

# Economic Notes

*Economic Notes is written by Labour Research Service (LRS), Cape Town*

## Unions keep up the pressure on wages

The first half of 1989 has seen an economic slowdown, increased costs of living and anti-union activity by the bosses and state. But unions have succeeded in maintaining wage increases of over 20% for labourers.

Of 181 wage settlements in the first half of 1989, the average annual increase for labourers was 22,5% reports the Actual Wage Rates Database (AWARD).

Most agreements were settled above the May inflation rate of 14,9%. In fact, only 16 of the 181 settlements were lower than this inflation rate.

## Wage increases

At 23,9% the average increase negotiated by CAWU was higher than any other union, but not by much. PPWAWU came a close second with an average increase of 23,5%.

The best increase in the first half of 1989 went to labourers at Machine Moving International, organised by TGWU. They won an increase of 89,7% on their wage of one year ago. However, Machine Moving International still pays only R123,75 per week.

The auto manufacturing industry takes three out of the top five places in the league table of labourers' wages. All of these wages are negotiated by NUMSA. Toyota again tops the list with R232,65 per week.

The average wage for the 192 labourers' wages settled in the first half of 1989, and on AWARD, is R141,86

## Top five league table of wage increases

Company	Increase	New wage	Union
1 Machine Moving Int.	89,7%	R123,75	TGWU
2 Southern Sun Hotels	68,6%	R136,15	HARWU
3 Sappi(Enstra)	58,3%	R202,20	PPWAWU
4 Kanhym (Jhb)	54,9%	R127,00	FAWU
5 Cargo Carriers (rural)	51,5%	R72,06	TGWU

## Top five league table of labourers' wages

Company	Weekly wage	Union	Previous position
1 Toyota	R232,65	NUMSA	1
2 Cadbury	R230,00	FAWU	8
3 VW(IC)	R224,70	NUMSA	8
4 Mercedes	R224,68	NUMSA	2
5 Kellogg	R223,00	FAWU	n/a

per week. Workers in the metal and engineering industries are still paid the highest wages. This is shown by the average wages achieved by the unions.

NUMSA's average wage of R178 per week for labourers is R51 higher than the TGWU average of R127 per week. NUM's average wage is not representative, because the union negotiates mainly in the second half of the year.

Companies notched up huge profit increases in the past year. Best of all was the construction sector, where profits before tax went up 68%.

The average labourer's wage increases in the major industries are well behind these profit increases. The table shows the average labourers' wage increase per sector. Many wor-

kers in higher grades got less than these averages.

### Profits increase at faster rate

	Profits	Wages
Construction	68,1%	23,9%
Transport	59,4%	23,0%
Paper and packaging	54,8%	23,5%
Metals and electronics	52,7%	19,7%
Food	37,8%	21,4%

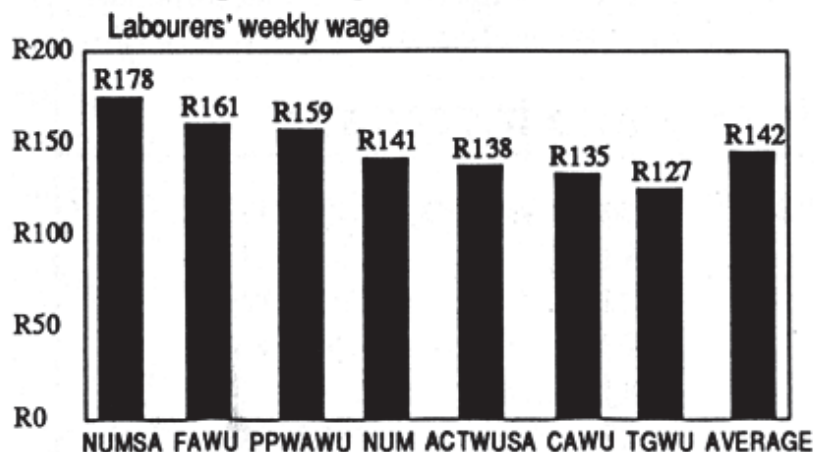
Unions face an uphill task in standardising wage levels. AWARD reveals a very large range in wages in any particular grade. For forklift drivers the range is from R98 per week at Intercity Parcels, to R242 per week at Mercedes Benz.

Meanwhile, for heavy vehicle drivers, the highest wage of R273 per week is over three times more than the bottom wage of R73 per week, set by the Goods Transport Wage Determination for rural areas.

The P-E Remuneration Service found that African workers in the Patterson A1 grade earned R159 per week on average in the seven

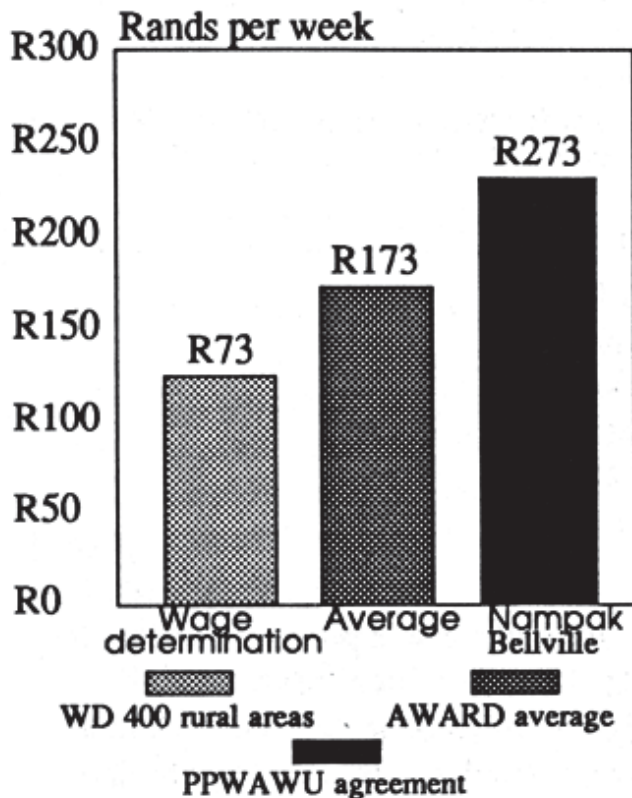
### Average wages compared:

NUMSA wages are highest





## Heavy Duty Drivers Range of wages is huge



months to March 1989.

P-E Remuneration Service also reports that management expect to grant increases of only 16,2% for black hourly paid workers in 1989. In 1988, workers on average had to make do with about 16%. But, they point out, union members got above 19%.

This supports the evidence from AWARD that unions have kept up the pressure at the bargaining table, standing firm in difficult economic and political conditions. A high goal has been set for the rest of 1989.

## Wealth grows the most for shareholders

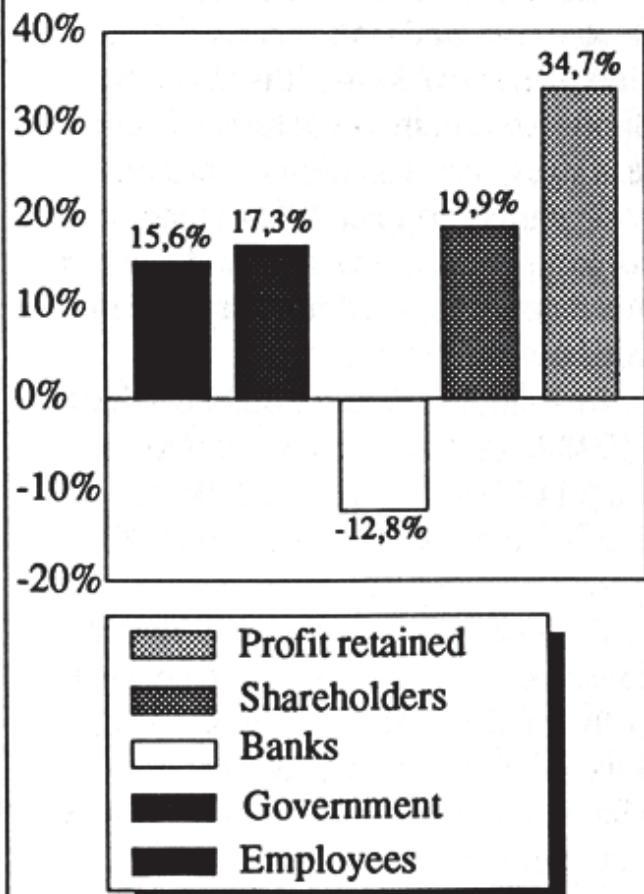
Shareholders' payouts grew by one-fifth and the profits kept by their companies rose by 35% during 1988.

This is shown by a review of value added statements in ten of the largest engineering and electronics companies listed on the Johannesburg Stock Exchange.

Very few companies provide a value added statement in their annual reports, but those that do reveal interesting information:

- If workers' share of total wealth created had remained at the 1987 level they would have received R34 million more in benefits and wages than they actually received in 1988.
- The profit retained by the ten companies rose by 35% or R145 million, from 1987 to 1988.

## Large Rise in Profit Retained



- Interest payments fell during 1988.

The lower interest payments supports the view that companies are using their higher profit to pay off loans to the banks. Companies have also used their profits to buy up disinvesting companies.

This, together with the economic downturn in the mid-1980s, has contributed to the massive fall in investment in new factories and machinery over the past few years. ☆

## Company profile: Middelburg Steel & Alloys

**M**iddelburg Steel & Alloys is the ferro-alloys and stainless steel division of Barlow Rand. It is the only South African manufacturer of stainless steel, which is used to make a wide variety of goods. These include cooking utensils like pots and pans, in the chemical and oil industry and in military equipment.

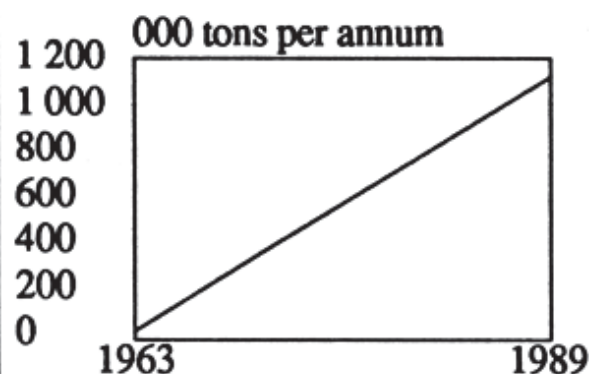
In 1988 Middelburg Steel produced 110 000 tons of stainless steel at its plant in Middelburg. Middelburg Steel also produced about 300 000 tons of ferrochrome in 1988.

Ferrochrome is used in the manufacture of stainless steel, and because of this, it is a highly prized product. South Africa now produces about 45% of the western world's supply of ferrochrome.

Ferrochrome was possibly one of

the most profitable industries in South Africa in 1988. This was mainly due to an increase in the demand for stainless steel the world over.

### SA ferrochrome production takes off in the '70s and '80s.



Ferrochrome is produced by smelting chrome ore in a furnace at very high temperatures. Although Middelburg Steel does not own any chrome mines Rand Mines does. And Rand Mines is owned by Barlow Rand.

Just under half of the stainless steel produced by Middelburg Steel is exported. The other half is used to manufacture finished products by companies like Robor Industrial Holdings. Robor Industrial Holdings is owned by Barlow Rand.

At each stage of the manufacturing chain value is added to what was originally chrome ore. A study by the board of Trade and Industries has shown how much value is added to the chrome or at each stage in the manufacturing chain.

The initial value added to a ton of chrome is R178, R1 500 if it is converted to ferrochrome, R6 250 if it is converted to stainless steel and R25 000 if it is made into cooking pots.

Middelburg Steel is a highly valued



## The manufacturing chain

From chrome ore to finished product

stage 1	stage 2	stage 3	stage 4
chrome mines	ferrochrome	stainless steel	manufactured products

company within the Barlow Rand group. Although it is a small company, when compared to some of Barlow's other companies, it produces large profits. Its 1988 profits, of R115 million, were about one sixth of the profits made by Barlow Rand.

Middelburg Steel does not, however, account for a large number of Barlow Rand's workforce. In 1988 Middelburg Steel employed about 4 000 people. Barlow Rand's total workforce was 157 483 people. ☆

## Big 'bucks' for bosses

At negotiating tables throughout South Africa, the bosses warn unions that more pay will mean fewer jobs.

Newspapers report the bosses' warning. For example, the *Sunday Times*, 13 August 1989, reported that Rand Merchant Bank group economist Rudolf Gouws had warned that

the motor industry "cannot afford to pay more".

The same newspapers which report these warning have declared massive increases in bosses' pay. The *Argus*, 28 June 1989, reported that management earnings have grown by between 30 percent and 40 percent over the past year. And one top executive "earned R3,5 million last year"!

The Labour Research Service has carried out its own investigation of managements' salaries and benefits. This shows that while the bosses have been warning unions about the effects of higher pay they have increased their own pay packages by large amounts. A chief executive is now paid R2 450 per week. This is the average amount reported by P-E Corporate Services, a management consultancy.

P-E Corporate Services also reports that the cash salary earned by a chief executive is only part of his total earnings from the company. Other benefits push up total earnings to R4 553 per week.

This is also the case for other managers. The P-E Corporate Services study found that personnel managers on average earn a cash salary of R1 988 per week. Their other benefits increase this to R3 154 per week.

## What bosses earn

	Basic salary per week	Total Earnings per week
Chief executives	R2 450	R4 553
Personnel managers	R1 988	R3 154
Production managers	R1 661	R2 779

## ECONOMY

The largest part of other benefits is received at the end of the year in the form of a performance bonus.

Sometimes called an incentive scheme, this is usually linked to profits. High profits means a

The bosses' performance bonus for the year to March 1989

Chief executives	R26 980
Personnel Managers	R18 640
Production Manager	R18 640

medical aid, housing loans and pension schemes. ☆

bigger bonus.

Other benefits include the usual company car, membership of sports clubs, an entertainment allowance,

## Inflation

Consumer Price Index  
(1985=100)

Annual rate of inflation  
(% increase over 1 year)

Area	July 1989	Jul 88 - Jul 89
Cape Town	178,2	15,1%
Port Elizabeth	182,9	16,2%
East London	174,0	14,5%
Durban	169,8	14,8%
Pietermaritzburg	175,9	15,3%
Witwatersrand	181,1	15,7%
Vaal Triangle	175,1	14,1%
Pretoria	187,9	16,5%
Klerksdorp	188,0	14,7%
Bloemfontein	165,1	14,3%
OFS Goldfields	179,7	14,2%
Kimberley	172,0	13,2%
South Africa	179,3	15,5%

Source: Central Statistical Services

## Wages going up - wage settlements in 1989

**Unions have succeeded in maintaining wage increases of over 20% for labourers in 1989.**

This and much more is reported in the Labour Research Service's third review of wage settlements.

The review also contains information on the latest profits made by com-

panies and the results of a management wage review.

You can get *your* copy of this review by writing to the Labour Research Service at: P O Box 376, Salt River 7925.