

## ❑ Overpaid and underworked?

# Wages and productivity in South African manufacturing

By LAEL BETHLEHEM and NEVA MAKGETLA\*

*"Wages are high when set against productivity, against what...Edward Osborne once called a "less than demonic work ethic"*

**Finance Week August 11-17 1994**

*"We have the most expensive, least productive labour force in the developed world"*

**The Star 2 August 1994**

*"South Africa's workers and managers in the manufacturing sector earn more than their international counterparts, contributing to the country's lack of competitiveness"*

**Sunday Times 7 August 1994**

*"We need a strong economy – and that requires labour to tone down its wage demands"*

**The Star 2 August 1994**

*"The South African labour force in most fields does less work for more money than workers in competing nations"*

**Sunday Times 7 August 1994**

Much of the press clearly believes that South African workers are underworked and overpaid. They claim that South African manufacturing workers:

- ❑ earn more than workers in other countries
- ❑ are unproductive because they 'do too little work'
- ❑ should practice wage restraint in order to allow the economy to grow.

Our research suggests that these claims

are misleading. We can show this by answering three questions:

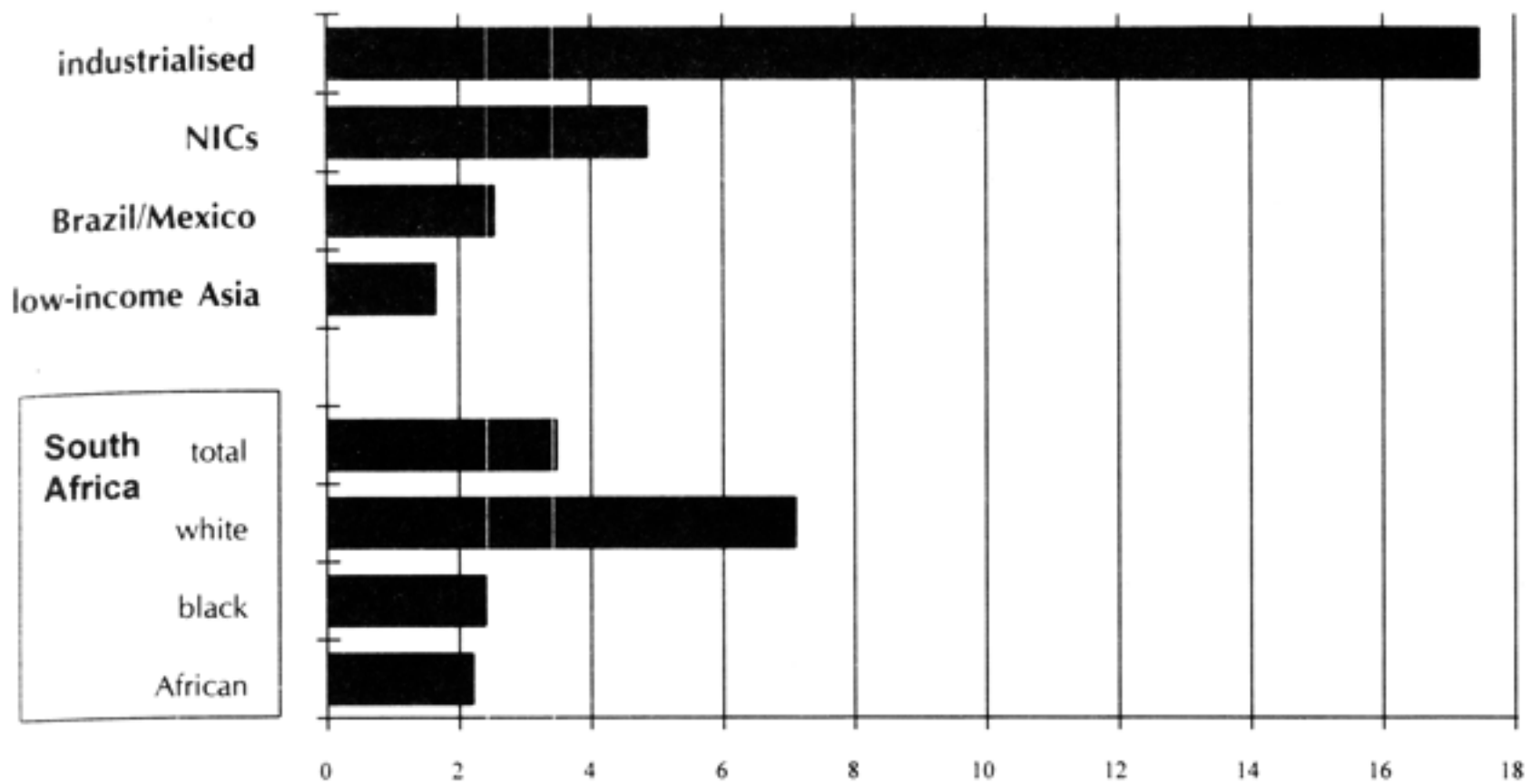
1. Do South Africans employed in manufacturing earn more than their counterparts?

**The average earnings of South Africans employed in manufacturing are not high on an international scale.** Graph 1 shows (page 57) that:

- ❑ Average hourly earnings in South African manufacturing (including wages and salaries) are less than one quarter of the average paid by the top ten developed countries and lower than in the newly industrialised countries like South Korea and Taiwan.
- ❑ These averages include the earnings of both workers and managers. The National Productivity Institute has recently estimated that of the average earnings, 60% of the total is made up of salaries (white collar workers and management) and only 40% is made up of wages (blue collar workers). This can also be demonstrated by looking at earnings on a racial basis since most whites employed in manufacturing are supervisors and managers while most Africans are shop-floor workers. The graphs show that the average white earnings in manufacturing are indeed high by international standards, but that black earnings are low. **Since trade unions largely organise black workers, it is impossible to maintain the**

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## Earnings in Manufacturing in South Africa compared to other countries



**Notes:** NICs include Taiwan, South Korea, Hong Kong, Portugal and Singapore; low-income Asia includes China, Malaysia, Indonesia, Thailand, Philippines

Sources: Calculated from, CSS, *Labour Statistics 1993*; CSS, *Labour Statistics: Statistical Release P0200*, March 1993; figures on wages in other countries supplied by the NPI, based on DRI McGraw-Hill Morgan Stanley Research.

U.S. dollars an hour

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### argument that unions are 'pricing South Africa out of the market'.

#### 2. Do South African workers 'do too little work'?

Labour productivity is not simply the result of how hard workers work. Most measures of 'labour productivity' only tell us how much is produced in relation to the number of people employed. But productivity is really about how efficiently we use our human, raw material and capital resources. It depends then, partly on decisions made at the national level and partly on those made at plant level. Since workers in South Africa have very limited influence over decision making at either level, it is difficult them to have more than a passing effect on productivity.

Workers could play a role in improving productivity if they could influence decisions ranging from investment plans to eliminating waste and defects in the plant. **But until workers are given more influence, their contribution to productivity improvements will be limited.**

3. Are higher wages bad for the economy? The countries which have grown rapidly in the last few years are those with a more

equal distribution of income. Indeed, very low wages can reduce productivity and limit workers' ability to buy goods. In any case, as Graph 2 shows, overall earnings have been shrinking as a proportion of the value of what is produced in manufacturing over the last twenty years.

The share of African earnings has grown, partly as a result of the promotion of African workers to more skilled positions. This growth however, has not pushed up the total, since white earnings have declined as a percentage of the overall value of production. These trends have helped to overcome the enormous distortions in incomes introduced by apartheid. **These figures suggest that African earnings in manufacturing could continue to rise without pushing up the overall wage bill.** Even if the earnings of all race groups rise to some extent, it will still be some time before the levels common in the 1970s will be reached.

This brief article highlights some of the key points in the debate about wages and productivity. NALEDI will be doing further research on this issue in the coming months. ☆