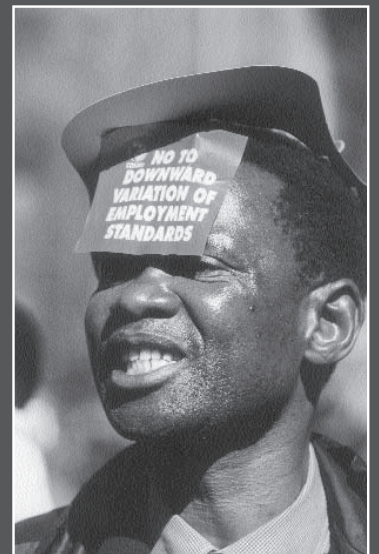


COVER STORY

# Are Labour's All-in Wrestlers losing their grip?



*Post democracy the labour movement has focused on policy and the new labour laws. But within this new environment what has been happening on the shopfloor about collective bargaining? It's the lifeblood of unions and is still the activity that brings results. Where unions bargain they get bigger increases than they do when increases are legislated. The **Labour Bulletin** asks the crucial question: Are the unions letting their bargaining tools get blunt?*

It's wage negotiation season and some key sectors are on the brink of disputes. As negotiations hot up so too does the rhetoric and strike calls. At least that's how it used to happen, but have the dynamics around collective bargaining changed in recent years? Are unions having the same impact on the shopfloor as they used to or are employers going increasingly on the offensive? Labour Research Service (LRS) head Sarah Ryklief says the last seven years have been about the institutionalising of collective bargaining. We must now ask if unions are feeling the limitations of the institutions which emerged out of the new legislative framework. For

example, what is the state of bargaining councils and what impact is centralised bargaining having on union organisation? A similar analysis needs to be conducted, she says, in relation to long-term agreements.

Centralised bargaining has given organised labour more negotiating power. But there are problems with long-term agreements. Inflation is an obvious one or, bargaining for a three year agreement unions land up settling on the main issues while lots of smaller ones get knocked off the table and are relegated to task teams or committees which never get going unless constant pressure is placed on employers by unions.

Aside from these concerns, there is a sense that there is an attempt to roll back the gains made as a result of the years of struggle by the labour movement leading up to the post-1994 amendments. Ryklief agrees. She says this is evident in some of the strikes that have happened over the last year or so. There have been an increasing number of longer strikes as employers have held their ground in an attempt to change and, or, vary employment conditions. Are companies doing as they please with the attitude that they will deal with the legal fallout when it comes, as was the case in a number of instances last year?

Ryklief believes that capital has



moved ahead. It has restructured and has a strategy around centralised bargaining as reflected in the push towards longer term agreements. Meanwhile labour has spent the last ten years institutionalising battles won in the 1980s. Unions can no longer use the solutions of the 1980s as the environment is different and they do not have the same moral high ground. Are they part of a strategy to deliver a class elite or is their approach to collective bargaining aimed at broadening social issues?

#### State of bargaining

Concern therefore exists as to whether unions are playing sufficient attention to collective bargaining. This was raised last year during a conference held by LRS amongst union negotiators. During discussion it emerged that a number of union negotiators go into negotiations without proper preparation.

LRS researcher Saliem Patel says that it is almost back to the 'abc of wage negotiations'. Unions have taken a bashing in the last five years in terms of resources and the amount of people able to do certain work. An example, is the National Education Health and Allied Workers Union (Nehawu) which used to have about seven negotiators assisting

in the central negotiations within the public sector co-ordinating bargaining council now it appears there are only two negotiators involved. Problems are also being experienced in terms of the level of knowledge amongst shop stewards and local organisers. A number of unions indicated that shop stewards are placing increasing pressure on local organisers who are spending a lot of time doing CCMA work or disciplinary cases aside from collective bargaining. Patel says often new shop stewards do not know how to bargain and this creates problems if the local organisers are unable to assist with basic preparation. The shop steward will go into negotiations with guns blazing but will not be prepared with the very basics to backup their case.

Alternatively they agree to issues not within the union's mandate or which do not comply with union policy. This trend emerged during interviews with a number of unions who are now attempting to ensure that before wage agreements are signed off, they are approved by head-office. This issue was also raised in the draft secretariat report which will be presented to the National Union of Metalworkers of SA's (Numsa's) national congress in

September. The report states: 'There are bargaining representatives who attend negotiations without a mandate of their regions, whilst some are not consistent in the negotiations. In other regions sector reports are not even tabled for discussion. Certain regions have the propensity to make militant statements but these are never followed by action, this is so when they are expected to mobilise workers for action. A disturbing trend has developed where some regions would allow the process of negotiations to continue until a settlement is reached and then six months later, they complain and accuse the leadership of dishonesty and betrayal. A link is breaking between our negotiation representatives and constitutional structures which may lead to parallelism.'

The LRS held its negotiators' conference earlier this year to assist in preparing union negotiators for this collective bargaining round. During discussions union representatives raised a number of concerns around collective bargaining (see p13) such as the inability to ensure enforcement of agreements in the absence of more aggressive monitoring by unions; lack of capacity building around collective bargaining strategies; failure to develop

clear objectives before entering into negotiations; difficulties emerging when employers play one union against other and poor quality of pre-wage negotiations preparation (see box on p9).

### Bargaining environment

Last year, the review of the LRS Bargaining Indicators, pointed out that the environment in which bargaining takes place is deteriorating for workers. The threat posed by companies in the form of retrenchments, increased working hours, reduced benefits and less employee protection makes negotiating

wage increases very difficult. An analysis conducted by the LRS reveals that workers have not made major gains over the last decade. 'Although there have been consistent nominal wage increases, inflation undermined those increases. The unemployment crisis has deepened and exerts pressure to reduce wage demands as more people compete for fewer jobs. Furthermore, the wage earner has to further divide that wage to cater for retrenched workers in the household', the LRS report says. The report reveals (as do a number of other reports including the latest UNDP report) that the percentage of national income going to companies has increased steadily during the past 10 years while that of compensation to employees has decreased.

Wages are the strongest contributor to poverty eradication and are an indicator of how much a society values its labour. South Africa, however, remains a low wage society ten years after moving to democracy. While workers and their organisations continue the struggle to improve their

lot, numerous obstacles have emerged that undermine this struggle.

The biggest problem is unemployment and the inability of the economy to create jobs. Unfortunately, solutions to this problem include the deregulation of the labour market – that is, the reduction of workers' rights, and declining wages. Outsourcing, part-time and contract labour have mushroomed in the past decade, the report says.

There is no doubt that unemployment is a real problem for

**More importantly, low wages in the informal sector put a downward pressure on wages in the formal economy.**

workers because it undermines their ability to struggle for higher wages and it allows management to increase their workload by threatening them with retrenchment. Many unions have been, and still are, confronted with the choice of either bargaining for legitimate wage increases or bargaining to save jobs, the report points out. But given that unemployment stands at 42% (up from just over 30% in 1994) it is no wonder that little progress has been made in raising the level of wages to accommodate decent living standards. The curbing of wage increases, however, has not prevented major job losses.

Another important shift in the economy is the growth of employment in the informal economy. This sector the report argues, does not, however, contribute to improved living standards and continuously undermines hard won rights. Workers in the informal economy characteristically have low incomes, and receive no employment benefits. More importantly, low wages in the informal sector put a downward pressure on wages in the formal

economy. Cosatu's economist Neva Makgetla looks at how this has affected collective bargaining over the last ten years (see p12).

### 2003 wage settlements

In the ten years since democracy increases in average minimum wages have fluctuated depending on the rate of inflation. According to the LRS, the average minimum wage in 2003 as negotiated by trade unions was R2 090 per month, a 10.92% increase from

2002. In real terms, discounting inflation (CPI-X), those earning minimum wages only received on average a 4.12%. In

rand terms those earning the minimum wage received on average a R200 per month increase.

The average wage in each sector of the economy differs, but all sectors recorded nominal increases between the first quarter of 2002 and the first quarter of 2003. According to the SARB (December 2003:15) nominal remuneration per worker grew by 10% during 2002 and accelerated from 8.8% in the fourth quarter of 2002 to 10.6% in the first quarter of 2003. The SARB also reported that the average level of wage settlements, for the nine months ending 30 September 2003, was 8.9%.

But increases in nominal wages are countered by inflation. Inflation (CPIX) for 2002 was 9.3% making the real increase for that year only 0.7%. Inflation for 2003 was 6.8% meaning that average real wages ought to be slightly higher. The main concern though is that inflation for food, transport and other basic services is higher than the overall inflation rate and affects low-wage earners more – their wage increases would not cater for this.



The LRS report covers minimum wages as captured in bargaining agreements; minimum wages in sectors and in bargaining councils and average minimum wages won by trade unions.

- Minimum Wages in Bargaining Agreements – an analysis of 439 bargaining agreements into minimum wage categories reveals the R506 – R604 minimum wage category accounts for the highest number of agreements (111 of the 439). The data reveals that 54% of all the minimum weekly wage agreements in the sample are below R539/week, and that almost 80% (78.88%) are below R604/week. This means that workers covered by almost 55% of agreements in the sample earn less than R2 333.87 per month and that workers covered by almost 80% of these agreements earn less than R2 605.32 per month.
- Minimum wage by industry – an analysis of 345 wage agreements entered into between various trade unions and companies reveals that the average minimum wage across all industries increased by 9.6% from

2002 to 2003. Taking the Consumer Price Index minus mortgage bonds (CPI-X) into account, the real average percentage increase in industries' average minimum wage amounted to 2.8%. (This figure of 9.6% concurs with the findings of the 22nd Annual Report on Labour Relations in South Africa, published by Andrew Levy & Associates. However, while Levy & Associates suggest that the average minimum wage across industries was R2 626 in 2003; the LRS sample suggests a monthly wage of only R2 021). In 2003, the average minimum weekly wage rate across industries was R466.84 for an average working week of 43.86 hours. The highest industry average minimum wage of R559.52 was found in community, social and personal services for a 44.9-hour working week. The lowest sector average minimum wage of R296.73 was paid to workers in the agriculture, hunting, forestry and fishing industry for a 44.73-hour working week. Workers in the community, social and personal

industry received the highest wage increase of 13.34%, while those in the transport, storage and communications industry recorded the lowest increase of 2.83%.

- Minimum wage by bargaining councils – in an analysis of 43 bargaining councils, covering approximately 1 557 132 workers, the average weekly wage was R371.75 for an average working week of 42.47 hours. This translates into an average minimum monthly wage of R1 609.69. Furthermore, 66% of the minimum wage agreements concluded at bargaining councils fell below the R400/week (R1 732 per month) level. Within the sample, the Bargaining Council for the Electrical Industry: Area E recorded the lowest minimum weekly wage of R255.60 for a 40 hour working week. The Bargaining Council for the Tearoom, Restaurant & Catering Trade: Pretoria set the highest weekly wage of R1 017.67 for an estimated 15 000 of the lowest paid workers (for a 45 hour week).

## COVER STORY

- Minimum wage by selected unions – The average minimum weekly wage for 2003 attained by unions in the sample was R484.52 for a 44 hour week. This weekly amount translates into a monthly wage of R2 097.97. The real average increase on the minimum wage for 2003 was 4.12%

### Current disputes

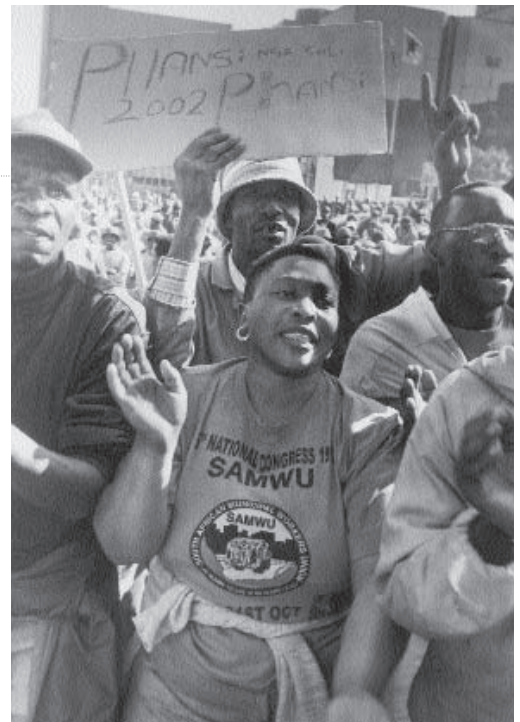
As mentioned above, wage bargaining season is upon us and a number of unions are in dispute while strikes have begun and have been threatened in a number of workplaces. The more high profile strike during June was by printing workers at Media 24's plant in City Deep in Johannesburg. The strike by about 100 members of the Chemical Energy Paper Printing Wood and Allied Workers Union (Ceppwawu) has been going on for one month (at the time of going to press). The union has been demanding a 10% wage increase while the company offered 6 - 8% backdated to January 2004. The union has alleged that the company continues with apartheid era practices of racial discrimination by perpetuating the 'apartheid wage gap'. Ceppwawu says the strike had been forced on its workers 'because of the company's refusal to meet our legitimate demands as workers and free citizens of this country'. The union has argued that white workers are earning much more than their black colleagues. The company has denied the allegations of discrimination.

Meanwhile, the re-negotiation of the wage component of the two year wage deal signed last year in the metal industry bargaining council has ended with the unions declaring a dispute. The unions were demanding an increase of 11% for skilled and 12% for unskilled, while employers offered 5.7% and 6.7% respectively.

It appears that negotiations in the automobile manufacturing sector are also heading for a dispute as is the case with motor retail. Numsa has demanded a 10% wage increase while the Automobile Manufacturers Employers Organisation (Ameo) has offered 5.5%. Other disputes have been declared in various sections of clothing and textile while a dispute is in the offing between the SA Commercial Catering and Allied Workers Union (Saccawu) and Makro and in the cleaning contracting sector. A dispute currently exists between 17 unions (representing 60 000 workers) and two employer associations in the Contract Cleaning sector the National Contract Cleaning Association (NCCA) and Black Economic Empowerment Cleaning Association (BEECA). The union demands include a 10% increase and benefits such as a bonus and provident fund. Employers have offered a 6% increase on the total package.

### Union strategies

A number of unions have recently held collective bargaining conferences or national congresses where assessments have been made of their collective bargaining strategies. Others will be meeting to evaluate their collective bargaining strategies either in national or collective bargaining conferences. Unions such as Numsa have commissioned research (to be debated at their upcoming national congress in September 2004) on their bargaining strategy adopted ten years ago. The *Labour Bulletin* spoke to the union's collective bargaining co-ordinator **Bafana Ndebele** about the union's bargaining strategy; the review and the current round of negotiations (see p15). Ndebele says that one of the issues which labour has to confront is whether increases should be linked to inflation or linked to profits/ productivity.



Like Numsa, Sactwu is linked to the global economy and has adopted a very strategic approach to unionisation and ensuring the growth of the sector. The *Labour Bulletin* spoke to the union's collective bargaining co-ordinator **Fachmy Abrahams** about the union's commitment to centralised bargaining and how the union's strategy has led to the formation of national bargaining councils in clothing and textile (see p17). The union acknowledges that alongside the consolidation of bargaining councils has been the increase in the informal sector. However, Abrahams says that attempts have been made to engage with organisations such as the Cut, Make and Trim Employers Association. It was reported however, that this association staged a demonstration in Cape Town recently to demand a blanket exemption from paying the minimum rate as stipulated in the bargaining council main agreement. The demonstration was sparked by moves by the council to enforce compliance in the industry. Abrahams says the association initially gave its commitment to the union that it wished to engage and now the very same organisation protests so as to continue acting illegally.

The National Union of Mineworkers (Num) is another union committed to centralised bargaining and has

continued to push for the setting up of a bargaining council in the mining industry. The industry has, for a number of years, resisted this demand. Research has been conducted by both the union and the industry to explore the state of the council system (see below). The union's collective bargaining co-ordinator Humbulani Tshikalange says that a key focus of the union's bargaining strategy is to bring about the harmonisation of employment conditions within companies and across sectors and linking that to issues of transformation. Collective bargaining, he says, is not only about wages (see p18). In the coming period, he says, the union will conduct a review of all agreements signed over the last five years to see how the union has been performing.

The SA Transport and Allied Workers Union (Satawu) recently held a collective bargaining conference to assess the way forward for negotiations. Satawu's collective bargaining co-ordinator Thulani Dlamini says the conference highlighted a number of key problems which have emerged during collective bargaining:

- It is questionable the extent to which officials and or shop stewards engage membership in developing wage demands;
- The origins of some of these demands is also questionable; and
- Some concern around whether information made available to union negotiators on the ground (from organisations such as the LRS) is used and whether such information is being disseminated to workers.

Dlamini says measures need to be put in place to ensure membership is involved in such processes from the outset.

Problems have also emerged around agreements negotiated at company or regional level as to whether they are in

line with union policy. Some agreements have been negotiated without consultation at a national level and then local negotiators feel obligated to sign to save face with management.

The union plans to put measures in place to ensure that union negotiators will not be allowed to sign without agreements being seen by head-office.

Yet another union which plans to evaluate and review its collective bargaining strategy is the SA Municipal Workers Union (Samwu). The *Labour Bulletin* spoke to the union's collective bargaining co-ordinator **Dale Forbes** about its engagement with Salga in the local authorities bargaining council and moves towards integration (see p19). This would require the merger between Samwu and Nehawu. The future of Nehawu will hopefully be decided at its national congress which was held as the *Bulletin* went to print (see p40). The 220 000 strong SA Democratic Teachers Union (Sadtu) held a national general council meeting in June to assess the current round of negotiations and to debate and resolve the union's positioning in regard to education policy and political engagement. The union rejected the government's initial position and still demands an increase of CPI-X plus 8%. The *Labour Bulletin* spoke to the Fedusa affiliated **Public Servants Association** about the current round of public service negotiations (see p20).

#### **What's happening to centralised bargaining?**

Research is underway in various quarters to ascertain the current state of bargaining councils. In a previous edition of the *Labour Bulletin* 27(1), an initial attempt was made to explore some of the problems being faced by councils. Some of the problems highlighted by the *Bulletin* included

#### **Pre-negotiations checklist**

What should you as a negotiator be armed with when entering into wage negotiations?

- Have basic economic indicators such as inflation rate (year on year and perhaps over a three year period); growth rate in your particular sector and productivity indicators.
- Know what is happening in the company/sector you are negotiating in. For example, know levels of profit/loss; what is happening in holding company (and who the holding company is) or related sectors if necessary; know what profit share schemes in place for management/directors and what increases granted to management and share options paid out to directors.
- Know who owns your company or holding company and whether there is an empowerment element - who the empowerment element is and whether union investment companies have any connection to those empowerment initiatives or whether your union officials have connections with these groupings so as to lobby them.
- Know what companies in your sector are paying.
- If there are other unions operating in the company/sector, do you know these unions and do you have a strategy for dealing with them? Do you know what their demands are?
- Have you done an analysis of previous negotiations? What was demanded, what settled on and what outstanding issues need to be pursued.



issues around representivity, enforcement, financial stability of councils, whether proper systems are in place and the management of benefits. More than a year down the line, the *Bulletin* revisits this issue to ascertain whether any further developments have occurred.

Those engaged in research on councils indicate that there is no clear trend – while some councils are collapsing others are being established (or are being strengthened) such as in chemical, clothing and textile and freight. One researcher observed that it was ironic that bargaining councils are financially stretched while Setas have money which ‘they do not know what to do with’.

With all the focus on Seta’s there appears to be little attention being given by the labour department to the state of councils – which are a critical labour market institution. As one observer says: ‘If councils are healthy then there is no problem, but it is

unclear that they are’. Being a central pillar of the current labour relations system, if they disintegrate it will have major implications for industrial relations. This is especially so if less bargaining is taking place at a plant level.

The National Association of Bargaining Council’s head Wynand Stapelberg says his organisation is attempting – through the Services Seta – to build capacity within councils. Councils, he says, are the backbone of the labour relations system and if they collapse its impact on other labour market institutions such as the CCMA will be severe. He says councils still face problems around representivity. One regional council in the Western Cape went on a recruitment drive and managed to recruit a huge number of companies. However, this did not solve its representivity problem as the employers and employees (in these new companies) were not members of an employer organisation or trade union.

Stapelberg says recent discussions have been held with various councils to explore alternative ways of dealing with the representivity issue. He says an approach will be made to the department to hold an Indaba with all the councils to explore various options which could include an overhaul of the current system. The key problem he says, is if councils have representivity problems government will not extend main agreements which then undermines the council’s effectiveness. One approach would be to incorporate an element of the sectoral determination process into the bargaining council system so as to broaden consultation. Stapelberg says that apart from representivity issues, councils are still facing problems from independent contractors and the rise in the non-employee status.

#### Conclusion

It is becoming increasingly clear that reduced resources and skills are impacting on the state of collective bargaining. If unions are not able to defend and advance members’ interests, what can they do? Unions will have to consciously begin to refocus on its core functions and ensure that their members are active in the bargaining process, that this process is taken seriously, that mobilisation occurs on the shop floor, and that solidarity is built with other unions and workers’ organisations. Aside from capacity issues is the development of clear strategies which will drive unions to ensure they are able to make meaningful gains. This, the LRS says, will not be easy given growing divisions among workers – divisions between organised and unorganised workers, between workers in the formal and the informal economies, between workers from one sector and workers from another together with persistent racial, gender and job grade divisions. This special report merely reinforces some of the organisational problems hampering effective union organisation. Dealing with these problems is not so simple if the unions are unable to attract or retain skilled people and if finances are not available for training and educating officials and shop stewards. Unions should however, consider utilising the benefits of the Skills Act to build internal capacity. In the absence of proper commitment to organisational renewal, the problems highlighted will merely continue and further weaken the power of the labour movement to effect changes in an increasingly hostile environment – the editor.

*Where can wage data be obtained?*  
*The Labour Research Service –*  
*<http://www.lrs.org.za>.*  
*Stats SA*  
*SA Reserve Bank*