

**Wednesday 3 October 2018**

**BUSINESS PARTICIPATION IN THE JOBS SUMMIT  
MEDIA ROUND TABLE BRIEFING DOCUMENT**

**Rationale**

There are significant challenges facing the economy, business acknowledges that and recognises that sustained job losses in recent years are a symptom of an underperforming economy. The Jobs Summit process has the potential to make an impact on our collective ability to achieve South Africa's social developmental aspirations.

Many have asked: will the Jobs Summit be another talk shop? The answer is, No – and that is an emphatic, No. We have been talking since President Cyril Ramaphosa directed in his inaugural State of the Nation Address in February that a Jobs Summit and an Investment Conference be held. Since then, we have been talking among ourselves as business, and within the National Economic Development and Labour Council (Nedlac) framework with our social partners: the government, labour and community.

Now, however, we are done talking as we enter the Jobs Summit.

Briefly, here is why.

Through Business Unity SA (BUSA), business has had the dual mandate of working on the Jobs Summit process through Nedlac and the Investment Conference. On the latter, BUSA has been working in close collaboration with the investment envoys and the presidential economic adviser, the Investment Conference secretariat and the World Bank Group. On the former, business has been engaging extensively with the three other Nedlac constituents. The nature of the Nedlac engagements has been long and robust. We have had several pressure points, but fortunately they never reached breaking point.

The facts on the table pertaining to the country's socio-economic environment are dire, and the President's prompting that Nedlac constituencies work on solutions to deal with the high unemployment crisis bears testament to that realisation. We have one of the highest levels of inequality and unemployment in the world, and an economy that has stagnated and that is too concentrated in the hands of a few. Those dynamics make South Africa a vulnerable to social unrest.

It is inescapable fact that inequality in South Africa runs along racial lines and that the majority of those who are locked out of economic opportunities are the most vulnerable and most in need: they are our black youth and black women, who are the worst-affected by poverty and are confronted by the highest rates of joblessness. That is why this segment of society has been prioritised in the Jobs Summit process. We are by no means claiming that the interventions proposed at the Jobs Summit are long-term measures, they are short-term solutions meant to

garner fast-tracked results or quick wins. They are a start and the momentum generated from the short-term measures agreed to at the Jobs Summit should be used as a springboard to arrive at longer-term interventions.

## **Business Perspectives**

1. **Will this be as a successful intervention to turn the tide on job losses and generate new jobs?** The agreements reached move in the right direction and have the potential to create a substantial number of jobs. The micro, solution-orientated approach taken will, hopefully, translate and be a catalyst for enterprise and sector-level job creation.

Notwithstanding the progress made, however, we believe that the agreements are likely to produce mitigative interventions rather than structural transformation that's required to grow the economy in an inclusive way.

2. **Why will this be implemented? Will this really have an impact?** We are more confident about the outcomes of this Summit as they have been developed in a collaborative manner and bottom up. The proponents of the initiatives will be responsible for driving many of the outcomes and the government is serious about delivering what it has committed to. In the past, this was not the case.
3. **Relationship between business and the government.** We are starting to see evidence of progress since the President's State of the Nation Address in February. The Integrated Resource Plan, for example, has been reworked and published; many State-Owned Enterprises have been reconstituted and refocused; the State Capture and SARS inquiries are underway; Investment and Jobs are in the spotlight; and there is regular and serious engagement with business. There are signs that business concerns are being taken seriously and that the role of business, as both a job creator and enabler, is better understood by the government and our social partners.
4. **Can we speak about creating jobs when we are losing them?** It is recognised that the economy is in a job-shedding phase. As companies adjust to poor economic conditions and the lack of business opportunities, this may result in some employment becoming redundant. The parties recognise that retrenchments should be an intervention of last resort. This requires that both companies and employees make genuine and creative efforts to compromise and adjust where possible to save jobs. Everyone needs to make sacrifices in this regard.
5. **What is BUSA's view on some of the pressure points?** Many of the proposals have been rigorously debated in the working committees. Some of the more contentious issues include:
  - **The call for a moratorium on retrenchments** – To be competitive, businesses must be able to adapt and change to changing circumstances and opportunities. Business acknowledges that, particularly in the current climate, retrenchments must be a last resort.

All parties need to work together to minimise and avoid retrenchments wherever possible and consider other viable options to retain employment.

- **Scalability of initial proposals and coming to agreement on the final list** – There are several proposals that have no immediate job impact but have a longer-term impact. For example, the CCMA BUSA Labour Advice Web tool for SMEs should assist smaller businesses understand their labour obligations; and the study on the gender pay gap, should assist companies with a methodology to achieve pay equity. In addition, there are a number of proposals that need to start small, but have significant potential if they can be replicated, such as the projects on improving water infrastructure and the war on leaks.
- **Nature of Interventions and Targeted sectors** – these were largely determined on the basis of parties willing to participate and make a contribution, as well as proposals where there was general support.

6. **What is Businesses' approach to the Jobs Summit?** Business has supported the objectives and has been an involved and active participant.

### **Examples of Areas of Agreement**

The agreement contains a range of diverse initiatives that can create jobs in the short, medium or longer term. There are many creative solutions that may contribute to job creation in a variety of ways, but also serve to unlock social challenges, value chains and the opportunity for growth. In many cases, the successful delivery of the initiatives requires collaboration by different social actors; unblocking of constraints; funding or project management interventions.

Some illustrative projects are set out below:

1. **Agreement to boost local procurement.** This agreement is multifaceted. Local demand will be boosted through improved designation of products for public procurement and through a commitment for the Department of Trade & Industry (Dti) to engage 500 corporates in the next year to enhance local procurement. There is a commitment by the agricultural sector to procure furniture and inputs locally where possible. There is a project to enhance export opportunities of local products by enhancing the Business Process Enabling South Africa (BPESA) and Dti call centres (staffed by youth).
2. **Agreement to enhance trade in fruit and wine production.** Exports can potentially grow from R54 bn to R90 bn by 2030. Interventions include the construction of on-farm irrigation dams to expand production by 50,155ha, assist producers with SA-GAP and Global-GAP certification; and develop fresh produce markets; as well as unblock water-use authorisation challenges with the Department of Water & Sanitation; and explore road to rail solutions. Communication with communities will be enhanced to open localised opportunities. The job potential has been estimated at 267,000 jobs by 2030.

Similarly, there are grain-for-livestock feed interventions; stimulation of an agri-industrial cluster in the West Rand, with 30,000 ha of mine legacy land holding and water supply for nuts, fruits and vegetable production, that could realise 50,000 sustainable jobs.

A significant barrier for participation of emerging farmers is the lack of collateral to fund investment and operations. An Agbiz and Banking Association South Africa proposal, as well as the separate Land Bank mechanism proposal to develop a blended-finance model, will considerably alleviate this. It will also speed up land distribution.

3. **Agreement to monitor pay ratios in Annual Financial Statements.** Business has committed, in conjunction with social partners, to introduce voluntary and then mandatory reporting on pay ratios in Annual Financial Statements. This will open the way for improved data and information on excessive pay disparities with the aim of raising consciousness about the challenge and by encouraging management and shareholder intervention where pay ratios are excessive. This is in addition to reporting requirements in the Employment Equity Act.
4. **Jobs in Early Childhood Development (ECD).** There are two projects in this regard that reinforce each other. These will provide universal access to quality, affordable ECD, with a focus on development in township and rural areas, contributing to both enterprise development and youth employment. The one initiative is the KYB incubator (currently being tested in Gauteng) to support the development of 2,400 ECD enterprises over two years. Linked to this will be the scaling up of public financing and attracting private funding to expand to the reach of an additional 5,000 ECD centres. This aims to employ up to 50,000 people over eight years. Included in the proposal is support for security of employment and training for ECD practitioners.
5. **Pathways for Youth in Installation, Repair and Maintenance Industries.** This National Business Institute (NBI) and Harambee project focuses on security, IT, renewable energy, telecoms, retail, hospitality and related industries. It creates a pathway between TVETs and employment. By 2021, it aims to support 7,500 employment opportunities with significant opportunity to scale.
6. **Agreement to extend the Employment Tax Incentive (ETI) for 10 years.** The ETI is the only direct employment incentive available, is relatively cost-effective, and has supported youth employment over the past few years since inception. By extending this for a 10-year period, businesses will have the requisite certainty to deepen their strategies and efforts in this regard. We are hoping that the enabling provisions in the ETI will extend it to designated sectors and may also provide relief and support for low-paying industries.

## **Relationship to Other Processes**

The Presidential Jobs Summit must be seen in the context of other conversations with the government to fix, reposition and progress society and the economy.

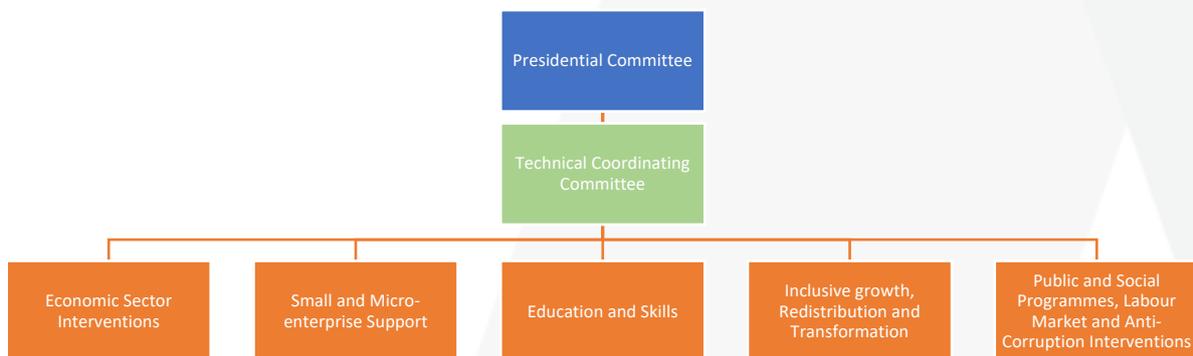
The Jobs Summit work informed the Minister in the Presidency's consultation with selected business sectors that took place two weeks ago; as well as the President's Economic Consultation that took place in the lead-up to the announcement on the Economic Stimulus Package. The Jobs Summit inputs will also contribute to the President's Investment Conference scheduled for 25 to 27 October 2018.

Business is encouraged by the level of engagement and the improved alignment within the government to address serious challenges facing the economy. This by no means implies that the work is done – it is just starting, and we are fully conscious of the long-term structural work that needs to be done to develop a diverse, globally competitive and job-rich economy.

## Timeline and Process

In May, Nedlac began to engage informally and then formally on the structure of the process. In June, the Terms of Reference were agreed to by the social partners. Once that was done, Nedlac hosted a Jobs Summit Colloquium, where many ideas were introduced. Then constituents started talking about, as well as looking at, a set of proposals to stimulate job creation. That took three months.

The following structure was constituted for the Nedlac deliberations:



The objectives of the Jobs Summit were identified as follows:

Firstly, to identify solutions to job retention and identify job-creation blockages, as well as opportunities that each social partner – the government, business, labour, community – can work on to stimulate more participation in the economy:

- Commitments have to be clear and precise
- Strengthen existing initiatives and develop new ones; and
- Understand the challenges faced by each social partner at granular level and find solutions to unlock the bottlenecks identified in job creation

Secondly, deal with policy and regulatory uncertainty to unlock inclusive growth and employment.

Lastly, maximum buy-in by and beyond the Nedlac social partners into the objectives, and agreements reached for the Jobs Summit.