

# Taste of collective bargaining trends

Whilst **Trenton Elsley** looks at overall wage bargaining trends in 2006, he also recognises industry-specific patterns. In addition he focuses on other key issues such as training, HIV/AIDS and women in the workplace.

Collective bargaining in South Africa takes place at a variety of levels and the coverage of collective agreements ranges from an entire industry representing tens of thousands of workers to a single enterprise representing a handful of workers.

Bargaining council agreements tend to represent greater numbers of workers, but can vary in size dramatically. Decentralised bargaining also shows great variation in its coverage of workers. Again, collective agreements range from a nation-wide employer of thousands of workers to small enterprises which employ only a handful of workers.

In addition to examining the wage outcomes of collective bargaining, this year we extended our analysis to non-wage outcomes. For the purposes of this article we focus on the gender dimension of collective bargaining.

## WAGE OUTCOMES

The average minimum wage or the average wage for the lowest paying occupations in collective bargaining in 2006 was a little shy of R2 500 per month. The median minimum (the midway point) was a lesser amount of R2 400. This amount of R2 400 is more than 20% less than an estimate of the monthly expenditure required by the average household of five to maintain a

modest low-level standard of living.

We used the money estimate provided by the Bureau of Market Research at the University of South Africa and adjusted this by CPIX inflation to make it current at March 2007. An adjustment of average wages by current CPIX of 6.3% (at April 2007) would still leave this amount well short of this living level.

**Table 1: Minimum wages in collective agreement and living levels**

	Monthly Wage 2006	Living Wage April 2007	Wage as a proportion of Living Wage
Average	R2 488	R3 008	82.7%
Median	R2 400		79.8%

In short, even if one member of the average household is covered by this average monthly wage, the household must have multiple livelihood strategies in order to achieve even a modest low-level standard of living that meets basic material needs, to say nothing of investments in health, education and other critical areas.

While low wage employment has historically been set at very low wage levels in South Africa, it is nonetheless concerning that formal employment, a more stable and regulated type of employment, is unable to support a household.

Such findings are mirrored in other research which suggests that nearly half (47%) of all workers in

the formal economy earned less than R2 500 per month in 2004 (Valodia, Lebani, Skinner and Devey, *Low-Waged and Informal Employment in South Africa Transformation No.60 of 2006*). There is no indication that this is changing, the Labour Force Survey of September 2006 estimated that about 43% of workers in the formal sector earn R2 500 per month or less.

There is considerable variation between industries with respect to the levels at which low wage employment is pitched.

It is fair to say that a range of industry-specific dynamics translates into a very particular set of wages and conditions of employment and that a broad analysis of the economy will miss significant variations at this level. Table 2 on the next page describes trends in low wage employment by industry for the period 1998 – 2005.

## SETTLEMENT LEVELS IN BARGAINING

The average increase in minimum wages in 2006 was 6.9%, while the median was a slightly lower value of 6.5%. A median settlement level of

**Table 2: Rand average monthly minimum wages by industry**

	Manufacturing	Wholesale & Retail	Mining	Community Services
1998	1 658		1 234	1 524
1999	1 758		1 316	1 667
2000	1 884	1 377	1 416	1 806
2001	1 940	1 425	1 554	1 923
2002	2 031	1 498	1 784	2 065
2003	2 174	1 576	2 000	2 265
2004	2 291	1 637	2 325	2 464
2005	2 420	1 736	2 494	2 680

6.5% means that half of the agreements reflected a wage increase of equal to or less than 6.5%.

These settlement levels are about two percentage points better than CPIX (inflation without the effects of interest rates on mortgage bonds, for example) or CPI inflation though roughly equal to average food price inflation for the same year (2006). Wages set by sectoral determination increased by a slightly higher amount of 7.4% on average in 2006, while the median increase of 6.8% was closer to that for collective bargaining.

increases match or better inflation.

Average settlement levels in mining increase quite consistently between 1998 and 2004 and outperform inflation by solid margins from 2001 onwards. This coincides with marked recoveries in the price of precious metals. The mining industry is also striking in that it is the only industry where settlement levels for 2002 exceed CPIX inflation. This was the last time inflation rose to a significant degree.

Settlement levels in other industries were well below average inflation for the year. This supports

The tension in using retrospective inflation data for the purposes of setting forward-looking wage increments is apparent in settlement data for a number of industries.

Settlement rates tend to lag behind sudden increases in inflation, but once this information feeds into collective bargaining, settlement levels in subsequent years tend to ride ahead of the inflation indices.

### GENDERED OUTCOMES

This section examines those outcomes of collective bargaining that might be considered to influence the way in which men and women relate to the workplace. We look at specific conditions of employment, but we are asking broader questions. Are women in particular disincentivised to work? To what extent do prevailing conditions of employment around maternity constitute a disincentive to women to work or a disincentive to their employment? Are employers disincentivised to employ women? What do the outcomes of collective bargaining suggest to us in this regard?

The majority of collective bargaining agreements did not reflect the conditions of employment that we consider as important indicators of gender equity and equality in the workplace.

The Basic Conditions of Employment Act (BCEA) is firm in protecting women from dismissal that is in any way related to their pregnancy and allows for a minimum leave entitlement. On the other hand a working woman is likely to experience a substantial reduction in income (up to 66%) during maternity leave.

The BCEA establishes a few basic rights in relation to pregnancy, but does not address a range of issues

**Table 3: Wage increases and inflation**

	Low Wage Increases 2006	Average CPI 2006	Average CPIX 2006	Average Food Inflation 2006	Sectoral Determination
Average	6.9%	4.7%	4.6%	6.7%	7.4%
Median	6.5%				6.8%

Average settlement levels in the manufacturing industry consistently trail the annualised rate of CPIX inflation between 1998 and 2002. After matching inflation in 2003 we see average settlement levels have come in at 1 or 2% above inflation over the last three years.

Average settlement in the wholesale and retail trade also lagged behind inflation for a number of the years under review. It is only from 2004 that wage

the idea that industry-specific dynamics are an important factor in determining outcomes at the level of the industry.

Our data for community services suggests quite a different picture. Settlement levels decline through the late nineties before approximating inflation levels in 2000 and 2001. Please note that in our sample this category is dominated by increases awarded to workers at municipalities.

that would give further substance to these basic rights and act as a supportive environment for the exercise of those rights. Issues here include time-off and facilities for nursing, leave for pre- and post-natal checkups that promote the health of mother and child. Less than 2% of agreements provided for leave for ante-natal and post-natal checkups. There was no evidence of the provision of either time-off or facilities for nursing mothers. There was almost no evidence of practical measures that promote reproductive or sexual health.

Sick leave entitlements in collective agreement amounted to 12 days per annum and along with annual leave is the only available avenue for time-off to attend to the range of issues that have been raised already. About 6.5% of agreements provided evidence of employer provision of, or contribution to, medical or health cover.

There are a number of disincentives to women to remain in employment following pregnancy. The limited opportunity to redistribute childcare responsibilities was one of the most powerful. The fact that no provision for childcare exists in collective agreements or any other social policy leaves women with limited opportunity to balance work and childcare. The fact that the BCEA and collective agreements appear to favour finite events like birth and death over ongoing social processes such as childcare only reinforces this.

Insofar as the direct cost of the employee's remuneration while on maternity leave does not appear to be carried by the employer to any great degree, there is no disincentive to employ women on this basis. It is also true that a woman who accesses maternity leave will earn as little as a third of what she would ordinarily earn.

The BCEA seeks to protect women workers from some discrimination-in-employment, but the extent of pre-employment discrimination is hard to gauge. Do employers perceive other costs to maternity leave – the costs of sourcing and inducting a temporary replacement along with the temporary loss of job-specific skills? Does the potential for a four month break in continuity feed a perception that women employees are less productive in the short to medium term?

#### RESPONSES TO HIV/AIDS IN THE WORKPLACE

There was very little evidence of workplace responses to HIV/AIDS in the collective agreements in our sample. It appears that at least one of the parties to collective bargaining is reluctant to engage with the issue, if not both. There are exceptions. The road freight and clothing industries have relatively advanced policies in respect of HIV/AIDS, as do some larger employers involved in decentralised bargaining.

Responses that constitute practical measures to raise awareness were more common than those that constitute practical measures to provide voluntary counselling and testing or provide access to treatment.

#### SKILLS DEVELOPMENT

For a subject that is such a hot topic, skills development receives very limited attention in collective agreements. The number of agreements that provide evidence of skills development initiatives is closer to zero than anything else.

The process of focusing on skills development through sector education and training authorities (SETA) might have pushed the issue up the agenda and perhaps into collective agreements, but it may

also have created institutions that promote its exclusion from collective agreement.

#### SOME COMMENTS

Trade unions are faced with numerous challenges which all have implications for collective bargaining. These challenges include new forms of employment, persistently high levels of unemployment and a changing economy. In policy debates that circle around issues of flexibility, competitiveness, employment creation, economic growth and development, reference is of course made to trade unions, collective bargaining and labour market regulation more generally. It is our hope that a clearer picture of some of the more quantifiable outcomes of collective bargaining will contribute to collective bargaining finding its proper place in such debates.

It is worth making one last point in relation to collective bargaining. This focus on substantive issues excludes the procedural dynamics of collective bargaining and neglects at least two other important outcomes of collective bargaining. Progressive trade union structures involved in collective bargaining allow for the participation of ordinary workers in matters that relate to their union and their interests in the workplace. Participation and representation are themselves valuable social, if not socio-economic, outcomes of collective bargaining quite apart from the more substantive issues that are addressed in collective agreement. <sup>LB</sup>

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