

Government workers' strike will not affect Cup

UNIONS representing 1.3 million South African government workers have threatened to strike within two weeks but any stoppage would be unlikely to disrupt the World Cup, which ends on Sunday.

A number of groups have threatened industrial action during the tournament, which is being staged for the first time in Africa, and a disruption would embarrass President Jacob Zuma and his government.

But the unions representing workers including nurses, police officers, teachers, immigration staff and other government officials said yesterday they might take two weeks to mobilise members. They still hope for a resolution.

"We are left with no other option, which is strike action," said John Malukele, chief negotiator for the union federation Cosatu.

Labour unions have used the World Cup to bargain for higher wages, which analysts warn could in the long run harm South Africa's ability to attract investment and create jobs as it recovers from its first recession in 17 years.

"The long-term negative will be on higher inflation; salary costs will have to be absorbed and will be given to the consumer at some stage," said Elize Kruger, an economist at Kadd Capital.

Fourteen unions affiliated with the powerful Cosatu and Independent Labour Caucus were seeking wage increases

of 8.5%, about double the inflation rate, and a doubling of housing allowances to R1 000 a month.

The unions said the workers turned down a 6.5% wage rise offered by the government.

At the weekend, unionised workers at state-owned power utility Eskom agreed on a deal to raise wages by 9% and won a R1 500 a month housing allowance, averting a strike that could have cut power during the sports spectacle.

Union leaders said they will push their members to accept the deal formally later this week.

"We believe they should be able to accept it because you can't get any better offer than that and this should be done probably by Wednesday or Thursday," said National Union of Mineworkers spokesman Lesiba Seshoka.

Dave Mohr, analyst at Citadel, said the wage increase could hurt plans to expand Eskom's power infrastructure and would raise its overall costs, despite being granted an average 25% tariff rise for the next three years.

Carmen Altenkirch, analyst at Nedbank, said the wage deals by Eskom and other public enterprises including logistics group Transnet, could hurt the economy.

"It could also result in rising inflation, if productivity does not increase. This would exert upward pressure on interest rates and have negative implications for long-term growth," Altenkirch said. — *Reuters*

