

Mark & Gordon. Eskom offered 7,5%. We read this & forced a new move before we moved!

Now they offer 16% on grade 1 > 10% elsewhere.

Spot the "error"!

(We demand 30%)

↓
here

National Union of Mineworkers

Collective Bargaining Department

ESKOM WAGE NEGOTIATIONS FOR GENERAL WORKERS 1989

NOTES ON THE GUIDELINES FROM THE 1988 ARBITRATION AWARD

Eskom started the 1989 wage negotiations with an offer of 7% on average.

They said this offer is all they need to make to keep their relative position in the labour market.

We believe that the Eskom offer is contrary to the substance and spirit of Arbitration Award which forced Eskom, in 1988, to grant a 14,8% average increase in place of the 10% average increase Eskom implemented unilaterally in July last year.

Dr Dry, the Eskom personnel manager, read out from an NUM pamphlet issued after the arbitrators raised the wages. He read out this one sentence.

"Today, through unity, the minimum wage rates as Eskom are amongst the highest in the country for workers living in compounds."

We can understand why he stopped reading here, because the next sentence says:

"But we still have many battles to fight - over food, over hostel conditions, over progress towards a true "Living Wage"."

Migrant workers who live in compounds are the most exploited group of workers in South African industry. The migrant labour system was created to provide the cheapest labour in the world. It is an inhumane system that separates workers from their families. It compels workers to have two places to live - one where he works and another where his family lives.

Eskom's wages are amongst the highest for the most exploited workers in industry. But the workers are still cruelly exploited. And their wages and conditions of existence in the compounds require considerable improvement.

1. The Eskom Package

Eskom's claim that it is already paying a minimum living wage hinges on the inclusion of the money value of all the fringe benefits in the Eskom package. For migrant workers (and 90% of the general workers fall into this category) the fringe benefits are for the worker only, not for his family. He can't share the roof over his head or the food he eats with his family. His family and dependants have to rely only on basic wage.

The Arbitration Award states: (p.9)

As far as the basic wages are concerned, Eskom is not in a bad position when the comparison is made in relation to other employers, but the organization certainly does not appear to the same advantage as when a package comparison is made. In view of the fact that this basic wage must be used to support the family of the worker, I have viewed the basic wage as an item of great importance, and it is, in my view, too low under the circumstances. It should be noted that basic wage here means the basic wage for all levels of general worker, and not simply the basic wage of the lowest paid worker.

The umpire in the arbitration in fact raised the award by 2%:
(p.10)

"...firstly because I am persuaded that the basic pay (and not simply the minimum pay for the lowest category of worker) is too low for an organisation such as Eskom, and secondly, because the package as calculated by Eskom is... based on inflated figures.

The umpire did not trust the money value Eskom put on its fringe benefits package and he said that "the basic wage is too low compared to the package".

This is a clear indication that the basic wage at Eskom needs to rise to constitute a greater proportion of the package. Eskom stated on 7 June 1989 that the fringe benefits part of the package is "inflation proof". So if the wage is to become a larger proportion of the package, it must rise by more than inflation.

This is provided for in the wage proposals put forward by our union. These proposals come from discussions amongst our members, your employees, who indicate a deep dissatisfaction with the levels of wages they earn at Eskom.

2. The NUM demand

We have demanded a minimum cash wage of R850 and a guaranteed wage increase of R196 per month. Our survey of minimum wage rates, taken from actual signed wage agreements, gives 50

agreements that today set minimum wages above R850 per month. An additional 40 agreements, all above R750 per month, were set in July 1988 or earlier and can reasonably be expected to exceed R850 by the conclusion of the mid-year round of wage agreements.

There are over 150 current wage agreements that set minimum wages for general workers above the R704 minimum proposed by Eskom. The top wage is R1072 per month from April 1989 negotiated at the Caltex Oil company.

The union's wage demand is a clear indication of where our members feel a just wage would lie. The Eskom offer is simply an insult to the workers. Eskom is offering R49,50 for Grade 1 and R73,50 for Grade 5. This compares very unfavourably with recent cash increases negotiated at other firms. Just as an example, we can mention the R142 across the board increase at Pick 'n Pay supermarkets.

3. The Bargaining Base

Not only is the offer an insult to the workers, it is an insult to the Arbitration of 1988. The arbitrators set an award which, they hoped, would allow the negotiation of a wage settlement in 1989 without resort to further arbitration (p.5). The award was set 'so that the next negotiations would not have to commence with a correction of the bargaining base set by the arbitrators.'

But it appears to us that this is exactly what Eskom is attempting to do. The Eskom offer is taking advantage of the very high rate of inflation to discount the arbitration award and the reasoning that went with it altogether. It is saying that Eskom does not accept the bargaining base set by the arbitrators. It wants to offer a 7% wage increase so that Eskom's own bargaining base - reflecting non-unionised companies wage rates and incorporating over-valued fringe benefits - can be re-established.

It is interesting to note that the wage increase offered in Grade 1 will nudge the minimum wage to R704 per month. This is exactly 15% above the R612 per month set unilaterally by Eskom before the arbitration award. And 15% is the inflation projection for 1989 according to Dr de Kock of the SA Reserve Bank. This seems further proof that Eskom is trying to turn back the clock and re-establish the discredited bargaining base it proposed in the arbitration and which the arbitrators rejected.

The arbitrators rejected the indexing of wages. But the umpire stated that: (p.11)

"It was clear from the evidence and arguments submitted by

See graph at end!

both sides that they agreed that a satisfactory highpoint in the wages had been reached in July 1987... I accept the evidence of Dr Dry that Eskom pursues a policy of paying fair wages and packages, that great efforts were made to achieve this policy and that the policy was achieved by July 1987. For this reason, it is fair to maintain this highpoint unless compelling reasons exist to the contrary. As far as the relationship between the parties is concerned, I am persuaded that the highpoint should be maintained as far as the basis for the next round of negotiations is concerned...

what would this highpoint be in 1989? The Consumer Price Index published by the Central Statistical Services in Pretoria is the best available yardstick for evaluating wage and salary increases over time.

In July 1987 the minimum wage for General Workers was R556 per month.

The Consumer Price Index (1985=100) for July 1987 was 138,2.

In July 1989 we anticipate the annual inflation rate will be 15% and that the CPI will consequently be 15% above its level in July 1988. Then it was 155,3. So the CPI for July 1989 can be estimated at 178,6.

The rise in prices between July 1987 and July 1989 is thus 29,2%.

For the minimum wage at Eskom to have the same buying power in 1989 as it did two years ago it needs to be 29,2% above R556. That is R718,50 and this is put forward as the proper bargaining base for 1989.

4. Wage settlements in the market in 1989

The arbitrators paid much attention to the settlement figures that were achieved in unionised organisations in mid-1988. Unfortunately we do not yet have that information for mid-1989 - but we do have reports of the latest settlement increases from the Andrew Levy wage settlement survey for the period October 1988 to February 1989. The average settlement increase in this period, expressed as a percentage of the payroll, was 16,7%.²

When we apply this to the bargaining base of R718,50, we come up with R838,50. The bargaining base reflects the minimum rate, whereas the survey applies the percentage increase to the higher average rate. Were this to be done in this case, the new minimum, based on market wage settlements, would exceed R850.

5. Conclusion

Our union has applied the reasoning of the arbitrators to the wage demand for 1989. We took note of the observation that a fair bargaining base was established at the highpoint in 1987. We took note that the arbitrators did not favour wage indexation but preferred to relate wages to market wage settlement trends.

We are not seeking to establish an inflexible formula for settling wages at Eskom - we are merely using the results and findings from the arbitration to stake out a bargaining terrain.

We don't agree with many of the standpoints of the arbitrators. We don't agree that market forces can be relied on as a guide to a just wage. We don't agree that future inflation is irrelevant in setting wages. But we have suspended our disagreements and tried to use the 1988 arbitration award as our guide in the 1989 wage negotiations.

We can now understand why Dr Dry objected on Wednesday when Mr Golding called the Eskom 12,5% offer on monthly paid workers "ridiculous". He hadn't yet heard the 7,5% offer for general workers! Perhaps Dr Dry was concerned that the unions' store of adjectives would run dry before they were really needed. Well, today we have come stocked with a whole list of adjectives from the thesaurus on our computer. We hope, however, that it will not be necessary to use even one of them when Eskom comes back to us with a new offer, based fairly and squarely on the spirit of the arbitration award.

1.
D:\NIC\ESK898 - June 9, 1989

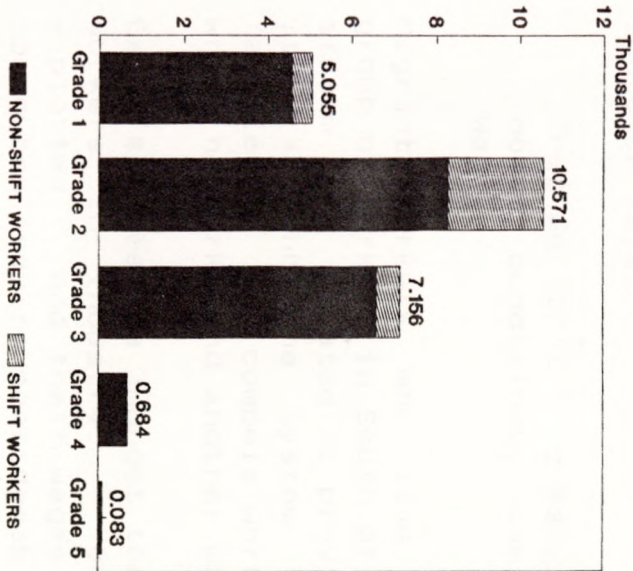
2. *Financial Mail* 24 March 1989

MMMMMMMMMMMMMMMMMMMM WORD FINDER from Microlytics, Inc. MMMMMMMMMMMMMMMMMMMM;
ridiculous: :
adj absurd, balmy, bizarre, crazy, emotional, foolish, frivolous, goofy, :
illogical, impossible, inane, insane, irrational, loony, lunatic, mad, :
muddled, nuts, preposterous, silly, touched, wacky, zany; :
absurd, comic, comical, crazy, droll, farcical, foolish, funny, :
hilarious, humorous, laughable, ludicrous, outrageous, silly. :
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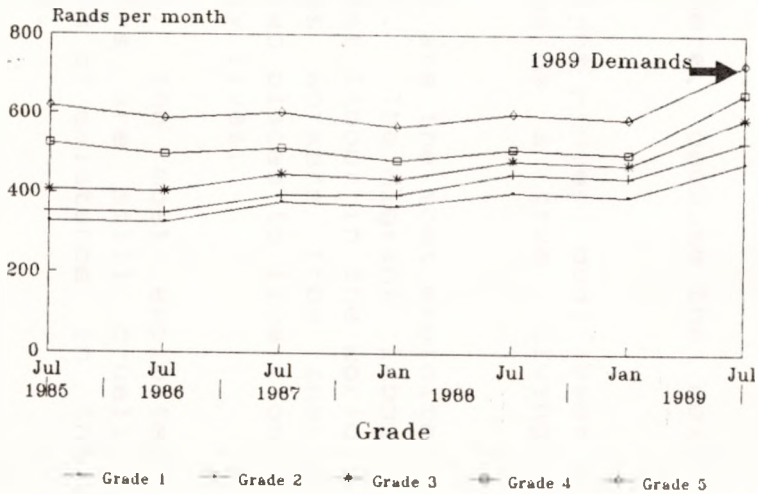
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ESKOM GENERAL WORKERS

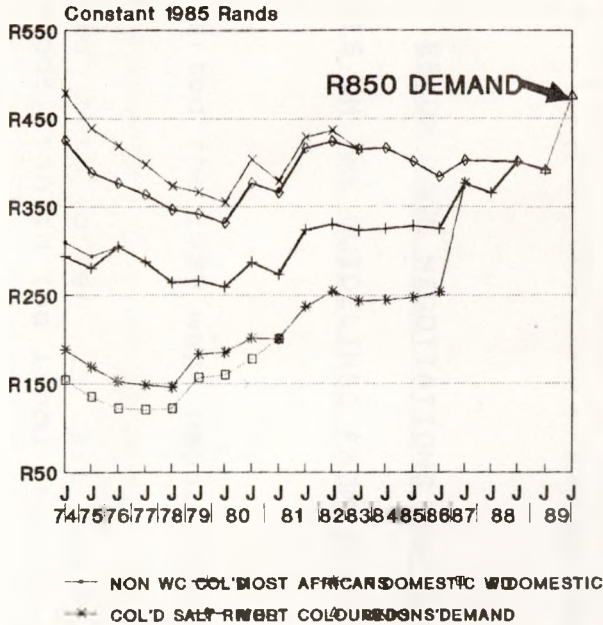
Most are in Grade A2



ESKOM WAGES 1985-1989



ESKOM WAGE HISTORY. Lowest unskilled rates



- * R850 means a good wage increase of 30%, well above the rate of inflation. Prices are expected to rise by 15% in 1989. This means the workers' standard of living will rise.
- * The graph above traces the *buying power* of the minimum wage in different parts of Eskom for the last 15 years. Because of racial discrimination Eskom paid black workers less money than "coloured" workers in the same jobs. This unfair system ended in July 1988, when all general workers were put onto the same scale of wages. But equality has been achieved at the cost of "coloured" workers. The buying power of the minimum wage at Salt River power station, for example, has fallen badly compared to 1974. In 1989, R850 is needed to make the buying power of the minimum wage at Salt River the same as in 1974.
- * R850 per month means R4.36 per hour, close to the R4.50 per hour target set by unions as a "living wage" in 1988.