26TH NEDLAC ANNUAL National Summit

06th October 2021

State of Social Dialogue at Nedlac

Report of Executive Director

07 December 2021

National Economic Development and Labour Council

Agenda

- Context
- Achievements and reflections on 2021
  - Implementation of the Economic Recovery and Reconstruction Programme
  - Responding to the Covid19 pandemic
  - Inputting into the legislative and policy processes
  - Progressing Nedlac fit for purpose
- Getting ahead of the curve – considerations for 2022

Focus will be on characterising the "state of social dialogue in Nedlac"

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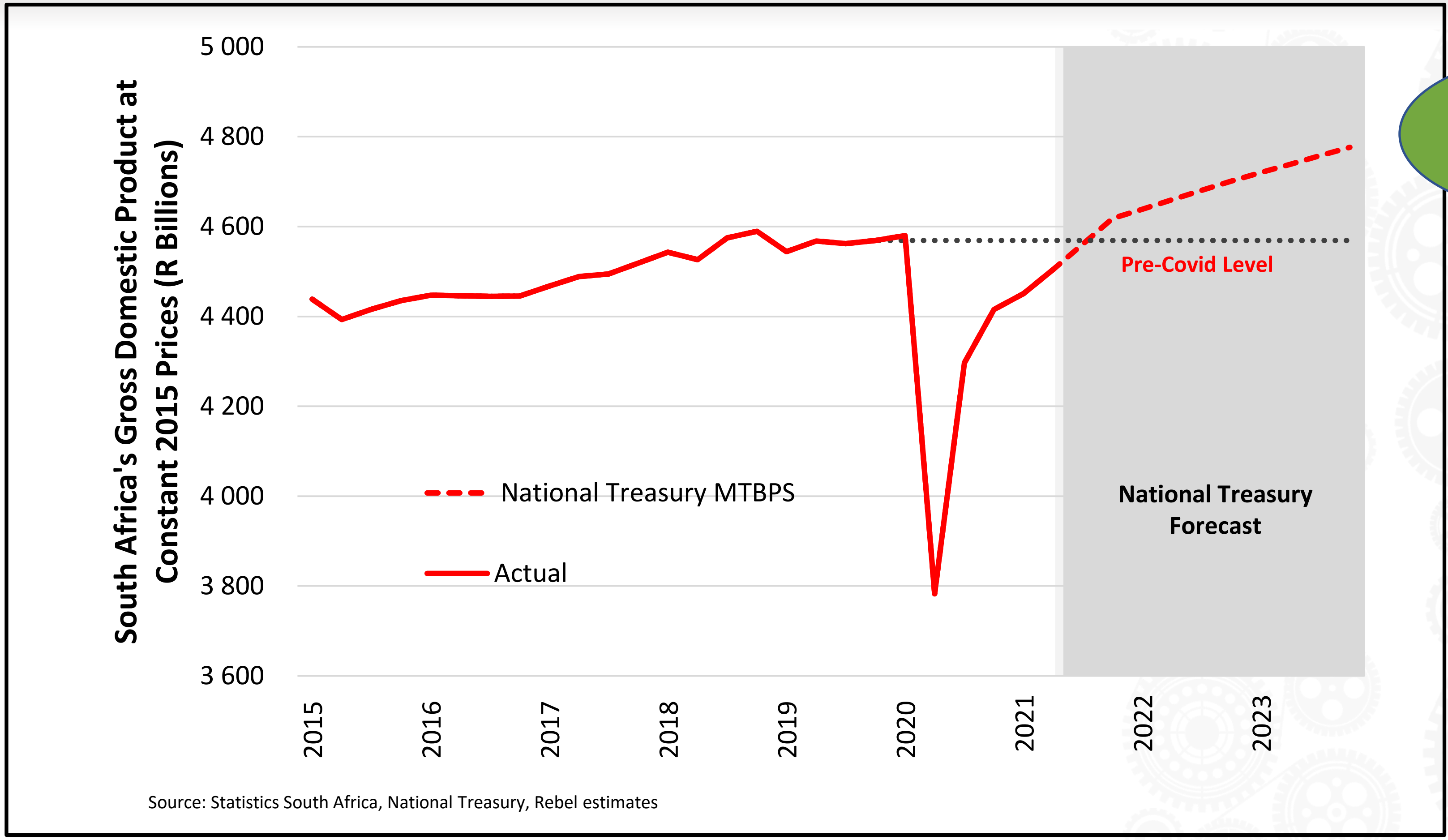
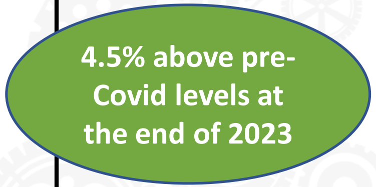
Context

National Economic Development
and Labour Council

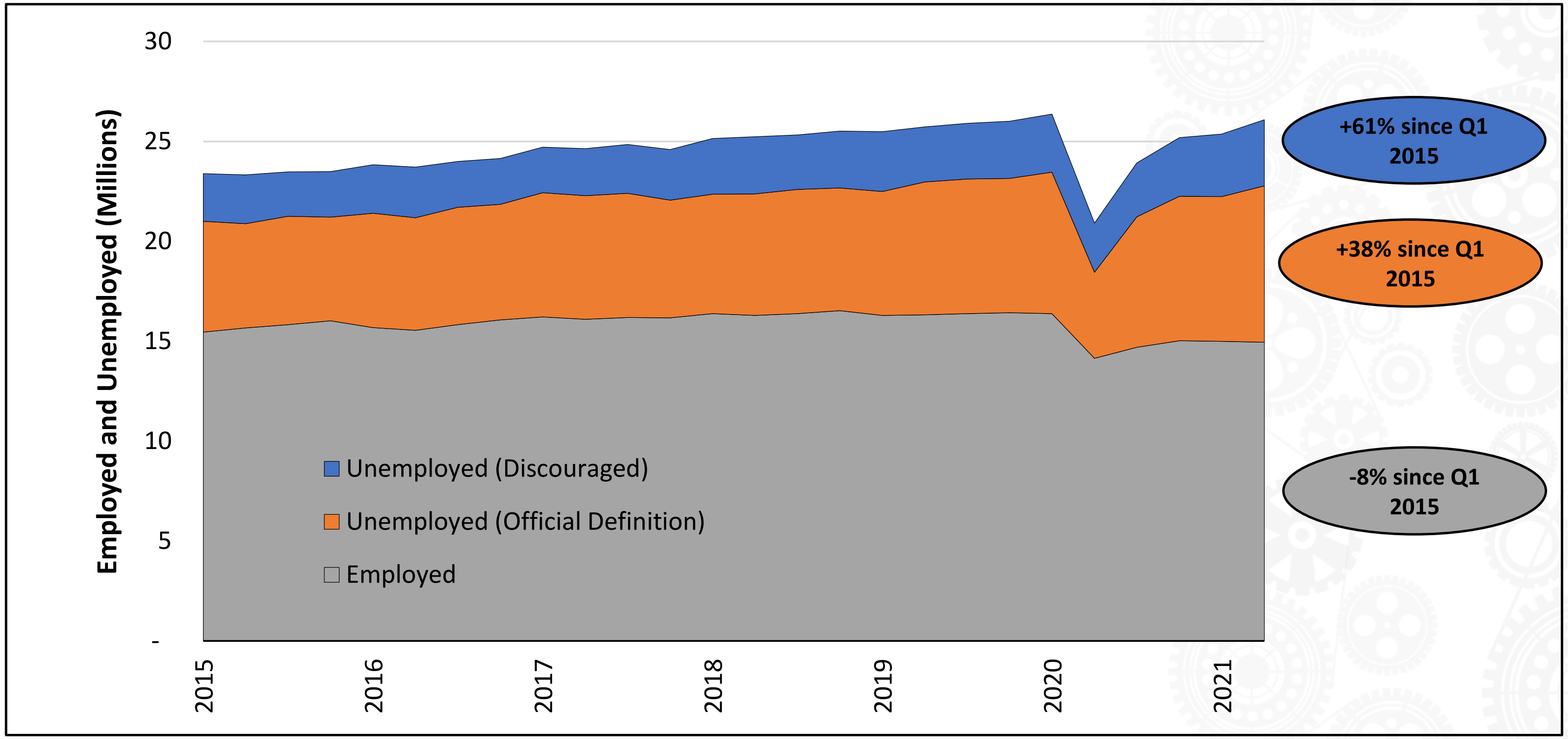
Our economy has shrunk and growth prospects are concerning





- Forecast growth for 2021, 2022 and 2023 will not be sufficient to take real per capita GDP above its pre-Covid levels.
- With current forecasts by the Reserve Bank, Treasury and the IMF, GDP per capita will still be around 1% lower at the end of 2023 than at the end of 2019.

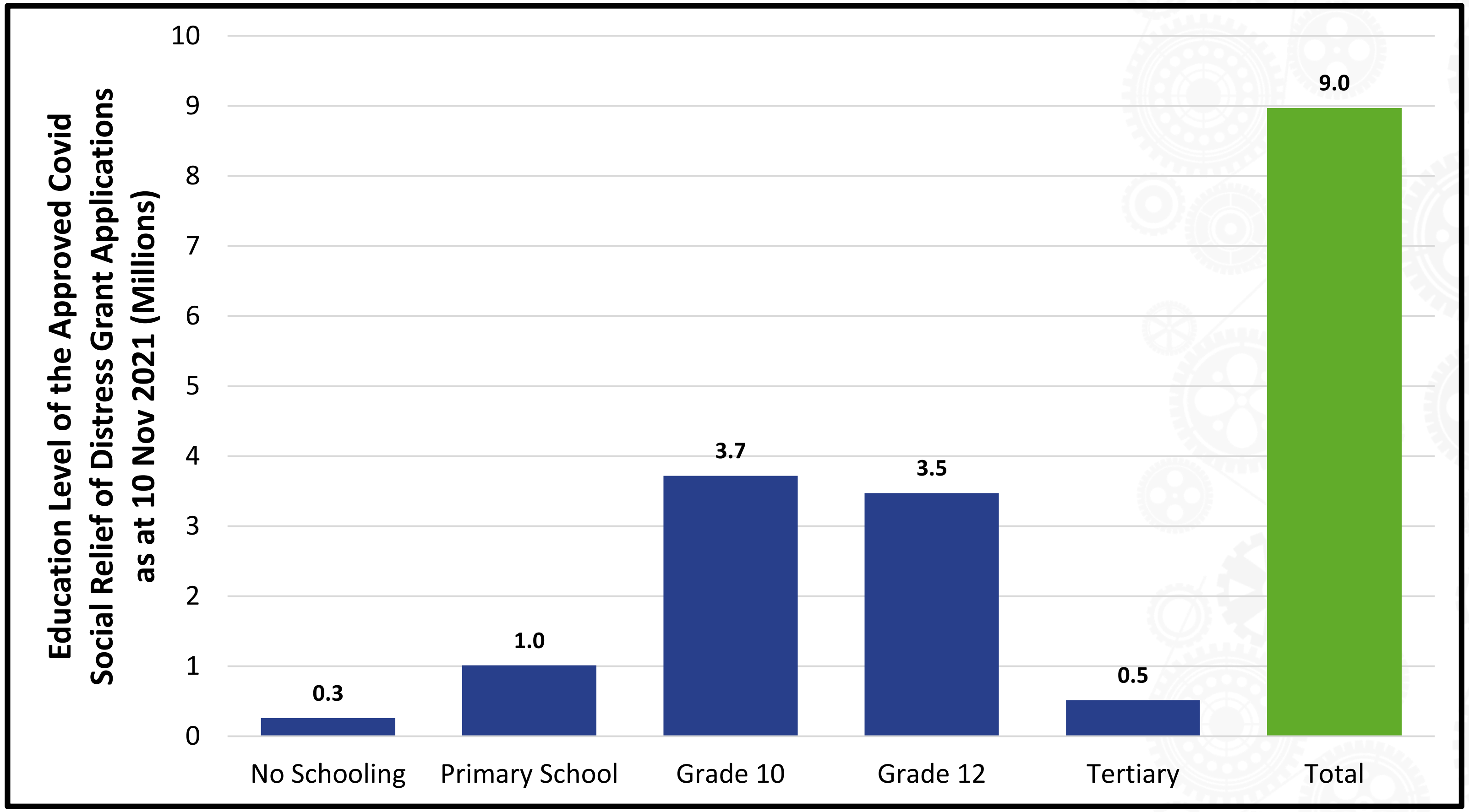
The unemployment situation is dire



Source: Statistics South Africa Quarterly Labour Force Survey

- In Q3 2021 nearly 47% of the working age population who wanted to work couldn't find a job.
- In the same period, 77% of people in the 15 to 24 age group who wanted to work couldn't find employment.

The applications for COVID-19 social relief of distress grant provides a picture of who are without an income

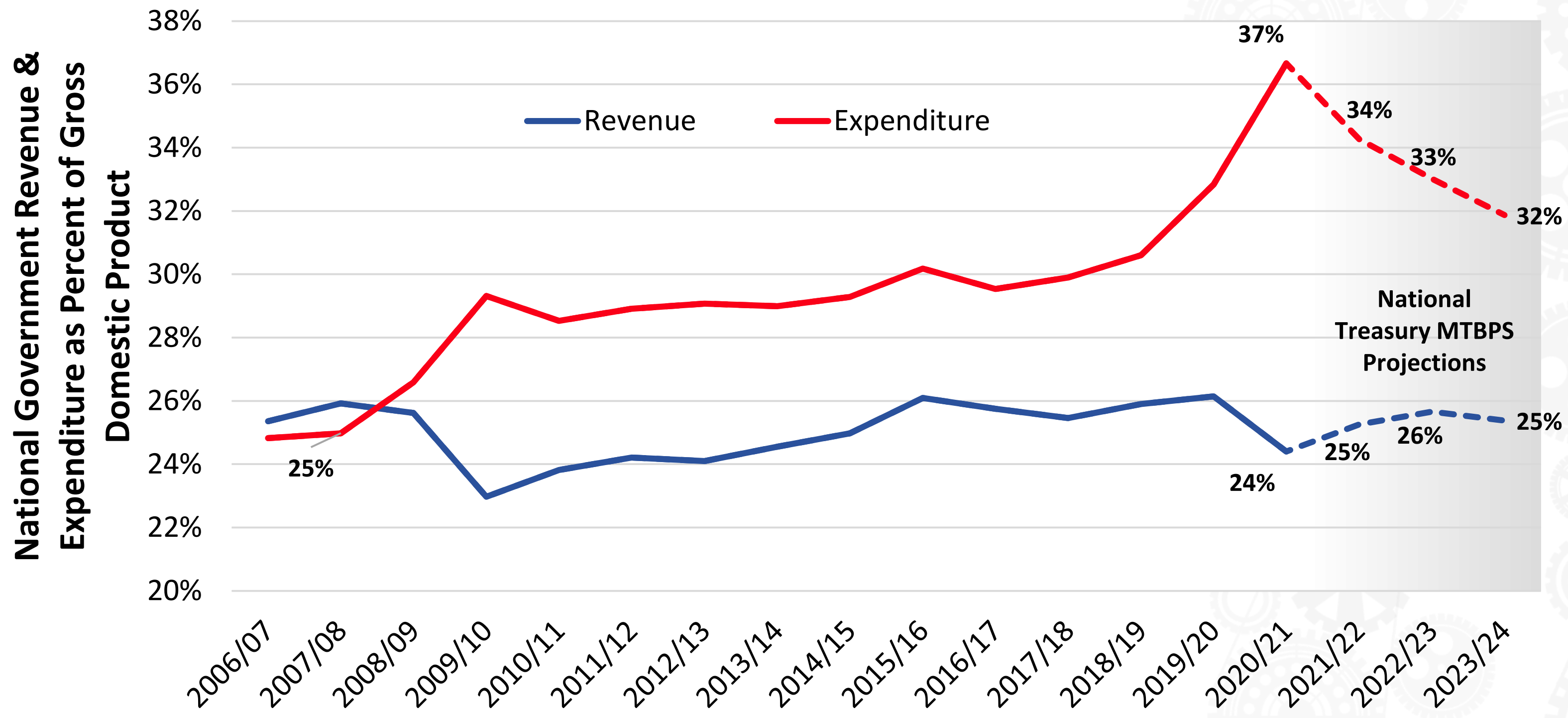


People with a Grade 10 constituted the largest number of approved applicants (3.7 million), followed by those with Grade 12 (3.5 million).

500,000 tertiary applicants also were approved.

Source: South African Social Security Agency: Report on COVID-19 social relief of distress grant as at 10 November 2021

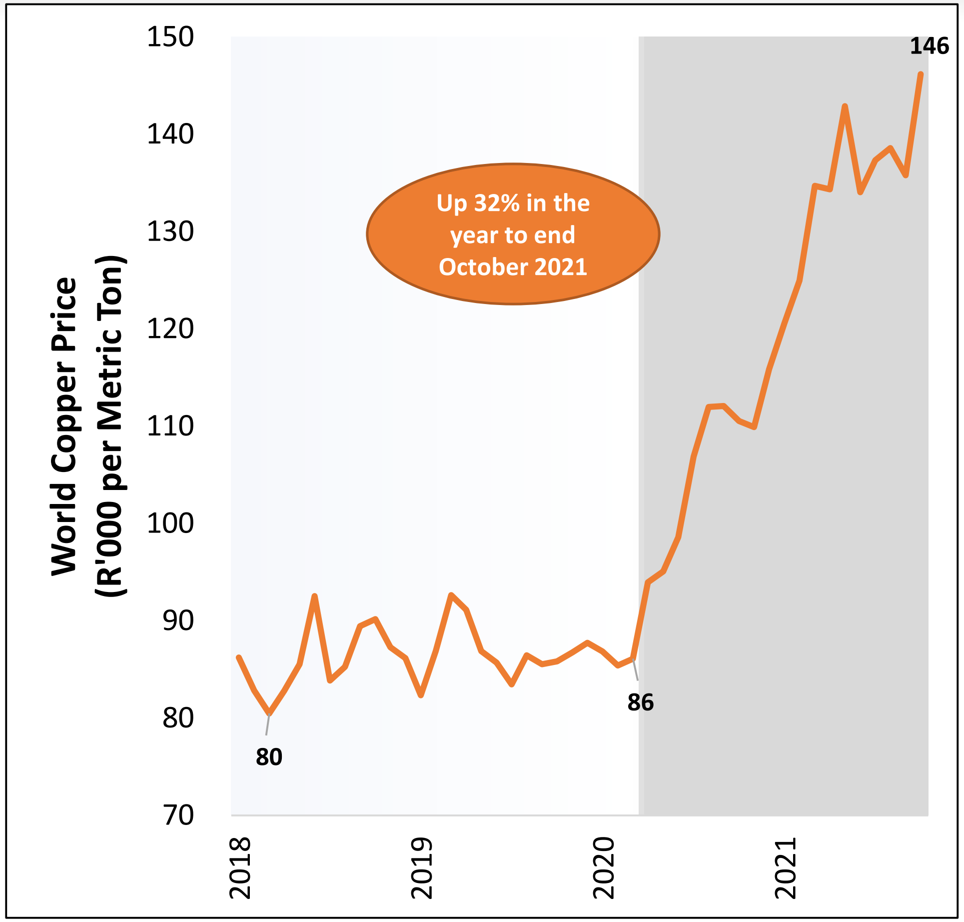
Government finances deteriorated significantly under Covid



Source: National Treasury

- After a significant deterioration in the early parts of the Covid-19 pandemic – which saw the deficit widen to 12.3% of GDP in fiscal 2020/21 – national government finances are projected to consolidate in coming years.
- The deficit is projected to fall to 6.5% of GDP in 2023/24.

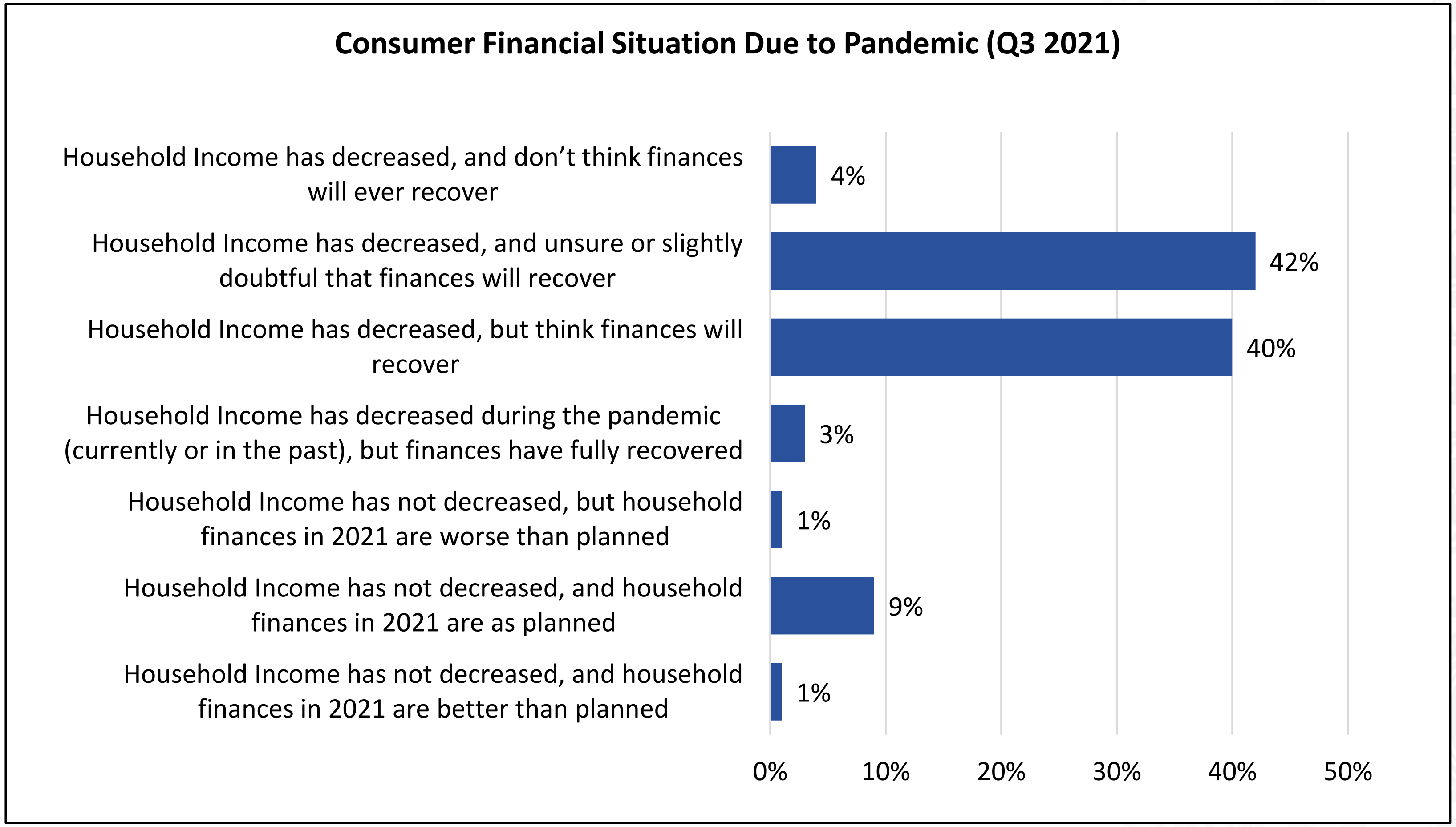
The commodity boom has helped but there are risks



Source of data: World Bank commodity price data, SA Reserve Bank Monthly Bulletin

- World metals and minerals prices were – on average - 42% higher in October 2021 than a year earlier.
- Some significant South African commodity exports such as coal and platinum were still achieving higher rand prices at the end of October 2021 than at the end of October 2020.
- The world price of other commodities, such as iron ore and gold, were lower at the end of October 2021 than a year ago.
- High prices for commodities such as copper may have contributed to increased cable theft and electricity disruptions.

The financial position of consumers has been weakened by the Covid19 pandemic



89% of households surveyed in Q3 2021 indicated that their incomes decreased since the beginning of the pandemic.

4% of these believed that their finances may never recover, while 40% remained hopeful of a recovery.

Source: TransUnion Consumer Pulse Study (Q3 2021)

2021 was a violent year in a violent society

- Extent of violence and destruction during the July attempted insurrection can be captured by following statistics:
  - At least 342 people died in three of the most violent days since 1994.
  - BLSA and Sapoa estimated that:
    - R1.5 billion stock lost
    - R15 billion damage on property and equipment
    - More than 800 retail stores looted and 100 completed burnt
    - Impacted negatively on 50 00 informal traders and 40 000 formal businesses
  - Sasria has received 14051 claims , valued at R32 billion and has paid out R12.6 billion by mid-November

Yet violence impacts on workers every day

- In 2021, half of SA employees see violence as the greatest risk they have to face in their daily lives, with at least 53% having personally felt the affect of violence close to home
- In 2020, 81% of respondents had been late to work as a result of violence or crime, while 72% missed work altogether.

(Whitaker Peace & Development Initiative (WPDI) from TimesLive 17 November 2021)

Implementing the Economic Reconstruction and Recovery Programme

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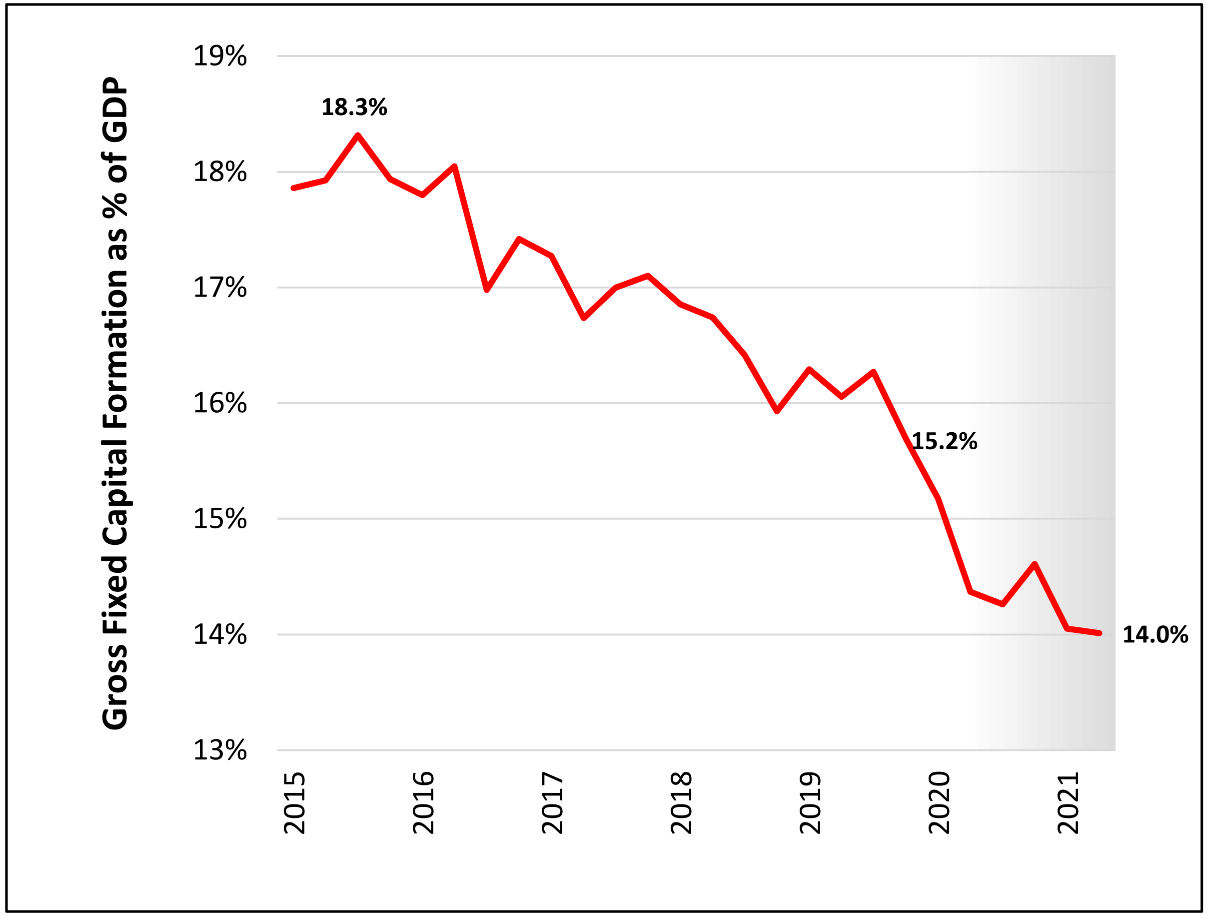
Where have we come from

- Between August and October 2021 social partners worked together to identify what was needed to be done to recovery the economy
- President announced ERRP in Oct 2021
- Nedlac subsequently set up processes to track implementation of commitments and collaborate in identified areas
- The Presidential Job Summit commitments were integrated into ERRP commitments.

Economic Reconstruction and Recovery Plan (ERRP)

Priority interventions	Key enablers	Structural reforms
1 Aggressive infrastructure investment	1 Resource mobilisation and fighting corruption	1 Modernising and reforming network industries and associated SOEs
2 Employment orientated strategic localisation, reindustrialisation and export promotion	2 Regulatory changes, a supportive policy environment and improving the ease of doing business	2 Re-orienting trade policies and pursuing greater regional integration
3 Energy security	3 Building a capable state	3 Lowering barriers to entry
4 Support for tourism recovery and growth	4 Social compacting	4 Supporting labour-intensive sectors to achieve more inclusive growth
5 Gender equality and economic inclusion of women and youth	5 Skills development	5 Creating greater levels of economic inclusion
6 Green economy interventions	6 Economic diplomacy and further integration into Africa	6 Addressing the weak job-creating capacity of the economy
7 Mass public employment interventions		7 Boosting education and skills development
8 Strengthening food security		8 Promoting greater beneficiation of raw materials
9 Macro-economic interventions		9 Addressing racial, gender and geographical inequalities

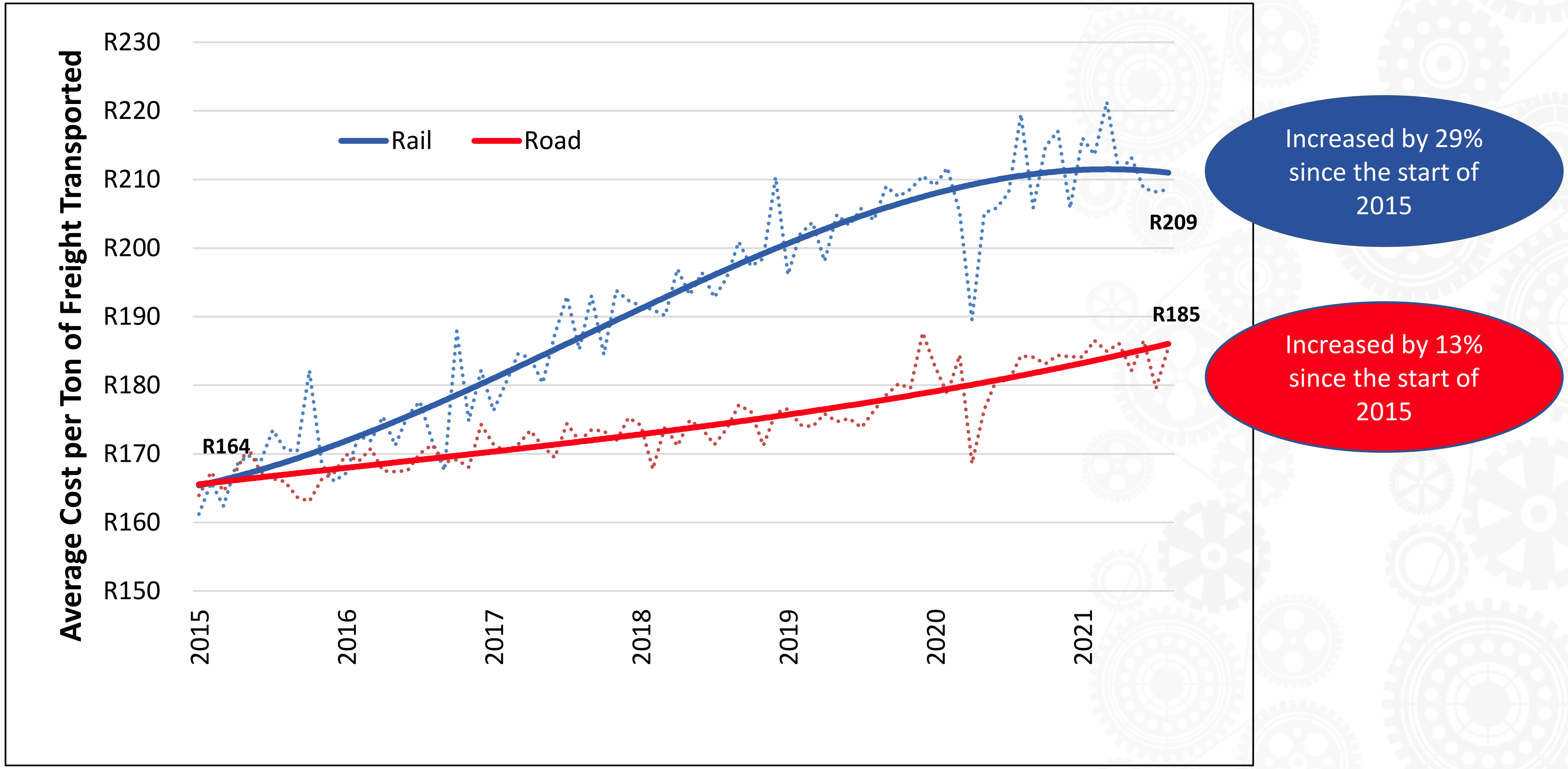
The ERRP sought to respond to key obstacles to growth



Source: Statistics South Africa National Accounts data

- **Fixed investment** levels have been declining steadily. The gap between actual investment and the NDP target of 30% of GDP by 2030 has widened.
- On a per capita basis, **public sector investment** declined by 44% between the 4th quarter of 2015 and the 2nd quarter of 2021.
- In 2020, South Africa ranked 87th in terms of fixed line **broadband speed** and 55th in terms of mobile broadband speed
- When it was last conducted in 2019 the World Bank's Doing Business survey found that it took 7 procedures and an average of 40 days to **start a business** in South Africa. The countries with the most efficient systems require only 1 procedure and take 0.5 days.

In particular, the freight challenges



Source: Statistics South Africa Land Transport Survey

Average rail freight costs are now significantly higher than equivalent road freight costs

BUSA estimated that in the week ending 10 November 2021 the combined cost of border delays amounted to R238 million for that week

Over 2020/21 ERRP structures were set up and areas of focus identified

- Structures set up:
  - **Economic Recovery Leadership Team** (made up of 7-a-side including Cabinet Ministers from government)
  - **Three-a-side leadership team** to deal with escalations
  - **Work streams** to focus on identified areas
  - **Process Committee** to manage the tracking of implementation and areas of collaboration
- Areas of focus:
  - Unlocking blockages in **freight** and improving **public transport**
  - Implementation of the social compact to support Eskom and steps to improve **energy security**
  - Identifying and delivering on targets for **localisation** in public and private sector
  - Improving the **eco-system for small business**

The Presidential Job Summit commitments were integrated into the work of ERRP

- As the implications of Covid-19 and the lockdown on the economy emerged, social partners realised that the Job Summit needed to be refocused while retaining the social compact that was created through the signing of the Job Summit Framework Agreement
- The Annual Report includes an annexure recording the work done on implementing the job summit commitments including whether the commitment:
  - Has been achieved
  - Institutionalised within government
  - Is Integrated in the ERRP
  - Is continuing in an appropriate forum

Key areas of achievement:

- Signing of the social compact to support Eskom
- Establishment of the Temporary Employee Employer Relief Scheme (TERS)
- Capitalisation with UI funds of the Productivity SA Business Turnaround Solution
- Boosting and monitoring localisation including through tender monitoring
- Prioritising industrial financing including in Special Economic Zones
- Introducing a blended finance model for emerging farmers
- Promoting master plans especially in clothing, textile, footware, auto and furniture
- Escalating jobs in business processing
- Establishment of the Presidential Climate Change Commission
- Supporting regulatory certainty on evisas, unabridged birth certificates and critical skills
- Supporting the development of pathway management

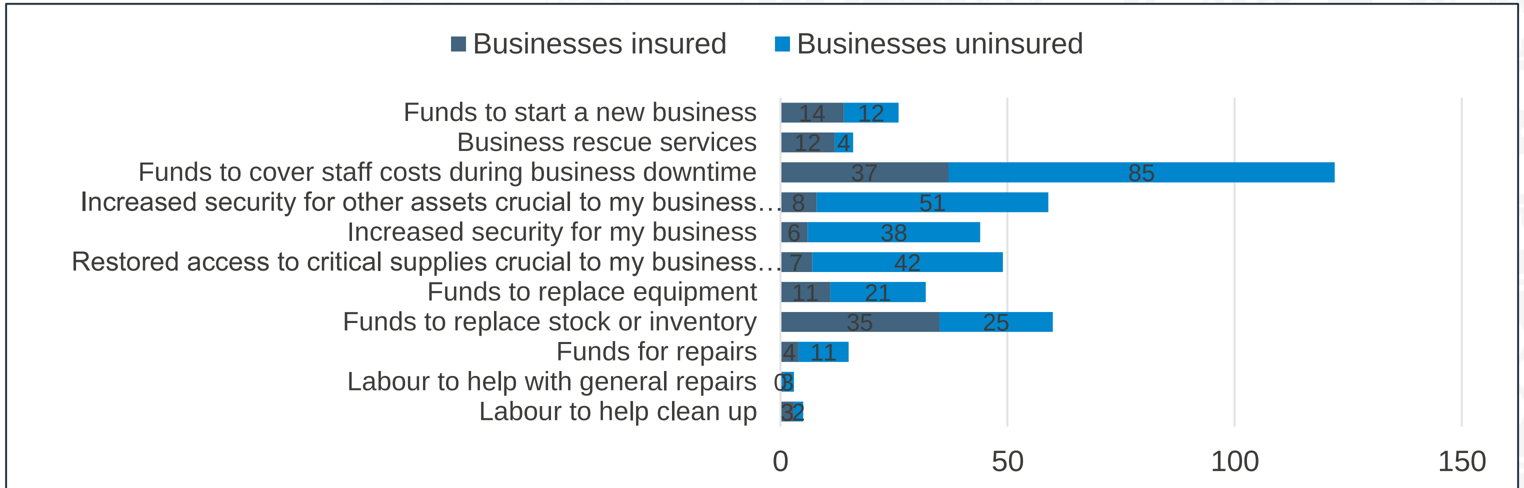
The key achievements and challenges facing the ERRP

- Progress is being made on the **longer term challenges** facing the South African economy, but **quick wins** to build confidence and grow investment have not materialised
- There is an emerging consensus on measures needed to increase **energy supply**, including renewables but obstacles including in respect of transmission and Eskom's balance sheet remain. Load shedding remains a constraint on growth
- There has been announcements on measures to turn around Transnet and Prasa but on the ground **rail delivery** remains poor, slow and disrupted
- Phase 1 and Phase 2 of the **Presidential Employment Stimulus** and the **Infrastructure SA** launch has demonstrated innovation and new ways of working of government
- Preparatory work has been done at government, business and master plan levels to pivot to meet the **localisation** targets in the ERRP
- **Digital migration** has begun but spectrum auction delayed due to litigation
- Areas of potential such as **tourism,** continue to be badly impacted upon by the ongoing Covid19 pandemic, while new areas of growth in **green economy** are being explored

While there may not be an "grand pact", there is significant consensus on what needs to be done and important areas of collaboration in and outside of Nedlac

Social partners responded speedily to the crisis as result of the “Eight days in July ” in Gauteng and KZN

- A special Exco was held on 14th July 2021 where the social partners committed to
  - Stabilise the country
  - Secure essential supplies and infrastructure
  - Provide relief and support for the re-establishment of businesses
  - Build active citizenry in defence of lives and livelihoods



Support needs disaggregated by whether a business has insurance or not (%)

- Businesses mostly affected by stock losses and damage to premises.
- Stock losses were a particular problem for small businesses.
- Outside of KZN and Gauteng the main impact of the unrest on businesses was supply chain disruptions.

Social partners agreed on a comprehensive package of measures and facilitated their introduction

Package included:

- A new UI relief measure for workers who would not be drawing wages while their workplaces were not operational (Wabu)
- Competition Committee exemptions so businesses could collaborate
- Food relief in a partnership between the Dept of Social Development and Solidarity
- NT guarantee for Sasria funds of up to R11 billion
- Funds for companies that were not insured or inadequately insured including R3.7 billion from DTIC (including from IDC, NEF)

Challenges existed in implementation:

- Wabu:
  - 540 employers and 23 682 employees applied
  - R7.3 million was paid by end of November to 15 employers and for 1594 employees
- DSBD introduced two programmes for the informal sector:
  - Business Recovery Programme has committed R130 million out of R300 million
  - Informal Traders Support Programme has disbursed R10 07 million which is 25% of their allocation to 3 356 traders after receiving 7 410 applications.

Reflections on the role of Nedlac in economic recovery

"Good and excellent plans were crafted at Nedlac which were broadly accepted by many and gave hope that if all were executed, they would positively change our situation. The commitment made by the government of ensuring the participation by the President and some key Ministers gave confidence to social dialogue and commitment to find lasting solutions"
Bheki Ntshalintshali, Labour Overall Convenor

- ERRP has become reference point for progress on **structural reforms** and is a reflection of the commitment of all social partners to make progress on these
- However there are **no agreed benchmarks or indicators** to measure substantive progress of the ERRP
- The focus of Nedlac structures has been on **information sharing** from government
- Movement on **key interventions** of the ERRP such as freight congestion and energy security have not been facilitated by the ERRP structures at Nedlac.
- The initial intention of having a **limited number of key interventions** that would have the support of all social partners and where they could collaborate on has only been partially met

Responding to the Covid19 pandemic

Introduction

- A Covid19 Nedlac Rapid Response Task Team has worked actively and intensively to mitigate the impact of Covid19 pandemic and the lockdown and enabling the economy to open up safely
- Areas of focus:
  - Facilitation and promotion of vaccines
  - Relief for employees, unemployed, vulnerable citizens
  - Workplace health and safety
  - Balancing lives and livelihoods in event, tourism, liquor and hospitality sectors
  - Communication and behavioural change
- Since December 2020, the social partners met regularly with a work stream of Nat Joints to give and get feedback on government measures and escalate issues.

"Nedlac has been central in co-ordinating the response of the social partners in addressing the Covid-19 pandemic and the economic recovery and reconstruction of our country"
Minister of DeL, TW Nxesi

Social partners have lobbied, negotiated, provided feedback, implemented, partnered, exercised oversight with a high degree of consensus

- Principles agreed to by social partners to guide a response:
  - Certainty and predictability
  - Guided by data and science
  - Inclusivity
  - Consultative
  - Timeous and pro-active
  - Acknowledgement of the limited fiscal space to provide relief when economy closes down.

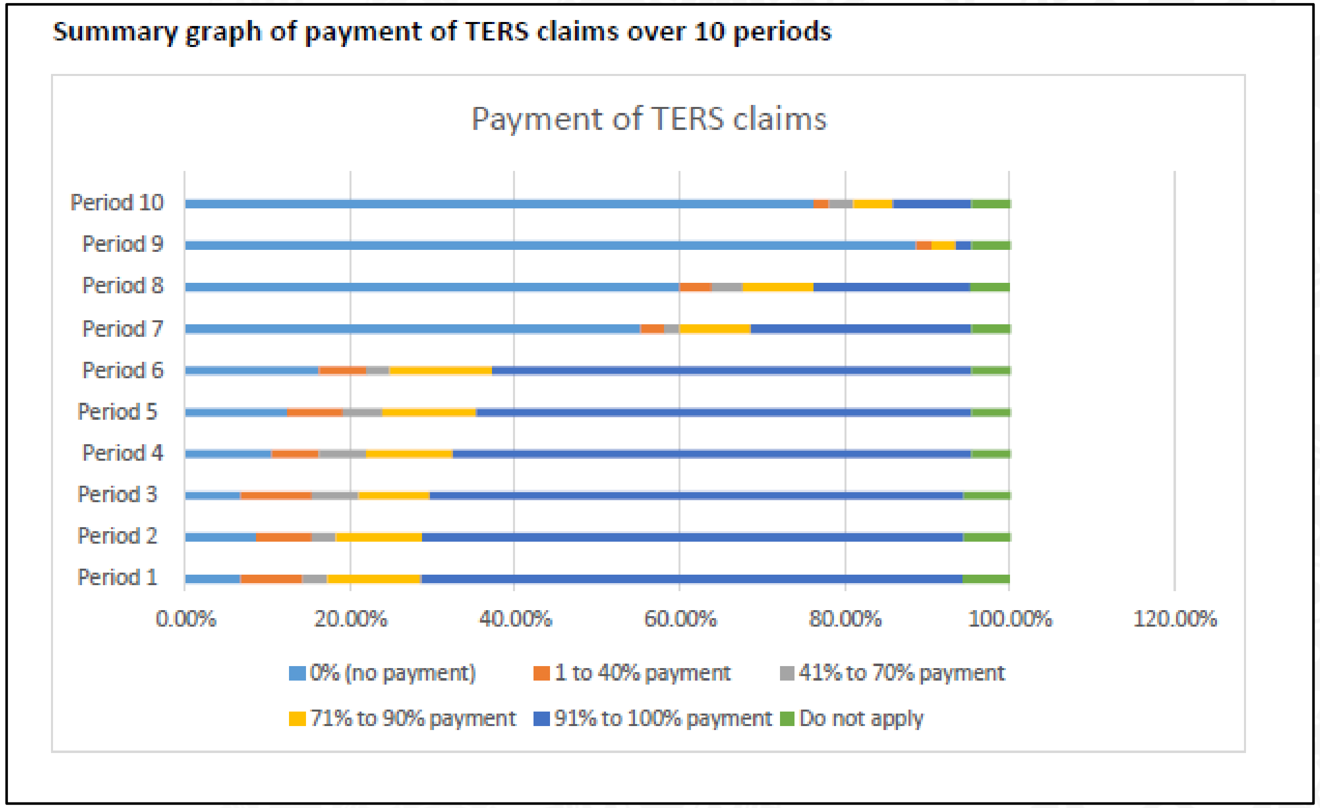
- The most important measures to curb Covid19 are:
  - Ramping up **vaccinations** including through positive and negative incentives
  - Promoting and enforcing **non-pharmaceutical interventions**
  - Reducing the size of **gatherings** and improving the management of large gatherings
  - Limiting restrictions that impact on the **economy** especially the tourism, hospitality, alcohol and leisure sectors
  - Continuing to provide **relief** where due to Covid19 restrictions, the sector is not able to operate

Over last week, social partners have agreed that to promote vaccinations and protect the country from lockdowns:

- Workplaces should require employees to be vaccinated to ensure occupational health and safety
- Access to certain venues, events, gatherings should be restricted to only vaccinated people

Provision of relief

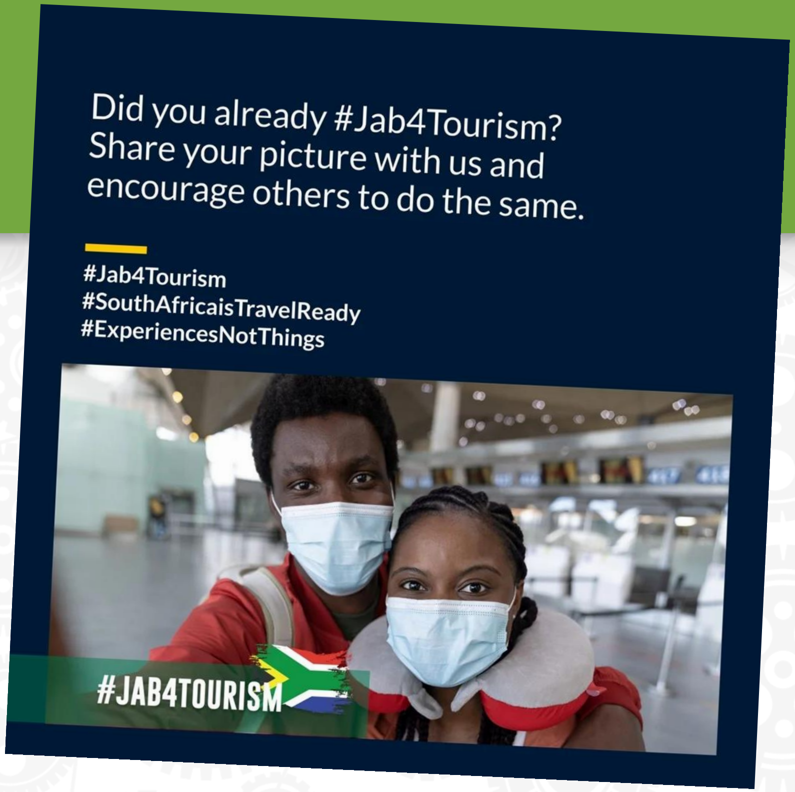
- Social partners have been active in arguing for and oversight of relief measures especially Social Relief of Distress grant and Covid19 TERS
- Over R62 billion Covid19 TERS benefit has been disbursed by the UI Fund, providing significant relief to workers.
- While SASSA performance and service delivery on social grants improved, performance of UI Fund has declined as Events Council survey shows
- The loan guarantee scheme did not take off as initially anticipated.



South African Events Council survey Sept 2021

Promotion and partnering to deliver vaccines

- Vaccination journey has been one from supply to demand constraints:
  - **Jan to March**: Enabling, funding, facilitating the introduction of vaccine, mitigating mis-steps
  - **March to July**: Ramping up supply, opening up of private sector sites – in and outside of workplaces, negotiating roles and responsibilities of employers in respect of vaccinations – including guidelines for vaccine mandates in OHS Direction
  - **August to November** – mobilising for vaccinations, communicating, focusing on difficult to reach sectors, pushing for vaccine certification and vaccine only entry into certain venues to incentive vaccinations.



Organised partnership initiated by B4SA between public and private sector was critical to the success of the vaccine roll out
Followed by partnerships with business & community to promote vaccinations

Nedlac has been involved in facilitating difficult trade offs with broad range of stakeholders

Liquor Sector

- There was an eight months attempt to agree on a liquor social compact which would better balance
  - Negative impact of alcohol abuse on hospital admissions and transmission of Covid-19 virus
  - Job and income loss through restrictions on the sale of alcohol.
- Compact did not succeed due to:
  - Inability of business and govt to agree amongst themselves
  - Uncertainty and lack of consensus on the relationship between short term trade offs and long term implications for policy and legislation.

Events sector

- After over 20 months of not been able to play in front of audiences & spectators, wide range of events sector came together under Nedlac to propose:
  - Allowing larger scale events to happen under strict health and safety protocols and only to vaccinated people
  - These events would act as an incentive for people to vaccinate

Reflections on the role of Nedlac in responding to the Covid19 pandemic

- The devastation of the Covid19 pandemic would have been even more severe if it had not been through the collective efforts of the social partners on issues of relief, vaccinations and collaborating on regulations to safely open up the economy
- However, there have been challenges which has limited the effectiveness of our Covid19 response:
  - A number of set backs to the delivery of vaccines in the first six months of 2021 limited the ability of vaccination to prevent a devastating third wave
  - The best information that data and science can offer has not always been used to mitigate the negative impact of restrictions such as in respect of the liquor and event sectors
  - Interventions have not been as timeous as they could have been
  - Our collective capacity to communicate to diverse South African communities has not been as effective compared to the HIV/Aids response.

"Without a shadow of doubt, Nedlac played a pivotal role in shaping a collective country response to Covid-19 in saving the lives and livelihoods of many people"
Thulani Tshefuta, Community Constituency Convenor

Inputting into policy and legislative processes

Social dialogues

The 2021/22 Annual Performance Report introduced a new deliverable at Nedlac: Social dialogues where information, positions exchange and explored but no requirement for agreement

Social dialogues over the period have included:

- With Minister of Finance on MTBPS and budget
- With Minister of dtic on strategic trade and industry issues
- With Minister of DPWI and Presidency on infrastructure and public works issues
- Future of Work in partnership with the ILO
- Anti-Corruption
- Skills
- Gender based violence.

Completed reports on policy and legislation in 2020 and 2021

Policy

- National Policy on Comprehensive Produce Development support (for sustainable agriculture)
- National Freshwater (Inland) Wild Capture Fisheries Policy
- Conservation of Agriculture Policy
- Green Paper on Comprehensive Social Security and Retirement Reforms

Legislation

- Climate Change Bill
- Upgrading of Land Tenure Rights Amendment Bill
- Basic Education Laws Amendment Bill
- Expropriation Bill
- Companies Amendment Bill
- National Health Insurance Bill
- Central Applications Services Bill
- National Youth Development Agency Amendment Bill

Regulations

- AARTO Regulations

Processing of LRA Section 77 socio-economic disputes

- Concluded applications:
  - COSATU: Economic crisis
  - Public transport challenges filed by COSATU, Fedusa & Nactu (7 Oct 2020)
  - Violent Crimes in the Western Cape
  - SAFTU: Defence and promotion of socio-economic interests of workers and working class in general

- Revising code and protocols into a new consolidated Code of Good Practice

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Reflections on the role of Nedlac in inputting into policy and legislation

- Quality social dialogue and information sharing events have been arranged adding to the capacity of Nedlac social partners.
- In respect of inputting into legislation:
  - Key legislation on issues such as labour law reform and public procurement has yet to be considered despite all social partners acknowledging the urgency
  - There have been a number of issues relating to the Nedlac process of considering bills
  - Legislation once it leaves Nedlac, is not tabled in Parliament timeously such as the Liquor Amendment Bill
  - Social partners have attempted to influence the provisions of regulations when the problem lies with the original legislation such as in respect of AARTA.
- This necessitates the review of the Nedlac protocols to:
  - Improve the speed of legislation being discussed in Nedlac and possibly making provision for an expedited process
  - Clarify the relationship between the public comments processes and Bills coming to Nedlac
  - Reducing the uncertainty over the sequencing of the steps involved.

Progressing Nedlac fit for purpose

In 2021 a new strategic plan was introduced and the secretariat restructured

- The new Strategic Plan focus the organisation around three areas of work:
  - Building an **effective and accountable** organisation
  - Achieving significant **collaboration** between the social partners on relevant and important socio-economic issues
  - Enhancing the **capacity** of social partners.

- The restructuring process sought to:
  - Put the Nedlac secretariat on a path where it can **add value** to the processes it initiates
  - Ensure **effective and efficient support** to social dialogue processes
  - Improve **governance**
  - Restructure the **budget** to focus on human capital and not meeting expenses.

Progress in making Nedlac fit for purpose

After the completion of an ILO/Mistra study on what kind of leadership and organisation should Nedlac be to respond to the next 25 years of its existence, the Nedlac Exco agreed that the Governance Task Team can do detailed work including amend the Nedlac Act, Constitution and protocol documents to:

- Incorporate a **broader role** of Nedlac than was initially envisaged including in respect of social dialogue, social compacting and holding social partners accountable
- Review the **scope of issues** that are brought to Nedlac for consideration
- Strengthen Nedlac's role in inputting into key **policy and legislative matters** including reviewing the structures and processes of consultation and negotiation
- Review and update the nature and process of **representivity** of all social partners at Nedlac with clear criteria and a clear and transparent mechanisms to manage increased representivity
- Clarify the **respective roles** of the Presidency, Deputy President, Minister in the Office of the Presidency, Minster and Department of Employment and Labour.

"The Governance Task Team, set up by the Executive Council, continued its work reviewing the institution's functioning and composition to ensure it remained relevant and fit for purpose. A broad range of voices were considered by the researchers assisting Nedlac … which would enrich their recommendations in this critical endeavour."

Kaizer Moyane, Business Overall Convenor

Progress in the capacity building of social partners

- The revised Nedlac planning documents dedicated more resources to the capacity building of the secretariat and the social partners
- A revised policy document detailed that social partners could access capacity building in the form of tools of the trade, training and technical expertise which needed to be set out in a plan at the start of the financial year
- A revised budget doubled the amount of funds that business, labour and community could access for capacity building
- The social partners have been slow to respond to these opportunities but it is critical that they do so as to rise to the new challenges of social dialogue.

Getting ahead of the curve –considerations for 2022

Reflecting on Nedlac achievements

- This has been an eventful and successful year despite the fact that in some instances effort has not translated into impact.
- Interestingly....
  - Nedlac has been more successful in ensuring rapid responses to crisis such as Covid19 and the July public violence than impacting on critical long term policy issues or legislation
  - Nedlac has been more successful when there is a greater diversity of partners at the table including those that traditionally are not part of Nedlac such as:
    - Partnership with the taxi industry to promote vaccinations
    - Partnership with event management, art and culture organisations to open up events to audiences and spectators.
- Nedlac has become regarded as speaking on behalf of "all of society" beyond the actual representivity at Nedlac
- Aligning what we are mandated to do in the Nedlac Act and Constitution and what Nedlac actually does is becoming a pressing priority.

In 2022 we need to get ahead of the curve – some for questions for consideration (1)

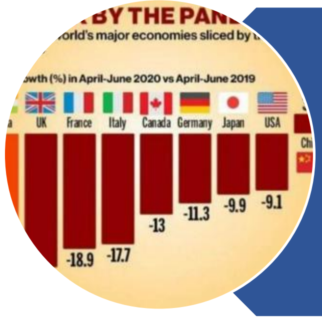
The Minister of Finance in his MTBPS emphasised the importance of structural reforms to unlock growth in our economy. Can the social partners do more to collaborate and support the speedy achievement of these reforms

Critical to resolve the energy crisis is to achieve a just transition for affected companies, workers, communities. The international community has committed to support a just energy transition – should and how should social partners respond to the this initiative?

The emergence of the Omicron variant has emphasised the importance of being able to live with Covid. What is needed for us to pivot from pandemic to epidemic conditions and a new sustainable paradigm?

In 2022 we need to get ahead of the curve – some questions for consideration (2)

The future of work is not the future any more. It has become the present. Howe do we shift our labour market legislation to respond to this and offer protection to increasing number of atypical workers and workplaces?



While the social partners at Nedlac have devoted time and energy into the ERRP structures, the effort is not commensurate with the impact. Should Nedlac have a role and what should it be in implementing the ERRP?

The Nedlac Exco has taken a bold step for Nedlac to proceed on implementing changes to the Act and Constitution. Will there be similar boldness in addressing some of the difficult issues of representivity and our approach to inputting into legislative processes

Thank you

The Nedlac secretariat would like to extend its appreciation to the social partners and Department of Employment and Labour for their support and partnership during 2020 and 2021

We wish all of you a safe and restful festive season.

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