

## Theme: Labour Market

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### Strikes

#### 1. What are the major issues you have identified about the manifestations of structural poverty and persistent, deep inequalities in your focus area?

The South African economy is no stranger to strikes. Due to the importance of organised labour in political resistance, strike action played a critical role in the move towards democracy and it remains a feature of labour movements today (Bhorat, Naidoo & Yu, 2014). At one level wage inequality underlies workers' motivation for striking, where extreme earnings differentials exist among workers and management. At the same time, the persistence of poverty, increased cost of living, and a flat-lining of the primary sector all serve to increase strike activity in the country.

The frequency of strike action – measured by the absolute number of strikes – has decreased since the early 2000s but this measure belies a resurgence of labour unrest in particular years that shows up when looking at the number of workers involved in strikes. When more sophisticated measures are used to gauge strike activity, it is clear that striking remains an important feature of the labour relations landscape. Indeed, labour relations have taken on a different complexion in the post-apartheid period as the socio-political dynamics of the country have changed. By 2015 the wage Gini coefficient had reached 0.69, one of the highest

### About this brief

This brief was commissioned by the Mandela Initiative to help inform a synthesis report on its work since the 2012 national conference, *Strategies to Overcome Poverty and Inequality*, organised by the University of Cape Town. The MI provides a multi-sectoral platform to investigate and develop strategies to overcome poverty and reduce inequality in South Africa. While the Nelson Mandela Foundation is a key partner, the Initiative has relied on collaborations between academics and researchers, government, business leaders, civil society, the church and unions.

The synthesis report serves as a framework for reporting on the work of the MI at a national gathering on 12 – 14 February 2018 at the University of Cape Town. The MI *Think Tank* has identified the objectives for the gathering as:

- to anchor the contributions of the MI within an analysis of the current South African political and economic context;
- to share the recommendations emanating from the MI-related work streams at a policy/strategic level to advance the goal of eliminating poverty and reducing inequality;
- to critically engage with the potential impact of the recommendations on eliminating structural poverty and inequality; and
- to discuss ways of promoting popular conversations and debate about what needs to be done to eliminate poverty and reduce inequality, beyond the MI.

The synthesis report aims to assist participants to prepare for the national gathering. The report drew on findings from the sectoral research projects of Think Tank members; the MI's *Action Dialogues*; a report on an MI *Community of Practice workshop* with research chairs from different universities to identify cross-cutting themes emerging from the MI's *research programme*; and the work programmes of others who have expressed an interest in contributing to the goals of the MI.

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measured levels in the world, and much of this more recent strike activity has been underpinned by workers seeking higher remuneration. Thus, despite the fact that the absolute number of strikes has fallen in the last two decades, it appears that when strike activity has become more intense. Strikes that have taken place in recent years are longer and deeper and in absolute terms we estimate they have cost the economy between 0 and 0.7 per cent of real Gross Value Added.

In addition to examining trends in strike activity it is important to untangle the different ways in which strikes are measured and understood in South Africa, which impacts on both local and foreign assessments of the economy. When strike activity is publicised in the media, the perception is frequently created that the South African economy is vulnerable to many wild-cat, violent, and protracted strikes. This presentation of protest action is often underpinned by the use of emotive photographs of striking workers and a reliance on anecdotes from workers and company executives – where the latter usually voice their concerns over possible job losses and the absolute revenue already foregone as a result of the strike. This sort of media coverage creates the informal notion that strike patterns and outcomes in South Africa may be a much larger challenge for the economy than strike patterns elsewhere. Ultimately, however, this approach lacks a measurable, well-documented set of facts on the nature and context of strikes both historically and at present. It also lacks any solid empirical foundation which provides some context or comparison for the figures being presented. A cross-country analysis shows that although South Africa's strike intensity ranks relatively high compared to other developed and developing countries, strike activity in South Africa is not an outlier internationally.

## **2. What do you think are the main reasons for the persistence of the deep inequalities and poverty in your focus area? These can include policy, capacity or implementation constraints/problems.**

There is a close link between poverty and inequality in the country, and the level of strike activity which is underpinned by these issues. These structural problems have a range of causes that are well-understood but difficult to address. Certainly, any attempt to reduce poverty and inequality needs to focus on the fundamental requirement of consistent economic growth as well as serious policy efforts to grow labour intensive sectors. In this regard the striking workers, who are employed, are closely linked in with those who are jobless. In addition, however, for the employed there is an urgent need for policy to make headway against the high levels of wage inequality, both across and within sectors and firms. At present, we find that strikes do appear to have a positive effect on nominal and unit labour costs (wages); suggesting that from a union perspective striking has been an effective strategy. At the same time however, strikes do introduce costs and we average estimate that the value of foregone production due to strikes lies between 0 and 0.7 per cent of GDP on average.

**3. What is being recommended at a macro policy/strategic level to deal with the major issues you have identified?**

Our analysis has shown that strikes can hinder growth in South Africa. Descriptive analysis has also shown that improvements in labour legislation coincide with a decline in strikes. We can infer from this that if workers feel protected by labour legislation, they are less likely to strike. Policy aimed at reducing the negative effect of strikes on the economy should target worker protection. Keeping this in mind, however, current labour legislation is relatively comprehensive in terms of worker protection and in dealing with labour market negotiations of various kinds, including strikes. In this regard, the major sticking point may be the enforcement of the existing legislation.

One new policy avenue that is being actively pursued and is linked to strike activity as it relates to wage demands is the national minimum wage (NMW), which if implemented effectively will help to tackle wage inequality and poverty on some level. The NMW forms part of a number of labour market policies designed to protect precarious and vulnerable workers, and improve the plight of those at the bottom of the income distribution. Further than this, there are some sectoral trends that we observe in the data which may be important. The mining, manufacturing and public sectors are responsible for the largest share of strikes and this should prompt the organised bargaining structures in these sectors to analyse whether negotiations could be improved.

**4. What do you think the potential impact of the recommendations will be on eliminating structural poverty and reducing inequality?**

Structural issues by their very nature require substantive and sustained progress in order to observe change. Ensuring that labour legislation is comprehensive and well-enforced is one step toward a more equitable labour market, as is the introduction of the NMW – and both would contribute to limiting strike activity to some extent.

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