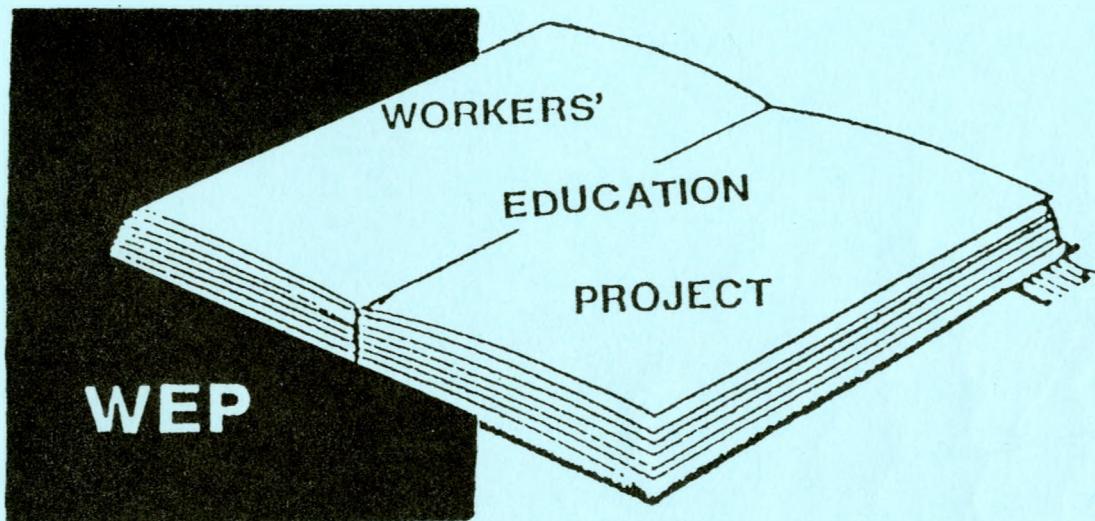


# WAGE NEGOTIATIONS

## WORKBOOK



"THE WORKER ... ARCHITECT OF OWN FUTURE"

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1. COLLECTIVE BARGAINING & NEGOTIATION
2. UNION STRENGTH
3. CURRENT WAGE AGREEMENT
4. INDUSTRY TRENDS
5. LIVING WAGE
6. COMPANY FINANCIAL ANALYSIS
7. FORMULATING PROPOSALS

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WAGE NEGOTIATIONSCOURSE OBJECTIVES

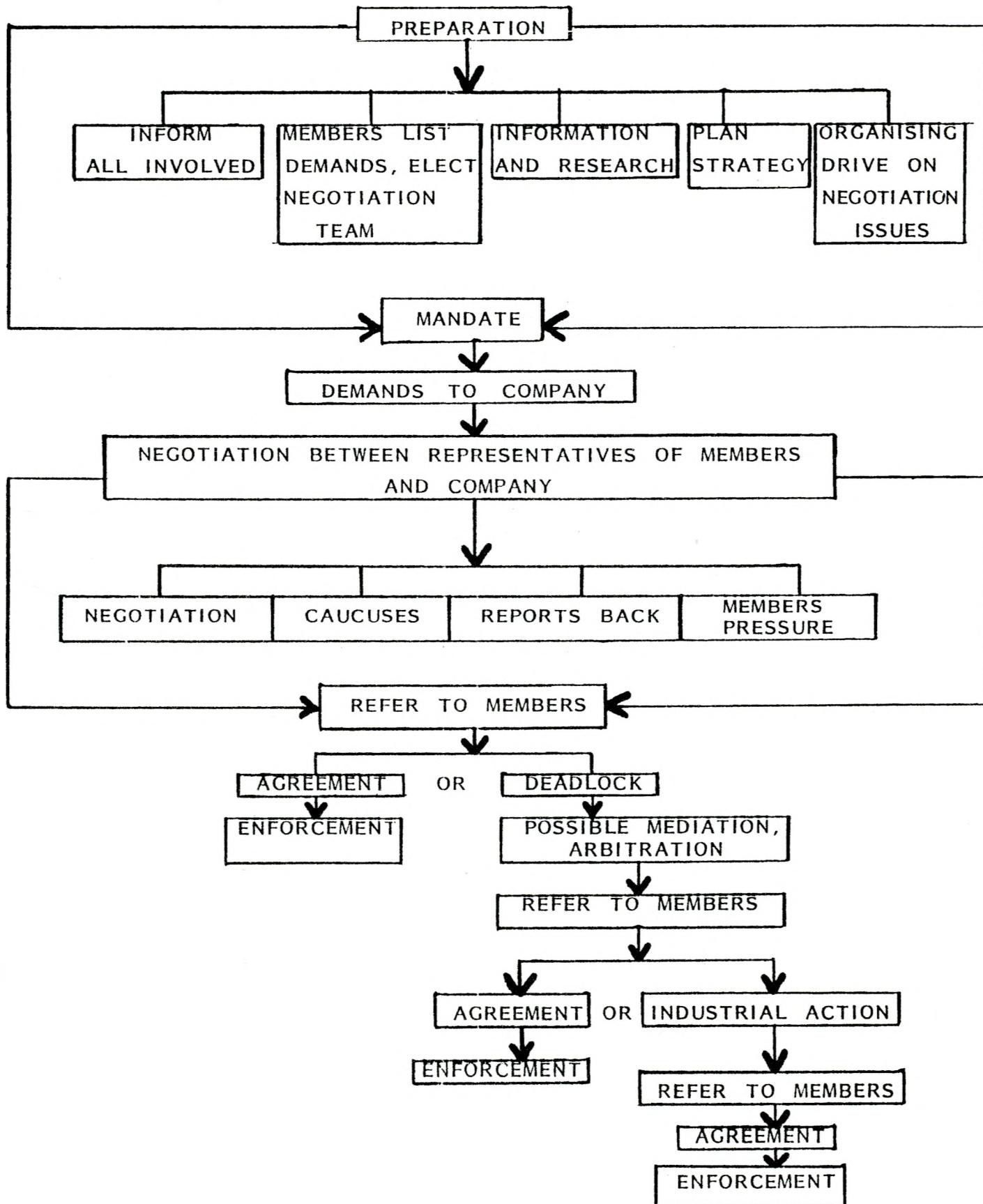
At the end of the course, participants will:

1. Understand the basic concept of Collective Bargaining and Negotiation, and what they entail;
2. Be able to analyse the Union Strength and Wage Agreement, in order to further strengthen them;
3. Realise the Industry Trends and Company Financial Information in line with the union demands;
4. Be able to compare the workers' wages with the Inflation rate and the Living Wage, in the process of Formulating Proposals for negotiations.

## MODEL STRUCTURE: NEGOTIATION PROCESS

### The Union in the Negotiation Process

This chart shows what the union does in the negotiation process. It starts with union preparation and leads step by step to agreement.



## PREPARATION FOR NEGOTIATIONS

### Introduction

A house that is built on a weak foundation cannot stand. The same is true of a union that is entering the negotiations. A union's foundations for effective and successful bargaining must be built a long time before the negotiations with the employer begins.

Many unions fight hard to gain recognition with employers; and then fail miserably in negotiations because they did not make even the simplest basic preparations. Some of the most important of these preparations are:

#### 1. Build a Strong Union:

This cannot be over-emphasised. The union strength makes employers more willing to bargain and bargain reasonably.

#### 2. Know the Workers' Needs and get the Mandate

Many union officials/delegates think that wages are the only issue to bargain for. They negotiate on wages (without the workers' mandate) and leave the workers unprotected and at the mercy of the employer on other matters.

#### 3. Collect Facts (Research)

To prepare reasonable arguments, a union negotiator must have good knowledge of the facts about:

##### (a) The particular employer/company:

The structure, Policy, Productivity and Profitability; and particularly the things that determine labour costs and net profits. This knowledge is necessary for two main reasons that:

- The union wants to help the business to prosper, and
- it wants a fair proportion of that prosperity, to improve the social and economic conditions of workers and their families.

(b) The particular industry:

To know what the prospects are for the industry of which the employer is part. There may be special reasons why a particular industry is doing better or worse than business in general.

(c) The typical life situation of workers in the community:

- Housing
- Infra-structure
- Education and Training
- Transport

(d) Labour and Economic Statistics:

The union's objectives for collective bargaining is to raise the living standards of the workers as far and as fast as the economy of the country will accommodate. For this reason, the negotiator must have certain facts about the economy and the labour force at his/her fingertips. Statistics are available from government and many other sources about information relating to:

- annual growth (or decrease) in terms of the size of the national product or national wealth;
- the size of the population, numbers of employed people in various industries;
- the average annual income per person in the country;
- wage levels by industry and region;
- changes in the cost of living, which affects the buying power of wages.

4. Formulate Proposals and Back-up Arguments

(i) List and prioritise negotiable issues and settlement ranges.

- (ii) Describe the broad options for each party
- (iii) Consider the common ground
- (iv) Consider your mandate
- (v) Assess your bargaining power.

## PREPARATION FOR NEGOTIATION

### Why Bother With Preparation?

It is a good question. The end result of negotiations often bears little resemblance to what was asked for. Management rarely says whether a well-prepared claim has had any influence on their thinking. Many leaders find it easier just to present a shopping list and wait for management to respond. Some people think that bargaining is really about power, not reasoned arguments, so preparation is a waste of time. But there are several reasons why preparation is vital and why bargaining will never be very effective without it:

- \* Of course power is important but one good way for the trade union side to be more effective is to convince the membership with good, well prepared arguments
- \* Well-prepared arguments do affect management though they will never admit it. Employers prefer to appear reasonable rather than be seen to rely on naked economic power. Some managers are not completely deaf to a good, reasoned case, particularly if it demonstrates benefits to them as well as the union
- \* Many people think management never pay attention to reasoned arguments or facts and figures. But some kinds of arguments can have great effect. For example, managers care that if they pay too little then workers may leave, turnover and absenteeism go up and morale generally take a turn for the worse. So managers often try to pay the 'going rate'. If a claim can show that they are well below the going rate then that is an argument they will listen to.
- \* Careful preparation means that when it comes to the verbal bargaining the trade union side negotiators will be more familiar with the facts and arguments and thus more convincing to employers.
- \* Union members will be far more likely to support their union negotiators if those negotiators have taken the trouble to argue, persuade and convince the members that they have a strong, reasonable case before the talks begin.

### ABOUT A WAGE CLAIM

A wage claim does not just have to be about wages. From a trade union point of view, a wage claim in bargaining involves:

## ABOUT A WAGE CLAIM

A wage claim does not just have to be about wages. From a trade union point of view, a wage claim in bargaining involves:

## A DECENT STANDARD OF LIVING -

1. CASH INCOME:
  - Wages
  - Bonuses
  - Allowances .....
2. JOB SECURITY:
  - Employment
  - Retrenchment/Redundancy .....
3. SOCIAL SECURITY:
  - Medical
  - Pension/Provident
  - Sick
  - Maternity/Paternity .....
4. QUALITY OF WORK LIFE:
  - Hours of work
  - Shifts
  - Overtime
  - Health and Safety
  - Education and Training
  - Holidays .....
5. PROSPECTS FOR OUR CHILDREN:
  - Education and Training .....

C H E C K L I S T  
NEGOTIATING WITH MANAGEMENT

Preparing Your Case

- \* COLLECT ALL RELEVANT FACTS AND CHECK THEM
- \* LOOK AT AGREEMENTS, POLICIES AND RIGHTS
- \* WORK OUT AIMS AND DECIDE ON NEGOTIATIONS OBJECTIVES
- \* DECIDE ON KEY ARGUMENTS AND COUNTER ARGUMENTS
- \* WORK OUT FALBACK POSITION

Teamwork

- \* ARRANGE A PRE-MEETING
- \* MAKE SURE THAT UNION TEAM IS FULLY BRIEFED
- \* CHOOSE UNION SPOKESPERSON
- \* MAKE SURE PROPER NOTES ARE TAKEN
- \* PLAN UNION TACTICS.

Tactics

- \* NEVER DISAGREE IN FRONT OF MANAGEMENT
- \* USE ADJOURNMENT WHERE NECESSARY
- \* STEER DISCUSSION TOWARDS YOUR POINTS, AND AWAY FROM WEAK ONES
- \* LOOK FOR MANAGEMENT OFFERS
- \* ENCOURAGE MANAGEMENT TO OFFER A COMPROMISE
- \* MAKE SURE THERE IS AN AGREED WRITTEN RECORD

Reporting Back

- \* KEEP MEMBERS IN TOUCH DURING NEGOTIATIONS, AND CONSULT THEM BEFORE ACCEPTING FINAL OFFERS
- \* PREPARE FULL REPORTS BACK AT THE END.

UNION      STRENGTH

Aim of the Session

At the end of the session, participants will realise their own union strength or potential strength - in the company, at the branch or regional level as follows:

1. Workforce (eligible members)

Signed-up members

Paid-up members

Number of Shop-Stewards

2. Union meetings and communication structure:

General members

Shop-Stewards' Committees

Branch Executive Committees

Regional Executive Committees

National Executive Committee

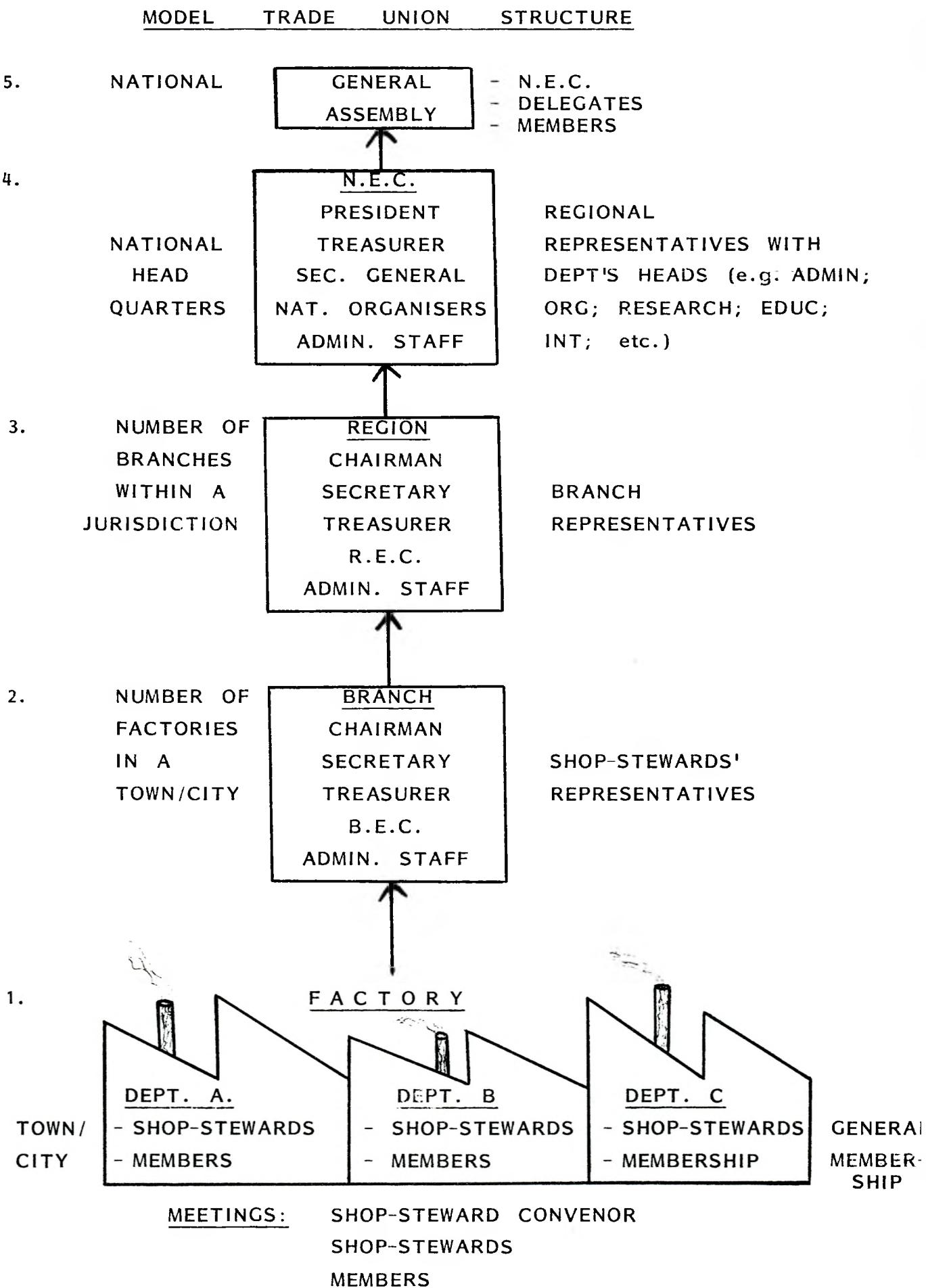
P R E S E N T      U N I O N      P O S I T I O N  
( S U M M A R Y )

Company Name	Manufacture/Service	Workforce (eligible) Members	Paid up Members	No. of Departments	No. of Shop-Stewards
1.					
2.					
3.					
4.					
5.					
6					

Grand Total in all companies:

U N I O N   M E E T I N G S  
A N D  
C O M M U N I C A T I O N   S T R U C T U R E

TYPE OF MEETING	HOW REGULAR	DATE OF LAST MEETING	DATE OF NEXT MEETING
General Members			
Shop-Stewards' Committee (SSC)			
Branch Executive Committee (BEC)			
Regional Executive Committee (REC)			
National Executive Committee (NEC)			
Conference/Annual General Meeting (AGM)			
OTHER			



WAGE CLAIM

Discussion

1. From your current wage agreement – identify items that fall under the main headings in the attached leaflet.
  
2. Where in the list, is your main focus in the forthcoming wage negotiations?

CURRENT      WAGE      AGREEMENT

Aim of the Session

The aim of the session is:

To analyse the current agreement between the union and the company, in relation to -

- Wages
- Working hours
- Overtime and Pay
- Paid annual leave
- Annual bonus
- Sick leave
- Public holidays
- Health and Safety
- Compassionate leave
- Education and Training
- etc.

CURRENT      WAGE      AGREEMENT

Company: \_\_\_\_\_ Area Situated: \_\_\_\_\_

Period of agreement    From =    Month : ..... Year : ..... To =    Month: ..... Year : .....

\* TASK: Choose 3 items in your current agreement and discuss each below:

A G R E E M E N T

<u>ITEM</u>	<u>CONDITION</u>	<u>REMARKS</u>

What is the members' general attitude towards the agreement as a whole? (elaborate)

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### INDUSTRY TRENDS: A GLIMPSE.

**"Pay rises shrink each year - Survey"**

**Andrey Levy BD 17.2.92.**

- average wage increases drop
- 1988 - 17.0%
- 1991 - 16.1%
- 1992 - 13% - 14% projected

Whereas the 1980s were dominated by "pattern bargaining" - where negotiators tend to follow national and sectoral trends rather than hammering out agreements specific to local needs - the 1990s were likely to see shifts towards "effort-reward bargaining", where issues such as labour productivity and the trade off between jobs and wages could be more decisive.

**"Workers 'poised to get rises below inflation'" BD 20.2.92.**

- WORKERS are likely to receive below inflation wage increases while retrenchments are set to grow, according to the results of a survey of 76 companies by Gavin Brown and Associates' Erica Jankowitz.
- Estimated wage increases this year ranged from 8% to 17% against inflation estimates of 11,5% to 14%.
- Many companies said productivity and flexibility would have to be conceded for wage increases.
- Jankowitz said unions were moving away from across-the-board percentage wage increases to percentage or cash amount demand.
- According to the survey, the major issues on union agendas were:
  - \* Job Security including a moratorium on retrenchments and a reduction in overtime;
  - \* Training programmes to be negotiated including res-killing, literacy and numeracy training;
- Only a handful have settled above the inflation rate.

- \* Disclosure of financial information;
- \* Centralisation of bargaining
- \* Housing subsidies; and
- \* Taxation demands around VAT.

Major issues for employers included flexibility clauses, merit increases and productivity.

"Bosses dig in on pay rises"      Business Times 1.3.92.

- According to Labour consultant, Gavin Brown, pay talks will be tough this year and several companies have proposed no increase.
- Many of them are determined to settle at single figure percentage increases for 1992
- Settlements are being concluded below the inflation rate, but even if the economy turns around soon, moderate agreements should prevail at least until the end of the year.
- Retrenchment remains a threat for unions in some sectors in spite of huge job losses last year.
- Job security demands will therefore be prominent in many sets of talks.
- But the option will increase "as talks move to deadlock and further employer concessions are linked to productivity".

"Motor industry is top payer - survey"    BD 24.3.92.

- ANGLO American's wage survey, which compares the wages of some companies in different sectors, shows that minimum monthly wages are highest in the motor sector.

Motor Industry	VW	-	R 1499
	Delta	-	R 1153
Steel & Engineering	Kolbenco	-	R 1044
	Scaw	-	R 895

<b>Liquor Sector</b>	SAB	-	R 1410
	Gilbeys & Stellenbosch	-	R 1048
<b>Paper Industry</b>	Nampak	-	R 1044
	Sappi	-	R 823
<b>Retailers</b>	Checkers	-	R 910
	Pick 'n Pay	-	R 850
	Woolworths	-	R 850
	Ok. Bazaars	-	R 725
<b>Banking</b>	Nedbank	-	R 900
	Standard	-	R 750

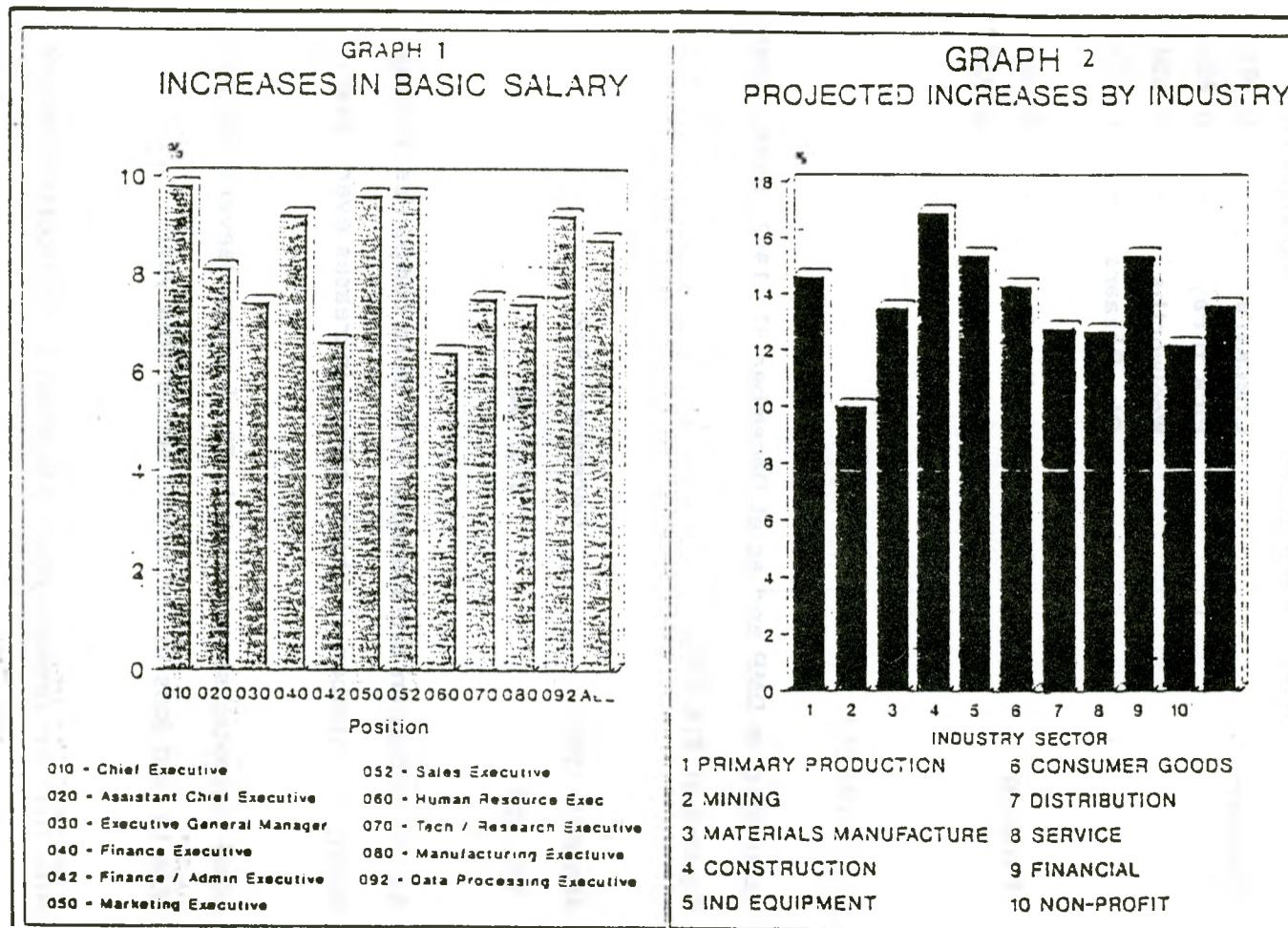
## 3000,000 JOBLES!

- According to DMP and as at December 31, 1992, unemployed figures at 318,732.
- | January 1989 | December 1992 |
|--------------|---------------|
| 102,000      | 318,732       |
- As the recession bites deeper with more companies closing down, the number of jobless people increases every year.
- Some estimates show that only 7% of school-leavers will be able to find jobs in the formal sector this year.
- Also that the unemployment situation is particularly severe in the Eastern Cape, Ciskei and in the Southern part of Transkei.

Source: Sowetan 3-2-93.

# Remuneration and trends

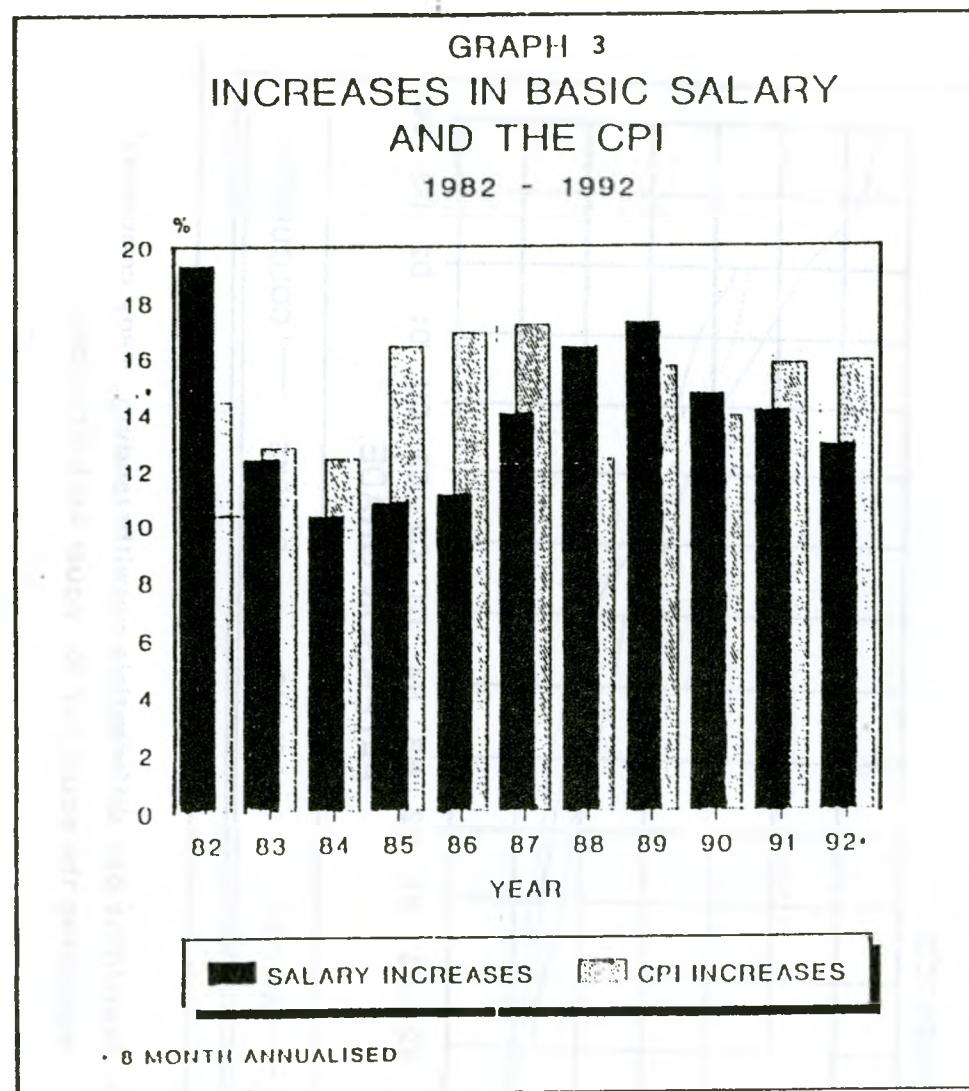
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Graph 1 - Shows the actual increase given to each executive category as revealed by the P - E Salary survey.

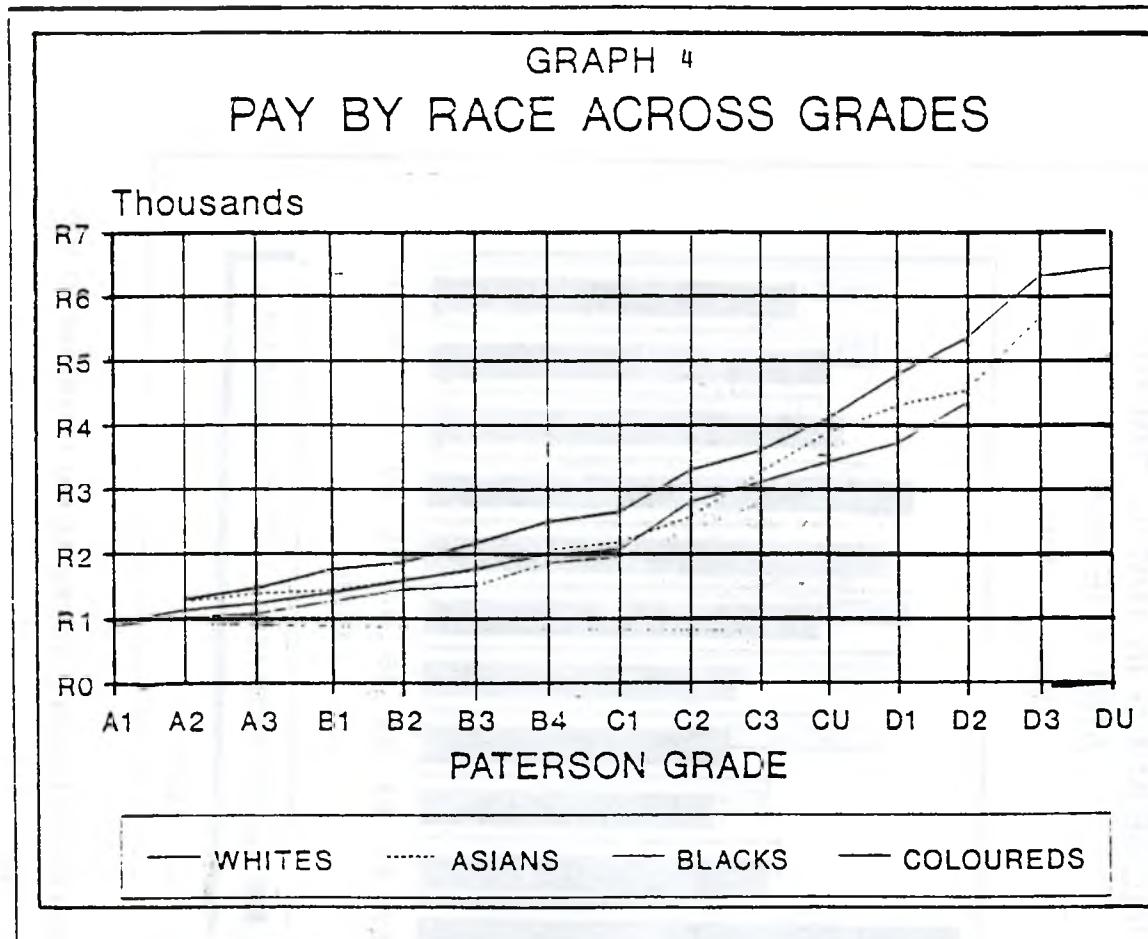
Graph 2 - indicates projected salary increases for 1992 along industry sector.

SOURCE: PEOPLE, P - E Corporate Services No. 32 June 1992.



Graph 3 - General staff salary increases lag increases in the  
CPI by  $\pm 11\%$

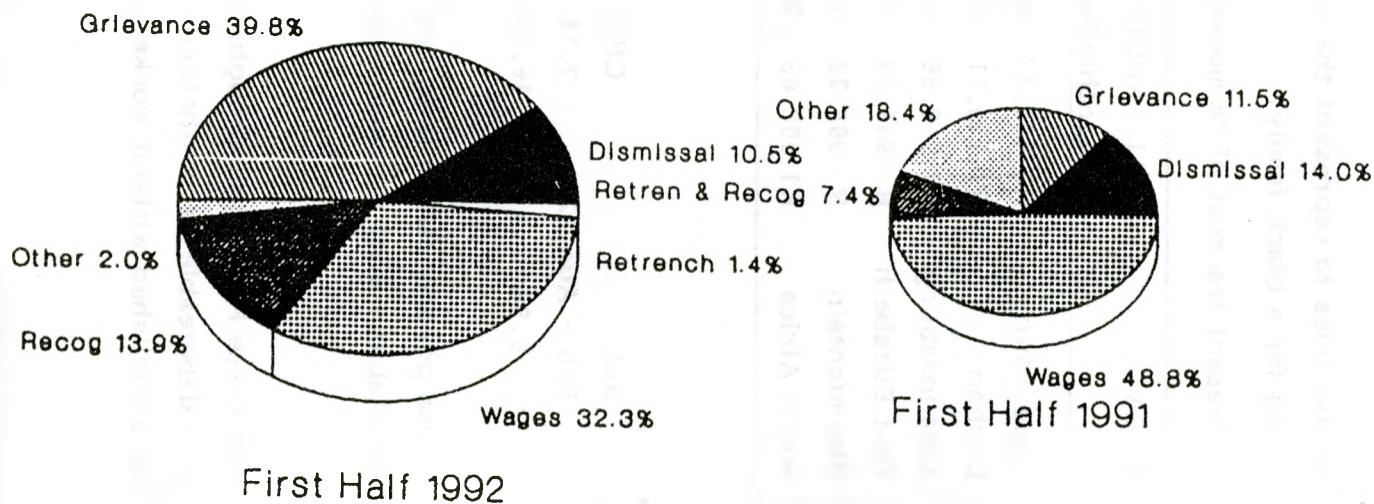
SOURCE: PEOPLE, P - E Corporate Services No.32 June 1992



Graph 4 - Highlights pay differentials notwithstanding many companies'  
espousing the equal pay for equal work principle.

SOURCE: PEOPLE, P - E Corporate SErvices No. 32 June 1992

## TRIGGER FACTORS COMPARISON FIRST SIX MONTHS 1991 & 1992



Source: Andrew Levy & Associates

POVERTY DATUM LINES EXAMINED

Bosses: poverty measure Two widely used poverty datum lines are the Supplemented Living Level and the Household Effective Level. These PDLs are the bosses' measurement of poverty.

The HEL It also tries to represent the cost of a low-standard of living for a black family.

The SLL Represent the cost of "a modest low-level standard of living"

Monthly and weekly PDLs

AREA	SLL (AUGUST 1992)		HEL (MARCH) 1992	
	Monthly	Weekly	Monthly	Weekly
Cape Town	R 1 067,13	R 246,28	R 1 016,06	R 234,49
Durban	R 1 125,11	R 259,66	R 1 036,98	R 239,32
Johannesburg	R 1 019,86	R 235,37	R 1 092,39	R 252,11
Port Elizabeth	R 961,24	R 221,84	R 1 058,67	R 244,33
Bloemfontein	R 905,22	R 208,91	R 1 104,71	R 254,95
South Africa	R 1 008,63	R 232,78	R 1 051,50	R 242,67

The buying power of PDLs falls - but cost of living increases!

SLL	CPI	HEL
Feb - Aug 92	7.1%	Mar. 91 - Mar. 92
6.5%	16.7%	15.2%

These poverty datum lines are often used by management to establish what minimum wage they should be paying.

Something to consider

Are these PDLs high enough to be a living wage? It is also debateable as to whether a poverty datum line can be established without worker participation.

Source: Bargaining Monitor, Vol. VI, Oct. 1992 Issue 64.

SECRET SALARY SURVEY TELLS ALL

A Secret Survey : Chief executive have continued to award themselves big increases. That's what a recent secret survey of executive pay reports.

Increases Keep up with Inflation : Basic pay for South Africa's most senior managers rose by 14,7% in the first half of 1992 - about on line with inflation.

Bonuses increase the most : Basic pay now represents just over half of a chief executive's total salary. Bonuses, perks and share options make up the rest. It was this part of their pay that has grown the most in 1992.

...in spite of poor performances! This large increase is most surprising as bonuses are normally linked to profit performance. And nearly everyday chief executives report on the poor profit results of their companies!

No Wage cuts for the Bosses : The recession is bad but not for everyone. The secret survey says a chief executive now gets R6 650 in total per week. This is the average, so some get even more than this.

What a Chief Executive Gets

Basic pay	R4 045	14,7% increase
Bonuses, etc	R2 605	28,8% increase
Total	R6 650	20,0% increase

\* a chief executive is the most senior manager in a company

Something to Remember : So when management next wants you to link pay with performance ask them how the chief executive's bonus pay is calculated.

## LIVING WAGE

### INTRODUCTION

As one of their aims unions have to strive for a living wage for the lowest paid worker.

By Living Wage, we mean sufficient money for a worker to be able to support himself/herself and the family. The worker must be able to provide good housing, education, health care, transport and many other basic family needs, including savings. The living wage changes from time to time, as the cost of living changes.

Unions and their federations may decide from time to time what they regard as a living wage after they have conducted their own investigations and research into the workers' wages/salaries, budget and costs. Where a union or federation does not have a policy regarding a living wage, other measures may be used to calculate what a living wage demand should be. In the following sections of this paper, we attempt to look at some of these measures.

### A. INDUSTRIAL COUNCIL AGREEMENTS

The Labour Relations Act (LRA) provides for the establishment of Industrial Councils. The act also defines the matters that may be included in an industrial council agreement. Generally, the following matters are included in the agreement:

1. Minimum wages per job grade and wage increases
2. Hours of work
3. Annual leave
4. Sick leave and provision for sick pay
5. Public holidays
6. Overtime hours and payment thereof
7. Benefit funds
8. Retrenchment procedures and packages
9. Maternity benefits
10. Procedures for the resolution of unfair labour practices and other disputes.

11. Provision for the establishment of a closed shop
12. Any other issues relevant to the industry etc.

Whenever an industrial council has negotiated an agreement, it must be signed by representatives of the parties and transmitted to the Minister. The Minister may then publish the agreement in the government gazette, whereupon it becomes binding on employers and employees who are parties to the agreement.

B. WAGE DETERMINATION

The Wage Act provides for the setting up of a Wage Board - where workers are not organised into unions and no collective bargaining structures are operative.

The main functions of the board are to make investigations and to submit reports and recommendations to the Minister about minimum wages and conditions of service in the industry or trade under consideration.

When the recommendation is accepted, it is published in the government gazette as a Wage Determination, and is binding on employers in the defined area for a specific period.

(M. Finnemore & R van der Merwe: Introduction to Industrial Relations in South Africa - Second Edition, pages 99 & 103).

NOTE:

A point to note about an Industrial Council and Wage Board is that these structures only set the minimum wages and working conditions.

C. THE MLL & HSL

The University of South Africa (UNISA's) Bureau of Market Research, and the University of Port Elizabeth (UPE's) Institute for Planning Research survey, compile and publish the Minimum Living Level (MLL) and Household Subsistence Level (HSL) respectively. These measures estimate the theoretical minimum financial requirements of a family, to maintain a defined minimum level of health and decency in the short term. They are sometimes used by workers and employers as guidelines in their negotiations. Some unions do their own research and compile this information themselves.

(i) BUREAU OF MARKET RESEARCH (MLL)

The Minimum Living Level (MLL) denotes 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.

The MLL is the lowest sum possible on which a specific size of family can live in our existing social set-up.

The Supplemented Living Level (SLL) makes provision for more items than the Minimum Living Level.

(ii) INSTITUTE FOR PLANNING RESEARCH (HSL)

The Household Subsistence Level (HSL) is calculated in general, for the majority of bread winners, who fall into the categories of the 'low income' and 'low-middle income' population groups. These groups are generally Black and Coloured respectively.

Like the SLL, the Household Effective Level (HEL) makes provision for more items than the Household Subsistence Level.

BUREAU OF MARKET RESEARCH	INSTITUTE FOR PLANNING RESEARCH
<u>UNISA - MLL</u>	<u>UPE - HSL</u>
(a) The MLL findings are updated every six months in February and March.	The HSL findings are updated every six months in March and September
(b) Items allowed for calculating the MLL:	Items allowed for calculating the HSL:
(i) Food	(i) Food
(ii) Clothing	(ii) Clothing
(iii) Rent, Water, Electricity, Services etc.	(iii) Fuel and Light
(iv) Fuel and Light	(iv) Washing and Cleaning materials
(v) Washing & Cleaning materials	(v) Transport
(vi) Education	
(vii) Transport (Work, School, Shopping)	
(viii) Contribution to medical funds, medical & dental expenses, including patent medicine	

(x) Taxes, and

(xi) Support of relatives (applicable only to single households).

(c) Household Size

1 - 8 members

Household Size

Low Income group = 5 - 6 members

Low-middle Income group = 5 members

Source: (i) Bureau of Market Research - Research Report No. 185, 1992.

(ii) Institute for Planning Research - Fact Paper No. 92.

(iii)

# THE SOUTH AFRICAN TOWNSHIP ANNUAL

Stewart Pennington 1991

## Cost of Living

- i Cost of Food
- ii Cost of Cleaning Materials
- iii Cost of Personal Hygiene
- iv Cost of Fuel
- v Medical Expenses
- vi Clothing Costs
- vii Rental and Schools Cost
- viii Transport Costs
- ix HP Costs
- x Discretionary Expenses

## COST OF LIVING SURVEY

### METHODOLOGY

The survey aims to provide accurate reliable data about township cost of living. It consists of 3 parts:-

- 1 Personal Interviews with Black households in townships nationwide.
- 2 A pricing exercise in stores and supermarkets serving each of the townships.
- 3 Updating of prices and costs in townships already surveyed.

## 2 Pricing Exercise

The second phase involved pricing the same shopping list of items in 10 shops serving each township. Stores serving all 40 townships were surveyed in order to obtain up-to-date prices relevant to each township.

The shops consisted of the major supermarket chains in the nearest town serving the township as well as stores operating in the township.

The cheapest regular brand was priced and no brands on special offer were priced.

Costing sheets were drawn up which gave the average household usage, quantity consumed, price paid and overall cost for each item and group of items in each township. The cost was calculated by multiplying the average quantity consumed by the price paid and divided by the total sample.

## 3 Updating Prices and Costs in Townships already surveyed

This phase involved updating of shopping list prices of townships surveyed in 1988, 1989 and 1990 with the figures obtained in the pricing exercise. Clothing, transport and discretionary income expenses were updated according to the CPI for those particular items.

Rent and other fixed costs were adjusted to the new figures.

### The Average National Monthly Budget for a 5-Person Family 1989, 1990 and 1991

	1989	1990	1991
	R	R	R
Groceries	276.07	342.25	401.31
Cleaning Materials	19.51	27.10	34.85
Personal Hygiene	19.05	21.99	28.70
Fuel	18.50	27.85	43.55
Medical Expenses	30.00	45.00	52.00
Clothing	124.08	123.64	142.59
Rent/School	110.00	145.00	167.00
Transport	55.63	60.95	71.23
Appliance HP	90.00	120.00	138.00
Discretionary Income	127.73	119.48	138.08
	<u>870.56</u>	<u>1033.26</u>	<u>1217.31</u>

The results of the survey show that a figure of R1 217.31 is needed to sustain a modestly low level standard of living. The figure has increased by approximately 18% over last year's figure of R1 033.26.

### DEFINITION OF THE MINIMUM AND SUPPLEMENTED LIVING LEVELS

The Minimum Living Level (MLL) denotes 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.

The MLL is the lowest sum possible on which a specific size of family can live in our existing social set-up. Sufficient quantities are allowed under each of the ten relevant items, but rational expenditure on them is assumed throughout. As it is highly unlikely that persons at this living level know very much about dietary requirements or manage to curb unnecessary spending, the sum estimated for the MLL is at best a theoretical minimum.

The Supplemented Living Level (SLL) makes provision for more items than the Minimum Living Level. By present standards some of these items may be regarded as necessities and others as desirable amenities of life. The SLL is not a subsistence budget, nor is it a luxury budget. Perhaps it can be described as an attempt at determining a modest low-level standard of living.

*BmR - UNISA*

# SOURCE: BMR - UNISA

TABLE 2

MLL MONTHLY FINANCIAL REQUIREMENTS OF BIOLOGICAL FAMILIES BY SIZE OF FAMILY, POPULATION GROUP AND AREA  
FEBRUARY 1995 AND AUGUST 1995

Area		Number of persons per family							Average family
		2	3	4	5	6	7	8+	
BLACKS		R	R	R	R	R	R	R	R
Alberton	February 1995	494,53	652,17	821,45	971,96	1158,79	1303,14	1567,98	879,72
	August 1995	524,38	690,72	867,79	1025,91	1221,69	1374,73	1650,25	928,94
	Increase %	6,0	5,9	5,6	5,6	5,4	5,5	5,2	5,6
Benoni	February 1995	485,84	653,32	802,39	951,53	1123,89	1318,88	1583,03	905,34
	August 1995	504,80	679,82	837,08	993,17	1173,96	1376,96	1655,70	944,65
	Increase %	3,9	4,1	4,3	4,4	4,5	4,4	4,6	4,3
Bloemfontein	February 1995	526,66	678,78	843,71	996,58	1190,81	1300,57	1562,78	849,17
	August 1995	548,91	707,90	880,36	1040,27	1244,69	1357,23	1632,75	886,22
	Increase %	4,2	4,3	4,3	4,4	4,5	4,4	4,5	4,4
Boksburg	February 1995	537,28	737,60	875,90	1048,89	1229,36	1419,76	1560,41	962,26
	August 1995	562,11	772,87	919,19	1101,35	1291,89	1492,81	1641,16	1010,11
	Increase %	4,6	4,8	4,9	5,0	5,1	5,1	5,2	5,0
Brakpan	February 1995	501,58	678,60	820,57	994,85	1211,76	1363,32	1500,28	864,31
	August 1995	539,98	725,80	875,73	1058,85	1284,11	1444,66	1588,79	920,83
	Increase %	7,7	7,0	6,7	6,4	6,0	6,0	5,9	6,5
Cape Peninsula	February 1995	442,64	612,53	776,26	941,28	1118,92	1279,38	1569,45	963,59
	August 1995	461,70	639,30	810,34	982,57	1168,19	1335,48	1638,90	1005,91
	Increase %	4,3	4,4	4,4	4,4	4,4	4,4	4,4	4,4
Durban	February 1995	480,05	667,99	817,92	999,55	1175,40	1322,12	1634,38	1020,83
	August 1995	496,08	692,68	849,85	1040,08	1223,85	1377,61	1705,31	1062,17
	Increase %	3,3	3,7	3,9	4,1	4,1	4,2	4,3	4,0
East London	February 1995	471,32	627,18	785,97	949,37	1084,81	1282,54	1619,03	931,48
	August 1995	487,24	650,97	818,06	991,00	1133,31	1340,56	1694,33	971,20
	Increase %	3,4	3,8	4,1	4,4	4,5	4,5	4,7	4,3
Germiston	February 1995	462,07	609,04	792,01	971,06	1126,34	1271,50	1579,88	892,29
	August 1995	518,39	672,10	863,63	1050,78	1213,55	1364,89	1686,41	968,49
	Increase %	12,2	10,4	9,0	8,2	7,7	7,3	6,7	8,5
Johannesburg	February 1995	479,58	652,37	824,32	982,04	1161,08	1315,07	1613,85	885,09
	August 1995	517,94	699,19	880,11	1045,35	1233,90	1395,16	1708,31	943,65
	Increase %	8,0	7,2	6,8	6,4	6,3	6,1	5,9	6,6
Kempton Park	February 1995	483,48	626,57	797,62	991,47	1163,92	1301,29	1543,83	897,89
	August 1995	507,05	657,64	835,86	1040,49	1221,52	1365,14	1620,38	941,77
	Increase %	4,9	5,0	4,8	4,9	4,9	4,9	5,0	4,9
Kimberley	February 1995	549,93	709,38	859,45	1016,78	1172,58	1355,94	1653,18	975,17
	August 1995	584,92	750,63	906,35	1069,34	1231,29	1421,16	1730,15	1026,32
	Increase %	6,4	5,8	5,5	5,2	5,0	4,8	4,7	5,2
Krugersdorp	February 1995	547,91	710,83	868,96	1016,79	1226,21	1446,66	1567,36	999,06
	August 1995	568,36	738,26	901,87	1055,06	1273,53	1502,05	1627,86	1037,22
	Increase %	3,7	3,9	3,8	3,8	3,9	3,8	3,9	3,8
Ladysmith	February 1995	467,84	626,98	771,84	929,74	1086,40	1177,27	1451,18	896,00
	August 1995	494,63	662,66	815,60	982,36	1147,80	1243,03	1532,30	946,54
	Increase %	5,7	5,7	5,7	5,7	5,7	5,6	5,6	5,6
Nelspruit	February 1995	504,24	656,69	824,33	988,74	1138,66	1278,73	1552,06	949,92
	August 1995	545,77	705,22	880,64	1052,74	1210,00	1356,30	1641,86	1012,21
	Increase %	8,2	7,4	6,8	6,5	6,3	6,1	5,8	6,6
Newcastle	February 1995	476,09	638,73	788,94	934,01	1102,83	1296,25	1483,90	896,61
	August 1995	498,59	670,43	828,46	981,71	1159,72	1363,78	1561,84	942,12
	Increase %	4,7	5,0	5,0	5,1	5,2	5,2	5,3	5,1

# SOURCE: BMR - UNISA

TABLE 2 (CONTINUED)

Area	Number of persons per family							Average family	
	2	3	4	5	6	7	8+		
<u>BLACKS</u>	R	R	R	R	R	R	R	R	
Pietermaritzburg	February 1995	484,25	647,64	800,43	966,57	1167,11	1349,77	1716,57	993,86
	August 1995	506,37	678,30	839,24	1014,17	1224,63	1416,73	1802,65	1042,41
	Increase %	4,6	4,7	4,8	4,9	4,9	5,0	5,0	4,9
Pietersburg	February 1995	475,97	641,93	791,32	948,77	1118,89	1308,97	1547,55	926,56
	August 1995	496,89	671,09	828,62	993,83	1172,95	1372,60	1624,85	971,68
	Increase %	4,4	4,5	4,7	4,7	4,8	4,9	5,0	4,9
Port Elizabeth	February 1995	461,95	624,80	792,50	938,27	1099,22	1290,47	1643,03	902,74
	August 1995	511,21	682,72	859,17	1012,52	1182,30	1383,00	1753,94	974,94
	Increase %	10,7	9,3	8,4	7,9	7,6	7,2	6,8	8,0
Pretoria	February 1995	503,78	676,87	847,69	1015,30	1194,20	1355,87	1644,46	989,32
	August 1995	519,92	700,40	877,48	1051,84	1237,79	1405,91	1706,27	1024,47
	Increase %	3,2	3,5	3,5	3,6	3,7	3,7	3,8	3,6
Richards Bay	February 1995	467,83	612,62	796,95	975,01	1128,34	1272,15	1603,38	899,05
	August 1995	484,32	636,01	827,14	1011,82	1172,73	1321,98	1665,52	933,64
	Increase %	3,5	3,8	3,8	3,8	3,9	3,9	3,9	3,8
Roodepoort	February 1995	496,35	671,52	845,53	1005,64	1187,83	1346,28	1656,81	904,57
	August 1995	536,73	720,91	904,55	1073,13	1266,02	1432,74	1760,14	966,88
	Increase %	8,1	7,4	7,0	6,7	6,6	6,4	6,2	6,9
Rustenburg	February 1995	476,66	647,85	791,83	981,93	1135,21	1258,51	1630,83	842,53
	August 1995	497,51	677,36	828,11	1027,83	1189,77	1319,06	1711,13	881,54
	Increase %	4,4	4,6	4,6	4,7	4,8	4,8	4,9	4,6
Springs	February 1995	424,67	574,26	733,04	903,12	1065,33	1185,08	1433,84	837,04
	August 1995	444,20	601,57	768,98	946,91	1118,03	1243,27	1504,27	877,79
	Increase %	4,6	4,8	4,9	4,8	4,9	4,9	4,9	4,9
Uitenhage	February 1995	482,85	644,67	811,44	956,32	1115,84	1305,03	1641,10	915,33
	August 1995	519,20	689,69	865,00	1017,60	1165,98	1384,25	1738,01	974,29
	Increase %	7,5	7,0	6,6	6,4	6,3	6,1	5,9	6,4
Vanderbijlpark/Vereeniging	February 1995	489,15	642,49	798,63	959,03	1114,91	1267,13	1660,00	922,37
	August 1995	549,27	709,77	872,85	1040,59	1203,52	1362,77	1773,23	1002,23
	Increase %	12,3	10,5	9,3	8,5	7,9	7,5	6,8	8,7
<u>COLOURED S</u>									
Cape Peninsula	February 1995	549,34	731,15	909,27	1083,98	1303,24	1473,22	1756,00	952,31
	August 1995	578,33	768,14	952,97	1135,14	1361,50	1539,27	1834,97	998,06
	Increase %	5,3	5,1	4,8	4,7	4,5	4,5	4,5	4,8
Port Elizabeth	February 1995	508,46	675,68	896,93	1060,49	1238,92	1421,78	1629,30	1032,98
	August 1995	531,57	708,27	936,79	1111,25	1298,55	1492,74	1712,57	1081,82
	Increase %	4,5	4,8	4,4	4,8	4,8	5,0	5,1	4,7
<u>INDIANS</u>									
Durban	February 1995	546,63	703,10	866,10	1036,21	1236,49	1393,19	1780,54	909,28
	August 1995	568,58	732,84	903,27	1081,59	1290,46	1453,97	1860,64	948,21
	Increase %	4,0	4,2	4,3	4,4	4,4	4,4	4,5	4,3
<u>WEIGHTED AVERAGE OF ALL AREAS</u>									
BLACKS	February 1995	482,94	648,37	810,61	973,25	1144,30	1305,35	1596,03	919,78
	August 1995	512,36	685,89	855,98	1026,49	1206,06	1374,65	1679,46	970,38
	Increase %	6,1	5,8	5,6	5,5	5,4	5,3	5,2	5,5
COLOURED S	February 1995	543,99	723,89	907,66	1080,91	1294,83	1466,49	1739,42	962,86
	August 1995	572,21	760,31	950,85	1132,01	1353,26	1533,18	1818,96	1009,02
	Increase %	5,2	5,0	4,8	4,7	4,5	4,5	4,6	4,8

TABLE 4

SLL MONTHLY FINANCIAL REQUIREMENTS OF BIOLOGICAL FAMILIES BY SIZE OF FAMILY, POPULATION GROUP AND AREA,  
FEBRUARY 1995 AND AUGUST 1995

Area	Number of persons per family							Average family
	2	3	4	5	6	7	8+	
<b>BLACKS</b>	R	R	R	R	R	R	R	R
Alberton	February 1995	656,53	868,38	1102,53	1301,65	1558,12	1756,21	2097,43
	August 1995	691,53	913,52	1156,69	1364,87	1631,77	1839,80	2193,84
	Increase %	5,3	5,2	4,9	4,9	4,7	4,8	4,6
Benoni	February 1995	653,06	884,85	1085,47	1291,08	1529,18	1800,00	2150,30
	August 1995	670,10	907,74	1114,42	1325,18	1569,84	1846,30	2207,60
	Increase %	2,6	2,6	2,7	2,6	2,7	2,6	2,6
Bloemfontein	February 1995	702,19	910,50	1141,80	1350,67	1628,39	1775,39	2144,94
	August 1995	728,15	944,32	1184,02	1400,81	1689,95	1840,78	2224,41
	Increase %	3,7	3,7	3,7	3,7	3,8	3,7	3,7
Boksburg	February 1995	700,92	969,88	1156,37	1395,57	1636,83	1895,48	2081,01
	August 1995	726,04	1004,53	1197,91	1445,52	1696,46	1964,61	2156,10
	Increase %	3,6	3,6	3,6	3,6	3,6	3,6	3,6
Brakpan	February 1995	659,77	901,83	1089,03	1328,54	1622,28	1833,15	2005,74
	August 1995	700,69	951,64	1146,34	1394,10	1696,23	1916,26	2096,19
	Increase %	6,2	5,5	5,3	4,9	4,6	4,5	4,5
Cape Peninsula	February 1995	605,57	838,52	1063,70	1281,73	1526,14	1750,72	2145,75
	August 1995	626,32	867,49	1100,21	1325,34	1578,09	1809,57	2218,32
	Increase %	3,4	3,5	3,4	3,4	3,4	3,4	3,4
Durban	February 1995	663,66	923,56	1126,13	1376,33	1618,08	1810,82	2245,01
	August 1995	677,63	944,90	1154,76	1411,77	1660,04	1859,38	2306,59
	Increase %	2,1	2,3	2,5	2,6	2,6	2,7	2,6
East London	February 1995	638,07	850,32	1072,62	1289,53	1476,14	1748,72	2211,12
	August 1995	651,03	869,65	1098,64	1323,44	1516,33	1795,41	2271,99
	Increase %	2,0	2,3	2,4	2,6	2,7	2,7	2,6
Germiston	February 1995	633,31	836,37	1090,02	1334,79	1550,70	1752,39	2173,13
	August 1995	694,50	904,17	1166,13	1418,66	1641,93	1849,64	2284,30
	Increase %	9,7	8,1	7,0	6,3	5,9	5,5	5,1
Johannesburg	February 1995	673,71	909,54	1147,32	1359,96	1610,94	1818,36	2231,87
	August 1995	717,89	963,29	1211,17	1432,68	1694,43	1910,34	2340,08
	Increase %	6,6	5,9	5,6	5,3	5,2	5,1	4,8
Kempton Park	February 1995	668,45	864,80	1094,14	1360,34	1602,13	1783,04	2115,22
	August 1995	695,45	899,92	1137,00	1414,48	1665,21	1852,57	2198,60
	Increase %	4,0	4,1	3,9	4,0	3,9	3,9	3,9
Kimberley	February 1995	722,78	942,33	1145,43	1360,64	1575,74	1826,24	2237,51
	August 1995	758,75	984,21	1192,11	1412,47	1633,59	1889,34	2311,16
	Increase %	5,0	4,4	4,1	3,8	3,7	3,5	3,3
Krugersdorp	February 1995	724,10	947,87	1163,47	1353,32	1648,51	1955,63	2107,02
	August 1995	750,53	983,83	1206,98	1404,37	1711,31	2028,59	2188,41
	Increase %	3,7	3,8	3,7	3,8	3,8	3,7	3,8
Ladysmith	February 1995	640,47	860,24	1063,18	1282,53	1495,71	1611,11	1997,90
	August 1995	666,05	893,39	1103,71	1330,50	1551,06	1670,00	2069,81
	Increase %	4,0	3,9	3,8	3,7	3,7	3,7	3,7
Nelspruit	February 1995	683,11	884,72	1107,42	1327,20	1535,98	1714,82	2079,22
	August 1995	731,95	941,83	1174,14	1403,27	1621,03	1806,51	2185,26
	Increase %	7,1	6,5	6,0	5,7	5,5	5,3	5,1
Newcastle	February 1995	640,86	865,73	1065,40	1265,12	1497,57	1762,39	2010,49
	August 1995	665,87	900,87	1109,47	1318,58	1560,89	1837,39	2096,32
	Increase %	3,9	4,1	4,1	4,2	4,2	4,3	4,2

SOURCE: BMR - UNISA

TABLE 4 (CONTINUED)

Area		Number of persons per family							Average family
		2	3	4	5	6	7	8+	
BLACKS		R	R	R	R	R	R	R	R
Pietermaritzburg	February 1995	674,95	893,88	1107,15	1332,07	1616,25	1868,55	2362,65	1370,23
	August 1995	695,71	921,73	1142,14	1374,40	1667,00	1927,37	2437,56	1413,44
	Increase %	3,1	3,1	3,2	3,2	3,1	3,1	3,2	3,2
Pietersburg	February 1995	640,82	861,69	1065,97	1280,38	1508,19	1752,26	2063,42	1242,48
	August 1995	658,71	885,79	1096,26	1317,11	1551,48	1802,06	2124,40	1279,83
	Increase %	2,8	2,8	2,8	2,9	2,9	2,8	3,0	3,0
Port Elizabeth	February 1995	630,44	851,02	1086,29	1285,97	1501,13	1766,90	2247,28	1233,18
	August 1995	678,34	905,51	1147,47	1353,16	1574,68	1847,71	2341,56	1298,50
	Increase %	7,6	6,4	5,6	5,2	4,9	4,6	4,2	5,3
Pretoria	February 1995	686,40	925,03	1163,66	1393,24	1646,57	1866,00	2258,65	1353,62
	August 1995	707,72	955,24	1201,38	1439,11	1701,26	1928,37	2334,94	1397,90
	Increase %	3,1	3,3	3,2	3,3	3,3	3,3	3,4	3,3
Richards Bay	February 1995	627,60	827,03	1078,20	1318,13	1531,94	1728,60	2181,57	1216,14
	August 1995	642,59	848,49	1104,88	1350,19	1570,58	1771,80	2234,34	1246,73
	Increase %	2,4	2,6	2,5	2,4	2,5	2,5	2,4	2,5
Roodepoort	February 1995	675,41	913,87	1153,08	1367,51	1619,68	1831,31	2254,28	1232,56
	August 1995	720,02	968,45	1218,31	1442,07	1705,81	1926,44	2367,45	1301,26
	Increase %	6,6	6,0	5,7	5,5	5,3	5,2	5,0	5,6
Rustenburg	February 1995	641,63	878,47	1060,37	1325,44	1541,61	1698,18	2226,41	1135,54
	August 1995	661,61	905,96	1094,73	1367,29	1591,76	1754,33	2297,81	1171,72
	Increase %	3,1	3,1	3,2	3,2	3,3	3,3	3,2	3,2
Springs	February 1995	589,24	790,90	1005,47	1239,45	1462,40	1621,80	1966,45	1148,44
	August 1995	610,86	820,54	1043,93	1285,80	1517,98	1683,19	2040,50	1191,85
	Increase %	3,7	3,7	3,8	3,7	3,8	3,8	3,8	3,8
Uitenhage	February 1995	651,19	868,65	1101,75	1297,59	1508,72	1767,98	2221,78	1237,19
	August 1995	692,58	919,57	1162,26	1366,94	1587,43	1856,60	2329,93	1303,56
	Increase %	6,4	5,9	5,5	5,3	5,2	5,0	4,9	5,4
Vanderbijlpark/Vereeniging	February 1995	663,82	871,44	1087,05	1303,06	1518,64	1720,76	2267,71	1255,25
	August 1995	728,71	943,44	1166,10	1389,36	1612,28	1821,61	2386,13	1339,93
	Increase %	9,8	8,3	7,3	6,6	6,2	5,9	5,2	6,7
<u>COLOURED S</u>									
Cape Peninsula	February 1995	732,68	976,22	1214,00	1455,68	1736,87	1973,69	2381,49	1275,28
	August 1995	767,34	1019,87	1265,08	1515,24	1803,80	2049,49	2472,96	1328,62
	Increase %	4,7	4,5	4,2	4,1	3,9	3,8	3,8	4,2
Port Elizabeth	February 1995	686,71	916,56	1205,67	1418,05	1641,49	1899,94	2177,88	1374,71
	August 1995	716,65	958,71	1257,77	1483,06	1717,70	1990,16	2283,94	1437,49
	Increase %	4,4	4,6	4,3	4,6	4,6	4,7	4,9	4,6
<u>INDIANS</u>									
Durban	February 1995	742,15	959,79	1172,11	1406,91	1706,48	1862,19	2441,61	1229,75
	August 1995	771,32	998,66	1220,04	1465,16	1775,84	1939,23	2543,31	1279,88
	Increase %	3,9	4,0	4,1	4,1	4,1	4,1	4,2	4,1
<u>WEIGHTED AVERAGE OF ALL AREAS</u>									
BLACKS	February 1995	659,39	885,12	1107,80	1328,54	1565,37	1782,58	2179,87	1254,97
	August 1995	691,05	924,91	1155,55	1384,19	1629,63	1854,27	2265,42	1307,84
	Increase %	4,8	4,5	4,3	4,2	4,1	4,0	3,9	4,2
COLOURED S	February 1995	726,64	968,38	1212,87	1450,71	1724,33	1963,98	2354,77	1288,25
	August 1995	760,68	1011,84	1264,08	1510,98	1792,48	2041,66	2448,15	1342,82
	Increase %	4,7	4,5	4,2	4,2	4,0	4,0	4,0	4,2

TABLE 49

## HOUSEHOLD SUBSISTENCE LEVEL FOR SURVEYED CENTRES - September 1995

CENTRE	LOW INCOME						LOW-MIDDLE INCOME						
	PHSL	Rent	Trans- port	HSL 6 members	% Increase since:		HSL 5 members	PHSL	Rent	Trans- port	HSL 5 members	% Increase since:	
					Mar. 1995	Sep. 1994 (6 months) (12months)						Mar. 1995	Sep. 1994
Cape Town	917.91	48.50	90.22	1056.63	5.1%	6.5%	923.53	1050.17	85.03	85.60	1220.80	4.3%	7.7%
Port Elizabeth	883.46	25.48	70.63	979.57	-0.3%	1.4%	847.84	1014.32	37.23	85.37	1136.92	0.2%	4.0%
East London	889.97	57.70	127.74	1075.41	3.6%	4.4%	948.86	1003.77	122.05	112.58	1238.40	-3.7%	-3.6%
Kimberley	930.75	60.37	92.23	1083.35	2.5%	2.5%	955.79	1051.26	128.39	60.19	1239.84	-0.9%	0.5%
Durban	896.84	19.53	118.64	1035.01	5.4%	7.4%	905.67	1053.07	160.06	119.08	1332.21	3.3%	6.6%
Durban (Indians)	-	-	-	-	-	-	-	1170.04	144.70	95.26	1410.00	2.3%	6.1%
Pretoria	808.32	128.00	103.70	1040.02	0.8%	3.6%	911.60	1120.65	117.32	35.94	1273.91	0.8%	4.6%
Johannesburg	889.51	72.50	93.10	1055.11	6.7%	7.4%	926.39	1064.12	101.00	97.43	1262.55	5.2%	10.1%
Bloemfontein	944.68	21.25	95.91	1061.84	-0.5%	6.4%	927.86	1055.24	190.43	60.62	1306.29	3.1%	3.1%
King William's Town	906.65	22.95	64.95	994.55	6.9%	5.6%	864.34	1084.72	69.50	43.30	1197.52	6.6%	7.6%
Queenstown	930.31	69.37	32.48	1032.16	5.7%	8.2%	901.63	1071.59	87.09	43.30	1201.98	-2.6%	-0.8%
Uitenhage	873.07	33.49	52.61	959.17	-1.5%	-1.3%	828.99	1032.94	89.68	52.61	1175.23	4.2%	6.5%
George	936.70	36.79	60.62	1034.11	4.6%	5.9%	894.03	1085.40	66.50	69.28	1221.18	5.8%	4.0%
Mossel Bay	960.99	57.23	38.54	1056.76	6.8%	7.1%	913.38	1102.53	75.07	38.54	1216.14	4.9%	6.8%
Pietermaritzburg	878.76	16.16	54.13	949.05	1.0%	2.1%	823.93	-	-	-	-	-	-
Umtata	901.72	68.14	43.30	1013.16	0.5%	2.2%	874.60	-	-	-	-	-	-
Peddie	1002.22	-	-	1002.22	6.7%	9.9%	847.32	-	-	-	-	-	-
Brits	892.48	38.40	141.30	1072.18	1.6%	1.1%	936.04	-	-	-	-	-	-
Benoni*	908.09	44.80	108.25	1061.14	6.7%	9.2%	932.42	-	-	-	-	-	-
Boksburg*	914.13	38.50	108.25	1060.88	5.6%	7.7%	932.16	-	-	-	-	-	-
Brakpan*	914.41	50.00	95.26	1059.67	6.1%	8.8%	930.95	-	-	-	-	-	-
Germiston*	914.31	60.00	108.25	1082.56	9.2%	11.6%	953.84	-	-	-	-	-	-
Springs*	811.53	84.99	93.82	990.34	3.1%	4.9%	861.62	-	-	-	-	-	-
Krugersdorp*	888.96	77.04	86.60	1052.60	7.2%	8.5%	923.88	-	-	-	-	-	-
Vaal Triangle*	883.61	70.00	84.00	1037.61	4.9%	9.0%	908.89	-	-	-	-	-	-
AVERAGES:													
Cape Town, P.E., Durban, Pretoria & Johannesburg	879.21	58.80	95.26	1033.27	3.5%	5.3%	903.006	1060.47	100.13	84.68	1245.28	2.8%	6.6%

\* The PHSI for Johannesburg was accepted as basis. Fuel and light was calculated for each centre individually which explains the discrepancy between the PHSI for Johannesburg and these areas.

and these areas.

**SOURCE: INSTITUTE FOR PLANNING RESEARCH-UPA**

## EXERCISE

1. USE THE AVERAGE SALARY  
PER MONTH AS RECOMMENDED  
BY:

(a) THE BMR (MLL & SLL)  
AUGUST 1995

AND

(b) THE IPR (HSL & HEL)  
SEPTEMBER 1995

N.B.: HSL, 6 MEMBERS  
HEL = HSL + 50%

2. ANALYSE THE DIFFERENCE (IN  
MONEY AND IN PERCENT) OF A  
WORKER WHO IS PRESENTLY  
EARNING R750-00 PER MONTH.

3. WORK OUT YOUR WAGE DEMAND.  
SHOW YOUR- TARGET, REALISTIC  
AND RESISTANCE IN BOTH  
MONEY AND PERCENT.

# *INFLATION*

\* WHAT IS INFLATION

\* WHAT IS THE C.P.I.

\* CALCULATING THE INFLATION RATE

\* USING INFLATION IN WAGE NEGOTIATIONS.

TABLE 4 URBAN AREAS INDICES  
TABLE 4.1 Index for all items  
Each area compared with itself

TABEL 4 STEDELIKE GEBIEDSINDEKSE  
TABEL 4.1 Indeks vir alle items  
Elke gebied vergeleke met sigself

BASE - BASIS : 1990 = 100

Urban area	All items Alle items			Percentage change compared with Persentasieverande- ring vergeleke met		Stedelike gebied
	Oct. 1995	Sep. 1995	Oct. 1994	Sep. 1995	Okt. 1994	
Cape Peninsula	175,6	174,7	165,6	+0,5	+6,0	Kaapse Skiereiland
Port Elizabeth / Uitenhage	174,4	173,8	164,1	+0,3	+6,3	Port Elizabeth / Uitenhage
East London	174,0	172,8	163,8	+0,7	+6,2	Oos-Londen
Kimberley	174,5	174,0	165,5	+0,3	+5,4	Kimberley
Pietermaritzburg	176,6	175,8	164,5	+0,5	+7,4	Pietermaritzburg
Durban / Pinetown	168,3	167,8	158,4	+0,3	+6,3	Durban / Pinetown
Pretoria / Centurion / Akasia	173,9	173,5	162,8	+0,2	+6,8	Pretoria / Centurion / Akasia
Witwatersrand	172,3	171,8	162,1	+0,3	+6,3	Witwatersrand
Klerksdorp / Stilfontein / Orkney	172,2	171,6	162,0	+0,3	+6,3	Klerksdorp / Stilfontein / Orkney
Vaal Triangle	164,2	163,7	153,4	+0,3	+7,0	Vaaldrifhoek
OFS Goldfields	171,4	171,2	163,0	+0,1	+5,2	OVS-goudveld
Bloemfontein	168,3	167,9	160,0	+0,2	+5,2	Bloemfontein
Weighted average of the twelve areas	172,7	172,1	162,4	+0,3	+6,3	Geweegde gemiddelde van die twaalf gebiede
Nelspruit / Witbank	161,2	160,8	153,5	+0,2	+5,0	Nelspruit / Witbank
Pietersburg	172,0	171,8	161,0	+0,1	+6,8	Pietersburg

SOURCE: CENTRAL STATISTICAL SERVICE.

TABLE 4.2 Index for food  
Each area compared with itself

TABEL 4.2 Indeks vir voedsel  
Elke gebied vergeleke met sigself

BASE - BASIS : 1990 = 100

Urban area	Food only Slegs voedsel			Percentage change compared with Persentasieverande- ring vergeleke met		Stedelike gebied
	Oct. 1995	Sep. 1995	Oct. 1994	Sep. 1995	Okt. 1994	
Cape Peninsula	204,5	203,3	211,9	+0,6	-3,5	Kaapse Skiereiland
Port Elizabeth / Uitenhage	200,3	199,9	205,7	+0,2	-2,6	Port Elizabeth / Uitenhage
East London	203,1	199,3	202,6	+1,9	+0,2	Oos-Londen
Kimberley	187,3	186,7	195,4	+0,3	-4,1	Kimberley
Pietermaritzburg	212,5	211,8	211,1	+0,3	+0,7	Pietermaritzburg
Durban / Pinetown	188,7	188,5	189,0	-0,1	-0,2	Durban / Pinetown
Pretoria / Centurion / Akasia	191,2	191,0	194,6	+0,1	-1,7	Pretoria / Centurion / Akasia
Witwatersrand	191,9	191,7	193,7	+0,1	-0,9	Witwatersrand
Klerksdorp / Stilfontein / Orkney	192,1	192,5	192,4	-0,2	-0,2	Klerksdorp / Stilfontein / Orkney
Vaal Triangle	181,3	180,6	180,9	+0,4	+0,2	Vaaldrifhoek
OFS Goldfields	191,4	192,7	191,1	-0,7	+0,2	OVS-goudveld
Bloemfontein	202,0	201,8	208,2	+0,1	-3,0	Bloemfontein
Weighted average of the twelve areas	194,6	194,1	197,6	+0,3	-1,5	Geweegde gemiddelde van die twaalf gebiede
Nelspruit / Witbank	175,7	176,1	180,4	-0,2	-2,6	Nelspruit / Witbank
Pietersburg	187,8	188,8	192,1	-0,5	-2,2	Pietersburg

WORKERS' EDUCATION PROJECT

INFLATION

INTRODUCTION

INFLATION can be defined as: A rising general level of prices of goods and services, causing money to lose value. Inflation is considered to be undesirable because it reduces the purchasing power of money, and one of its effects, especially to workers is:

- It hits hardest at the lower paid, who spend a greater proportion of their income on items like food and fuel; the price of which frequently rises faster than the average inflation.
- The wage/salary earners' (fixed income groups) earnings tend to lag behind price rises, leading to a decline in their standard of living.

Inflation (the rising level of prices) is measured through various price indeces, best known of which is the Consumer Price Index (CPI).

WHAT IS THE CPI?

The Consumer Price Index (CPI) is a series of figures that show how the average price level of all the goods and services bought by the typical consumer or household changes over time. (See annexures)

When this change over a period of time (e.g. 12 months) is expressed in percentage form, it is a generally accepted yardstick for the inflation rate.

In many countries (including South Africa), the CPI is compiled by the governments' statistical departments, and it shows the average price level changes in relation to a set base year in which the cost of the market basket is assigned an index value of 100. The base year is the year that serves as the standard comparison, and therefore the value of the index in the base year is always 100.

In South Africa, the Central Statistical Service (CSS) current base year is 1990 = 100. The previous base year was 1985 = 100.

When dealing with the trend of the average consumer price levels from year to year, the index could be represented as follows:

	Jan.	Jan.
* Period:	<u>1991</u>	1992
* Index:	121.0	135.2
* Level of Inflation:	-	11.7%

#### CALCULATING THE INFLATION RATE

(i) e.g.	Jan.	Jan.
	<u>1991</u>	<u>1992</u>

$$\begin{aligned} \text{Index: } 121.0 & \quad 135.2 & \text{Inflation Rate} & = \frac{135.2 \times 100}{121.0} \\ & & & = 111.735 \text{ ---} \\ & & & = \underline{11.7\%} \end{aligned}$$

$$\begin{aligned} \text{(ii) Another calculating method is as follows: } & = 135.2 - 121.0 = 14.2 \\ & = 14.2 \times 100 = 1420.0 \\ & = 1420 \div 121.0 = \underline{11.7\%} \end{aligned}$$

This would mean that average prices of goods and services went up by 11.7% between January 1991 and January 1992. These, however, need not be annual figures only, but may also be calculated quarterly or monthly.

N.B. The Consumer Price Indices relating to different urban areas do not permit inter-urban comparisons of price levels or living costs. They do not indicate whether it is more expensive to live in one urban area than in another. They indicate for each urban area, independently, the price changes which have taken place from time to time.

Value Added Tax (VAT) is included in general, in the prices of all items on which VAT is applicable.

CPI: MAJOR URBAN AREAS

There are presently twelve (12) major urban areas (towns) from which the CPI surveys are conducted.

These are:

Urban Area (Town)

1. Cape Peninsula
2. Port Elizabeth/Uitenhage
3. East London
4. Kimberley
5. Pietermaritzburg
6. Durban/Pinetown
7. Pretoria/Verwoerdburg/Akasia
8. Witwatersrand
9. Klerksdorp/Stilfontein/Orkney
10. Vaal Triangle
11. OFS Goldfields
12. Bloemfontein

Other Indices

There are different consumer price indices, the most important of which is the "All Items Index". This index measures the change in the average price level of all consumer goods and services that the typical urban consumer buys. It is the annual percentage change in this index that is referred to in the media when the inflation rate is being loosely mentioned.

There are, however, also other indices representing particular subgroups of consumer prices, e.g.

- the food price index measures the change in the price of all food bought by the consumer;
- other indices show how the cost of housing or transport changes;
- Yet other indices represent, respectively, the change in the prices of all types of furniture, clothing and footwear, vehicles and even liquor and tobacco.

## USING INFLATION IN WAGE NEGOTIATIONS

When inflation rises, nominal (cash) wages fall short in their real value. As inflation rate rises every month, and the cash wage (fixed income) remains constant, the value of cash, in real terms (buying power) continues to drop. Soon, the cash is no longer able to maintain that buying power, and the escalating cost of living.

It is for these reasons that wage increases cannot be measured by using inflation rate, which has already reduced the buying power of the cash, at the time of wage reviews. It is only fair to use inflation rate for the purposes of "adjusting the lost buying power" of the current wages (cash), and negotiate wage increases thereafter. The exercise below illustrates the point:

	January 1991	January 1992 (Before wage increase)	Percentage change over 12 months
- Money (Cash) /wages per month	= R1000	= R1000	= NIL
- CPI	= 121.0	= 135.2	= + 11.7%
- Buying power	= R1000	= R1000 - 11.7% (R117-00) i.e (i) $\frac{R1000 \times 11.7}{100} = R117-00$	

(ii) Buying power is

$$R1000 - R117-00 = \underline{\underline{R883}}$$

## FORECASTING THE INFLATION RATE

We negotiate wages for the future. We therefore need to know (estimate) what the rate of inflation is likely to be, at the end of the period we agree on new wages.

We do this because we want to protect our wages (cash) against the erosion by the rising inflation rate. Only then, can we be sure that our new wages (while remaining constant - fixed) will not fall short in their real value.

Forecast

- (i) Multiply the recent inflation percent (e.g. 11.7%) by the number of months wanted to forecast (e.g. 3 months), and divide by 12 months.
- (ii) Add answer to the recent inflation percent (i.e. 11.7%).

i.e. (i) 
$$\frac{11.7 \times 3}{12} = 2.9\%$$

(ii) 
$$11.7\% + 2.9\% = \underline{14.6\%}$$

CONSUMER PRICE INDEX

Base: Each area compared with itself in 1990 = 100

Year : 1994

All Items

Urban Area	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
1. Cape Peninsula	153.2	153.8	154.8	156.0	156.6	157.1	159.5	162.2	164.5	165.6	165.4	165.9
2. Port Elizabeth/ Uitenhage	150.0	150.2	151.5	152.6	153.7	154.9	158.4	161.0	163.3	164.1	163.5	163.4
3. East London	151.7	152.3	152.2	153.8	154.9	155.8	158.0	160.3	162.5	163.8	164.1	163.9
4. Kimberley	152.7	153.2	153.9	154.6	155.3	156.8	159.2	161.6	163.7	165.5	165.8	166.3
5. Pietermaritzburg	153.8	153.3	154.3	155.1	156.2	157.2	160.1	161.9	164.9	164.5	164.4	164.2
6. Durban/Pine Town	148.3	148.6	149.5	150.5	151.4	152.8	154.2	156.1	158.1	158.4	158.8	159.1
7. Pretoria/Verwoerdburg/Akasia	150.7	151.3	152.6	153.7	154.6	155.7	157.8	160.6	162.3	162.8	163.7	164.2
8. Witwatersrand	150.8	151.1	151.9	153.0	154.0	155.0	157.6	159.8	161.5	162.1	162.5	163.1
9. Klerksdorp/Orkney/ Stilfontein	149.5	150.1	150.9	152.2	153.5	155.1	157.4	159.6	161.3	162.0	162.6	163.1
10. Vaal Triangle	143.9	144.5	145.2	145.8	146.9	148.0	150.3	152.1	153.2	153.4	154.1	154.7
11. OFS Goldfields	151.8	151.8	153.3	153.7	154.3	156.2	158.7	160.5	162.6	163.0	163.7	163.7
12. Bloemfontein	147.0	147.3	148.5	149.1	149.8	151.0	153.6	156.0	158.7	160.0	160.5	161.7
Weighted Ave - 12 Areas	150.8	151.2	152.2	153.2	154.1	155.1	157.5	159.9	161.8	162.4	162.8	163.6
13. NELSPRUIT/WITBANK								151.9	153.0	153.5	154.2	154.5
14. PIETERSBURG								159.3	160.9	161.0	161.9	162.1
Lower Income Group	149.6	149.8	150.8	151.7	152.7	153.9	156.5	159.2	161.3	162.2	161.8	162.1
Middle Income Group	152.6	153.0	154.0	155.0	156.0	157.1	159.6	162.1	164.0	164.8	164.8	165.1
Higher Income Group	150.7	151.2	152.2	153.2	154.1	155.0	157.4	159.5	161.3	161.9	162.5	163.1
All Income Groups	150.8	151.2	152.2	153.2	154.1	155.1	157.5	159.9	161.8	162.4	162.8	163.1
Food Only	168.1	168.7	169.4	171.6	174.2	176.7	182.5	191.0	196.2	197.6	194.3	194.3

(Source: Central Statistical Service)

ANNEXURE

CONSUMER PRICE INDEX

Base: Each area compared with itself in 1990 = 100

Year: 1995

All Items

Urban Area	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
1. Cape Peninsula	168.1	169.2	170.9	173.3	173.9	173.5	174.0	174.6	174.7	175.6		
2. Port Elizabeth/ Uitenhage	166.5	167.2	170.0	172.6	173.0	172.5	173.5	173.3	173.8	174.4		
3. East London	166.4	167.4	168.7	170.8	171.3	171.3	172.4	172.6	172.8	174.0		
4. Kimberley	168.8	169.9	171.0	172.2	172.5	172.4	174.3	174.5	174.6	174.5		
5. Pietermaritzburg	167.6	168.6	170.9	173.0	173.8	174.5	175.0	175.6	175.8	176.6		
6. Durban/Pine Town	161.7	162.2	164.3	166.6	167.1	167.2	167.5	167.6	167.8	168.3		
7. Pretoria/Verwoerdburg/Akasia	166.3	167.0	168.6	171.5	172.0	171.9	173.1	173.8	173.5	173.9		
8. Witwatersrand	165.0	165.7	167.1	169.4	169.9	170.0	171.2	171.5	171.8	172.3		
9. Klerksdorp/Orkney/ Stilfontein	164.7	165.8	167.3	169.4	169.8	170.3	171.3	171.4	171.6	172.2		
10. Vaal Triangle	156.3	157.3	159.3	161.2	161.8	162.0	162.7	163.4	163.7	164.2		
11. OFS Goldfields	165.6	166.6	168.3	169.8	170.4	170.3	170.7	170.5	171.2	171.4		
12. Bloemfontein	162.0	162.6	164.2	166.2	166.7	166.5	167.3	167.7	167.9	168.3		
Weighted Ave - <del>12</del> Areas 14	165.3	166.1	167.8	170.1	170.7	170.6	171.6	171.9	172.1	172.7		
13. NELSPRUIT/WITBANK	155.7	155.8	157.4	158.6	159.3	159.5	160.1	160.3	160.8	161.2		
14. PIETERSBURG	164.0	164.6	166.1	168.2	168.5	169.0	171.3	171.9	171.8	172.0		
Lower Income Group	164.4	165.5	167.0	169.2	169.7	169.4	170.0	170.2	170.4	171.0		
Middle Income Group	167.7	168.5	170.3	172.5	173.1	173.0	173.8	174.2	174.4	175.1		
Higher Income Group	164.9	165.6	167.4	169.8	170.3	170.4	171.6	171.9	172.1	172.6		
All Income Groups	165.3	166.1	167.8	170.1	170.7	170.6	171.6	171.9	172.1	172.7		
Food Only	197.1	198.0	199.2	201.6	201.3	198.8	197.3	194.9	194.1	194.6		

(Source: Central Statistical Service)

## Wage Negotiations

### Case Study

1. You are the union shop-stewards, and members of the negotiating team, in the company where you work.

Wage negotiations with the company management are due in two (2) weeks time.

2. Most workers in the company live in your area, including Mandla, who is 45 years old, married and also has four (4) children.

N.B.: You intend using Mandla's case as the basis for the present minimum wage increases as follows:

Mandla's record:-      Aged 45 years  
                                    Married  
                                    4 Children

Employment record:      Employed 1983  
                                    Present Salary: \_\_\_\_\_ per **WEEK**  
                                    : \_\_\_\_\_ per **MONTH**

Last wage increase: \_\_\_\_\_

Next wage increase: \_\_\_\_\_

3. You are required to prepare your wage demands according to available statistical information and any other relevant information available, to argue your facts with management on the figures you will put below:

what will be presented to management as according to facts	what the negotiating team wishes to achieve - <u>Highly confidential to the negotiating team only</u>	what members want - <u>confidential to the members only</u>
↓ Target	↓ Realistic	↓ Resistance

4. Note down at least three (3) main facts that you will point out on 3 above.

W A G E      N E G O T I A T I O N S

UNION: \_\_\_\_\_

COMPANY: \_\_\_\_\_

NO. OF WORKERS:	CURRENT MIN.	P/W:R	P/M:R
LIVING WAGE			
ADJUSTMENT - INFLATION			
INCREMENT			
TOTAL			

COMPANY FINANCIAL ANALYSIS

General Aim

At the end of the session, participants will have gained some understanding of what company financial analysis involves.

Objectives

This course session objective is to equip the union negotiating team with knowledge about:

- (a) financial information
- (b) basic skills/tools to assess the employer's capacity to pay.

### Financial Information and Analysis

While financial information is monetary data which indicates how income was generated/acquired through economic activities, a company in its operations is growing, efficient, profitable and self-sufficient, financial analysis puts complex accounting data in perspective for better comprehension. This is done by comparison and by breakdown of data.

One needs to be familiar with the various types of financial information to be able to interpret them meaningfully. These would include the Income statement, the Balance sheet and the Chairman's/Director's report. Of course the value added statement is another useful information. Unfortunately, this is the kind of statement which does not often accompany financial reports. Negotiators can build one from information in income statements .

Depending on the user needs, any one or a combination or all of the financial statements may be identified for analysis towards a specific objective. Management and shareholders might be interested in all of them, and trade unions and workers might be interested in certain items of the income statement, balance sheet, the Directors report, and value added statement in order to determine the company's ability to pay a wage demand.

Factors for analysis which unions may consider may include the following:

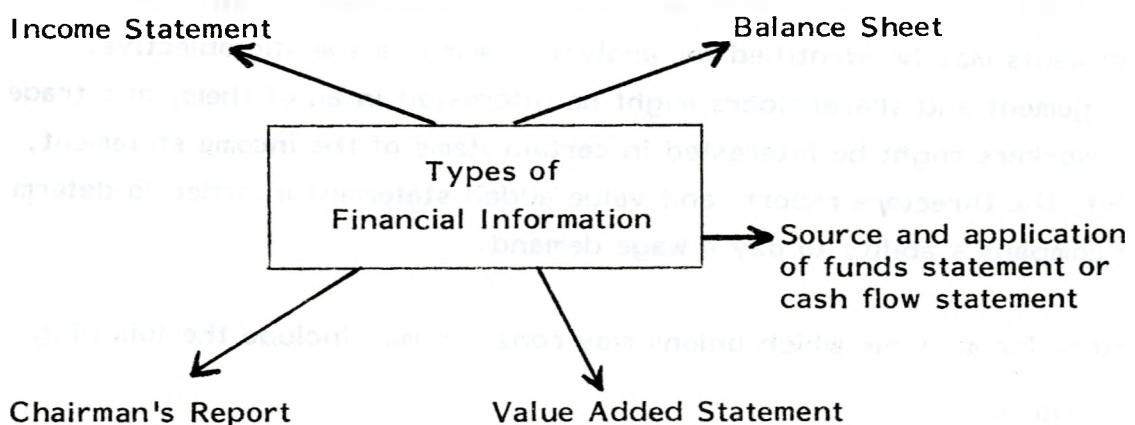
- Turnover
- Profits
- Labour costs/share
- Earnings per share
- Dividends
- Dividend per share
- Retained profits
- Improvement of financial structure (Self-sufficiency/solvency)
- Expansion/contraction of fixed assets
- Liquidity - \* Debtors collection period  
\* Creditors collection period  
\* Stock turnover rate
- Source - \* Decrease in working capital variation  
\* Share issues  
\* Profits

### Company

- Who are its shareholders and directors
- Is it a holding company
- Is it a subsidiary
- Is it multinational
- What are its products and product critical times
- When and by how much were its product prices increased recently
- Is it listed or unlisted on the Johannesburg Stock Exchange.

### TYPES OF FINANCIAL INFORMATION

Financial information can be presented in financial statements of several types.  
e.g.



The types give better insight if presented by comparing current/recent information to previous information. Those types are as follows:

- (a) Income statement (shows how income was acquired and expended for a certain period of time)

INCOME STATEMENT

Turnover	Cost of Sales		
	Gross Profit	Operating expenses	
		- Wages/salaries	
		- Rentals	
		- Travelling costs	
		- Advertisements	
		- Training costs	
		- Auditors fee	
		- Directors fee	
		-	
		Operating profit	
			Interest paid
			Taxes
			Dividends
			Retained income

	<u>1991</u>	<u>1992</u>	<u>% Change</u>
<u>Turn Over</u>			
Operating Income			
Investment Income			
Net Income before tax & extra ordinary items			
Taxation			
Extra Ordinary Items			
Net Income after tax & extra ordinary items			
Dividends - Ordinary			
- Preference			
Retained Income for year			

BALANCE SHEET

(a) Balance Sheet (shows financial position at a certain date as well as the capital structure i.e. the sources of funds and the asset structure i.e. how those funds have been invested. It is a balance between the total assets of a company and the total liabilities together with the shareholders funds. A balance sheet, analyzed, might reflect the following:

- (i) fixed assets (land, buildings, machinery and equipment), investment assets (associated companies, fixed deposits etc.) and current assets (stock/inventory, debtors, pre-payments, cash on hand/at bank etc)
- (ii) equity/capital (shares and reserves of retained income)/net assets remaining after all liabilities have been taken away
- (iii) long term and short term liabilities (Debentures, Creditors, bank overdraft etc).

Employment of Capital

Assets	R
<u>Fixed</u>	XXX
- Land	XX
- Building	XX
- Machinery	XX
<u>Investment</u>	XXX
- Other companies	XX
<u>Current Assets</u>	XXX
- Stock/Inventory	XX
- Trade Debtors	XX
- Prepayments	XX
- Receivables	XX
- Cash at bank	XX
- Cash on hand	XX

Capital Employment

Capital plus Liability	R
<u>Equity/Capital</u>	XXX
- Shares	XX
- Reserves	XX
- Retained Income	XX
<u>Long term Liability</u>	XXX
- Debenture	XX
<u>Current Liabilities</u>	XXX
- Trade creditors	XX
- Receiver of Revenue	XX
- Shareholders for dividends	XX
- Payables	XX
- Bank overdraft	XX

BALANCE SHEET

	1991	1992	%Change
<b><u>Capital Employed</u></b>			
Ordinary Shares			
Preference Shares			
<b><u>Reserves</u></b>			
Equity/Owners Worth			
Outside Shareholders			
Long Term Liabilities			
<b><u>Employment of Capital</u></b>			
<b><u>Fixed Assets</u></b>			
Land and Buildings			
Machinery/Equipment			
<b><u>Investment</u></b>			
XYZ (Pty) Ltd.			
<b><u>Current Assets</u></b>			
Stock/Inventory			
Debtors			
Cash on hand/at bank			
<b><u>Less Current Liabilities</u></b>			
Creditors			
Shareholders for dividends			
Receiver of Revenue			
Bank Overdraft			
Net Assets			

CHAIRMAN's/DIRECTORS REPORT

The Managing Director or Chairman's statement that accompanies the annual report/financial statement is of paramount importance in that it -

- (i) pronounces the official financial standing of the company
- (ii) reflects the future prospects of the company.

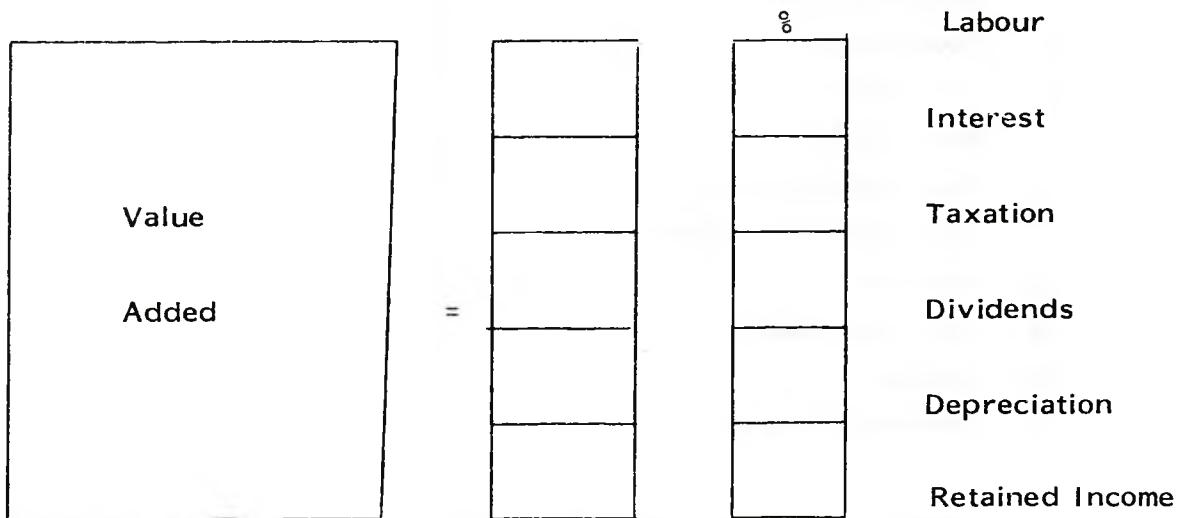
VALUE ADDED

If Value Added has not specifically been supplied with financial statements, it can be determined as follows:

$$VA = \text{RETAINED INCOME} + \text{DEPRECIATION} + \text{LABOUR COSTS} + \\ \text{DIVIDENDS} + \text{TAXATION} + \text{INTEREST PAID}$$

Value added is the net of output - input being reward to be shared for entrepreneurship, Labour, loan capital, governance, replacement of machinery and reinvestment in business for expansion.

On a diagram VA may be depicted as follows:



AN      ANALYSIS      SHEET

The task of analysing information from financial reports is very much easier if an analysis sheet is prepared.

The analysis sheet will ensure that the information is collected in a systematic and standardised manner.

The contents of the sheet will of course, vary according to the preferences and the final objectives of the analyst.

You are not restricted to the analysis pattern below. You are therefore advised to construct your own analysis sheet before you start your investigations, and to tailor it to suit your particular needs.

	19.1	19.2	%	19.3	%	
Company Finances						
1. Turnover						
2. Profit or loss						
3. Taxation						
4. Labour costs/earnings						
5. Dividends/earnings						
6. Interest						
7. Retained profit						
8. Fixed assets						
9. Investments						
10. Working Capital						
11. Wage Settlements %						
12. Employment situation						
13. Inflation						
14. Long term loans						
15. Shares						
16. Chairman's report						

To reinforce our understanding of financial information and analysis let us together determine financial soundness of a company with reference to its financial statements.

Use the above analysis sheet and identify those comments from the chairman's report to may improve your bargaining position.

F O R M U L A E

% Turnover growth/slump =  $\frac{\text{Year under review turnover}}{\text{Previous year turnover}} \times 100 - 100$

% Profits/(loss) =  $\frac{\text{Profits (loss) for year under review}}{\text{Profits for previous year}} \times 100 - 100$

% Retained profits loss =  $\frac{\text{Retained profits/(loss for year under review}}{\text{Retained profits/(loss) previous year}} - 100 - 100$

N.B. = Positive results represent growth  
= Negative results represent slump  
= Slump in excess of 100% represents loss

% Self sufficiency =  $\frac{\text{Loan funds for year under review}}{\text{Loan funds for previous year}} + 100 - 100$

= Negative results represent decreasing dependance  
= Positive results represent increasing dependance

Debtors Collection period =  $\frac{\text{Average debtors}}{\text{Credit Sales for the year}} \times 12 \text{ months}$

Creditors collection period =  $\frac{\text{Average creditors}}{\text{Credit purchases for the year}} \times 12 \text{ months}$

Stock turnover =  $\frac{\text{Cost of Sales}}{\text{Average Stock}}$

Current ratio = Current Assets: Current Liabilities

Earnings per share =  $\frac{\text{Net profit after tax}}{\text{Total no. of shares}}$

Dividends per share =  $\frac{\text{Dividends (paid and declared)}}{\text{Total no. of shares}}$

Taxation/earnings bt =  $\frac{\text{Normal .S.A Taxation}}{\text{Profit before tax+wage bill+interest}}$

Dividends/earnings bt =  $\frac{\text{Dividends (paid/declared)}}{\text{Profit before taxation+wage bill+interest}}$

Wage bill/earnings bt =  $\frac{\text{Total Labour Cost}}{\text{Profit before tax+wage bill+interest}}$

Membership wage/Labour cost

Members wage/Wage bill =  $\frac{\text{Wages attributable to union members}}{\text{Total Wage Bill}}$

Non members wage/non member workers

\* bt = before tax

Glossary of Terms

- Acid	=	Without the inclusion of stock
- Acid ratio	=	Current assets excluding stock: Current liabilities
- Asset	=	Claim of properties by a company
- Bank overdraft	=	The cash which a bank allows when the funds have dried up in the account. This is often limited to a collateral offered.
- Collateral	=	Banks buffer or safety margin against any loss
- Creditors	=	One who is owed by the company
- Creditors collection period	=	The average time by which company pays off its debts.
- Current ratio	=	Current assets: Current liabilities
- Debenture	=	Loans which are repayable over long period 5 yrs, 10 yrs, 20 yrs. The ownership of the purpose for which the loan was used often remains with the debenture holder until settlement of loan
- Debtor	=	One who owes the company
- Debtors collection period:	=	The average time by which debtors pay off their debts
- Depreciation	=	Provision for wear and tear/replacement of machinery and equipment.
- Dividends	=	Shareholders share of profits
- Equity	=	Networth of a company attributable to shareholders i.e. Total assets less total liabilities.
- Investments	=	Funds placed by the company in other companies.
- Liability	=	Claim of property by outsiders.
- Liquidity	=	Cash or near cash items
- Profits	=	Excess of costs
- Retained profits	=	Profits remaining after all obligations have been met and may be earmarked for re-investment in the expansion of business to reach production capacity or earmarked for investment in order business to earn a dividend or interest.
- Self sufficiency	=	Financial independence - no need for outside financial support
- Shares	=	Funds placed by owners in the company
- Solvency	=	Favourable asset balance to liability balance

- **Stock turnover rate** = The frequency in which various stock batches are sold out in a year.
- **Taxation** = A type of government revenue
- **Turnover** = Sales for a year
- **Value Added** = Turnover/sales minus cost or stock and services.

COMPANY      FINANCIAL      ANALYSIS

EXERCISE 1.      INCOME STATEMENT

Identify the following items and show whether there is an increase or decrease over the past two years. Also calculate the % difference thereof.

Turnover  
Profit after tax  
Dividends  
Retained in Business  
Interest

\* Points to look at:

- Have wages kept pace with the rise in profits and dividends?
- Have sales per employee increased? (a measure of productivity)

EXERCISE 2.      BALANCE SHEET

Identify the following items and determine if the company is growing, stagnating, or declining and by how much? Also calculate the percentage difference thereof.

Current Assets  
Current Liabilities  
Capital Employed  
Reserves  
Investments

\* Points to look at:

- Is the company investing more in plant and machinery?
- Is the company relying on borrowing for its finance?
- Do its current assets cover its current liabilities?
- What is the company's rate of return on its assets (capital)?

EXERCISE 3.

VALUE ADDED STATEMENT

Develop a Value Added Statement based on these items:

Labour Costs  
Interest  
Tax  
Dividends  
Retained in Business  
Depreciation

EXERCISE 4.

CHAIRMAN'S REMARKS

Identify and enumerate significant observations from the chairman's statement.  
How would you make use of these to your advantage during negotiations?

## FORMULATING PROPOSALS AND BACK-UP ARGUMENTS

- LIST AND PRIORITISE NEGOTIABLE ISSUES AND SETTLEMENT RANGES:
- Priorities and Settlement Range

- DESCRIBE THE BROAD OPTIONS FOR EACH PARTY
- CONSIDER THE COMMON GROUND
- CONSIDER YOUR MANDATE
- ASSESS YOUR BARGAINING POWER:

## FACTORS

**DEPENDENCY.** Who is most dependent on the agreement being reached?: Consider organisation strength; time pressures; alternatives available

**STRENGTH OF CASE.** Who has the most reasonable case?: Consider quantity and quality of information available to each; precedents; past performance; the climate in the environment.

**NEGOTIATING SKILLS.** Who has relatively greater skills?: Consider past experience; knowledge of the business under negotiation; confidence; reputation; style and track record.

**FORMULATION OF PROPOSALS  
GUIDELINE**

UNION: .....  
.....

COMPANY: ..... AREA SITUATED: .....

TOTAL NUMBER OF WORKERS: ..... PAID-UP UNION MEMBERS: ..... % .....

## NEGOTIABLE ISSUES

Current Agreement

### Proposals

N.B.: The above table is only a guide. The averages will be inclined towards a smaller or bigger (i.e. min. or max.) figure, depending on the weight, in terms of numbers within the salary scale of a grade.

GUIDELINE

UNION: XY WORKERS UNION

COMPANY: DY COMPANY AREA SITUATED: PRETORIA

TOTAL NUMBER OF WORKERS: 350 PAID-UP UNION MEMBERS: 245 & 43%

NEGOTIABLE ISSUES

N.B.: FIGURES WORKED TO THE NEAREST RAND

Current Agreement

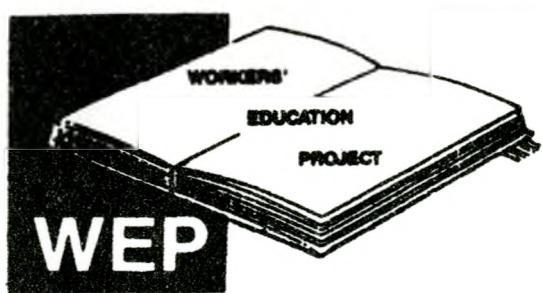
Proposals

Wages	(Per Month)	Settlement Range						Resistance = 15%						
		Min. Wage	Max. Wage	Total Average	Min. Wage	Max. Wage	Total Average	Min. Wage	Max. Wage	Total Average	R	R	R	
1	128	998.00	1027.00	1012.50	129600	1247.50	1283.75	162000	1147.70	1181.05	149040			
2	114	1028.00	1070.00	1049.50	119586	1285.00	1337.50	149596	1182.20	1230.50	137524			
3	48	1071.00	1135.00	1103.00	52944	1338.75	1418.75	66180	1231.65	1305.25	60886			
4	29	1136.00	1200.00	1168.00	33872	1420.00	1500.00	42340	1306.40	1380.00	38953			
5	17	1201.00	1265.00	1233.00	20961	1501.25	1581.25	26201	1381.15	1454.75	24105			
6	9	1266.00	1330.00	1298.00	11682	1582.50	1662.50	14602	1455.90	1529.50	13434			
7	5	1331.00	1500.00	1415.50	7077	1663.50	1875.00	8846	1530.65	1725.00	8139			
TOTAL WAGE BILL	350	Per Month		375722	Per Month		469765	Per Month		432081				
		Per Annum		4508664	Per Annum		5637180	Per Annum		5184972				

N.B.: The above table is only a guide. The averages will be inclined towards a smaller or bigger (i.e. min. or max.) figure, depending on the weight, in terms of numbers within the salary scale of a grade.

WORKING HOURS = 46 HRS (9.2 HRS X 5 DAYS)	44 HRS (8.8 HRS X 5 DAYS)	45 HRS (9 HRS X 5 DAYS)
ANNUAL LEAVE = 15 WORKING DAYS	20 WORKING DAYS	16 WORKING DAYS
OVERTIME PAY *WEEKDAYS -		
*SATURDAYS -		
*SUNDAYS -		
PUBLIC HOLIDAYS -		

TAKE NOTE OF THE RELATIONSHIP BETWEEN EACH ITEM AND THAT OF WAGES



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