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Federation
* of
South African

Trade Unions

ARE BLACK WAGES KEEPING UP

WITH THE COST OF LIVING?

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Are Black Wages Keeping up With
The Cost of Living?

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Are Black Wages Keeping up With The Cost of Living?

Workers repeatedly claim that in these inflationary times, their wages do not buy as much as they used to.

Simply to maintain the poor Tliving standards of the past, many workers are compelled to work increasing amounts of overtime.

Management however, claims that Black real wages have risen consistently over the last ten years, and what is more, produces 'official' statistics toc 'prove' this claim.

How are we to explain the difference between the shared experience of workers and the apparently 'scientific'

information used by management?

DON’T BE SILLY MY BOY. YOUR WAGES ARE SKY-HIGH!???

Prof. J. Keenan of the University of the Witwatersrand has recently done some interesting work in this area. He has shown that whilst it is perfectly true that 'real' gross earnings of the Black workforce have risen in each year from 1971 to 1980, this does not prove by

any means that workers or their families were better--
ofifl

'Statistics' are very tricky tools to use. They may either confuse or inform. If you wish to 'prove' a point and you find 'ready-made' the very statistics you need, there is a strong temptation not to examine them oo closely in case you start finding weaknesses in your case. So it is with management - they have the information â\200\230'ready-made' by the State and they are certainly not going to challenge the LEacte!. But tlie workers are suspicious and rightly so.

What Prof. Keenan has done is to take the crude statement that real wages have risen, and subject it

to a critical analysis based on three areas of worker

experience:

1. The effect Â¢f overtime on earnings.
2. The effect of deductions and especially pension

deductions on earnings.
3. The total effect of inflation on household as opposed to individual worker earnings.

Let us lTook more closely at each of these points.

1. WORKERS ARE DESPERATE TO WORK OVERTIME SIMPLY IN ORDER TO EARN ENOUGH MONEY TO MEET THEIR MINIMUM NEEDS.

Management’s miserable practice of awarding earnings increases in accordance with the changes in some arbitrary poverty measure means that workers become

worse off, thereby increasing the need to work overtime. ’

One commonly used measure of poverty, the Household Subsistence Level (HSL)+ produced by Prof. Potgieter of the University of Port Elizabeth, is argued by Prof. Keenan to have fallen way behind the Cost of Living as measured by the Department of Statistics Consumer Price Index for Lower Groups (CPI)+. This is shown on Table 1 below.

+See appendix at the end of this publication for a brief explanation of the way in which these measures are derived.

TABLE 1.

ANNUAL PERCENTAGE INCREASE IN CPI AND HSL

YEAR	1975276 Â¢ 161926	77ame 1977578	1978579	&f 1979-80	
GPT	9,5%	10,7%	11,6%	12,4%	14,4%
HSL	7,3%	5,2%	10,0%	11,6%	11,0%

Increases in the CPI exceed increases in the HSL in each year, pushing workers below the subsistence level!

From March 1980 to March 1981 the HSL increased by 13,9% but the CPI increased by 20% for the same period.

There is evidence that workers are prepared to 'pay' foremen and chargehands for the 'privilege' of working overtime - now we know why. According to the official Quarterly Bulletin of Statistics, workers averaged more than 7% hours overtime every week during the first six months of 1981. Who, in his right mind, would wish to spend the equivalent every week of an extra shift in the factory, if they did not have to? The reason is not difficult to find - Prof Keenan's analysis of the official statistics shows that when overtime earnings, which have risen substantially over the period 1978 to 1981 both in money terms and as a proportion of total earnings, are subtracted from total earnings, the real value of the remainder i.e. the basic wage, has fallen!

MANAGEMENT USES OVERTIME WHETHER TIMES ARE GOOD OR BAD

Unemployment levels now are high, even though it fis only a short while since we experienced a so-called "boom'.

The most recent official estimates of the unemployment rate for African males in the 'selected statistical regions' i.e. the major urban areas of South Africa is nearly 8,0% and for women it is much worse i.e. 14,3% of the workforce! During the worst of the depression in 1977 unemployment inflicted terrible suffering on the workers - but throughout all this, management continued to use overtime to make up the score.

Metal and Allied Workers Union has produced evidence to show that large numbers of firms used overtime in the depression at the time as they retrenched workers, taking advantage of the weakness and disorganisation of the workers to push up productivity levels.

For those sectors where statistics are collected we see that overtime work was nearly 11% of total time worked in 1977 (i.e. the depth of the depression) and therefore contributed something in excess of 14% to earnings.

By 1981 overtime was in excess of 15% of total time worked and overtime pay made up nearly 20% of the total

wage packet.

But, and this is the important point, apart from a

slight improvement in 1980, real earnings excluding overtime payments fell between 1977 and 198]1.

2. THE EFFECT OF DEDUCTIONS AND ESPECIALLY OF PENSION DEDUCTIONS ON TAKE-HOME PAY

Since 1976 there has been a strong move towards incorporating black workers into the assurance schemes which covered many workers of other races, the most important of these schemes being medical aid and pension schemes.

As usual the workers were not consulted and in the case of the pension schemes at Tleast, the widespread reaction by workers to the imposition of these schemes by the state and management led to a massive victory for the workers in forcing the state to back down.

Because of the dissension which worker action created within the ranks of management itself, this victory has important implications for the wider struggle against management domination in the industrial councils.

As far as medical aid schemes are concerned, the South African Labour Bulletin has shown conclusively that many of these provide inferior benefits to the old schemes which they replace.

Membership of these schemes is a condition of employment - workers have no choice between schemes in spite of management's oft-repeated commitment to "so-called" free enterprise, a system in which everybody is supposed to enjoy maximum freedom. As things stand it can be argued that deductions for medical aid have made many workers less well off than they were before the introduction of such schemes.

â\200\230Returning to the question of pensions, management usually argues that workers are ’a bit short-sighted’ and that they have to be compelled to save for their old age, therefore income deducted now is simply treated by management and by statisticians as income saved by workers - this is the only justification for treating it as part of income. As for management’s so-called "contribution" to pension schemes, one may simply view that as portion of the wage which workers do not receive immediately.

The FOSATU publication "Pension Panic" discusses at length the reasons why pension contributions should not be treated as income - here are three of them:

(1) Most workers and their wives do not Tlive Tlong enough to enjoy and "old age".

(2) Inflation eats away the value of pensions, so that even if a worker is lucky enough to collect his or her pension, what sounds like a large sum of money now is likely to be alimost worthless in 15 - 20 years time.

(3) Workers often do not receive the employers

contribution especially where long service, e.g. 10 years in the same industry, is required before that contribution is paid out.

Since pension contributions are so often Tlost, or considerably reduced in value, they should be excluded from earnings. The effect of excluding pension contributions from earnings has been estimated by Prof. Keenan as follows:

'Real' gross earnings are commonly argued to have risen by 12,2% between 1976 & 1980.

If one subtracts from this compulsory payments by workers into pension schemes, the increase in real earnings is only 8,0%.

If one subtracts from this, the so-called 'employer contribution', the increase in real earnings falls to only 3,7% over the period.

If we take away pensions from earnings we see that the rise in real earnings is very small. Considering the pitifully low base on which this increase is calculated, it 1is clear that for most workers, conditions improved little or not at all. Any small gains were almost certainly wiped out by the decline in real incomes in the first half of 1981. This is why workers have to work overtime.

3. THE TOTAL EFFECT OF INFLATION ON HOUSEHOLD AS OPPOSED TO INDIVIDUAL WORKER EARNINGS.

We have been concerned so far to look at what has happened to the earnings of the individual worker. What happens when we look at the family?

Many worker's wives are employed as domestics - it is not known how many, or whether the number is increasing or decreasing. No accurate statistics exist in this area. However, Service Sector employment accounted for more than 57% of all jobs for African women surveyed by the Dept. of Statistics in Nov. 1981 and employment in this sector increased markedly over the period from Jan. 1979 to Nov. 1981. 0f a total of 167 000 jobs created during this period, 122 000 were in the Service Sector and a further 25 000 in Commerce - many of these jobs are the old familiar, badly paid Jjobs such as office cleaners, petrol pump attendants, supermarket packers, nurse aides etc.

Returning to the question of domestic employment, it has been observed that the number of nursery schools, creches, play centres and pre-primary schools for white children has grown enormously in the past five years, which suggests that employment of domestics is probably growing very slowly, if at all.

NO THANK YOU, DON'T NEED ANY HELP IN THE HOUSE ?

BUT, the size of the workforce continues to grow, and as we noted earlier, unemployment amongst women

remains very high.

What little research has been done, suggests that wages for domestics have not only not risen in real terms but rather have failed to keep pace with rises in the cost of living - the inevitable consequence of this is that

family income falls in real terms, thereby eliminating

the gains which the crude statistics suggest that workers have made.

For example, a recent Barclays Bank Review argues that domestic worker wages have been growing faster than the rate of inflation but the Dept. of Statistics figures (some of which are unpublished) show that real earnings of domestic workers fell by about 6,3% between 1976 and 1980.

Other estimates of the reduction in real earnings of domestics over the period 1978 to 1981 vary from 9% to 20%.

Surveys conducted in Soweto reveal that poverty is widespread and becoming worse. In mid-1981, a survey was conducted to discover the proportion of households living below (i) the HSL (Household Subsistence Level) which could be regarded as a 'Starvation Level, and (ii) the HEL (Household Effective Level) which could be regarded as 'Breadline existence' and the following results were obtained.

Area	% Below HSL	% Below HEL
White City	38	70
Phiri	2875	38

In Moroka, regarded as the 'upper end' of Soweto, the proportion of households 1living below the HEL rose every year between 1978 and 1981 to approximately 30% of all households.

Taken together, the three factors discussed above namely the effect of overtime on earnings, the impact of pensions and the changes in the total family income, provide a very adequate explanation to the - puzzling contradiction between worker's experience of falling standards of living and management's 'statistics' showing that real wages have risen.

Whilst it is undeniably true that a small and highly visible 'aristocracy' of workers has emerged, displaying many of the status symbols and enjoying many of the material privileges previously accessible only to white workers or to management, for the bulk of workers, conditions have improved only marginally, if at all, in recent times. What is more, if the crisis currently being experienced world-wide by the capitalist economies continues, and there are no signs that it will not, then things will get worse for workers here.

It is as clear as ever that even when economic growth is experienced, such growth alone cannot bring about a substantial improvement in the conditions of the workers. Only organisation and solidarity can bring about change.

Refs. Keenan
StiAIRBse
Statistical News Release - Current Population Survey.

APPENDIX

The Household Subsistence Level (HSL) is a measure of the amount of income needed to keep workers and their families alive at "subsistence Tevel" i.e. the amount required to meet the barest necessities of life.

This measure 1is published every three months by Professor J.F. Potgieter of the University of Port Elizabeth.

It dincludes a similar "basket of goods and services" for Tow income households to that used by the Dept. of St ElCss

Profs Potgieter â\200\234andÂ® a groupâ\200\231 â\200\234off ShelpersÂ®=go: "Snto supermarkets and stores to survey the charges in prices off Ehe â\200\230ggedswhich â\200\234peapilie buySRCoStS =0 Cransport, rents etc. are obtained and all of these added together produce the subsistence level of income.

What 1is useful about this measure 1is that separate figures are published for all the major urban areas in South Africa. In addition to this, the costs of keeping alive children of different ages and sexes are published therefore it is possible to work out the costs of keeping alive families of different sizes e.g. it obviously costs more to feed and clothe a family which has five boys at school than it does a family with two daughters aged 2 or 3 years.

It must be remembered that a family earning the "Household Subsistence Level"â\204¢ income is Tliving in poverty.

The Consumer Price Index (CPI) is published monthly by the Department of Statistics. This index measures the increases in prices of what is called a "basket of goods and services" i.e. all the purchases made by a household. This includes all expenditure on food, clothing, cleaning materials, transport, rent, medical care, education etc.

A large survey was carried out by the Department- in 1975 to discover how typical households spent their incomes. Household spending patterns differ according to income levels, therefore it is necessary to produce a separate index for household with low incomes, with "middle" level incomes and one for households with "high incomes". "Low income" is defined as less than R2000 a year.