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ANALYSTS' WARNING

'Fragile economy can't afford more strikes'

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THE LOOMING strike season over the impasse in the public sector wage negotiations could have the potential to derail South Africa's expected economic recovery this year.

This week, analysts warned that strikes could override the gains made since the easing of lockdown restrictions and the vaccination rollout.

NFB Private Wealth Management managing director Andrew Duvenage said the strike season, with wage negotiations in full swing, could be the biggest risk to investor confidence and into this year's fragile economic recovery. The year was bringing other complexities that could be far worse than previous years.

"Our recovery is fragile and lower than the rest of the world. We cannot now afford to have economic activity halted again," he said.

"But the continuous capitulation to unions will continue seeing the cost going up as wage bill rises above inflation. The government has to make tough decision whether political considerations of unions are above the country's."

The economy is expected to rebound between 3.4 percent and 3.8 percent this year from last year's low base of 7 percent.

The unions have threatened to down tools and embark on mass industrial action as the impasse around government wage negotiations continues.

Finance Minister Tito Mboweni's Budget in February assumed an effective nominal public sector wage freeze over the next three years to shore up the deteriorating fiscus. The fiscal strategy over the medium-term is to stabilise the debt-to-GDP ratio as the deficit has doubled to about 15 percent while the revenue shortfall is estimated at R213.2 billion.

Talks between the government and unions resumed at the Public Service Coordinating Bargaining Council on Thursday. There are eight unions representing 1.2 million employees and are demanding inflation-linked salary increases across the board.

At local government level, the government has proposed a 2.8 percent salary increase for this year at the bargaining council.

On Thursday, minister of Public Service and Administration Senzo Mchunu said the wage negotiations had proved to be difficult.

Mchunu reiterated that the National Treasury had unequivocally told the Cabinet that the state had no money for salary increases.

"Each proposal by either of the parties must be taken seriously, holistically and comprehensively," Mchunu said.

Duvenage said the impact of strike action had a huge impact on investor confidence, requiring the government to implement structural reforms.

He said South Africa needed more investment as it was facing cost-containment and structural issues, concerns of managing the fiscus and a very concentrated tax base.

"Policy uncertainty and regulation has to be one thing the government has control of," he said. "The government needs to providing certainty to economic participants to invest with confidence. Issues such as the roll out of the spectrum, mining and property rights are massive impediments to foreign direct investment.

"There is this myopic view on state-ownership and intervention, but the government should unlock the private sector to play an active role in the economy."

Public Servants Association assistant general-manager Reuben Maleka said they would shut down the public service until the government takes their demands seriously.

"Public servants can no longer pay the price for the country's economic woes fuelled by rampant fraud, corruption, and mismanagement," Maleka said.

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