



June 2023

Bargaining Benchmarks

A resource for trade union negotiators
in South Africa

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

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

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Definitions

CPI (Consumer Price Index)

Measures changes in the price level of market basket of consumer goods and services purchased by households.

Economic growth

The increase in the inflation-adjusted market value of the goods and services produced by an economy over time. It is conventionally measured as the percent rate of increase in real gross domestic product, or real GDP.

Employment

The fact of having a paid job.

Inflation

The rate at which prices increase over time, resulting in a fall in the purchasing power of money.

GDP (Gross Domestic Product)

A monetary measure of the market value of all the final goods and services produced in a period of time, often annually or quarterly in a country.

PPI (Producer Price Index)

Measure of the average change in the price of a basket of representative goods and services sold by manufacturers and producers in the wholesale market, including finished goods, intermediate goods, and raw materials or crude commodities.

PMBEJD

Pietermaritzburg Economic Justice and Dignity.

The median

The number found in the middle of a range of numbers. For example: if the range of numbers is 2, 4, 6, 8, 10, 12, 14, 16, 18 then the median is 10.

Price inflation: Cost of living

The first thing to be aware of is that inflation is backwards looking. As an example, if the latest inflation number is for March 2023 and it was reported to be 7.1%, then this tells us what happened to prices over the last 12 months (from March 2022 to March 2023).

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

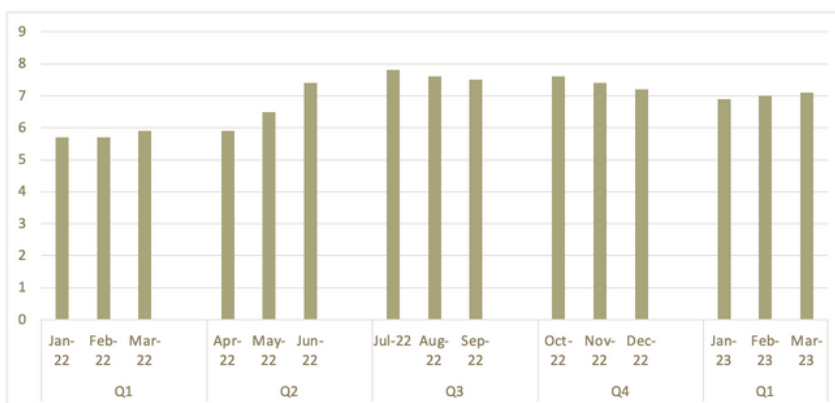
The Consumer Price Index (CPI) represents the overall increase in prices of all goods. The inflation rate as measured by the CPI was 7.1% in March 2023. This means that the price of goods and services generally increased by 7.1% from March 2022 to March 2023.

You can find this monthly release at www.statssa.gov.za

Inflation

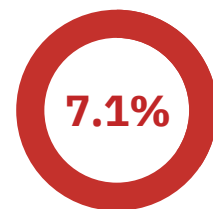
The **increase in prices** over a certain time period. Measured as an annual percentage increase (for example, March 2022 to March 2023). Almost always presented as an annualized number covering the previous 12 months.

Figure 1: Consumer Price Index (CPI) Q1 2023



Source: Statistics South Africa

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



March 2023

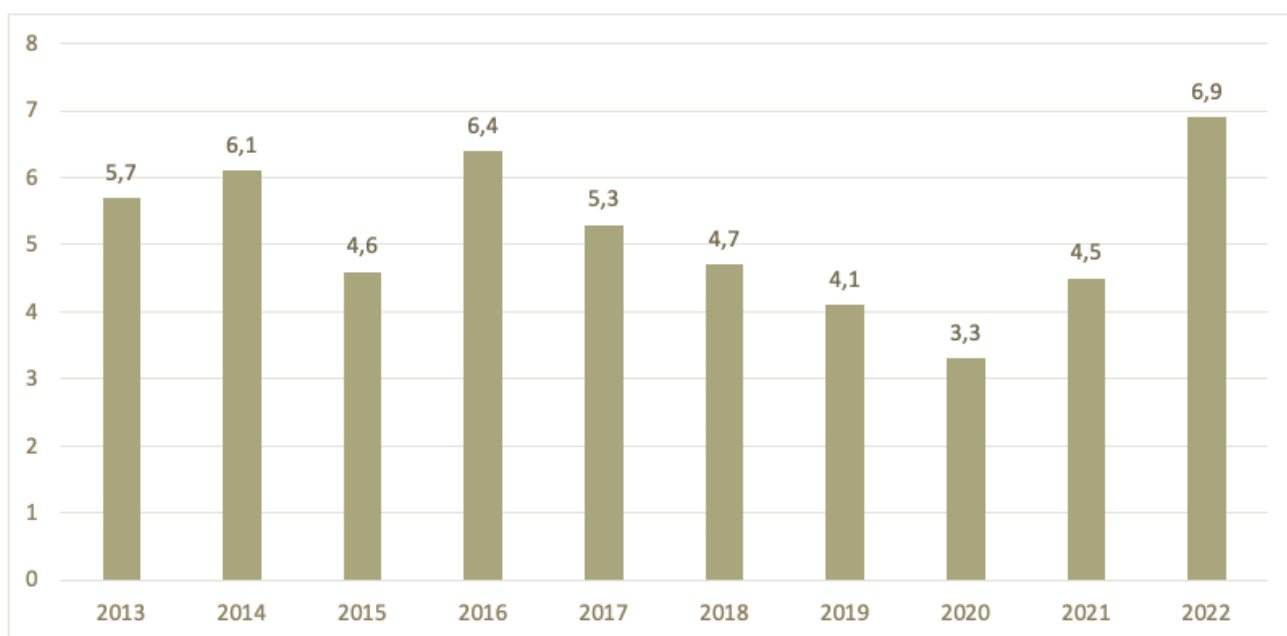
Remember that the inflation rate describes a rate of increase. So, if annualised inflation is lower this month than it was last month, it does not mean that things are cheaper. It just means that the prices increased more slowly than they did before.

If we look even closer, we can see which sub-categories are currently driving inflation.



If annualised inflation is lower this month than it was last month, it does not mean that things are cheaper.

Figure 2: Average Consumer Price Index (CPI) | 2013 -2022



Source: Statistics South Africa

The food price index shows the increase in the price level of food products only, every month. This rate is incorporated in the overall CPI inflation rate.

Figure 3 shows food price overtook the consumer price index in January 2022 and escalated to 14.4% in March 2023.

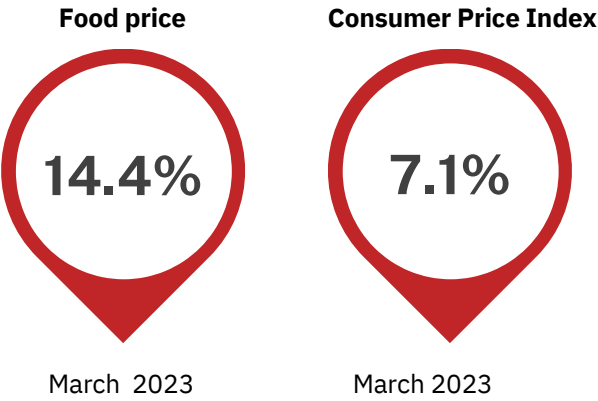
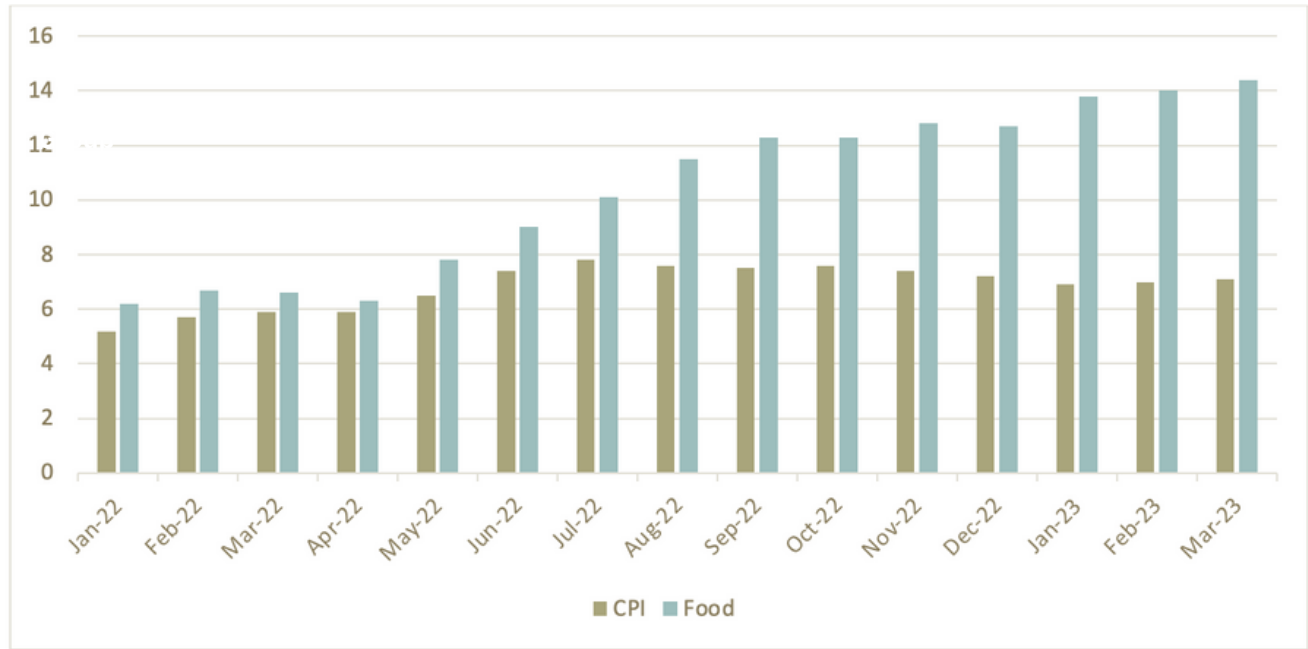


Figure 3: The Food Price | January 2022 - March 2023



Source: Statistics South Africa

The transport price index indicates the increase in the price level of transport items in the basket of goods and services that make up the inflation index. This rate is incorporated in the overall CPI inflation rate.

Figure 4 shows the movement of transport prices between January 2022 to March 2023. Transport prices rose sharply between January 2022 and July 2022, fell in August 2022 and stabilised at 8.9% in March 2023.

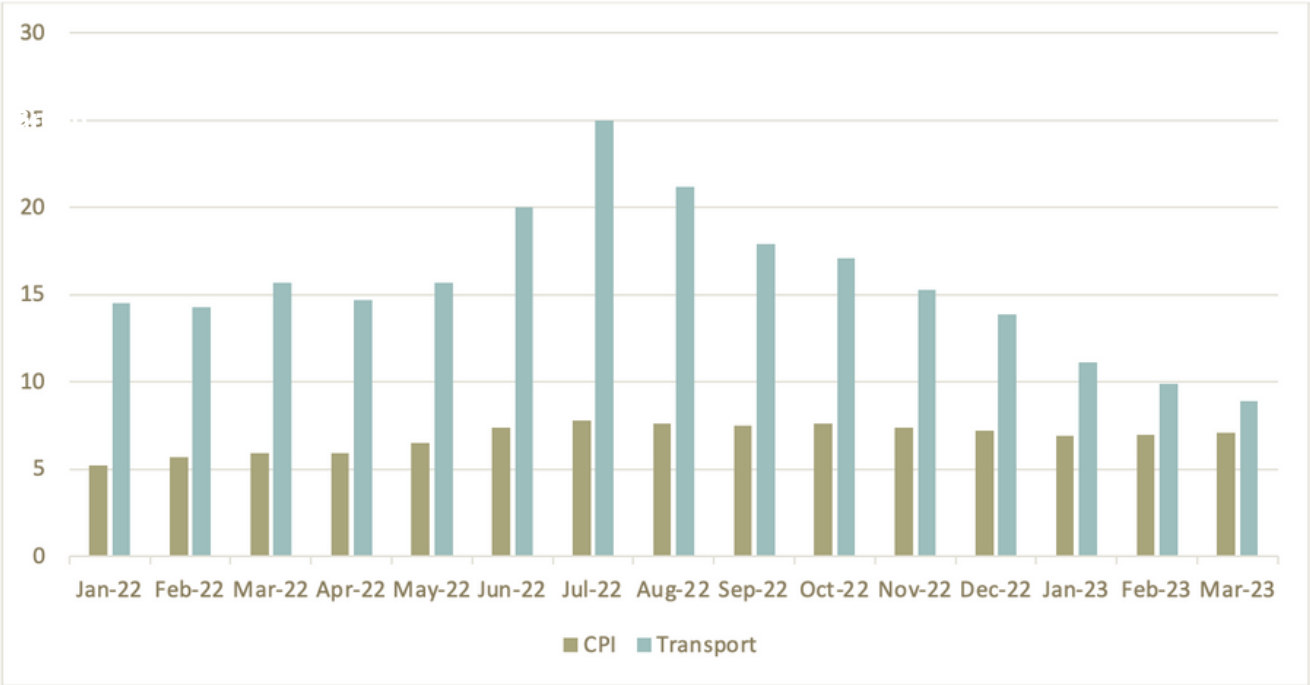


March 2023



January 2022

Figure 4: Transport price | January 2022 - March 2023



Source: Statistics South Africa

The public transport price index shows price increases in taxis, trains, buses, or other public transport that ferry passengers or goods. This rate is incorporated into the overall CPI inflation rate.

Figure 5 shows the movement of public transport price between January 2022 to March 2023.

Public transport was higher than the CPI from January to June 2022. Between July 2022 and January 2023, the transport price rose sharply, but fell between February and March 2023. In March 2023, the transport price stabilised at 14.6%.

Figure 5: Public Transport price | January 2022 - March 2023

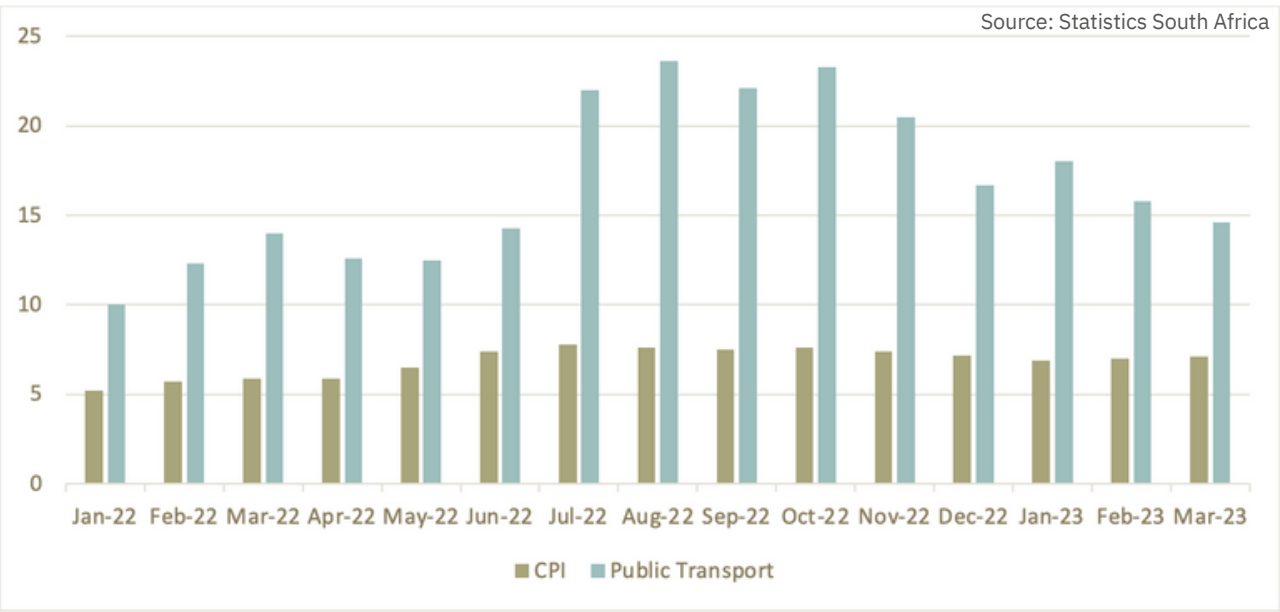
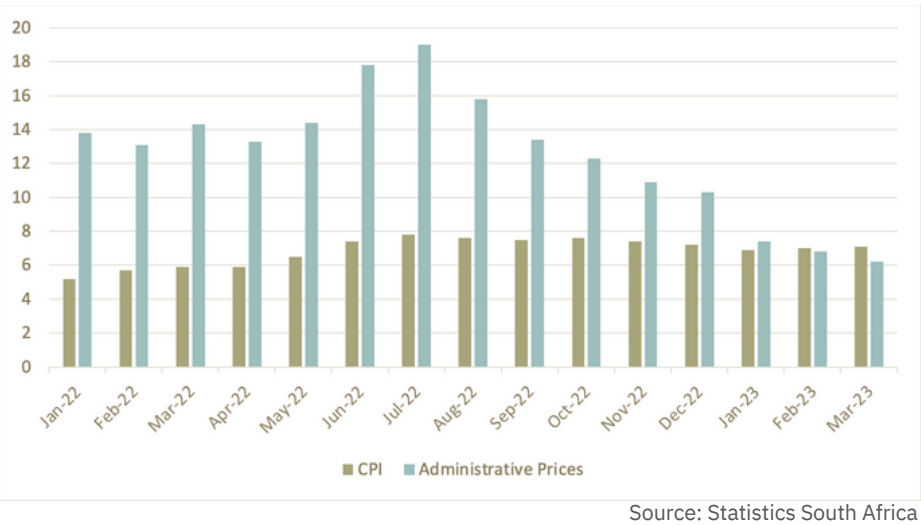


Figure 6: Administered price | January 2022 - March 2023

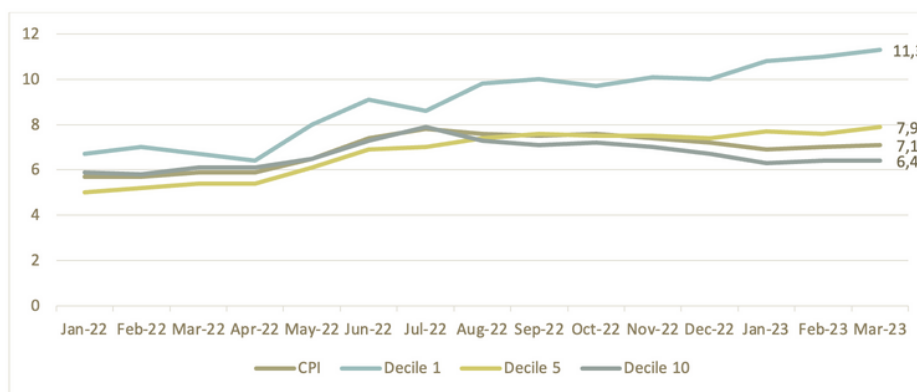


Administered prices (school fees, telephone, electricity, trains and petrol/paraffin) increased in June and July 2022, but started to fall in August 2022, settling at 6.2% in March 2023.

Inflation by expenditure group

There is more than one inflation number. Different groups, from the very poor to the wealthy, can experience different rates of inflation because they buy different things.

Figure 7: Annualised inflation by expenditure group | JAN 2022 - MAR 2023

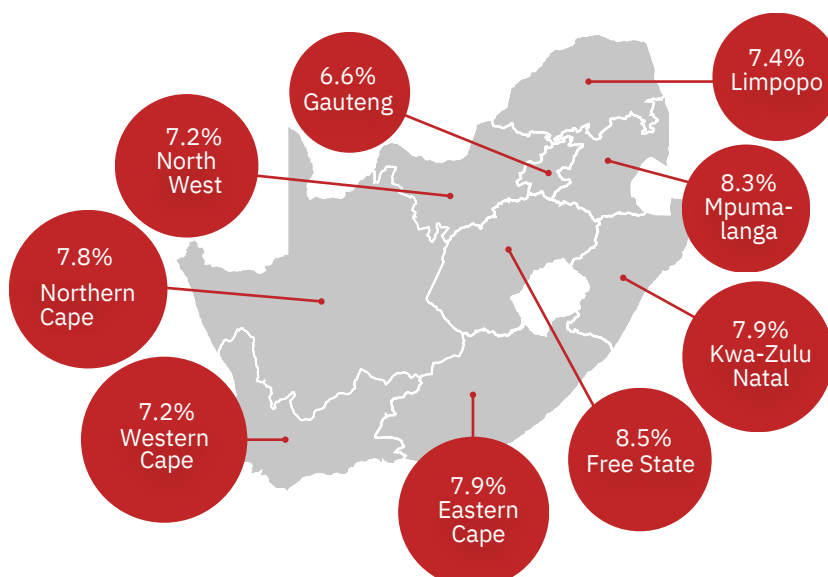


Source: Statistics South Africa

◀ The very low expenditure group (decile 1) experienced an inflation rate of 11.3%, higher than the headline annualised inflation rate of 7.1% in March 2023, while the very high expenditure group (decile 10) had an inflation rate of 6.4% in March 2023.

Inflation by province

Figure 8: Annualised Rates by Province | March 2023



◀ Gauteng Province had an annual inflation rate of 6.6%, which was lower than or equal to the headline rate.

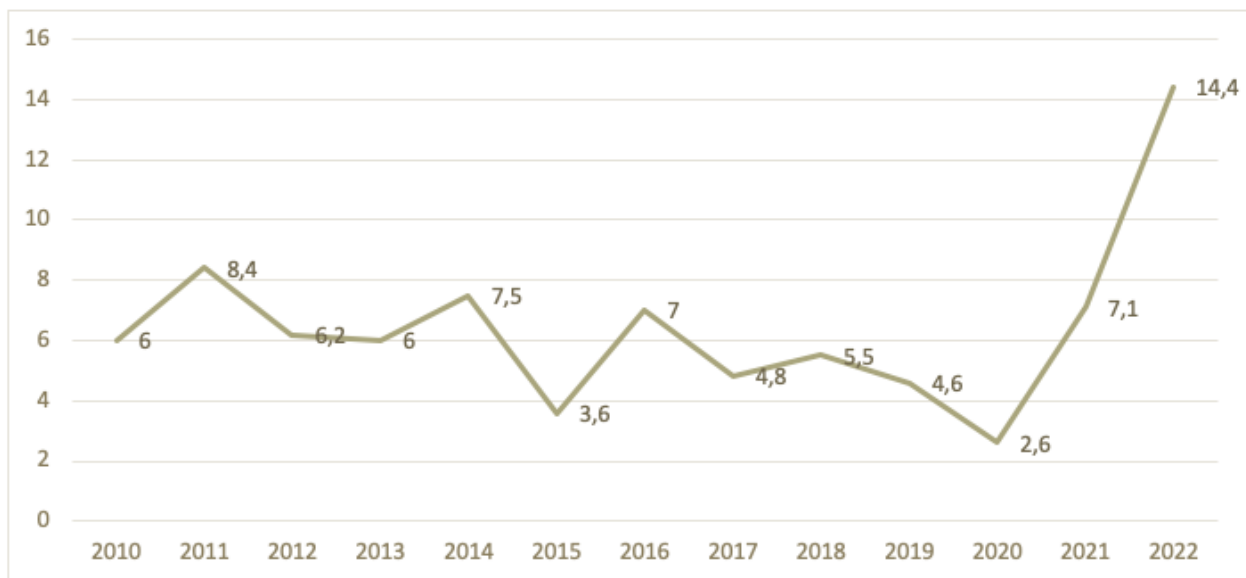
Provinces with annual inflation higher than headline inflation were Western Cape (7.2%), North West (7.2%), Limpopo (7.4%), Northern Cape (7.8%), KwaZulu-Natal (7.9%), Mpumalanga (7.9%), Eastern Cape (7.9%) and Free State (8.5%).

Source: Statistics South Africa

Producer Price Index

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

Figure 9: Average Producer Price Index (PPI) | 2010 - 2022



Source: Statistics South Africa

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

Figure 9 shows that the average Producer Price Index (PPI) increased from 6% in 2010 to 14.4% in 2022.

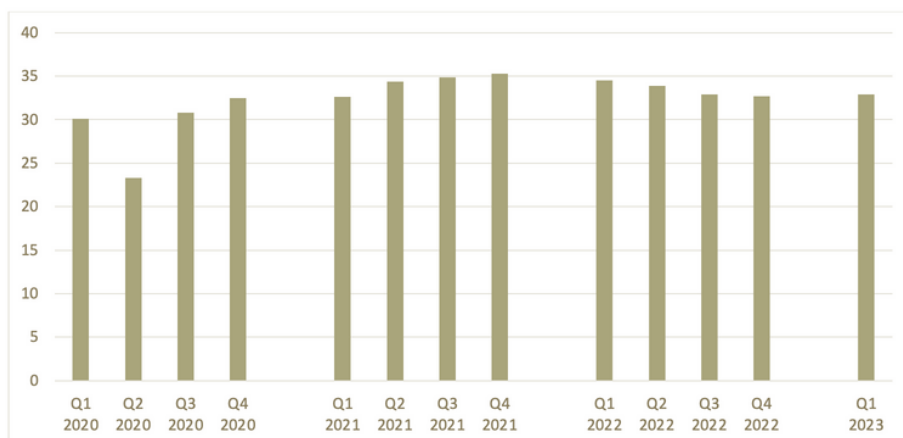
Unemployment rate

Q1 2020 - Q1 2023

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

- The employment rate slowed to 32.7% in the fourth quarter of 2022, the lowest since the first quarter of 2021, from 32.9% in the previous period. The unemployment rate in the first quarter of 2023 is 32.9%, one of the highest in the world, according to Statistics South Africa.

Figure 10 : Unemployment rate (%) Q1 2022 - Q1 2023

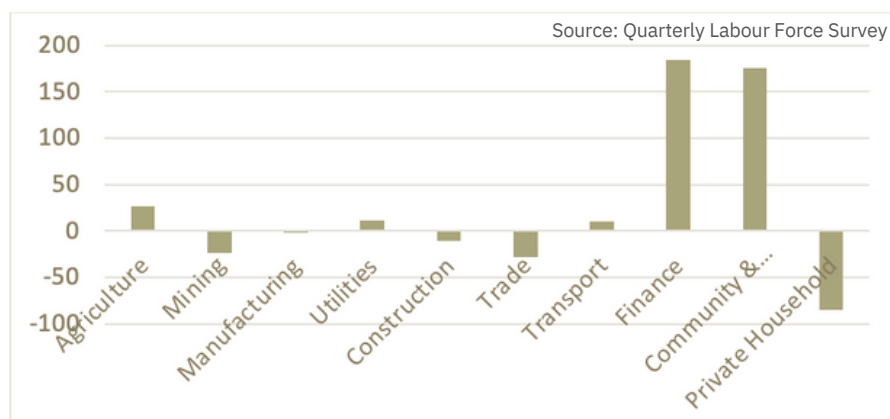


Source: Quarterly Labour Force Survey

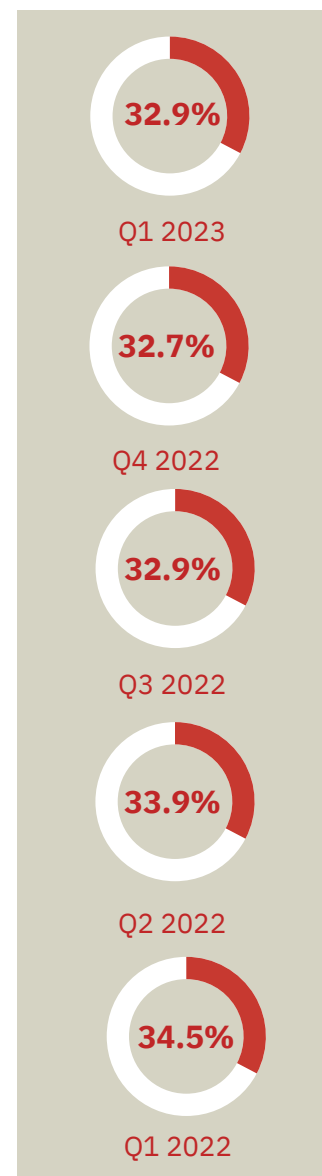
Figure 11: Employment rate by industries Q1 2023

The number of persons employed rose in five out of ten industries in the first quarter of 2023. The largest increase in employment was recorded in financial services (184 000), followed by community and social services (175 000) and agriculture (27 000).

Decreases in employment were recorded in private households (-85 000), trade (-28 000), mining (-24 000), construction (-11 000) and manufacturing (-2 000).



Source: Quarterly Labour Force Survey

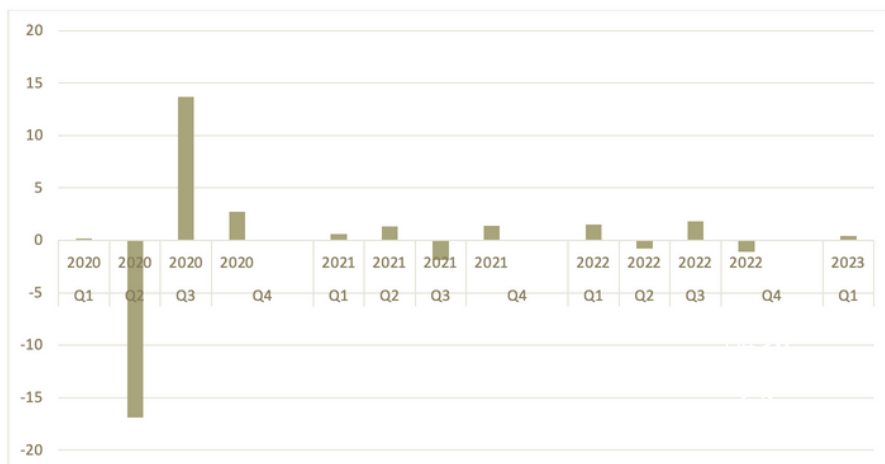


➤ Unemployment rate Q1 2022 - Q1 2023

Economic growth & GDP (Q1 2020-Q1 2023)

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

Figure 12: Growth in GDP % Q1 2020 - Q1 2023



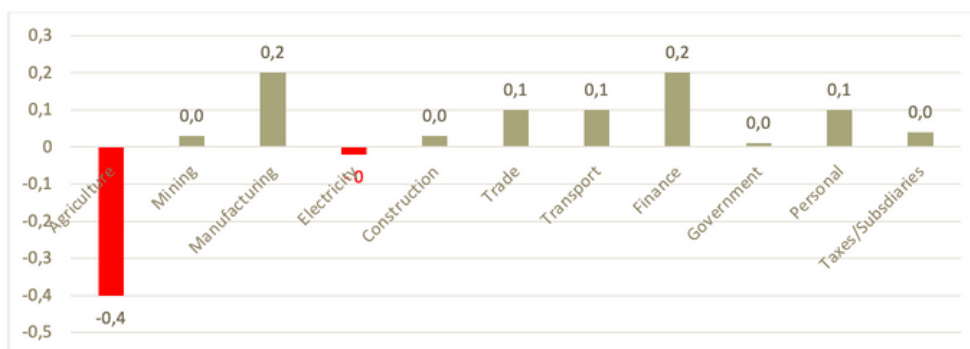
Real Gross Domestic Product (measured by output) increased by 0.4% in the first quarter of 2023, after falling to -1.1% in the fourth quarter of 2022.

Source: Statistics South Africa

Eight industries recorded growth between the fourth quarter of 2022 and the first quarter of 2023. Manufacturing grew by 1.5% and contributed 0.2 percentage points to GDP growth. Financial services grew by 0.6% and contributed 0.2 percentage points to GDP growth. Personal services grew by 0.8% and contributed 0.1 percentage point to GDP growth.

Trade grew by 1.1% and contributed 0.1 percentage point to GDP growth. Transport increased by 1.1% and contributed 0.1 percentage point to GDP growth.

Figure 13: Contributions to growth (%) in GDP by Industries in Q1 2023

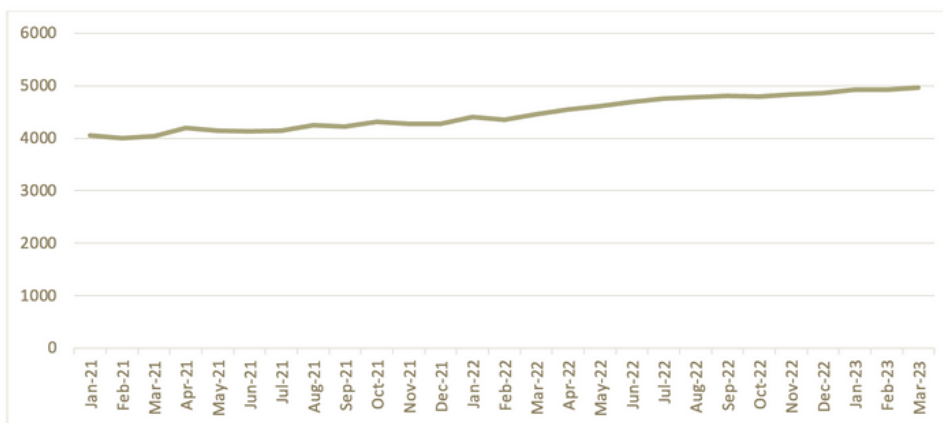


Source: Statistics South Africa

Month-on-month household food basket index | Jan 2021 - Mar 2023

The household food index is specifically designed to measure food price inflation as experienced by households living on low incomes in Pietermaritzburg, but may be used to give insight on food price inflation as experienced by households living on low incomes in South Africa.

Figure 14: The cost of the household food basket | JAN 2021 to MAR 2023



Source: Pietermaritzburg Economic Justice and Dignity

◀ The cost of the household food basket increased from R4 051 per month in January 2021 to R4 966 per month in March 2023. This is an increase of R915 or (22.5%).

Wage indicators

The LRS Actual Wage Rates Database (AWARD) samples agreements in any given year to determine the median wage increase across various industries. The information can be used to inform bargaining.

Table 1: Median increases by industry (%) | Q1 2023

	(%)
Agriculture, Hunting, Forestry & Fishing	7
Community, Social & Personal Services	7
Construction	6
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
AWARD Benchmark	7

Source: LRS Actual Wage Rates Database (AWARD)



The median

is the number which is found in the middle of a range of numbers. For example, if the range of numbers is **2, 4, 6, 8, 10, 12, 14, 16, 18** then the median is **10**.

References

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

Available at <https://lrs.dedicated.co.za/award/>

Consumer Price Index, Gross Domestic Product (GDP), Quarterly Labour Force Survey publications.

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

Pietermaritzburg Economic Justice and Dignity, Household Affordability Index.

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

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KNOWLEDGE
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HANDS OF THE
BOSSES