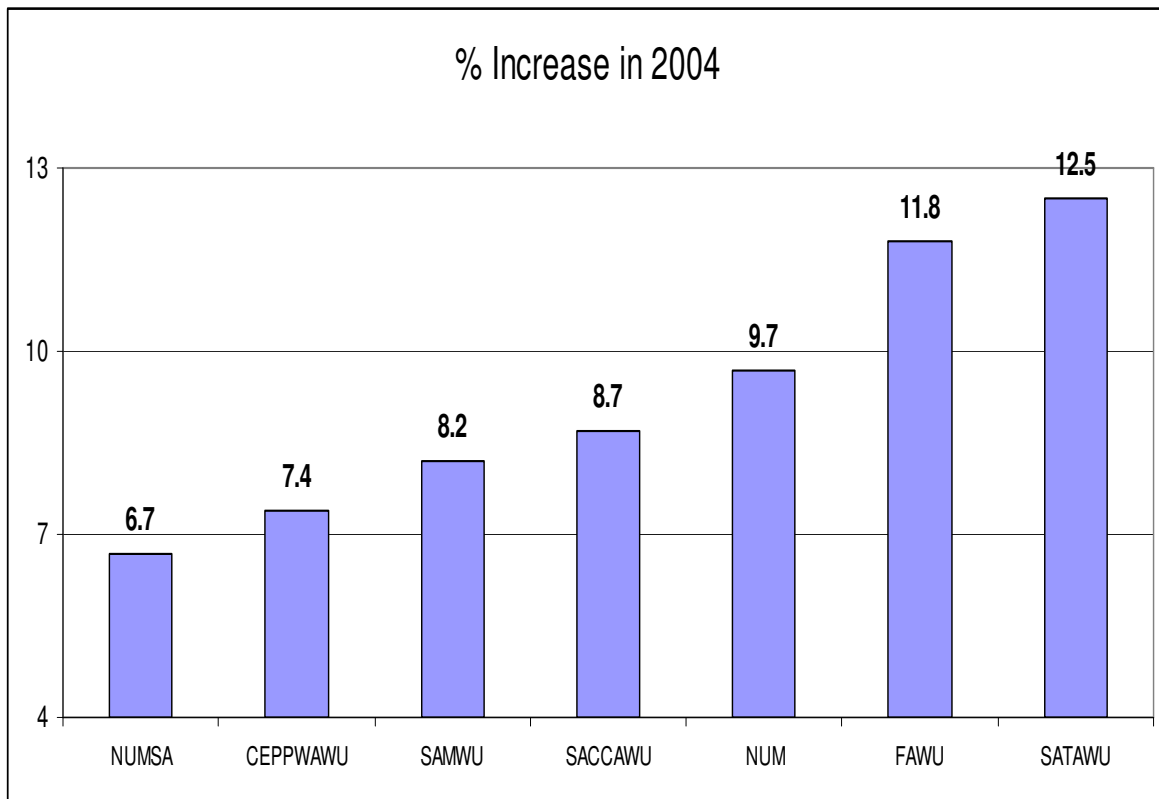
	<i>Occupation</i>	<i>Weekly Hours</i>	<i>Weekly wage 2003</i>	<i>Wage increase in 2004 (%)</i>	<i>Weekly wage 2004</i>
Domestic Workers Rural Areas (Sectoral Determination)	Cleaner	45	R 203	8.00	R 219
Domestic Workers Urban Areas (Sectoral Determination)	Cleaner	45	R 185	8.00	R 199
Farm Workers Area B (Sectoral Determination)	Labourer	45	R 150	10.00	R 165
Private Security Industry Area A (Sectoral Determination)	Security Officer Grade E	48	R 300	7.60	R 323
Private Security Industry Area A (Sectoral Determination)	General Worker	48	R 255	5.90	R 270
Private Security Industry Area B (Sectoral Determination)	Security Officer Grade E	48	R 276	7.60	R 297
Private Security Industry Area B (Sectoral Determination)	General Worker	48	R 232	8.10	R 251
Private Security Industry Area C (Sectoral Determination)	Security Officer Grade E	48	R 249	7.60	R 269
Private Security Industry Area C (Sectoral Determination)	General Worker	48	R 211	7.00	R 226
Private Security Industry Area D (Sectoral Determination)	Security Officer Grade E	48	R 234	7.50	R 252
Private Security Industry Area D (Sectoral Determination)	General Worker	48	R 200	6.90	R 214
Private Security Industry Area E (Sectoral Determination)	Security Officer Grade E	48	R 210	7.50	R 226
Private Security Industry Area E (Sectoral Determination)	General Worker	48	R 179	6.80	R 191
Wholesale & Retail Urban Areas (Sectoral Determination)	Cashier	45	R 250	8.80	R 272
Wholesale & Retail Urban Areas (Sectoral Determination)	Shop Assistant	45	R 234	8.80	R 255
Wholesale & Retail Urban Areas (Sectoral Determination)	General Assistant	45	R 194	8.80	R 212
Wholesale & Retail Urban Areas (Sectoral Determination)	Assistant Managers	45	R 428	8.80	R 465
<i>Average</i>		46.76	R 235	7.86	R 253

Minimum Wages Negotiated By Selected Trade Unions

AWARD allows a comparison of minimum wages attained by various trade unions. Below are the actual minimum wage and the percentage increase attained by selected unions in 2004.

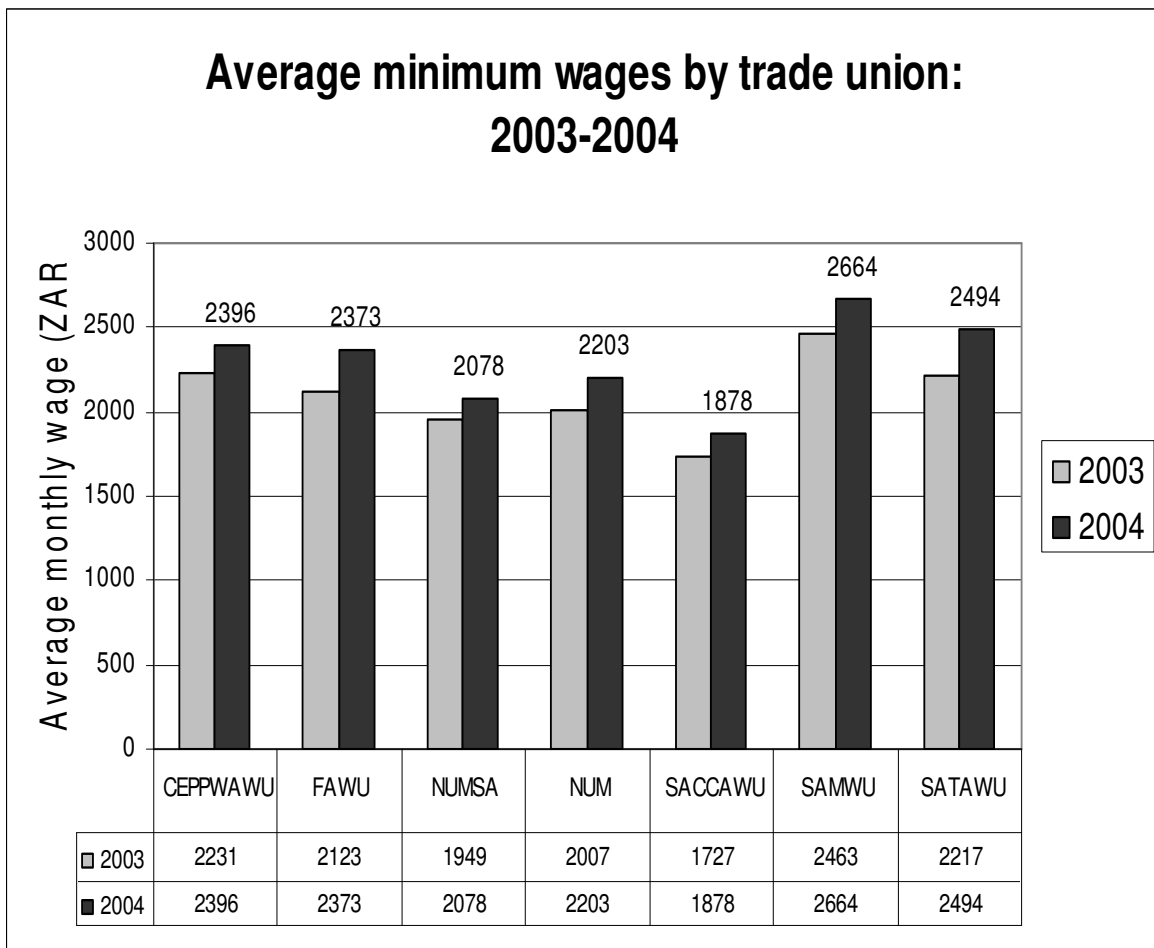
SATAWU register the highest average percentage wage increase of 12.5%. FAWU attained an 11.8% increase in 2004 which is the second highest. Both of these are above the average minimum wage percentage increase in 2004 which was 11%. NUMSA attained a 7% increase which is far below the 2004 average minimum wage increase.

Figure 20: Minimum Wage Increase Attained By Selected Trade Unions (%)



In Rand terms, the highest average minimum monthly wage level in 2004 was negotiated by SAMWU (R2 664), followed by SATAWU (R2 494). The lowest average minimum monthly wage is attributed to SACCAWU (R1 878), followed by NUMSA (R2 078).

Figure 21: Actual Average Minimum Monthly Wage Attained By Selected Trade Unions in 2003 & 2004



Aside from mining, other industries are not very well unionised. While mining shows a 76% rate of unionisation Agriculture shows a 7% rate for the industry. Construction and Wholesale & Retail are also below 20%. The low rate of unionisation in most industries mean that many workers may not be covered by the minimum wages and conditions won by unions. This poses serious challenges for the union movement as the rate of unionisation can influence the strength of workers to bargain for higher wages.

Table 25: Rate of Unionisation by Industry

	Average minimum weekly wage 2004 (ZAR)	Estimated rate of unionisation (%)
Community services	584	59
Transport	579	33.3
Manufacturing	548	33.8
Mining	505	76.5
Construction	411	12.9
Wholesale & retail	379	19.2
Agriculture	326	6.8

Source:

AWARD for average minimum wage and the LFS Sep 2002 for estimated rate of unionisation

Conclusion

This review shows that 2004 was indeed a year to celebrate. Higher nominal and real minimum wage increases were attained by workers in all industries resulting in an average nominal increase of 11% and an average real increase of 6.7%. Although the real increase in minimum wages in the period 2000-2004 is low (3%) and quite a few industries show real wage cuts, the trend since 2003 is positive. The challenge in 2005 is to maintain this trend and win higher real wage increases.

Resources

Resources

- Actual Wage Rates Database (AWARD), Labour Research Service,
<http://award.lrs.org.za>, accessed March 2005.
- Altman M, 2005, *The State of Employment*, in State of the Nation (SA 2004-2005), J Daniel, R Southall & J Lutchman (eds), HSRC Press, Cape Town.
- Elsley T, 2005, *Employment and remuneration in selected industries and sectors in South Africa*, unpublished.
- Google, 2004/2005, news alerts
- Martins J & Maritz M, 2004, *Minimum and Supplemented Living Levels in the Main and Other Selected Urban Areas of the RSA*, Bureau of Market Research, University of South Africa
- Potgieter J & Potgieter F, September 2004, *The Household Subsistence Level in Major Urban Centres of the Republic of South Africa*, Health and Development Research Institute, University of port Elizabeth.
- Roberts B, 2005, *'Empty stomachs, empty pockets: poverty and inequality in post-apartheid South Africa*, in State of the Nation (SA 2004-2005), J Daniel, R Southall & J Lutchman (eds), HSRC Press, Cape Town.
- State of the Nation* (SA 2003-2004), J Daniel, A Habib & R Southall (eds), HSRC Press, Cape Town.
- Statistics South Africa, www.statssa.gov.za, accessed March/April 2005.
- Studies in Economics and Econometrics*, Vol 24 No. 3, November 2000, M Pellissier & E Smit (eds), Bureau for Economic Research.
- Woolard I, 2002, *An investigation of wage levels and wage inequality in the South African public sector: findings from the Labour Force Survey, September 2001*, HSRC.

Directors' Fees Survey

A Review of Directors' Fees in 2004

Introduction

“Income distribution in South Africa, as measured by the Gini Co-efficient, is very skewed compared to other countries and has been worsening in recent years. In 1995, the Gini co-efficient for South Africa was 0.596; it rose to 0.635 in 2001, suggesting that income inequality is worsening. It also continues to place South Africa in the ranks of the most unequal societies in the world.” (United Nations Development Programme (UNDP 2003:43)

Income inequality remains a key challenge facing South Africa as it remains one of the most unequal societies in the world. A recent study by UNISA argues that reducing unemployment is a key element of reducing inequality.⁴⁰ This can be ascribed to the fact that households are dependent on wage income in South Africa.⁴¹ Therefore increasing wage employment will have a positive impact on the household income of the poor. If it is widely recognized and accepted that the levels of inequality in South Africa are huge and wages are an important source of household income - we need to question why executives are being remunerated with such excessive amounts while workers, who are struggling to survive, continue to earn such low wages. The Directors Fees Survey therefore compares the earnings differentials between corporate executives and ordinary workers in order to expose how income inequality is perpetuated.

The 2004 Directors Fees survey contested some of the arguments used to explain and justify the exorbitant remuneration paid to directors. For example, empirical evidence showed that directors received well above inflationary increases irrespective of whether their respective companies performed well or not. Robert Spillane, an Australian professor in business management corroborates this when he states:

“...while the explosion in the chief executive pay can be explained, it can't be justified. It is impossible to find a causal relationship between a CEO's personal actions and a company's performance.” (Australian Financial Times 08/11/2002).

Anne Crotty, a business report journalist, succinctly sums up this state of affairs when she writes:

“As a result of largely self serving corporate governance procedures we are fed, and expected to swallow, explanations for excessive remuneration levels.” (Business Report 20/08/2003)

⁴⁰ Business Day, 8 February 2005.

⁴¹ “More than 50% of total income in all households represents earnings from work” (UNDP 2003: 74).

Some commentators have started to provide alternative explanations for the excessive remuneration paid to corporate executives. In a book '*Managerial Power and Rent Extraction in the Design of Executive Compensation*', the authors state that the arguments for chief executive remuneration obscure the fact that classic rent seeking is taking place.

“Executives have power to influence their own compensation, and they use their power to extract rents. As a result, executives are paid more than is optimal for shareholders and, to camouflage the extraction of rents, executive compensation might be structured sub-optimally” (Australian Financial Times 08/11/2002).

But it is the following observation by the UNDP that starts to provide a better insight as to why South African executives are so highly paid. The UNDP report states:

“The upper class in South Africa consists of a small, wealthy and mainly White segment of the population...the upper class continue to be involved in the direction of, and are disproportionately represented on, the boards of large corporations. The wealth of the upper class gives it enormous corporate power and a direct influence over the economic lives of the majority of South Africans” (UNDP 2003:73).

Jeremy Cronin, Deputy General Secretary of the South African Communist Party, makes a similar observation when he states:

“...it is white South African capital that has been the principal beneficiary of the past decade of democracy...we have not used our political mandate to transform the capitalist accumulation path we inherited...It is capital intensive and labour shedding...It remains highly concentrated, stifling small business and localized entrepreneurship...Above all, it reproduces enclaves of enormous wealth in seas of poverty” (Mail and Guardian 08/04/2005).

Based on the above observations it is plausible to deduce that the captains of South African industry (corporate executives) are appointed by the wealthy that own and control South African industry to act primarily in their interests. Therefore executives recognize and understand that they best serve their own interests, by aligning it with the interests of monopoly capital and not with the interests of other stakeholders. When executives operate in this fashion there is no contestation regarding either the levels or the basis of their excessive remuneration – the balance of power is unequivocally on their side. This explains why there are only two institutional investors that have a stated policy on the issue of executive remuneration.⁴²

To deflect growing public dissatisfaction regarding executive remuneration as well as the questionable transparency and accountability of corporations and unscrupulous management practices, corporations adopted corporate governance frameworks and corporate social responsibility initiatives. However a critical examination of both highlights the severe limitations they have in transforming corporations and corporate

⁴² Business Report 22 February 2005.

management to embrace the interests of all stakeholders and to meaningfully address problems like income inequality. Corporate social responsibility, instead of aligning the goals of companies to social needs and empowering communities, is used to enhance the company's public image and profile – corporate social responsibility serves as a “public relations exercise”.⁴³ The underlying problem with regard to the transformative nature of corporate governance principles and codes is that they are designed to only alleviate shareholders' concerns, and not other stakeholders, to thwart a challenge against management of corporations.⁴⁴

There is thus a compelling case to develop an alternative framework of economic governance based on democratic principles incorporating meaningful stakeholder participation. This is one factor that can lead to a more equitable distribution of income in order to alleviate the gross inequality we are currently experiencing.

Methodology

Data of directors' emoluments have been obtained from various company annual reports. This survey covers 46 companies which are key companies within their sector. The appendices to this survey include the list of companies surveyed.

There are problems associated with obtaining data from annual reports. The first is that the financial year-end differs from company to company. For the purpose of this report, only those reports published in 2004 were considered. The second problem is that companies disclose directors' fees in different formats with the majority of companies not including gains from share options in the total remuneration amount of directors. This survey therefore does not provide any analysis on general trends regarding share options.

Company performance in this report is defined as change in pre-tax profit between the current and previous financial year. This information was also obtained from company annual reports. Information on sector average minimum wage rates was obtained from previous volumes of Bargaining Indicators and the LRS Actual Wage Rates Database (AWARD) while information on national economic variables was taken from the S.A. Reserve Bank and Statistics S.A.

⁴³ African Labour Research Network (2003).

⁴⁴ LRS (2004), unpublished research paper “*Corporate Governance in South Africa – Corporate Veil for Corporate Dominance*”.

General Trends

Last year's Directors Fees Survey showed that between 1994 and 2003, executive directors of publicly listed companies received average increases of R300 000 per year. In stark contrast, workers, during this same period, earning the Average Minimum Wage only received an annual increase of R967 per year. Furthermore, the survey found that in 2003 it took a worker earning the Average Minimum Wage 111 years to earn what the average director of a publicly listed company earns in one year.

This year's survey found that the average remuneration of executive directors in 2004 was R3.7 million. This is R1.1 million higher than it was in 2003 and amounts to a 38% increase.

Remuneration of non-executive directors, however, has decreased by 1% in 2004, from an average of R208 974 in 2003 to R206 217 in 2004. This is a R2 757 decrease for the year.

Table 26: Directors Average Annual Increase

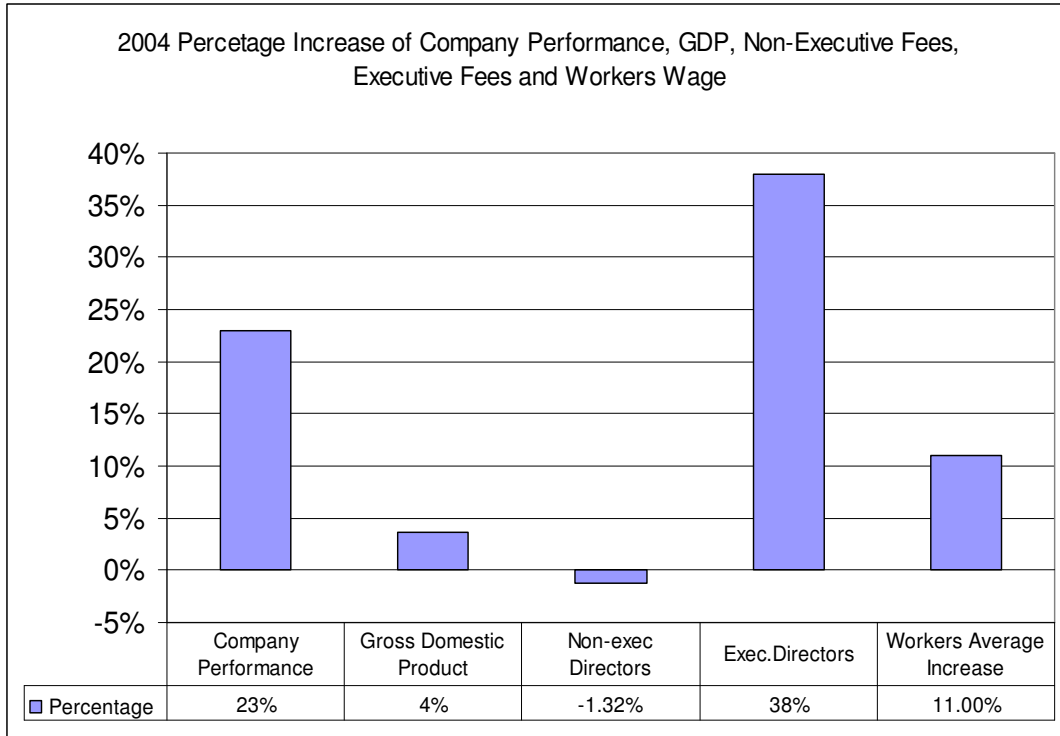
	Average 2003*	Average 2004	Average Increase	% Increase
Average Executive Director Remuneration	R2 676 000	R3 705 806	R1 100 000	38%
Average Non-Executive Director Remuneration	R208 974	R206 217	(R2 757)	(1%)

** figures taken from Directors Fees Survey 2004*

It is important to note that this survey excludes gains from share options. This increase is well above the 2004 inflation rate of 1.4% (CPI). It is also well above the 11% increase in minim wages. Workers earning the Average Minimum Wage received an increase from R22 308 to R24 752, which amounts to an additional R47 per week or R2 444 per year (see the **Wage Reveiw**).

Figure 22 indicates that company performance based on pre-tax profit has increased by 23%. Sectors that have performed well are Retail; Food, Beverage as well as Banking. Their performance can be ascribed to the growth in consumer spending fuelled by low inflation, low interest rates, a larger part of the population being able to access finance and a change in the demographic profile of consumers (see the **Economic Review**). The improved performance of companies in these sectors can therefore be accredited to external factors rather than to the role of directors in making improvements to the company. When comparing the increase in directors' fees with company performance it is clear that when companies perform poorly, executive directors reward themselves generously, and when company performance is exceptional, they reward themselves extra-ordinarily.

Figure 22: Increase (%) of Directors' Fees, Company Performance, Wages, GDP and CPI.



By continuing to award higher increases to corporate executives than to workers, the huge earnings differential continues to widen. Table 27 shows that it will now take a worker earning the Average Minimum Wage about **150 years** to earn what the average director earns in one year compared to last year when it was 111 years. The ratio of Non-Executive Directors' Fees to the average minimum wage, however, has come down from 9 to 8 – it will take the average worker **8 years** to earn what non-executive directors earn in one year.

Table 27: Ratio of Directors' Fees to the Average Minimum Wage: 2003 & 2004

	2003*	2004
Average Executive Director Remuneration	111	150
Average Non-Executive Director Remuneration	9	8

* figures taken from Directors Fees Survey 2004

This finding is supported by other surveys. According to research conducted by P-E Corporate Services; “South African executives enjoyed higher salary increases than lower-level employees over the past 12 months, stretching the wage gap to its widest in 15 years”.⁴⁵ A survey conducted by the Financial Mail concluded that “...the figures suggest the gap between CEO pay and average or low-skilled employee pay is not only wide but increasing”.⁴⁶

Sectors

Last year, the *Directors’ Fees Survey* analysed four sectors and showed that whether company performance went up or down, directors’ emoluments continued to increase. Examining the same four sectors this year – Mining, Food & Beverage, Construction and Retail – what is noticeable is that the ratio of directors’ emoluments to the average minimum wage increased substantially.

It is important to remember that the directors’ fees in this survey, as well as the ratios in the table below, exclude gains from share options as many companies still fail to disclose this information in the company annual reports. Where information is disclosed, it is difficult to determine precisely how executive directors have benefited when exercising their share options.

Table 28: Executive and Non-Executive Directors’ Fees for Selected Sectors in 2004

	Mining	Food and Beverage	Construction	Wholesale & Retail
Executive Directors (R)	6 733 693	3 512 782	2 936 752	3 678 588
Non-Executive Directors (R)	248 380	283 840	167 469	110 618
Workers (R)	26 244	30 418	21 348	19 704
Ratio of Workers to Executive	257	115	138	187
Ratio of Workers to Non-Execs	9	9	8	6

Table 28 illustrates the gross inequality within the workplace and mirrors the levels of income inequality existing in South Africa today. The ratio of executive and non-executive earnings indicates the number of years a worker earning the average

⁴⁵ Business Day, 3 May 2005.

⁴⁶ Upfront, November 2004, p60

minimum wage in that industry or sector will take to earn what the average director earns in one year.

In mining it will take a worker 257 years to earn what the average executive director earns in one year; in Food and Beverage 115 years; in Construction 138 years and Wholesale and Retail 187 years.

Highest and Lowest Earners

Executives at South African Breweries continue to be the highest paid in the survey. Their average remuneration amounted to R15 million for the year. Notwithstanding the currency conversion, as their remuneration is reflected in British Pounds, they are still paid excessive amounts in real terms. Executives of companies in the banking and mining sectors occupy two of the top 5 positions. The lowest average executive pay, in our survey, was at Comair with an average fee of R807 000.

Table 29: Companies Paying the Highest Average Directors' Fees

Companies Paying the Highest Average Per Director - 2004		
Company	Sector	Amount (R)
South African Breweries	Food & Beverage	15 012 270
BHP Billiton plc	Mining	11 834 381
Investec Bank	Banking	9 853 694
Firststrand Limited	Banking	8 487 000
Gold Fields	Mining	4 582 841

Table 30: Companies Paying the Lowest Average Directors' Fees

Companies Paying the Lowest Average Per Director - 2004		
Company	Sector	Amount (R)
Comair	Transport	807 000
Invicta Holdings Limited	Industrial	1 072 000
Cargo Carriers	Transport	1 093 000
Distell	Food & Beverage	1 280 000
Relyant Retail Ltd	Retail	1 333 000

Based on the earnings in the tables above, the highest average paid executive earns 573 times more than the Average Minimum Wage and the lowest earns 31 times more.

It appears that there is also a wide differential between companies with regard to executive remuneration. It is noteworthy that disclosure of directors' fees, rather than

being used as a tool to reign in corporate excessiveness, is instead used by executives to benchmark their fees by referring to directors that are earning more. An article in Business Report notes: “The massive increases in the value of remuneration packages that followed the forced disclosure of executive income ranks as the most costly unintended consequence in South African corporate history”.⁴⁷ In stark contrast, when wage increases for workers are negotiated, these same executives benchmark wage levels to workers that are earning less.

Conclusion

Raising the historically low wages of workers can greatly assist in reducing poverty, yet corporations still reward executive directors with higher real increases than the workers they employ. This survey shows that it takes the average worker 150 years to earn what the average executive earns in one year. This negative trend, coupled with continuing retrenchments and casualisation does not promote and support the transformation towards a more democratic and equitable South African society.

A more developmental approach must be adopted. Key aspects that form part of this and that can be struggled for include:

1. Companies to make employment and job creation a performance criterion for directors.
2. Government intervention through
 - Developing appropriate tax measures that curb the emoluments given to directors
 - Support to civil society organisations to be more active in monitoring companies and their effects on society (this can be funded from the tax revenue above)
3. Civil Society forging networks, including a social observatory on multinational corporations, to monitor companies, campaign against the wage gap, and develop alternative frameworks for holding companies more accountable to social goals.
4. Trade Unions using information on the wage gap to pose demands for companies to close this gap with specific targets and within specific timeframes.

⁴⁷ Business Report, 18 February 2005.

Resources

African Labour Research Network (2003) *Literature review of corporate accountability frameworks: Towards a Social Observatory of MNC's in Africa* on the ALRN website. (www.alrn.org)

Labour Research Service (2004) *Bargaining Indicators 2004*. Cape Town: LRS

Labour Research Service (2004) *Corporate Governance in South Africa – Corporate Veil for Corporate Dominance*. (unpublished)

United Nations Development Programme (2003) *South Africa Human Development Report 2003 - The Challenge of Sustainable Development in South Africa*. Oxford University Press.

Newspaper Articles:

Australian Financial Times (08/11/2005). *Salary – Up, up and away* (by Andrew Cornell) www.boss.afr.com.au

Business Day (08/02/2005) *Severe Imbalances in wealth make South Africa one of the world's most unequal societies* (by Nasreen Seria) www.businessday.co.za

Business Day (3/05/2005) *Bosses rake it in as yawning wage gap hits 15-year record* (by Sanchia Temkin)

Business Report (22/02/2005) *Only two fund managers have a stated policy on pay* (by Anne Crotty) www.busrep.o.za

Business Report (20/08/2003) *Even heroes of struggle come with price tag* (by Anne Crotty)

Business Report (18/02/2005) *Disclosure rules have set off race to the top* (by Ann Crotty and Renee Bonorchis)

Mail and Guardian (08/04/2005) *South African Communist Party gets classy* (by Jeremy Cronin)

This Day 29/06/2004 *Telkom nearly triples CEO's pay for 2004* (by Philip de Wet and Robert Laing)

Appendix One: Average Directors Fees 2004

Sector	Company	Total Remuneration	Number of Executive Directors	Average per Executive Director
Mining	Gold Fields	9,165,682	2	4,582,841
Mining	African Rainbow Minerals	20,805,000	4	5,201,250
Mining	BHP Billiton plc	59,171,907	5	11,834,381
Mining	Impala Platinum	12,300,000	4	3,075,000
Mining	Lonmin plc	33,231,266	5	6,646,253
Construction	Aveng	11,740,000	5	2,348,000
Construction	Cashbuild	4,430,000	2	2,215,000
Construction	Concor Limited	3,976,025	2	1,988,013
Construction	Group Five	13,961,000	4	3,490,250
Construction	Murray & Roberts	12,881,000	3	4,293,667
Industrial	Invicta Holdings Limited	2,144,000	2	1,072,000
Industrial	Dorbyl Limited	12,816,000	4	3,204,000
Industrial	Sasol	15,277,000	4	3,819,250
Industrial	Hudaco	6,175,000	3	2,058,333
Industrial	Afrox Oxygen	3,367,000	2	1,683,500
Transport	Cargo Carriers	2,186,000	2	1,093,000
Transport	Imperial Holdings	24,788,000	7	3,541,143
Transport	Super Group	17,595,156	4	4,398,789
Transport	Unitrans	10,477,000	4	2,619,250
Transport	Comair	5,649,000	7	807,000
Food and Beverage	Anglo-Vaal Industries	8,903,000	4	2,225,750
Food and Beverage	South African Breweries	30,024,540	2	15,012,270
Food and Beverage	Tiger Brands	28,145,000	6	4,690,833
Food and Beverage	Distell	3,840,000	3	1,280,000
Food and Beverage	Crookes Brothers Limited	1,544,000	1	1,544,000
Food and Beverage	Illovo Sugar	15,363,000	9	1,707,000
Wholesale and Retail	Edcon	28,287,000	6	4,714,500
Wholesale and Retail	Relyant Retail Ltd	2,666,000	2	1,333,000
Wholesale and Retail	Mr Price	10,553,000	4	2,638,250
Wholesale and Retail	Truworths	12,115,000	3	4,038,333
Wholesale and Retail	Foschini	8,915,000	2	4,457,500
Banking	Firststrand Limited	25,461,000	3	8,487,000
Banking	Investec Bank	39,414,776	4	9,853,694
Banking	ABSA	22,556,860	3	7,518,953
Banking	African Bank Investments Ltd	26,810,912	7	3,830,130
Diversified Holdings	Barloworld Limited	34,210,000	8	4,276,250
Diversified Holdings	Remgro	11,292,600	5	2,258,520
Diversified Holdings	RMB Holdings	5,135,000	1	5,135,000
Diversified Holdings	Searidel Limited	9,490,000	3	3,163,333
Diversified Holdings	Sekunjalo Investment Limited	6,071,000	3	2,023,667
Diversified Holdings	Hosken Consolidated Investments	6,846,000	2	3,423,000
Health	Aspen	8,729,000	3	2,909,667
Health	Discovery Health	14,028,000	6	2,338,000
Health	Afrox Healthcare Limited	2,899,000	1	2,899,000
Health	Network Healthcare Holdings	21,138,000	11	1,921,636
Health	Medi-Clinic Corporation	7,883,000	5	1,576,600
Total and Average		674,456,724	182	3,705,806
Average Executive Directors Fees 2004				3,705,806
Average Executive Directors Fees 2003				2,676,000
Percentage Change				38.48%

Appendix Two: Average Non-Executive Directors Fees 2004

Sector	Company	Total Remuneration	Number of Non-Executive Directors	Average per Non Executive Director
Mining	Gold Fields	2,503,550	11	227,595
Mining	African Rainbow Minerals	637,000	7	91,000
Mining	BHP Billiton plc	941,045	8	117,631
Mining	Impala Platinum	2,032,000	12	169,333
Mining	Lonmin plc	4,070,000	3	1,356,667
Construction	Aveng	1,346,000	10	134,600
Construction	Cashbuild	581,000	2	290,500
Construction	Concor Limited	601,000	3	200,333
Construction	Group Five	1,041,000	6	173,500
Construction	Murray & Roberts	1,790,000	11	162,727
Industrial	Invicta Holdings Limited	216,000	2	108,000
Industrial	Dorbyl Limited	525,000	4	131,250
Industrial	Sasol	5,825,000	8	728,125
Industrial	Hudaco	362,000	4	90,500
Industrial	Afrox Oxygen	509,000	4	127,250
Transport	Cargo Carriers	261,000	4	65,250
Transport	Imperial Holdings	1,180,000	7	168,571
Transport	Super Group	1,048,333	8	131,042
Transport	Unitrans	763,000	7	109,000
Transport	Comair	345,000	4	86,250
Food and Beverage	Anglo-Vaal Industries	965,000	8	120,625
Food and Beverage	South African Breweries	5,669,264	8	708,658
Food and Beverage	Tiger Brands	3,043,000	10	304,300
Food and Beverage	Distell	729,000	12	60,750
Food and Beverage	Crookes Brothers Limited	505,000	5	101,000
Food and Beverage	Illovo Sugar	1,975,000	7	282,143
Wholesale and Retail	Edcon	645,000	6	107,500
Wholesale and Retail	Relyant Retail Ltd	689,000	6	114,833
Wholesale and Retail	Mr Price	442,000	4	110,500
Wholesale and Retail	Truworths	275,000	4	68,750
Wholesale and Retail	Foschini	1,046,300	8	130,788
Banking	Firststrand Limited	5,510,000	14	393,571
Banking	Investec Bank	914,596	9	101,622
Banking	ABSA	3,971,109	13	305,470
Banking	African Bank Investments Limited	1,942,000	11	176,545
Diversified Holdings	Barloworld Limited	3,656,000	7	522,286
Diversified Holdings	Remgro	415,000	6	69,167
Diversified Holdings	RMB Holdings	1,900,000	7	271,429
Diversified Holdings	Sear del Limited	146,000	4	36,500
Diversified Holdings	Sekunjalo Investment Limited	459,000	4	114,750
Diversified Holdings	Hosken Consolodated Investmets	325,000	4	81,250
Health	Aspen	770,000	8	96,250
Health	Discovery Health	485,000	7	69,286
Health	Afrox Healthcare Limited	116,000	1	116,000
Health	Network Healthcare Holdings	391,000	4	97,750
Health	Medi-Clinic Corporation	366,000	8	45,750
Total and Average		63,927,197	310	206,217
<u>Average Non-Executive Directors Fees 2004</u>				206,217
<u>Average Non-Executive Directors Fees 2003</u>				208,974
<u>Percentage Change</u>				-1.32%

Appendix Three: Company Performance For 2004

Sector	Company	2003 Net Profit Before Tax ('000)	2004 Net Profit Before Tax ('000)	Percentage Change
Mining	Gold Fields	4,444,500	978,000	-78.00
Mining	African Rainbow Minerals	94,000	1,502,000	1497.87
Mining	BHP Billiton plc	17,550,000	27,108,000	54.46
Mining	Impala Platinum	5,060,400	4,131,700	-18.35
Construction	Aveng	697,800	173,700	-75.11
Construction	Cashbuild	73,369	89,890	22.52
Construction	Concor Limited	34,230	25,214	-26.34
Construction	Group Five	131,597	145,036	10.21
Construction	Murray & Roberts	563,100	422,000	-25.06
Industrial	Invicta Holdings Limited	204,963	208,937	1.94
Industrial	Dorbyl Limited	311,263	167,446	-46.20
Industrial	Sasol	7,914,000	8,010,000	1.21
Industrial	Hudaco	157,401	144,119	-8.44
Industrial	Afrox Oxygen	485,395	587,238	20.98
Transport	Cargo Carriers	5,840	22,165	279.54
Transport	Imperial Holdings	2,234,000	2,435,000	9.00
Transport	Super Group	361,893	469,006	29.60
Transport	Unitrans	316,219	363,260	14.88
Transport	Comair	-37,313	-136,148	-264.88
Food and Beverage	Anglo-Vaal Industries	1,022,500	956,000	-6.50
Food and Beverage	South African Breweries	4,620,000	8,346,000	80.65
Food and Beverage	Tiger Brands	1,744,200	2,034,100	16.62
Food and Beverage	Distell	399,054	485,762	21.73
Food and Beverage	Crookes Brothers Limited	28,287	28,483	0.69
Food and Beverage	Illovo Sugar	807,900	472,100	-41.56
Wholesale and Retail	Edcon	565,000	1,030,800	82.44
Wholesale and Retail	Relyant Retail Ltd	707,300	801,700	13.35
Wholesale and Retail	Mr Price	548,041	602,964	10.02
Wholesale and Retail	Truworths	548,500	761,200	38.78
Wholesale and Retail	Foschini	513,200	752,600	46.65
Banking	Firststrand Limited	5,706,000	7,126,000	24.89
Banking	Investec Bank	-55,591	99,097	278.26
Banking	ABSA	4,565,000	6,223,000	36.32
Banking	African Bank Investments Limited	1,065,529	1,310,767	23.02
Diversified Holdings	Barloworld Limited	1,228,000	1,669,000	35.91
Diversified Holdings	Remgro	2,264,000	1,210,000	-46.55
Diversified Holdings	RMB Holdings	164,600	535,600	225.39
Diversified Holdings	Searadel Limited	112,784	131,778	16.84
Diversified Holdings		13,053	10,044	-23.05
Diversified Holdings	Hosken Consolidated Investmets	-869,167	168,412	119.38
Health	Aspen	388,911	528,468	35.88
Health	Discovery Health	538,000	720,000	33.83
Health	Afrox Healthcare Limited	525,338	644,179	22.62
Health	Network Healthcare Holdings	765,000	856,800	12.00
Health	Medi-Clinic Corporation	539,936	650,555	20.49
Total and Average		69,058,032	85,001,972	23.09
		Total Company Profits 2003	69,058,032	
		Total Company Profits 2004	85,001,972	
		Percentage Change	23.09%	

Bargaining Challenges

While the bargaining challenges highlighted last year remain the same, the context has changed dramatically – there appears to be a frontal assault on labour standards in South Africa. In both the presidential address and the budget speech earlier this year, it was emphasised that the labour market is too rigid and flexibility needs to be introduced. More recently, an ANC policy document to stimulate discussion on flexibility and a dual labour market emerged.

The need to ensure that any erosion to workers' rights is taken off the agenda is crucial for the long-term development of the labour movement. It cannot be denied though, that a declining proportion of workers find themselves within formal employment and so the labour standards in existence apply to a declining section of the working class. In the struggle to protect labour standards currently in existence, new methods will have to be employed to organise workers in precarious forms of work or that are unemployed and to ensure that alliances are built between organisations of workers in the formal and informal economy.

Trade union negotiators attending the March 2005 *Negotiators' Conference*, hosted by the LRS, raised the following obstacles they will face in 2005:

- **Inflation:** The CPI-X has come down even more in the past year and employers are offering inflation related increases, which needless to say, is very low.
- **Exchange Rate:** the Rand continued to show strength thus weakening the competitiveness of domestic companies. These companies are using this as a reason to cut jobs.

To counter these obstacles, suggestions were made that wage demands should reflect workers expectations and that wage demands should be stated in Rand terms rather than percentages as the latter hides what gains workers will see in their take home pay. This clarity of wage demands will assist to mobilize more workers and build unity among them – which is essential to counter employers' divide and rule tactics.

Furthermore, there were suggestions for more labour law education within the union to ensure that negotiators are familiar with both the content and the procedures stipulated and are able to counter employers' attempts to retrench or dismiss workers at will.

While the number of mandays lost last year increased and industrial action appears to be picking up this year, both at company and at national levels, it will be important to find ways of building the capacity of trade unions to tackle the long term challenge of improving the working and living conditions of workers.