

THE MANDELA INITIATIVE

Dialogue and action to overcome poverty and inequality

A summary of research undertaken for the Mandela Initiative, May 2017
Supported by the Department of Science and Technology and National Research Foundation

Examining the impact of strikes on the South African economy

Haroon Borhat, DST-NRF Research Chair in Economic Growth, Poverty and Inequality:

Exploring Interactions for South Africa; Derek Yu, Safia Khan and Amy Thornton;

Development Policy Research Unit, University of Cape Town

1. What is the project about and why is it important?

Workers' right to strike is considered a sign of a healthy democracy and free economy, since it balances the power of employees and firms through collective bargaining. South Africa has a strong history of strike action with it usually garnering heavy media coverage. However, South Africa's strike intensity is not an international outlier. Borhat, Kanbur & Mayet, (2012) show that over the period 1998 - 2008 South Africa's strike intensity was at 2.8%, similar to countries such as Denmark, Australia and Iceland, debunking myths that the country has an abnormal level of strike action. Similarly, an analysis of strike length and strike depth by the authors shows that South Africa's strike action is not much different from similar activity in other emerging economies. For instance, South Africa's percentage of strikers' workdays lost per year between 1999 and 2008 was smaller than that of Nigeria, the USA, Turkey, Brazil and India respectively (Bhorat, Kanbur & Mayet, 2012). While this may be the case, there is a lack of comprehensive economic evidence that has estimated the costs of strikes on the South African economy or the relationship between strikes and the business cycle. The aim of this project was thus to provide an overview of the historical impact of strikes on the South African economy.

2. What are the main research findings to date?

The frequency of strikes has decreased substantially from the beginning of 2000 as evidenced in the Figure 1 on the next page. The Department of Labour attributes this to the improvement of labour legislation in the early '90s with the setup of key labour legislation such as the Labour Relations Act and the Basic Conditions of Employment Act. These acts serve to protect workers and regulate the relationship between employers and employees. Although the frequency of strikes has decreased it appears that when they do occur, they do more intensely. Figure 2 shows that the number of days lost to strikes in the 90s was between one and four. The number of days lost in the 2000s reached as high as 10 days and even reached a maximum of 20 days in the civil servants strike of 2010.



THE MANDELA INITIATIVE

Dialogue and action to overcome poverty and inequality

A summary of research undertaken for the Mandela Initiative, May 2017
 Supported by the Department of Science and Technology and National Research Foundation

Figure 1: Number of strikes and individuals involved in strikes, 1970 – 2014

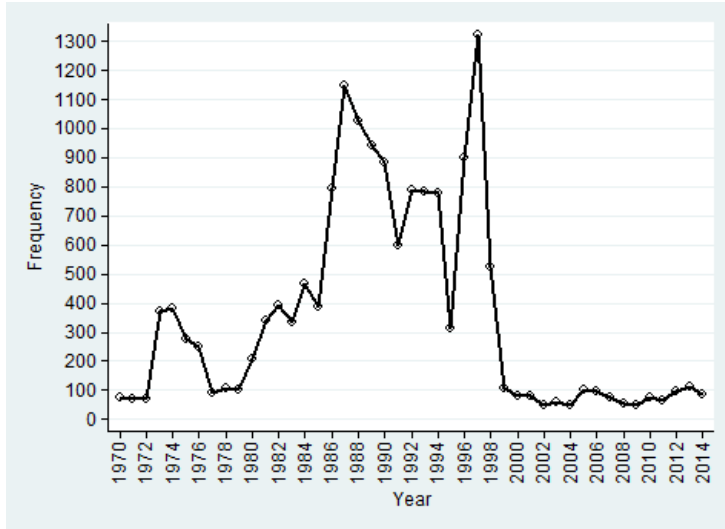


Figure 2: Total work days lost due to strikes, 1970 – 2014

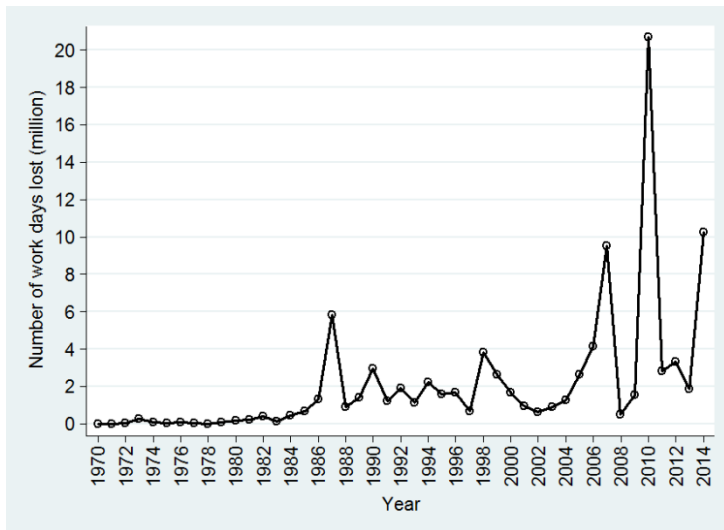


Table 1 below offers insight into which sectors are prone to strike action. Predominantly these have been mining and community services, which include civil servants each accounting for an average of a third of striking workers over the period 1999 to 2014. Years that stand out are 2010 for the civil servant strikes (falling into Community Services) and 2014 for the mining sector, in particular the platinum mine strikes.



THE MANDELA INITIATIVE

Dialogue and action to overcome poverty and inequality

A summary of research undertaken for the Mandela Initiative, May 2017
Supported by the Department of Science and Technology and National Research Foundation

Table 1: Industrial share of strikes, 1999 – 2014, selected years.

	1999	2005	2010	2014	Average
Share of Striking Workers					
Agriculture	1	1.9	0	1.7	1.4
Mining	11.6	41.5	1.1	62.9	30.2
Manufacturing	9.5	13.9	2.2	21.6	15.4
Electricity	0.1	0.1	0.3	0.7	0.8
Construction	2.2	1	0	0.7	3.1
Wholesale, retail trade	0.4	11.7	2.8	1.3	4.8
Transport	11.3	13.6	3.1	1	8.1
Financial intermediation	0	0.5	0.5	0.2	0.7
Community Services	63.8	15.8	90	9.8	35.5
<i>Total number of workers</i>	<i>555 435</i>	<i>399 291</i>	<i>1 191 813</i>	<i>118 566</i>	<i>371 007</i>

Table 2 on the next page presents the total value of production foregone as proportion of the gross value added (GVA): looking at the economy as a whole, this proportion was as low as 0.0082 per cent in 2008 but as high as 0.4973 per cent in 2010. As far as the results by industry are concerned, this proportion exceeded 1 per cent twice – mining industry in 2014 (3.0781 per cent) and CPS industry in 2010 (2.1230 per cent). Additional analysis that investigated real GVA growth with and without strikes showed that using the original real GVA figures as they are, there was positive real GVA growth in the mining industry in three of the 10 years under study. However, had strikes not taken place, this industry would have experienced positive real GVA growth in four years: instead of a negative growth of -1.41 per cent, the real GVA would have grown by 1.52 per cent in 2010 had strikes not happened.



THE MANDELA INITIATIVE

Dialogue and action to overcome poverty and inequality

A summary of research undertaken for the Mandela Initiative, May 2017
Supported by the Department of Science and Technology and National Research Foundation

Table 2: Total value of production foregone due to strikes as proportion of gross value added by industry (R million, 2010 prices), selected years

	2004	2007	2011	2014
Agriculture	0.01	0.00	0.02	0.00
Mining	0.24	0.11	0.74	3.08
Manufacturing	0.01	0.07	0.15	0.07
Electricity	0.00	0.00	0.00	0.03
Construction	0.00	0.01	0.01	0.01
Wholesale, retail trade	0.00	0.00	0.02	0.00
Transport	0.02	0.00	0.01	0.01
Financial intermediation	0.00	0.00	0.00	0.00
Community Services	0.06	0.64	0.15	0.01
Total	0.03	0.15	0.13	0.27

3. What is the significance of these findings?

These findings provide insights into the source of worker protections and how workers respond to increased or decreased protection. While South Africa's labour legislation was still in its infancy in the '90s, workers increasingly turned to strike action as a bargaining tool. Since then labour legislation in South Africa has become far more complex and extensive in its reach. This has been met both with a decline in the number of strikes and in the proportion of unionized members of the work force. That said, when workers do strike today, they do so more intensely and at greater time-cost to firms. The GVA cost to the economy was calculated as 0.4973 per cent at its maximum.

4. What are the wider policy implications of these findings?

Static 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 and to turn to unions for protection. Policy aimed at reducing the negative effect of strikes on the economy should target worker protection. That said, certain sectors are especially prone to strikes. These are civil servants and mining. Civil servants have a different wage-setting process to the private sector and therefore may feel the need to resort to striking more quickly. The history of the relationship between labour and the mining sector in South Africa has been contentious and in some instances, even bloody.

The publication of the study is forthcoming. For more on the Mandela Initiative research projects, see: www.mandelainitiative.org.za/research/research-areas-themes.html

