



## Message from the Overall Government Convener

### VANGUARD MKOSANA



The decade of democracy has seen industrial relations in South Africa transform from an area of constant conflict into institutionalized social dialogue through Nedlac. As government, we believe that this change has improved social cohesion and stability, laid a foundation for the reduction of poverty and unemployment and promotes good governance.

It is our firm belief that the National Economic Development and Labour Council (Nedlac) must take a lead in ensuring that the ravages of apartheid on our labour market are addressed. It is for this reason that President Thabo Mbeki gave Nedlac the responsibility of convening the Growth and Development Summit (GDS) in June 2003. The GDS committed social partners to focus at measurable goals. This achievement, however, is

merely a good beginning in our endeavours to rebuild the South African economy. As social partners we must ensure that the commitment we showed in reaching the agreement is matched by the commitment we show during its implementation.

To achieve these goals, we need to strengthen our planning and monetary mechanisms and ensure that the various initiatives to be undertaken compliment one another. We dare not fail.

The role of NEDLAC as the key driver of social dialogue in SA has only begun. Indications are that our approach to social dialogue is envied the world over and we have begun to share our experiences with other countries.

This report is a testimony to our achievements and reveals how much further we still have to go. The challenges that we confront in the labour market at home are connected to those of the region and the rest of the world. These are the challenges that we trust Herbert Mkhize and his team at Nedlac, as well as Nedlac constituencies, will handle with verve and competence. On behalf of Government, I would like to pledge our unwavering support to the institution and welcome Herbert Mkhize to the Nedlac team. ■



## Message from the Overall Labour Convener

### EBRAHIM PATEL

In a recent report to President Mbeki, Nedlac provided an overview of the extent of implementation of the Growth and Development Summit commitments. It was noted that a number of commitments are being translated into action, with notable successes in many areas.

Yet one area of concern was over-riding: the extent of net job growth.

The Report documented jobs created through a number of projects and programmes: for example, the Job Creation Trust of organised labour created 6 500 jobs through grants made to a number of community-linked projects, in agriculture, infrastructure construction, micro-production of goods, services and education and training.

Yet, due to the strong Rand, which rendered many South African producers uncompetitive, massive numbers of workers were being retrenched elsewhere in the economy.

The impact on the real economy has been rough. In a number of sectors, exports fell dramatically; in others import penetration increased. The experience of the clothing industry is instructive. The loss of export business due to the strong Rand has been compounded by increased import levels by major retailers, notwithstanding their moral commitments to increase their local procurement. Profits in apparel retail have reached historic highs, while employment has plunged to levels not seen since the advent of democracy in South Africa.

Last year alone, clothing imports from China, adjusted to a Yuan value, grew by 110%. China's share of the local market has increased to 75% in the first quarter of 2004 from 50% in 2001. The impact on jobs has been devastating, with Stats SA figures showing about 20 000 job losses in the clothing, textile and footwear sector for 2003 alone. Since 1996, 78 000 jobs have been lost in this sector, and since at least 5 persons are dependent on each breadwinner, 390 000 South Africans have been left without the basic necessities of life.

China's accession to the WTO confronts developing, and some developed economies, with new challenges: how to survive in the face of an economy (China's) that is structurally geared to vacuum up ever larger shares of global trade. Wages are low and labour rights weak, but as significant are the commercial practices in China that make competition by other countries very difficult.

The relevance of these trends for Nedlac is clear. The major goals of the Growth and Development Summit are hamstrung by the volatility of the currency. Therefore, constituencies' efforts to create jobs under the GDS must include maintaining South Africa's global competitiveness which has been blunted by the current exchange rate.

During this period, Nedlac grappled with aspects of monetary policy, seen as a key driver in correcting, and compensating for, the Rand/Dollar exchange rate. We believe a lower interest rate regime is crucial to reducing the Rand yield premium that attracts portfolio flows and destroys the basis for gross fixed investment as factories close, mines downsize and tourism receipts decline.

Much of the promise of social dialogue can be achieved if we can make progress in securing a more jobs-friendly exchange rate. ■





## Message from the Overall Business Convener

**RAYMOND PARSONS**



The highlight of the past year for NEDLAC and its stakeholders was the Presidential Growth and Development Summit (GDS), which was held on 7 June 2003. Both the negotiations which preceded the GDS – as well as monitoring the agreements reached subsequent to it – permeated many aspects of NEDLAC's agenda and workload over the past twelve months.

The past year has also seen significant changes in the organised business landscape. The former Black Business Council and Business South Africa merged as from the beginning of 2004 to form Business Unity South Africa (BUSA) - thus creating a unified channel for the views of organised business into NEDLAC and other institutions, both nationally and internationally. Organised business has been united and rationalised as a result of these developments and is now better positioned to play its role in institutionalised social dialogue.

BUSA has re-affirmed organised business' commitment to NEDLAC as the major national mechanism for social dialogue in South Africa. For nearly a decade now, NEDLAC has been part of our institutional landscape. A review of NEDLAC's activities and outcomes over these years demonstrates the extent to which the social partners have been brought together in our joint quest to address the socio-economic challenges facing the country. Together we have shared both the successes and the failures of NEDLAC, and have recognised the important role that the institution has played in promoting economic and social stability in South Africa.

This 'maturing' of the relationships between the social partners has brought with it certain changes in NEDLAC's emphasis. While policy-formulation remains an important function, NEDLAC's focus is shifting increasingly towards monitoring implementation of agreed policies. As previously mentioned, NEDLAC has served as the institution co-ordinating the implementation phase following on from the commitments made at the GDS. Expectations are high that these commitments will be translated into tangible outcomes that will make South Africa a better place for all.

NEDLAC needs to further entrench itself as a problem-solving institution that can - through the social partners - make things happen. It is altogether fitting that it is now undergoing a process of reassessment that will help to maintain its relevance in the years ahead. Like a successful marriage, NEDLAC is an edifice that must be rebuilt every day. As long as NEDLAC can remain relevant to the nation's priorities it will have a unique contribution to make, and will continue to be esteemed and supported by the organised business constituency as well as other stakeholders. ■



## Message from the Overall Community Convener

### SIZWE SHEZI

Much has been accomplished since the advent of democracy in South Africa ten years ago.

However, the consolidation of our democratic institutions and confidence in South Africa needs to go beyond declarations; it must translate into practical changes in the lives of poor people. Otherwise, the gains that have been made will be eroded. That is why implementing the Growth and a Development Summit agreement is of utmost importance.

Thankfully, progress has been made on several fronts:

- The Expanded Public Works Programme was launched;
- The Cooperatives Bill was completed;
- The consultations on the 2005-2009 Skills Development Strategy Framework were completed;
- The Proudly South African campaign was a success;
- Preparations for the Community constituency's Sustainable Livelihoods Conference to be convened in the first quarter of 2005 are at an advanced stage;
- Preparations for the Retirement Funds Trustees Conference to take place before the end of 2004 are ongoing.



However, the progress that has been made is tempered by the reality of the deepening levels of poverty and unemployment. Recent statistics indicate that, in the first quarter of 2004, 113,000 jobs were lost. Therefore, the job creation challenge that was identified for the GDS has intensified.

It is important to note the government's own Ten Year review on the advances made in the first decade and also challenges that persist:

*"The advances made in the First Decade by far supersede the weaknesses. Yet, if all indicators were to continue along the same trajectory, especially in respect of the dynamic of economic inclusion and exclusion, we could soon reach a point where the negatives start to overwhelm the positives. This could precipitate a vicious cycle of decline in all spheres".*

Given the above, it is important to implement the GDS speedily especially on the following critical issues:

- investing 5% of investible incomes;
- ensuring the empowerment charter processes benefit the poor and are firmly located and driven from NEDLAC.

We must move beyond the GDS minimum agreements to ensure a thoroughgoing transformation of South Africa for the benefit of all. ■