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Company profile: Foodcorp

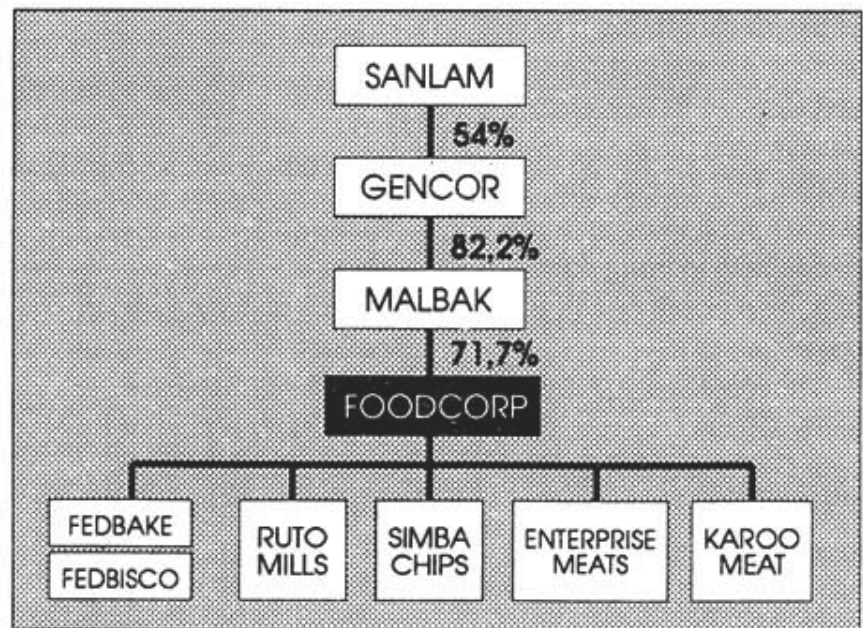
A new food giant has been created in the Malbak Group. The R2,5bn Foodcorp was formed when Fedfood and Kanhym merged, on the basis of three Kanhym shares exchanged for one Foodcorp share. Kanhym will be removed from the Johannesburg Stock Exchange.

Foodcorp is expected to contribute more than 25% to Malbak's total income says its chief executive, Dirk Jacobs. Jacobs hates waste and loves brand names. R24,8m was saved after unprofitable businesses like Patoma and Mango Man were closed down. Emphasis will be placed on its brand names, like Bobtail, Nola, Simba, Table Top and Enterprise.

Many of these brands have a dominant market share:

<i>frozen vegetables</i>	56%,
<i>savory snacks</i>	60%,
<i>dry beer powder</i>	80%
<i>frozen burgers</i>	48%.

The branded products will

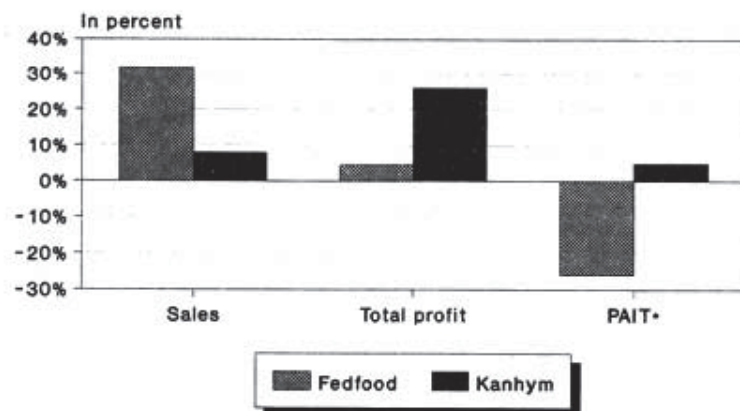


be enhanced through internal value adding and expanded by buying leading international brands. Negotiations with the big

American food company Heinz were at an advanced stage but temporarily discontinued in June.

Low cost foods, especially

FEDFOOD & KANHYM Latest results



Labour Research Service 07/92

* Profits after interest and tax

staple foods will also be Foodcorp's focus. These foods currently contribute 40% of Foodcorp's business.

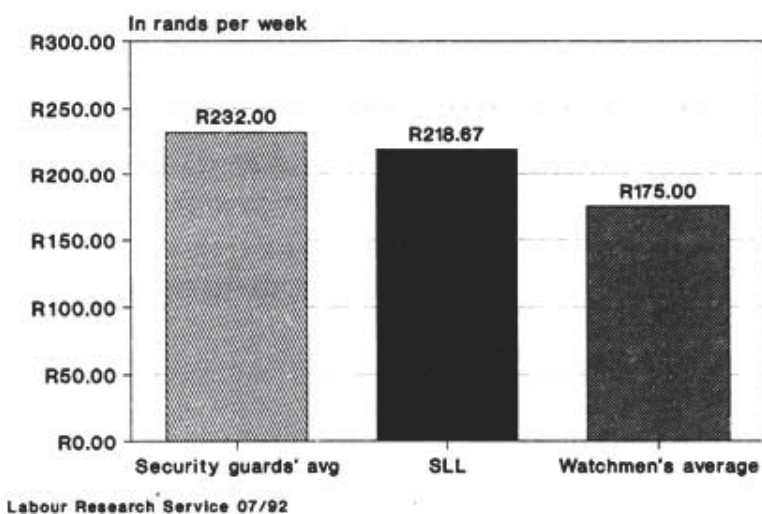
Foodcorp is South Africa's third biggest food company with sales of R2,5bn. Tiger Oats leads with R7bn followed by Premier Foods with sales of R3bn. The size of the group enables it to talk to international companies and increase its negotiating muscle with the major retail chains, said Jacobs. But, will another food giant in South Africa help to bring down high food prices or will it contribute to it?

The recession and drought badly affected the results of both Fedfood and Kanhym. The merger will, however, give the new group the size and substance for growth. As there were few common areas between Fedfood and Kanhym, only a few operations will be closed because of the merger. ♦

Watchmen live below the poverty datum line

Watchmen earn poverty wages, R175 per week on average. This was less than the Supplemented Living Level (SLL) of R218,67 per week, published by the Bureau of Market Research in February 1992. They also

Security guards beat the poverty line ...but watchmen don't



earn less than the Labour Research Service's Actual Wage Rates Database (AWARD) average of R191 per week for labourers. Security guards are better off than watchmen, at a wage of R232 per week on average.

The average wage paid to a security guard, R232 per week, however, conceals the fact that 14 out of the 29 companies surveyed pay a wage below the SLL.

These are the results of the Labour Research Service's latest survey of wages paid to

watchmen and security guards. The information was drawn from AWARD. The review surveyed 52 agreements on AWARD with a watchman grade and 29 agreements with a security guard grade.

The highest paid watchmen are those covered by the Tyre & Rubber Industrial Council in the Eastern Province. These watchmen earn R270 per week. The municipality of Whittlesea pays the lowest watchmen's wages, a

Watchmen: the top ten wages

Company	Wage	Union
1 Tyre and Rubber IC (E Prov)	R270.00	NUMSA
2 SA Inshore Fishing Association	R263.40	FAWU
3 Duens Bakery	R256.00	FAWU
4 Furniture IC (Tvl)	R251.49	NUFAWSA
5 Tobacco Mfg IC (Rustenburg)	R240.05	RTABAK
6 Biscuit IC	R232.02	NUOBMPSA
7 Municipality of Durban	R228.78	SAMWU
8 Municipality of Cape Town	R223.85	SAMWU
9 Municipality of Johannesburg	R218.77	SAMWU
10 Clothing IC Cape Knit	R217.50	SACTWU

miserable R46,52 per week!

Hypak Rossburgh pays its security guards the highest wage in this survey, R311 per week. However, security guards at Impala Granite, the lowest paying company, earn less than half of this at R105,30 per week.

Watchmens' wages increased by a respectable 21% on average. Average increases for security guards were lower, but still above inflation at 17,5%.

But, most security guards were forced to take a real wage cut by their employers.

Many watchmen still work long hours. Fifteen of the companies surveyed required watchmen to work 60 hours per week. Unions are making progress, however.

Watchmen at half the companies now work between 44 and 46 hours a week.

The biggest single group of companies, which represented 35% of the companies surveyed, set a 45 hour working week for security guards. Only 7% of the sample work 60 hours per week. ❖

Cut tax breaks

There is a way of raising large sums of money from those who are able to pay. What is more, it would involve no new tax nor even a higher tax rate, but removal of a tax concession.

That is the tax-free status

of contributions to pension funds and retirement annuity funds. The Mouton Committee on pension funds estimates that this concession costs the government between R5 billion and R8 billion per annum.

The justification for tax-free contributions to pension funds is that the ultimate burden on the State is reduced. In fact, this is an illusion. A married man with two children must earn R1 094 per month before paying any income tax at all. Up to R2 049 per month, income tax is less than 10% of gross income. And up to R3 912, income tax is less than 20%. So tax is not a significant factor until the wage is really quite high.

Clearly, the beneficiaries of the tax break are those in the highest tax brackets. But these are precisely the people who do not need it. Removal of tax-free pension contributions would not affect most black workers. Many are now members of provident funds, contributions to which are not tax-deductible from wages. The cost for those who would be affected would be low. For example, a worker earning R2 000 per month would pay only R12,29 per month extra tax, approximately, if the tax concession was abolished. This tax break has been used as handy tax avoidance vehicles for the wealthy. It would certainly cause no hardship if it were dropped. ❖

Industrial Relations in multinational corporations

Management gets the upper hand

Multinational corporations are companies that have plants in different countries but are controlled by one company. Research was conducted on the industrial relations of these corporations. On the basis of evidence gathered on a United States-based pharmaceutical company with four plants in England, Australia, Taiwan and Malaysia, the following conclusions were made:

- there is a pattern towards greater co-operation between unions and management;
- jobs will be broader and more flexible. The workers will be organised in teams using employees' problem solving abilities;
- management will move away from top-down decision-making toward closer involvement with the factory floor;
- rewards will be based on individual performance and skills;
- plants will have fewer or no unions and communications will be directly with workers or worker representatives; and

□ technology upgrades and automation will result in fewer jobs.

How can unions exercise control over multinational companies? This is not easy because multinational companies can relocate factories from countries with strong trade unions to countries with weak or no trade unions. Relocation from high wage to low wage countries will also occur. These companies also relocate within regions of a single country. Strong union solidarity across national borders is needed to beat these trends. ❖

Source: *Patterns of workplace relations in the global corporation: towards convergence?*, Stephen Frenkel: August 1991

A wealth tax

Dr Zach de Beer, leader of the Democratic Party and former Anglo-American director, had this to say on a wealth tax according to the *Business Day* of 30 May 1990:

"South Africa should consider introducing a 'reparations tax' on the wealthy to provide additional funds for essential services for the poor, such as housing, health and education.

"Maybe a reparations tax or contributions of a more or less voluntary nature will be required." He said that it was fundamental that trust be built up in the new South Africa,

Inflation

Consumer Price Index (1990=100)

Annual rate of inflation (% increase over 1 year)

Area	May 1992	May 91 - 92
Cape Town	131.3	16.1%
Port Elizabeth	129.7	14.0%
East London	130.4	16.1%
Durban	127.9	14.9%
Pietermaritzburg	132.1	16.9%
Witwatersrand	130.2	14.1%
Vaal Triangle	125.6	12.5%
Pretoria	129.9	15.1%
Klerksdorp	129.8	14.0%
Bloemfontein	125.5	15.4%
OFS Goldfields	128.7	12.9%
Kimberley	128.9	15.7%
South Africa	129.9	14.7%

Source: Central Statistical Service

Inflation

Consumer Price Index (1990=100)

Annual rate of inflation (% increase over 1 year)

Area	Jun 1992	Jun 91 - 92
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Port Elizabeth	130.9	14.5%
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OFS Goldfields	129.6	12.4%
Kimberley	130.1	15.3%
South Africa	131.2	15.1%

Source: Central Statistical Service

and a reparations tax could play an important practical and symbolic role.

"If the rich have to sacrifice, they will have to do this - but it will be an investment in the future of the country." ☆

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