



## **COLLECTIVE BARGAINING**

# **Wage and non-wage settlement trends in the South African labour market**

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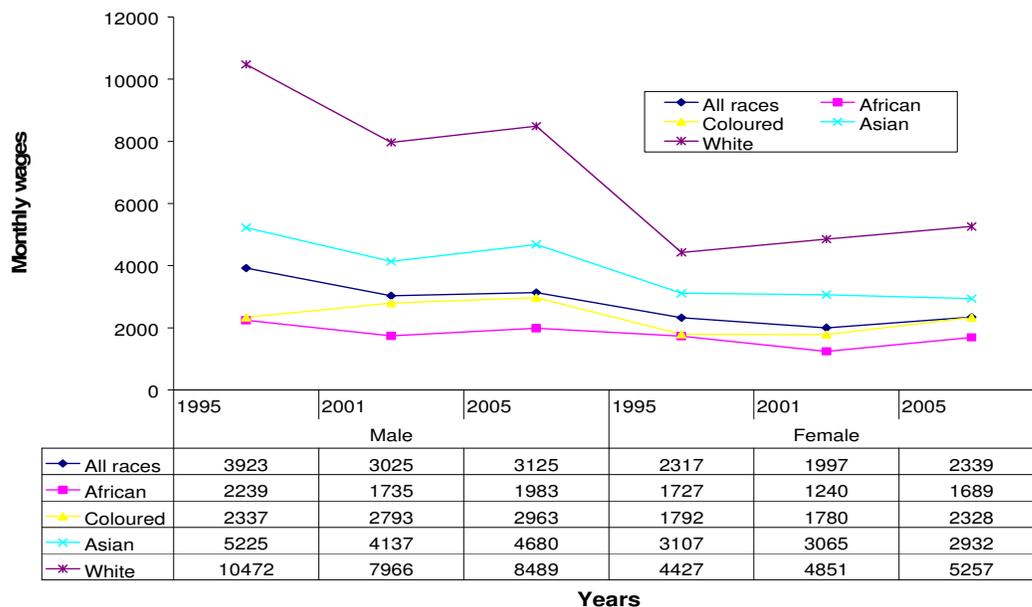
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## 1. WAGE TRENDS

Since 1995, real wages have remained fairly moderate (Burger & Yu, 2006:2) and between 2000 and 2005, average monthly earnings stayed constant at between R2000 and R3000. Chart 1 below shows that White male workers earn on average the highest wages followed by white female workers. Interestingly however, the wages of white male workers had the most significant drop of approximately 19% between 1995 and 2005. African women earn the lowest wages, which declined slightly between 1995 and 2005. As Burger and Yu observe, women experienced a sharper fall in their earnings especially between 1995 and 1998 so that by 2005, their earnings were slightly below the 1995 level (ibid: 7).

The wages of Coloured men increased slightly between 1995 and 2005 while those of Coloured women showed the greatest increase of almost 30%. Both Indian men and women recorded declining wages in this period.

**Figure 1: Real mean earnings, 1995-2005**



Source: Chart derived from DOL, Women in the SA Labour Market, 2005: 21 & 23

Examining earnings in the formal, non-agricultural sector, the December 2007 Quarterly Employment Statistics published by Statistics South Africa suggests that the utilities sector (electricity, gas and water supply) pays on average the highest monthly wages while the construction sector pays the lowest. Table 1 below shows that including bonuses and over time, by November 2007, a construction worker was earning an estimated R5,828 per month while a worker in the utilities sector was earning approximately R16,677. When bonuses and over time are excluded however, the average monthly wage of a construction worker decreases by about 6% to R5481 while that of a worker in the utilities sector decreases by 7.1% to R15,486.

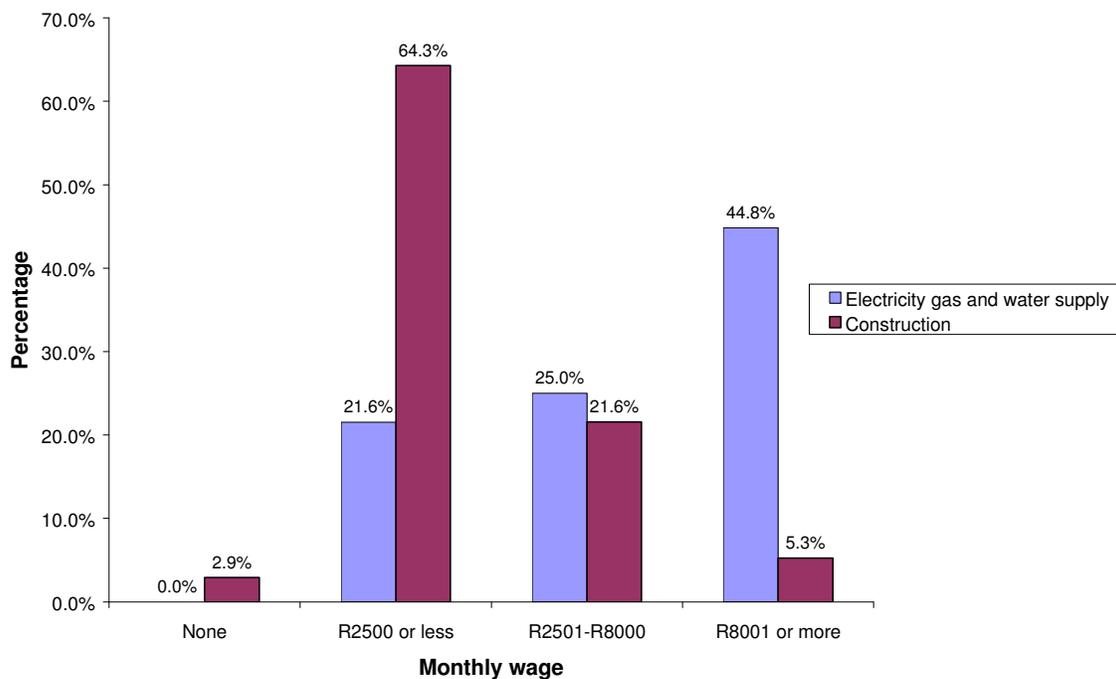
**Table 1: Estimated average monthly earnings at current prices in all formal non-agricultural industries**

Industry	Average monthly earnings -including bonuses & over time (Nov 2007)	Average monthly earnings -excluding bonuses & over time (Nov 2007)
Mining and quarrying	8 016	-
Manufacturing	7 935	7 269
Electricity gas and water supply	16 677	15 486
Construction	5 828	5 481
Wholesale and retail	5 849	5 643
Transport	11604	10 529
Finance	10 154	9 849
Community and personal services	10 537	10 179

Source: QES, December 2007

Contrasted with the LFS however, the scenario changes fundamentally. While no worker in the utilities sector reported receiving no income, 2.9% (34,000) of workers in the construction sector said they had no income at all as shown by figure 2 below. Additionally, 21.6% (25,000) of workers in the utilities sector were said to be earning R2500 or less per month compared with 64.3% (685,000) in the construction sector who were earning the same amount.

**Figure 2: Comparative monthly earnings: utilities and construction**

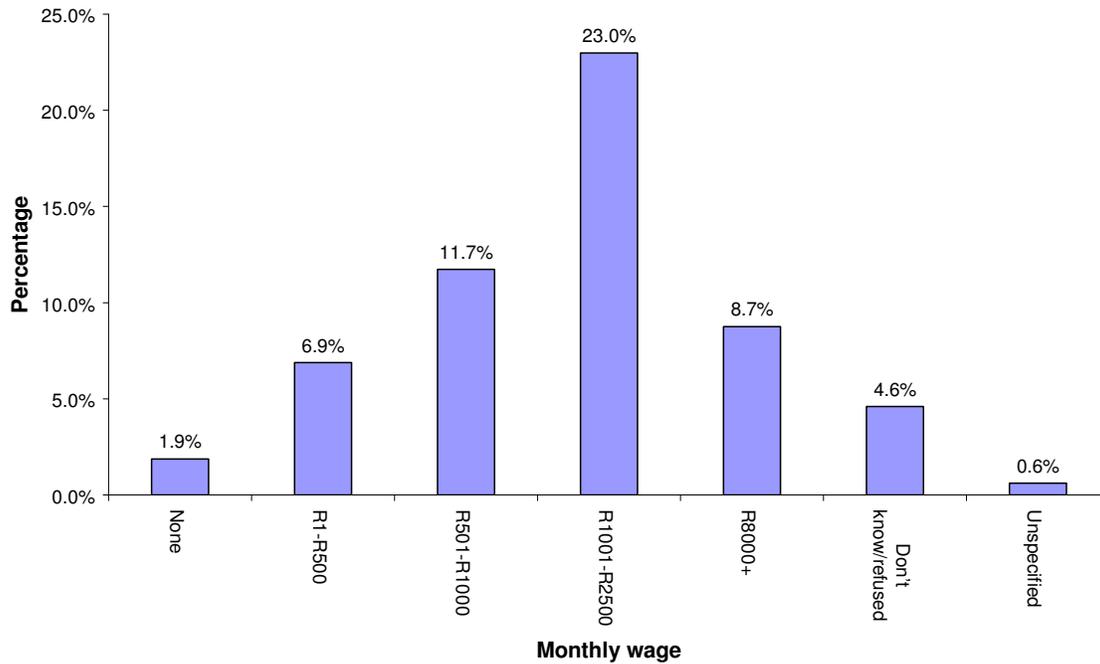


Source: Calculated from LFS, September 2007:24

On the overall, figure 3 below demonstrates that 1.9% of all workers (314, 000) in the economy report having no income at all while a total of 43.4% (7.3 million) report

earning R2500 or less per month. Only 8.7% of all workers earn more than R8000 per month.

**Figure 3: Monthly income**



Source: Calculated from LFS, September 2007:18.

Significantly, of the roughly 9.5 million African workers in the South African labour market as at September 2007, 3.1% (295,000) of them had no income, and it is noteworthy that this percentage makes up approximately 94% of all workers earning no income. The majority of African workers (63,5%) earn R2500 or less per month while only a marginal 6.1% earn more than R8000 per month.

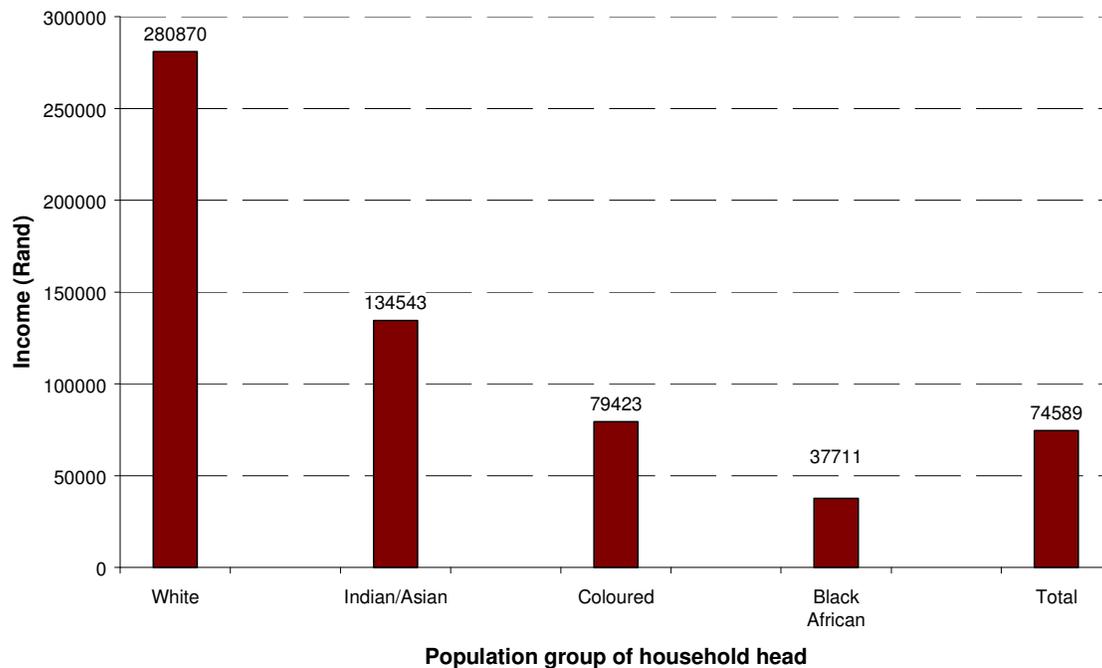
**Table 2: Wage earnings for African workers in the SA labour market**

	Black African workers				Total
	None	R2500 or less	R2501-R8000	R8001+	
Number (,000)	295	6005	2250	579	9459
Percentage	3.1%	63.5%	23.8%	6.1%	100.0%

Source: Calculated from the LFS, September 2007:21.

It should not come as a surprise that the very low wages earned by the majority of Black African workers also mean that Black African households have the lowest average annual income. Figure 4 below shows that white households earn on average two times more than Indian households, three and a half times more than Coloured households and almost seven and a half times more than Black African households.

**Figure 4: Average annual income of South African households by population group of household head**



Source: Income and expenditure of households, March 2008:9.

For a country with a large pool of low skilled labour, it is not surprising that wage differentials in South Africa follow closely on skills levels meaning that the higher the skills required for a particular job, the higher the wages paid. Approximately 80% of those earning more than R8000 per month are legislators, senior officials and managers, professionals, technical or associate professionals, and clerks, while only 11.7 percent of the same category of workers earns R2500 or less per month. In contrast, elementary occupations and domestic workers alone make up 42.1% of all those earning R2500 or less per month (Stats SA, 2008:25).

Hlekiso and Mahlo (2006:11) emphasise the connection between wages and skills and argue that occupations that require higher skills ordinarily attract higher median wages. They also point out that wage inequality within African workers is higher compared with that of Whites and this may be due to more Africans being concentrated in lower paying jobs (ibid:12). Similarly, economist Mike Schussler has suggested that the current huge wage gap in South Africa can be attributed to the country's skills crisis. He says earnings disparities follow 'the law of supply and demand' and that in comparison with developed countries where the salary difference between degreed and non-degreed workers is 64%, in South Africa the gap is 1,100%. (Blaine, 2007).

## **2. ANALYSIS OF WAGE AGREEMENTS**

### **2.1. Wages**

#### **2.1.1. Wage increases**

NALEDI's analysis of 40 wage settlements from the private sector (communications, finance, wholesale and retail, mining, manufacturing, etc) as well as the public sector covering the period 2007-2009 suggests that in 2007, employers and unions on average settled at around a 7.5% wage increase.<sup>1</sup> The Labour Research Service (LRS) has observed that in 2006, wages negotiated through collective bargaining increased by an average of 6.9%, while wages set by sectoral determination increased by an average of 7.4% (LRS. 2007:83). In its report to COSATU's Central Executive Committee in February 2007, NALEDI stated that the 2006 wage settlements<sup>2</sup> reflected an increase of 6.3%.

Wage increases are negotiated largely on the basis of the Consumer Price Index (minus interest rates on mortgage bonds), and it is evident that increases continue to fall within the 1%-2% band above inflation. Average inflation (CPI-X) for 2006 was 4.6%, while in 2007, it was 6.5%. This means that in 2006, wage increases were approximately 1.7% above inflation while in 2007; the increase was only 1% above inflation. COSATU and its affiliates have resolved that for the 2008 bargaining round, workers should "accept nothing below double figure percentage increases" (COSATU, 2008).

Comparatively, the retail sector continues to pay some of the lowest wages. In the 50 agreements analysed by NALEDI for the 2006/7 period, the lowest minimum wage was in the retail sector (Score Supermarkets) at R1550.00 per month which translated to R18600.00 per annum. LRS shows in its analyses of collective bargaining agreements that the minimum monthly wage for the retail sector in 2005 was only R1736. Manufacturing, mining and community services respectively had R2420, R2494 and R2680.

### **2.2. Executive pay<sup>3</sup>**

Remuneration for company Chief executive Officers (CEOs) has been rising considerably in the post 2000 period and studies show that between 2005 and 2006 alone, executive pay rose by as much as 34%. Research conducted by independent analysts, labour research institutions and trade unions indicate that executives in South Africa enjoy a disproportionately high level of earnings in comparison with ordinary workers. In certain cases, executives have been awarded hefty salaries, bonuses and share options at the same time as the performance of their companies has been on a downward trend.

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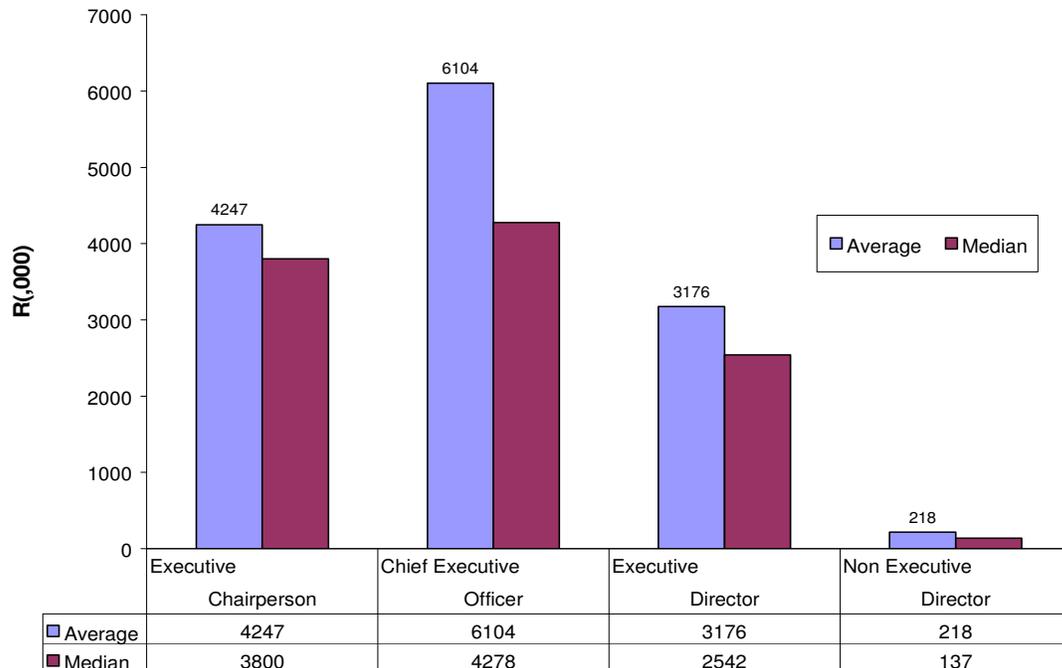
<sup>1</sup> For instance, the communication sector had an average settlement of 7.4%, finance 7.3%, mining 9% and manufacturing 8%. The public sector settled for 7.5% at the conclusion of its 2007 strike.

<sup>2</sup> From 50 collective agreements.

<sup>3</sup> By executive, we mean directors and those in executive management positions such as Chief Executive Officers, Chief Finance Officers, executive directors etc.

The chart below by research group Mabili shows that the average remuneration for a CEO in 2007 was approximately R6 million while that of an executive chairperson was around R4,2 million. Executive directors earned an average of R3.2 million while non-executive directors earned slightly over R200, 000 in the year. The report goes on to argue that in 2007, the packages of chief executive officers increased by an average of 14% from R5.3 million in 2006 to R6.1million in 2007. That of executive directors grew by 10% from R2.9 to R3.3 million (Mabili, 2007:11).

**Figure 5: Director's remuneration 2007 (All industries)**



Source: Mabili, Directors' Remuneration Report, 2007:11

LRS has analysed a sample of 238 packages for executive directors and 55 packages of CEOs and concluded that in 2006, CEOs earned an average of R8,2 million, executive directors R4,6 million, and non-executive directors slightly over R300 000 (LRS, 2007:101-102). In the same year, remuneration for CEOs, executive directors and non-executive directors increased by an average of 14%, 17% and 6% respectively (ibid:101). The 55 executive directors in the sample earned an incredible R448.7 million leading the research body to conclude that it would take an ordinary worker 273 years to earn what the average CEO earns in one year (ibid:102).

State owned enterprises like Telkom, Eskom, and Transnet have upped directors' packages considerably with their company CEOs earning R5,6m, R5,2m and R6,9m respectively in 2006 (ibid, Mabili:164, 221 & 228). Managers of the biggest metropolitan councils such as Johannesburg, Ekurhuleni, Ethekwini and Cape Town earn an average of R1 million per year.<sup>4</sup> In 2006, business journalists Ann Crotty and Renee Bonorchis examined the packages paid to CEOs of 50 top JSE listed companies and concluded that

<sup>4</sup> Information obtained from the Annual Reports of the three city councils. Available at [www.joburg.org.za](http://www.joburg.org.za), [www.ethekwini.org.za](http://www.ethekwini.org.za) and [www.capetown.gov.za](http://www.capetown.gov.za)

the average remuneration for a CEO in 2005 was approximately R15,7 million while in the retail sector, it was R35 million.

### 2.3. The wage gap

Between 1995 and 2006, the wage gap in South Africa's public sector increased from 16:1 to 30:1, while in the private sector, the wage gap rose from 6:1 in 1985 to 700:1 in 2005. All evidence points to the wage gap continuing on its relentless expansion, yet, unions appear to give scant thought to strategies that would close or eliminate it all together. Admittedly, a number of unions have been using a differentiated wage increase -which raises lower wages by a higher margin - rather than an across the board (ATB) formula, but the absolute majority of agreements analysed show that most increases are still based on the ATB framework.

It is only the Union of Mine Workers (NUM) and to a lesser extent the National Union of Metal Workers of South Africa (NUMSA) which appear to have a strategic approach to the wage gap phenomenon. In any event, only NUM has in some of its 2007 agreements an explicit call for both the union and employers to look into ways of closing down the wage gap. For instance the union's wage agreements with Exarro, Glen Douglas Dolomite and Impala Platinum specifically state that the parties will investigate ways of closing down the wage gap. There is also a call for the establishment of a task team to investigate how the gap should be reduced. The National Health and Allied Workers Union (NEHAWU) states in its 2007 wage settlements report that its main focus is on "sliding scales or the collapsing of the lower levels to reduce the wage gap" (NEHAWU, 2007:14).

Table 3 below presents a comparison of workers' wages with the packages paid to company executives (excluding gains on share options) in four private sectors in 2006. It shows that the lowest gap in remuneration between directors and workers was in the construction sector where executives were earning at least 186 times more than the average workers. The remuneration gap between CEOs and workers in the retail sector was an exceptional 942. Using the comparative figure of R22,000 as the minimum annual wage for workers in the retail sector, Crotty and Bonorchis concluded that in 2005, the overall wage gap between executives and workers was 711:1. Within the retail sector, the gap was 1500:1 (2006:126-127).

**Table 3: Comparative remuneration for executive officers and workers in the private sector (2005)**

Sector	Average pay for a Chief Executive Officer (R)	Average minimum wage for workers (R)	Difference	Average pay for an Executive Director (R)	Average minimum wage for workers (R)	Difference
Construction	3,8m	15,600	x244	2,9m	15,600	x186
Food and beverage	6,2m	27,900	x222	3,9m	27,900	x140
Mining	11,6m	27,600	x420	7,8m	27,600	x283
Retail	17,9	19,000	x942	6,9m	19,000	x363

Source: Compiled from the LRS: Bargaining Monitor, Sep 2006: 14 -15

### **3. NON-WAGE TRENDS**

It needs to be stated upfront that the form of non-wage demands made by unions are often sector specific and while there is commonality over a number of issues (e.g. working hours, performance bonuses, leave, and occupational health and safety), there are a range of other demands which each union develops according to its own specific circumstances. One example is the framework of agreement on MDR and XDR Tuberculosis that NUM and employers have been forced to address given their prevalence in the mining sector. This section will only look at a few cross-cutting demands.

#### **3.1. HIV/AIDS**

There is little attention paid by unions in this area despite the fact that HIV/AIDS have had a major impact on the post-apartheid workplace. All in all, unions like NUM and the South African Transport and Allied Workers Union, employers such as Transnet and Pick N Pay, and bargaining councils such as the Road Freight Bargaining Council have come up with policies on the pandemic. NEHAWU states in its bargaining report (citing LRS) that there is “little evidence of workplace responses to HIV/AIDS except...in the road freight and clothing industries as well as some larger employers involved in decentralised collective bargaining” (NEHAWU, 2007:17).

In the agreements considered by NALEDI, NUMSA and the New Tyre Manufacturers’ Employers Association, and also NUMSA and the Automobile Manufacturers’ Organisation have agreed that the employers would assist workers to join a “wellness programme”. They have also agreed that employers would provide Anti-Retroviral (ARVs) drugs until HIV positive employees are able to access state medical support. NUM and Murray and Roberts Cementation have also made a commitment to conclude an agreement on HIV/AIDS in their current collective agreement.

An interesting perspective emerging from the collective agreements is that perhaps given the ‘cost implication’ of providing workers with ARVs, employers are more likely to provide counselling, education and information on ways of accessing state support, rather than provide their workers with medication. For instance in the collective agreement between the Chemical, Energy, Paper, Printing, Wood and Allied Workers’ Union and employers in the metal industry, it is stated that the trade union together with the Steel and Engineering Industries Federation of South Africa will assist the bargaining council to launch an educational campaign to inform employees on ways of accessing ARVs. The agreement does not specify the source from which employees will be assisted to access the ARVs but it is assumed that this is likely to be the state.

#### **3.2. Skills training**

Only a few agreements deal with the issue of skills training. It is apparent that even where this is the case, the agreements are essentially about finding ways of instituting a skills development framework at the workplace, rather than implementing a strategy that is already in place. Murray and Roberts Cementation in its agreement with NUM states that it will “address training and development as part of the Employment Equity and

Skills Development process”, while Total Facilities Management and the Communication Workers Union agree that they will establish a skills development committee to deal with all matters of training and skills development.

On the other hand, CEPPWAWU and employers in the glass sector only agree that employers are committed to skills development. Be that as it may, many agreements contain provisions for study leave- which is on average two days- but it is not clear whether workers take full advantage of this benefit.

Notable also in the skills training paradigm are the provisions made in collective agreements for the acquisition or retention of “scarce skills”. NUM’s agreements in the gold and coal mining sectors provide incentives for the retention of artisanal skills whereby artisans are given additional increases. Similarly, the union and employers have agreed to set up of a task team to deal with the recruitment and training of artisans, miners and officials.

### **3.3. Labour brokers**

Labour broking, which is prevalent in the services sector, is one feature of what is termed as “externalization”. In externalization, the employment contract between the employer and employee is replaced by a commercial contract so that the worker is, in legal terms, not an employee but an ‘independent contractor’. Other major types of externalization include sub-contracting, labour only sub-contracting (prevalent in the construction sector), out-sourcing and outworking or home-working (found to a large extent in the clothing/textile sector).

An independent contractor employment relationship is regulated by the common law of contract and South Africa’s labour law makes a clear distinction between independent contractors and employees. Under the Basic Conditions of Employment Act (75 of 1997) (BCEA) and the Labour Relations Act (65 of 1995) (LRA), independent contractors are specifically excluded from the protection of labour law. Such workers are not covered by the legislated maximum limit on working hours and over-time work, entitlement to leave, fair dismissal and retrenchment pay, and workplace rights such as unionization and collective bargaining.

It would thus be expected that the problem of labour brokers would compel unions to put in place aggressive measures to ensure that they are strictly regulated and where necessary, used at the absolute minimum. The reality however is more disquieting. A number of unions may have concluded agreements previously on this issue but in the collective agreements considered by NALEDI, only NUMSA, NUM and CEPPWAWU address the problem in any significant way. NUMSA and employers in the retail motor sector state that they will regulate and better enforce the main agreement relating to labour brokers, while in the agreement with New Tyre Manufacturers, there is acceptance that where applicable, in-plant agreements will apply regarding the use of labour brokers.<sup>5</sup>

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<sup>5</sup> There is also an agreement between NUMSA and Automobile Manufacturers on casual workers where it is stated that such workers will be paid at “the entry rate”.

NUM's agreement with Exarro says contractors must be registered under the Compensation for Occupational Injuries and Diseases Act as well as under the Occupational Diseases in Mines and Works Act. Such contractors must also pay the applicable levies and employers should not make use of contractors to fill vacant permanent positions. Similar provisions are found in NUM's agreement with the Chamber of Mines (collieries-Kangra and Springlake) which requires the companies to introduce guidelines to deal with contractors. Furthermore, while labour contracting is to be monitored at mine level, there is agreement that the conditions of employment of contractors "should be in line with generally acceptable conditions of employment".

CEPPWAWU's agreement with employers in the metal industry states that the main agreement will apply to all labour brokers but it also goes on to add that where an employer intends to use labour broker workers, then such employer must give seven days notice to the union of his/her intention to do so. For the petroleum sector, the question of contractors and non-permanent staff is termed "a company/plant level issue". In the agreement signed by public sector unions in the Public Sector Coordinating Bargaining Council, its terms require that the salary and benefits of casual workers should comply with the requirements of the BCEA in an attempt, it seems, to avoid undercutting and a race for the bottom.

### **3.4. Variation of conditions of employment**

This is a trend found primarily in the mining sector. Under the BCEA, employers and workers may agree to vary certain of the basic conditions of employment but they must apply to the Minister of Labour for approval. In its collective agreements with the Chamber of Mines (gold and collieries), NUM has given its support to the employers to request the Minister to vary conditions such as overtime hours, night time work, and meal interval and rest periods. Such variation may in fact be to the benefit of both workers and employers but it may also be a quid pro quo for union support to companies in return for the latter's acceptance of certain demands. What is of interest however would be the benefits that the union and workers stand to achieve in the long term as a result of these arrangements.

## **4. CONCLUSION**

Collective bargaining remains the most viable tool for advancing the rights and interests of workers especially in a country like South Africa where the inequities of apartheid have entrenched a legacy of low skills, poor wages and precarious working conditions. For the majority of workers, wages and wage increases have remained fairly modest and given South Africa's 'skills crisis' and huge remuneration for executives, it is certain that the wage gap will continue to widen. There appears to be no strategic approach by unions on how to tackle the wage gap problem.

Depending on their specific contexts, unions raise non-wage demands in line with what they perceive to be their most pressing challenges. Thus, a number of unions in sectors experiencing major skills shortages have made provisions for the recruitment and retention of critical skills; while unions confronted by externalization and casualisation

are likely to call for the regulation of labour brokers and casual workers. Surprisingly, there appears to be very little attention paid to the huge challenge posed by HIV/AIDS.

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