

Address by Deputy President Kgalema Motlanthe at the 15th National Economic Development and Labour Council (Nedlac) Annual Summit, Birchwood Hotel, Boksburg

11 Sep 2010

Minister of Home Affairs Nkosazana Dlamini-Zuma;
Minister of Economic Development, Ebrahim Patel;
Other Government Ministers present;
President of Business Unity South Africa (BUSA) and other members of the business community;
General Secretaries of labour federations and others members of organised labour;
The Leadership of the community constituency;
NEDLAC Executive Director, Herbert Mkhize;
Distinguished guests; and
Ladies and Gentlemen:

I am once again honoured to be here today on this occasion of the 15th Annual Nedlac summit.

Let me first of all thank the social partners and government representatives who have given their time during the past year to support Nedlac and the process of social dialogue that it provides.

I thank the staff of Nedlac for their continued efforts and, in particular, the Executive Director, Mr. Herbert Mkhize, for staying the course.

Programme director,

Nedlac's successful engagement with its constituency since the onset of our democracy has been largely due to a clear mandate within which it has been carrying out its work since 1994.

In this regard, Act number 35 of 1994: the National Economic, Development and Labour Council Act, was one of the first batch of laws to be passed by our democratic government.

President Mandela assented to the Act on 2nd December 1994, less than eight months after the first democratic election.

This represented a major step in reconstructing South Africa—it was one of our first, hesitant, steps towards creating a developmental state.

Clause 5. (1) of the Act reads:

"The Council shall-

- (a) strive to promote the goals of economic growth, participation in economic decision-making and social equity;
- (b) seek to reach consensus and conclude agreements on matters pertaining to social and economic policy;
- (c) consider all proposed labour legislation relating to labour market policy before it is introduced in Parliament;
- (d) consider all significant changes to social and economic policy before it is implemented or introduced in Parliament;
- (e) encourage and promote the formulation of coordinated policy on social and economic

matters.

This is indeed a noble mandate. It was a commitment to a national effort towards development.

It was an indication that a developmental state in South Africa required serious partnerships between government and the major players in the economy.

For several years it seemed that Nedlac would meet the challenge of its mandate.

By the late 1990s, however, labour began to complain that government and business were not taking Nedlac seriously enough—they saw Nedlac as a compliance requirement, rather than an integral part of a state committed to a social partnership path to economic development.

During the mid-2000s Nedlac recovered somewhat from a difficult period in the early 2000s.

However, although the Presidential Job Summit was a fairly impressive affair, and the agreement was substantial indeed, the Job Summit failed in implementation.

Whatever the reason for this failure, we can confidently conclude that follow through was weak, and Nedlac lost some more of its credibility.

To its credit, the current executive directly has certainly turned Nedlac in the right direction, even though there is still a long way to go.

One can also state with confidence that Nedlac's potential to contribute to our development is indeed huge.

In view of this if we are blocked in some way from fulfilling that potential I would make to bold as to want to know the reason for such blockage

Chairperson

Late in 2008 it became clear that South Africa would be seriously affected by the financial crisis that began in the United States.

Though our financial institutions were sound and were not deeply affected by the financial crisis itself, our economy was about to be severely battered by the after effects of the crisis.

In addition, if we are to be honest with ourselves, the boom in South Africa was too heavily dependent on the extension of excessive credit, especially to households, and we were, in any case heading for a significant slowdown.

Even when we called the Joint Economic Working Group meeting for early December 2008, we did not anticipate how severely the crisis would affect our economy and our people.

We met at the Union Buildings and agreed that the social partners should formulate a joint response to the crisis.

By the 19th of February 2009, our negotiators had agreed to a text, and we met at the Tuynhuys to give it our endorsement.

We agreed to take joint action on a wide variety of fronts, and we agreed to ask Nedlac to facilitate the implementation of the agreement, on behalf of the President.

- The main text of the framework had 5 key elements:
 - Financing growth and investment;
 - Addressing distressed sectors;
 - Avoiding retrenchment, and managing it;
 - Addressing the social impact of recession;
 - Engaging with the international response to the crisis.

There were also a set of agreed principles;

- Protection of the vulnerable—the working poor and the poor;
- Activities should support strengthening capacity for future growth;
- We were committed to continuing high levels of public investment to counter cycle;
- Interventions should be timely, tailored and targeted;
- And we agreed that that bold counter-cyclical action was needed.

The main purpose of the Framework agreement was to save jobs; to prevent the needless loss of employment and businesses.

Some of our interventions were simply to tighten up existing systems—for example to reduce the level of customs fraud so that labour intensive industries like the clothing sector would not face unfair competition.

At the same time, some of our proposals were to recommit us to existing programmes, such as the infrastructure investment programme, or to bring forward planned reforms, like the social grant programmes.

Some were through the establishment of new facilities, such as the R6 billion IDC fund to finance firms in distress, while some were entirely new innovations such as the development of the training layoff scheme.

Altogether, we can calculate that several tens of thousands of jobs were saved, and quite a significant number of companies.

In spite of this, we lost about a million jobs as a result of the crisis. What went wrong? Why did we not respond more quickly and effectively?

Firstly, we acted too slowly. The launch of some of the new programmes, and certainly of the social partnership oversight structures were delayed until after the April elections.

Secondly, because suitable instruments were not already in place, the development of these new instruments took time.

Thirdly, the management of some of these instruments fell short too—for example, the insistence that firms release confidential financial details to gain access to the training lay-off scheme was the illogical imposition of an unnecessary bureaucratic rule.

These things sometimes happen in government out of good intentions—to protect the public purse—but to ill effect.

Fourthly, many of the workers who lost jobs were in relatively unorganised sectors and in the informal sector.

We did not really have suitable instruments to protect or support them.

Fifthly, we really need to ask ourselves why in some countries, like Germany, so few jobs were lost in spite of a dramatic slowdown.

Somehow, in Germany, workers and employers found ways to agree to temporary measures that reduced employment benefits but avoided retrenchment.

Why in South Africa is it easier to retrench than to come to a temporary agreement about short -time, or something similar?

It is so costly to society to dismiss workers and close down factories. What does this state of affairs in South Africa say about the state of our social partnership?

Minister Patel continues to lead the team overseeing the implementation of the Framework Agreement.

I have no doubt that he has done this as well as anyone could have, and we do not imagine that anyone could have done that job better than he.

He and the team are to be commended for achieving so much.

We must now consolidate the successes in our response and learn from the failures. We must consider carefully how to ride difficult economic times more smoothly in the future.

I would expect the social partners at Nedlac will think deeply about this and will make recommendations for the way forward.

We are moving forward in the development and implementation of economic policies that are intended to help our economy grow, and especially to create sustainable, decent jobs.

We expect that Nedlac partners have thoroughly discussed the industrial policy action plans and are putting their shoulder to the wheel.

We will also expect the new growth path, when it is launched, to be the subject of intense engagement at Nedlac, so that we can finalise an implementable strategy with thorough and fully committed backing from our social partners.

Programme director

In a country like ours, which is still fractured in many ways, and where the economic elitism and political leadership still overlap relatively little, government can only achieve a limited amount on its own.

Some developmental states in boringly homogenous societies are able to construct the partnerships between government and the economic sector relatively easily.

It's not so easy for us. Our developmental state demands committing a great deal of energy to build social partnerships around common ideas that have been thoroughly debated.

Once these debates are concluded though, we must expect absolute commitment. We have to work like a well drilled team.

There is a time when debates must end and the real work starts. That is the true test of a social partnership-based developmental state.

The relevance of Nedlac in the current era rests on its ability to help build and support the developmental society, which includes a developmental state.

Ladies and gentlemen

As government we have made a commitment to making the creation of decent work opportunities and sustainable livelihoods the primary focus of our economic policies.

This commitment has been taken further in the launch earlier this year of the Industrial Policy Action Plan 2 (IPAP), which seeks to respond to various economic and industrial imperatives and to address weaknesses that exist in the South African economy.

Part of our vision of the Industrial Policy Action Plan is to have an industrialisation trajectory that is responsive to

- The promotion of more labour-absorbing industrial sectors, with an emphasis on tradable labour-absorbing goods and services and economic linkages that catalyse employment creation;
- The promotion of a broader based industrialisation path that is characterised by greater levels of participation of historically disadvantaged people and marginalised regions in the mainstream of the industrial economy.

The New Growth Path that is being finalised within government will define the nature of the South African jobs and equity challenge and address labour-intensive growth.

It will provide a policy framework for a labour intensive growth strategy and identify the policy tools available to support employment growth across the economy.

As government, we hope that the New Growth Path will provide another stepping stone towards the shared vision that we will require to address the structural constraints of the South African economy.

And we will consult and engage the social partners on the New Growth Path.

But there are a number of challenges that will confront us in achieving a more labour-intensive growth path.

What can each of the social partners do to contribute toward achieving a higher participation rate and a better utilisation of labour?

An obvious but necessary starting point will not only be to acknowledge the importance of finding solutions, but also being prepared to rise above partial interests in constructing shared solutions that are in the public interest

Chairperson

Nedlac was one of our first innovations as a democratic government.

It was built on a very firm foundation—the National Economic Forum, which made a huge contribution to helping us steer through the transition to democracy.

It contributed to the development of an outstanding body of labour law, and many other really important legal and administrative innovations.

Nedlac has also helped us avoid some major potential mistakes in a range of economic laws and measures, and in environmental law, for example.

For these achievements, Nedlac is widely admired worldwide. We are proud of what it has achieved.

But our high standards and our great ambitions as a nation demand that we expect even more from Nedlac in the future.

Nedlac must build itself in such a way that it becomes an indispensable cog in our developmental societal machine. It can add so much more to the effectiveness of our institutions and our initiatives.

Let me take this opportunity to thank you once again for your efforts during the year and wish you well for the year ahead.

I thank you.

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