

NEDLAC ANNUAL NATIONAL SUMMIT

Presentation

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08 December 2020

REFLECTIONS ON SOCIAL COMPACTING

I wish to thank NEDLAC for this opportunity to share views on the Council's role in society.

I suppose we have been invited to bring some external perspectives so we can help enrich reflections by the Council's constituencies.

My input is on the issue of social compacting, with emphasis on the pillars that should underpin such a compact.

DEFINITION OF SOCIAL COMPACT

The presentation proceeds from the premise that social compacting is not an end in itself but a means to an end.

In the case of South Africa, that end – or strategic objective – is the set of ideals set out in the country's constitution with its various generations of human rights. In that sense, the constitution is our overarching political compact.

As we pursue those ideals, each phase of the journey will present its own challenges; and it is in that context that social compacting is required, to address challenges of a specific period. And a social compact is broadly defined as a 'voluntary...agreement for mutual benefit' between government and society; and as a contract primarily addressing socio-economic issues.

CONJUNCTURAL PRIORITISATION

How then do we define this phase in South Africa's post-colonial journey? The major dynamics are the following:

- Our economy is in the doldrums. The trend of negative per capita growth has been playing out for a few years; and the Covid-19 pandemic has massively worsened the situation. The economy is expected to contract by about 8.2% in 2020; the fiscus is heavily constrained; and job losses for the year are topping more than one-and-half million.
- Social indicators on quality of life in the recent period have not been edifying. Inequality has hardly been dented; but most striking is the poverty rate, which, according to Statistics South Africa, started to edge up between 2011 and 2015. And due to the pandemic, it is estimated that, globally, the cause of poverty-reduction will be set back by about three years.
- The progress that had been made in building a legitimate, ethical and capable state was undermined through intense corruption and state capture, particularly over the past ten years. The deficiency in ethics across the public, private and civil society spheres has further been laid bare by the Covid-19 pandemic.

Our socio-economic task, therefore, is not just about correcting small weaknesses and introducing minor adjustments to clear binding constraints. It is fundamentally about picking up a political economy battered by a once-in-a-century event. The challenge is two-pronged: firstly, to stem the

decline that was already manifest before the pandemic and, secondly, to introduce drastic measures that lift society onto a higher trajectory of growth and development.

If there was any burning platform needed to nudge society's leaders towards a social compact, there cannot be a hotter one.

The South African Economic Reconstruction and Recovery Plan announced by government in October contains major interventions required to extricate the economy from the current rut. And it adds onto the work that had been done at the Jobs and Investment Summits, as well as many other initiatives.

NEDLAC has played a critical role in most of these initiatives. Combined with the work done on immediate measures to mitigate the impact of the pandemic, it can be argued that NEDLAC, this year, has more than ever before asserted its role on strategic issues facing the country. This is as distinct from the detailed technical issues that seemed to consume most of its time and energy over the past 25 years.

PILLARS OF SOCIAL COMPACT

One proceeds from the understanding that, while we should train our sights on the ultimate objective, we need to focus on four pillars, with emphasis on economic issues because of their catalytic effects.

Economic growth

The elements of the plan are widely known and do not require elaboration: ensuring energy security; aggressive infrastructure programmes premised on investment by both public and private sectors; building a thriving industrial base that creates jobs; a mass public employment programme; macro-economic policies that include strengthening revenue collection, incentives for job-creation and tax measures that encourage investment in non-consumptive expenditure; focus on the green economy as well as food security and the revival of the tourism sector.

In my view, the plan should include more explicit reference to: the hydrogen economy and fuel cell technology; manufacturing capacity for supplies to infrastructure programmes in South Africa and the rest of sub-Saharan Africa; as well as taking advantage of global efforts towards better management of supply chains and integrating these initiatives into global value chains.

There could also be more systematic support for informal businesses, taking advantage of the registration processes that took place during higher levels of the Covid-19 lockdowns – and these businesses are owned mostly by women with daring and initiative.

We also have to accept that we should create jobs for the unemployed workers that we have: for instance, by expanding low-end manufacturing through creating larger numbers of SEZs and industrial parks. Attached to this would be benefits and sacrifices.

Related to all these is the fundamental question about macroeconomic policy in terms of appropriate fiscal and monetary stances. For instance, what are appropriate levels of inflation and interest rates; how do we balance the demands on the fiscus; and what levels of taxation are optimal?

Decent standard of life and inequality

The Constitution does indirectly identify a minimum standard of living below which no South African should sink. Elements of a decent standard of living are outlined in the National Development Plan (NDP) and they include: *nutrition; housing and basic services; employment; recreation and a clean environment*. There should be serious dialogue on this concept of a decent standard of living as a national objective; and as we pursue this, there will be benefits and sacrifices.

With regard to education, areas of compacting should include the state's responsibility on basic infrastructure, teacher/learner ratio and provision of study material. At the same time, agreement needs to be reached on training of educators and systems of monitoring. At tertiary level, we need to continue broadening access – but this should be combined with a commitment by students to progress and to ensure the smooth functioning of the system.

Fundamental to interventions in the health sector is social solidarity in the form of National Health Insurance. In pursuing the NHI, the matter of cost implications and how the system will be phased in – starting with improvements in the public health system by both the state and health workers – needs to be addressed.

A decent standard of life also depends on effective implementation of the social grants system and free basic services. Critically, there should be commitment from all stakeholders, especially the community sector, to ensure that, beyond agreed levels of free basic services, people pay for what they use.

Further, there should be effective monitoring of the minimum wage agreement; development of an incomes policy progressively to reduce income differentials; as well as measures by government and the private sector to address the apartheid spatial tax on black workers because of transport costs. We should also consider worker shareholding and Board representation and how to deal with high mark-up costs in South Africa's product markets.

A decent standard of life also has to include effective measures – in a national partnership led by the state – to ensure safety and security for citizens, including combatting gender-based violence in all its forms and concerted efforts to eradicate and punish corruption and state capture.

Capable and ethical state

The state has to play a leadership role in any social compacting. What are the attributes and commitments required of the state?

The first attribute should be its ability to develop a vision. Arguably, the NDP constitutes such a vision, and the question is whether it is being implemented, monitored and – where necessary – updated.

The second commitment required of the state is constantly to build legitimacy among the citizens. Ethical conduct and enforcement of this also in the private sector is fundamental to this. Measures such as lifestyle audits should be urgently implemented.

Thirdly, the macro-organisation of the state in terms of the size of the executive and the administration, as well as measures to improve and rationalise State-owned Enterprises are critical.

The apex of government, the Presidency, should have a Pilot Agency, a centre with authority, leverage and legitimacy to marshal all of government behind the plan, not departmental fiefdoms. We also need to have clear targets with timeframes to put local government on an optimal footing.

The last commitment required of the state is to build a bureaucracy capable of translating a vision into implementable projects. In the immediate, we need to ensure security of tenure especially for senior managers; and implement the very clear proposals in the NDP on a capable developmental state.

Societal leadership and ongoing dialogue

We are all agreed that intellectuals, the religious community, traditional leaders, workers, youth, women, people with disability, LGBTQ+ and the rest of civil society need to play their role.

Besides pursuing interests of their own constituencies, leaders of civil society should also seek to identify the intersection between their own interests and those of society at large. We should all protect and defend the commons. For this, we require dialogue, compromise and the conviction to communicate difficult decisions to our constituencies – decisions that may be unpopular in the short-term; but that lead to mutual benefit in the long-term.

This should include the same level of activism which enabled us, in the first place, to undermine the forces responsible for corruption and state capture. And, today, we should be prepared to face down their resistance.

COALESCENCE AROUND ESSENCE

Besides the four pillars outlined above, the partners have to ensure coalescence around essence. In other words, as we clamour for quick-wins and measurable objectives, we should not lose sight of the conceptual questions facing South African society, by burying our heads in a welter of detail.

The fundamental question is: how we can re-engineer an economic structure inherited from colonialism. As we know, globally, there is capitalism and capitalism: Southeast Asian developmental states, Scandinavian welfare systems, the German variant that includes strategic relationships between capital and labour, and of course the Anglo-Saxon model underpinned by neo-liberalism. Without new strategic thinking, we will just increase expectations and reproduce inequality, which worsen social unrest.

POSSIBLE AREAS OF SACRIFICE AND COMPROMISE

Let us cite, for purposes of illustration, some crude examples of sacrifices that may be required under current conditions:

- For the business community, in what way can the Covid-19 ‘winners’ such as ICT and data providers and those who develop and handle vaccines including the syringes, glass vials and fridges give back to society? Or should there be a global windfall tax?
- With regard to workers, given that the facilitators of state capture cleverly and carelessly extended populist benefits to employees within some state institutions, how does society deal with the conundrums in relation to public service pay, and an unsustainable personnel budget at the SABC and other state entities?

- For civil society and communities, can we expect the judiciary and security agencies to meet their mandate in the face of resistance if we do not contribute through mass mobilisation by helping to disrupt the disruptors! Further, can communities expect uninterrupted services such as electricity if there is no commitment to pay when we use more than the guaranteed free basic service – as intimated in the Eskom compact?

These are random examples to underline the point that social compacting is about give and take.

In the current period, we also face a threat common to reforming governments: as people get exhausted with the long march; as some sectors pursue maximum benefits just for their own constituency; and as they resist temporary austerity measures. This can lead to a collapse of the renewal process.

CONCLUSION

In conclusion, it can be argued that, for NEDLAC even more effectively to play a strategic role, it should address two organisational issues, among others:

Firstly, is its system of representation broad enough: what about the second largest union federation; what about genuine representatives of the unemployed – just to give two examples?

Secondly, is the Council appropriately structured to deal with high-level strategic issues? Should it consider setting up a smaller over-arching forum that debates difficult strategic issues, over and above the existing chambers?

Otherwise, the central message of this presentation is that the current conjuncture demands of us visionary leadership across society and boldness to take firm decisions – some of which may, in the short-term, be unpopular with our constituencies.

Even when things are difficult, we should strive to create hope and build trust across society.

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