LMM/022/0016/12

Classification 06/87

| 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|

| 7 |
|---|

| 8 |
|---|

Author ____________________

Organization/s ____________________

Title ____________________

____________________

Journal/Paper/Book ____________________

- - - - - - - - - - - - - - - - - - - - - - - - - - - -

Addresses:

Organization: ____________________

____________________

Organization: ____________________

____________________

5

## Contents




**Labour Research Service**

P.O. Box 376, Salt River, 7925
Telephone (021) 47-1677


# Bargaining Monitor


June 1987 Volume No. I; Issue No.5


## A Bum Bargain for Bloemfontein's Black Building Workers

Bloemfontein is not known as a centre of collective bargaining. But in Bloemfontein the industrial council system is taking on the new "de-regulated" shape planned for it by the government and the bosses. The new shape aims to reduce labour costs and weaken the power of unions.

This is clear in the new agreement reached by the (whites only) parties to the industrial council for the building industry. Although no black workers had any say in the negotiations, the agreement will cover them too.

Most wage agreements set a range of minimum rates for different jobs. But the new Bloemfontein agreement has only *two* minimum rates, one for qualified artisans and a lower rate for *all* other [illegible] truck driver [illegible] as a labourer.

5

Other "innovations" in this new agreement are:

**Real minimum is 20% less than 1985**

* A minimum wage which has not risen by one cent since it was last set, in November 1985. The minimum rate is still only R1.15 per hour (R51.75 per week). In terms of buying power, it is now about 20% below its 1985 level.

**Overtime? Anytime**

* Employers no longer have to get permission from the council to work overtime.

**Blacks can now do "white" work**

The new agreement has scrapped job reservation. This sounds like good news. Now blacks can do work that previously only whites were allowed to do.

**But at a "black" wage**

But there is no guarantee that they will be paid more. Black workers doing skilled work, but who have not had the opportunity to take the official trade tests, may still be paid the labourers' rate!

The winners are the Bloemfontein Master Builders Association. Mr Barney Bester of the MBA says:

**Room for Bosses to move**

> The intention behind changing the agreement was not to create an exploitative situation. There are now fewer restrictions in the agreement and a wage structure that gives us room to move."

**LRS Comment**

De-regulation, then, means "room to move" on wages and other conditions of employment. But in giving the employers room to move, the whites-only unions have abandoned the rest of the workforce. Their conditions will now surely sink to the level of the worst employer.

The Minister of Manpower has said before that he will not publish an agreement unless the industrial council is "representative". Will the Minister publish the new agreement reached by the de-regulating employers and the whites-only unions to the detriment of the unrepresented black workers? The majority of Bloemfontein's building workers await his decision with interest.

# Metal Minimum Wages

Iron & steel employers will raise their wage rates from July. This follows the negotiations at the giant metal industrial council, which covers over 300 000 workers.

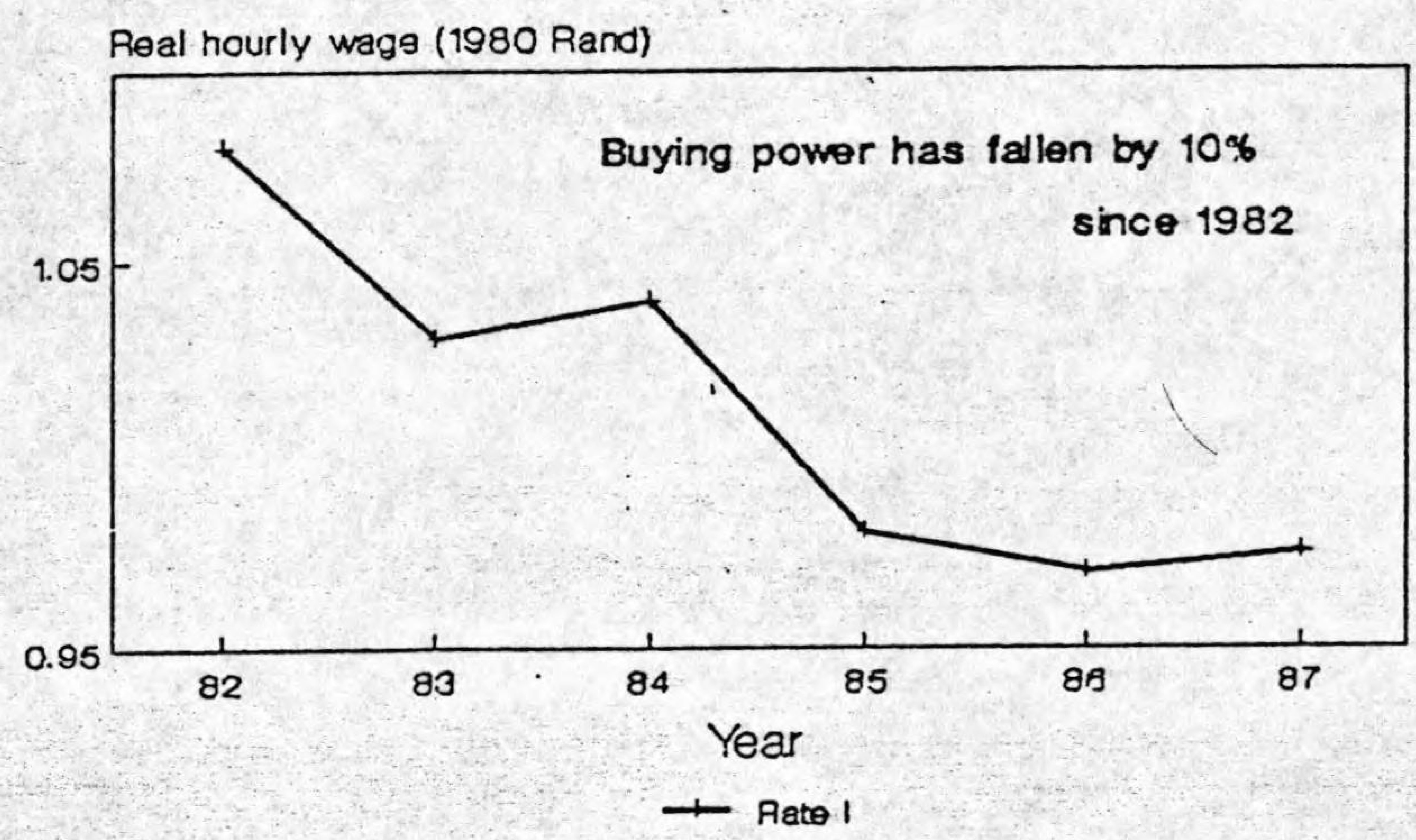
**17% to 18% wage increases make up for inflation**

The new wage for the lowest grade is R2.61 per hour, 17,6% above the rate set last July. This is more or less the annual inflation rate. But the higher grades will get less than the rate of inflation.

This graph shows how metal workers have suffered from inflation in the past six years:

**But they don't make up for big losses since 1982**

Iron & Steel Real Minimum Wage
**As set by the Industrial Council**




**MAWU did not sign**

The MAWU representatives refused to sign the agreement. MAWU's original demand, supported by the IMF caucus, was for a minimum wage of R4/hour. This means an 80% rise.

**NUMSA sets a living wage**

And now the NUMSA conference has set R4.50 per hour as a national "living wage" in 1987.

**LRS Comment**

What the unions have secured (for the lower paid workers) is a wage not less in real terms than last year. Shop-stewards and officials at plant level now have a firm launching pad for their plant level negotiations - towards the Living Wage.

# Ask for 60%...settle for 15%

In negotiations bosses ask themselves one burning question: how much of the union's wage demand is bluff and how much is serious? The bosses badly want to know at what point in wage negotiations the union will be prepared to settle.

Andrew Levy's secret study of wage negotiations has revealed some remarkable figures about unions' wage claims.

**If unions make big opening wage demands ---**

According to Levy's figures, unions demanded wage increases of 64% on average in 1985, and settled for 15% on average. In 1986, the average demand was 66%, and the average settlement was again 15%.

**--- they often settle for less than a third**

His conclusion is that unions usually settle for about one quarter to one third of what they demand.

Employers will be very interested in this information. They may draw the conclusion that you, the union negotiator, will always be prepared to settle for one quarter or one third of what you originally demanded.

If you have put in a very high demand (that is, anything over a 30% increase) then the employers might be right. Very high demands are almost never granted and reflect union tactics rather than realistic expectations.

**High demands reflect tactics**

If you decide, however, to put in a realistic demand (say, 25% increase) it will be vital to ensure that the management understand that you will not move far from this position. You will certainly not be prepared to settle for 6% or 8%.

[illegible]

[illegible] more [illegible] tend to be the harder area to settle."

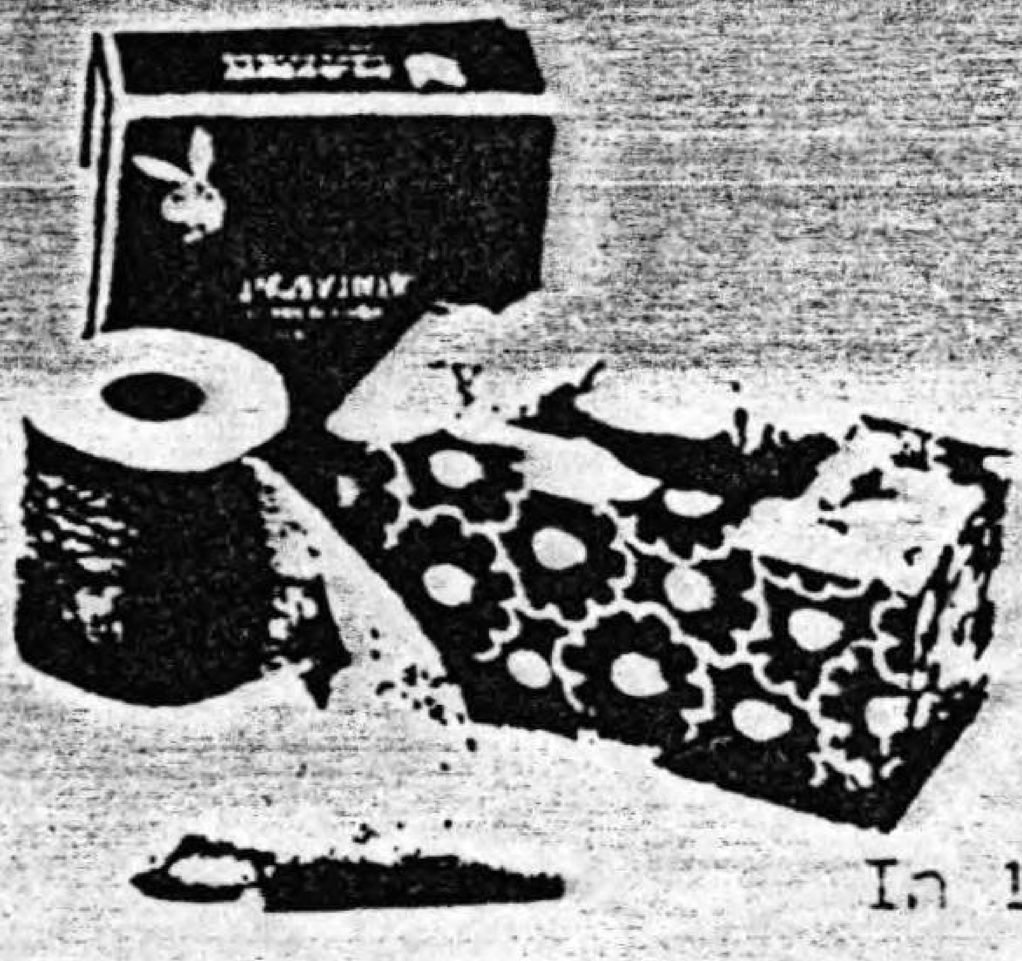
**Levy says big demands harm union power in negotiations**

In other words, management is finding it harder to negotiate with unions that make "realistic" demands than with unions that make "ridiculous" demands. Levy believes that 100% claims, for example, lead to a "loss of bargaining power resulting from the massive moves that must take place in order to reach an arena in which settlement is possible."

He says that union wage policy is a more accurate guideline to what unions will settle for. Cosatu policy calling for R3.50 per hour in 1986, for example, "probably serves as a better guide as to the level at which bargaining pressure will really be felt."

**LRS Comment**

The bosses know that you do not expect to get as much as you ask for. But they have to guess at what point you will break off negotiations and take industrial action. Andrew Levy's secret study is helping them to understand union moves better than the unions themselves! Union negotiators will have to make sure that management clearly understands when the bluffing is over and the union has reached its break-point.



# NAMPAK

## COMPANY PROFILE

Member of the Barlow Rand group

**Nampak – the leader of all the packaging companies**

In 1986 Nampak was ranked as the 20th largest industrial company in South Africa with the 11th biggest profits. Compared to fellow companies in the industry, such as Kohler and Consol, Nampak fared the best.

**Who owns Nampak?**

Nampak is owned by C G Smith Foods, which is in turn owned by the giant Barlow Rand group. (See *Bargaining Monitor 1*(1); February 1987.)

**What does Nampak do?**

Nampak itself owns a number of well known and profitable companies. A few examples are:

Barlan Forms - makes computer paper, envelopes, invoice paper etc.

Jiffy Manufacturing - makes jiffy bags.

Metal Box - makes beer cans, cardboard, glass and metal containers.

**Nampak makes the boxes**

Nampak Products -The Tissue division makes tissues, toilet rolls & paper plates;


The Carton & Print division makes folding cartons and packages and prints magazines such as Financial Mail and Time;

The Polyfoil division makes jiffy and carrier bags;

The Paper division makes paper and paper products.

**15 directors received R1,6 million in salaries!**

The directors of Nampak make sure that their salaries increase every year. In 1986 they received an increase of 27% compared to 1985. How many workers got such an increase? In 1986 the directors earned an average of R2 050 per week.

Most of the directors of Nampak are also directors of other companies such as Barlow Rand, C G Smith Foods or

**Directors get richer and richer**

[illegible]

**Directors' salaries compared to workers' wages**

| WEEKLY RATES | Lowest wage | Average directors' salary | Number of times directors' salary exceeds lowest wage |
|---|---|---|---|
| Nampak Polyfoil Cape | R106 | R2 050 | 19 |
| Nampak Recycling Cape | R111 | R2 050 | 13 |
| Nampak Tissue Cape | R133 | R2 050 | 15 |
| Nampak Paper Cape | R144 | R2 050 | 14 |
| Metal Box Cape Town | R123 | R2 050 | 17 |
| Metal Box Tvl (1/7/87) | R167 | R2 050 | 12 |

**Nampak profits soar**

In the latest report (September 1986 to March 1987), Nampak says that profits increased by 46% compared to the same period last year. After expenses such as wages had been paid, the company made R109 million profit. This was made in a mere 6 months.

Nampak management expect the rest of 1987 to be a good year for its owners. But how good will it be for the workers?

**Workers' productivity rises**

Each worker contributed approximately R5 454 to the profits of Nampak during the <u>six</u> months from September 1986 to March 1987. This is a productivity increase of 29% on the previous year. How many workers got a wage increase of 29%?

**In return for profits, workers lose their jobs**

While the workers have been helping to increase the company's profits, almost 10% of the workforce have lost their jobs since 1984.

**Nampak can afford to pay higher wages**

In <u>1986</u> after all costs and dividends had been paid, Nampak had a total of R99 million in cash left over. If this amount were used to raise workers' wages, then all wages would increase by at least R92 per week.

# Inflation

**Price rises are still the major threat to wages**

| Area | [illegible] Price Index (1980=100) May 1987 | [illegible] increase ([illegible] 1 year) May 1987 |
|---|---|---|
| Cape Town | 262,1 | 19,3% |
| Port Elizabeth | 256,7 | 18,3% |
| East London | 241,7 | 16,7% |
| Durban | 256,4 | 15,7% |
| Pietermaritzburg | .261,0 | 17,1% |
| Witwatersrand | 260,7 | 16,5% |
| Vaal Triangle | 266,9 | 16,6% |
| Pretoria | 275,6 | 19,3% |
| Klerksdorp | 260,2 | 23,0% |
| Bloemfontein | 239,6 | 13,3% |
| OFS Goldfields | 269,5 | 17,6% |
| Kimberley | 248,5 | 16,3% |
| SOUTH AFRICA | 261,2 | 17,3% |

Source: Central Statistical Services.

**Food price rises are the highest since 1981**

The annual rate of inflation was 17,3% in May 1987, which is above the April figure of 16,2%.

Food prices have gone up 26% in the last year. This is the fastest annual increase for six years.

**Low buying power slows growth**

Top economists agree that the shrinkage in workers' buying power is slowing down the economy. People cannot afford to consume as much as before. The economists want wages to rise "to revive the economy through increased spending" (Prof Brian Kantor, UCT.)

Mr Rob Lee, the head economist of Old Mutual says that:

*"Nominal wages are improving in most sectors of the economy, but real wages are not picking up in all sectors.*

**Economists want real wage increases for workers!**

*"Higher average pay rises and lower taxation are necessary for the economy to embark on a path of sustained growth. Any revival in real private consumption expenditure depends on an improvement in real wage increases."*