

WHY DO WORKERS NEED TRADE UNIONS?

EMPLOYER

Has access to capital and resources.
such as machinery, buildings, etc.

Is able to make profits by exploiting
workers.

Is supported by the government.

Can select the workforce.

Has control over workers - can hire/
fire; discipline; increase the pace of
work; move workers around.

Has had access to education & training
Knowledge brings power

WORKER

Has no access to capital.

Has to work for employer

Struggles to earn a living wage
to support himself & family.

Struggles against government
which supports capital and
discriminates against workers

Cannot freely choose where to
work due to vast unemployment.

Struggles to fight against
management power in the plants.

Generally has poor education &
no skills training.



THEIR - AND

Our struggle for a living wage is going to meet a lot of resistance from the bosses. When we demand a living wage the bosses are going to come up with a lot of reasons why they should not give it to us.

Some of the reasons they give - like 'you are earning more than enough already' - we can treat with contempt. But others are going to require answers.

Always the bosses will know only one thing - they must make profits. Always we will know only one thing - our needs must be met.

These are some of the arguments they might use - and some of the answers we could give:

THE BOSS SAYS: 'We cannot afford to give you a wage increase like you are asking for. The economy is in trouble and so is our company. We would be forced to close down.'

WE SAY: First, you have lied to us in the past when the company was doing well. You did not tell us then that you could afford a large wage increase. Now when we ask for it you say you are in trouble. We will not believe your company is in trouble until you prove it to us. This you can do by giving us all your company reports and records. Open your books! We will see for ourselves whether you speak the truth. We want to study how you spent the money, how much you paid the managers, how much money you borrowed from the banks.

We want to see how you wasted the profits we made for you during the good years. We want to see whether you are managing or mismanaging the company. Let us workers decide what comes first - increasing wages or paying out more to the bosses. Let us make our own minds up about what the company can afford.

Second, if your company is part of one of the big monopolies then we know that your owning company can afford the increase. Their profits went up last year and will go up again this year - because of the work we did.

Third, if your company is really in trouble, we have the answer. You have been prepared to borrow money from the banks in the past to finance the company. You have bought machinery this way. Now you can borrow money to finance our increased wages.

And from now on we demand that we are kept fully informed of the state of the company and its finances. Not only that, but we demand that we have a say in the running of the company. We work hard all the time, and if the company is in trouble it is because of your mismanagement, not because of us. If there are to be salary cuts then management should take the cuts, not us!

THE BOSS SAYS: 'If you want such high wage increases you are going to have to improve your productivity. You must work harder if you want to earn more.'

WE SAY: Last time we negotiated you said that if we produced more we would be paid more. All that has happened is that you have retrenched some of us, and given us the same wages. Our wages have never been determined by how much we produce. You wanted us to produce more so that you could grab more of the profits. Open your books to us from the last few years and we will prove it to you!

Productivity measures how much each of us workers produce in an hour or a day. A lot of things affect this - the efficiency of the machines, the conditions in the workplace, the training we have been given, and the conditions we have to live under in the townships.

All of these things are really controlled by you

and your government. You give us gutter education. You expect us to get up in the middle of the night to come to work because you have put our townships so far away from the factories. We are exhausted all the time and have to travel hours and hours to get to work. You force bad living conditions on us, and we get ill as a result. You pay us poverty wages so that we cannot even eat properly. Where do you expect us to get the strength from? Also, the conditions at work are bad - we do not have enough protective clothing, or safe conditions. If we worked faster more of us would be injured than there are already. You change all these things and then you will see productivity go up.

Also, the problem of productivity which you always complain about is not just a question of how much we workers sweat. It is also a question of how productive the machinery is. If you read the report of the National Manpower Commission you will see that the productivity of machines is a lot lower than the productivity of us workers. That is not our problem. It is yours. You organise production, and you are mismanaging the machines. You do your job better before you tell us how to do ours.

THE BOSS SAYS: 'Giving you such high wage increases is going to cause inflation, which is high enough as it is. In the interests of the whole country you should accept lower wage increases.'

WE SAY: It is completely untrue that wages are the cause of inflation. Inflation is produced by your capitalist system, where you bosses can push up prices as you wish. You and your government have the greatest control over inflation - not us.

The only price which we control is our wages. And this we can hardly do with all the unemployment around. You bosses try to control this price as well. It is the only price which you believe should be kept

LINE OURS

down. Even when we manage to get a wage increase you simply pass it on to the consumers - which is us! So under your inflation it is us that suffer in the end every time.

We dispute that wages cause inflation. Last year wages went up only 11 percent on average. If those increases caused inflation, then the inflation rate would have been 11 percent. But, no - it was 19 percent!

If you want to 'keep' inflation down, then do not put up your prices and take a small drop in profits. Go to the government and tell it to stop overspending (especially on arms and 'security'). Go to the boards which control prices, and tell them to freeze all prices.

But we know you will not do this - because you benefit too much from increasing prices and profits. It is you who benefit from inflation, and us who suffer from it.

That is why we demand that our wages from now on are adjusted every year to inflation.

THE BOSS SAYS: 'You are pricing your work high above its market value. We can get a lot of other unemployed workers who would be prepared to work for less. You should be grateful for the wages you get.'

WE SAY: We are not 'grateful' for the wages you pay us. You are not doing us a favour employing us. You pay us so that you can exploit us. We work very hard every day - and earn every cent of those wages, which are starvation wages in any case. We do not get paid the full value of our work. You pay us as little as possible - not as much as possible.

We take this argument of yours as a threat that if we do not accept your starvation wages then you will fire us and replace us with others who will. We warn you: do not threaten us! We are prepared to fight for our demands,

fight to protect our jobs and fight to support and organise our unemployed brothers and sisters. This is what COSATU stands for.

It is completely wrong that you are prepared to use the problem of unemployment against us. It is a problem that your economic system has created and one which you should be looking to solve. Every day you are retrenching us, when what you should be doing is providing employment. You always tell us that capitalism is a good and proper system. But it is capitalism that has created this problem, which you are now trying to exploit by using it against us. Already people you fired in the past are organising the unemployed. And very soon all unemployed workers will be organised, and then you will not find it so easy to replace us.

THE BOSS SAYS: 'If you demand higher wages, we will have to get more machines, and some of you will be retrenched'.

WE SAY: We know that when you get new machines it usually means that some of us are going to lose our jobs. So much for the higher productivity you always talk about. The more productive we are, the more likely we are to lose our jobs according to the way you think. We also want higher productivity - for the benefit of the workers. It should mean higher wages and shorter working hours for us. So if you want to get more machines, consult with us first. We want to make sure we will all benefit from the new machines and that none of us will lose our jobs because of them.

THE BOSS SAYS: First you call for disinvestment. Now you want higher wages. You cannot have both. It seems you do not have the interests of the company at heart.

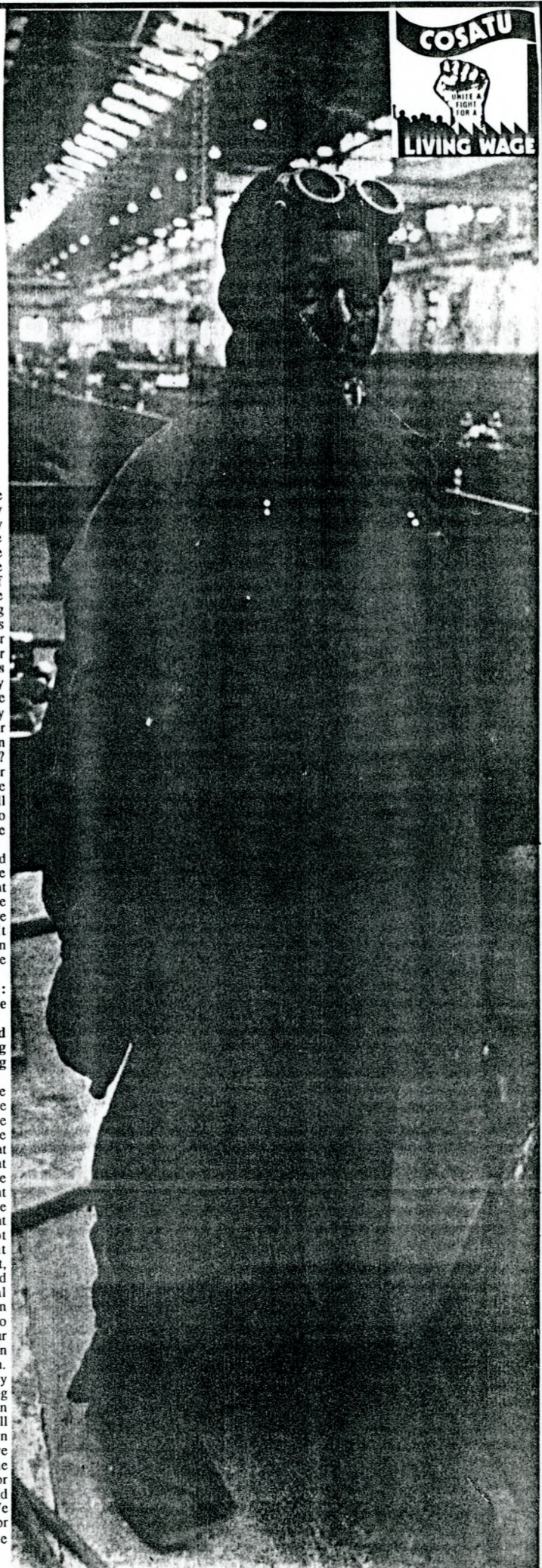
WE SAY: We always have our own interests at

heart. Our interests are the interests of the company because we are the majority of the people working here and the majority of the people in the country. We support all forms of pressure on the government, including disinvestment, because this government is not our government. Its never done anything for us except oppress us in a way condemned by the whole world. The company should be supporting our stand - or do you stand on the side of apartheid terror? As for wages, we never got higher wages before disinvestment so why will you suddenly give them to us now if we oppose disinvestment.

Disinvestment is not aimed at us. Its aimed at the government. We will fight every inch to make sure that the wealth that we have created stays here. It belongs to us. The foreign capitalists can go, but the wealth must remain.

THE BOSS SAYS: We pay you above the Household Subsistence Level and the Minimum Living Level. That is a living wage.

WE SAY: No-one consulted us about those measurements. They are the fantasies of white academics. We know what we want and know what wages we need to have what we want. We want everything we need to live decently. We want decent houses, electricity, hot running water, decent transport, TV, stereo set, good food for a balanced diet, the best medical treatment possible when we are sick, money to entertain ourselves and our friends, the best education for our children and so on. All of this will cost money and that money is the living wage we want. We can show you how much it will be by filling in our own questionnaires on what we need. Are these not the things that you take for granted? So why should we not have them too? We want them, we work for them and we will have them - whatever happens.



INCOME STATEMENT OF BARLOW RAND LTD. 1989

for the year ended 30 September 1989

Holding Company			Group	
1988	1989		1989	1988
R million	R million		R million	R million
4.0	5.0	Turnover	1 26 431.9	21 178.8
315.8	378.5	Operating profit before interest	2 2 764.7	2022.6
11.0	10.0 (minus)	Interest paid	4 491.0	302.8
304.8	368.5	Operating profit	2 273.7	1 719.8
2.1	2.6 (plus)	Income from investments	5 283.0	220.9
306.9	371.1	Profit before taxation	2 556.7	1 940.7
22.4	5.4 (minus)	Taxation	6 837.1	640.1
284.5	365.7	Profit after taxation	1 719.6	1 300.6
	(plus)	Share of associate companies' retained profits	10.6	23.5
		Profit after taxation including associate companies	1 730.2	1 324.1
	(minus)	Attributable to		
		- outside shareholders in subsidiaries and		
		6% preference - shareholders in Barlow Rand Limited	729.4	582.0
284.5	365.7	- ordinary shareholders in Barlow Rand Limited	1 000.8	742.1
-108.9	1.2 (minus)	Extraordinary items	7 -84.8	-138.4
175.6	366.9	Earnings of ordinary shareholders after extraordinary items	916.0	603.7
112.1	50.0 (plus)	Retained surplus at beginning of year	1 758.1	1 394.5
287.7	416.9	Available for appropriation	2 674.1	1 998.2
237.7	314.2 (minus)	Dividends on ordinary shares	8 314.2	237.7
	6.8 (plus)	Transfers to/from reserves	9 2.2	-2.4
50.0	109.5	Retained surplus at end of year	2 362.1	1 758.1
		Earnings per share before extraordinary items (cents)	10 543.8	408.2

f) The Income Statement itself

The following are explanations of the most important items listed in the income statement:

Turnover:

All the money brought into the company through sales of the goods that the company produces. It includes goods sold on credit.

Operating profit before interest:

This is sometimes called Trading Profit. It is the wealth left in the company after all operating expenses like rent, wages, depreciation etc. have been paid.

Interest paid:

The amount of money that the company has paid to banks as interest on the amount of money it has borrowed.

Income from investments:

The dividend the company received from any shares it owns in other companies.

Profit before taxation:

The profit that remains before taxes are paid to the government.

Taxation:

The amount of money the company has paid to the government as taxes.

Profit after taxation:

It is the profit made by the company after interest payments and taxation. This is also called net profit or net income. Many companies use the word "income" instead of profit.

Share of associate companies' retained profits:

The company's share of the profits of associated companies. (For an explanation of what an associate company is see page 14)

Attributable to outside shareholders in subsidiaries and 6% preference shareholders in Barlow Rand Limited:

The amount that was paid out to Barlow Rand's shareholders in its subsidiaries and to 6% of its preference shareholders.

Ordinary shareholders in Barlow Rand Limited:

This amount of money available to the ordinary shareholders of Barlows before extraordinary items have been paid.

Extraordinary items:

Details of any extraordinary items. As the name suggests, an extraordinary item is one which is not part of the company's normal business operations. For example, Barlow Rand sold some of the properties that the group owned. Since the selling of properties is not part of the business operation of Barlow Rand, these sales are classified as extraordinary items.

Retained surplus:

The amount of profit that has been retained (kept) by the company for use in the future. The profit which a company makes is used to pay wages and salaries to employees, dividends to shareholders, taxation to the government and interest on loans. The balance of profits after these "commitments" have been met is retained in the company. This is Retained surplus. It is also called Retained Income or Retained Profits.

Available for appropriation:

The amount of profits that is available for "appropriation" (to be taken) by the shareholders.

Dividends on ordinary shares:

The total amount that was paid out to shareholders of the company as dividends.



What exactly is inflation? We hear about it almost every day. Well, this is what it is...

Inflation is the **increase** in the **general level of prices**. In other words, inflation refers to **rising prices**.

Workers in South Africa find that they cannot afford to buy all the things they used to, even though they may get a wage increase every year. This means that while the cash wages (or nominal wages) of workers may be rising, their real wages (that is, the real value of the cash wage) may be falling. The real wage is a measure of the buying power of workers' wages.

Inflation eats away the buying power of workers' wages.



1970

What R1 can buy

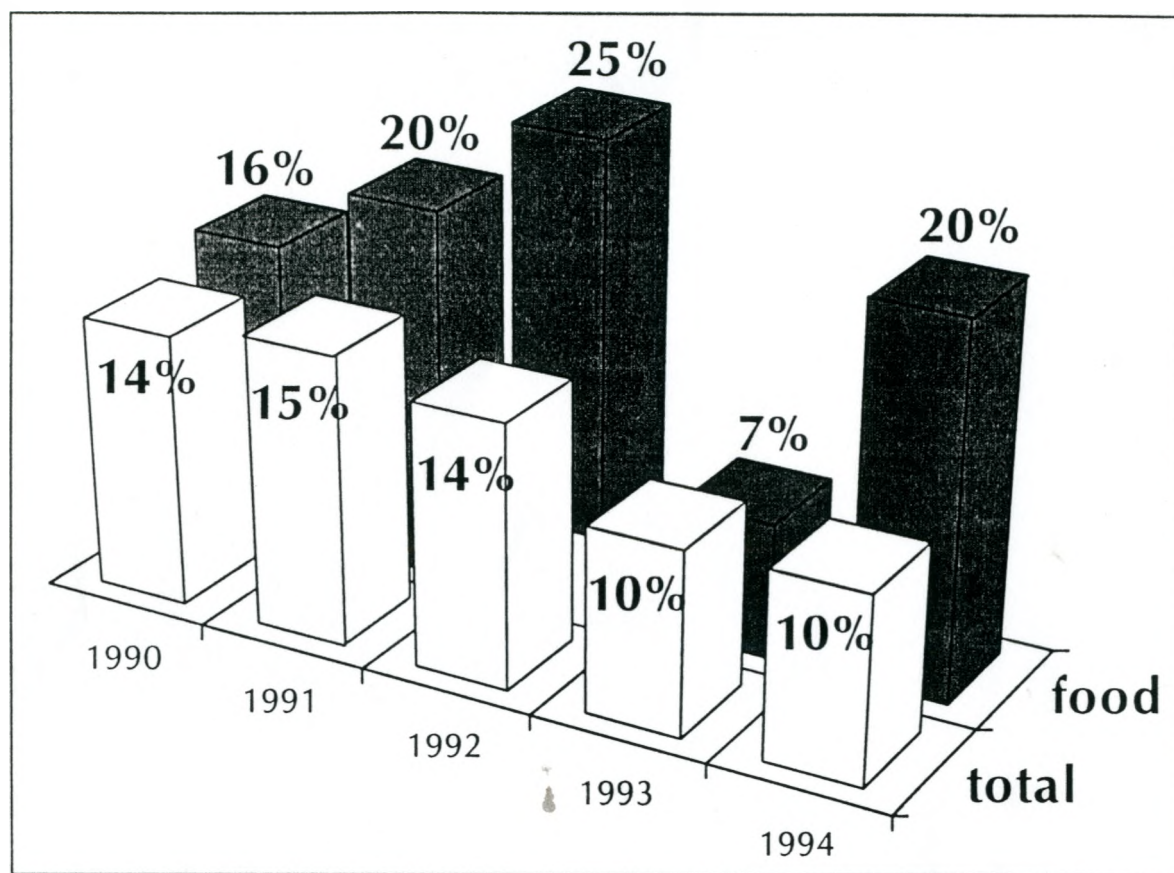


1980



1990

Table 2. Increases in food prices compared to consumer inflation



In the Third World, food typically takes up between a third and two thirds of household spending. (World Bank 1990, p196, quoted in Unisa, 1993, p25). In South Africa, the recent SALDRU poverty study found a figure of around 50 per cent for expenditure on food by african households throughout South Africa. A survey by Unisa's Bureau of Market Research in 1991 found that food accounted for 43 per cent of spending by the low-income group.³

In contrast, the CSS gave food a weight of only 25 per cent for the low-income group. This figure accords neither with the experience of the rest of the Third World, nor with any other expenditure survey in South Africa.

The CSS figure is low because it effectively includes a large number of middle-income households in the "low-income" category. As the share of food in expenditure falls at higher income levels, this practice ensures a substantial reduction in the food weighting reported for the low-income group. It results from the inappropriate classification of white households; the high cut-off used for household incomes; and the failure to analyse remittances.

- 1. Because the CSS did not use total income to categorise households, it included some middle-income households in the low-income group.** The CSS categorised households by regular income - wages, pensions, and so on. The income of white households in the lower categories, however, consisted

³ As discussed in the Appendix, this figure arises from recategorisation of the BMR data to ensure comparability to the CSS expenditure categories.



This section deals with the wage gap and the wage curve.

What is the wage gap?

The wage gap is an expression used to describe the difference between the highest paid workers in the bargaining unit and the lowest paid workers.



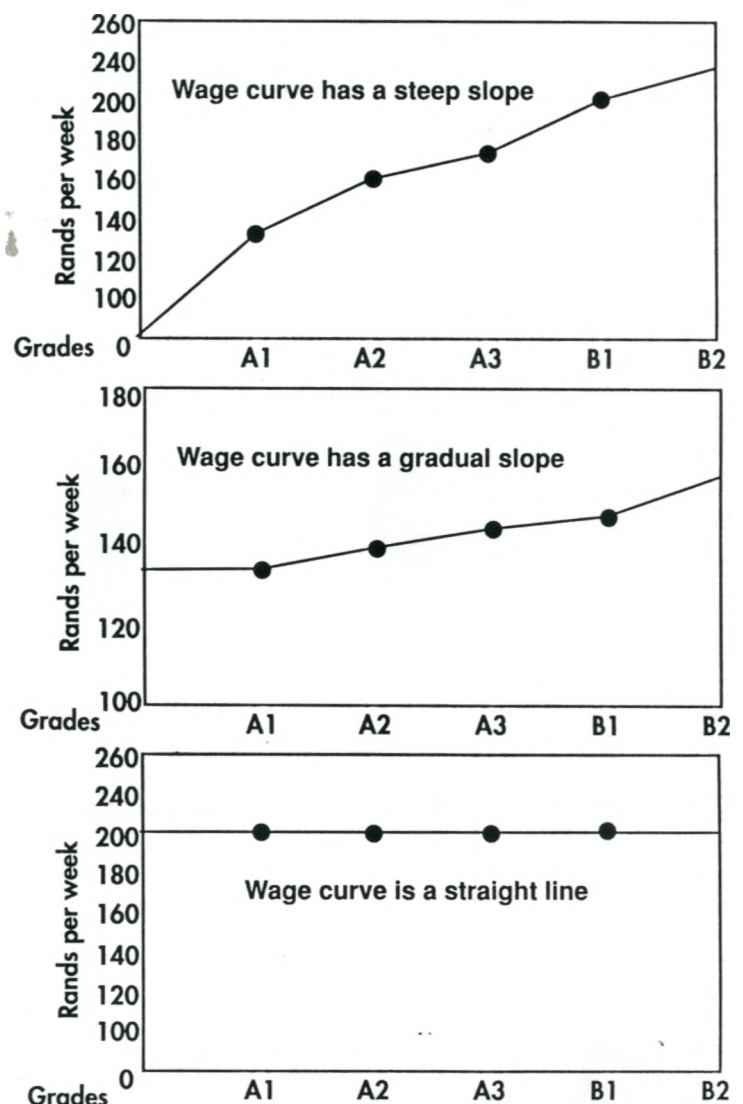
What is the wage curve?

If you draw a line that show all the wages from lowest to highest you would probably get something that looked like this:

This is called the wage curve. It will vary depending on how much difference there is between the highest and the lowest wage.

If there was not much difference it would look like this:

If all the wages in the bargaining unit were exactly the same the line would look like this:



Wage negotiators should decide whether they want to try to straighten the wage curve in their factories. In order to do this the lowest paid workers will need to get higher cash increases than the higher paid workers.

INFORMATION/WORKSHEET: (Wage negotiations)

Greedy-Guts (Pty) Ltd.

	1994	1995
1) <u>Profit after Taxation:</u>	R 2 350 076	R 3 105 687
2) <u>Number of Employees:</u>	125	115
Grade	Number Monthly wage	Number Monthly wage
A	65 R850	60 R935
B	50 R950	45 R1045
C	10 R1200	10 R1320

3) Inflation for 1995:

CPI : 9.5%

Food: 16%

Projection for 1996:

CPI : 8 - 9%

Food : 12 - 15%

CTTUL (mj95)

EXERCISES:

- a) Calculate the percentage (%) increase in profits (1994 - 1995)
- b) Calculate the profit made on each employee for 1994 and 1995.
- c) What is the total wage bill for 1994 ?

What is the total wage bill for 1995 ?

What is the difference or percentage increase ?

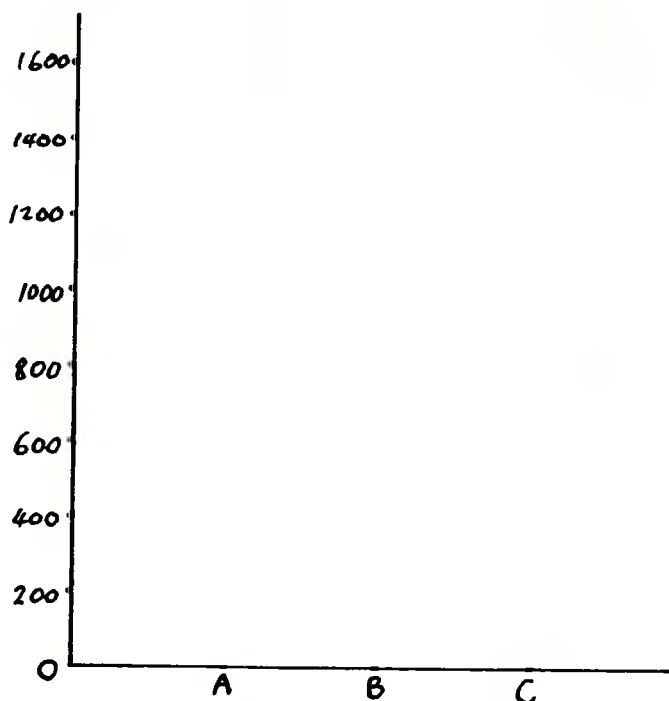
- d) What was the wage increase (percentage) for the workers during 1995?

What do you think it should have been ?

(Judging from the inflation figures - if half the workers wages is spent on food?

- e) Calculate the wage gap between grades A, B and C.

- f) Plot the graph below showing the wage - curve :



Activity: Drawing up a wage proposal

Task: Break into small groups

Look at the example of a wage proposal

Read the information below

Draw up a suitable wage proposal

Prepare a report back

1. Wages

Grade 1	R4,00 (all women)
Grade 2	R4,50
Grade 3	R4,59
Grade 4	R4,72
Grade 5	R5,10
Grade 6	R5,50

2. Annual Leave

15 working days per annum.

3. Shift Allowance

(3 shift workers)

night shift - 10%

Day shift - 7%

4. Annual Bonus

2 weeks

5. Hours of Work

3 - shift 42 hours average

day shift 45 hours

6. Public Holidays

10 statutory public holidays

7. Long service Allowance

No long service

8. Sick Leave

10 days per annum accumulating to 30 days over three years.

9. Maternity benefits

A woman employee will be given first preference if she returns to work within 3 months.

10. Company Pension

Compulsory pension fund for all employees.