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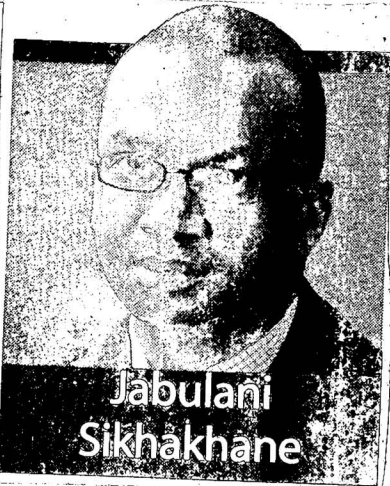
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# National Development Plan initiatives are vital for reducing worker militancy



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**S**ANDWICHED between the high cost of living and a high number of dependants, workers have become more militant, demanding fat pay cheques, and in support of their demands are going on strike more frequently, which are becoming increasingly violent.

The number of days lost to strikes, according to statistics published in the National Planning Commission's national development plan, has more than doubled since 2007, while the state-owned special risks insurer Sasria has seen a sharp increase in strike-related claims.

This rise in worker militancy mirrors the increase in unemployment which, according to a working paper by the Centre for International Development at Harvard University, stood at 13 percent in 1993.

It has since almost doubled to around 25 percent, an increase which has not been matched by measures to cushion the unemployed.

The country's current system of social insurance is built around the Unemployment Insurance Fund (UIF) and the public works programme.

The UIF's finances are the healthiest in as many years. For the year to the end of March 2011, the fund had revenues of R14.4 billion,

against which it spent about R8.1 billion, leaving a tidy surplus.

But because the UIF is a contributory fund, its coverage is woefully limited. Of the 4.5 million unemployed in early 2011, the UIF only covered less than five percent.

"Part of the explanation lies in the fact that 55 percent of the unemployed report that they have never worked and thus have not contributed to the UIF," the commission said.

"Furthermore, 44 percent of the unemployed people who have previous work experience have been unemployed for more than a year and would have exhausted their benefits if they were eligible for them."

While the fund plays a useful role

in replacing the incomes of those who have lost their jobs, it leaves the majority of the unemployed outside the security net.

"This means that able-bodied unemployed people have little choice but to depend on "goodwill transfers" from those with access to income through employment or some form of social grant.

In effect, the massive economic burden of unemployment in South Africa is being borne primarily by workers and by those who have access to social grants meant for other purposes," the commission said.

The commission estimates the average dependency ratio (the number of people depending on one wage earner) at about four. It is highest among low-income households, where it is between five and six.

"Dependence on wage earners compounds existing wage pressure in the economy, and dependence on social grant recipients dilutes the anti-poverty effects of such grants, pushing households that are already poor even further into poverty."

This burden is magnified by the fact that the majority of workers earn very little anyway, which pushes most workers close to near or

below the poverty line, a level the commission has recommended be set at about R418 a month based on 2009 prices.

Another factor is the high cost of

living, especially transport. As a result of social and economic exclusion caused by the country's apartheid legacy, workers travel long distances to and from work.

The commission cites the case of a Tembisa mother of four who works in Brummeria, a Pretoria suburb.

She spends nearly five hours every day travelling to, and from work, a journey that eats up nearly 40 percent of her monthly salary of R1 900.

The combination of this high cost of living and the dependency on wage earners explain the rise in worker militancy.

The number of days lost to strike was about 1 million a year for the first eight years after the Labour Relations Act was passed in 1995.

This shot up to 9.2 million days lost in 2007 and 20 million in 2010, suggesting that "the labour relations environment has become particularly fraught".

Strikes are becoming violent and more protracted too, according to Sasria's latest annual financial report.

The provider of cover for special risks such as riots, strikes, political unrest and terrorist attacks said protracted wage negotiations were having a negative impact on the economy through damage to property and the cost of interruptions to business activities.

Sasria reported a 12 percent fall

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## DEPENDENCE ON WAGE EARNERS COMPOUNDS EXISTING PRESSURE

in profit before tax for the year ended March this year, which it said was due to a significant increase in claims and lower than expected investment income. The rise in strike-related damages was responsible for the increase in claims. Strike-related claims have risen from 34 percent of all claims in 2008/09 to 70 percent in 2010/11.

Reducing the tension in the workplace, the commission said, required a multidimensional approach.

Mass creation of jobs would reduce the dependency ratio and thus lift the pressure on the employed.

State interventions and co-operation with business, on the other hand, would help reduce prices of

basic commodities.

Improvements in the social wage would also help.

A social wage is the computation of social spending by government on items such as health, education, water, sanitation and housing.

“Employment is the most effective form of social protection,” the commission said. “Efforts should always focus on creating jobs.”

But the labour market does not work for most South Africans and fixing this would take a long time.

Given this and the fact that many jobs were likely to pay low wages because most people of working age were unskilled, the commission recommended that a bridge be created through social policy between now and 2030, by which time 11 million jobs would have been created based on the commission's proposed national development plan.

The creation of 11 million jobs would reduce unemployment to six percent, a level some economists regard as full employment.

“The main thrust of social policies should be to enable and support labour market participation and provide protection against labour market risks including loss of employment,” the commission said. “Social protection... essential to protect the old and the young, and adults of working age who can't work because of structural unemployment, illness or disability.”

The commission said that meas-

ures should be put in place to enable and support participation in the labour market of the unemployed and the working poor by narrowing the gap between wages and the cost of living: “It should enable a degree of security in normal times and serve as a safety net in times of crisis. For this to happen, we need to determine the type and level of support needed to keep everyone above a minimum threshold. If people fall below this threshold it will become increasingly difficult for them to build their capabilities and expand their opportunities.”

Long-term, the poor and the unemployed should be located in residential areas where it will be easier and cheaper to look for work. In addition, the state should provide cheap and efficient transport networks from existing townships and encourage businesses (including labour-intensive manufacturing) to locate near dense townships.

“These are costly and complex reforms to implement, requiring clearer planning legislation, including land use management reforms, firm steps to limit urban sprawl and prioritising urban transport networks that are adequately resourced and well run,” the commission said.

South Africa has no choice.

Left unattended, the drivers of worker militancy will ensure the commission's vision of a prosperous South Africa for all by 2030 will remain but a pipe dream.