

JUNE 2019



# BARGAINING BENCHMARKS

A resource for negotiators in South Africa

**LRS** Labour  
Research  
Service

“Knowledge is too important to leave in the hands of bosses”

Negotiators often have very few resources to assist them with preparing for bargaining processes at company or sector level. There is very little information on wages and other key indicators in the public domain and trade union negotiators in particular have limited scope to buy the information that they might need. It is also true that much of the information that is available is not in a form that is easily understood by negotiators.

**Bargaining Benchmarks is a basic resource for role players in collective bargaining in South Africa. This report provides negotiators with a series of benchmarks that will help them enter into bargaining processes as informed role players.**

**This publication was made possible through the support of the National Skills Fund (NSF).**

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# Definitions

<b>BARGAINING COUNCIL</b>	Comprises of one or more registered trade unions and one or more registered employer organisations. The aim is to provide a forum for collective bargaining by which settlement on matters of joint interest can be reached through negotiation.
<b>CPI (CONSUMER PRICE INDEX)</b>	Measures changes in the price level of market basket of consumer goods and services purchased by households.
<b>ECONOMIC GROWTH</b>	The increase in the inflation-adjusted market value of the goods and services produced by an economy over time. It's conventionally measured as the percent rate of increase in real gross domestic product, or real GDP.
<b>EMPLOYMENT</b>	The fact of having a paid job.
<b>INFLATION</b>	The rate at which prices increase over time, resulting in a fall in the purchasing power of money.
<b>GDP (GROSS DOMESTIC PRODUCT)</b>	A monetary measure of the market value of all the final goods and services produced in a period of time, often annually or quarterly in a country.
<b>PPI (PRODUCER PRICE INDEX)</b>	The measure of average change in price of a basket of representative goods and services sold by manufacturers and producers in the wholesale market, including finished goods, intermediate goods, and raw materials or crude commodities.
<b>SECTORAL DETERMINATION</b>	A set of wages and conditions of services that govern vulnerable workers in a particular sector.
<b>WAGE FLOOR</b>	The lowest wage found in collective agreements.

# Price inflation: Cost of living

## INFLATION

The increase in prices over a certain time period. Measured as an annual percentage increase (for example, March 2017 to March 2018). Almost always presented as an annualized number covering the previous 12 months.

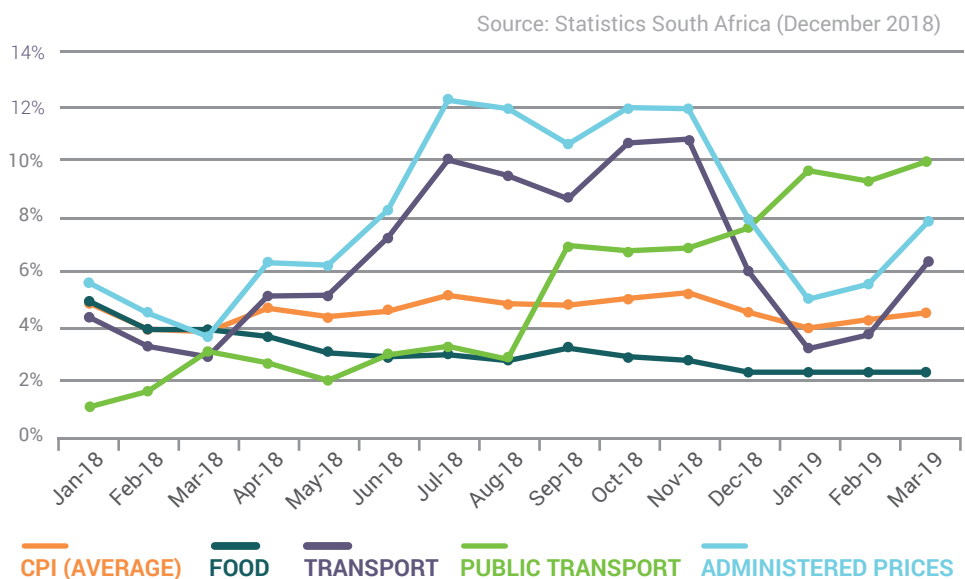
The first thing to be aware of is that inflation is backward looking. As an example, if the latest inflation number is for March 2019 and it is reported to be 4.5%, then this tells us what happened to prices over the last 12 months (from March 2018 to March 2019).

The easiest way to understand inflation is to think of buying power. If a worker receives a 10% increase and the price of the goods that the worker buys also increase by 10%, then that worker will not be able to buy anything beyond what they bought previously, even though they appear to have more money. The wage earner, therefore, has exactly the same buying power they had before despite the 10% increase.

The Consumer Price Index (CPI) represents the overall increase in prices of all goods. The inflation rate as measured by the CPI was 4.5% at March 2019. This means that the price of goods and services generally increased by 4.5% from March 2018 to March 2019.

You can find this monthly release at [www.statssa.gov.za/](http://www.statssa.gov.za/)

**Figure 1:** Consumer Price Index (CPI) and selected price categories Jan 2018 to March 2019.



Overall CPI is made up of different categories of goods and services. So for example, while overall CPI increased by 4.5%, the price of transport and transport-related items increased by 6.4% and the price of public transport increased by 10.1%. Administrative prices (school fees, telephone, electricity, trains, and petrol/paraffin) increased by 7.5% to March 2019, while the price of food increased by 2.3% in the same period.

The next table shows the contribution of the main kinds of expenditure to the inflation rate for March. You can see that housing and utilities and transport prices are the biggest contributors to average inflation of 4.5%.

**Table 1:**

Contribution of the different groups to the annual change March 2019.



Group	Contribution (Mar-19)
Housing and utilities	1.1
Transport	0.9
Miscellaneous goods and services	0.9
Food and non-alcoholic beverages	0.5
Alcoholic beverages and tobacco	0.4
Education	0.2
Clothing and footwear	0.1
Household contents and services	0.1
Restaurant and hotels	0.1
Health	0.1
Recreation and Culture	0.1
Residual	0.0
<b>All items</b>	<b>4.5</b>

Source: Statistics South Africa (March 2019)

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

**If we look even closer, we can see which sub-categories are currently driving inflation. The next table shows that the prices of meat, primary and secondary education, other goods and services, insurance and water increased fastest.**

**Table 2:** Annualised increases in prices at March 2019



Source: Statistics South Africa (March 2019)

CPI	4.5
Cold Beverages	13
Water & Other Services	11
Vegetables	9.4
Fuel	8.8
Private Transport Operation	8
Electricity & Other Fuels	7.6
Fruits	7.6
Primary and Secondary School	6.8
Books, Stationery & Newspaper	6.7
Insurance	6.6
Tertiary	6.2
Bread & Cereal	6.1
Medical Services	5.7
Restaurant	5.4

# Inflation by expenditure group

**Table 3:**

Annualised inflation by expenditure group, March 2018



There is more than one inflation number. The inflation rate that is reported in mainstream media is the average inflation rate. Different groups, from the very poor to the wealthy, can experience different rates of inflation because they buy different things.

Source: Statistics South Africa (December 2018)

Monthly expenditure		Mar-19
Average annual CPI		4.5%
Decile 1	Up to R1477 per month	4.8%
Decile 2	R1477 up to R2456 per month	4.3%
Decile 3	R2456 up to R3549 per month	4%
Decile 4	R3549 up to R4742 per month	4.1%
Decile 5	R4742 up to R6151 per month	4%
Decile 6	R6151 up to R7907 per month	3.8%
Decile 7	R7907 up to R10352 per month	3.9%
Decile 8	R10352 up to R14419 per month	4.2%
Decile 9	R14419 up to R22492 per month	4.7%
Decile 10	R22492 and more...	4.9%

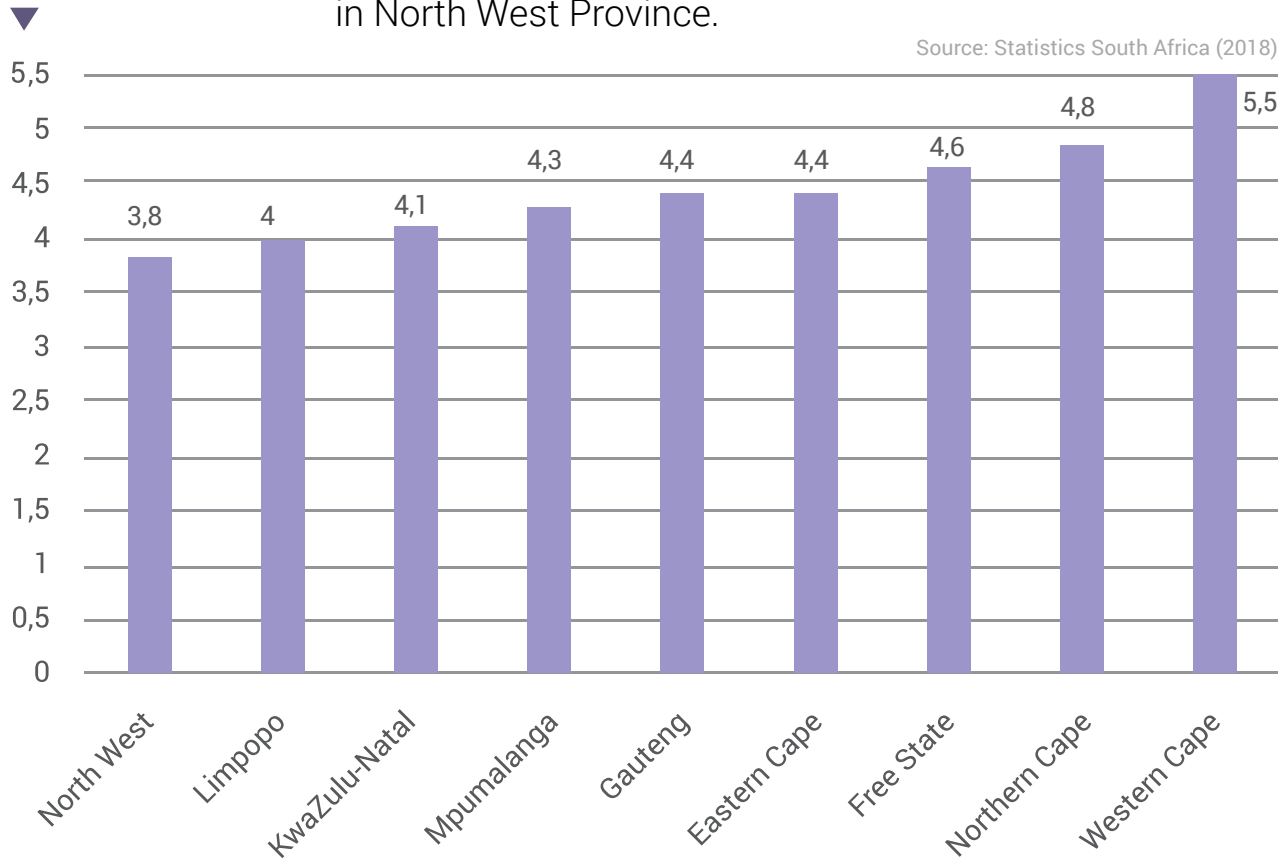
**At the moment, inflation appears to be higher for wealthier households. This is not always the case. For example, back in 2009, the inflation rate for the poorest households was 4% higher than inflation for the wealthiest households.**



# Inflation rate by province

**Figure 2:**  
Annualised Inflation  
Rates by Province  
March 2019

When comparing the overall inflation rate according to provinces it can be seen that Western Cape attained the highest inflation rate at 5.5% in the first quarter of 2019. The lowest inflation rate of 3.8% was found in North West Province.



# Producer price index

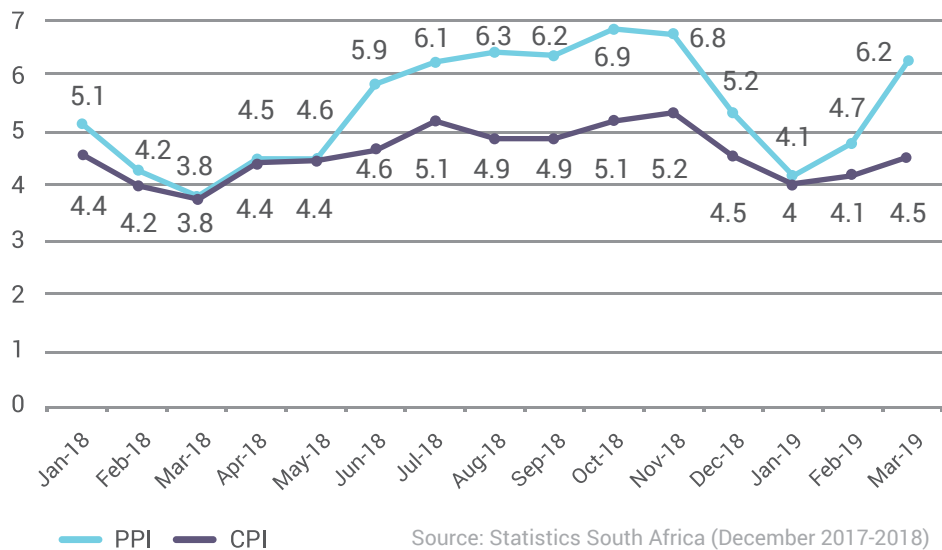
The line chart below shows monthly movement of the Producer Price Index (PPI).

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

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

The chart below shows the annualized rate of increase of the Producer Price Index (PPI) by month. The fact that PPI is running (6.2%) ahead of the CPI at the moment, suggests that those prices will feed through to the consumer in time and that inflation is likely to increase in the months to come, off the current base of 5%.

**Figure 3:**  
Producer Price Index and Consumer Price Index (CPI) January 2018 to March 2019



# Employment

Employment is the fact of having a paid job. Each year new workers enter the labour market.

**Figure 4:**  
Employment rate  
(%) Jan-Mar 2018  
to Jan-Mar 2019.

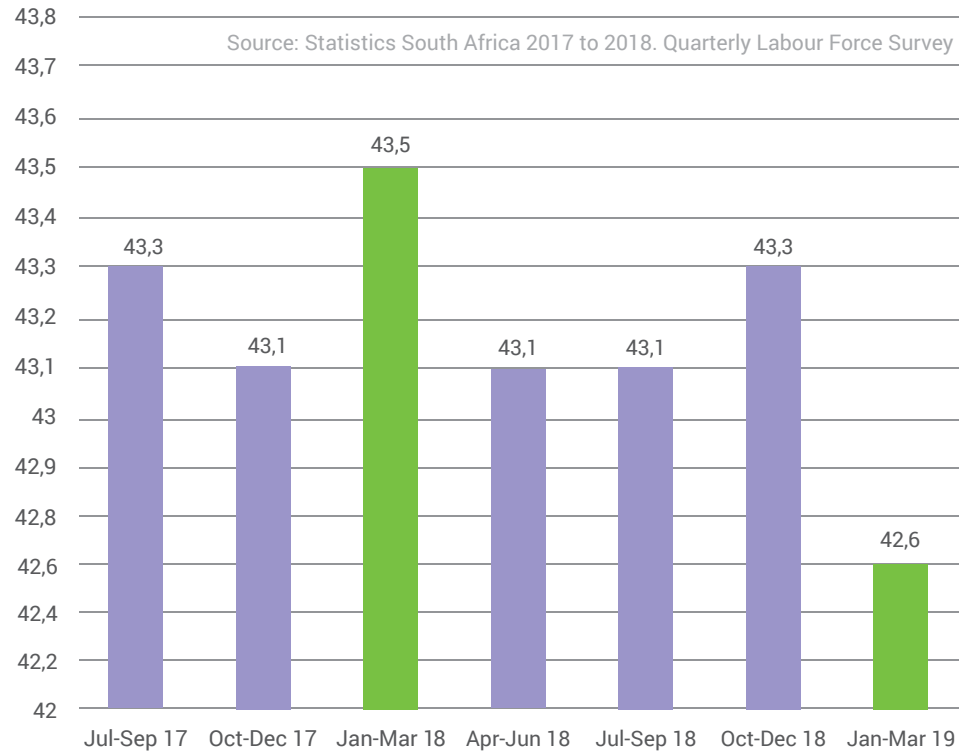


Figure 4 shows that the employment rate in South Africa was 43.5% in the first quarter of 2018 and declined to 42.6% in the first quarter of 2019. This translates to an increase of 0.9% between Q1 2018 and Q1 2019.

The table below shows employment gains were found in the following industries: mining (6.6%), private household (4.9%), construction (6.5%), finance (10%) and trade (2.5%). Sectors that experienced decline in employment were utilities (-10.1%), transport (-3.6%), manufacturing (-1.4%) and community and social services (-1.8%).

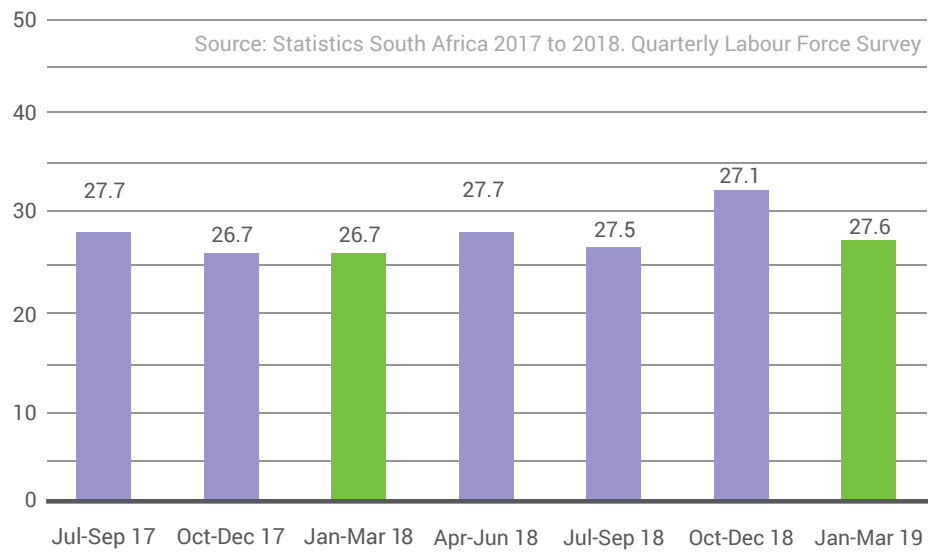
**Table 4:**  
Employment rate by Industries Jan-Mar 2018 to Jan-Mar 2019.

	Mar 18	Mar 19	Year on year % Change
	Thousand	Thousand	
Agriculture	847	837	-1.1
Mining	397	417	5
Manufacturing	1 849	1 780	-3.7
Utilities	143	150	4.7
Construction	1 431	1 339	-6.4
Trade	3 276	3 345	2.1
Transport	960	1 025	6.7
Finance	2 402	2 516	4.7
Community & Social Services	3 785	3 574	-5.6
Private Household	1 275	1 301	2

# Unemployment

Figure 5 shows that unemployment rate in South Africa increased to 27.6% in the first quarter of 2019, compared to 26.7% recorded in first quarter of 2018. This translates to an increase of 0.9% between the first quarter of 2019 and first quarter of 2018.

**Figure 5:**  
Unemployment rate (%) Jan-Mar 2018 to Jan-Mar 2019.

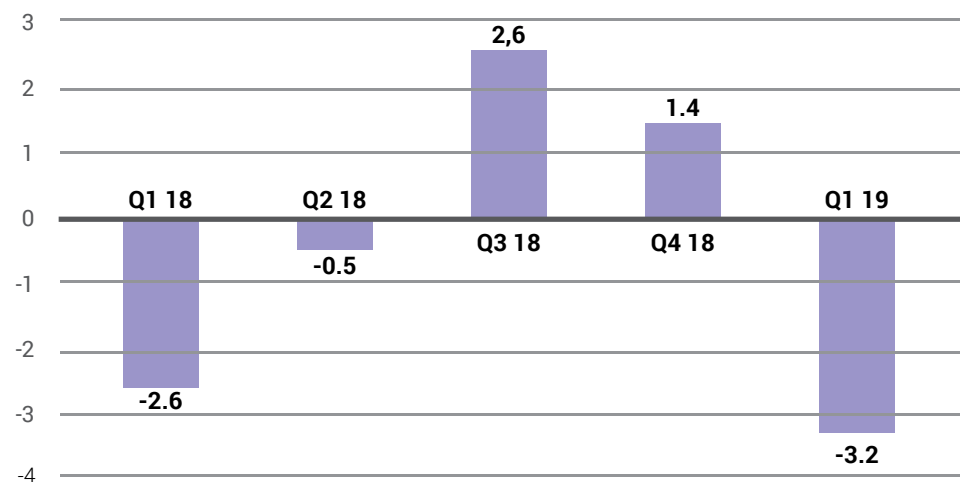


# Economic growth and GDP

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

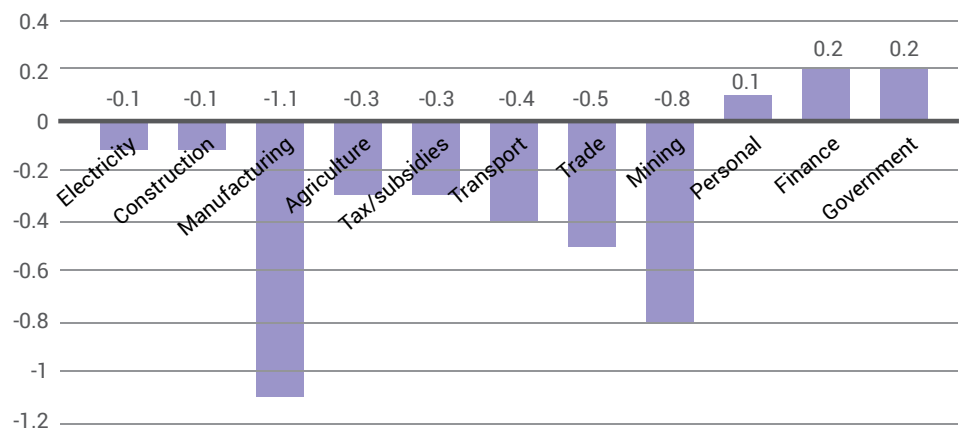
The graph below shows that in Q1 2018, GDP was -2.6% and declined to -0.5% in Q2 2018. GDP increased to 2.6% in Q3 2018 and increased by 1.4% in Q4 2018. The GDP fell by 3.2% in Q1 of 2019.

**Figure 5:**  
Growth in GDP %  
January 2018 to  
March 2019



The biggest negative contributors to growth in GDP in the first quarter of 2019 were Manufacturing (-1.1%, decreased by 8.8%), Mining (-0.8%, decreased by 10.8%) and Trade, Catering and Accommodation (-0.5%, decreased by 3.6%). Positive contribution growth to the GDP in the first quarter of 2019 came from Personal Services (0.1%), Finance (0.2%) and Government (0.2%).

**Figure 6:**  
Contributions  
to growth (%) in  
GDP by Industries  
in Q4 2018



# Wage indicators

Through the LRS AWARD Database it is possible to determine the median wage increase over various industries. Such information provides valuable insight into negotiation trends that can be used when building your own bargaining case.

Source: LRS AWARD Database (September 2018)

**Table 6:**  
Median Wage Settlement by industry Q1 2019.



Industry	Jan-Mar 19
Agriculture, Hunting, Forestry & Fishing	7.3%
Community, Social & Personal Services	7%
Construction	6.1%
Electricity, Gas & Water	–
Financing, Insurance, Real Estate & Business Services	7%
Manufacturing	7%
Mining & Quarrying	8%
Transport, Storage & Communication	7%
Wholesale & Retail Trade, Catering & Accommodation	7.3%
<b>AWARD Benchmark (all Collective Agreements)</b>	<b>7%</b>

The table above shows that unions managed to secure wage settlements above inflation rate. The median wage settlements was 7% whilst inflation rate was at 4.5%. The highest median wage settlement was reported in the mining sector at 8% and the lowest was found in the construction sector at 6.1% in the first quarter of 2019.

## 02 **The median and why we like to use it:**

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The mean is the sum of all the numbers in a given set divided by the amount of numbers in the set. The median is the middle point of the number set, in which half the numbers are above the median and half are below. For example: if the range of numbers is 2, 4, 6, 8, 10, 12, 14, 16, 18 then the median is 10.

**We prefer using median when analyzing wage data as the result cannot get distorted by an outlier (very big or small number) as is the case with calculating averages.**

## **Sectoral determinations**

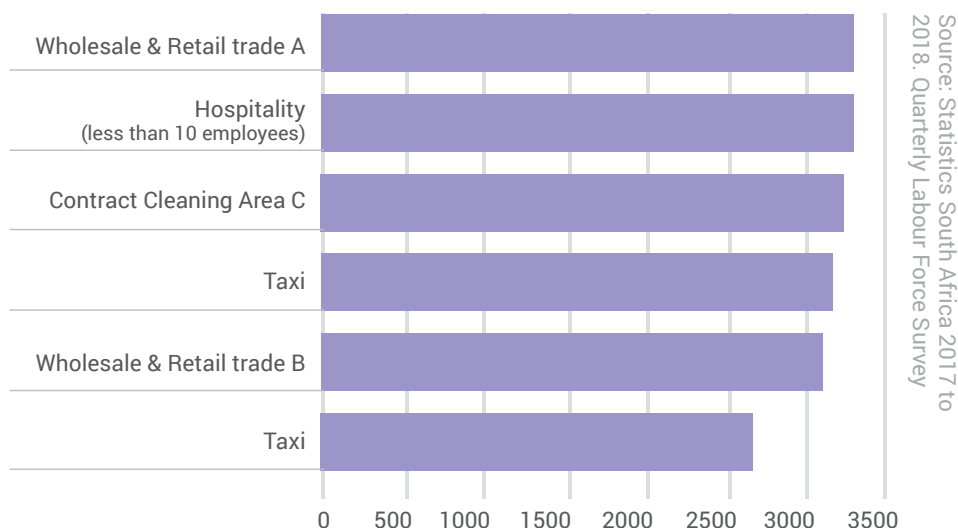
**Sectoral determinations** regulate the terms or conditions of employment for vulnerable employees in sectors where they 'are likely to be exploited, or where worker organisations and trade unions are absent' (DPRU, 2010:15). The Employment Conditions Commission convenes public hearings in order to gather proposals from both employers and employees and then makes recommendations to the Minister of Labour. Once the Minister approves the recommendations, they are published in the Government Gazette as new wage rates or sectoral determinations (Basic Conditions of Employment Act, Act No. 75 of 1997 Section 51/62).

The national minimum wage was implemented on the 1st January 2019 and it stipulated a national minimum wage rate of R20 per hour or R3 500 per month, depending on the hours worked.



The graph below shows the sectors that benefited in the implementation of the national minimum wage. The domestic worker, farm worker and forestry sectors have been exempted for now, and employers will pay 75% and 90% of the national minimum wage, respectively. For example, farm and forestry workers will be paid R18 per hour and R15 per hour for domestic workers

**Figure 7: Sectoral Determinations Minimum Wages 2018**



## Bargaining Council Minimum Wages

The graph below shows bargaining council minimum wages in 2018. From 1 January 2019, workers in the bargaining councils listed below will have their minimum wages adjusted to R20 per hour or R3 500 per month, depending on the hours worked.

**Table 6: Bargaining Council wage floor (lowest wage found in collective agreements) 2018**



Bargaining Council	Monthly Wage 2018
Electrical Area L	3351
Hairdressing Trade (Cape Peninsula) Division 106 Cape Peninsula	3364
Electrical Area O	3279
Textile (Blanket) Isithebe Area	3532
MIBCO Sector 4,5 & 7 Only Area A	3258
Hairdressing & Cosmetology Trade (Gauteng Excluding Alberton) Division 101 Gauteng	3207
Electrical Area H	3121

**Table 6:** Bargaining Council wage floor (lowest wage found in collective agreements) 2018



Hairdressing & Cosmetology Trade (Pretoria) Division 113 Wonderboom	3018
Hairdressing & Cosmetology Trade (Pretoria) Division 112 Wonderboom	2935
Furniture Manufacturing (Free State)	3500
Furniture Manufacturing (Western Cape)	2903
Electrical Area D	2789
Electrical Area E	2726
Hairdressing & Cosmetology Trade (Port Elizabeth, Uitenhage & Humansdorp) Division 104 Port Elizabeth, Uitenhage & Humansdorp	2729
Hairdressing & Cosmetology Trade (East London & Port Alfred) Division 102 East London & Port Alfred	2727
Electrical Area N	2477
Hairdressing & Cosmetology Trade (KwaZulu-Natal) Division 109 KwaZulu-Natal, Durban, Inanda & Pinetown	2379
Hairdressing & Cosmetology Trade (Klerksdorp & Potchefstroom) Division 108 Klerksdorp & Potchefstroom	2126
Hairdressing & Cosmetology Trade (Pretoria) Division 114 Kungwini, Cullinan & Bronkhorstspuit	2095
Hairdressing & Cosmetology Trade (Alberton) Division 105 Alberton	1965
Hairdressing & Cosmetology Trade (Free State) Division 107 Free State	1505
Hairdressing & Cosmetology Trade (Kimberley) Division 103 Kimberley	1463

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