The Economic Climate for 2027 and Main Agreement Negotiations – What Can We Expect?

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Context

- Collective bargaining does **not** take place in a ***vacuum*** – it is part of the broader socio-economic fabric of society.

- **However**, at the ***heart*** of our socio-economic problem is: too few people work, because there are too few jobs, because there are too few companies to hire workers, because there is too little investment taking place, because there is too little prospect of a ROI and that is because SA's manufacturing sector is sliding deeper into crisis.

- The sector is buckling under a **combination** of policy uncertainty, unreliable logistics, power interruptions and rising municipal tariffs.

- More than 12 million people are **unemployed** in South Africa, with unemployment queues lengthening by the day.

- The consequences are **dire** and the knock-on effects on collective bargaining are unavoidable.

- Workers in general are getting **poorer** and poverty, unemployment, inequality and now hunger are the **perfect** ingredients for raising and tabling unrealistic expectations and demands.

- As we gear up to face the 2027 round of Main Agreement negotiations the collective bargaining environment presents a **red flag** that we cannot ignore.

Taking stock

- **Not** everyone is a supporter of the collective bargaining model.

- Many **detractors** would like nothing more than to see its ***collapse*** but struggle to come-up with a convincing alternative workable model.

- The **reality** is that despite on-going criticism, delaying tactics, obstruction and legal challenges collective agreements continue to be concluded:

  - 2024: Dispute Resolution Agreement
  - 2024: Registration and Administration Expenses Agreement
  - 2024: Three-year Main Agreement
  - 2025: Three-year Plastic Agreement
  - 2025: Five-year Pension Fund Agreement
  - 2025: Five-year Provident Fund Agreement
  - 2025: Five-year Sick Pay Fund Agreement

- Gazettal and extension of collective agreements **continues** to be a challenge.

- Having lost in the Labour Court, Labour Appeal Court and Constitution Court, NEASA **persist** in its challenge to have the 2021/24 Main Agreement set-aside.

- NEASA’s review application against the Minister of Employment and Labour will be heard in the course of 2026 and SEIFSA and the trade unions will once again be present.

Taking stock   cont.

- It is interesting to note that whilst our **loudest** detractors object violently to the conclusion and extension of collective agreements, they have **no issue *dipping-in and out*** of the collective agreement under the **blanket** of protection, security, certainty and industrial peace we provide.

- Of greater interest is the significant **growth in membership** we have seen in 2025 and 2026 in an environment where the 2024/2027 Main Agreement is still not gazetted.

- Often the **point is missed** that agreeing to pursue extension is an important **key** in reaching agreement with unions and it serves the unions far more than the SEIFSA membership – which in any event have the security of opting to apply for **exemption** to apply for relief or for example, to work excessive overtime.

- Another ***urban legend*** is that applying for and receiving an exemption is almost impossible – the truth is exactly the **opposite** and the stats back this up.

- Collective bargaining is ***not*** a perfect model, far from it - but with an industry as big as ours, with the ***proliferation*** of trade unions we've seen in recent years and workers becoming increasingly restless – the real question is – **do you want to be inside or outside the collective bargaining framework?**

Threats

- **From a collective bargaining point of view:**
  - Difficulty in uniting the employer caucus – two camps SEIFSA, PCASA vs. NEASA, CEO and SAEFA.
  - Objections to the extension of agreements to non-parties.
  - Rising worker expectations in the context of deepening inequality.
  - Pressure to deliver at above inflation.
  - Dangerously high unemployment.
  - Worsing management/ worker relations on the shop floor.
  - Resorting to litigation, strike action and accompanying violence.
- As we prepare for 2027, ***talks-about-talks*** have already commenced as we begin laying the **groundwork for a soft landing in 2027**.

Opportunities

- **From a collective bargaining point of view:**
  - Professional relationship with all the trade unions.
  - A united trade union caucus.
  - Strong leadership team on the side of SEIFSA – built on many rounds of negotiations.
  - Well established mandating and feedback structures that will not delay settlement.
  - SEIFSA historically has lead negotiations and will be doing likewise in 2027.
  - Managing the spoilers will be important.
- **The tactics and strategy used in 2021/24 and refined in 2024/27 will set the roadmap to settlement come 2027**.

Total cost to employment

- Third leg of the 2024/ 2027 main agreement awards increases ranging from 5% @ Rate A to 6% @ Rate H (average 5,5%) on **Rands/ cents**

- TCTE includes:

Main Agreement / Social Security / Skills Development Provisions	Cost to Company
Annual Leave (15 days)	6.41%
Additional Annual Leave (5 days on fourth time of proceeding on leave)	2.14%
Leave Enhancement Pay	8.33%
Paid Sick Leave (30 days in a 3-yea Please see below and attached. The Court made an error regarding the date. The matter is now scheduled to be heard on **30 September 2026**, and no longer on **23 October 2026**. The advocate and I are available and are attending to the necessary arrangements. **r cycle – effectively 10 days per year)**	4.27%
Sick Pay Fund	0.09%
Family Responsibility Leave (3 days)	1.28%
Public Holidays	5.13%
Pension / provident fund contributions	8.50%
COIDA / WCA	1.15%
UIF	1.00%
Skills Development Levy	1.00%
Total additional cost to company	39.03%

- Excluding: Administration Levy (R9.75 p/m), Dispute Levy (R3.46 p/m), PPE Compliance etc.

Approximate TCTE = Min Rate plus at least +40%

Total cost to employment   cont.

- Labour is **expensive** – especially at the bottom end of the wage curve e.g. @ Rate H (General Labourer) rate p/h as at 1 July 2026 R70.95 p/h // TCTE approx. R16000 p/m vs. NMW as at March 2026 R 30.23 // TCTE approx. R5000 p/m.

- Clearly, manufacturing is not going to be the ***silver bullet*** to address the unemployment crisis facing our country.

Does Centralised Collective Bargaining therefore still have a role to play in our sector?

Numbers don't lie!

- The SEIFSA Associations represent **56,9%** of all employees employed by all the employer organisations on the Bargaining Council i.e., NEASA, SAEFA, CEO, PCA(SA), FEOSA and SA(UEO).

- By way of comparison our closest competitor, NEASA represents **21,5%** of all employees employed by all the employer organisations on the Bargaining Council.

- The Trade Unions party to the council represent **53,2%** of all employees employed by all the employer organisations on the Bargaining Council.

Who stands to gain and who stands to lose should the CB framework be dismantled?

Prospects for an early settlement

- **2027 Main Agreement Negotiations:**
  - The socio-economic environment whilst definitely **not** good for SA Inc. could be a positive or negative from an industrial relations point of view.
  - We've seen NUMSA sign three-year deals in **Auto** (7, 5.5, 5.5) **Motor** (6, 5, 5) **Tyre** (5.5, 5, 5) – all without having to resort to industrial action.
  - At Eskom NUM and Solidarity signed at 7, 7, 7 – NUMSA is in dispute at the CCMA.
  - **Inflation?** Jan 3.5% - May 4.5% - will CPI stabilise or continue to trend upwards (5%)?
  - **Unemployment** - with 40% to 41% unemployment levels – will there be the propensity to resort to strike action?
  - **Leadership** through the SEIFSA MA Negotiatimg Team will be ***key*** and must drive, lead and maintain control over the process.
- Can we repeat the deals concluded in 2021/24 and 2024/27 in 2027 i.e. **increases at prevailing inflation levels, on minimums and without industrial action?**

Closing comments

- The collective bargaining landscape is ***fluid*** and will change between now and 2027.
- It's highly likely that negotiations in 2027 will take place against a mostly negative and difficult economic and business environment.
- Any settlement reached – **and there will be a settlement** – must be ***realistic*** and informed by the state of the industry at that point in time.
- Our ***narrative***, will be informed by industry survival, sustainability, competitiveness, growth and job retention.
- One can **never** discount the prospect of strike action ***nor*** the threat of litigation.
- Finally, and in response to the ***naysayers***, who continue to call for the **collapse** of the centralized collective bargaining model:

Despite its flaws, our current CB framework offers continuity, predictability and is manageable.

Discarding it for an unproven alternative introduces unacceptable volatility, risk and could yield unintended negative consequences.

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