

# Government, social partners pull together to save and create jobs

Day one of the Jobs Summit in Gauteng kicked off with the signing of a framework agreement that will be a lodestar to revive the economy, save jobs and create new ones.



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The agreement details a comprehensive set of actions to be taken by government, industry and social partners to create much needed employment, protect existing jobs, grow South African exports and boost domestic demand by encouraging the buying of local products.

“The framework provides the outline of an emerging social compact to grow an inclusive economy and fundamentally transform our society.

“Through this framework agreement, we are demonstrating that we are capable of developing a new social compact for jobs, growth and transformation,” said President Cyril Ramaphosa on Thursday, 4 October 2018.

The President, as the head of the government delegation at the two-day summit, said these interventions are set to create an additional 275,000 direct jobs a year.

The summit brings together social partners from government, labour, community and stakeholders at Gallagher Estate in Midrand to tackle the surging unemployment rate, which currently sits at a staggering 27.2%.

Importantly, social partners have agreed that all possible alternatives and opportunities must be explored before retrenchment is considered, including “executive salary sacrifices and the foregoing of dividends”.

Announcing the initiatives, President Ramaphosa said the summit is not a once-off event, but rather the first phase of an extensive process in which all social partners will work closely together.

“All social partners have committed themselves to concrete steps to avoid retrenchments and support struggling companies.

“To address this challenge, we have agreed that the training layoff scheme, which was introduced in response to the 2008 global financial crisis, should be immediately revived and improved.

“Business and government have agreed to establish rapid response teams of experts to assist businesses in crisis,” said the President.

The framework agreement makes provision for monitoring mechanisms, including a Presidential Jobs Committee, which the President termed the “Presidential Jobs Brains Trust”, to ensure the effective implementation of the measures to which all social partners have agreed.

The agreement, the President said, acknowledges that there are several areas that require further work and refinement, and social partners have agreed to devote more time for discussion to reach consensus on these.

## **Infrastructure, agriculture and township economy**

As part of the plan, government will implement growth enhancing economic reforms; reprioritise public spending to support job creation; establish an Infrastructure Fund; address urgent needs in education and health, and invest in municipal social infrastructure improvement.

“Our experience is that infrastructure development can draw many unemployed people into economic activity relatively quickly.

“The Infrastructure Fund we are establishing, which will be supported by a strong technical team in the Presidency, will ensure that infrastructure projects are implemented faster, with less wastage and have a greater impact on employment creation and localisation,” the President said.

Government’s contribution to the Infrastructure Fund will be in excess of R400 billion over the next three years, which President Ramaphosa said will be used to leverage additional resources from developmental finance institutions, multilateral development banks, and private lenders and investors.

Turning to the recently announced stimulus and recovery plan, the President said it will be used to drive the reprioritisation of around R50 billion of public funding towards activities that will stimulate job creation in agriculture, township economies and rural areas.

By expanding the package of support to black commercial farmers, the plan will boost an underdeveloped part of the agricultural industry and provide jobs to those who most need it.

The agriculture and agro-processing value chain, as set out in the National Development Plan (NDP) and the Nine-Point plan, is one area the framework agreement focuses on as having significant potential.

It is estimated that global demand for fresh produce could increase South Africa’s horticultural trade from R54 billion to R90

billion by 2030.

“Through our programme of accelerated land reform, we will expand the area of land under cultivation, substantially increase the number of people productively working the land and provide rural dwellers with the ownership and tenure rights needed to unlock the economic potential of their land.

“Specific interventions include the procurement of new hectares under black ownership and redirecting expenditure to black-owned and women-owned farmers, producers and processors,” said President Ramaphosa.

Blended finance models for effective agricultural support are being finalised.

In addition to government initiatives amounting to approximately R600 million, Agbiz and the Banking Association of South Africa have developed a blended finance model designed specifically to make additional funds available to assist potential redistribution beneficiaries to access capital.

Government has also prioritised the revitalisation of industrial parks, primarily in townships, which will create job opportunities in areas where many of people live.

“This commitment, to take jobs to the people, also informs our plan to establish a Township and Rural Entrepreneurship Fund to support South Africans with businesses in townships and rural areas,” President Ramaphosa said.

## **Buying local**

In a bid to boost the sluggish economy, the framework agreement pulls to fore the need for a substantial increase in domestic demand.

“This means that South African companies, government and consumers must buy local.

“If we do not buy the food that comes out of South African soil, there will be no farms and no farmworkers,” said President Ramaphosa.

Government has committed to simplify and speed up the process for the designation of products for local procurement. Organised labour, in partnership with Proudly SA, will proactively identify opportunities for new designations.

As part of this agreement, a number of companies have made specific commitments to local procurement initiatives as part of their operational strategies.

These include companies such as Adcock Ingram, Anglogold Ashanti, Clientele, Coca Cola SA, Edcon, First Rand, Lixil, Mondi, Nandos, Nestle, AB InBev, Sappi, Sasol, Standard Bank and Tsogo Sun.

They will be the first to be invited to join a ‘Buy SA Circle’, which recognises companies that are leaders in buying local and have demonstrated in practice their commitment to supporting South African enterprise.

“We will seize the opportunities presented by regional integration and the establishment of an African Continental Free Trade Area to produce more goods for other African markets.

“Social partners have agreed to unblock impediments to expanding exports – such as inefficiencies at ports and poor knowledge of potential markets – and to ensure greater support to companies seeking export opportunities,” the President said.

## **Growing the financial sector**

The financial sector, as part of its transformation code, will invest R100 billion over five years in black-owned industrial enterprises.

Government will work with the financial sector to develop facilities for financing at preferential rates and extended repayment terms.

The social partners have agreed on strategic interventions in economic sectors that have great potential for growth and even more potential for employment creation.

## **Focus on mining, textiles and automotive sectors**

In the metals, mining and machinery sector, government has agreed to finalise an export tax on scrap metal and ensure better access to incentives such as the Downstream Steel Industry Competitiveness Fund.

Other value chains that are receiving focused attention include sub-sectors of the manufacturing industry in clothing, textiles, leather and footwear, furniture and the automotive industry.

Organised labour, through one of its member unions, plans to open a union-owned clothing factory in the Eastern Cape within the next two years. The initiative is estimated to create around 100 jobs initially and aims to contribute to the re-industrialisation of a province that suffers from widespread poverty and unemployment.

“If we are to succeed in creating the number of jobs we need, it is essential that small, medium and micro enterprises like these take their rightful place in the economic life of our nation,” said President Ramaphosa.

Social partners have agreed to maximise the collaboration between public and private sector hubs and incubators.

Government will continue to advocate, educate, assist and monitor the implementation of the 30% set aside for SMMEs by all spheres of government and their agencies.

## **Skills development for youth**

Announcing the Jobs Summit during his 2018 State of the Nation Address, President Ramaphosa highlighted that jobs, especially for the youth, will be at the centre of the 2018 national agenda.

A specific area of focus is the development of the technical skills that are required in the industrial economy.

To tackle youth skills development, President Ramaphosa said the framework agreement mechanisms are being put in place to enable companies to form partnerships with nearby technical vocational education and training (TVET) colleges.

It is envisioned that the colleges will offer the theoretical component of the programme and companies offer the practical and workplace components.

Business Unity South Africa President Sipho Pityana, as convener of business, called for South Africa to prepare for the Fourth Industrial Revolution by reforming its education system to deliver suitably skilled workers.

“If we fail to prepare in anticipation of these disruptions, our current unemployment problems will soon seem like prosperity in comparison with the employment calamity we’ll face,” Pityana said.

He said to build a pipeline of future skills, educators should design future-ready curricula that encourage critical thinking, creativity and emotional intelligence.

“We are currently battling technology illiteracy, a shortcoming which makes many of our people unemployable in the

rapidly growing gig-economy.

“We must also accelerate the acquisition of science, technology, engineering and mathematics (STEM) skills, as well as the information and communication technology skills to match the way people will work and collaborate in the Fourth Industrial Revolution,” Pityana said.

In her opening remarks at the summit, Labour Minister Mildred Oliphant said all social partners have their work cut out for them.

“This summit has raised huge expectations among our people, and we dare not fail them. It is expected of us to come up with practical solutions and initiatives that are capable of being implemented immediately.”

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