

HIGH LEVEL PRESIDENTIAL MEETING WITH BUSINESS:

TOWARDS AN AGENDA FOR INCLUSIVE GROWTH

TUESDAY, 06 AUGUST 2013

PRETORIA



OVERVIEW

- **INTRODUCTION (INSTITUTIONAL ARRANGEMENTS AND IMPLEMENTATION APPROACH)**
- **BASIC EDUCATION and SKILLS DEVELOPMENT**
- **INFRASTRUCTURE DEVELOPMENT**
- **EASE OF DOING BUSINESS**
- **LABOUR RELATIONS**
- **CONCLUSION**

Approach to implementation

- Establishment of 4 Technical Teams
 - Education and skills
 - Infrastructure
 - Regulatory Environment Impacting on Investments
 - Labour market
- Co-chaired by Government and Business
- Action plan to be developed within 3 months
- Work streams to support elements of action plan
- Meetings of Technical Teams at least quarterly; work streams more frequently as necessary



Approach to implementation (2)

- Secretariat of Technical Teams to be shared between business and government
- Reports to Presidential Working Group every six months



EDUCATION AND SKILLS DEVELOPMENT

Professor Sakkie Van Der Merwe
Mr Vusi Mabena



(A) A Common Purpose

- Business welcomes the holistic approach to education adopted by the NDP
- National Government spending on education was over R232-billion in 2012
- Corporate Social Investment (CSI) accounts for a relative small portion of the total amount, approximately 1,5%

(A) A Common Purpose

- Onus is therefore on business to work with social partners, and particularly Government, to direct CSI spending
- Funds should be directed to initiatives that improve effective education
- Such areas could be training teachers, effective distribution of textbooks or assisting with implementations of technology



(B) The National Education Collaboration Trust

- Business welcomes the creation of the National Education Collaboration Trust
- It is a partnership that involves Government & social partners that enhances cooperation amongst stakeholders
- As important as the NECT is the improvement of performance of partnership initiatives to ensure impact, value for money & sustainability

(B) The National Education Collaboration Trust

- The National Education Collaboration Framework proposes that to increase sustainable, systemic improvements in education, it focuses on the aims of the NDP as well as the Department of Basic Education Action Plan to 2014



(C) NECF Success Factors

- Government agreeing to direct increased attention to the partnership by redirecting resources to the NECF's project activities & affording these projects official status
- The private sector agreeing to co-fund the partnership
- Labour agreeing to special dispensations necessary to make the partnership activities succeed.



BUSAs
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ONE VOICE OF BUSINESS

(D) Outcomes

National Education Collaboration Trust

Concerted action for national education reform



Image: gettyimages.com

 NATIONAL
EDUCATION
COLLABORATION
TRUST

2013

(D) Outcomes

- We are pleased to report that:
 - The National Education Collaboration Trust has been formally established by the Deputy President in July 2013



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O N E V O I C E O F B U S I N E S S

Proposal 1

**CREATE A FORMAL STRUCTURE FOR BUSINESS AND/
GOVERNMENT TO ENGAGE ON EDUCATION**

(E) Create a formal structure for business & Government to engage on Education

- Business supports the creation of such a structure
- This council will function in a manner similar to the partnerships established by Business Trust & Business Against Crime

(E) Create a formal structure for business & Government to engage on Education

- The council will act as a thought leader with regards to:
 - Effective governance structures
 - Setting of guidelines for private sector participation
 - Communication with stakeholders
 - Linking of community-based education initiatives into national education strategy
 - Define the role of civil society organisations

(F) Programme for Improving Learning Outcomes (PILO)

- Business welcomes and supports this initiative
- It is being piloted in KwaZulu Natal as proof of concept and ownership



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O N E V O I C E O F B U S I N E S S

SKILLS DEVELOPMENT



(A) Artisan Development

- Business needs an enabling environment to employ people and a skills framework that develops skills required for a growing and inclusive economy.
- Business welcomes the commitment to the development of essential skills for young people, particularly artisan training.
- In recognising these skills shortages, Business is committed to play its role and hope this can be accelerated and also allow private sector in filling training and development gaps.
- The current regulatory environment with non-employer based demands on the skills levy is not conducive to the collaborative approach which the SETAs were supposed to foster



(A) Artisan Development

- Partnerships between private and public FET Colleges is critical to produce high quality graduates. The regulatory environment should support this partnership.
- Labour market regulations need to be considered as part of the enabling platform where it emerges that these are causing blockages to funding and placement opportunities
- Business proposes a review of governance structures of SETAs drawing from international best practice as this has been identified as delaying factor



PROPOSAL 1

- Ensure that the national funding and administration model agreed to by employer and labour representatives at the artisan and technician development monitoring and evaluation team and approved by the Minister is implemented across all sectors

(B) The Further Education and Training Colleges

- While South Africa's national education system focuses almost exclusively on preparing learners to enter university, university training only is not appropriate for many jobs and career paths in our national economy.
- FET colleges are intended to offer a non-university based pathway for higher education
- However these colleges, resulting from the merging of former technical colleges, occupy a confused and confusing place in both our national education and economic contexts.
- There is a need to develop pride and integrity on FET qualifications that are needed by the labour market
- Employers should be engaged to resolve these issues and ensure that the correct skills are taught.



PROPOSAL 2

The new institute for vocational and technical education and training should be established as soon as possible to undertake a comprehensive review of vocational (non-university) education, including the mandate for the FETs.

(C) Cost Sharing Schemes to Promote the Employment of Youth in South Africa

- There is an urgent need to find a bridge for young people to enable them to enter the world of work.
- Solving unemployment, and youth unemployment more specifically, will require sufficient economic growth. This, in turn, will depend on improvements in the macro and micro economy.
- A number of initiatives on the part of the business community to address this issue have begun to yield results. This includes amongst others:
 - Harambee
 - Mr Price Red Cap Foundation
 - Go for Gold Initiative
 - South African Football Association initiative
- Such initiatives and others similar to them need to be supported by all stakeholders in order to broaden the scale of reach and impact.



(C) Cost Sharing Schemes to Promote the Employment of Youth in South Africa

- The challenge for business is to ramp up support for these programmes.
- While business remains committed the task for government is to implement proposals to share the costs of both training and employment in these schemes.
- Business welcomes progress with the introduction of an employment incentive scheme as one of the short to medium interventions to accelerate absorption of youth into the labour market.
- There are a range of funding sources that are well known but not necessarily flowing in the desired direction, these includes SETA Grants, National Skills Fund, The Jobs Fund.

PROPOSAL 3

- Finalise and implement schemes to share contributions with employers of both employing and training young South Africans and implement the youth employment incentive advocated in the NDP and subsequently proposed in the 2013 budget



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O N E V O I C E O F B U S I N E S S

INFRASTRUCTURE PROGRAMME: MAXIMISING ECONOMIC GROWTH & SOCIAL DEVELOPMENT BENEFITS

Mr Lefadi Makibinyane

CONTEXT AND VALUES

Business is committed to participate in government's infrastructure programme. Early engagement between government and business will enhance the successful implementation of the programme.

The programme should be underpinned by 6 key values:

Urgency: Prioritisation & efficient implementation;

Collaboration: Across all spheres of society;

Innovation: Challenge the "business-as-usual" approach;

Focus: Intent & clearly-defined priorities;

Integration: Effective stakeholder participation to enhance implementation;

Transparency: Stakeholders & the public need to understand the scope of work and status.

Underpinning all this: Greater information-sharing between government and business on project concepts AND NOT actual investment projects.

Key concern: Capacity constraints at all three tiers of Government, particularly at Municipal Level.



SEVEN PROPOSALS (1-4)

INFORMATION: The technical secretariat of the PICC & EDD should establish a window for any business to get up to date information about projects. Essential that information-sharing does not lead to corruption, collusion or rent-seeking by working through business associations.

DEVELOPMENT TARGETS: Government and business should engage on developmental targets for each of the SIPs and Infrastructure components of the NDP

PROCUREMENT: Involvement of business in review of the supply chain policies and management. Establish an expert panel consisting of Business and Government, drawing on the best expertise from within government, business and the international community allowing best practises to be benchmarked, evaluated and implemented through legislative changes if appropriate.

HUMAN CAPITAL : For example Essential Partnership between the Engineering Profession and Government must be forged to create sustainable engineering capacity in the Country.
infrastructure within South Africa.



SEVEN PROPOSALS (5)

ENVIRONMENTAL REGULATORY REGIME:

Key issues:

Delays caused by environmental regulatory approvals generally recognised.

Good progress has been made on environmental impact assessment approach

Specifically, air quality regulations: Onerous, costly and ineffective in achieving objectives.

Proposals:

Establish two work streams in the technical team on infrastructure to:

- consider improvement to the water use license regime to reduce turn around times
- fast track implementation of additional environmental management instruments as developed by government



SEVEN PROPOSALS (6-7)

UNLOCKING PRIVATE SECTOR FUNDING FOR INFRASTRUCTURE PROJECTS

Business supports the idea of unlocking new funding sources. Business (through BASA & ASISA) already working with Treasury to find mechanisms to unlock funding.

Business offered assistance to SIP01 to develop pragmatic funding models.

ENERGY SECURITY: Uncertainty re security of supply poses a significant risk to new investment.

Business proposes a comprehensive engagement between it & government to explore measures that could be introduced with the minimum of delay to address electricity shortages such as revamping the aged Power Stations amongst other measures.



CROSS-CUTTING ISSUES

PICC and SIP Programme offices should assist in dealing with matters across the 3 spheres of government.

Decision-making: Business needs better understanding of decision-making process within government & SOCs.

Continuous learning: Lessons of experience to be shared between government & business through essential sector partnerships.

Effective implementation of the infrastructure programme requires systemic changes, which requires an improvement in overall skills levels particularly the professional engineering skills.



REGULATORY ENVIRONMENT IMPACTING ON INVESTMENTS

Mr Bobby Godsell

POLICY AND REGULATORY UNCERTAINTY

- Investors need policy and regulatory certainty
- Impact of policies and legislation on business must be considered
- Aligned and integrated policy is essential to minimise conflicts in objectives
- Socio economic objectives are often undermined because policies do not take these impacts into account at an early stage

Lowering the cost of doing business

- Current costs of doing business impact on all business but particular SMMEs and start ups
- Impact on bottom line: 3-6% of turnover spent on red tape
- WEF 2012 report ranked South Africa 123 out of 124 countries in terms of regulatory burden
- 2007: Cabinet agreed on need for consistent impact assessment of legislation
- Regulatory reform recognised by NDP as central to enhancing growth, employment and entrepreneurship

Issues

- 3 proposals are made to make steps towards achieving the NDP vision through regulatory reform
- Certainty on property rights is a key consideration in all investment decisions but is fundamental in sectors like mining and agriculture where security of land tenure is critical for sustainability

Challenges with property rights

- Certainty as to mining property rights will encourage and enhance investment
- Business recognises the limited progress made in land reform but the number of farmers has declined sharply with resulting limited output growth and concerns for food security
- Business therefore engaging in Nedlac process on the expropriation and other related bills

Impact assessment on legislation

- All proposed legislation brought to cabinet must be accompanied by a report on the likely impact it would have on business in general, and on small business and new ventures in particular.
- The report should also state how the legislation has addressed this burden and what additional measures could be undertaken so as to further reduce this burden.
- Consideration should be given to exempting firms below a certain size from some requirements

Turnaround times

- Although some government turnaround or response times are legislated they are not always adhered to and in many cases no such timeframes exist
- All government response times should be publicised
- Consequences should be introduced for non adherence to publicised timeframes



LABOUR RELATIONS ENVIRONMENT

Mr Mike Teke



(A) Building Labour Market Confidence and Stability

- The labour market regulatory environment when re-established in the late 1990's was world class and provided a pragmatic balance between worker rights and employer requirements.
- However, the persistence of very high levels of unemployment, high levels of wildcat and often violent strikes, and the imperatives for competing in a global and changing economy strongly suggest the need for a fundamental review of both the social dialogue and the regulatory environment of the South African labour market.
- Key barriers to investment and growth will need to be addressed, fundamental to which are: **the need to restore labour market confidence and stability** and **ensure a business friendly regulatory environment for employment.**

(A) Building Labour Market Confidence and Stability

- In order to build labour market confidence and stability the role of Nedlac in resolving conflict and build consensus through social dialogue should be reviewed.
- Nedlac has not achieved building consensus between the key social partners on the most urgent emerging challenges facing both our society and economy, and in particular **poverty, unemployment and inequality**.
- Recent labour legislation amendments, which sit at the heart of tripartism, have been characterised by a fundamental lack of consensus. Social partner interests and contributions in addressing these labour market challenges, are often not given the attention they deserve.

PROPOSAL (1)

- A comprehensive review on the status of social dialogue, with leadership of government and business commitment to develop a plan of engagement in order to build mutual trust and respect

(1) Building Labour Market Confidence and Stability

- Increasingly violent strikes, culminating in the wildcat strikes late last year in the mining industry, and more recently amongst agricultural workers in the Western Cape indicate an absence of effective relationships between both employer and employee, as well as between union leaders and union members.
- This breakdown has occurred notwithstanding the considerable resources now devoted to human resources and industrial relations structures and processes inside companies and within unions involving shop and staff stewards.
- This is eroding confidence in the labour market and its institutions

(A) Building Labour Market Confidence and Stability

- BUSA supports the Labour Relations Indaba being planned under the auspices of NEDLAC in order to explore these issues.
- This will go some way towards restoring relationships and building solutions to bring labour market stability. This process needs to be supported at the highest level and should be preceded and followed by concrete steps to restore labour market peace and stability. Leadership of the NEDLAC constituencies is critical in giving these issues the attention they deserve.



PROPOSAL 2

- Meaningful and constructive social dialogue should take place at the highest level to culminate in principles, possibly even a peace accord, where leadership sets the standard for restoring labour market peace and stability

(B) Restoring Workplace Relations

- Business should build and support initiatives aimed at restoring workplace relations by improving the interaction between employees and managers.
- Supervisors should be given the skills set and the authority to direct the work process of the people who report to them.
- Business intervention in this regard is to both increase productivity and to enhance our ability to manage conflict and business productivity is the effective training of tens of thousands first line managers and supervisors.



PROPOSAL 3

- There should be large scale focus by business on upgrading of engagement, conflict resolution and productivity capabilities within companies. These can be developed by business and identified and supported as critical skills within the skills framework.

(C) Modernising the Labour Legislative Framework for Decent and Productive Work

- The world of work has shifted fundamentally in the last decade
- This change requires business to be innovative, adaptable and flexible in order to remain sustainable and competitive.
- Workers are choosing other options to improve their career path, and job seekers particularly the youth are not looking for full time jobs in a single company, for life.
- Despite this, our labour market framework is largely based on traditional concepts of employment that cannot meet the demands of the current world of work

(C) Modernising the Labour Legislative Framework for Decent and Productive Work

- The current labour law amendments before Parliament have focused on increasing protection for workers and lowering the requirements for access to collective bargaining
- The Regulatory Impact Assessment, conducted on behalf of Business, on the current version of the Bills has demonstrated that a minimum of 400 000 jobs will be lost as the regulatory options chosen are impractical and are not business friendly.
- The country cannot afford to lose more jobs when we should be creating millions of productive jobs.



PROPOSAL 4

- Appoint an expert panel through Nedlac to conduct a comprehensive review of the labour relations and basic conditions of employment legislation in relation to the new world of work

(C) Modernising the Labour Legislative Framework for Decent and Productive Work

- The Expert Panel will review and examine a number of issues with reference to the world of work. The review will examine the following amongst others:
 - Developing new frameworks (e.g the ILO framework) that holistically leverage and make new forms of employment relationships work so that they contribute to the achievement of country goals of employment, equality, social protection and poverty alleviation.
 - Innovations required, in particular for small business, to emerge and thrive and be sustainable, with minimal administrative burden, while at the same time ensuring that fundamental employment rights and security are still in place
 - The ability of the Commission for Conciliation, Mediation and Arbitration to discharge its core mandate effectively. In particular the relationship between the mandate of this body and the resources, both human and financial, available to discharge the mandate
 - The processes leading up to strike or lock out action and the behaviour of workers and employers during strike or lockout action. As part of union recognition processes, unions and employers need to agree an effective set of rules that preclude violence and

(D) Developmental Collective Bargaining

- Collective bargaining, where in place, with strong and accountable representation, is the life blood of workplace democracy.
- In a country whose greatest need is to expand employment, collective bargaining needs to have employment creating growth as its overarching goal.
- Collective bargaining needs to take the growth prospects of a business, including employment growth, as a central objective.
- In the negative sense management should refuse to sign agreements which create cost pressures that make retrenchments inevitable. In the positive sense both unions and management need to bargain about those parameters of the business that will determine not only survival but indeed growth.
- Retrenchments are to be avoided, if at all possible and management should not accede to wage agreements that will then necessitate retrenchments.



PROPOSAL 5 (a)

- Management must ensure that the collective bargaining process is fully informed by the realities of business performances. In order to ensure that retrenchment is indeed used as a tool of last resort, extended working hours, short working time, the working in of public holidays, reductions to overtime and pay cuts needs to be explored in the annual collective bargaining process.



PROPOSAL 5 (b)

- Management and labour must be fair and reasonable when agreeing to a level of wage increases, taking into account that unreasonable increases could have unintended consequences and a lack of competitiveness, resulting in retrenchments during the course of the wage agreement.



PROPOSAL 5 (c)

- Management and labour must be ready to re-open bargaining where business performances deteriorates to the level at which a reduction in employment (or a reduction in wages costs) is required to maintain the financial viability of the business.



CONCLUSION

Our view is that engagement and subsequent implementation of actions pertaining to proposals made by Business will afford South Africa an opportunity to improve economic growth and address some of the social ills brought about by weak economic performance. The targets set out in the NDP are ambitious and achieving them will require both government and business to embark on an approach that will require more than just a “business as usual” approach.



CONCLUSION

Therefore adoption of the proposed implementation approach is critical for achieving objectives of the key themes discussed:

- Establishment of 4 Technical Teams Co-chaired by Government and Business
- Development of an Action plan supported by work streams
- High frequency work streams and regular Technical Teams meetings
- Secretariat support for technical teams
- Report to Presidential Working Group bi-annually



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O N E V O I C E O F B U S I N E S S

THANK YOU