

Miners' strikes add to fears of South African economic downturn

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The African National Congress (ANC) government has reaffirmed its determination to pursue right wing economic and social “reforms.” It did so after complaints about the impact of the recent strikes in the mining industry on an economy showing signs of stagnation.

In an address to the Congress of South African Trade Unions (COSATU) last week, President Jacob Zuma said that strikes and protests threatened to provoke a recession.

“We cannot afford to go into a recession and revert to the 2008 and 2009 period [when] the country lost close to a million jobs, [from] which we are still battling to recover,” he said.

Last week, workers at the Lonmin Platinum mine in Marikana, near Johannesburg, accepted an 11 to 22 percent pay deal. It came after a bitter six-week strike that saw the police massacre of 34 strikers on August 16.

The massacre was authorised and sanctioned by the ANC and the National Union of Mineworkers (NUM), which acts as a company union, and led to further wildcat strikes in the platinum, gold and chrome sectors. The Lonmin miners' pay offer has become a benchmark demand for other workers.

As well as an attempt to intimidate these strikes and dissuade others from taking action, Zuma's remarks were meant to reassure international investors that the ANC will do whatever is necessary to safeguard their interests.

The grassroots revolt of miners saw the exchange rate for the rand decline by over 3 percent against the dollar one week earlier this month. Credit default swaps on government debt have also risen considerably, leading to renewed warnings about a credit downgrade.

South Africa's credit rating, at BBB+, is at the third lowest investment grade, and has been on negative watch since March. In a statement at the time, Standard & Poor's noted South Africa's heavy reliance on debt markets, commenting, “Fundamental structural economic and social problems continue, such as very high unemployment and a structural current-account deficit that makes the economy dependent on external financing.”

In its most recent budget in February, the ANC said it intended to slash South Africa's budget deficit from its current level of around 5 percent to 3 percent of GDP by 2015. But it is reported that the monthly budget deficit for July reached a record high of 6.4 percent. Achieving the 3 percent target has already been pushed back from 2013-14 to the current target of the 2014-15 fiscal year.

The government has imposed strict controls on funding for local government. Last Friday, for example, the education department in the Eastern Cape Province reported plans to lay off more than 11,000 teachers next year due to a budget shortfall of over 3 billion rand.

With the 18 years since the end of apartheid having offered no improvements for broad sections of the working population, the current economic slowdown is preparing further social explosions. Social inequality has increased under ANC rule, thanks to the policy of black economic empowerment which has enriched a thin layer at the expense of the working class.

These social divisions are being exacerbated severely by the global capitalist crisis. Europe is one of South Africa's main export regions, accounting for 25 percent of exports, but the debt crisis in the European Union has seen this fall. Slowing growth in China and other emerging markets has put an end to any hopes of relying on these areas as new sources of business

expansion.

A recently published report from the International Monetary Fund (IMF) raised concerns about how such economic stagnation will impact on political and social stability. The report warns, "If not addressed, the stubbornly high unemployment rate could become politically and socially unsustainable."

Ruling circles have been even more explicit in identifying the danger posed by working class struggles becoming increasingly political as the main threat to the government's reforms. Michael Hough of the University of Pretoria's institute for strategic studies told *Times Live*, "General strikes are known factors for revolutionary ideas and precipitate the final stages of revolutions. They are the cause of economic collapse, which, if infused with politics, as is happening, becomes an uncontrollable revolutionary force."

In line with the government's own figures, the IMF cut the growth outlook for the economy to 2.6 percent this year and 3.4 percent in 2013. As a so-called "developing economy," any rate of growth below 6 percent annually will lead to an increase in unemployment, which already stands officially at 25 percent.

Fully 15 million South Africans depend on welfare payments to survive. The government's drive to reduce the budget deficit will see this increase by over a million in the coming years, to 16.5 million. Zuma commented at the end of last year, "We cannot sustain a situation where social grants are growing all the time and people think it can be a permanent feature."

The IMF called in its report for the imposition of labour market "reforms" and the cutting of public sector wages. It noted that South Africa suffered from a competitive disadvantage, with its labour unit costs being much too high. It drew attention to the increase in the public sector pay bill, which it warned could prevent the government from meeting its budget deficit targets.

This is a view shared by growing sections of business, which are calling for payroll costs to be slashed. As a recent Reuters article stated, "South Africa's union-friendly labour legislation enforces a minimum monthly wage of about \$230-\$240, much higher than \$55 and \$70 in neighbours Zimbabwe and Mozambique."

The ANC has made clear in the brutality meted out to

the Lonmin miners, as well as the on-going repressive measures taken against other strikes, that workers' resistance will be met with state violence. Zuma's move to allow the domestic deployment of the army shows that ruling circles are preparing for such conflicts.

This is a strategy supported fully by the ANC's allies in the tripartite alliance, the South African Communist Party (SACP) and COSATU. Having supported the repression and denounced the pay award, the unions are now threatening that workers' demands will lead to job losses and damage the economy.

Last week Lonmin confirmed that it will put one of its mine shafts into care and terminate its contract with a labour agency that supplies around 1,200 staff.



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