

# BARGAINING INDICATORS FOR 2011

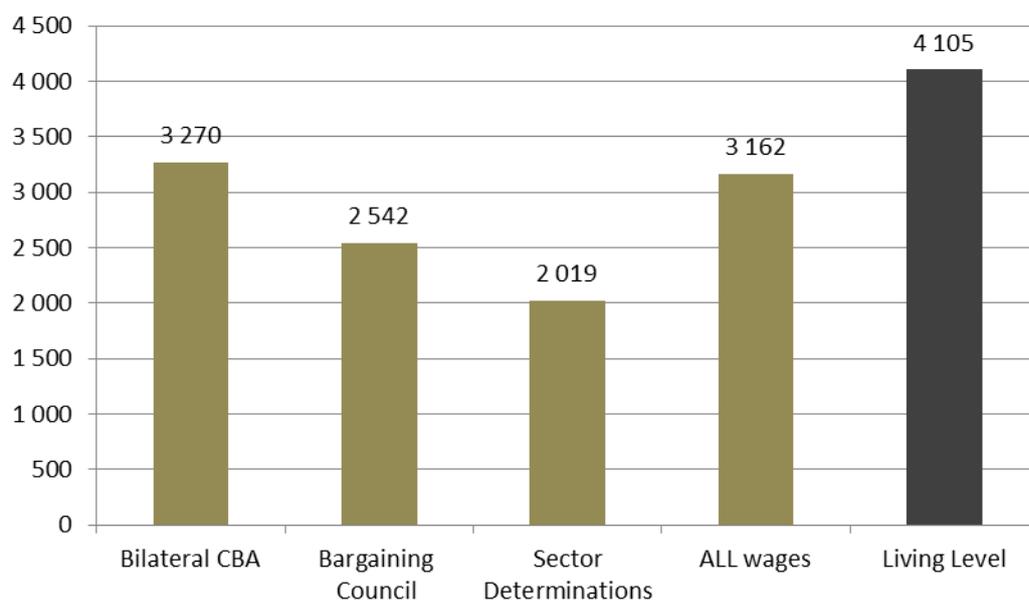
## TABLE OF CONTENTS

WAGE LEVELS IN SOUTH AFRICA IN 2010 .....	2
THE DISTRIBUTION OF MINIMUM WAGES IN SOUTH AFRICA .....	3
MINIMUM WAGES BY INDUSTRY .....	4
WHO PAYS THE BEST AND WHO PAYS THE WORST MINIMUM WAGES? .....	7
WAGE SETTLEMENT LEVELS in 2010 .....	8
REAL WAGES.....	10
CONDITIONS OF EMPLOYMENT .....	12
BARGAINING STRATEGIES - REVISITING THE BOTTOM LINE .....	14
STRATEGIC DEMANDS EXERCISE .....	15
CAMPAIGN APPROACH TO BARGAINING .....	16
SUMMARY RECOMMENDATIONS FOR COLLECTIVE BARGAINING.....	17
Annexure 1: Real Wage Calculation .....	19

## WAGE LEVELS IN SOUTH AFRICA IN 2010

Median<sup>1</sup> wages for minimum wage work in South Africa following the 2010 bargaining round ranged from a little of R3200 per month in our sample of bilateral agreements to about R2000 for jobs covered by sectoral determinations. The minimum wage across bargaining councils sat midway between these levels at just over R2500 per month.

Figure 1: Median minimum monthly wages in South Africa in 2010 in Rands per month



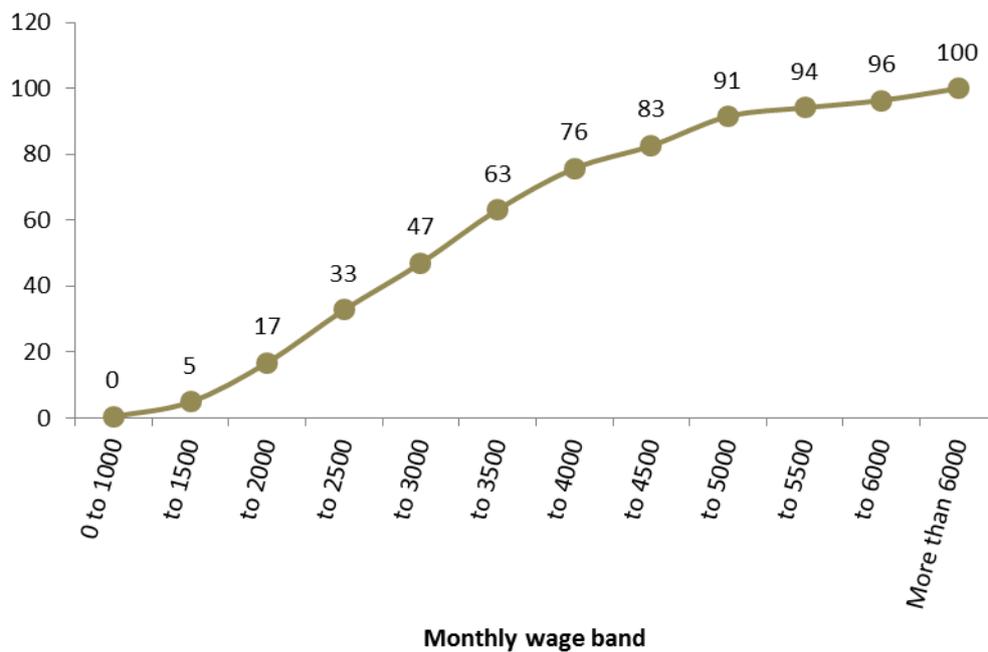
<sup>1</sup> The median is simply the value which stands in the middle of a line of numbers. In the context of wages, one can say that half of the sample earns less than the median and half earns more. The median is less sensitive to the presence of unusually large or small numbers in a collection of numbers.

## THE DISTRIBUTION OF MINIMUM WAGES IN SOUTH AFRICA

The graph below shows the cumulative percentage of wages in our sample as one moves through a series of income categories. So for example, a monthly wage of R3000 or less covers about half (47%) of the agreements in our sample. A wage of R4000 per month or less describes three quarters (76%) of the agreements in our sample. A wage of R4000 per month or less describes three quarters (76%) of our sample of collective agreements.

One can also deduce that roughly a quarter of the wages in our sample are above the living level benchmark of R4105 presented earlier.

Figure 2: Cumulative distribution of minimum wages in 2010 (%)



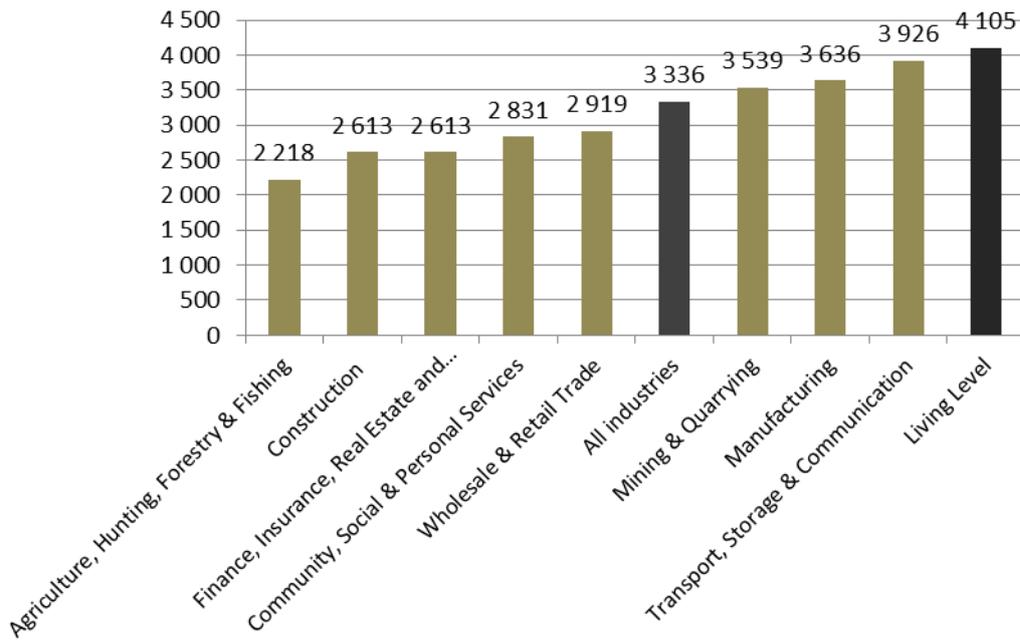
## MINIMUM WAGES BY INDUSTRY

When considering minimum wages in each of the main industries, manufacturing and transport emerge as the leaders. But even the industry leader averages are lower than the living level measure.

Agriculture, Construction and Finance (business services) return the lowest minimums. The result is unsurprising for agriculture in that it is historically the home of ultra-low wages and intensely vulnerable work. The construction industry too is characterised by vulnerable work in the form of layer upon layer of contracting. In the case of finance it is owing to the business services enterprises which dominate the sample. Business services often describe work that is externalised or contracted out.

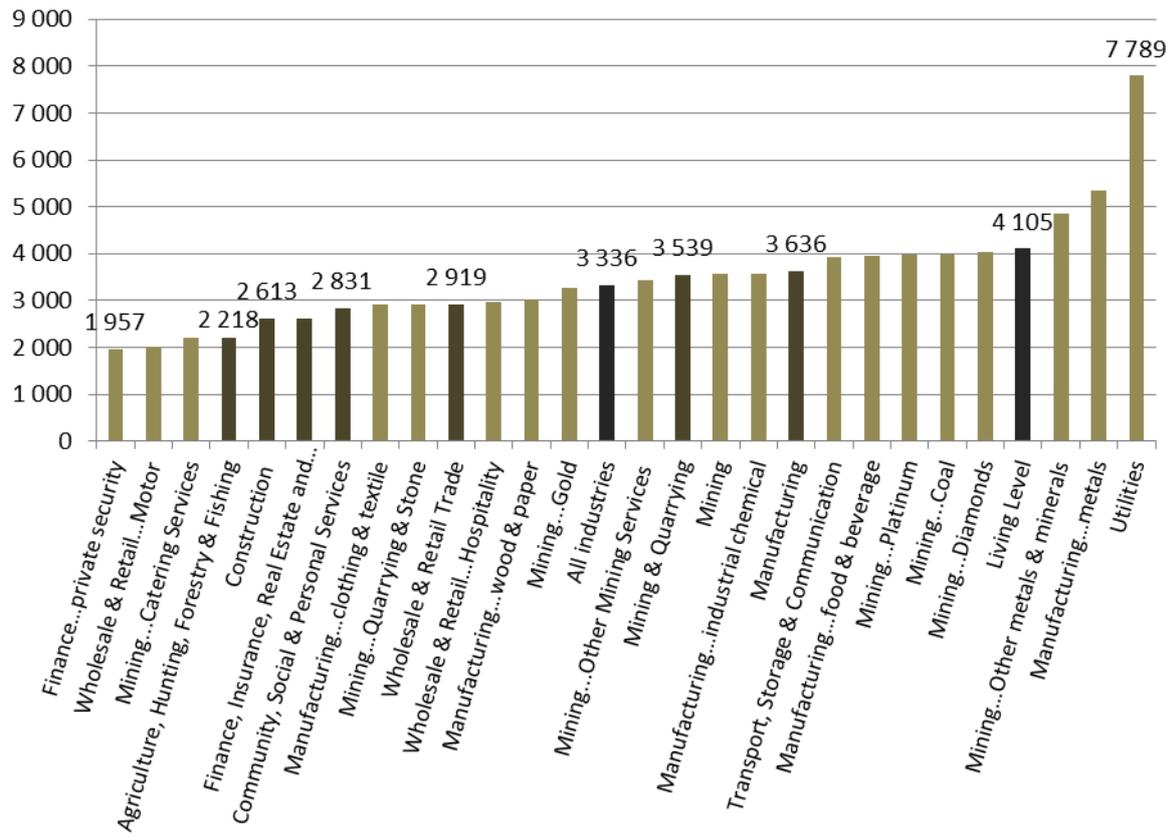
In fact, all the industries which fall below the all industry average can be said to be characterised by vulnerable work. Community services, while including the PSCBC and a major utility like Eskom, is also home to domestic work, arguably the most vulnerable form of employment of all. The Wholesale & Retail trade is made of many small to medium enterprises along with a smaller number of large dominant companies and is an industry where levels of unionisation are very low.

Figure 3: Average minimum monthly wage 2010 by industry



The figure below includes wages in the industry sub-sectors in addition to the main industries. The private security industry is the lowest paying sector and is followed by the motor industry, specifically fuel retailers. The mining industry muscles its way into 3<sup>rd</sup> spot in the form of catering services. This is a good example of how outsourced work can maintain very low wages even within an industry with high levels of union organisation and dominated by large companies. The clothing and textile industry reveals itself to be the lowest paying sub-sector of manufacturing.

Figure 4: Average minimum wage 2010 by industry and sub-sector



## **WHO PAYS THE BEST AND WHO PAYS THE WORST MINIMUM WAGES?**

The twenty best paying companies for a minimum wage job are dominated by manufacturing concerns, although there are two utilities companies in the top five. Two bargaining councils appear in the top twenty, the Paper & Pulp chamber of the Wood & Paper NBC and the Petroleum chamber of the Industrial Chemicals NBC. The automobile manufacturing industry also appears in our top 20 and although it does not have bargaining council it is well organized.

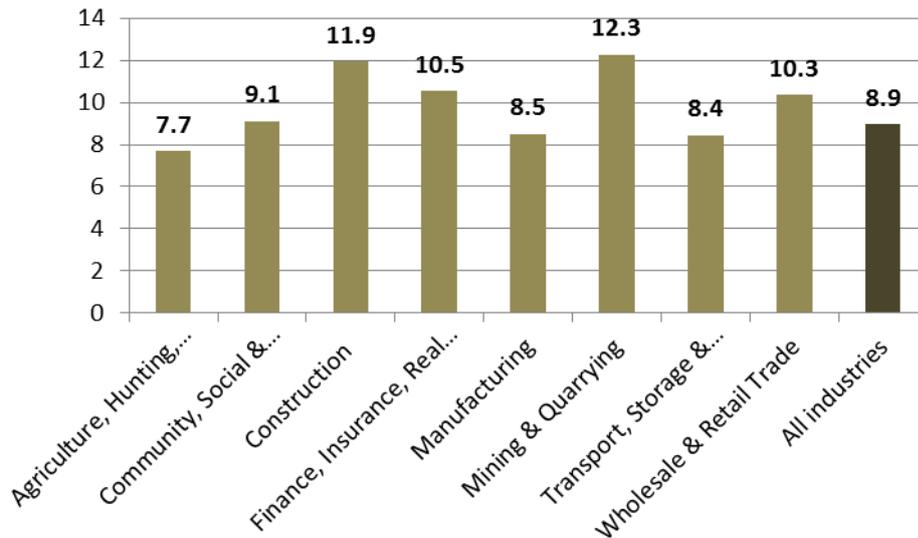
As it turns out, the worst paid job in our sample is at a hiring and staffing company. The worst paying jobs include jobs covered by three sectoral determinations and two bargaining councils. Forestry, Farming and Domestic Services are arguably home to the most vulnerable work in the economy and have traditionally been characterised by ultra-low wages.

The building industry for Kimberley is also on the list. Hairdressing and Cosmetology Services is represented by small semi-national or regional bargaining Councils and is likely representative of small or micro businesses, which tend to pay very poorly for low skill jobs.

## WAGE SETTLEMENT LEVELS in 2010

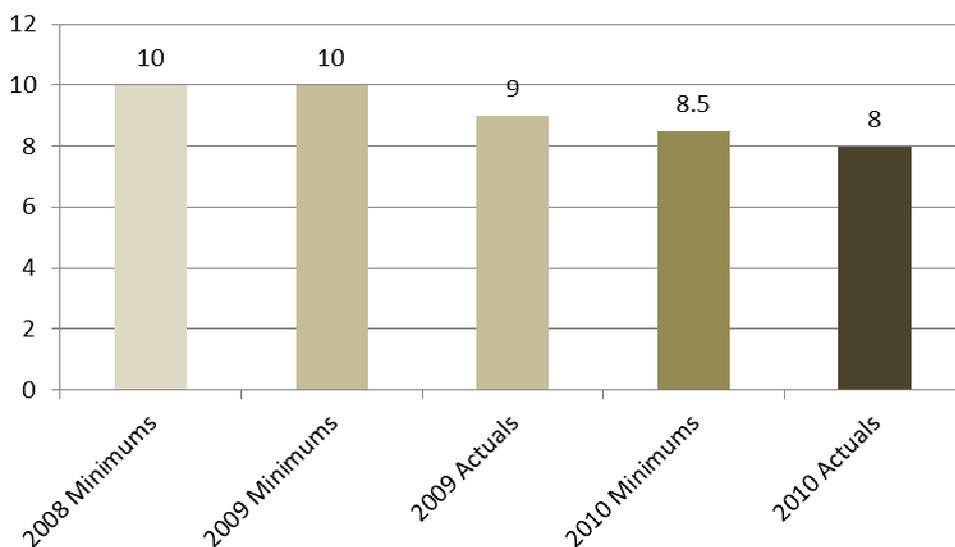
The average minimum wage increased by 8.9% in 2010. The highest increases were in Mining and Construction. The lowest increase was in Agriculture.

Figure 5: Change in the average minimum wage 2009/2010 (%) - matched sample



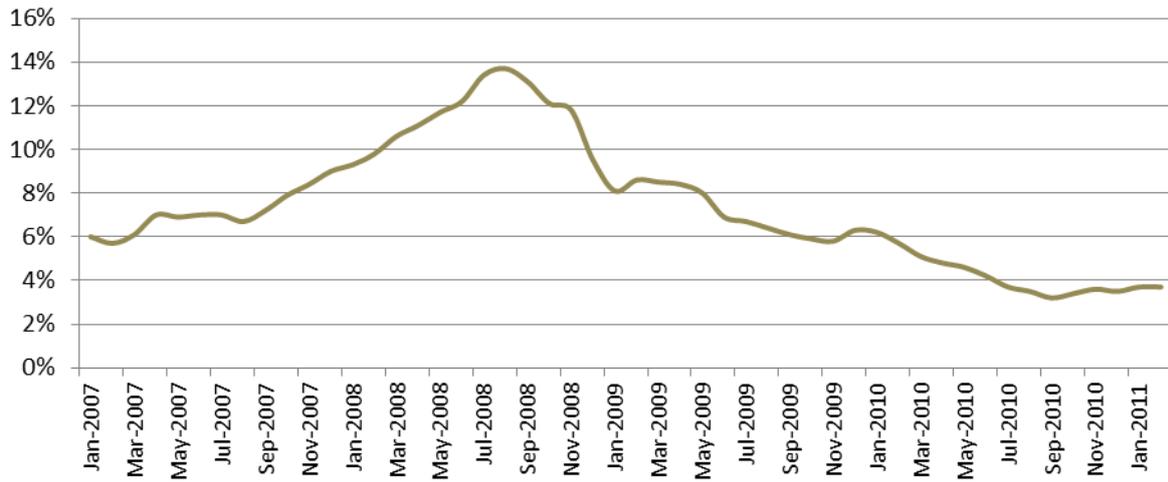
There was a steady decline in median settlement levels between 2008 and 2010 and increases on actuals tended to be lower than increases on minimums.

Figure 6: Median wage settlement levels in South Africa 2008-2010 (%)



It is tempting to attribute the trend to the onset of the global recession. A falling rate of inflation in South Africa over the same period also helps explain lower settlement levels.

Figure 7: Consumer Price Inflation (CPI) annualised monthly inflation rates (%) 2007- 2011



## REAL WAGES

The table below provides two benchmarks for wage bargaining in relation to inflation. The first scenario concerns keeping wage increases on a par with inflation over a five year period. The second scenario makes allowance for a 5% real wage gain over the five years.

The reference wage used here is the average wage across the bargaining councils in the LRS sample. The 2007 average minimum wage was R2406 and the 2010 wage was R3196.

For the full calculation please refer to Annexure 1.

<i>Scenario 1 Goal: Just keeping up with inflation in the period 2007-2011/2012</i>	<i>Value</i>
<b>Wage required to maintain 2007 purchasing power to the end of the 2011 agreement assuming 7% inflation between June 2011 and June 2012</b>	3370
<b>Percentage increase required in 2011 to maintain 2007 level of purchasing power</b>	5.4%
<b>Rand increase required in 2011 to maintain 2007 level of purchasing power</b>	174
<i>Goal Scenario 2: Making a 5% real wage gain against inflation in the period 2007-2011/2012</i>	<i>Value</i>
<b>Wage required in 2011 to make a 5% gain on 2007 level of purchasing power assuming 7% inflation between June 2011 and June 2012</b>	3 490
<b>Percentage increase required in 2011 to make a 5% gain on 2007 level of purchasing power</b>	9.2

Rand increase required in 2011 to make a 5% gain on 2007 level of purchasing power

294

## CONDITIONS OF EMPLOYMENT

What follows is a snapshot of median conditions of employment as observed in collective agreements. We are concerned with the *range* of conditions of employment on display in collective agreements, the *magnitude* of those benefits and the extent to which these conditions have *changed* between 2006 and 2009.

The lasting impression one gets is that conditions of employment have remained largely static between 2006 and 2009, with evidence of marginal increases and decreases here and there. The BCEA looks more like a ceiling than a floor of minimum conditions. Put another way, actual conditions of employment tend to cluster around the legislated minimums. We see few significant upward variations.

Our findings suggest that unions need to revisit their approach to the broader range of conditions of employment to understand why few gains are achieved on average. In the sections which follow (see *Revisiting the Bottom Line* and *A Campaign Approach to Bargaining* we suggest possible new orientations.

It is useful to view conditions of employment in different categories in order to better understand the different kinds of issues that are at stake. What follows is a commentary on the state of play in relation to categories such as Work & Allowances, Leave, Security in Employment, Gendered Conditions, Health, Family, Workplace Responses To HIV & AIDS, and Education And Training.

In the category Hours of WORK & ALLOWANCES, median ordinary hours of employment increased from 44 to 45 hours per week. This is right up against the ceiling established in the basic Conditions of Employment Act. The same can be said for overtime.

Housing allowances were up, although the number of observations is very low.

In the LEAVE category, annual leave entitlements appear unchanged and is identical to the provisions of the BCEA. A greater proportion of agreements showed evidence of annual leave supplements based on length of service (+4.2%). Leave for shop stewards appears to have declined marginally from nine days to eight and a half per annum.

In the category, SECURITY IN EMPLOYMENT, more than one measure appears to have declined. The notice period for the termination of employment was visible in very few of the agreements in the sample, but the terms were almost always equal to or less than that of the BCEA. Severance pay looks to have decreased from 2 weeks per year of service to just one week.

GENDERED CONDITIONS of employment have remained static or shown marginal declines. One of few indicators to show an increase is that of the qualifying period for accessing maternity benefits, which stands at 12 months in 2009. It is worrying that this rather negative indicator should be the only one to show a significant increase.

Add to this the fact that a woman worker on maternity leave can only expect a third of her salary, no time for nursing, no contribution to child care arrangements later on and very little explicit guarantee of employment security. This is clearly a situation which prejudices women in the workplace based on their reproductive role in society, a role which is elsewhere held up as the cornerstone of society.

In the HEALTH category, medical insurance of some kind is found in 7.6% of agreements (up 1.3%). Sick leave entitlements appear to have declined by two days per annum to a median benefit of 10 days per year. Sexual and reproductive health issues are almost completely absent from collective agreements.

In the FAMILY category, the only significant movement is in the proportion of agreements showing evidence of funeral benefits which are up 5.5% to 7.9%. Overall, there is very little provision in collective agreement for attending to family responsibilities. Family responsibility leave, as described in the BCEA, covers paternity leave, compassionate leave and child care leave (for attending to a sick child). So while FRL may be taken for a number of different reasons it is a very limited entitlement in the number of days available.

Marginal increases in all but one of the four indicators of WORKPLACE RESPONSES TO HIV & AIDS cannot hide the fact that the issue is largely invisible in collective agreement.

There is little evidence OF EDUCATION AND TRAINING initiatives and associated benefits in collective agreements and this situation is unchanged between 2006 and 2009.

## **BARGAINING STRATEGIES - REVISITING THE BOTTOM LINE**

There is evidence that collective bargaining is closely associated or rather dominated by wages. The union is more than the wage increase which it negotiates. The fundamental strength of trade unions is the extent and depth of their organisation in the workplace. It is this strength which got the company to the table in the first place. It is from this strength that the union's other strengths flow, be they economic, social or political.

On this basis I ask you to imagine an approach to collective bargaining which embodies this idea of organisation as the fundamental goal of the union. This might be as simple as asking to what extent our demands are concerned with merely maintaining levels of organisation or are facilitating organising of new layers of workers. An agenda committed to growing organisation might include demands which make the union a home for women or demands which bring externalised workers (labour brokers, sub-contractors and home workers) closer to the bargaining unit.

Collective bargaining could be used to build organisation even if substantial material gains are hard to come by. Here are some DEMANDS THAT ARE STRATEGIC RATHER THAN DEFENSIVE and which are less costly for the company.

- The provision or subsidisation of child care facilities for working mothers;
- Clauses which either prohibit or limit the use of labour brokers, but certainly equalise conditions of employment between workers inside and outside the company, thereby establishing disincentives for this kind of employment;
- More leave days for shop stewards (for union work);
- Establishing (office) facilities for shop stewards in the workplace; and
- Establishing or extending full-time shop stewards in the workplace.
- Furthering the education and training of members and their children

## STRATEGIC DEMANDS EXERCISE

This exercise is a way of interrogating our demands, past and present, to develop a better sense of what goals they serve and to begin to move us to a more strategic understanding of what we wish to achieve through collective bargaining.

- Build up a composite list of demands from the participants based on what they will take into negotiations this year or the demands that featured last year.
  
- Interrogate each of the demands using the following questions:
  1. Does this demand facilitate organisation now and in the future?
  2. What type of worker does this demand speak to?
  3. Does this demand facilitate the organisation of new layers of workers?

## **CAMPAIGN APPROACH TO BARGAINING**

Consider a campaign approach to bargaining where it zeroes in on a shortlist of demands which it would like to make progress on. In this context, five demands would be a lot. The fact that unions often operate in diverse sectors, along with a culture of inclusivity sometimes translates into a long “shopping list” of union demands. My concern is that this approach encourages “window shopping”, whereby the union itself has no realistic expectation of achieving many of the demands. It undermines the credibility of the demands which the union is serious about and is also likely to result in issues being parked, dropped or referred to commissions.

The campaign approach would involve a supporting information, education, organising, communications and mobilising plan which builds momentum on the issues among members and broader society and maintains that momentum during negotiations.

In this way the focus in 2011 could be on building participation, shared experience and decision-making. This combined with a strategic focus on issues which facilitate the growth of the union now and in the future provides us with a new story, a story which is not limited by the economic lament of recent times – a lament which unsurprisingly favours the few over the many.

## SUMMARY RECOMMENDATIONS FOR COLLECTIVE BARGAINING

1. MEMBERS (profile and voice) - Know the age, sex, culture and values profile of your members along with the issues that move them at any particular time.
  
2. BENCHMARK WAGE DEMANDS
  - Inflation (real wages)
  - Directors' fees
  - Company performance
  - Other companies
  - A living wage
  
3. BENEFITS
  - What are the benefits in the workplace?
  - Who do they benefit?
  - How do they benefit?
  - How have benefits changed over time?
  
4. INFORMATION MANAGEMENT
  - What information do I need?
  - Where can I get this information?
  - How can we improve our ability to manage valuable information?
  
5. STRATEGIC DEMANDS
  - Does this demand facilitate organisation now and in the future?
  - What type of worker does this demand speak to?
  - Does this demand facilitate the organisation of new layers of workers?
  
6. CAMPAIGN APPROACH
  - Focus demands and message
  - Build in information, education, organising, communications and mobilising as explicit components of a bargaining strategy



## Annexure 1: Real Wage Calculation

A real wage assessment of the average minimum wage across bargaining councils for the period 2007 up to and including the 2011 bargaining round

WAGE IN START YEAR (2007) = 2406 (This is the wage that resulted from the 2007 increase).

WAGE IN END YEAR (2010) = 3196 (This is the latest wage rate)

### 1. PERCENTAGE (%) INCREASE IN WAGES FOR THE PERIOD

$$= \frac{(\text{new rate} - \text{old rate})}{\text{old rate}} \times 100$$

$$= \frac{(3196 - 2406)}{2406} \times 100 = 32.8\%$$

MONTH OF IMPLEMENTATION OF THE AGREEMENT \_\_\_\_\_ June \_\_\_\_\_

INFLATION INDEX AT THE BEGINNING OF THE AGREEMENT (June 2007) \_\_\_\_\_ 89.4 \_\_\_\_\_

INFLATION INDEX AT THE END OF CURRENT AGREEMENT (June 2011) \_\_\_\_\_ 117 \_\_\_\_\_

Note: Use rise in index in recent months to project index level in near future.

= **Feb 2011 CPI of 114.3 + 0.8 + 0.9 + 1** (to take the index to June)

### 2. PERCENTAGE INCREASE IN INFLATION OVER THE TERM OF THE AGREEMENT

$$\text{percentage increase in inflation} = \frac{(\text{end value} - \text{start value})}{\text{start value}} \times 100$$

$$= \frac{117 - 89.4}{89.4} \times 100 = 30.9\%$$

### 3. REAL WAGE INCREASE OVER THE PERIOD

**real wage increase = percentage increase in wage – percentage increase in inflation**

$$= 32.8 - 30.9 = 1.9\%$$

### 4. ESTIMATE OF INFLATION INDEX AT THE END OF THE NEXT AGREEMENT June 2012

= **latest inflation index adjusted to June + estimated increase [7%]**

$$= 117 \times 1.07 = 125.2$$

5. PERCENTAGE INCREASE IN INFLATION (from start year 2007 to end of next agreement in 2012)

$$\text{percentage increase in inflation} = \frac{(\text{end value} - \text{start value})}{\text{start value}} \times 100$$

$$\frac{(125.2 - 89.4)}{89.4} \times 100 = 40\%$$

6. WAGE REQUIRED TO KEEP UP WITH INFLATION

$$2007 \text{ wage} \times (1 + \text{increase in inflation})$$

$$= 2406 \times (1 + 0.40) = 3370$$

7. WAGE AMOUNT NEEDED TO GET TO THAT WAGE

$$= \text{new wage} - \text{recent wage}$$

$$= 3370 - 3196$$

$$= R174$$

8. INCREASE REQUIRED TO GET THAT AMOUNT

$$= \frac{\text{amount needed}}{\text{recent wage}} \times 100$$

$$= \frac{174}{3196} \times 100$$

$$= 5.4\%$$