



## Workers pushing for big wage hikes in South Africa

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As food and fuel increases continue to bite, workers and labour unions are asking for wage hikes well above inflation to keep up with the cost of living. While it is not unusual for the initial demand from unions to be high, economists have also warned that South Africa is likely to see increased strike action in the coming months, with much of the pressure expected to come from the public sector. “SARS closed some of its branches last week due to renewed strike action as talks with the Public Servants Association (PSA) and the National Education, Health and Allied Workers’ Union (Nehawu) broke down. Both are demanding an above-inflation wage increase of 11.5% and 12%, respectively,” economists at the Bureau for Economic Research (BER) said in a research note on Monday (18 July). The PSA is also moving closer to initiating industrial action against the government after public sector wage negotiations stalled, the BER said. “The case has been referred for mediation after the government’s offer of 2% – versus the PSA’s demand for 10% – was rejected. Any increase in public sector wages above what is budgeted for will once again put South Africa’s fiscal sustainability under the spotlight. “In addition to the public sector, the National Union of Metalworkers of SA (Numsa) has called for a 20% wage increase in the automotive sector. These are examples of the much lamented “second-round” effects of higher inflation and is very much what the South African Reserve Bank (SARB) wants to avoid as this could entrench the trend of higher inflation.” The implications of recent above-inflation wage demands/settlements and the results of the latest BER inflation expectations survey are likely to be some of the points of debate

when the SARB's Monetary Policy Committee (MPC) meets from tomorrow to deliberate on the next policy interest rate decision, the group said. Azar Jamine, chief economist at Econometrix, said the public sector wage negotiations posed the 'biggest challenge of all' as they have enormous implications for how investors and ratings agencies see the country. "For the last year-and-a-half or so ratings agencies and investors have been impressed by the manner in which the National Treasury has been able to constrain public-sector remuneration, but this week we saw the Public Servants Association declaring a dispute," Jamine told the Sunday Times. "Eskom granting workers that 7% pay increase has created an unfortunate precedent for unions in many other areas of the economy, including the public service." Stanlib chief economist Kevin Lings also expects to see more strikes as unions and companies are likely to be quite far away from each other as a starting point on wage talks....

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