

Some FACTS surrounding the Construction Strike - 2009

With the current global crisis investing in infrastructure has been framed as a way for governments to spend itself out of a crisis. And while many countries have only now included infrastructure investment as a stimulus package to carry countries through recessions, South Africa has been spending consistently since 2002. Indeed, the current expenditure rivals anything that the former apartheid government had done before. The South African government committed itself to spend some R372bn from 2006 to 2009 in its infrastructure development programme and it has also committed some R30bn or \$4bn for the 2010 World Cup. The infrastructure spend will continue and public spending is set increase further to R787bn over the next three years. This massive investment of public funds is going to be of direct benefit to the construction companies who will be contracted to build our water, electricity, housing, health, roads, buildings, stadiums, rail and ports infrastructure.

Construction workers on the other hand, regardless of wether there is boom or bust are experiencing poor working conditions through poverty wages, vulnerable employments through sub-contracting and labour broking and a lack of health & safety at the workplace.

A boom in profits

Large construction companies have been the greatest beneficiaries of the construction boom. Firms have not benefitted equally, with the majority of smaller emergent firms being marginalised from ever winning a major contract. A tiny minority of registered contractors (about 0,2%) tend to win the lucrative government tenders.

The construction companies involved in the 2010 World Cup are part of the minority of construction companies who are taking the lions' share of most of South Africa's major construction projects. We have also added some of the indirect beneficiaries such as construction materials producers.

| Company Name | PBT 2007 ZAR ' millions | PBT 2008 ZAR ' millions | % Increase |
|----------------------------------|-------------------------|-------------------------|------------|
| Aveng | 7953 | 3321 | -58% |
| Basil Read | 164 | 296 | 80% |
| Cashbuild | 192 | 245 | 28% |
| Group Five | 373 | 666 | 79% |
| Murray & Roberts | 1284 | 2558 | 99% |
| Pretoria Portland Cement Company | 2194 | 2266 | 3% |
| WBHO | 446 | 1081 | 142% |

An analysis of the construction sector company performance indicates an enormous *increase* in profit before tax (PBT) earnings. Despite the drop in profit by Aveng, taken over a long term view the graphs provide a dramatic increase in profits since the World Cup bid was won by South Africa in 2004.

Average increases in construction company profits in R'million 2005-2008

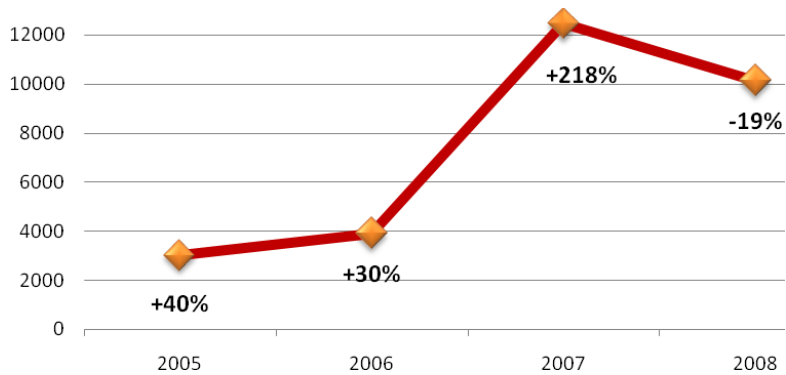


Figure by Labour Research Service

Together the salaries & bonus of the CEO of Murray & Roberts, increased by 15% totaling R10, 3million. But if we include his long term award the amount he received was R37.4million in 2008. This is besides the R90 million he received in 2007. The CEO of WBHO, package increased by 55% totaling R7, 2million for the 2008 financial year!

Poverty Wages

The South African construction sector is not only experiencing greater inequalities in terms of incomes between the rich and poor. It is also experiencing inequalities between workers even though they are doing the same work, since South Africa's construction sector is divided into a **civil engineering sector** and a **building sector**.

The current minimum wage of R14 per hour for a general worker within the civil engineering sector for a 43,2 hour week amounts to R604.80 per week or R2618.78 per month. The current minimum wage for a skilled artisan in the civil engineering sector is R30.15 per hour or R1302.48 per week or R5639.74 per month.

Some general workers in the building industry earned as low as R6.68 per hour in 2008. That amounts to R300.60 per week or R1301.60 per month. Skilled artisans in the building industry could earn as low as R14.10 per hour or R634.50 per week or R2747.39 per month in 2008 – half of that in civil engineering sector. Taking a conservative estimate of a living wage of R3000 per month by implication means that the vast majority of construction workers receives an income well below a living wage and is therefore poverty wages.

Construction workers are not able to move out of the poverty wages. While receiving a wage increase of 8 % last year the average inflation rate for 2008 was 11,5 %. This means that workers can afford less goods despite an increase in income. With the cpi at 8% (May 2009) food inflation is at 12.1% and public transport at 14.6%. The demand by striking workers for a 13% increase in wages is completely reasonable.

This is why the national strike for Decent Work in the construction sector becomes an important vehicle to challenge the construction bosses so that workers can have a fair share of the profits they create and to improve working conditions.

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