

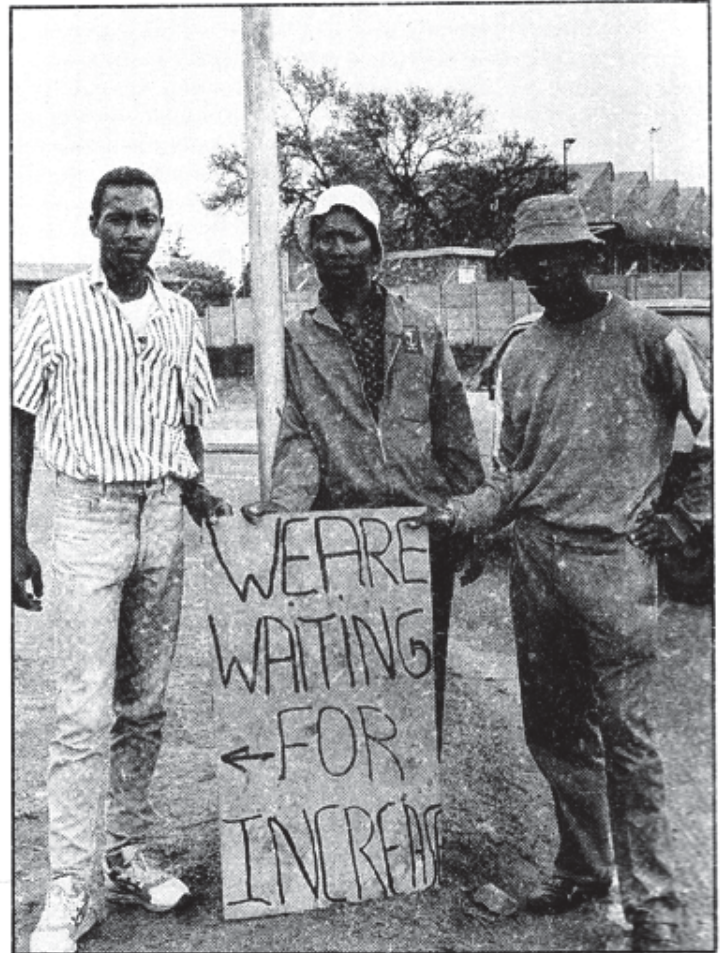
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# 1993 wage settlements review

Settlements averaged 12.7% this year, the lowest annual increases won by labourers since the Labour Research Service started its database of trade union negotiated wage settlements in 1988. Behind that average lie a range of factors which this survey of wages in 1993 will explore.

Expectations of lower wage increases than in previous years were widespread. Against a backdrop of the recession, declining inflation and a measurable downward trend in settlements in 1992, wage bargaining in 1993 placed more emphasis on job security and skills training in a very tough bargaining environment. Predictions for average settlements in 1993 made by Andrew Levy were in the region of 10% and those by Duncan Innes some 8%-11% (*Finance Week* May 6-12 1993). The governor of the Reserve Bank observed mid year that there had been "a decline in the rate of increase in average wages and salaries negotiated between employers and employees – all indications are that the majority of such negotiations are now being settled for average increases of below 10% for the next year" (*address to 73rd ordinary shareholders meeting*).

Does this mean trade unions have done better than expected? Not really, when the figures are scrutinised more closely. The average annual increase, calculated by the Labour Research Service at 12.7%, is for labourers' wages. Many settlements award higher increases to the lowest paid worker which mean that the overall increase for the bargaining unit is, in fact, less. This is born out by the lower increases achieved for more skilled positions examined below.



Inflation is the yardstick against which increases in wages are generally measured to assess, in purely monetary terms, just how well, or badly, workers have done in each bargaining round. In 1993 the rapid decline in the annual rate of inflation to about 9% (a pre year-end estimate) has been followed by the equally rapid decline in the annual rate of settlements reached in bargaining. The average settlement achieved by labourers exceeded the rise in inflation by 2.8%, meaning trade unions succeeded, on the whole, in maintaining the real value of their members' wages in the minimum or



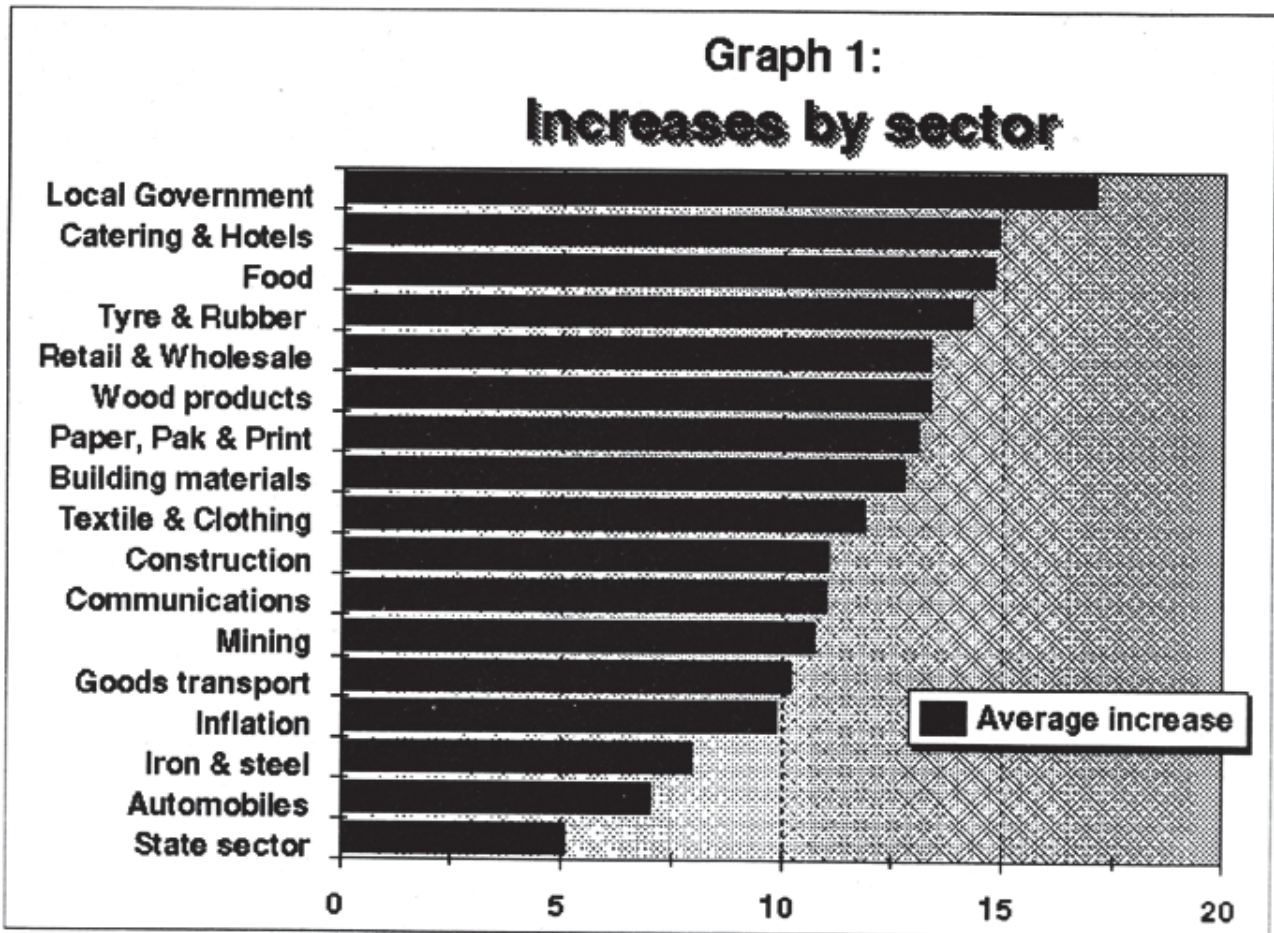
labourers' grades. Yet as will be seen, below-inflation increases were settled in many important sectors and jobs which requires a downward revision of the overall settlement figure. The fact that unions have done so well in maintaining some real wage levels is testimony to the strength of the trade union movement during the deep economic recession gripping the country. Retrenchments have shrunk union membership and an estimated 46% of economically active people survive through the informal sector or are totally unemployed.

**Settlements by sector**

An examination of the increases achieved in different sectors provides a better picture of what wage bargaining accomplished in 1993 (see Graph 1). Three crucial sectors, the public service, the automobile industry, and the basic iron and steel industry settled below inflation. Minimum wages in the state sector were increased by 5% and an additional R850 million set aside for raising the wages of the lowest paid. Negotiations

on the distribution of this amount have not been concluded yet. In the automobile industry a path-breaking agreement was reached featuring a comprehensive skills development programme for the industry. Workers received a 7% across-the-board increase plus an additional bonus which amounted to 3%. The beleaguered iron and steel industry, severely affected by the recession and having experienced severe job losses and a fruitless strike in 1992 settled well below inflation at 7,2%.

Sectors in which above-inflation increases were obtained for labourers were clustered in a narrow band of between 10,2% for goods transport and 13,4% for retail and wholesale. Mining unionists achieved an average of 10,7% this year – the first positive increase for some time. Sectors in which unions succeeded in winning large increases for labourers were the tyre and rubber manufacturing, food manufacturing and catering and hotels. Top spot goes to the local government sector where the largest gains for labourers were made. This sector falls at the bottom of the pay rankings, thus



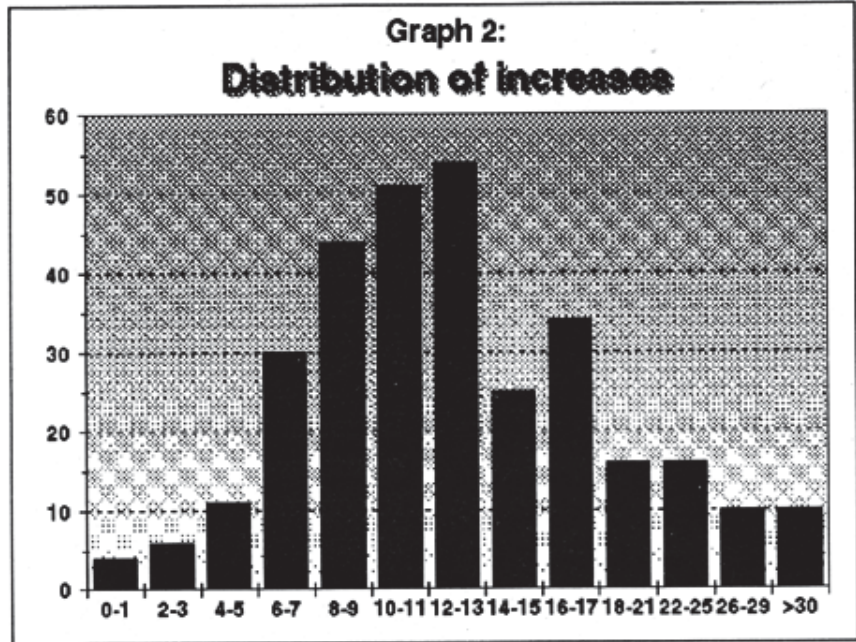


the increases obtained were off very low bases particularly in a large number of small towns. Major metropolitan municipalities, which pay significantly higher wages, settled for lower increases.

NUMSA, SAMWU and NUM can be singled out for their outstanding achievements in the 1993 bargaining round. NUMSA for achieving its restructuring agenda despite very harsh bargaining conditions. SAMWU for making another quantum leap towards reasonable wages in the local authorities, and NUM for successfully exploiting the higher gold price to maintain the real value of its members' wages.

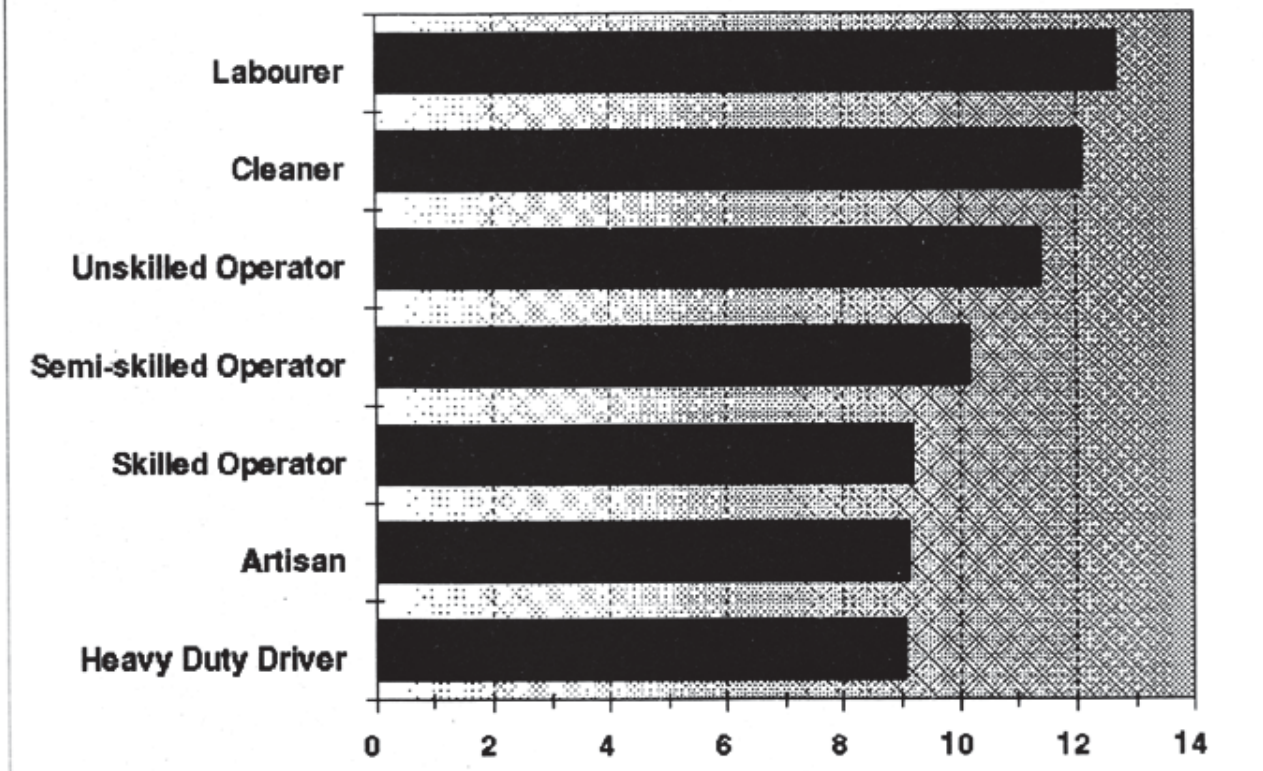
**Distribution of increases**

Two thirds of settlements made in 1993 were above the rate of inflation. The largest



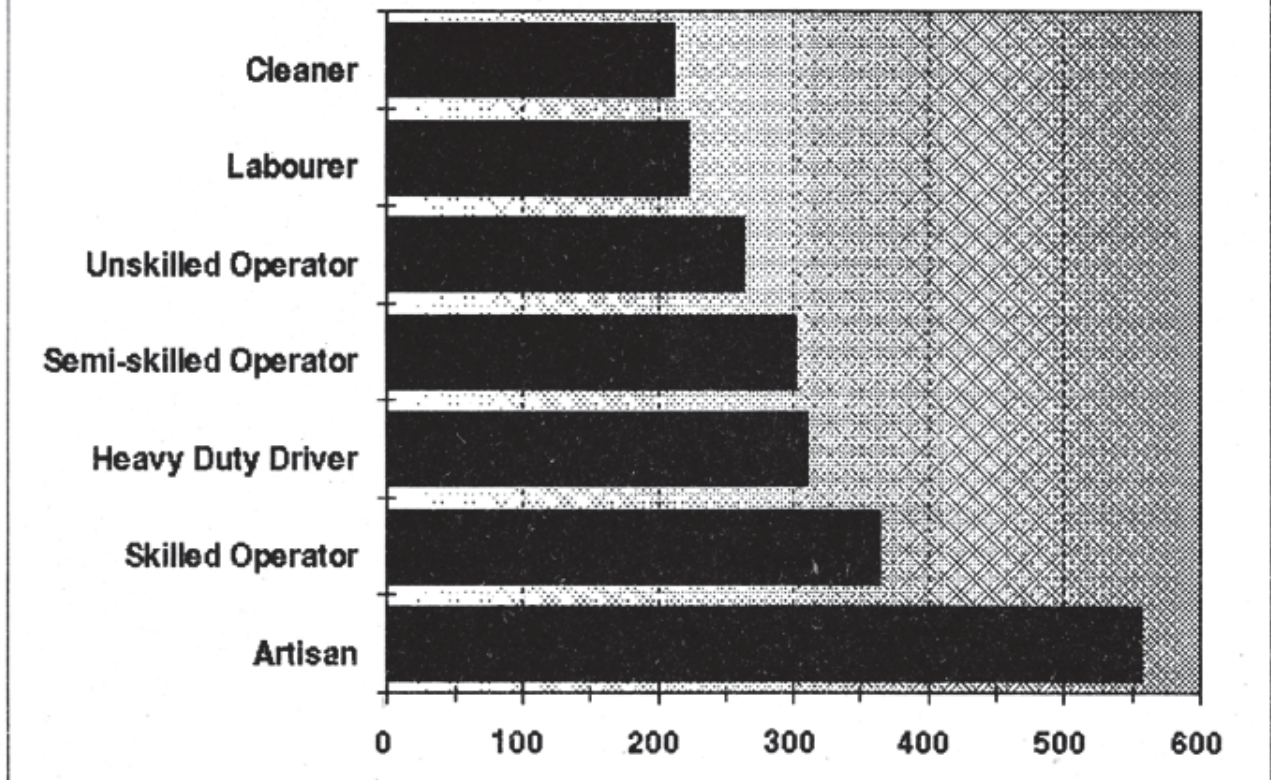
number fell in the range of 8% to 13%. For those below inflation, few settled for under 6% and the highest number were between 8% and 9%. The largest number of settlements above inflation were in the range of 12%-13% followed by 10%-11% ie providing for modest, but nevertheless real wage increases. Hard times have not wiped out large wage gains entirely: 6% of the

**Graph 3:  
Increases by job**





**Graph 4:  
Average weekly wages for 1993**



sample was still able to obtain increases in excess of 20%. A look at those bargaining units which did obtain large increases reveals that a large proportion of them were small municipalities paying low wages and what may be assumed to be newly organised small companies in the catering and food sector to which unionism has brought large increases in the first bargaining round. (see Graph 2)

#### **Lower increases for the higher skilled categories**

While the average increase obtained by labourers was 12,7% other occupations did not fare so well. Workers in higher skilled categories tended to get lower increases. As the graph on page 26 reveals, cleaners obtained increases slightly below those paid to labourers. Of the three operator grades, the unskilled operator and semi-skilled operator obtained increases which, on average, kept them above the rate of inflation. Skilled operators, artisans and

heavy duty drivers failed to maintain the real value of their wages with settlements of 9,1%, slightly below the inflation rate.

An apparent contradiction is posed by the above results. Increases this year appear to be inversely proportional to the skill levels of workers and yet there is an abundance of unskilled labour. If skill shortages exist, it is at the higher levels, but it is here that the results show lower increases have been won. Reasons for this are threefold: the impact of the recession that has seen job losses across the board, reducing the bargaining power of workers; unions have placed a higher premium on job security and slowing retrenchments; bargaining practices widely used by unions have pushed up the minimum rates faster than that for the higher skilled categories. While the latter approach has had the desirable consequence of narrowing the differential between the skilled and unskilled categories, this has tended to under-provide for the higher skilled workers. As the union movement searches for strategies to grow,



the need to attract the more skilled workers will feature more prominently.

One further factor in explaining these results is the progress unions have made, in mature bargaining forums, in implementing their programme for the restructuring of industry. The need to raise productivity features prominently in this approach, and the path chosen is to upgrade the skill level of workers and remove the obstacles apartheid has created: racially based access to skills and supervision structures. Wage bargaining, in this approach, broadens its scope to cover training of members, skills access and career opportunities while attempting to obtain significant nominal increases. Most progress has been made within the metal sector.

**Basic wages in 1993**

Cleaners are the lowest paid in the sample of trade union-negotiated wages surveyed in 1993. They earn, on average, R212,76 per week. Labourers earn slightly more at R222,07. Both categories fairly present the

wages of unskilled unionised workers. A distribution analysis on a sample of 315 labourers' wages revealed the following:

**Distribution of labourer's wages**

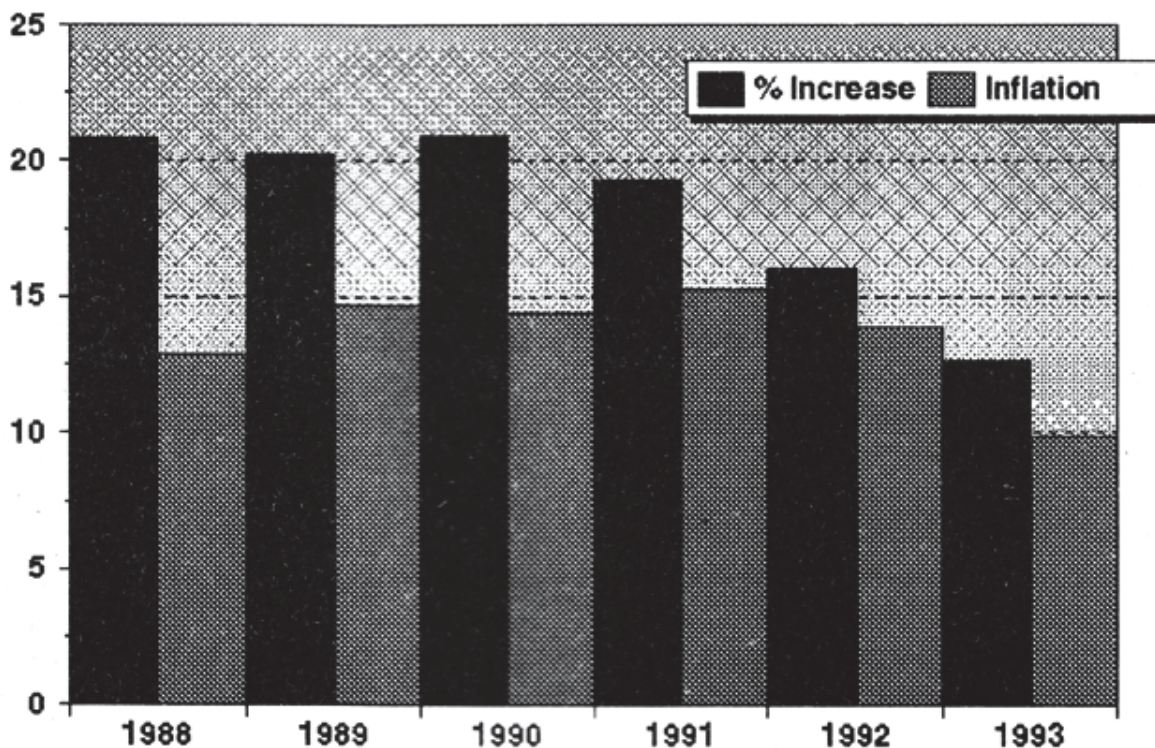
Min	25%	Median	75%	Max
R68	R148	R217	R280	R468

Compared to the poverty datum line produced by the Bureau of Market Research at Unisa, which puts their supplemented living level at R241,63 in February this would have two thirds of the sample of labourers who won increases in 1993 falling below this measure of poverty.

Wages in the broad operators category rise from an average of R263,02 for unskilled operators to R364,42 for skilled operators. Within this category are found heavy duty drivers, earning an average of R310,79 per week. There are obviously large variations between bargaining units. However, the wages reflected here do show operators to earn within a defined range.

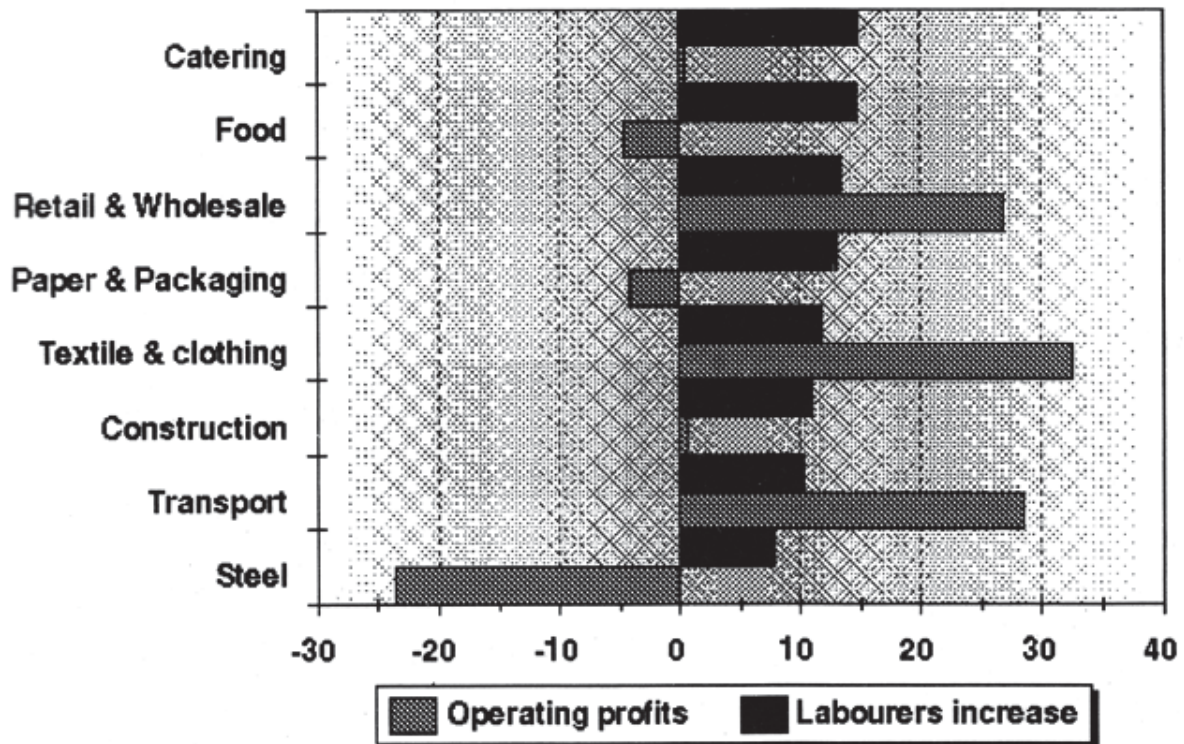
Artisans earn an average of R556,55 per

**Graph 5:  
Labourer's settlements 1988 - 1993**





**Graph 6:  
Profits and wage increases**



Artisans earn an average of R556,55 per week. This figure reflects the bottom of the basic pay range for artisans. Labourers earn on average 40% of the artisans weekly average (see graph 4 on page 26).

### Wage settlement trend declines

Over the past six years the average annual increases obtained by unions for labourers has been well ahead of inflation. Between 1988 and 1990 the average stood slightly above 20%, against an annual inflation rate which rose over the period but did not exceed 15%. The rate of settlements started to decline from 1990 and has fallen rapidly since to its present level. Inflation, which peaked in 1991 has also fallen rapidly, most notably in 1993 helped along by lower food inflation.

### The wage-profit link

Profits made by companies indicate the efficiency of the firm in containing costs, some of which are wages, as well the scope

for paying higher wages. In the fourth quarter of 1992 and first quarter of 1993 profits in listed companies fell dramatically – by about 20% in real terms. Since dividend payout levels were maintained roughly constant, less profit was retained by firms for reinvesting; a situation which exacerbated the lack of investment and job creation. Results of listed companies for the second and third quarter of 1993 show a big improvement in profit. Post-tax profits were 12,9% above 1992 levels leaving them well above inflation and a dramatic improvement on the previous quarter.

Sectors in which listed companies performed well do not, as a matter of course, grant more generous increases. Comparing operating profit, that is profit before tax and interest, for all the public companies reporting in the second and third quarters of 1993 with the annual percentage increase in labourers in each sector wages the following results emerge. The first conclusion is that the average annual change in operating





SAMWU's wage strike: dramatic increases

profit for all the firms in a sector cannot be correlated to the average level of settlements won by trade unions in that sector.

Treated on a sector by sector basis more direct links can be seen. A low settlement rate of 7,9% was reached for the iron and steel sector where the operating profit for all firms was dismal: a decline of 23,5% on the previous year. Other sectors which reported declines in operating profits were paper and packaging, and food with 4,2% and 4,6% respectively, yet trade unions in both sectors achieved good increases: 13,1% and 14,7% respectively. Good company results of between 28% and 32% increases in operating profits were achieved in the transport, textile and clothing and retail and wholesale sectors. Union negotiated rates for these sectors ranged from 10,2% to 13,4%. The second highest settlement rate was achieved in the catering sector at 14,5%, yet operating profit in this sector registered a mere 0,5% change on the previous year (see graph on page 28).

### Conclusion

Unions won lower increases for their members in 1993 than in the five previous years monitored by the Labour Research Service's Actual Wage Rates Database. The increases were, nevertheless, still above the inflation rate for the period meaning that unions have succeeded in maintaining the real value of wages in very tough times. Projections for next year suggest that with inflation in the region of 10% next year, wage increases are going to continue on a downward trend and hover about that mark. This year has witnessed much lower increases being awarded in some innovative agreements embracing a wider package of training and restructuring goals set by the unions, as for example, in the automobile sector. As the labour movement becomes more assertive about fashioning its own vision of a future economy, wage bargaining will increasingly take on a broader set of objectives, and be less confined to a simple battle against inflation. ☆