Lower increases

collective bargaining in 2005

By the end of 2005 it was possible to see the emergence of certain trends in collective bargaining over the year. **Trenton Elsley** gives an overview.

South Africa witnessed a number of high profile strikes in 2005. These included strikes in the public service sector which involved over 400 000 workers, and the later South African Airways strike action which grounded passengers all around the country.

There is a general perception that strike activity picked up this year in comparison to 2004. The year also saw the initiation of Cosatu's ongoing campaign around job losses and poverty, involving provincially focused mass action.

The year 2004 also saw economic growth revised upwards to 4,5% . By all accounts the economy will register a higher level of GDP growth for 2005 as a whole. At the same time,

THE MINIMUM WAGE OUTCOMES OF BILATERAL COLLECTIVE BARGAINING: 2004/2005

	Hours worked per week in 2005	2004 wage	2005 wage	2005% increase	2004% increase	Difference between 2004 2005 increases
average	43	561	600	7.0	7.8	-0.8
median	45	570	609	6.3	7.4	-1.1
minimum	40	180	203	2.0		
maximum	46	1082	1155	16.0		

[1] *Reserve Bank, Quarterly Bulletin No 238 - December 2005*

[2] *Statistics South Africa, p0210, September 2000 to March 2005, Historical series of revised estimates*

[3] *These figures may change as more data becomes available.*

THE MINIMUM WAGE OUTCOMES OF COLLECTIVE BARGAINING IN BARGAINING COUNCILS: 2004/2005

	Hours worked per week	2004 wage	2005 wage	2005% increase	2004% increase	Difference between 2004 2005 increases
average	42	518	544	5.1	7.35	-2.3
median	42	458	481	5.0	7.09	-2.1
minimum	40	285	296	4.0		
maximum	45	1428	1485	10.0		

	Ordinary hours worked per week	2004 weekly	2005 weekly	% increase
Manufacturing: Clothing & Textiles	42	466	484	4.0
Agriculture	45	389	411	6.0
Community Services	40	596	632	6.0
Transport	45	693	734	6.0
Manufacturing	45	615	655	6.3
Manufacturing: Metal & Engineering	40	647	680	6.5
Mining & Quarrying	45	544	582	7.0
Wholesale & Retail Trade	45	393	435	7.6

after an estimated increase of about half a million formal jobs between September 2000 and March 2004, formal employment in 2005 in the main remained static. This was not true however for all industries and sub-sectors. Mining shed over 100 000 jobs from March 2004, and the clothing and textile sector continued to navigate a crisis of competitiveness.

What then were the outcomes of wage bargaining in 2005, a core activity of trade unions, in this broader context? Preliminary analysis suggests that annual wage increases for 2005 were lower than the previous year for both bilateral agreements and bargaining council agreements (multilateral), although the decrease was sharper for collective agreements negotiated through bargaining councils than for bilaterals.

We see that the median increase in minimum wages in 2005 was 6,3% for bilateral agreements, which is 1,1% lower than 2004. We observe a 5% median increase in minimum wages in bargaining council agreements, and that is 2,1% lower than the previous year. Bilateral agreements also reflected a greater range of increases as shown by the minimum and maximum increases in the tables above.

One cannot help but link this general decrease in wage settlements to a persistently low-inflation environment and the centrality of inflation as a benchmark in wage negotiations. CPIX inflation has declined steadily since 2000 and looks to present a similar average increase for 2005 as in the previous year (4,3%).

This analysis of wage increases aggregated by bilateral and bargaining council types does however obscure significant differences between industries.

For example, the wholesale and retail trade registers the highest

Industries & Living Levels	Weekly wages or income
Agriculture	411
Wholesale & Retail Trade	435
Minimum Living Level	471
Manufacturing: Clothing & Textiles	484
Household Subsistence Level	561
Mining & Quarrying	582
Supplemented Living Level	595
Community Services	632
Manufacturing	655
Manufacturing: Metal & Engineering	680
Transport	734

median increase in minimum wages (7,6%). We note especially low increases in the beleaguered clothing and textile industry of around 4% in 2004. The median increase in minimum wages across all the industries listed here is 6,2% for the year.

Interestingly, while the wholesale and retail trade shows the highest percentage increase for 2005, the median minimum wage for the industry is below all three of the living level measures introduced in the table above.

In fact, it appears that minimum wages only support a 'modest low level standard of [household] living' in the community services, manufacturing, metal and engineering and transport industries.

Put another way, almost half of the over 400 bilateral agreements that we looked at reflect minimum wage rates lower than the income level put forth in the SLL, while this proportion is a little over half for bargaining council agreements. This suggests that the quality of low skill employment in South Africa is poor, and the implications are far reaching if we consider that elementary occupations constitute about a quarter of total employment in South Africa (excluding domestic workers, who are paid even more poorly).

The Reserve Bank recently left interest rates unchanged citing a generally positive economic outlook, and appears confident that inflation will stay within the target band (3-6%) next year. As such, trade unions are likely to face continuing resistance by employers to wage demands that exceed CPIX inflation in the new year.

In the opinion of this author, the challenge for trade union negotiators will be to employ alternative means of motivating wage increases, but also to pursue other avenues through which gains may be won.

The ability to utilise company financials for the purposes of collective bargaining is a significant weapon in the armoury of any negotiator. At least one labour service organisation in South Africa provides training in this regard.

Negotiators would do well to tackle issues that positively impact the quality of life experienced by workers and their families. Non-wage benefits are often worth more than wage increments in monetary terms, although they are not experienced as cash in the pocket. Moves by the government to promote wider access to healthcare schemes present one such opportunity for trade unions to negotiate significant improvements in health benefits to workers. Will employers lead the process or will trade union negotiators come to the table equipped with their own proposals?

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- *The Minimum Living Level (MLL), as published by the Bureau of Market Research at UNISA, purports to "denote the minimum financial requirements of members of a family if they are to maintain their health and have acceptable standards of hygiene and sufficient clothing for their needs" (BMR, Research Report No. 319, p1). The MLL stood at R1 945 per month in March 2004. The Supplemented Living Level (SLL) reportedly "makes provision for more items than the MLL", and attempts to describe "a modest low-level standard of living" ((BMR, Research Report No. 319, p1). The stood at about SLL R2 450 in 2004. Another benchmark, the Household Subsistence Level (HSL), is published by the Health and Development Research Institute at the University of Port Elizabeth. The HSL indicates that an income of R2 368 was required by the average household in 2004 in order to meet its most basic material needs.*

The BMR report has been discontinued. I use 2004 figures adjusted by 5% to represent the inflationary effect of the past year.