

# *Bargaining indicators*

**T**he Labour Research Service (LRS), has released its second guide to wage bargaining in South Africa.

The report covers economic indicators, a review of wage trends across sectors, industry outlooks and a survey of labour market issues.

## **Economic indicators**

While the economy peaked in the second quarter of 1996, all signs point to lower rates of growth until 1998. However, economists still expect positive growth in 1997, though at lower rates. The economy was saved by agriculture, which was boosted by excellent rains last season. This trend is expected to continue this year.

The massive depreciation of the rand over the past year has had positive spin-offs. It has reduced competition in the form of imports. It also makes South Africa's exports more competitive.

The average inflation rate for 1996 was 7,4% - the lowest for many years. However, it rose from 5,5% in April 1996 to 9,4% in December. It is predicted that inflation will average between 8,5% and 9,5% in 1997.

Fixed investment boomed in 1994 and 1995. While there was a dropping back in 1996, overall the figure was still positive at 7,5% higher than the 1995 total. This is still too low to generate high levels of growth.

While utilisation of productive capacity varies from sector to sector, the average is just over 81% - down from just over 83% in 1995. This means that the average factory

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could increase production by almost a quarter without expanding the factory or buying any new machinery.

Expectations for 1997 are that the economy will grow by more than 2% but less than 3%. The population is growing by 2,4%. A growth rate below this will mean lower income per capita.

## **Wage review**

According to LRS figures, the average wage for the lowest grade of employee was R1 542 per month. The average labourer's wage set by industrial councils is only R931 per month. Where plant-level bargaining exists, unions are achieving substantially higher wages than centralised bargaining. Wage drift between minimum wages (set at central level) and actual wages (set in company-level bargaining) is consequently rising at alarming rates.

This conclusion has to be treated with some caution. The industrial average is weighted down by the inclusion of certain industrial councils, such as clothing and building, where there is very little plant bargaining.

The lowest recorded negotiated wage is in the Diamond Cutting Industrial Council where a cleaner gets R299 per month. The lowest wage determination is the Clothing and Knitting determination for certain rural areas, with a wage of R366 per month. The

lowest mining wage is at Gelletich at R373 per month. Wage determinations are probably good indicators of wage at the lower level, where unions are poorly represented, in small companies and in rural areas and small towns.

Major 'gaps' continue to exist, and in some cases appear to be widening. These huge differentials pose a threat to union solidarity. They introduce wage competition between workers, which could drive all wages into a downward spiral.

The 'gaps' can be summarised as:

- Gaps between wages paid to workers doing the same work at different plants of the same company, in different regions, in different industries.
- Large gaps between low skilled and high skilled occupations.
- Large gaps between gazetted minimum wages and the actual wages paid by companies.

Only when the unions agree on a policy to deal with wage issues can these 'gaps' be closed.

There is normally little wage drift amongst low-skilled workers: bargained minima are almost identical to the wages actually paid. Considerable wage drift is evident for skilled workers. Demand pressure has rendered the minimum wages almost irrelevant for skilled workers. This means that unions have lost control of wages. Skilled workers will come to rely on market forces and their own bargaining skills, instead of the unions' collective efforts.

It is vital for unions to check for signs of wage drift and take action to narrow the gap between minimum and actual rates.

Beacon Sweets, with a minimum monthly wage of R2 299,22, ranks as the top payer amongst the top 50 companies. Compared to last year's ranking, the company moved up two places deposing Amalgamated Beverage Industries (ABI) from the number one spot. ABI, paying a monthly minimum of

R2 293,59 is at second place this year, perhaps reflecting market competition from Pepsi. Carlton Paper, with a monthly minimum wage of R2 293,02, shifts down to third spot.

## Public sector

The public sector and mining have managed over the past few years to bring their wages more in line with the rest of the economy.

The differential between the private sector and public sector minimum wage - as a percentage of the private sector - rose from 79% in 1994 to surpass the average at 106% in 1996. Wage differentials between municipalities still remain an issue. The present minimum wage of R 1420,01 per month, paid at the Alberton municipality, is only 80% of the minimum paid to Johannesburg Metropolitan workers.

Mineworkers have made strides in closing the gap between mining wages and the all-sector average. The differential has decreased from 84% in 1994 to 90% in 1996.

Other labour intensive sectors like building, clothing and retail have minima below average and have made little progress in narrowing the differential.

The growth in the economy over the past three years has been good for lower paid workers, at least for those retaining their jobs and the few new entrants. Since 1994 most sectors had wage increases above the inflation rate. The average wage increase in 1996 was 11,5%.

And of the future? If international experience is anything to go by, wage bargaining will be closely tied to training and skills upgrading (which has already started in South Africa) and workplace participation and financial participation which are still rare in this country. ★

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Vernon Rossouw is a researcher at the LRS. Bargaining Indicators for 1997 is available from the LRS Tel: (021) 471677/8 to place orders.