

Strikes and Dividing the Spoils

As the rugby world cup kicked off, it seemed as though the strike season in SA was drawing to an end. Here and there a wage dispute still simmers, and that may yet escalate into full-blown strikes (e.g. Eskom). But the heavy lifting is behind us and we can start drawing conclusions from this year's strike numbers.

The numbers

As at 11 September, the number of man-days lost through strikes came to at least 4 million. This number is subject to revision, but even so it is very high. Last year 14,6 million man-days were lost in strike action, but last year government employees went on strike for 3 weeks. So let us look beyond last year's 14,6 million.

The average number of strike days lost since 1994 is 3,2 million per annum. However, if we exclude the two years of 2007 and 2010, when SA's government sector went on strike, the average loss in man-days for the remaining 15 years came to 1,8 million per annum. We did not have a public sector strike this year, so one can legitimately compare this year's 4 million man-days lost to the fifteen year average of 1,8 million. A substantial increase.

If we go further and exclude the failed local government strike from this year's numbers, the man-days lost come to about 3,75 million. That is still double the 15 year average of 1,8 million. Slice and dice it any way you want to, the increase is huge.

Public sector calming down

In contrast to last year, the public sector did not see much strike action. After last year's public sector strike we wrote in this Newsletter: "To go out on strike for three weeks and all you can show is 1% and R200 housing allowance is tantamount to being given a bloody nose." We concluded then "The unions suffered a loss of face and political capital." That may explain this year's subdued behaviour.

The local government strike, for example, simply died on its feet. Local government workers signed a multi-year agreement last year and were due to receive a 6,08% increase. The unions exploited a technical loophole in the agreement to re-open negotiations and demanded 18%. They later amended their demand to a "double digit" increase. A strike was called and Cape Town saw some ugly scenes, but in the rest of the country the strike failed to gain traction. The employers stuck to their guns and refused to budge on the 6,08% increase. The strike was called off due to a lack of support.

The public sector unions (i.e. central government and provinces) did not strike this year and settled for 6,8%.

In KZN deductions are only now, a year later, being made from the salaries of people who went on strike in 2010 – 12 months later is a long time to still pay for last year's no-work-no-pay sacrifice.

It's the private sector

The bulk of the man-days lost this year happened in the private sector. 3,75 million of 4 million, or more than 90%. This is precisely the opposite of last year when public sector workers contributed 90% of man-days lost.

It is all the more remarkable given that more than a million jobs were lost during 2009 and 2010, virtually all of them in the private sector. It almost seems as if the job losses have in fact increased the propensity to strike.

Why? Various commentators have different explanations. They include suggestions that 1 million job losses in 2009/10 have put pressure on those who do work to look after other members of the extended family; resentment over excessive executive pay; managements who are standing up to unions; weak union leadership that cannot exert control over the shop floor; inflation for low income people being higher than for high earners ... fill in whatever reason you prefer. In reality it is probably a mixture of all these, but I believe the division of the spoils plays a major role.

Dividing the spoils

Going back all the way to 1946, the compensation of employees as a percentage of GDP ranged between 55% and 60%. This trend held for more than 50 years but began to change decisively after 1999. Compensation as a percentage of GDP declined to an all time low of 49,4% in 2008 and recovered slightly to 50,6% in 2009. This is a huge shift. Simply put, workers now get a smaller share of the economic pie.

One thing is for sure, workers are not stupid. They see the growing divide. Rising strikes may be an attempt to reclaim some of that lost position.

Inequality is rising strongly in SA and so is the resistance against it. Sanlam's Jac Laubscher point to the 50/10 numbers: 50% of the income in SA goes to 10% of the population and 50% of the population gets 10% of the income (more or less). This inequality is a major contributor to calls for nationalisation. It is not about the most effective model of production, it is about the distribution of the proceeds of production. How to distribute the surplus or spoils is one of the biggest questions in the political-economy. Only the naive will think there is only one answer.

John Kay put it very well in the Financial Times of 16 August: "Two broad economic theories describe the allocation of income and wealth. The power theory states... (that) the distribution of income reflects the distribution of power. The alternative theory is that what people earn reflects their marginal productivity – how much they personally add to the value of goods and services. But in a complex modern economy ... production requires the involvement of many. Adam Smith marveled at the resulting efficiency in his description of a pin factory. But if, as Smith described, one man wrought the iron and another stretched it, who could say what was the marginal productivity of each? And what was the marginal product of the chief executive of the pin factory, or the person who hedged the foreign exchange exposure on the unfinished pins...? If the pin factory really did increase the productivity ... by a factor of at least 240, as Smith claimed, there was likely to be a surplus when the

wage earners had received whatever their marginal product was. And when it came to dividing that surplus, the distribution of authority within that pin factory would be crucial. That distribution would surely favour the CEO.”

So What?

Thus the 2Ps – power and productivity. Power is on display in both excessive remuneration and excessive strike action. Can people be mobilised around productivity as the means to divide the spoils more prudently? If strike action (and Julius Malema) succeed in focusing the attention on that, they would paradoxically have served the country well.