Drivers of public sector unions’ wage demands in a low-inflation and recessionary environment in South Africa

by M Mmolaeng and M Bussin

Abstract

The purpose of the study was to establish the drivers of wage demands by public sector unions in a low-inflation and recessionary environment in South Africa. The study therefore sought to explore the experiences, views and perceptions of employee representatives on the wage bargaining councils. The objectives, as derived from the overall aim of the research, were to determine the factors that influence the wage demands, to establish the extent to which wage demands are linked to economic conditions and organisational goals, and to highlight the methods that are required to address the wage gap. It is hoped that it will contribute to the ongoing debate between the employer and trade unions regarding wage bargaining behaviour.

The study is qualitative in nature and a modern qualitative approach, in which personal interview techniques were applied, was utilised.

The findings revealed that trade unions utilise various methods to determine their wage bargaining behaviour, and that their involvement in the budgeting and objective setting process is of paramount importance. Public sector trade unions are key role players in the wage determination process and the improvement of the working standards and conditions of their members. Their wage bargaining behaviour should therefore be considered in setting organisational objectives.

The research adds to the body of knowledge on the drivers of wage demands in the public sector.

Key words: remuneration policy, inflation, recession, rewards, wage demands and pay equity

1 Introduction

1.1 Key focus of the study

The study focuses on the drivers of wage demands in the public sector, and more specifically concerns the trade unions within the Public Service Coordinating Bargaining Council (PSCBC) and the South African Local Government Association (SALGBC).
Wage demands in the public sector seem to be a thorny issue at the negotiating table and often culminate in strike action that is too costly for an emerging and developing economy such as South Africa. Seboni (2007) perceives the narrowing of the wage gap as a key concern and the linchpin in many wage negotiations. On the other hand Gordhan (2010) notes that increased wage demands have a detrimental effect on the performance of the economy because of the bargaining arrangement’s ability to push up entry-level wages and thus price out inexperienced workseekers.

The Minister further notes the necessity to moderate salary increases to ensure that funds are also available for growth in public sector employment and that spending on education, health and infrastructure maintenance is not compromised Gordhan (2010).

However, Mathieson (2000) states that claims for increased pay may be based on the inadequacy of existing pay in relation to the rise in the cost of living. Any attempt to limit the bargaining power of trade unions based on economic arguments is likely to be met by huge resistance from trade unions and employees alike.

1.2 Background to the study
Attempts to find a negotiated settlement to the wage dispute between the employer organisations and trade unions in various sectors are usually protracted, leading to threats and ultimately strike action by unions and their members.

Remuneration remains a very sensitive issue and judging from continued requests by unions to redress past inequalities by reducing the wage gap, it would appear that the battle is far from over. This may be compounded by the fact that the annual wage demands are almost always above the official inflation rate.

It is therefore imperative to identify the main drivers of wage demands by public sector unions in a low-inflation and recessionary environment.

1.3 Purpose of the study
The aim of the study is to establish the drivers of wage demands by public sector unions in a low-inflation and recessionary environment in South Africa.

2 Literature review
The main objective of the literature review was to develop an understanding of the main drivers of wage demands by public sector unions. The research also sought to establish the extent to which economic conditions and organisational goals are included in the wage demand equation. The literature review covered five areas based on the primary objective of the research, namely factors affecting remuneration, reward management in relation to trade unions, differences in pay increases between the bargaining and non-bargaining units and managing remuneration in a downturn.

2.1 Factors affecting remuneration
White (2009) stated that the main factors affecting the levels of pay in Britain are the labour market pressures as a result of supply and demand factors and the organisational factors such as technology, size and business strategies.

Subsequent studies have found, however, that the primacy of inflation in determining pay levels has been the key criterion for both manual and non-manual labour (White 2009). However, Taylor (2000) argues that pay may not necessarily be the only determinant of labour supply because it is feasible for employers to be able to attract, retain and motivate staff despite following the market in terms of the overall levels of remuneration. Taylor (2000) further notes that some people will trade a higher rate of
base pay for other factors such as job security, flexible working arrangements, benefits such as pensions and health insurance and career development and training opportunities.

Mathieson (2000) notes that employees' unhappiness with pay and their related demands can be linked to several factors such as the inadequacy of existing pay in relation to increases in the cost of living. Current pay levels may not provide for what is perceived as an acceptable standard of living and there may be dissatisfaction with the perceived unfairness of the prevailing wage structure in an organisation.

Adopting another approach, Hughes (2008) says that salary increases are less effective as a retention strategy when compared to other strategies, such as providing a career path in the organisation, flexible working hours to facilitate work-life balance, redesign of existing job to provide more challenge and responsibility, monitoring staff concerns with regular face-to-face conversations, external management development programmes, public recognition for individual achievement and in-house training and development. All these strategies scored 75 percent and above in terms of effectiveness as a retention strategy when compared to salary increases as a retention strategy.

Employees usually seek to maximise rewards, since this gives them purchasing power and is a significant source of income (Lowry 2002). Public sector trade unions are therefore likely to aim for wages above inflation that are matched to prevailing market rates and are reflective of the increase in the prosperity of the organisation (Armstrong 2007). Government, on the other hand, is concerned with controlling costs, especially wage costs Lowry (2002), in order to improve service delivery and the quality of life of citizens (Lowry 2002).

Gordhan (2012) states, however, that the sustainability of increases in the public sector wage bill is of major concern to business. This may be associated with the comparative nature of private and public sector salaries during the wage negotiation process. This therefore calls into question the continued demands for above-inflation increases by public sector trade unions. A factor noted by Manuel (2011) is that scattered settlement patterns and weak public transport systems increase the cost of living and are an important contributor to wage levels.

### 2.2 Reward management in relation to trade unions

Heery (2000) notes that the public sector trade unions make a difference in the lives of union members, as demonstrated by the increase in the pay of union members relative to their non-unionised counterparts. Barber (2003) records the view of public sector trade unions that decent pay for public servants is essential for high-quality public service delivery. What is required is government branding of an order that will make it an employer of choice, seen as providing challenging work, with progressive human resource policies and opportunities for promotion and career development (Reichenberg 2002). However, Barber (2003) cautions that public sector pay should be based on principles that are consistent, are supported by employees and that the general public can recognise as fair.

Heery (2000 & 2009) notes that the process of reward management can be conceived of as a series of strategic decisions, each of which may be influenced by union pressure.

Governments, on the other hand, need to make informed decisions regarding remuneration and must determine how much to pay employees, how much emphasis to place on financial remuneration as a part of the total reward system, how much
emphasis to place on attempting to hold down the rate of pay, and whether to implement a system of individual incentives to reward differences in performance and productivity and, if so, how much emphasis to place on these incentives (Pfeffer 1998).

Public sector unions would welcome incentives that are vital for organisations because they would enable an organisation to attract and retain high-calibre staff, support the overall organisational strategies and allow competitiveness in the marketplace (Bussin 2009).

Barber (2003) believes that public sector unions have a central role to play in the reduction and closing of the wage gap and more especially the gender wage gap because of the pressure they could exert on the government through strike action.

Manuel (2011) notes, however, that South Africa’s cost of living reflects its status as a middle-income economy, and wages are comparable to those found in other middle-income countries. Manuel further notes that other factors that raise the cost of living include limited access to affordable food and to high-quality public services in the context of low household incomes (Manuel 2011). Therefore, the reduction in the cost of living which national planning aims to achieve will find favour with the public sector trade unions.

2.3 Pay differences between the bargaining and non-bargaining units in the public sector

P-E Corporate Services (2009) highlights the fact that the bargaining unit received more in terms of an annual percentage salary increase as well as total cost of employment when compared to other employee categories. However, top and senior management always seem to receive increases above that of the bargaining unit. This could be attributed to the premiums paid to the highly sought after skills and the payment of performance bonuses (P-E Corporate Services 2009).

<table>
<thead>
<tr>
<th>Employee category</th>
<th>Annual increases in remuneration levels by employee category (August – September)</th>
<th>Annual percentage increase in cost of employment</th>
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<tbody>
<tr>
<td>Top Management</td>
<td>8.5</td>
<td>7.1</td>
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<tr>
<td>Senior Management</td>
<td>9.7</td>
<td>7.1</td>
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<td>Middle Management</td>
<td>9.6</td>
<td>6.9</td>
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<tr>
<td>Skilled Staff</td>
<td>9.1</td>
<td>7.2</td>
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<tr>
<td>Lower Level Staff</td>
<td>9.1</td>
<td>6.7</td>
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<tr>
<td>Qualified Artisans</td>
<td>9.1</td>
<td>6.5</td>
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<tr>
<td>Bargaining Unit</td>
<td>9.5</td>
<td>6.9</td>
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<tr>
<td>All Categories</td>
<td>9.4</td>
<td>6.7</td>
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The above table clearly illustrates that the bargaining unit enjoyed better salary increases than the lower level staff except in 2007. The increases enjoyed by top management could be associated with the connection between wages and skills, because occupations that require higher skills ordinarily attract higher median wages.

Research from the United Kingdom and the United States supports the notion expressed above, according to the Trade Union Congress (2009) and Longley (2011). It was noted in this research that, on average, union members receive higher pay,
better sickness benefits and pension benefits, more vacation leave and more flexible working hours than non-members and this makes it clear that union jobs are not only good jobs but are also central to restoring the middle class.

2.4 Managing remuneration in a downturn

There are many initiatives and solutions that the government could introduce during a downturn in order to save jobs; however, it should be noted that these may not necessarily be well received by trade unions and the necessary consultation should take place to ensure buy-in. Furthermore, government, like the private sector, could implement job-saving practices, as suggested by Bussin (2009), that could be utilised to ensure continued employment during a recession. Such practices might include freezing or reducing wage increases, reducing merit increases, and implementing pay cutting procedures/mechanisms.

All these measures should be taken in consultation with public sector unions and with constant and open communication with all stakeholders to ensure that they are not caught by surprise and that they will be able to support the plan.

If the government implements some of the suggested solutions it is likely to survive the downturn but, as Fugazy (2009) suggests, this has to be a coherent and inclusive approach.

Trade unions should support growth in the economy because, according to Pillay (2010), a growing economy has greater potential to absorb labour, creates reserves that serve as buffers during down times, allows for increased levels of foreign direct investment, helps with inflation targeting, and reduces the deficit on the current account. Government may therefore be better placed to support competitive public service salaries when the economy is growing (Pillay 2010).

3 Research design

3.1 Research approach

In order to explore and describe people’s experiences and viewpoints regarding the drivers of wage demands, a qualitative research design was adopted for the study. The assumptions followed in the qualitative research design will be discussed next.

Ontologically the approach followed in the study is that public sector trade unions attach meaning to their wage demands. Therefore, we are interested not only in the behaviour of research participants, but also in how their understanding influences their wage bargaining behaviour.

Epistemologically the aim of this study is to discover and describe experiences relating to wage demands and the drivers of wage demands in the public sector by getting carefully selected public sector union representatives to act as research participants in a detailed, neutral and unbiased manner. This implies that the modernistic, qualitative research approach must be applied. Through the literature review relevant concepts and research findings were utilised to elucidate the themes gathered from the research participants and to validate the facts (Leedy & Ormrod 2005).

3.2 Research method

The research method is presented under the following subheadings: research participants, measuring instruments, research procedure, recording of data and analysis of data.


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3.3 Research participants
The PSCBC affiliates comprise unions in sectors such as education, health, police and prisons, safety and security as well as the general public sector. The total combined union membership is in excess of 1 million for all the affiliates. The SALGBC affiliates are also major role players at the local government level with a total membership in excess of 190 000.

3.4 Measuring instruments
This study is about the drivers of wage demands by public sector unions and therefore semi-structured interview questions were developed to collect data relating to the wage negotiation process. Questions were largely open-ended, the intention being to ensure that relevant information is gathered on the crucial drivers of wage demands during the process of wage negotiation and bargaining. The fieldwork involved the collection of data from the employee representatives to the PSCBC and SALGBC. The advantage of a researcher-administered instrument is that problems regarding return rate are eliminated and there is a very good chance of getting comprehensive data (Zikmund 2003).

3.5 Research procedure
Qualitative researchers generally rely on four basic types of data sources: interviews, observation, documents and audio-visual material (Creswell 2009). In this study we employed a qualitative interview technique to gather the data. Interviews were therefore conducted with nine members of the PSCBC and one member of SALGBC regarding the main drivers of wage demands by public sector unions. The researcher interviewed ten people and obtained saturated data. Continuing with the interviews could therefore have resulted in diminished returns without adding any value to the study. The following are some of the research questions that were used as a guide:

• Which factors influence the wage demands?
• Are negotiated wage settlements linked to economic conditions and organisational goals? Please elaborate
• Is the union objective simply to maximise pay or do other concerns also influence pay bargaining behaviour?
• How do you benchmark employees’ salaries and wages?
• What would you consider a fair and equitable remuneration policy?
• How would you define and address the so-called “apartheid wage gap”?
• What is a living wage? What are the most important factors needed to address this issue?

These guidelines enabled the researcher to probe as the interview progressed.

3.6 Recording of data
All 10 research participants consented to the recording of the interviews but notes were also taken during interviews. Field notes were compiled as soon as possible after each interview and these provided a preliminary analysis which was crucial during the intensive analysis phase.

3.7 Analysis of data
A thematic data analysis approach was adopted for this study in order to unearth the patterns of similarities and differences and later interpretation. Zikmund (2003), Leedy
and Ormrod (2005) note that content analysis involves systematic analysis, together with observation, to identify the specific information content and characteristics of the messages which could emanate from advertisements, union contracts, reports and letters, and to detect bias. In support of the above notion, Creswell (2009) notes that the process of data analysis involves making sense of the text and data gathered during the interviews.

The recording of responses to open-ended questions ensured that the following were adhered to, as proposed by Zikmund (2003) and Creswell (2009):

• Responses were taped during the interview to ensure that nothing was left to chance. Handwritten notes were taken to supplement the tape recording.
• Responses were recorded using the respondent’s own words.
• Paraphrasing of the respondent’s answers was avoided unless essential.
• Everything pertinent to the question objective was taken into consideration.
• Follow-up questions and probes were included.

Data received from the respondents were summarised and presented in a tabular form, showing responses to each question. A tabular summary of all interview notes makes it easier to compare responses to facilitate content analysis (Leedy & Ormrod 2005).

4 Results and discussion

The research was aimed at exploring the drivers of wage demands by public sector trade unions in a low-inflation and recessionary environment. The data collected through the interview process revealed that trade unions are knowledgeable about the demands of their constituents. The following themes reflect the findings of the study along with a discussion of the findings:

1. Influential factors that drive wage demands.
2. Linking wage demands to economic and organisational conditions.
3. Pay maximisation as a key objective.
4. Fair and equitable remuneration policy.
5. Closing the wage gap.
6. Key role in the budgeting process.

This study helps expand the body of knowledge in relation to the key drivers of wage demands in the public sector. The study contributes to theoretical knowledge by outlining the drivers of wage demands. This enables government to plan accordingly.

4.1 Drivers of wage demands

Respondents clearly indicated what the drivers of wage demands were and went on to elaborate on the process that they follow in tabling their wage demands. The following were some of the responses received:

There are many varying factors that drive our wage demands, although “we do a bit of thumb sucking as well”. These factors include:

• Consumer Price Index (CPI). The CPI excludes bonded houses and so we would look at housing prices. The price of houses is beyond the reach of our members. Our members do not qualify for low-cost houses whilst the housing subsidy is low and mortgages are too expensive. Government should come up with a model to promote home ownership.
• Wage market movement and increases in the private sector.
• General economic circumstances.
• Cost of living factors (including but not limited to fuel hikes, electricity price hikes, cold weather affecting food prices).
• Pay equity/parity factors.
• Broader socioeconomic factors such as medical aid assistance, schooling, and night shift allowances are also considered. We also consider economic growth and job creation, high levels of poverty as well as poverty.
• We also negotiate for non-monetary conditions such as the conditions of service e.g. use of lawyers without considering internal capacity.
• Unfilled, vacant posts are a big concern because our members are being used as scapegoats for poor service delivery. Corruption, nepotism and under-spending also concern us greatly.

The responses above clearly indicate that many factors are taken into consideration in determining wage demands and it would appear that the employer would be well advised to consider such factors in determining pay increases.

The study indicates that it would be beneficial for the employer and employee to engage each other regarding the factors that influence wage demands. The unions have said that they rely on benchmarks when making wage demands and consider the gap between the highest paid and the lowest paid workers. Furthermore, the following factors are also taken into consideration when determining wage demands:
• Consumer price index (CPI). The unions are, however, looking at a differentiated wage increase which seeks to raise wages at the bottom end of the spectrum by a higher margin rather than implementing an across-the-board increase (Ndungu 2008).
• General economic circumstances, including other cost of living factors such as:
  - Increases in the price of fuel as a result of increases in government levies and the increase in the price of crude oil. This has an upward influence on the cost of other products and services.
  - Variable weather patterns and conditions such as cold weather, floods and drought, which tend to affect food prices.
  - The recent above-inflation electricity price increases have meant increased costs for the workers without any supplementary salary adjustments.
  - House prices are beyond the reach of many public service workers while at the same time they are barred from acquiring low-cost houses.
  - Other factors, such as the increasing cost of medication, and increases in municipal rates and taxes.

The unions also consider pay equity/parity factors such as medical aid contributions by government. Medical aid subsidies are discriminatory in nature and seem to be used to coerce members to belong to a single medical aid scheme without taking the associated benefits or risks into account.

The government, on the other hand, wants wage increases to be linked to performance, whereas the unions are reluctant to accede to this on account of systemic weaknesses beyond the control of members (Hassen 2009).

4.2 Wage demands in relation to economic conditions and organisational goals

This question was aimed at establishing the extent to which the respondents were responsive to and knowledgeable about prevailing economic conditions and
organisational goals. The following are some of the main economic and organisational imperatives that are taken into consideration when tabling wage demands:

- We rarely look at organisational goals but we do look at the general economic conditions and endeavour to use such conditions for bargaining purposes, for example we will often exercise restraint during economic hardship.
- We consider the economic conditions of our government, such as service delivery concerns. The quest to create employment is another issue and as such we would not bargain in such a way that government projects are compromised.
- Socioeconomic conditions are paramount in our demand. We also take into consideration the status and funding of both government departments and local government.
- This might be used as a bargaining tactic by the employer to deny employees what they rightly deserve. At organisational level issues such as overtime, standby allowance, long service awards and uniform allowance are sometimes not adequately catered for in the budget. Workers are also concerned about the wellbeing of their families and we consider the effect that AIDS and lower medical aid contribution have on our members.
- We also consider the huge savings within departments, coupled with the mismanagement of public funds, corruption, government spending money on expensive cars, and mismanagement of funds in certain provinces
- Requests to borrow money and the other projects might not be realised, for example the job creation fund. Revenue targets and other important projects might not be realised.

The findings suggest that the tension between employers and employees is the result of the non-inclusive environment where employees are expected to implement organisational goals in which they had no input. The involvement of employees in setting organisational goals would enable them to take ownership in various business units and would give them an understanding of the business imperatives.

The political status quo rather than the economic conditions may often be used to determine wage demands because of the existing alliance between certain union federations and the current government. Bahrami, Bitzan, and Leitch (2009) argue that unions are effective in the public sector and are keen to pressurise government into accepting their wage demands for the following reasons: public sector employers do not have a profit motive, and may be less resistant to union demands; strike threats are more effective in the public sector because of the essential nature of public services; public sector employees have an additional tool that private sector employees do not have, namely they can exert political influence in addition to being able to strike; and public sector management cannot relocate or shift production in the event of a strike.

It should be noted, however, that South Africa’s burgeoning public service wage bill is not sustainable because of it could compromise economic growth, increases inflationary risks and may even harm the country’s job creation prospects (Pillay 2010).

Government’s endeavour to bring down inflation and stimulate economic growth is likely to come under pressure from the unions’ demands for above-inflation increases.

### 4.3 Rigidity of wage demands and high unemployment

This question sought to gain an understanding of the question whether wages were rigid and therefore not conducive to the creation of employment. The following are some of the issues that were raised in relation to wage rigidity:
• The employer is the one that seems to be rigid because our demands are more often than not reduced from the initial figure demanded to accommodate the employer. The budget is also determined unilaterally without input from labour. So, who is rigid?

• The current remuneration structure is problematic and must be reviewed to address such shortcomings. The difference between the highest paid and the lowest paid workers must be reduced. This is not being rigid – it is a realistic concern. Anyway, we always reduce our wage demands from the initial pitching level.

• This could be viewed as a form of blackmail by the employer because our demands are influenced by a broader social question. If workers do take wage cuts these cuts should be implemented across the board and should also affect private sector and public representatives. Hiring of new employees cannot be at the expense of wage cuts.

• There is a need to be rigid, but we also take note of the importance of the availability of money for other services such as free education and we do not want to see our wage demands crowding the budget. We are also conscious of the need to improve service delivery. However, we won’t concede to all the demands of the employer.

From the findings above, public sector unions seem to be rigid at times, mainly because of the non-implementation of previous agreements by government. Another factor that complicates the equation may well emanate from the fact that broader social concerns seek to include other societal factors in the bargaining process. 

Pillay (2010) notes that recent data from the Reserve Bank suggest that the public sector wage bill has been increasing by an average of 6.3% above inflation every year from 2002 to 2008, a progression which economists suggest is unsustainable and which may be “crowding out” other long-term investments that could trigger employment.

4.4 Union objective in relation to pay

This question was aimed at establishing whether unions consider other concerns or factors in determining wage demands. The following are the main factors that influence union objectives in relation to pay:

• We look at increases from a social point of view. However, we need to get as much as possible to improve our members’ pay. Our pay bargaining behaviour also takes into consideration the question of job security, decent work and a living wage.

• There are many public sector summit issues that occupy our minds when dealing with employees’ demands. These include: termination of labour brokerage as labour brokers are seen to be the main drivers of “casualisation” of labour as opposed to the provision of full-time employment; the fragmented public service with a lack of synergy and cohesion between different bodies; the outsourcing of certain functions, which is also problematic because some of these functions could be performed internally by government and this could bring many people into employment; the fact that government employees cannot afford bonded houses, which are above their means, and are not allowed to own low-cost houses. There should be a shift in policy to enable people to acquire properties such as low-cost houses.

Research has shown that the lowest paid employee at a company will receive 80 times less than the highest paid employee in terms of remuneration (Bussin & Lee 2009). However, the authors argue that a continual request for above-inflation increases would be detrimental to the working class because the employer would simply increase the
price of goods/services by the amount of the increase (Bussin & Lee 2009).

There are also several issues that are a bone of contention between the unions and employers, such as the issue of labour brokerage, outsourcing and casualisation. Labour brokerage and casualisation are seen as being responsible for driving down workers’ wages and conditions of employment. According to the respondents, labour brokering is the opposite of decent work creation because labour brokers do not create any jobs but sponge off the labour of others and replace secure jobs with temporary and casual forms of employment.

Outsourcing is another issue that seeks to weaken trade unions because certain functions that could be performed internally by the three spheres of government are given to private companies within which unions may have little control. Elimination of outsourcing could see many more people brought into employment, thus strengthening trade unions and increasing their bargaining power.

Unions should consider the threat brought about by high labour costs because this may result in a lack of funds for service delivery. According to Milkovich and Newman (2008), unions have to be much more receptive to alternative reward systems that link pay to performance. Unions should consider the knock-on effect of wage demands, such as inflation, when tabling their demands (Bussin & Lee 2009).

4.5 **Benchmarking of employees’ salaries and wages**

This question was aimed at establishing the extent to which wage demands are benchmarked and thus research based. The following is a summary of the responses to the question of benchmarking:

- We look at settlements in other sectors and institutions such as SALGBC as well as the private sector and the general market movements. We also research similar positions in the market with regard to job evaluation and career path issues. We would often undertake comparative studies with other countries.

- We do benchmark our wage demands and consider the gap between the highest paid and the lowest paid workers. The internationally accepted Gini index is normally used as a form of benchmark.

- We use previous agreements to look at outstanding matters and this helps us to decide on our wage demands.

- We look at issues that include career paths, progression and linking progression to performance as well as attracting quality recruits and retaining professionals.

From the discussions above it is apparent that some form of benchmarking is performed to ensure that demands are based on research. However, the main form of benchmarking is still the rate of inflation, which public sector unions see as being exclusive of other factors such as the cost of mortgages. Improvement in the quality of education would also go a long way towards improving salaries and increasing productivity and thus producing employment mobility (Manuel 2011).

Career progression and succession planning could also be used to encourage members to stay in government departments without necessarily relying on immediate wage demands but instead concentrating on personal growth.

4.6 **Fair and equitable remuneration policy**

This question was aimed at establishing what a fair and equitable remuneration policy would be for the employees. The following are some of the key issues in the realisation of a fair and equitable remuneration policy:
• Equal pay for work of equal value. A fair and equitable remuneration policy would enable our members to earn a living wage, have access to a medical aid facility, decent living conditions and good transport systems and would address the needs of the people.

• A policy that is biased towards middle and lower income workers. High income groups often get performance-related increases that are not available to low-income earners.

• The issue of a total remuneration package would also address the issue of a fair and equitable remuneration policy.

• Alignment of salary structures within the public service would ensure that a fair and equitable remuneration policy is realised. Members would often relocate from one province to another to do the same job but with a better salary and benefits.

The above findings indicate that public sector unions regard a fair and equitable remuneration policy as an enabler to afford employees an opportunity to live a decent life. Employees believe that issues such as access to equitable medical aid, a good transport system and affordable housing coupled with decent pay would make for improved living conditions.

According to Armstrong and Murlis (2007), a fair and equitable remuneration policy should see the alignment of a reward strategy with a business strategy or organisational goals. This demonstrates the importance of the participation of employees in the setting of organisational objectives and goals. In support of this notion, Milkovich and Newman (2008) note that the greater the alignment or fit between the organisation and the reward system, the more effective the organisation. A fair and equitable remuneration policy improves the ability of an organisation to reward and retain high performers while making better forward-looking investments in critical talent (Risling 2009).

Another way of addressing the remuneration policy might be through the adoption of the total reward concept. This concept has some benefits, as highlighted by Armstrong (2007), such as improved employees’ perception of the value of their reward package, increased organisational performance through greater workforce commitment and motivation, and improved recruitment arising from a quantified total employment package. The total reward concept also supports the objective of becoming an “employer of choice”, promotes flexibility in pay delivery, reallocates reward to match individual employee needs and helps manage costs and maximise the return on the investment in human resources.

Furthermore, what may be required is a debate on whether salary negotiations should take other important policy considerations into account. These include the need to link wage growth to productivity or service delivery, an assessment of unit costs of government labour in relation to trends in the rest of the economy and, most importantly, an analysis of the impact of a high wage bill on employment policy (Pillay 2010).

4.7 Addressing the so-called apartheid wage-gap

This question was aimed at establishing the so-called apartheid wage gap and determining what measures could be implemented to address the wage gap. The following is a summary of the issues that could address the wage gap:

• The wage gap could be addressed by a sliding scale increase which is biased towards the lowest paid. The sliding scale should, however, not be used to the
detriment of employees in general because this might lead to the public service losing members to the private sector as a result of lower salaries. A review of the remuneration structure of government should be conducted and implemented because the current system is perpetuating the huge wage gap.

• Racial bias in the determination of wages should be eliminated otherwise white people will continue to earn more than other races.

• The total cost of employment regime should be considered so that the entire package is considered and not only the basic salary.

• From the above findings it is clear that current salary scales demonstrate an "apartheid era" wage gap and cannot be used to support a family because the bulk of the salary goes towards transport owing to the unaffordability of houses in the suburb/area close to the workplace.

According to Ndungu (2007), employees want pay progression to be de-linked from job performance, medical aid contributions to be increased and workers should not be compelled to join the government medical aid scheme. Ndungu (2008) further notes that in order for the wage gap to be closed or reduced it is imperative that the country’s skills crisis should be addressed.

Salary conditions in the public service are in need of substantial revision, as demonstrated by the government’s intention to improve and adjust the salary packages of key personnel to market conditions (Hassen 2009). This, Hassen (2009) argues, would potentially improve prospects for current workers with highly portable skills to remain in the public service as well as improve the prospects for young adults to enter training in jobs focused on the public service. Another way of addressing the wage gap is by applying a differentiated wage increase where low wages are raised by a higher margin than the across-the-board increases (Ndungu 2008). On the other hand, Bussin and Lee (2009) argue that it is possible to flatten the pay slope and return to a more equal income distribution in South Africa through continuous training and development and the generation of new skills and talent to combat the issue of skills scarcity and provide workers with more bargaining leverage through the restoration of workers’ rights to form a union and enjoy freedom of speech.

Furthermore, education becomes a priority because it enables people to secure jobs, access the housing market, commit less or no crime, all of which have a positive effect on productivity that may result in higher salaries and wages for all (Bussin & Lee 2009). In support of this view Thomson (2010) argues that another way of addressing the wage gap could be to move away from dependence on unskilled and semi-skilled labour since skills that are in short supply command a premium in the labour market and thus increase the wage gap. Manuel (2011) also suggests that the quality of schooling should be improved since this will lead to increased wages, higher productivity and increased social mobility.

4.8 The living wage

This question was aimed at establishing the considerations relating to the living wage and the important factors involved in achieving a living wage. The following is a summarised account of union attempts to close the wage gap:

• A living wage campaign is aimed at alleviating poverty in communities by bettering the working conditions of the working class.

• The issue of housing is a major challenge and the promotion of home ownership using various models should be looked at.
The living wage equation can best be addressed by the total cost of employment regime, including issues such as private and public medical aid equalisation and housing subsidies. A living wage would enable our members to afford: school fees for their dependants, university fees as not everyone would qualify for a bursary, medical aid to keep families healthy, basic foodstuffs to keep families nourished, bonded houses as they do not qualify for low-cost houses, and a general improvement in the basic living conditions of our members.

Manuel (2011) suggests that factors that push up the cost of living for families include limited access to affordable food and to high-quality public services. Therefore, in the context of low household incomes, reducing the cost of living must be addressed as part of national planning (Manuel 2011). On the other hand, Pillay (2010) suggests that reinvigorating the public service, and reconstituting the relationship between performance and reward, may go some way towards striking a balance between the demands of workers and the imperatives of government.

4.9 The budgeting process
This question was aimed at establishing the role that unions could play in the budgeting process. The budgeting process and the role of unions in budgeting are highlighted below:

- Participation in the decision making process is a key issue because we would be in a position to influence the process. The budgeting process is not linked to the wage bargaining process and our input is very limited; therefore lobbying by members often supersedes involvement in the budgeting process. Although there is an agreement on the timing of the wage negotiations to influence the budget, the employers drag their feet and are always not ready.
- At the municipality we are afforded an opportunity to submit our wage demands well in advance, before local government finalises their budget. However, our input is normally not incorporated into the final budget and the final budget would be different from our initial demand.
- Labour is often at a disadvantage because of the disjointed processes where wage bargaining follows budgeting. Labour should take advantage of the relationship that exists between government and labour to synchronise these processes. From the above findings it is apparent that input into the budgeting process is of paramount importance since it would ensure that workers’ voices are heard. The process of wage bargaining should precede the actual budgeting process to ensure an all-inclusive process and a reduction in the tension related to wage bargaining. There appears to be an anomaly in terms of collective bargaining because the employer does not seek the input of trade unions when doing the wages/salaries budget. Negotiations for wage increases often take place after the budget has been finalised without any input whatsoever from the trade unions. The best case scenario would be for the PSCBC and SALGBC to reach an agreement before the finalisation of the budget and for that agreement to inform the budget in terms of the wage bill. Employee representatives should, therefore, be part of the budgeting process as this could alleviate the tension that seems to accompany wage bargaining.

It is of the utmost importance to gather accurate, comparable salary information and discuss with staff how the company makes its salary budget decisions so that it can remain financially secure for years to come. A further advantage is that this helps to educate staff at the same time. Ndungu (2007) notes that workers are now demanding a bigger say in both what they want to be paid, and in the way they should be able to exercise their constitutional right to strike.
Bussin and Lee (2009) believe that the only way for unions to continue bargaining for employees is for them to make inputs into the decision-making structures such as the remuneration policy decisions. This raises the issue of involvement of all key stakeholders in setting organisational goals.

5 Recommendations
Based on the research, it is clear that more work must be done to strengthen the relationship between government as an employer and public sector trade unions. It is further recommended that remuneration policy should be revisited to ensure harmony between all spheres of government and private sector trends.

Pillay (2010) suggests other important policy considerations that should be taken into account, including:

• Linking wage growth to productivity or effective and efficient service delivery
• The impact of a high wage bill on service delivery, investment in other priorities and high unemployment
• The unit costs of government labour in relation to trends in the rest of the economy

Career progression and succession planning could also be used to encourage members to stay in government departments without necessarily relying on immediate wage demands.

Finally, consideration should be given to reward management in relation to improvement in the efficiency and effectiveness of the public service and its overall quality.

6 Conclusion
The primary purpose of the study was to determine the drivers of wage demands by public sector trade unions. A modernist qualitative approach was adopted for the study, which entailed qualitative interviews.

The main finding was that it is apparent that drivers of wage demands and the quest to better the lives of the working class are of paramount importance to trade unions. It is also evident from the research findings that the key is to maximise employees’ pay without much consideration for economic conditions. This is the result of the perceived continuation of apartheid era wages, which are skewed in favour of the rich and top management.

Garrun (2011) has reiterated the need for successful wage negotiation through knowledge because if wage negotiations are based on independently gathered, reliable facts this would better serve the cause of the unions.

6.1 Limitations of the research
There were very few resources and references available regarding the drivers of wage demands in the public sector on which the research could rely. Our attempts to get other organisations to participate in the study did not bear fruit because the target organisations did not respond to our requests. This research was carried out within a few public sector unions and may not be generalised to represent South African trade unions in other sectors.

6.2 Future research
A limited amount of research has been done on the drivers of wage demands in the public sector and this could be addressed by future research. There are other areas in
the public sector that could be addressed by future research, such as the following:

- What are the best reward strategies that could be employed in the public sector to enhance service delivery?
- Is there any link between high wages and effective service delivery in the public sector?
- How do South African sector public sector salaries compare with those in other developing countries?

It is recommended that future research be carried out to address these crucial issues of concern within the South African public sector.

**List of references**


Trade Union Congress. 2009. The union advantage: The positive impact of trade unions on the economy and British society. Trade Union Congress.
