



NAVIGATING THE STORM: WHY CENTRALISED COLLECTIVE BARGAINING IS WORTH SAVING IN 2027

Collective bargaining does not take place in a vacuum; it is woven into the very fabric of our broader socio-economic reality. As we prepare for the 2027 Main Agreement Wage Negotiations, we must confront a sobering truth: South Africa's manufacturing sector is sliding deeper into crisis. Industrial operations are currently buckling under severe policy uncertainty, unreliable logistics, volatile supply chains and skyrocketing municipal tariffs.

At the heart of South Africa's economic stagnation is a vicious cycle: too few people work because there are too few jobs – a direct consequence of a lack of corporate hiring and stagnant fixed investment. This inertia persists because the prospect of a meaningful return on investment has drastically diminished.

Today, more than 8.5 million people are unemployed in South Africa and the queues are lengthening by the day. When workers face deepening inequality and hunger, it creates the perfect recipe for unrealistic expectations at the negotiation table. This highly charged environment presents a red flag that industry leaders dare not ignore.

The Cost Realities of Modern Manufacturing

Critics frequently point to the wage rates contained in the Main Agreement as its primary disadvantage. However, in doing so, they overlook the long-term certainty, stability and industrial peace that the framework guarantees.

We acknowledge that these wage rates are high – particularly for employers who operated outside the scope of the agreement for a decade or more prior to the gazettal and extension of the 2021/ 2024 deal. This is especially true when compared to the National Minimum Wage of R30.23 per hour.

While detractors argue that the centralised collective bargaining model protects an outdated, expensive system, we must look objectively at the numbers. Labour is undeniably expensive, particularly at the lower end of the wage curve.

As of July 2026, the rate for a Rate H General Labourer stands at R70.95 per hour. This brings the Total Cost to Employment to approximately R16,000 per month. When compared to the NMW baseline of R30.23 per hour (approximately R5,000 per month), the structural gap is stark.

Steel and Engineering Industries Federation of Southern Africa (SEIFSA)

Directors: E Monage (President), T Chibanguza* (CEO), L Trentini*, M Naidoo, B Ledwaba, H Kassel, N Skjoldhammer, E Volschenk, P du Plessis, T Tsehlo, J Strydom, H Aucamp

* Executive Directors

Head office: 011 298 9400 / info@seifsa.co.za

42 Anderson Street Metal Industries House 6th Floor, Marshalltown, Johannesburg, 2001

www.seifsa.co.za



Furthermore, centralised agreements add an approximate 40% premium to base minimum rates due to mandatory statutory and social security provisions, many of which apply whether or not a company is covered by the Main Agreement:

<u>Main Agreement / Social Security Provision</u>	<u>Cost to Company (% of Base)</u>
Pension / Provident Fund Contributions*	8.50%
Leave Enhancement Pay	8.33%
Annual Leave (15 days)*	6.41%
Public Holidays*	5.13%
Paid Sick Leave (30 days per 3-year cycle)*	4.27%
Additional Annual Leave (5 days on 4th cycle)	2.14%
Family Responsibility Leave (3 days)*	1.28%
COIDA / WCA*	1.15%
UIF*	1.00%
Skills Development Levy*	1.00%
Sick Pay Fund*	0.09%
Total Additional Cost Premium	39.03%

Note: * applies to all employers

Given these high baseline operational costs, manufacturing alone is clearly not going to be the silver bullet required to solve South Africa's broader unemployment crisis.

The Illusion of the Alternatives

Does centralised collective bargaining still have a role to play? Detractors would like nothing more than to see the system collapse, yet they routinely fail to offer a single workable alternative.

Interestingly, our loudest opponents object vehemently to the extension of these agreements to non-parties. Yet, they consistently dip in and out of the system when it suits them, quietly enjoying the blanket of protection, commercial certainty and industrial peace that SEIFSA provides.

The empirical data thoroughly debunks the myths spread by critics:

- **The Exemption Myth:** Opponents claim that securing an exemption from the agreement is nearly impossible. The data proves the exact opposite: the system provides genuine, accessible relief for struggling employers.
- **The Growth Factor:** SEIFSA has achieved steady, significant membership growth over the last three years (2024 to 2026). This consistent expansion – even while awaiting the gazettal of the 2024/2027 Main Agreement – demonstrates that employers highly value the security and compliance of operating within the federation's framework. The member associations have steadily strengthened their numbers over the last three cycles:

June 2024: 1,010 Employers | 139,419 Employees

June 2025: 1,168 Employers | 141,295 Employees

June 2026: 1,267 Employers | 150,251 Employees

- **The Power of Representation:** SEIFSA Associations represent 58% of all employees employed by all Employer Organisations on the Bargaining Council. Our closest competitor represents just 22.4%.

The Road to 2027: Threats and Opportunities

The 2027 negotiation landscape will be fluid and highly fractured. We anticipate intense friction due to a divided employer caucus, where SEIFSA and PCASA stand apart from NEASA, CEO, and the SAEFA. We also face ongoing, legal challenges from NEASA aimed at setting aside historical collective agreements.

However, SEIFSA holds distinct strategic advantages going into this cycle:

- We maintain highly professional, mature relationships with a united trade union caucus.
- Our experienced leadership team has successfully steered the sector through multiple rounds of complex negotiations.
- Recent history proves that conflict is not inevitable; NUMSA recently signed peaceful, three-year deals across the Automotive, Motor, and Tyre Sectors.

Our primary objective for 2027 is to replicate the steady, predictable outcomes of the 2021/24 and 2024/27 cycles. We must secure wage increases that align realistically with prevailing inflation levels, without resorting to disruptive industrial action. Preliminary discussions have already commenced to lay the foundations and groundwork for a soft-landing next year.

Conclusion: Choosing Predictability Over Chaos

We face an environment where public service delivery is under severe strain, trade unions are proliferating across our sector and political parties are increasingly venturing directly onto the shop floor. In this context, the role of employer organisations to provide expert, mature industrial relations advice is more critical than ever before.

The choice for employers is simple. Will vital industrial relations matters be managed within a structured legal framework built on compliance, regulation and collective protection? Or, will they be fought out at an individual shop-floor level in an atmosphere increasingly laden with tension and anxiety?

Negotiations in 2027 will undoubtedly take place against a harsh economic backdrop. Any settlement reached must be fiercely realistic and informed by the actual survival state of the industry. Throughout this process, our narrative will

remain unashamedly focused on industry sustainability, competitiveness, growth, and job retention.

To the naysayers calling for the dismantling of the current framework, we must ask: who actually stands to gain if this system is torn down?

Despite its flaws, our centralised collective bargaining framework offers vital continuity, predictability and stability. Discarding it for an unproven, fragmented alternative introduces unacceptable volatility and risk to an already fragile sector.

In these turbulent times, stability is an asset we simply cannot afford to lose.

Lucio Trentini

SEIFSA Executive Director and Head of Collective Bargaining

SEIFSA is a national Employer Federation representing 16 independent Employer Associations in the Metals and Engineering Industries, with a combined membership of over 1 300 affiliated member companies, employing over 150 000 employees. The federation was formed in 1943 and its member companies range from micro-enterprises employing fewer than 50 people to giant steel-making corporations.