surviving below the margin: recent trends in collective bargaining and wage settlements

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1. Introduction

Collective bargaining lies at the heart of the Labour Relations Act (LRA, 66 of 1995) and is regarded as central to the defense and advancement of workers interests in their relationship with employers. Chapter three of the LRA makes extensive provision for protecting and advancing workers' rights through a bundle of mechanisms including workplace organizational rights, collective agreements, bargaining councils (sector/area bargaining councils, public service bargaining councils & statutory councils) and ministerial determinations.

In the last decade or so, increasing sophistication in the work place brought about by globalisation, privatization, company restructuring and the drive to maximize profits by employers, has meant that strategies adopted by unions for collective bargaining have had to be re-adjusted accordingly. Trade unions have no option but to respond using well informed and advanced methods when negotiating for better terms of service for workers. As NALEDI argued several years ago, unions:

> *"Have to develop more sophisticated arguments when entering bargaining rounds with employers. An important tool for unions entering bargaining rounds is access to reliable and up to date information. However, bargaining information is scare and often insufficient"* (NALEDI, 2003).

Besides the sophistication in production processes at an economic, industrial and company level, the growth in atypical employment in the South African labour market has also posed a welter of new challenges to trade union capacity for collective bargaining. Fundamental to the question of improving union capacity to bargain collectively should be the acknowledgement that the changing nature of workplace relations has resulted in the weakening of centralised bargaining (Shane, G., Maree, J. Theron, J., 2005).

For this reason, the Congress of South African Trade Unions (COSATU) has called for a strengthening of collective bargaining through a range of measures including the establishment of bargaining councils in more sectors, lowering the threshold required for bargaining council representivity at the workplace and subsidizing some of the work of bargaining councils such as dispute resolution services (COSATU, 2006).

2. Wage settlements

A recent analysis by the National Labour & Economic Development Institute (NALEDI) of wage settlements in 2006/7 has demonstrated that employers and unions stick to the customary tradition of pegging wage increases within a 1%-2% band above inflation.

This analysis of 50 wage settlements submitted by eight affiliates (CEPPWAWU, CWU, DENOSA, NUMSA, SACCAWU, SAMWU, SATAWU and POPCRU) shows that:

1. In the 36 cases where increases have been defined in percentage terms, the average increase is 6,3% per annum;

2. In the 13 cases where increases have been defined in Rand terms, the average increase is R357.00 per annum;
3. In the 21 cases where figures have been provided for minimum wages, the average monthly minimum wage is R2186,31;
4. The absolute majority of agreements are annual (35 cases), nine (9) settlements are triennial (3 years), while 6 are biennial;
5. The lowest percentage increase of 4% was in the Public Service Sector (South African Police Service);
6. The lowest minimum wage was in the retail sector (Score Supermarkets) at R1550.00 per month which translates to R18600.00 per annum.

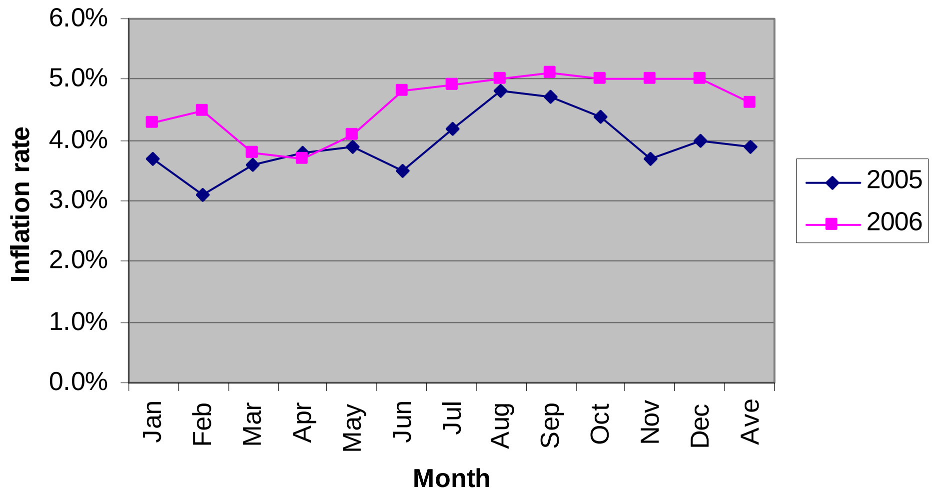
3. Workers, inflation and wage increases

The main tool used by both unions and employers to calculate what to settle for in terms of wage increases is the annual rate of inflation, and it is useful to consider whether this strategy has the effect of improving the purchasing power of workers and also of keeping them above the poverty line.[1]

In the last three years, the rate of inflation, known as the Consumer Price Index (CPIX) has been maintained mostly at below five percent, courtesy of an aggressive policy by the Reserve Bank to keep inflation within the 3-6% band. The latest figures released by Statistics South Africa show that as at January 2007, the CPIX stood at 5,3%, which is one percentage point higher in comparison with the same period in 2006. Figure 1 below shows inflationary trends between 2005 and 2006.

Figure 1: Annualised CPIX, 2005-2006

[1] There is no official Poverty Line (PL) but government has hinted (Trevor Manual in his budget speech on 21st February 2007) that it is exploring this matter.



Source: Statistics SA Consumer Price Index (CPI) Headline, December 2006. - The Consumer Price Index excluding interest rates on mortgage bonds (CPIX) and the annual inflation rate on a monthly basis for the historical metropolitan and other urban areas.

Whereas the average increase of 6,3% captured in the settlements analysed by NALEDI tends to show that between 2006 and 2007 workers received well above inflation increases, the true nature of the impact of inflation on the purchasing power of workers is not sufficiently addressed through the use of the use of the CPIX.

Instead, it is more appropriate and realistic to shift our focus, as the Labour Research Service (LRS) has argued, towards inflation on other basic commodities such as food, transport and medical care, rather than concentrate on the CPIX alone. The LRS has observed in relation to the 2005-2006 inflation figures that:

> *"The cost of food as a component of CPIX increased by 7.7 percent between June 2005 and June 2006, while overall CPIX is reported to have increased by the lesser figure of 4.8 percent over the same period. Similarly, transport inflation came in at 9.6% in June this year"* (Bargaining Monitor, Sep 2006, p27).

The LRS argument makes a lot of sense because inflation is experienced differently across the different economic classes. Those in the lower income categories experience a far higher negative effect of inflation because they spend a large potion of their household income on necessities such as food, transport, medical care and education among others. Inflation figures for basic commodities as at December 2006 show that inflation in food and non-food items was far much higher than the average CPIX figure of 5,0% .

When calculated in annual terms, the cost of food rose by over 8% and significant cost increases were recorded on various food items as shown in table 1 below.

Table 1: Annual inflation increases in the cost of food

Item	Percentage annual increase between Dec 2005-Dec 2006

Food (Average increase) 8,1%	
Meat	+17,8%
Fish and other sea food	+10,5%
Sugar	+7,8%
Grain products (mealie meal, bread etc)	+ 6,6%
Fats and oils	+ 6,5%
Milk, cheese and eggs	+ 3,7%
Other food products	(+ 2,8%)
vegetables	(+ 2,7%)
coffee, tea and cocoa	(+ 1,9%)

Source: Statistics SA Consumer Price Index (CPI) Headline, December 2006, pp10-11

Similar increases occurred in the cost of non-food commodities such as health and medical care (6,5%), education (7%) and fuel and power (8%). As we can see therefore the average wage settlement of just above the annual rate of inflation does little to off-set the real increase in the cost of basic necessities. Once again, LRS has pointed out that the less one is able to spend each month, the higher is the rate of inflation that such a person experiences. Table 2 below demonstrates this correlation.

Table 2: Monthly household expenditure and inflation

Monthly expenditure groups	**Range (in (Rands)**	**CPIX at June 2006**	**Impact of inflation**
Very low	0-673	6,5%	
Low	674-1022	5,4%	
Middle	1023-2030	5,1%	
High	2031-4597	4,9%	
Very high	4598+	4,9%	

Source: Adapted from the LRS, Bargaining Monitor, Sep 2006, p27

4. Executive pay: The ever widening wage gap

While wage increases and benefits for workers have remained marginal, remuneration for directors and company Chief Executive Officers (CEOs) have continued to skyrocket especially in the last three years. Studies have shown that between 2005 and 2006 alone, executive pay rose by as much as 34% and research conducted by independent analysts demonstrates that executives in South Africa enjoy the bulk of company wealth. At the same time, the gap between remuneration for CEOs and that of workers runs by a factor of over 50:1, in other words, remuneration for the average CEO is over 50 times that of the average worker in the country.

In a 2006 study titled ***Remuneration of Chief Executive Officers: An overview of JSE listed companies***, the trade union Solidarity found that salary and remuneration for executives ran by as much 53 times higher in comparison with the salaries and remuneration for workers. The key findings (p10) from this study suggest that:

1. As at the end of 2005, the average CEO of a company listed on the Johannesburg Stock Exchange (JSE) earned between R3 and R4 million per year or between 35 and 53 times the total remuneration of the average worker;

2. The average basic salary of a CEO ranges between R1,5m and R1.7m per month;
3. Basic salaries of CEOs increased by an average of 18,5% between 2004 and 2005; and,
4. No direct relationship could be established between the company profits and the salaries, bonuses and total emoluments of CEOs.

Similarly, Ann Crotty and Renee Bonorchis in their 2006 book: ***Executive Pay in South Africa: Who Gets What and Why***, concluded that the average remuneration for a CEO of a JSE listed company in 2005 was approximately R15.7 million while for the retail sector, the average remuneration was R35 million. Using the comparative figure of R22,000 as the minimum average annual wage for workers in the retail sector, the two authors conclude that in 2005, the overall wage gap between executives and workers was 711:1, while within the retail sector, the gap was 1500:1 (p126-127).

While executives gross astronomical remuneration figures on a year by year basis, ordinary workers experience increases that can hardly counteract the impact of inflation. Figures published by Statistics South Africa in their Quarterly Employment Survey (QES) show that the average worker in the formal non-agricultural industries earns less than R100,000.00 per annum, while the percentage salary increase change for the corresponding period is on average less than 5%.

Table 3 below presents a comparative analysis of monthly salaries for workers across different sectors.

Table 3**: **Average monthly earnings at current prices by industry (all formal non-agricultural industries)

Sector/industry	**Monthly salary (including bonuses and overtime payments as at August 2006**
Construction	R4926
Wholesale and retail trade; repair of motor vehicles, motor cycles, and personal and household goods; hotels and restaurants industry	R5114
Manufacturing	R6959
Mining and quarrying	R7502
Financial intermediation, insurance, real estate and business services industry	R8398
Community, social and personal services	R9084
Transport, storage and communication	R11301
Electricity, gas and water supply	R14984

Source: Statistics SA, Quarterly Employment Statistics, Sep 2006, p17-21

As we can see from the table above, workers in the construction sector earn on average the lowest salaries followed by those in the wholesale and retail sector. If account is taken of the rise in atypical employment in these two sectors, then the average monthly salaries for workers fall down drastically and as our analysis of wage agreements has indicated, the retail sector has been shown to pay as little as R1550.00 a month.

Rather than shrink, it is quite clear that the wage gap between employers and employees is expanding at a rather swift rate. Whereas we have not done an analysis of wage differentials across different categories of workers, the fact that executive officers and management earn remuneration hundreds of times above what average workers earn calls for a concerted campaign targeted and securing better wages and benefits for workers.

It also important to remember that while most unions settled for an average wage increase of approximately 6,3% in their 2006/7 collective agreements, company executives awarded themselves basic wage increases of as much as 18,5% between 2004 and 2005. It is highly likely that this trend will continue in the 2006-2007 season.

5. Conclusion

It is certain that wage and benefit increases for workers remain very modest and whereas the economy has had a steady ready in the last few years, the cream of this growth has been for the benefit of employers.

The majority of workers earn well below R2500 a month and increases pegged on the CPIX do little to off-set the real impact of inflation, which is most felt by the poor and those in lower economic classes. In their collective bargaining strategies, unions should look to doing the following:

- Bargaining for increases of at least 10% per annum;
- Pushing for a minimum wage that takes into account the cost of living and real impact of inflation;
- Adopting proactive strategies for the workplace (e.g. workplace restructuring) other than just the issue of wages and basic conditions of employment; and,
- Working to strengthen collective bargaining as a whole through mechanisms such as centralised bargaining and establishment of bargaining councils in more sectors.

References

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