

# Wages and bargaining 10 years on

*With ten years since democracy, we are subjecting all aspects of our society to a review. **Neva Seidman Makgetla** provides an initial evaluation of how bargaining and wages have fared since 1994.*

**A**ny evaluation of negotiations must take into account the factors identified in Cosatu's organisational review reports over the past few years. In this context, critical findings include:

- An increase in overall union density. Formal employees, especially union members, have seen real improvements in pay, while productivity has risen even faster.
- at the same time, with rising unemployment, poorly paid survival strategies have grown much faster than formal employment. As a result, incomes from work have fallen overall.
- Employers have become increasingly resistant to efforts to narrow the wage gap. Combined with lower inflation, this has meant that the past few years have seen much lower nominal increases than seen in the mid-1990s.

## The context

Conditions for negotiations have been shaped by a combination of restructuring in the public and private sectors and changes in the labour laws. These developments have placed heavy burdens on unions' capacity.

Since 1994, both the public and private sector have seen substantial restructuring, resulting in job losses

particularly by larger employers.

Restructuring has been associated with:

- Downsizing by the gold mines. The minerals sector as a whole has grown production, but essentially in aluminium, platinum and steel, which create relatively little employment.
- Restructuring of manufacturing as the re-integration of the economy into global markets led to intensified competition. The result has been job losses especially amongst elementary workers in the larger companies.
- Downsizing of the public sector. The public service has seen a push to freeze and outsource lower-level jobs. The parastatals have responded to commercialisation with massive retrenchments of elementary workers.

Overall, formal employment grew by about 1% a year from 1998, far slower than the overall growth in the economy. Moreover, within the formal sector, employment shifted to retail and apparently to smaller manufacturing companies. The latter trend made it harder for unions to serve members, and increased the demands on negotiators and organisers.

At the same time, unemployment soared. In this context, increasing numbers of people relied on survival

activities to generate an income. As a result, there was a shift overall toward badly paid work, mostly outside the formal sector.

Unions have faced the challenge of managing restructuring in a rapidly changing legal environment, which facilitated organisation but increased the need for legal capacity.

- Union density overall rose rapidly, especially in the public service (where unions were essentially banned before 1994). Between 1996 and 2003, union membership increased from 31% to 39% of all employees. (Statistics South Africa, 1997 and 2003) Density was highest in mining and the public service, and by occupation amongst semi-skilled and skilled workers.
- The LRA introduced a system of mediation and arbitration for disputes. As a result, unions had to rely on legal competence rather than power. While this led to more constructive labour relations overall, it increased the burden on shopstewards and organisers. Members became more likely to blame the failure to win a case on individual union officials and leaders, rather than on the balance of power in the workplace.

Hence, the period since 1994 has seen a favourable environment for union

growth, but placed increasing burdens on union organisers, activists and leaders.

**Outcomes**

The complex environment facing the labour movement since 1994 has seen a paradoxical outcome in terms of wages and employment conditions. While unions have managed to protect members' gains, rising unemployment combined with growing productivity has meant labour's overall share in the national income declined. Moreover, the huge growth in those reporting survival strategies means that recorded incomes from work have declined even in nominal terms.

Unfortunately, the available data do not permit analysis of real incomes for lower-level workers. Still, it is clear that most of the shift toward lower income groups resulted from a reported increase in self employment rather than a fall in nominal pay for workers. The rise in self employment reflects both improved reporting on the informal sector and subsistence farming, and actual expansion in survival strategies as unemployment rates climbed.

Amongst employees, union members fared better than others, pointing to the effectiveness of unions overall in protecting members' pay. In all of the occupational categories, union members were more likely to earn over R2500 than others. The difference was strongest for lower level workers. In every occupational category, too, union density rose over the period. Union density was lowest for unskilled workers, in part because of extremely low density amongst farmworkers.

As the following table shows, union members were also more likely to receive benefits than non-members. Again, the gains were greater for lower-income workers. But whites were more likely to receive benefits than blacks,

Income levels 1 by type of employment, 1996 and 2003			
	employed	self employed	total
Total employment (thousands)			
1996	8,000	700	8,700
2003	8,588	2,300	10,800
Earning under R2500/month (thousands)			
1996	5,700	400	6,100
2003	5,000	2,100	7,100
% earning under R2500/month			
1996	71%	59%	70%
2003	59%	92%	66%
% of total employment			
1996	92%	8%	100%
2003	79%	21%	100%

Note. 1. The income level of R2500 is in nominal rand. The purchasing power of this amount fell by over 50% between 1996 and 2003. Source: Calculated from, Statistics South Africa. October Household Survey 1996 (issued in 1997), and Statistics South Africa. Labourforce Survey September 2003 (issued in 2004). Databases on CD-ROM. Pretoria.

even where they had the same incomes. Despite these gains, few would argue that the labour movement had achieved the transformation in the workplace expected in the early 1990s.

In particular, relatively little progress was made in closing the wage gap and in ensuring that all workers had career paths rooted in competency-based grading.

Incomes for union members and non members, 1996 and 2003 (employees only)				
	Managers, professionals, semi-professionals and technicians	Clerks, sales-person and skilled service workers	Artisans, operators skilled agricultural workers	Elementary workers
% of total employment				
1996	23%	23%	26%	28%
2003	24%	27%	27%	22%
Union density				
1996	37%	31%	38%	19%
2003	50%	34%	43%	27%
% earning below R2500				
1996				
union members	30%	63%	70%	87%
non members	33%	72%	82%	96%
2003				
union members	8%	33%	55%	74%
non members	17%	61%	77%	95%

Note. 1. The income level of R2500 is in nominal rand. The purchasing power of this amount fell by over 50% between 1996 and 2003. Source: Calculated from, Statistics South Africa. October Household Survey 1996 (issued in 1997), and Statistics South Africa. Labourforce Survey September 2003 (issued in 2004). Databases on CD-ROM. Pretoria.

While access to training improved, the fact remained that in the early 2000s, few lower-level black workers experienced much career mobility. This emerged in the continued domination of whites in higher level positions outside of the public service.

Finally, negotiations structures in the private sector did not develop much in the first ten years of democracy. Under a million private-sector workers were covered by bargaining councils in 2003, or about 10% of the total. With a few exceptions – notably in metals, chemicals, transport and clothing – the bargaining councils remained rooted in the apartheid past. Most had been formed before 1990; the majority were small, limited to municipalities and subsectors, and covered less than 20 000 workers. In contrast, public-sector workers, who made up 20% of the total labourforce, generally enjoyed centralised bargaining.

**Conclusions**

Workers have made substantial gains since 1994, in terms of rights, benefits and pay. But these victories do not add up to a transformation of workplace relations. Moreover, with rising unemployment combined with soaring productivity, workers' share in national income has actually declined.

In recent years, negotiations have become more difficult. On the one hand, inflation has declined substantially, making it harder to obtain high nominal increases on the order seen in the mid-1990s. On the other, many employers seem to have become complacent again. In the heady years immediately after 1994, most admitted the importance of overcoming the legacy of apartheid in the workplace. Today, employers often argue that they have moved far enough already. For this reason, Cosatu has argued to revive the living wage

**Benefits by income level and race, 2003**

	written contract		pension		medical aid	
	Members	Non Members	members	Non Members	Members	Non Members
up to R1000						
African	75%	41%	65%	21%	12%	3%
Coloured/Asian	77%	53%	78%	46%	24%	5%
White	100%	60%	100%	50%	38%	13%
R1001 to R2500						
African	84%	69%	90%	51%	34%	13%
Coloured/Asian	89%	69%	88%	62%	43%	15%
White	80%	76%	89%	66%	48%	14%
R2501 to R4500						
African	83%	82%	94%	76%	65%	43%
Coloured/Asian	90%	87%	94%	79%	55%	38%
White	96%	86%	95%	85%	77%	41%
R4501 to R8000						
African	82%	82%	96%	89%	84%	70%
Coloured/Asian	91%	83%	96%	83%	83%	56%
White	95%	90%	95%	90%	83%	63%
over R8000						
African	91%	86%	95%	96%	86%	85%
Coloured/Asian	95%	83%	100%	94%	85%	74%
White	93%	97%	98%	97%	90%	82%

Source: Calculated from, Statistics South Africa. Labourforce Survey September 2003 (issued in 2004). Databases on CD-ROM. Pretoria.

**Occupations by race and gender, 1995 and 2002**

	African	Coloured/Asian	White	Total
senior management and professionals				
1995	32%	11%	56%	100%
2002	35%	15%	50%	100%
total employees				
1995	62%	16%	23%	100%
2002	68%	18%	14%	100%
Population, 2001	79%	11%	10%	100%

Source: Calculated from, Statistics South Africa, October Household Survey 1995, Table 2.2; Labour Force Survey September 2002.

campaign, focusing on adequate pay but also on skills development, employment equity, benefits and HIV/AIDS.

Finally, workplace transformation will not succeed in the long run unless workers are organised and employment levels rise. For this reason, Cosatu's last

congress emphasised the need for a massive recruitment campaign combined with engagement with government and business to demand policies that support job-creating growth.

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