

## **The NEDLAC Organised Labour Overall Convenor – Bheki Ntshalintshali input to the Nedlac Summit**

When Nedlac was established many years ago, very few anticipated its success and the role it was to play in the reconstruction of our society. Reading its vision and mission statements, many thought it would only survive the first years of its establishment. Nedlac proved them wrong. These were not to happen, had the social partners doubted what they wanted to achieve.

The Nedlac foundation was different from many social dialogue institutions of the world in that our Nedlac was institutionalised by Act of Parliament. Judging by the response of many countries who are visiting Nedlac it annually, who come to learn how it works, those who frequent our website including the IMF, World Bank, CIA, ILO etc. one concludes that Nedlac is very important to the global community on social dialogue.

Let me illustrate the point by citing two examples. When the global crisis emerged around 2007/2008 our then president, President Motlanthe convened the Nedlac social partners and asked them to develop a response to the global financial crisis. Indeed the social partners responded in an

unprecedented way, and such responses are contained in a document entitled – South African Response to the Global Economic crisis. This report was used as catalyst by the International Labour Organisation in drafting guidelines for responding to the economic crisis in what is today known as the ILO Global Jobs Pact. Many countries and international institutions who have taken our work seriously have benefitted more than us.

The second example is the contribution the Nedlac social partners have made to the international community is our experience in dealing with the vulnerable sector when the ILO needed advice on the Domestic Worker Convention. Again our experience in dealing with Domestic Workers Sectoral Determination made it possible for the 2011 International Labour Conference to adopt the Domestic Convention.

However, those opposed to social dialogue such as the IMF, World Bank and OECD institutions have been monitoring the work of Nedlac and have since its establishment - criticising its work but mainly focussing in the labour market policies.

For the first full five years of the LRA and BCEA, the IMF, World Bank and OECD countries attacked the labour laws despite that these laws were a product of negotiations by those who are on the coal face. They claimed without producing any evidence that our labour laws were rigid. We remember quite clearly that the same arguments were advanced in the 1970's before the attacks on British workers by the so-called iron lady margareth tatcher. Ten years later, they reluctantly accepted that our laws were flexible enough and that workers productivity were in fact high but not compensated for. The attacks were not aimed at the labour laws only but also to the institution that negotiated - Nedlac. I would come back to this issue later.

This time a year ago we conveyed a message that we were looking forward to the implementation of the NEDLAC Review and in particular the revision of the NEDLAC Protocol. This year we can confirm the progress made and that there are signs that the Organisational Review process is on course. Social partners have re-emphasised their commitment to social dialogue and this is reflected in the manner in which chambers have worked. The Development Chamber has improved significantly.

We also stated in our message that we were not convinced that the economic crisis was over; in fact we were suspecting a double-dip recession. We rejected the notion that we should accept an economic recovery that does not create jobs.

We said that if employment and social protection are not addressed, global social unrest would grow; if financial regulation with real constraints on speculative market activity in food and other commodities is not implemented, global inequality, deprivation and poverty would escalate. The crisis will result in working people paying for this crisis through higher unemployment, lower wages or declining wage-share, social expenditure cuts, fewer public services and increased consumption taxes.

Since then, we are told that the world economy has resumed economic growth and that some countries have noticed encouraging signs of employment recovery. Despite these “gains”, however, new clouds have emerged on the employment horizon and the prospects have worsened in many other countries.

A former Director of the IMF warned that the growth model that co-existed with globalisation was unbalanced and

unsustainable; that inequality might have stoked this unsustainable model and therefore that the crisis was provoking a serious re-think in all these areas.

His warning has been ignored and the scenario looks very much like business as usual. Despite this, many mainstream economists and commentators continue to call for weakening of employment protection legislation and decentralisation of collective bargaining. On the one hand, profits are booming and bonuses are back, symbolising the lack of fundamental financial sector reform. On the other hand, attacks are being launched on social protection and labour market institutions.

Globally, the austerity measures that are being forced upon the working people of the PIGS countries (Portugal, Ireland, Greece and Spain) clearly demonstrating that the crisis is still with us for a long period to come. The longer the labour market recession, the greater the difficulties for job-seekers to find a job. More job-seekers have been without work for more than a year and therefore run the risk of demoralisation, loss of self-esteem and mental health problems. Importantly, young men and women are disproportionately hit by unemployment and when they find

new jobs, it often tends to be precarious and does not match their skills.

The labour market has been depressed for so long that many unemployed people are getting discouraged and leave the labour market for good – too discouraged to look for a job.

We should recall that the G20 and the IMF were already talking about “fiscal consolidation” by 2010. They were so over confident to the point of advising that governments should begin winding down their stimulus packages because the economy was thought to be on its way to recovery. We warned against this “fiscal consolidation” and said it would constrain demand, restrict the tax base and slow down job-creation.

We further argued that we could not talk about a recovery underway without a recovery in job creation. As long as unemployment rate is increasing, to us we are still in recession. All of us want economic growth, but for those obsessed with economic growth, what we mean is that even if the economy is growing, if it continues to shed jobs then such growth is not enough to signal an exit from recession.

Our exchange rate is very strong when compared to the level of real economic activity. The economy continues to lose jobs on one hand, and the Rand is strong on the other, which deals a massive blow to import-competing and export-oriented sectors, especially the manufacturing.

As labour we maintain that no country has ever gotten out of a recession at the back of a strong currency and that unconventional ways to manage this economy are required. In other words, there is a need for policy makers to shift their mindset and realise that they are managing an emerging market with strong under-development features.

This is not an economy that can be managed using conventional tools that are enunciated in basic textbooks that were written as if we have a frictionless, smooth functioning economy. Our economy is colonial, dependents on raw minerals, has high income inequality, massive structural unemployment, and high poverty levels and needs to be industrialised.

Therefore you cannot rely on one instrument, interest rates, and hope that resources will be allocated in a developmental way. Neither can one have a luxury of not using the fiscal policy to change the structural features of the economy

through, for example, regulations that promote local procurement.

A proper developmentalist macroeconomic policy responds to, and is dominated by, industrial policy. A proper developmentalist industrial policy in turns responds to, and is dominated by social policy – meeting the basic needs. Without alignment, this economy will continue to be mismanaged to the disadvantaged of its people.

In order to lay firm basis for genuine social dialogue, there is a need to be sober and honest about the nature of our challenges.

We believe that very few people here would disagree that we face a triple crisis unemployment, poverty and inequality.

But also, very few people would disagree that this crisis has a strong and persistent and predominantly racial dimension.

**There is inequality everywhere here.** There is inequality in healthcare: only 9% of the African population belong to medical aid scheme whilst 74% of white population do.



**There is inequality in education:** schools with less than R20 fees has pass rates of 44% and those with more that R1000 fees have 97% pass rates.

**There is inequality in income earnings:** the top 5% earners earning 30 times the bottom 5% on a monthly basis; white people earn in an hour what African workers earn in a day. Sectors, with the Wall-mart case manifesting a trend that has long started in the retail sector.

**There is inequality in ownership and control of the economy,** which remains colonial, with a growing trend of foreign ownership on strategic

The poverty crisis also continues to deepen: the Presidential Development Indicators Report (2009) estimated that 48% of South Africans live on less that R10 a day, but his figures could be above 60% based on the UN Human development Report (2010)

Almost 25% of South African household experience hunger on a daily basis

An average member of working class household lives on R18 a day, but many actually lives on less than R10 a day

because 44% of workers, which is 6 million workers, live on less than R10 a day.

The employed constitute an indispensable social security net for the vast majority of the unemployed; 78% of the unemployed, which is 5 million people, depend on the employed for survival.

The social grants now reach 30% of South Africans, which is 15 million people.

The unemployment crisis in South Africa continues to, underlined by a) 72% of unemployed people are young b) 68% of the unemployed have been unemployed for more than a year c) 60% of the unemployed have less than secondary education and d) 60% of the unemployed have neither never worked in their lives or have not worked in the past 5 years

Over the past ten years our economy created almost 2 million jobs, however the economic crisis wiped out over 50% of those jobs by 2009.

### **What is the cause of these problems of unemployment, poverty and inequality?**

Some of our comrades in government and some of our colleagues in the business sector, have found new wisdom

around these issues. They opted not to defend Nedlac agreements and they say the major cause of these problems is the labour laws because they are rigid.

To them, the major problem is no longer the historical legacy of the apartheid and the failure to change the structure of the economy in the past 17 years. They are shifting the blame to labour laws and the labour movement. Labour is now branded as selfish and cruel as they block young people from being employed.

They now talk about voice regulation, that the voice of the labour movement is too vocal and needs to be regulated. They are floating ideas on two-tier labour market, limitation on collective wage-bargaining not to cover certain categories of workers; minimum wage-differentiation by age; youth wage subsidies; extension of probationary requirements for the newly for the newly employed and wage and price moderation.

We are not surprised. We have fought against these reactionary proposals in the past and will continue to do so, because they do not in any way seek to change the colonial structure of the labour market. These proposals are simply quiet about the injustice that the workers suffer in these

markets, compounded by weaknesses in the state of enforcement and compliance.

Ever since 1994, business has been singing this song, encouraged by the usual suspects: the IMF and OECD. There is an obvious dishonesty on this: Executives have been rewarding each double digit pay increases. Between 2006 and 2009 we are told that top managers and executives pay increase were in excess of 20%.

The Business Day reported that ‘the PWC report revealed that the median pay of executives directors of the top 40 JSE-listed companies increased 23,3% to R4,8m last year, while bonuses rose to 56%’ when we question the obscenity of this, we are told it is part of the global trend. The IMF and OECD will never raise this inflated executive pay. If you assume 5 managers per 40 companies listed in the JSE, their salary increase could be equivalent to at least 5000 permanent jobs, which could give a lifeline to at least 25 000 South Africans.

As labour movement, we will not allow a situation where social partners attempt to side-step, undermine, or avoid dealing with the continuing legacy of colonialism, and

instead blame the victims of this colonialism for the ills of society.

Linked to this question of market rigidity is the issue of labour brokers. The rampant and pervasive mushrooming of labour brokers is in itself evidence that the labour market is flexible. The majority of workers have called for the banning of the labour brokers.

They have argued before the parliamentary hearing committee that labour brokering is a form of modern day slavery, human trafficking, they do not create a conducive environment for the creation of decent work; they reinforce the colonial, super-exploitative character of South Africa's labour market and therefore do not take us forward with our country's transformation;

They bring vast numbers of people in precarious forms of employment, and thereby increase the vulnerability of working class households and communities; they do not provide the necessary environment for a truly inclusive economy in which the benefits are equitably shared and they create no new jobs.

Despite all these negative developments NEDLAC remains the only forum suitable for true social dialogue. Many communities of the world will continue to visit and learn from the NEDLAC institution. Comrade Deputy President, as you did in 2009 by convening the social partners to respond to the global economic crisis, may you revisit this idea of doing it again. Labour suspects that we are in danger of a double-dip recession. The plethora of redundancy/ retrenchments due to Wall-martasation, liquidation etc suggests that we are heading for a difficult time. These suggest that some societal social dialogue is urgently needed. Labour will be the first one to positively respond should such a call be made.