EXAMINING the IMPACT of STRIKES on the SOUTH AFRICAN ECONOMY

The right to strike is made up of a delicate balance between the power of firms and the rights of employees, and is considered a sign of a healthy democracy. South Africa has a strong history of strike action but there is limited empirical evidence on the costs of strikes on the local economy, and limited understanding of whether strikes move in the same direction as, or opposite to, business cycles.

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Strikes in the SA context

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 SA 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 and GVA cost to the economy.

What are the policy implications?

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.

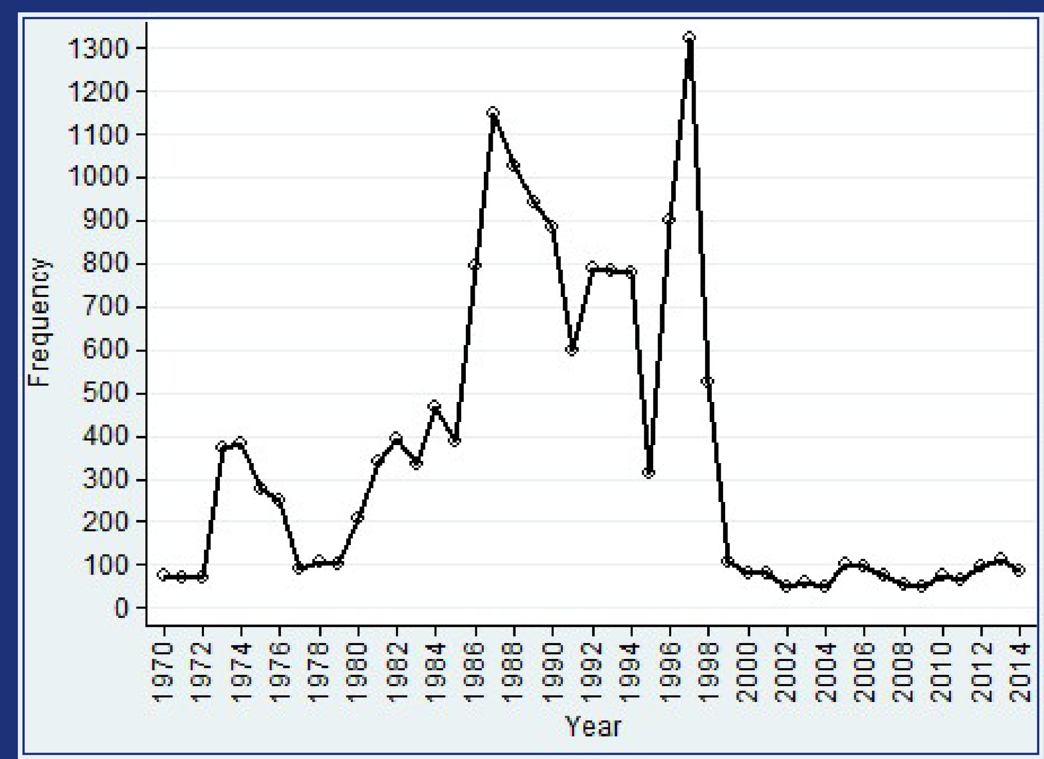
We can infer from this that if workers feel protected by labour legislation, they are less likely to strike and to turn to unions for protection. Policy aimed at reducing the negative effect of strikes on the economy should target worker protection.

Is SA an international outlier? Between 1998-2008, SA's strike intensity at 2.8% was similar to Denmark, Australia and Iceland, debunking myths that the country has an abnormal level of strike action.

In addition, SA's strike action is not much different from similar activity in other emerging economies e.g. the % of strikers' workdays lost per year between 1999 & 2008 was smaller in SA than that of Nigeria, the USA, Turkey, Brazil and India respectively.

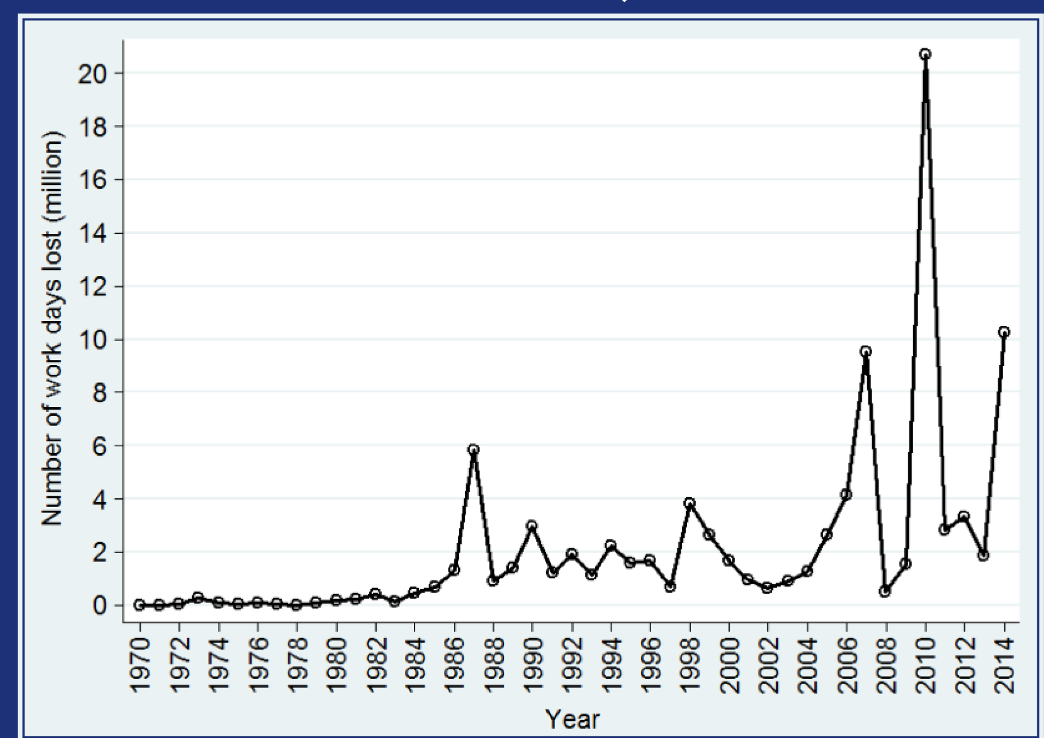
Strike Frequency has decreased substantially from the beginning of 2000. The Department of Labour attributes this to the setup and improvement of key labour legislation in the early 90s that serves to protect workers and regulate the relationship between employers and employees. (e.g. the Labour Relations Act and the Basic Conditions of Employment Act).

Number of Strikes, 1970-2014



Strike Intensity has increased: Days lost to strikes in the 90s numbered between 1 & 4. In the 2000s the number was as high as 10, reaching a maximum of 20 days lost in the civil servants strike in 2010.

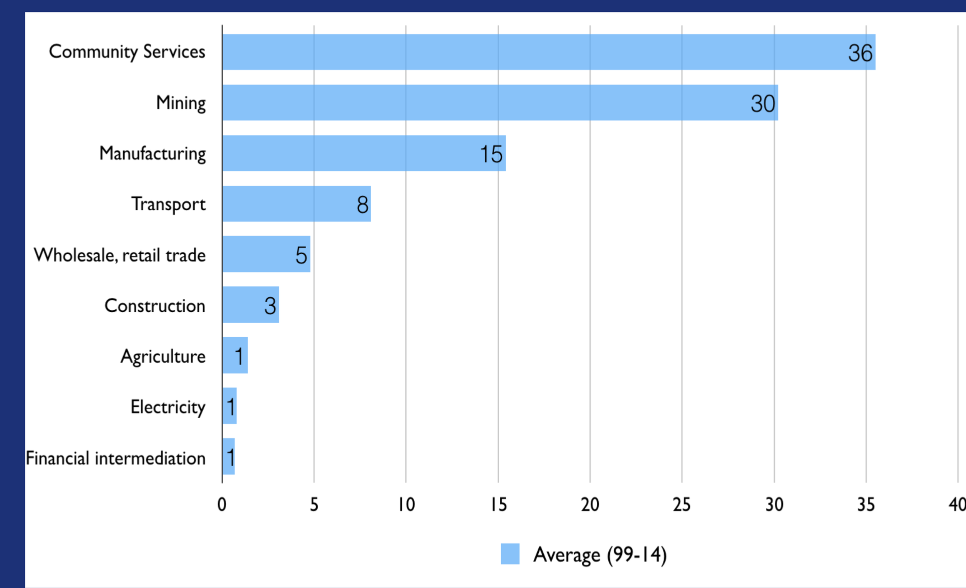
Number of strikes and individuals involved in strikes, 1970-2014



Sectors most prone to strike action are mining and community services:

Each account for an average of a third of striking workers from 1999-2014. (CPS includes civil servants who have a different wage-setting process to the private sector and therefore may feel the need to resort to striking more quickly.)

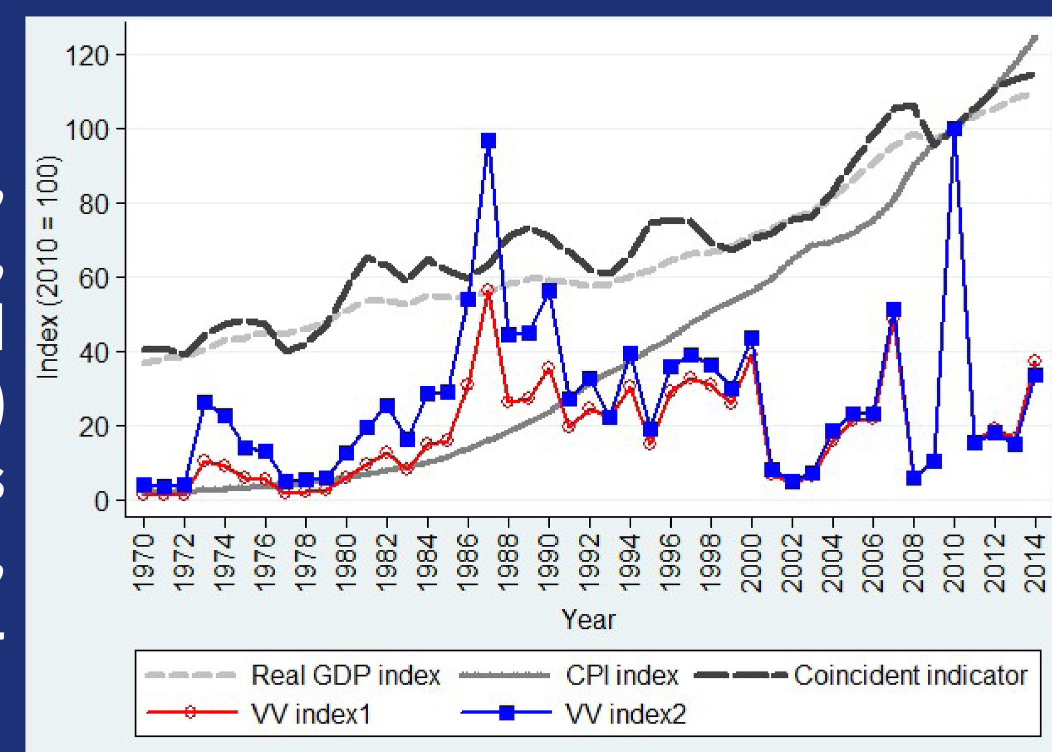
Average share of industrial strikes, 1999-2014



Analysing the relationship between strikes and GDP shows that in SA, there is evidence of strikes being procyclical.

That is, workers strike when the business cycle is on the upswing. The Van der Velden & Visser (VV) indicators that measure number of strikes, work days lost, number of workers striking, and the labour force, show moderate evidence of strikes in SA being procyclical.

Real GDP, CPI, coincident indicator, VV indicator (I) and VV indicator (II) indices (2010: 100), 1970-2014



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