

# Mangaung and the second phase of the transition:

## Discussion document for the COSATU CEC 25-27 February 2013

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## 1. Overview

### ANC Policy Conference

“This second phase of the transition should be characterised by more radical policies and decisive action to effect thorough-going socioeconomic and continued democratic transformation, as well as the renewal of the ANC, the Alliance and the broad democratic forces”. [Strategy and Tactics Resolution of the 2012 ANC Policy Conference.]

### COSATU 2012 Congress

“We have agreed that a radical agenda of socioeconomic transformation must be the core element

of the second phase of our democratic transition! We call this our Lula moment to speak to a successful transformation that has changed the lives of millions of workers (in Brazil)" [COSATU Congress Declaration]

### **ANC Mangaung Conference**

*Resolution 1* : "we are boldly entering the second phase of the transition... This phase will be characterised by decisive action to effect economic transformation and democratic consolidation, critical both to improve the quality of life of all South Africans and to promote nation-building and social cohesion. Consequently, in pursuance of these objectives, *we embraced Vision 2030 and the National Development Plan as a platform for united action* by all South Africans to eradicate poverty, create full employment and reduce inequality.." [Mangaung Conference Declaration]

*Resolution 2*: "structural problems *require structural solutions that transform the trajectory of economic growth, reindustrialise the South African economy and accelerate social development*. The second phase of the transition should thus mark a decisive break with unemployment, exploitation, inequality and poverty." [Economic Transformation Resolution]

The key question which this paper attempts to answer is whether the conclusions of the ANC's National Conference in Mangaung, and developments since then, have placed the country on track to engineer the radical economic shift, which the Alliance partners agree in principle is necessary as the core element of the second, more radical phase, of our transition. If not, then what needs to be done to achieve this shift.

Assessing this requires us to go further than simply a reading of the content of adopted policy resolutions. We have learnt in recent years, and particularly in the post-Polokwane period, that progressive sounding resolutions, while they can be an important tool to mobilise society, in themselves, do not move us forward. If the balance of forces in society and the state allow for a more conservative agenda to be imposed, then a reading of political resolutions alone, doesn't enable us to understand the actual trajectory which society takes, and how aspects of these resolutions are emphasised, and reinterpreted, while others are deliberately neglected, or forgotten.

Thus while it is still early days to make a definitive analysis, we also attempt to identify emerging trends in the balance of forces pre and post Mangaung. We conclude that there are some worrying indicators, both in the resolutions, and in developments in society, which suggest that the agenda of radical economic transformation, is far from secure.

In making this assessment we focus in particular on the following 4 areas:

- An analysis of some emerging trends on key socio-economic challenges, and on the balance of forces in the ANC and state
- An analysis of the Mangaung Resolutions, hinged around the socio-economic aspects of the Resolutions
- Whether there is a coherent agenda of organisational renewal to enable the movement to drive the second transition – in particular whether there is a new commitment and programme to uproot foreign organisational cultures and endemic corruption
- An analysis of the National Development Plan (NDP) given that it has now emerged as the flagship of government, and the ANC

On the **emerging trends and balance of forces**, we identify the lack of a coherent strategic approach to a number of key socio-economic challenges which have emerged in recent months. This reflects both the existence of conflicting interests, and forces within the movement and society; and the lack of a clear agenda of radical socio-economic transformation, in the movement and the state. This has resulted in ad hoc, incoherent, and often crisis driven responses on key economic challenges. In this context, conservative solutions offered by business, the NDP, etc. threaten to take the place of the promised radical economic shift, because they at this point represent the only coherent set of policy options which are being considered. At the same time, we threaten to be paralysed by a lowest common demoninator 'social partnership' approach, in which the movement abdicates its responsibility of leading society.

On the **Mangaung resolutions**, read together with the resolutions of the NEC Lekgotla, we conclude that at best they constitute a holding of the Polokwane line, and not a radical advance on existing policy positions. While there are some tentative areas of progress, there are also some worrying areas which suggest a reluctance to break with the status quo. In particular the endorsement of the NDP is the most worrying and far-reaching contradiction with the notion of a radical shift, and indeed with a number of existing policy positions of the movement and government.

We conduct a comprehensive assessment of the economic chapter of **the National Development Plan**, in the context of the overall vision and proposals of the Plan. While there are *some* elements of the vision and plan which we can live with, the thrust and detailed proposals in the chapter on Economy and Employment, constitute a major step backwards, both in relation to existing progressive policy positions, and in relation to the desired objective of a radical economic shift.

Having made this assessment, we then **measure these policies and developments against the COSATU Congress political resolution** and Declaration, to assess whether progress has been made in addressing the key elements of the platform proposed by the Congress. This assessment is attempted, conscious of the fact that we failed to secure an engagement with the ANC before Mangaung to discuss our proposal for an Alliance Agreement. To some extent, this assessment can only be completed once such an engagement has taken place. Despite this limitation, we are able to consider a number of the issues raised by ourselves, which had been dealt with in some way at Mangaung. Nevertheless, it is clear that little progress has been made on most of the issues advanced in our Congress Resolution.

## 2. **The radical shift vs. the current posture on key economic challenges**

As a result of the ANC characterising the current phase as the second phase of our transition, the core being the idea of a radical economic shift, the expectation has been created in society that post-Mangaung the movement's key strategic focus would be on engineering this economic shift. Indeed, unfolding dynamics in South African society and workplaces in recent months, including mass mobilisation in previously unorganised areas, have placed increasing focus on the need for radical, structural economic change, and the need for the state to lead this transformation. As a result, debates have been generated on

core strategic issues which lie at the heart of this economic transformation. Topical issues which have emerged in the recent period related to the radical economic shift, not least as the result of mass struggles, include the role of the state in:

1. **Control and regulation of strategic commodities**, such as platinum, steel, coal etc. The question has arisen: if nationalisation is not being pursued, what forms of effective state intervention are being deployed to exercise strategic control of this sector? Because of the debates around nationalisation in the ANC, and the SIMS report, this is possibly the area where the most detailed proposals have been advanced, and the Mangaung resolution lays the basis for potentially far-reaching intervention. However confusion continues to persist on the ANC's strategy, and the ETC commission at this month's NEC Lekgotla, proposes nothing coherent, despite this matter being high up on the national agenda.
2. **As a result of struggles of farm workers for a decent wage, issues have emerged around regulation of the food value chain**, to secure the sustainability of food production, and decent work in the agricultural sector, including intervention around the relative value received by agricultural producers vs. that received by the retail distributors. Further, measures to ensure food security, including the role of the state in regulating food prices, and distributing affordable staple foods. It is worrying that the 2009 Manifesto undertakings in this regard, on the *Food for All* programme has been completely unimplemented.
3. Transformation of the **apartheid wage structure**, both in low paid sectors (such as agriculture, clothing, and low wage sectors covered by sectoral determinations and collective agreements) but also across the entire economy. The challenges posed by the 2012 CEC discussion paper on wages and collective bargaining, have been sharply brought to the fore by a number of struggles in farming, mining and other sectors, and the public debates which are raging as a result. Centrally too, the role of the state in setting a national minimum wage, and formulating a national wage policy. More broadly, the need for action to address the rising levels of income inequalities in society. And the growing debate about the relationship between minimum wages, employment, and economic development strategies. The 'Brazilian alternative' we have placed on the table has captured the national imagination.
4. Promoting the **role of trade unionism and collective bargaining** in economic transformation. Intensified challenges have been emerging to the democratic labour movement and collective bargaining by employers, in the face of the economic crisis, with employers resisting or attempting to collapse centralised bargaining. These challenges have revealed both weaknesses in the labour movement, and gaps in the collective bargaining system, and as with minimum wages, sharply raise the need to address the issues raised by the CEC discussion paper. In particular the need for the overhaul of collective bargaining systems, to ensure their extension across the economy, and their strengthening by the state to play a greater role in industrial strategy and economic transformation, and in reconfiguring the wage structure.
5. Advancing an **employment and industrial diversification strategy**. Lack of concrete progress on this front, as seen in the latest Quarterly Labour Force Survey, raises serious questions as to whether the existing IPAP, local procurement, infrastructure strategies, etc. are adequate to leverage industrial diversification; or whether more far-reaching,

and decisive, measures are needed, both on these fronts, as well as the macro-economic front. If the policies are correct, then the question is whether there is adequate political support for IPAP etc, given that the allocation of resources to these programmes to reindustrialise the economy does not indicate sufficient seriousness and priority being given to their implementation. Further that institutions tasked with their implementation, including government departments such as dti, DFI's and SOE's, need to be radically realigned to give effect to this agenda. We are also falling behind international developments in terms of bold economic policy alternatives, which are being considered or implemented in a number of countries<sup>1</sup>.

6. **Transforming the tender system, and the state's role as a producer.** Continued tender fraud, and collusion with the private sector, as seen most recently with the construction industry, poses the need for concrete progress in undertakings to transform the tender system; and the need for the infrastructure programme to be more effectively harnessed to leverage a greater role for the state in the economy- through creating direct productive capacity in the state, where appropriate.
7. Using state levers and programmes to ensure **redistribution**, in addition to the issue raised in point 3 above of reconfiguring the wage and income structure. In the face of rising inequality, questions are being posed as to why government isn't acting decisively to use its levers, such as fiscal policy to ensure serious redistribution. So even the mainstream business media, and some elements in Treasury<sup>2</sup>, are suggesting that some sort of wealth tax to reduce the levels of inequality should be introduced in the next budget. Despite the usual claim by Treasury that our tax system is already highly progressive, studies now seriously question this<sup>3</sup>.

However, decisions taken at Mangaung, and the posture taken by the movement in relation to these and other issues, do not create confidence that a coherent strategic shift is underway. Most of the issues highlighted above were not the subject of serious discussion at Mangaung. Others, such as points 1. and 6. above (strategic commodities and tenders), were discussed, but insufficient strategic clarity has emerged on the approach being taken.

There is growing pressure on the ANC to provide a coherent response to these issues. But the movement seems to be stuck in the mode of ad hoc, crisis-driven responses which leads to zig-zagging and inconsistency. This can be seen for example over the struggles around strategic minerals, farm workers struggles for a living wage, etc. The responses on these and other issues are not guided by a coherent political and policy approach, and therefore are inconsistent in terms of whether they are advancing a progressive agenda. So the crisis-driven response to the minimum wages for farm workers reveals the lack of an overall wage policy by the movement, how to link this to broader sectoral strategies, and minimum wage policy for the economy as a whole. This makes it very easy for vested interests in the agricultural sector to push government back, and for inconsistencies in governments

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<sup>1</sup> Countries as diverse as Japan, Brazil, Iceland, Argentina etc have recently adopted, and successfully implemented, economic policy options which go against the economic orthodoxy, in particular since the global economic crisis.

<sup>2</sup> See the article by leading bureaucrat in the Treasury, Kuben Naidoo *Reducing inequality to promote growth*, January 2013 <http://www.econ3x3.org/node/140> which while promoting labour market flexibility etc., does suggest the need for a more progressive tax system

<sup>3</sup> See Aidc publication by Dick Forslund *Personal Income Taxation and the struggle against poverty and inequality*, November 2012 at [www.amandla.org.za/special-features/taxation-in-south-africa](http://www.amandla.org.za/special-features/taxation-in-south-africa)

approach to be attacked. Insufficient firmness and mixed signals from government also embolden farmers to blackmail workers to abandon their living wage struggle by retrenching thousands in response to the increase in the minimum wage.

Similarly with the issue of strategic minerals. On the one hand, there has been a desperate attempt to reassure investors, and take the nationalisation issue off the table. On the other hand no coherent framework for regulation of strategic minerals is being advanced, or even a policy process to arrive at that framework. Therefore defensive responses to the Amplats retrenchments for example, through threats to withdraw mining licenses, when the necessary regulatory mechanisms to effect this are not in place, is correctly seen as panic-driven posturing, which betrays weakness, and incoherence, rather than the assertion of a confident agenda of transformation.

This failure is not in the first instance a failure of policy. It rather reflects a failure to shift power relations in society, and competing interests in the movement, which prevent it from taking the bold decisions necessary to arrive at the policy positions demanded by this second phase of our transition. On each of the seven issues outlined above, a detailed analysis will reveal that there are powerful interests inside the movement, as well as broader society, who are resisting forward movement on the issues at hand. The NDP then becomes a useful cover, or umbrella, under the notion of a 'broad vision supported by all of society', to water down the need for a radical economic shift in core strategic areas. This leaves the movement stuck in a transitional paralysis, where it recognises that the old order needs to change, but can't agree on bold measures needed to effect change to a new order.

Therefore, at one level, progress on the identified matters requires action from below to secure a shift in power relations. This was seen clearly with the farm worker issue, where failure to mobilise would have seen a 'business as usual' approach, with the ECC recommending the usual inflation linked increase to the sectoral determination. Mass action however led to an increase in the minimum wage for farm workers of over 50%.

But the ad hoc approach of responding sporadically to mass struggles as they burst to the surface, is not a sustainable one. The question is how to achieve a *combination* of strategic leadership for example on wage policy from the top, with mobilisation from below, and whether an engagement in the movement, and the Alliance more broadly, is able to reach this type of strategic agreement, or whether contestation and competing interests in the movement renders this impossible.

The truth is that on all the issues, it is not possible to determine *a priori*, or beforehand, what the outcome of such an engagement would be, in the light of growing pressure from below, and heightening social contradictions which are demanding a solution on these critical questions. As argued in the COSATU Congress discussion on the need for an Alliance platform, this engagement has to take place urgently, if we are not to continue to lurch from crisis to crisis. On the other hand, the social accord approach, which is becoming increasingly popular in government, doesn't help, as it promotes a lowest common denominator solution which tends to reinforce the *status quo*.

One of the factors making it difficult to move forward, is the extent to which ANC and government are looking to seek agreement with business, as a way of stabilising the situation. While engagement with business is necessary, it has to be on the basis of a clear agenda for change which is driven by the movement. With the profile being given to the NDP as the vision of government, however, this has given business a conservative economic

stick to beat government with, and will tie our hands, if it continues to be handled in this way. The President's SONA seems to recognise this, to a certain extent, by focusing on the broad vision of the NDP, but not focusing on its problematic content, and rather emphasising an alternative vision of industrialisation. Nevertheless this contradiction needs to be resolved, as the ANC and government appear overly fearful of business and the markets, at the expense of forging its own bold agenda.

In this context, conservative solutions offered by business, the NDP, etc. threaten to take the place of the promised radical economic shift, because they at this point represent the only coherent set of policy options which are being considered. At the same time, we threaten to be paralysed by a 'social partnership' approach, in which the movement abdicates its responsibility of leading society.

### **3. Mangaung on Economic Policy**

Doing a balanced analysis of the Mangaung Resolution on Economic Transformation is a complex exercise. This is because there are a lot of areas of nuance and emphasis, where things are suggested subtly, rather than directly stated, often to avoid antagonising the ANC's mass constituency, and Alliance partners; at the same time as avoiding sending out provocative signals to 'the markets'. In addition, as indicated in the political report to COSATU Congress, in relation to the process at the Policy Conference, the drafting, particularly of the Economic Transformation Resolution, is carefully managed and controlled, with a few drafters and technocrats taking tight control of the drafting process. At Mangaung this was facilitated by the fact that the Commission was only given one and a half hour to complete its work, allegedly for logistical reasons. Therefore many of the issues, including the most controversial ones, could not be discussed in any detail, and crafting of the final formulations was left in the hands of the drafters, with no process of reportback to the Commission. One matter in particular - discussed below- was substantially redrafted without any reference to the Commission.

Further there are important areas of tension in the Resolution. How these are resolved is less a technical matter of reading or interpreting the Resolution, and more a political matter of what you choose to give emphasis to. So for example overwhelmingly progressive elements of the Resolution could be effectively negated if serious weight is given to the Resolution's endorsement of the NDP- see below- which contradicts many of these progressive perspectives.

This undemocratic and cynical approach to managing the discussion and drafting process then carries over into how the Resolution is processed between conferences. If those in charge of the process believe they can get away with this type of management of the process in the highest decision making body of the movement, then they have no reason to believe that they will be held to account in the period post the Conference. This is part of the explanation as to why key progressive elements of the Resolutions have been de-emphasised or ignored between Conferences. This therefore raises the need for a different type of management and oversight mechanism to ensure the proper formulation and implementation of resolutions.

Having said this, the Economic Transformation Resolution can be divided into **three types of formulations**: those which consolidate the Polokwane positions; those which are an advance on Polokwane, although limited in character; and those which constitute a reversal of the gains. On the whole, the substance of the Resolution continues, in most respects, to take forward a number of progressive perspectives which emerged in Polokwane, but without proposing the major advances, which would constitute a radical economic shift. The formulations for example on state intervention in the economy, macro economic policy, wage policy, and redistribution, while mildly progressive, are too timid and limited to qualify as a package of radical economic policy change.

Therefore, if the yardstick is defense and consolidation of the Polokwane perspectives, the resolution on the whole, could be regarded as largely positive with one major exception, which *is major* (its endorsement of the NDP). If, however, the criterion is advancing a radical economic shift, then it could be argued it falls far short.

While some formulations in the Resolution are weaker than Polokwane, and some are an improvement, it is important that Paragraph 5 endorses the Polokwane resolution *in toto*. It reaffirms the Polokwane resolution as the basis of policy, and elaborates 15 pillars of the Polokwane resolution, starting with the critical point that “creating decent work is the primary focus of economic policy”. However, this point is not seriously taken forward in the meat of the resolution, particularly on macro-economic policy.

There is an emerging sense that the focus on decent work has been relegated to a long term objective, and that there is a growing emphasis on economic growth, although there is some recognition of the need for redistribution in the Mangaung Resolution. The NEC Lekgotla Resolution makes a strange statement: “the **goal** of decent work – which remains valid - also includes increasing the number of jobs in the economy and ensuring that large numbers of young people are able to find jobs”, implying the need for a trade off. SONA states that “We need growth rates in excess of five per cent to create more jobs... The (NDP) target for job creation is set at 11 million by 2030 and the economy needs to grow threefold to create the desired jobs.” There is no reference to the composition of growth or to the need to transform the growth path to make it more employment creating, or for that matter more equitable and redistributive. These issues do however feature prominently in the Mangaung resolution.

Standing back from the nuance of the detailed formulations, there is no suggestion that a coherent new strategy has emerged to transform the structure of our economy, along the lines of COSATU’s growth path for full employment. There is no serious programme in the resolution aimed to give effect to the important statement in para 8 of the *noting* section that “structural problems *require structural solutions that transform the trajectory of economic growth, reindustrialise the South African economy and accelerate social development. The second phase of the transition should thus mark a decisive break with unemployment, exploitation, inequality and poverty.*” The Resolution rather suggests another ritual of cobbling together compromise formulations, aimed at pacifying the ANC’s various constituencies, without any serious intention of fundamentally overhauling economic policy.

However, some suggestions of significant state intervention are contained in para 8 of the *Resolves* Section on the **Developmental state**, which includes a watered down version of a



compromise formulation proposed by COSATU at the ANC Policy Conference, to break a deadlock. The final Resolution calls for- “bold forms of state intervention, including through:

- Financial regulation and control, including through a state owned bank.<sup>4</sup>
- Progressive and redistributive taxation
- Wage and income policies that promote decent work, growth and address poverty and inequality.
- Progressive competition policies that promote growth and employment, and address poverty and inequality
- A well-resourced state-led industrial and trade policy
- Increased state ownership in strategic sectors, where deemed appropriate on the balance of evidence, and the more effective use of state-owned enterprises.”

This paragraph is obviously welcome. However, it omits COSATU’s initial formulation on the need for an employment-centred macro economic policy (which was also excluded from the Policy Conference resolution). Most seriously, it unilaterally, without reference to the deliberations of the Commission removes reference to strategic nationalisation, and replaces it in the last bullet with reference to ‘increased state ownership in strategic sectors’. This is not in itself such a bad formulation, if there was clear strategic intent behind it to effect such strategic state ownership. However, it is well known that the intent was rather to remove all references to nationalisation, to pacify the markets, and therefore amounts to a drafting ploy, with a clear political signal that there is no intention to seriously intervene in strategic sectors through increased state ownership (and the signal is reinforced by use of the phrase ‘where deemed appropriate on the balance of evidence’). The contempt it demonstrates for the democratic processes of the Conference is startling.

On **Macroeconomic policy**, instead of proposing a radical shift, the Resolution proposes 3 cautious changes to policy, in deliberately ambiguous language which rather than decisively confronting the Treasury’s conservative stranglehold on macroeconomic policy, will perpetuate massive contestation over the interpretation of ANC policy in this area. The introductory section gives a ‘no change’ message, when it cites in para 6, last bullet, as a key achievement of the last 5 years in implementing the Polokwane Resolution, that “Macroeconomic policy remains sustainable and supportive of growth.” But it doesn’t interrogate whether policy over this period has advanced the Polokwane directive (Resolves Clause 2.1). of making “the creation of decent work the primary focus” of macroeconomic policy, or what that would have entailed. Nevertheless, it is the first substantial ANC formulation on macroeconomic policy, which allows for real engagement, when compared to previous very vague and broad formulations in Conference Resolutions<sup>5</sup>.

The 3 changes to policy which the Resolution proposes, which we discuss one by one are:

1. “The ANC will continue to strive for macro-economic balances that support industrialisation, are biased towards job creation, ensure long term stability and

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<sup>4</sup> The Resolution on Communications from para 144 has a detailed set of proposals on extending the functioning of the Post Bank

<sup>5</sup> Apart from the formulation in the 2009 Elections Manifesto- the product of Alliance discussion- which was both substantive, and progressive. However there has never been any real attempt to take it forward,

sustainable growth and development that bolster the growth of domestic industrial capacity and in making policy tradeoffs will select those that favour productive sectors of the economy. Macroeconomic policy must help to build an economy in which income inequality recedes.”

This formulation is problematic. The use of the words ‘continue to’ will be read to imply that there will be no significant shift in existing policy. Nevertheless this bullet point does introduce the notion that macroeconomic policy should ‘bolster the growth of domestic industrial capacity’ and further that ‘in making policy tradeoffs’ government must select those that ‘favour productive sectors of the economy’. How this is interpreted will obviously be open to massive contestation, but may strengthen those in government attempting to drive an employment centred industrialisation strategy, to argue for the necessary shifts in macroeconomic policy, to for example deter cheap imports, capital flight etc, and to pursue policies which provide the necessary stimulus through both fiscal measures, and affordable credit. This however assumes a change in the mandate, power and orientation of Treasury, including the deployment of the appropriate officials and expertise to pursue such a policy. Further, the statement that ‘macroeconomic policy must help to build an economy in which income inequality recedes’, could also be significant if it is used to introduce more aggressive fiscal instruments to promote redistribution, including a sharply more progressive tax regime. The left needs to occupy this space by spelling out in more detail what we mean by progressive or redistributive macro economic policies versus the status quo.

2. “Key objectives of the macroeconomic policy framework in the period ahead will be to counter economic volatility, support sustainable growth and a competitive exchange rate. In this regard we must ensure social dialogue on the coordination of fiscal, monetary and incomes policies to achieve these objectives.”

This bullet point is much more ambiguous, and subject to different, and contradictory interpretations. ‘Countering economic volatility’ for example could be interpreted either to mean contractionary fiscal policies to ensure stabilisation; or its opposite-expansionary fiscal policies to provide the necessary stimulus, thereby countering economic stagnation. It could also be used to mean liberalised macroeconomic policy measures such as free flow of capital, to attract foreign capital inflows; or it could mean the introduction of capital controls, to counter speculative activity, and to limit capital flight.

On the other hand, the notion of a competitive exchange rate (in which our currency is not overvalued) is one we support, and part of an ongoing contestation in government to support a reindustrialisation process. Having said this, the notion of ‘social dialogue on the coordination of fiscal, monetary and incomes policies to achieve these objectives’ is far more difficult. While the labour movement would strongly support social dialogue on coordination of fiscal, monetary and incomes policies, *if it was aimed at achieving decent work, and redistribution*, and this policy co-ordination is something we have pushed for over many years - the objectives as set out in the Resolution are far too narrow. Unless recrafted in the way we propose, the call for co-ordination of incomes policy with fiscal and monetary policy, to achieve the type of stabilisation spoken about would inevitably mean wage moderation, which would act both against decent work,

and redistribution. The fear that this is what the technocrats intend, is reinforced by the last-minute ETC *review of macroeconomic policy* in December 2012 (see below) which calls for “an effective incomes policy... that links income to productivity”. It then argues that “sustaining a competitive exchange rate requires some mechanism that generates stability and contains costs”.<sup>6</sup>

3. “South Africa requires a flexible monetary policy regime, aligned with the objectives of the second phase of transition. Without sacrificing price stability, monetary policy should also take account of other objectives such as employment creation and economic growth. In this regard, government should engage with the new wisdom developing on macroeconomic policy around the world in response to past failures and the global crisis.”

While a cautious advance, this formulation is hardly revolutionary. Even conservative states, such as the US, have employment as a key target of monetary policy. It is therefore extremely timid to state that ‘monetary policy should also take account of other objectives such as employment creation and economic growth’, something that is already in the mandate of the Reserve Bank, as conveyed by the Minister of Finance. Nevertheless commitment to a more ‘flexible monetary policy regime’ is obviously welcome. It is also welcome that the resolution commits government to ‘engage with the new wisdom developing on macroeconomic policy around the world in response to past failures and the global crisis’.

This new wisdom includes recognising the damaging effect of contractionary monetary policy, inflation targeting and high interest rates; and the dangers of financial deregulation and liberalisation, including of exchange and capital controls<sup>7</sup>. These have all done massive damage to the South African economy. However, there is no real evidence of our government or the ANC taking these lessons on board, and our Treasury and Reserve Bank continues to be allowed to persevere with job-destroying policies. Just as Brazil under Lula changed the leadership and top bureaucracy of their Treasury, and now President Dilma has placed a civil servant with a more developmental mandate at the head of their Central Bank, we also need overhaul of leadership of our macro-economic authorities.

Finally on macroeconomic policy, the 2012 Policy Conference, acknowledged correctly that ANC Resolutions, including Polokwane or historically even the RDP, are very weak on macroeconomic policy, and instructed the ETC to prepare a review for consideration at Mangaung, and to: “examine how macroeconomic policies interact with other policy objectives, the balance between fiscal and monetary policy, and how these policies should respond to changed economic conditions. It should also consider the resourcing of industrial policy initiatives.”<sup>8</sup> Without going into the content of the

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<sup>6</sup> The Review also calls for a more restrained fiscal policy to avoid large deficits, arguing that this will give space for a more flexible (ie less rigid) monetary policy regime

<sup>7</sup> Even the IMF and World Bank have reached these conclusions before our own Treasury, which continues to resist the new emerging consensus.

<sup>8</sup> The Review fails to address the resourcing of industrial policy. The Policy Conference separately mandated the ETC to review implementation of the 15 pillars of the Polokwane Resolution. It is significant that, given the greater clarity of the Polokwane mandate on these pillars, the ETC chose not to take this forward, but rather to confine its review to macro economic policy.

'review' (which is attached), suffice it to say that, without any meaningful consultation or serious engagement, it makes far-reaching and controversial recommendations, which had a strong impact on the final resolution, although there had been little opportunity for discussion. The Review is the product of a hastily called ETC workshop shortly before Mangaung, on the 28<sup>th</sup> November, with extremely limited participation by Alliance and ANC structures<sup>9</sup>. The macroeconomic policy Review document calls for comments by ANC and Alliance structures, although this wasn't possible before Mangaung. It would be important to engage the ANC further on these matters, as well as the other review proposed by the Policy Conference (see footnote above).

We will briefly summarise other important issues dealt with in the Resolution, without going into the detail:

- ❖ On **Minerals**, the Resolution sets out the *principles* for state intervention in the minerals sector in some detail, following a series of detailed discussions in the movement on nationalisation vs regulation. What is of concern is that, despite extensive discussion, dating back to the 2010 NGC, there is still no clarity as to what is concretely being proposed on critical issues, which are complex and require finality; or even a proposed process to arrive at a decision on these questions. For example there is a long list of important minerals, but no indication as to which of these will be designated as strategic minerals, for the purpose of special state regulation, or how this final designation will be arrived at. Similarly it makes the important assertion that ways of pricing and controlling export of strategic minerals, and to support their beneficiation will be devised, but no clear proposals are made on substance or process. Similarly with the state mining company, regulation of input prices, and the taxing of resource rents. The ANC Lekgotla has nothing further to say on any of these matters, except that 'further work' needs to be done. The only practical proposal which has emerged was in President Zuma's SONA, where he announced the establishment of a tax inquiry, which will inter alia look at the mining royalties regime. This lack of clarity is particularly worrying given the strategic importance of this sector, and the intense contestation which is taking place for its ownership and control.
- ❖ On **Youth employment**, the resolution makes the important statement, in the face of intense debates about the youth wage subsidy that interventions to address youth unemployment should "not jeopardise the jobs of existing workers, or undermine workers' rights more generally." At the same time it states that "government must act to improve the quality of active labour market policies, and create incentives for absorbing the young unemployed". It briefly mentions several specific interventions, but doesn't directly address the question of the youth wage subsidy. Therefore on the face of it the resolution is not problematic in this regard. This approach is reinforced by the highly detailed ANC NEC Lekgotla Resolution (the section on youth

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<sup>9</sup> In an article on the macroeconomic policy Review on 13/12/12, Carol Paton writes in Business Day that "instead of the promised review, the ANC's economic transformation committee last week hosted a poorly attended workshop ...Despite the engagement, participants of all ideological persuasions said they doubted the workshop met the requirement of the policy conference for a review."

unemployment is nearly 4 pages out of a 9 page resolution)<sup>10</sup>, which states *inter alia* that the youth incentives need to be approved by all constituencies, and that “youth employment support and incentive schemes ... have to be designed to avoid any displacement of older workers and to encourage the creation of new jobs in the economy.” Despite the clarity of these resolutions, it has become apparent that some prominent ANC leaders are strongly advocating the youth wage subsidy, and that coming out of the NEC Lekgotla the impression was publicly created that the youth wage subsidy had been endorsed. (See the report on the bilateral between the ANC and COSATU contained in the CEC annotated agenda) This reinforces the point made above that the political agendas operating on any issue are as important as the actual wording of resolutions, since such agendas are capable of constructing interpretations which apparently fly in the face of what was intended by the drafters. It is also clear that the political profile and importance of the youth employment question is now so high, that the labour movement underplays it at our own peril.

- ❖ **Labour market** : Contrary to the profile being given to youth employment, general labour market issues appear to have been given a relatively low profile. This may be because of the explosive nature of some of the battles which have been taking place in the labour market, and the ANC’s uncertainty about how to deal with these. So key policy questions which have been posed particularly by COSATU, have been largely sidestepped by the Mangaung Resolutions, particularly on minimum wage regulation, extension of collective bargaining, as well as labour broking. The Mangaung resolution calls for a “fair system of workplace relations that builds on the constitutional right to collective bargaining ... workers outside the current system of labour relations must be mobilised to realise their constitutional rights and join trade unions affiliated to COSATU.” While this says nothing new, it creates the space to engage on the need for a more comprehensive system of collective bargaining. The NEC Lekgotla raises concern about fragmentation of unions and gaps in unionisation, and calls for strong strategic unions.

It is important to quote the Lekgotla in full about collective bargaining and minimum wages, because it shows a worrying confusion about the relationship between the two, as well as the question of decent work and employment creation, in a way which implies that unrealistic demands are being made for a minimum wage, thereby impacting on employment. This reinforces the importance of serious engagement between COSATU and the ANC to discuss an approach on this matter, particularly on the relationship between minimum wages, collective bargaining, decent work, and employment<sup>11</sup>: “Collective bargaining is a process to balance the

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<sup>10</sup> Circulated as Annexure 3 of the CEC documentation

<sup>11</sup> We have argued in the *CEC Paper on collective bargaining and minimum wages*, that employment performance of sectors can only be explained by a range of economic factors, as opposed to a simplistic connection to the level of a minimum wage. “Sectoral conditions, industrial strategy, trade dynamics as well as broader economic conditions (including domestic consumer demand), have a critical role in determining how a sector performs. Therefore wage policy has to be combined with appropriate economic and sectoral policies to have the desired employment impact.” On farm workers struggles we stated: “We do not ...agree that the threat of job loss can be simplistically attached to a particular minimum wage level, but that the question of levels of employment (including employment growth) need to be understood in the context of a range of

legitimate striving for a living wage with the capacity of companies to pay, and the Commission therefore calls for steps to improve organization of farmworkers and collective bargaining in the sector, so that sectoral determinations are not required to set the actual wages but simply the minimum wages. The Commission urges all stakeholders to prioritise job creation on scale across the economy. In this context, the goal of decent work – which remains valid - also includes increasing the number of jobs in the economy and ensuring that large numbers of young people are able to find jobs, as part of the full employment goal of the ANC.” Finally, both in the Mangaung Resolution and that of the Lekgotla, the question of peace and legality in labour disputes is emphasised, following the Marikana upheavals, and the Lekgotla particularly strongly condemns violence in strikes.

COSATU CEC presence in the ANC Lekgotla was very limited, because of problems of coordination and logistics, due to late receipt of the invitation. This limited presence may have cost us, because of our inability to strongly advance our perspectives in all the Commissions.

- ❖ **Rural development and land reform:** we do not go into any detail on this matter here, except to say that while the thrust of the Mangaung Resolution is progressive in intent, it lacks detail, and coherence, particularly in relation to a strategy for rural development, and contains no sense that an all-round programme for the development of rural areas is unfolding. It does make new proposals on land reform, but fails to explain why existing decisions, such as reversal of the willing seller, willing buyer principle, the passing of the Expropriation Act, and the audit of state land, have not been implemented, or to give deadlines for implementation. It makes the important proposal that land be recognised in the constitution as a socio-economic right, and that indigent households be allocated minimum landholdings. However, no proposed process is attached to this major policy decision. Similarly for proposals on re-opening claims for land restitution during this centenary year. It also does not engage with important proposals in the 2009 Manifesto on the Food for All programme, aimed at ensuring state intervention in the procuring and distribution of affordable essential foodstuffs. While there is the sense that the Polokwane Resolution in the area of rural development and land reform was comprehensive, detailed and focused, there is no reflection on progress in implementation, or continuity in many of the proposals made at Mangaung.
- ❖ **Strategies for implementation:** concerns arise about the lack of coherent processes to take forward important elements of the Resolution, such as the decision to reduce reliance on tenders, and to introduce measures to reduce corruption in tenders, various proposals around strategic minerals, land reform, comprehensive social security etc, some of whose complexity suggests they may remain on paper, like many such previous decisions; or in a number of instances where repetition is made of previous resolutions without explaining why there has been non-implementation.

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factors affecting the agricultural sector, which has bled many thousands of jobs despite ultra-low wages. ... Labour made a proposal....that a process be established in Nedlac ... to address a range of industry issues in the farming sector that are a barrier to improved performance of the sector and therefore a barrier to improved wages, e.g. tariffs, dumping of agricultural goods from other countries., lack of training, fair trade, etc"

Despite much talk of building capacity in the ANC since Polokwane, there is still little or no oversight of the implementation of ANC resolutions in government and within the ANC itself.

## **Mangaung and the NDP:**

The ANC went into Mangaung facing numerous crises in the country - see our analysis in the Political Report to COSATU Congress. There was a sense that the NDP, as a document drafted outside of government, could help create a national vision which assisted in building cohesion, in the face of these huge pressures the ANC was facing. At the same time, the ANC itself, and the broad democratic movement, had not engaged with the detail of the proposals in the 484 page plan. So it seems that the approach going into Mangaung, was to give broad endorsement of the vision of the NDP, with the intention of engaging with the detail at a later point. While partly understandable, this was a problematic and risky strategy, as we outline below, which was bound to backfire, particularly if one understood the contradictions between the approach of the NDP, and the perspectives of the movement. When the President gave a broad, ringing endorsement of the NDP in his opening speech to Mangaung, this set the tone for the Conference, and made it difficult for the Commissions to take a different view.

Nevertheless it is clear, in analysing the Commission Reports to Conference, that the emphasis of different Commissions varied: some went for a broad endorsement of the vision, while keeping silent on the details; others actually endorsed the detail of the NDP proposals; while others raised concerns with the NDP. The international relations commission resolved that the NDP's content on international relations should be 'strengthened'. Specifically it proposed that: The ANC's foreign policy objectives, particularly on the renewal of Africa, should be reflected in the NDP; More emphasis be placed on the need to change the political economy of Africa that still reflects the legacy of colonialism and neo-colonisation, particularly with respect to mineral and natural resources of Africa; and the global economic recession as depicted in the NDP should be seen as an opportunity for Africa's development and unity and for building an alternative continental and global economic system.

In our engagement with comrades in the ETC, it was argued that we could endorse the *vision* of the NDP, without engaging with the detail of the Plan. Three things were disturbing: 1. It became apparent that a number of very senior comrades in the ANC and government had not read the Plan in detail, and therefore were not fully conscious of the extent to which it's overall logic as well as substantive detail is problematic, and contradicts, or fails to advance, key policies of the broad movement - see analysis below; and 2. The naïve belief that even if the NDP contradicted ANC policy (and senior ETC leaders conceded for example that the NDP Chapter on the economy was very problematic), a general endorsement of the NDP vision, would not create problems for the movement; and 3. Some senior leaders within the ANC, including those who were members of the Planning Commission, were punting the NDP, and pushing for its adoption, although they were aware that the movement hadn't engaged with the detail.

It was on this basis that the drafters insisted that the ETC resolution contain a broad endorsement of the Plan, which ultimately read as follows: “The ANC must take the lead in mobilising and uniting all South Africans around a common vision of economic transformation that puts South Africa first. The National Development Plan is a living and dynamic document and articulates a vision which is broadly in line with our objective to create a national democratic society, and should be used as a common basis for this mobilisation. The ANC will continue to engage with the plan, conscious of the need to unite South Africans in action around a common vision and programme of change.”

This broad formulation (which had been watered down from a previous version after we had expressed our concerns), emphasising the vision, but also the fact that the ANC will ‘engage with the plan’, in some comrades view, left space for the ANC to align the Plan with ANC policy, or to ignore it, where there was a contradiction. However we remained concerned that the ANC was progressively tying itself to a document which would increasingly put the movement on the back foot, as it was forced to defend perspectives with which it disagrees.

Further, increasingly, the endorsement of the Plan as a broad *long term vision*, versus a *programme of government*, would become increasingly blurred. The 2<sup>nd</sup> para of the ETC resolution on the NDP states that “*Within* the NDP vision, critical instruments and policy initiatives will continue to drive government’s medium-term policy agenda” including the infrastructure plan, NGP and IPAP. We objected to the use of the term ‘within’ because it implies that where there is a contradiction, these policies have to be aligned with the NDP. More worryingly, the Declaration of the Conference, deliberations of the NEC Lekgotla, and statements of government, begin to clearly signal that the NDP is being embraced as a short, medium and long term programme of government, and not just a broad vision.

The NEC Lekgotla states that the ANC and government have endorsed the NDP as an overarching vision that not only spells out the constraints, but also proposes short and medium/long term actions, and calls for implementation of “the *short term and medium/long term measures identified in the NDP* as well as the economic strategy in the form of the New Growth Path and the IPAP and National infrastructure Plan.” While in SONA the President de-emphasised the detail of the NDP proposals, in that he only spoke about the NDP in generalities (something the media and opposition noticed and objected to) the SONA does state that “the activities of departments must be aligned with the National Development Plan”.

The Presidency statement before SONA states that “the 2013 SONA will be the first that is delivered in the context of the National Development Plan, which has been adopted as the high level framework and national Roadmap *to which all government programmes and plans will be aligned from 2013 with a focus on implementation*. The Plan was endorsed by all political parties in the National Assembly on the 15<sup>th</sup> of August last year, and enjoys the support of all sectors of society...”

In his reply to the SONA debate on 21 February, the President went one step further. He stated that government was drafting a 2014-2019 MTSF to align all policies with the NDP. He described the Medium Term Strategic Framework as “the first five-year building block of the National Development Plan. Our cross-cutting strategies such as the New Growth Path, the Industrial Policy Action Plan, the departmental Strategic Plans, Annual Performance Plans and municipal Integrated Development Plans and every other government plan will



fall under the umbrella of the National Development Plan. The framework will be precise and clear in identifying indicators and targets to be achieved in the period 2014 to 2019. The first draft of the 2014-2019 NDP aligned framework should be ready for a thorough discussion at the July Cabinet Lekgotla.”

Business has been quick to grasp the idea that the NDP should become the overarching programme and policy of government. For example Busa CEO Nomaxabiso Majokweni stated in the runup to SONA that *“departmental policies, such as the Industrial Policy Action Plan and the New Growth Path, needed to be aligned with the NDP’s strategies. The NDP was a blueprint that could become a large-scale national implementation strategy”*.

It is a concern about how quickly the ANC and elements of civil society appears to have endorsed the Plan, without any appreciation of the importance of committing to a document which sets out a road map for the country for the next 17 years, and certainly without having engaged with the detail of its proposals.

## Concluding comments on Mangaung

The **Mangaung resolutions on economic policy**, read together with the resolutions of the NEC Lekgotla, at best constitute a holding of the Polokwane line, and not a radical advance on existing policy positions. While there are some tentative areas of progress, there are also some worrying areas which suggest a reluctance to break with the status quo. In particular the endorsement of the NDP is the most worrying and far-reaching contradiction with the notion of a radical shift, and indeed with a number of existing policy positions of the movement and government.

Post-Mangaung, and with the NEC Lekgotla, concern has further emerged as to which issues the movement has politically chosen to place emphasis on, particularly those issues which are perceived to be taking on the labour movement e.g. the wage subsidy, violence in strikes, and education as an essential service, as well as on punting the NDP. As opposed to signalling their strategic intention to embark on a serious programme of economic transformation, and to take on capital. For example there was a major storm around the Amplats retrenchments and ANC threats to act on mining licenses, yet the ANC Lekgotla had nothing to say on this matter. As was the case post-Polokwane, the ANC has been most silent on those aspects of its resolutions, which would constitute the greatest departure from economic orthodoxy. This sends a worrying business as usual message.

## 4. National Development Plan on the economy, and the second transition

### Problems in interpreting the NDP

Before analysing the economic dimension of the NDP, it is important to point out certain aspects of the Plan which make it extremely difficult to interact with and interpret:

- ❖ Its complexity and length- it runs to 484 pages, and is written in an often highly inaccessible way;
- ❖ At the same time, huge effort has gone into packaging it in a supposedly sophisticated manner, which aims to appeal to various constituencies, by appropriating certain buzzwords and popular concepts, but trying to avoid open controversy. In the process, it masks more than it reveals;
- ❖ The NDP therefore often speaks in code, requiring painstaking analysis to uncover its underlying theoretical and philosophical approach, and the true character of its proposals, both in analysing what it does say, and what it omits to say;
- ❖ Because it is a report emanating from a range of academics and experts coming from different perspectives, it is inconsistent in a number of respects, and contradictory in others. Further, Presidency and seconded Treasury bureaucrats have placed their own perspectives into the document. It is no secret that a number of commissioners were unhappy with certain elements of the NDP drafted by the NPA Secretariat, and actually never formally signed off on the final product;
- ❖ It selectively draws from certain government policies and programmes and ignores others. While it claims to be a long term vision, the Plan attempts to replace key medium term policies such as the NGP and Ipap in important respects. Eg the economic chapter has as its phase 1 plan, a set of proposals which ignore, or contradict critical elements of the NGP/ Ipap, which are supposed to be governments lead strategies over that same period. This creates total confusion as to which policy prevails, and undermines the greater degree of cohesion and co-ordination which was emerging through eg the infrastructure plan, and the PICC.
- ❖ The Plan itself is riddled with inconsistencies and errors, as well as selective and incorrect interpretations of key literature. It completely confuses a number of its own figures and projections on poverty, employment etc. and makes elementary mistakes in terms of what these say. For example in different places in the document, it cites the poverty line (which it wants to say is R418 per month, per person) as both R418 per *day* and R418 per *month* - we mention other examples of such mistakes in our analysis below. This is extremely shoddy for such a key document, and raises questions as to how many more mistakes have been made. We also below outline examples where it blatantly contradicts itself, and misquotes studies on key issues such as employment creation.

### Do we support the NDP Vision?

As stated above, it was proposed at Mangaung to endorse the *vision* of the NDP (although some went far further to endorse the detail), and suggested that this vision is

uncontroversial. However, when the Mangaung resolution endorses the ‘vision of economic transformation’, it is going way beyond the *Vision Statement* of the NDP (pp 12-22) which is really a 10 page poem, talking in very lyrical terms about the future South Africa.

The vision of economic transformation outlined in the NDP on p118- see above- sets out the type of targets the plan is striving for by 2030, with intermediate targets in 2015 and 2020.

<b>EMPLOYMENT TARGETS (2010-2030)</b>				
<b>Millions</b>	<b>2010</b>	<b>2015</b>	<b>2020</b>	<b>2030</b>
Non-working age population	18	18.2	18.8	20.6
Working-age population (15-65)	32.4	35.1	36.5	38.8
Labour force participation rate, percentage	54%	57%	60%	65%
Labour force (million)	17.5	19.8	21.9	25.3
Age dependency, ratio	1.6	1.5	1.5	1.5
<b>Employment target</b>				
Unemployment rate, percentage	25%	20%	14%	6%
Employment (million)	13	15.8	18.9	23.8
Net new employment needed (million)	0	2.8	3	4.9
Dependency ratio	3.9	3.4	2.9	2.5

Under these conditions:

- About 41 percent of the working-age population between 15 and 64 would be employed. The aim is to increase this to 52 percent by 2020 and to 61 percent by 2030.
- Real GDP more than doubles (implying average GDP growth of 5.4 percent between 2011 and 2030. At this rate of growth, there will still be substantially more reliance on very low-income employment, survivalist activities and public employment schemes.
- The proportion of the population with income below the poverty measure of R418 per day (in 2009 rands) falls from 39 percent in 2009 to zero in 2030. The level of inequality will fall from 0.7 in 2010 to 0.6 by 2030. The share of income going to the bottom 40 percent of income earners rises from 6 percent to 10 percent.

On average, the dependency ratio (the number of people depending on one wage earner) will fall from 4 to 2.5. For low-income households, this ratio will fall from an average of 5 to 6 down to 4 to 5. A falling dependency ratio will be a central contributor to reducing poverty and inequality.

On the face of it, many would see these targets of vision for 2030, as being very positive, and ambitious, and on the face of it, some of them are. But close scrutiny of this vision, and how the Plan aims to get there, reveal that aspects of this economic vision are actually quite problematic:

The dramatic headline has been that the Plan proposes to create nearly 11 million jobs by 2030, and to reduce the unemployment rate to 6%. Further, that it proposes a reduction of inequality, and the elimination of extreme poverty by 2030. On the face of it this picture

looks very good. However, when we subject this vision to further scrutiny, serious problems emerge...

Firstly, the **definition of unemployment** used is totally **unrealistic**: it uses the official or limited definition which *excludes* all discouraged workseekers, ie many of the long-term unemployed (over 3 million unemployed workers are excluded from this definition<sup>12</sup>). Its figure for unemployment is 25% for 2010, as opposed to the expanded, more realistic rate of over 36%. So the 6% target lacks all credibility, and needs to be recalculated to include all the unemployed excluded by the NPC definition.

Secondly, it proposes too many **low quality and unsustainable jobs**: the target of over 10 million jobs by 2030, is based on a plan which in our view, as well the view of a number of academic commentators (cited below) is unsustainable, relies disproportionately on exports, and particularly SMME jobs, as well as jobs in the service sector. As a result, if the plan is followed, it is highly likely that many of these jobs won't materialise, and that many of them that do materialise, will be of low quality. The NDP in fact concedes that the Plan is based on the creation, particularly in the first 10 years of low paying jobs, as opposed to decent work- see analysis below<sup>13</sup>. It fails to pursue the NGP/IPAP vision of reindustrialising the economy, with manufacturing at the centre.

Thirdly, and related to the above point about the low quality of work, the NDP vision is based on the acceptance that **high levels of inequality** will persist until 2030, contrary to the policies of the movement that redistribution must form a critical basis of the new growth path. As a result of the Plan being wedded to a market-led trickle down growth strategy, it accepts that the Gini coefficient, which measures income inequality, will only decrease from its current world-beating level of 69% (or 0.69) to an excessively high 60% (or 0,6) by 2030. In terms of current measurements, 60% would still make our levels of inequality higher than any other major country in the world. According to the OECD the average Gini for OECD countries, who by no means have low levels of inequality, is between 25-35% after taxes and transfers<sup>14</sup>. So a target of 60% by 2030 is not only feeble, but an embarrassment for a country claiming to be serious about combating inequality.

Linked to this, the NDP accepts that **massively high levels of concentration of wealth and poverty** will still be in place by 2030. It proposes to increase the share of income going to the *bottom 40% of income earners* from the current 6% to a *mere 10%*. Again, it is an embarrassment that the ambition of the NDP is that nearly half of our people should receive 10% of the wealth after 18 years of implementation of the national plan!

Fourthly, it uses a **very low poverty measure** of R418 per person, per month (in 2009 prices), which suggests that those households with an income of more than R2000 per month are not living in poverty. It argues that 39% of South Africans in 2009 fell below this level, and that by 2030 no-one will fall below this level. While it is praiseworthy to aim for the eradication of poverty by 2030, there is no basis for the poverty measure used by the NDP. The university calculated Household Subsistence Level, and Supplemented Living Level<sup>15</sup> would have averaged around R3500 per month in 2009, instead of the NPC figure of

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<sup>12</sup> Stats SA Quarterly Labour Force Survey Q4: 2011

<sup>13</sup> It states that "there will still be substantially more reliance on very low-income employment, survivalist activities and public employment schemes."p 118

<sup>14</sup> [http://en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_income\\_equality](http://en.wikipedia.org/wiki/List_of_countries_by_income_equality)

<sup>15</sup> Calculated by Unisa, and UPE respectively

about R2000, calculated on the *absolute basic minimum income* which a family of five needed to afford basic necessities. Over 50% of South Africans live below this level. While we do not necessarily accept these figures (which are themselves low) certainly any household living below this level would be living in poverty, and there is no scientific basis on which the NDP has based its facts, beyond the well-known drive of Treasury to keep poverty line calculations as low as possible. Therefore the NDP projections on poverty levels, too, are highly suspect and problematic.

In sum, therefore, the big picture projections and vision of the Plan is based on dubious statistics and assumptions, and problematic strategies and goals, which leave the highly unequal structure of our economy, and the economic marginalisation of the majority, essentially intact, with some tinkering around the edges. This is not a vision therefore which we can embrace with any enthusiasm.

## Key Economic Assumptions of the Plan

Core aspects of the NDP relating to the economic transition are contained, in the first instance in Chapter 3 on Economy and Employment, but also among others in Chapter 4 on Economy Infrastructure, Chapter 5 on Environmental Sustainability, Chapter 6 on Rural economy, Chapter 7 on South Africa in the world, Chapter 11 on Social Protection, Chapter 13 on building a Developmental State, and the concluding Chapter 15 on Transforming society<sup>16</sup>. We concentrate mainly here on analysing Chapter 3, but also draw to some extent on aspects of these other chapters. While there is a significant degree of inconsistency, and contradictions, in different parts of the document, and even within Chapters, there are certain assumptions on the economy which tend to dominate the Plan.

We focus here briefly on some of the more important of these key economic assumptions, but limitations of space don't allow us to go into a more detailed analysis of the document, or critique all the problem areas. Equally there are a number of positives in the document (which are however overshadowed by these problematic assumptions) which we are only able to touch on briefly. It would be important to develop a more detailed analysis, in the form of a comprehensive submission into the Alliance and government, expanding on the issues contained below.

These economic assumptions which we focus on relate to 3 major overlapping themes: elements of the employment strategy proposed by the Plan to achieve its target of 11 million jobs; issues relating to transformation of the structure of the economy and society; and proposals to transform the labour market.

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<sup>16</sup> Analysing these is a massive exercise since these Chapters together run to over 250 pages

## I The NDP's Employment Strategy...

### 1. *Is SMME-focused, with a vision of 'mass entrepreneurship' and deregulation:*

The NDP makes the startling claim that "90% of jobs will be created in small and expanding firms". It goes on to say "By 2030 the share of small and medium sized firms in output will grow substantially . Regulatory reform ... will boost mass entrepreneurship. Export growth... will play a major role in boosting growth and employment, with small and medium sized firms being the main employment creators."(p119)

In other words, the plan is based on the belief that **9,9 million of the 11 million jobs will be created by SMME's** (including the notion of 'expanding firms' which is never defined in the NDP)! Therefore the NDP's employment strategy stands or falls by this claim.

Is there evidence for the claim that SMME's are the main employment creators? The NDP apparently bases this claim on a survey by an organisation called Finscope that 90% of jobs created between 1998 and 2005 were in SMME's<sup>17</sup>. This claim is not supported by labour force data over the last decade, which shows little increase in the share of employment by SMME's. Further, in January this year, two UCT economists, and the Stats SA DDG for methodology and standards, published a study of relative job creation and job destruction amongst about 18 000 large and small firms in South Africa between 2005-2011<sup>18</sup>, whose conclusions have devastating results for the employment strategy of the NDP.

The study found that, contrary to the general perception, far from most job creation being generated by SMME's, "*large firms have a higher rate of net job creation than small firms*". Over this period, they found that job creation for largest firms (over 5000 employees) was 3% higher than job destruction; and *job destruction rates were 4% higher* than job creation for the smallest firms (0-19 employees). Therefore they suggest that the NDP projection that as much as 90% of new jobs will come from SMME's is highly unrealistic.

The researchers also conclude that, contrary to the NDP analysis, labour legislation "may not be as onerous for firms, or cause as much rigidity in the labour market as is sometimes believed". Therefore two key pillars of the NDP's employment strategy- the centrality of SMME's in employment creation; and the notion that deregulation, particularly of the labour market, is key to this job creation- are being exposed as fundamentally flawed, and contrary to existing evidence. The NDP's ironic statement that: "the debate around small and medium sized enterprises and their ability to assist in employment growth has become heavily weighted with ideology, assumptions and anecdotes", could well have been written to describe its analysis on the role of SMME's!

The key to the NDP's 'employment strategy' which was in significant part driven by Treasury-aligned technocrats, lies in the old Treasury agenda of deregulating labour markets. This agenda is exposed in various places, including on p142 where it argues that SMME's in the manufacturing sector are 'hardest hit by labour laws and other regulatory

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<sup>17</sup> Even this survey does not appear to support this conclusion, but rather finds that most employment is created by formal enterprises.

<sup>18</sup> Andrew Kerr et al "*Who creates jobs, who destroys jobs? Small firms, large firms and labour market rigidity*" <http://www.econ3x3.org/node/135>



burdens”; and offering SMME’s wage subsidies to “take on apprentices and to offer youth placements”- p143.

The most far-reaching proposal is that a comprehensive new dispensation for SMME’s should be introduced, and that all new regulations be assessed on the basis of the impact that they have on SMME’s. The Plan proposes to: “appoint an expert panel to prepare a comprehensive regulatory review for small- and medium-sized companies to assess whether special conditions are required. This includes regulations in relation to business registration, tax, labour and local government. Regulatory Impact Assessments will be done on new regulations.” p143 Therefore all legislation, including labour legislation will be reviewed and amended, to massively promote deregulated SMME’s, and entrench dual labour markets. This is an agenda for the race to the bottom. Yet, many agree that the key challenges confronting SMME’s relate to lack of credit, lack of skills, markets, the concentration of economic power etc. , and that if these issues are addressed, SMME’s can be part of a decent work agenda, rather than a sweat-shop economy.<sup>19</sup>

We discuss below the fact that the NDP proposals constitute a very different strategy from the NGP/IPAP approach of industrialising the economy. Key to the NDP approach is the idea that labour-absorbing sectors will be concentrated in service-based SMME’s: “In the short to medium term, most jobs are likely to be created in small, often service-oriented businesses aimed at a market of larger firms and households with income. ... Public policy can be supportive through lowering barriers to entry, reducing regulatory red tape and providing an entrepreneurial environment for business development.” p 115

And of course, these jobs will be low-paid: “In the earlier years, as the country expands access to employment on a mass scale, a large proportion of working people will receive low pay.” p114 This therefore completes the picture of a SMME-dominated, low wage employment strategy, very different from the policy mandate of the ANC and Alliance, as well as economic policy documents of government. We explore this further below.

## ***2. The NDP on Service vs manufacturing: a strategy for low quality jobs vs an industrial strategy***

The NGP and IPAP place the reindustrialisation of the South African economy, and the region, at the heart of the new growth path. And central to this vision is the vital role of a radically expanded manufacturing sector as the engine of the economy. This lies at the heart of the growth path, not just because of the numbers of people employed in manufacturing, but mainly because of its multipliers, which are critical to alter the character and trajectory of growth, and to build a more equitable economy. Building of productive capacity, a coherent programme aimed at beneficiation of the whole spectrum of raw materials, and a leading role for the state in driving this industrialisation, using all levers at its disposal (fiscal, dfi’s, SOE’s, procurement, infrastructure development etc.) are key elements of this new strategy, together with a programme of agrarian reform. It deliberately aims to move away from a narrow consumption- led (particularly luxury consumption), financialised, and service

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<sup>19</sup> Even the anti-union Small Business Project, quoted in the NDP p142, concedes that double the percentage of small businesses surveyed (about 38%) saw “bad economic conditions” as the top factor discouraging expansion of staff, while only about 19% saw labour regulations as the main inhibiting factor.

driven economy, perched upon an untransformed minerals sector. The NDP, as a matter of deliberate choice, completely ‘fails’ to take this vision of industrialisation forward, but rather makes proposals which would entrench some of the worst features of the old growth path.

The scenario which the Plan supports, known as the “diversified” Scenario 3 in the NDP, is anything but diversified. As seen in the table below (columns 1 and 4), the share of manufacturing in total jobs shrinks from 11,8% in 2010 to 9,6% in 2030<sup>20</sup>. Agriculture, which is also seen as a significant source of new jobs in the NGP, shrinks from 4,8% to 3,4%. On the other hand, all services (‘leader’ services, and ‘follower’ services combined) increase as a percentage of total employment from around 30% in 2010 to nearly 40% in 2030, an increase in 5 million jobs (see figure 3.1 p 121). The informal sector and domestic work marginally decrease their proportion of total employment, but in absolute numbers, increase by 2,1 million jobs. In other words, of the 11 million new jobs envisaged in the NDP, nearly two thirds will come from services, domestic work and the informal sector. Hardly an industrialisation, or diversification strategy!

**FIG 3.2 INDICATIVE SCENARIOS - SECTOR DISTRIBUTION OF EMPLOYMENT**

Sectors	2010	2030		
		Scenario 1 mediocre minerals	Scenario 2 solid minerals	Scenario 3 diversified
Agriculture	4.8%	2.2%	2.6%	3.4%
Mining	2.3%	1.1%	1.6%	1.8%
Manufacturing	11.8%	7.9%	9.1%	9.6%
Leader & high paid services (e.g. finance, transport)	15.4%	12.7%	15.4%	17.6%
Follower services (e.g. retail, personal services)	14.7%	17.6%	20.5%	20.9%
Construction & utilities	6.3%	4.4%	5.4%	5.9%
Informal sector & domestic work; excl EPWP	22.3%	17.2%	19.4%	21.1%
Public sector, private social services & parastatals	19.3%	13.8%	14.8%	17.8%
EPWP	3.2%	23.1%	11.1%	1.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Manufacturing as a % excluding informal sector & EPWP	15.2%	9.6%	11.3%	12.2%
High-skill services as a % of employment excluding informal sector & EPWP	18.9%	15.3%	19.1%	22.3%

The NDP attempts to present this approach as inevitable, and in line with comparable countries internationally: “Manufacturing is becoming a proportionately smaller employer

<sup>20</sup> This is even worse when considering manufacturing jobs as a proportion of the total, excluding the informal sector and EPWP- its share declines from 15,2% in 2010 to 12,2% in 2030.



in upper-middle income and high-income countries, with at least three quarters of new employment found in services. South Africa is no exception. Most jobs are found in domestically oriented services such as retail, personal services, security, domestic work and office cleaning, *where productivity and wage growth is lower.*” The implication is clear—manufacturing is marginal, services are central, and we will have to accept that low paid work will dominate, until we get to the NDP’s phase 3 of building a ‘knowledge economy’. It fails to reflect on the fact that the existing growth path has mutated into this consumer-driven, service-centred economy, with disastrous economic and social consequences. To now deliberately reinforce it in our 20 year plan is the height of folly.

The second implication drawn by the NDP is that we will have to come to terms with the ‘international reality’ that atypical work now predominates (and therefore by implication we must adapt to the reality of insecure work, contracting out, labour broking etc): “Secondly, the nature of work is changing from most people having a single employer, a standard 40-hour working week and a standard set of benefits. Today many people work for several employers, work less than 40 hours a week and do not enjoy a standard package of benefits. This is a reality that we must grapple with, seeking to expand such employment while also improving the conditions...” p112

There is no industrial strategy in the NDP. While there is a lot of waffling about sector and cluster strategies, competitiveness, exports (see below) etc. the first phase (2013- 2018) of the NDP strategy appears to revolve around this low-wage, service led, and SMME focused perspective. There is no attempt to engage with the IPAP or the NGP, even though they also cover this medium term period. In fact there is not a single reference to the IPAP in the entire 484 page document!

Bizarrely, the NDP proposes interventions which should only take place in **the second phase (2018–2023) of the Plan**, which are however **already being carried out** in terms of the strategies of the IPAP, NGP, and infrastructure programme, again suggesting that there is no attempt to co-ordinate with existing strategies: “South Africa should focus on diversifying the economic base. This should include building the capacities required to produce capital and intermediary goods for the infrastructure programme and sub-Saharan Africa. It should include resource-cluster development for the mining industry, combining production of capital goods, provision of engineering services, and beneficiation that targets identified opportunities.”p157

The NDP attempts to substitute the IPAP with a cluster strategy, but because the drafters don’t really believe in a state-led industrial strategy, it is half hearted, fails to propose serious measures to transform the structure of the economy, and is premised on the virtues of competitiveness, exports, and the unleashing of market forces. In that respect, while less blatant in its language, it takes us back to the ‘industrial strategy’ of Gear, which was premised on liberalisation, deregulation and the cold wind of competition - a strategy which has succeeded in delivering *deindustrialisation* ...

### 3. *The NDP's Cluster Strategy*

Without going into the detail of the 'sector and cluster strategies'<sup>21</sup> (p144-153), one can highlight some key issues emerging from some of the clusters:

- On **agriculture**, the Plan states that it is "still one of the most labour-intensive goods-production sectors, with substantial employment linkages... (but) Without major policy improvements, the agriculture sector could continue to shed employment... Of the range of possible employment outcomes in agriculture discussed here, the most optimistic scenario shows that about 1 million direct and indirect jobs can be created."p 145 But in its preferred scenario, the Plan shows only 180 000 jobs being created<sup>22</sup>. While it has some useful proposals, the NDP clearly has no confidence in the possibilities of realising the jobs potential of agriculture, in contrast to the NGP, which sees agriculture as being a major source of new jobs. It also makes no reference to the Food for All programme proposed in the 2009 ANC Manifesto. In terms of the value chain, it makes no reference to how to deal with the abuse of concentration of economic power by the retail chains, and the negative impacts this has on the agricultural sector.
- On **minerals and metals**, the Plan states that mining, minerals and secondary beneficiated products account for almost 60% of export revenue. It points out, but does not explain why, South Africa has 'failed to benefit fully' from the commodities boom over the past decade. Instead of proposing the need for radical intervention in a sector which ruthlessly strips South Africa of its raw materials and exports the capital made from its super-profits, the Plan parrots the business mantra as to why the sector is facing difficulties: "uncertainty in the regulatory framework and property rights; electricity shortages and prices; infrastructure weaknesses... and skills gaps". It then takes a side-swipe at beneficiation stating that "In general, beneficiation is not a panacea because it is also usually capital intensive, contributing little to overall job creation."p146 It ignores the difference between different forms and stages of beneficiation which are more or less capital intensive, and chooses to only focus on 'backward linkages' or the supply of materials and equipment to the sector. It also fails to take on board the extensive work done by the ANC on options for regulation of the sector. In other words, it is a business as usual message to the industry, with some tweaking here and there.
- On **manufacturing**, as stated above, there is no engagement with the detailed proposals in IPAP and the NGP. The Plan gives this vital sector virtually no attention, and dispenses with it in half a page (see p 148). There is certainly no sense that the sector should be the engine of the new growth path; it fails to engage with the role of state finance, the IDC, parastatals, macro-economic stimulus, competition policy, regional development

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<sup>21</sup> In fact the plan tends to confuse clusters, sectors, and value chains (which draws the connection between different stages of processing and production eg farming and agroprocessing; diamond mining and fabrication of jewellery)

<sup>22</sup> This is a particularly cautious approach for a 20 year plan, when the Stat SA labour force survey shows an increase of 55 000 jobs in farming, just in 2012.

and industrialisation etc. in promoting a vibrant manufacturing sector. The only role accorded to the state is in creating an environment which makes it easy to do business, to promote local procurement (a concession which Treasury officials had initially resisted), and smoothing a volatile currency. It argues that “The most important contributions to manufacturing expansion will be in relation to the business environment. Challenges relate to the availability and cost of electricity; the efficiency of the logistics platform; the quality of telecommunications; and fast-rising administered pricing for electricity, transport, fuel, and fertilizer. A constrained skills supply also poses great challenges”.

- On the **finance sector**, it gives a glowing account of the massive growth in the sector, and its generally sophisticated nature, but identifies the main challenge as extending banking and insurance services to ‘historically marginalised groups’. It states that new technologies will assist in addressing this challenge. It correctly raises the concern that our banks “do not extend sufficient credit to businesses... greater access to credit for firms would lead to higher levels of investment and jobs”. It notes that certain countries such as India have quotas for credit to the business sector, but doesn’t indicate whether we should follow this route. It proposes that “government support these sectors to expand aggressively on the continent...” without motivating what it is we want to achieve. The Plan fails to address the core issues relating to this sector, in particular the problems of profiteering, abuse of monopoly power, rampant speculation, lack of effective regulation etc etc., nor to situate these issues in some of the problems, and policy options, which have emerged internationally.

It fails to recognise that the financial sectors massive expansion, as a result of financialisation of the SA economy, has come at the expense of the productive sector of the economy, and therefore broader employment; and even in narrow employment terms, is a relatively small employer in relation to its huge size in the economy (12% of GDP, while it only employs 3% of the employed). The analysis of the impact of financialisation and speculation on the economy is well established in IPAP and the NGP, and there is widespread recognition, here and internationally, that much more effective regulation of the financial sector is required. But none of this is reflected in the NDP. A number of proposals have been made by the Alliance, and many others on the need for state regulation of the sector, including: requirements for extension of credit to the productive sector; interventions to address monopoly power; the need for introduction of prescribed asset requirements to channel financial resources into productive and socially beneficial investment; and the need for the creation of a state bank, and far more effective use of the Post Office bank. These issues are not addressed.

#### ***4. The NDP’s Export driven strategy***

If the NDP’s employment strategy is dominated by the focus on SMME’s and services, its economic strategy is export-driven, with exports being regarded as the main catalyst of growth. Economic strategies which are dominated by a focus on exports, are associated with neo-liberal growth models, and Gear was no different. The export-led growth strategy

specifically aimed to expose the country to the cold winds of competition, and cheapen the relative cost of labour (unit labour costs) and production. It accepted, through the liberalisation of tariffs and trade, restrictive macro-economic policies etc., that large sectors of the economy were uncompetitive, and that cheap imports would lower the overall cost structure of the economy. Therefore exports would tend to concentrate on the 'traditional strengths' of the country, in our case raw materials, as well as certain niche products. Broad-based industrialisation in this model was not a realistic option, because we were regarded as 'uncompetitive' on export markets, and production for the domestic market not a serious element of the economic growth strategy. The latter because our population is relatively small, and the high levels of poverty make our domestic market even narrower. While not stating its strategy in these terms, the thrust and logic of the NDP approach is broadly consistent with this approach.

So, while any economy will have an element of the development of exports, not least because it needs to earn foreign currency to pay for imports, and financing of development; the issue is what the role of exports should be in the overall economic strategy of a country. In the development of a new growth path for our country, we have been challenged to realign, and balance the elements of exports, imports, and production for the domestic market, to advance a diversified industrialisation strategy which raises standards of living, creates decent work, and breaks the historical dependence on the export of commodities, and the import of manufactured goods. Further, through rectifying these imbalances, to reduce dependence on foreign financing of our deficits, and the disruptive impact of speculative flows on our economy.

Therefore COSATU's proposals for a new growth path, as well as those of government's IPAP and NGP, *to some extent*<sup>23</sup>, seeks to massively ramp up production for the domestic and regional market; diversifying production of capital and intermediate goods (such as machinery and equipment), as well as consumer goods, to reduce dependence on imports, and industrialise; leveraging the states infrastructure build programme to promote domestic industry; deterring imports of luxury commodities; putting in place macro-economic policies, and redistributive measures, which stimulate employment, and expanding the market for domestic production and consumption by raising living standards and reducing inequality; and finally to diversify exports, ensuring a greater range of products along the value chain, including beneficiation of our raw materials, and capturing resource rents from our mineral exports, as well as targeting key developing countries for expanded trade. This is the type of balanced economic strategy which has been successfully followed by countries such as Brazil. This approach however threatens powerful groups, domestically and internationally, who have a vested interest in entrenching the current growth path.

We can call this the *balanced strategy* of realigning exports, to subsume them to our overall development strategy, rather than subsuming our economic growth path to this one sided export-driven paradigm. The NDP however fails to embrace this approach, although it recognises the need to diversify exports to a limited extent, as well as some focus on the domestic market, and the region. The internal focus tends to be more on the development of services - see below. As indicated above the NDP defers the production of capital and intermediate goods to a later phase of the Plan. It is also sceptical about expanding export

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<sup>23</sup> Although an insufficiently coherent vision on this in the NGP is one of our criticisms of the document

of manufactured goods: “It is often presumed that substantial employment might be created through trade in light manufactured goods. However, South Africa can only compete in labour-intensive activities on the basis of niche products, processes and know-how.” p 127

One section refers to domestic demand in the economic chapter, in a way which could be quite confusing. It states that: “Domestically oriented industries will be actively stimulated, as they will be the main source of employment creation” p 129 This appears on the face of it to depart from Treasury’s traditional reluctance to focus on the development of domestic industry. However when you dig deeper, it becomes apparent that the Plan is not talking about industry *per se*, but largely about *services and small scale agriculture* : “ Most new employment will arise in domestically oriented activities, where global competition is less intense and there is high labour component... Examples include housing construction, retail, personal services such as hairdressing or cleaning, and business services such as office cleaning or repair. The environment for small-scale agricultural producers will also be improved. The stimulation of demand for these goods and services, support for small firms, access to credit, and easing of the regulatory environment could help to make these activities absorb more labour.” p128 This relates to the above discussion of promotion of SMME’s.

Obviously the viability of any economic strategy in the current global economic climate, which hinges on dramatically increasing exports, as the NDP proposes, is seriously open to question<sup>24</sup>. This is one of the reasons countries like Brazil, and more recently even China, have shifted their focus to expanding the domestic market, and raising the standard of living of their people, as a basis for the expansion of industry and employment. The NDP outside of general statements however does not contain a coherent strategy to diversify exports, or to develop the domestic market, as the basis for broad based industrialisation. Indeed its acceptance of high levels of inequality, and dependence on the creation of mainly low wage employment, will continue to act as a fetter on domestic demand.

Further, there is no commitment stated to harnessing and directing the revenue from exports to promote domestic and regional development. Increased growth in exports, as we have seen with mining, doesn’t automatically benefit development and employment creation, and can in fact lead to large-scale repatriation of capital by mining multinationals. Equally the ‘stable’ (read restrictive) macro economic policies, and inflation targeting model, which the NDP states is necessary to promote exports, will also act as a fetter on domestic demand, and the ability of the manufacturing sector to diversify production and employment (because of high interest rates, the lack of fiscal stimulus, and the inability of people to consume as a result of poverty).

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<sup>24</sup> Although we don’t necessarily agree with all his arguments Philippe Burger, a UOFS Professor in economics also comes to the conclusion that the export-driven strategy of the NDP is unrealistic, and unlikely to materialise in its current form- P Burger “*The NDP and exports as a catalyst to generate growth: Can it work?*” <http://www.econ3x3.org/article/national-development-plan-and-exports-catalyst-generate-employment-growth-can-it-work>

## 5. *The NDP on Regional development*

The NDP proposals on regional development seem to suggest it will be private sector led. It is more likely to reinforce the Nepad model of regional integration, which aims to align African countries to conservative economic parameters, around a neo-liberal model of competitiveness; than the Latin American model of autonomous regional development, solidarity between peoples etc. While the economic chapter doesn't reflect on current developments towards African regional integration, Chapter 7 on international relations discusses this in more detail. It too doesn't reflect on proposals in IPAP and the NGP on industrialisation of the continent and the implications of proposals for alternative financial institutions such as the Bank of the South.

The NDP suggests a key role for the private sector in leading regional development: "Playing a more pivotal role in regional development will be essential. *South African companies will be encouraged to participate in regional infrastructure projects, but also in integrating regional supply chains to promote industrialisation*".

While we haven't been able to analyse Chapter 7 thoroughly, first impressions around the language used creates concerns about the philosophy informing the proposals. For example at p242 it states "South Africa's alignments, affiliations and strategic partnerships must be consistent with its geostrategic political and economic priorities. Policy-making should therefore ...Focus on what is practically achievable without over-committing to regional and continental integration, and with a full understanding of the measureable contribution that policy-making can make to secure and promote its national interests... To achieve maximum benefits for the people of South Africa, policy-makers need to remain cognisant of the differences between African geopolitical ambitions, notions of solidarity and domestic realities." While an element of hard-nosed *realpolitik* is inevitable, it would be important to see a more visionary approach to the development of the continent. However, we will develop more detailed comments on this matter once we have had the opportunity to engage with the detail of the Chapter.

The NDP also seems to suggest that South Africa should shift certain sectors (such as clothing?) to low wage areas in the region, rather than articulating a strategy to industrialise the region on a different basis. P130 states that South Africa needs to "fulfil a more active and integrating role within the region. This may entail shifting activities that cannot be undertaken competitively in South Africa to lower-cost environments."

The NDP proposes the very modest target of 20% for intra-African trade by 2030, the figure in the EU currently being something like 80%. "Progress in relation to regional integration will be reflected in the increasing share of intra-African trade in total continental trade: an estimated doubling from current levels of about 10 percent by 2030."

## II Macro issues in the NDP relating to economic and social transformation

### 1. Role of the state and macro economic policy

The Plan envisages a limited role for the state and macroeconomic policy – they are really regarded in the NDP as enablers of private sector activity.

In the wake of the financial crisis, and policy shifts around the world the NDP proposes a shockingly orthodox macroeconomic vision. The Plan's vision of macroeconomic policy is summarised as follows: "A stable and enabling macroeconomic platform will underpin sustainable growth and employment creation. Within the framework of a floating exchange rate, the government will explore approaches to protecting firms from rand volatility. It will devote considerable attention to fiscal impact on development, through *improved efficiency in government spending*, and an appropriate *balance between investment and consumption expenditures*" p137 This language reveals the old Gear paradigm of macro-economic stability, and fiscal restraint, within liberalised financial markets. The focus on 'spending efficiency' is code for fiscal restraint; focus on 'investment vs consumption' spending is code for reducing spending on salaries and grants etc.

There is no talk of a systematic programme of macroeconomic stimulus to respond to current global conditions. In fact it supports the current line in government and the ANC of the need for some monetary policy easing, combined with more fiscal restraint. Rather than fiscal stimulus it promotes macroeconomic stabilisation : "A crucial role for macroeconomic policy is to minimise the cost of shocks to the economy... It does this by ensuring relative stability in prices, and in critical variables, such as interest rates and the exchange rate." p137

The floating exchange rate focus makes it clear that the NDP is not prepared to contemplate intervention in the financial markets, capital controls etc, but only to consider measures to combat volatility of the currency. As part of this, it proposes not only buying of foreign currency, but also a budget surplus "Given South Africa's economic circumstances, a floating exchange rate is the most sensible instrument to protect the economy from external shocks... Running a budget surplus and faster accumulation of reserves helps to weaken the (overvalued) exchange rate. The mandate of the Reserve Bank gives it the licence to take factors such as the exchange rate and employment into account in conducting monetary policy... An approach will be required to buffer smaller firms from rand volatility." P137 Given that these measures have already been tried by the Reserve Bank, and that the Governor has stated clearly that SARB will not target a level for the currency, it is not clear what is being proposed.

As indicated above the notion that the "balance in expenditure between consumption and investment will be key to delivering higher growth and employment", and that the government needs to "use fiscal policy to raise savings and investment and to reduce consumption" (p115) - is the old orthodox approach aimed at reducing public spending on the poor and on public servants. As President Lula told this CEC last year, he banned any talk of this distinction in his Cabinet, on the basis that he refused to accept that spending on the



poor could be regarded as wasteful consumption expenditure, and that it was the most important investment a society could make.

What type of consumption spending is the NDP trying to reduce, if combating poverty and inequality is a central objective? More broadly in society, in terms of state as well as private spending, we need to promote higher living standards, and therefore increased consumption (of domestically produced goods) as a deliberate element of the new growth path. We should however be using taxes on luxury imports to discourage luxury consumption, which is currently a massive component of imports.

Despite the NDP's concern about the need for greater investment in society it gives no role to the state in directing investment, but indicates that increasing investment will be sourced from 3 sources: "Higher levels of public-sector fixed capital formation(public spending), especially in the earlier years, with an emphasis on infrastructure that promotes efficiency and reduces costs.... Private investment stimulated by expanding consumer markets, rising profitability, natural resources endowments and leveraging the country's position on the continent... Foreign investment, which will have to play a significant role in a context of curbed savings." p127 There is nothing here about prescribed assets to direct investment by the financial sector into the productive sector, or the use of taxation to penalise speculation, and to reward real economy investment etc

The plan also makes it clear, albeit in code, that the state should have a minimal role in the productive sector, yet again tying the hands of the state in its ability to intervene to transform the structure of the economy: "any direct state involvement in productive sectors should be informed by the "balance of evidence" in relation to stimulating economic growth and competitiveness, creating jobs and reducing inequality, as well as availability and optimal deployment of public resources." p155

The NDP proposes an approach to DFI's, and presumably SOE's as well, which suggests that state economic entities should continue to pursue the approach of commercialisation, and business as usual. Instead of refocusing their mandate as proposed in the Manifesto, ANC Resolutions, the NGP etc, the plan proposes a technocratic emphasis on efficiency and balance sheets. While well and good, this says nothing about the development mandate which most state entities have totally failed to deliver on. The Plan state: "Development-finance institutions in the industrial, infrastructure, agricultural and housing sectors are central to the plan to raise growth and employment. Measures will have to be instituted to ensure that they *operate efficiently and have sound balance sheets*, for them to meet their development mandate." P138

The Plan also sends a mixed message on local procurement, which is official government policy, and subject of a painstakingly negotiated accord. The NDP claims to support local procurement, but on p129 states "A Local Procurement Accord ...commits both the private and the public sectors to ambitious targets... However, efforts to stimulate local procurement *should not reinforce higher costs for the public sector and business because this will undermine growth and job creation.*" It is an open secret that Treasury had stubbornly resisted the policy of promoting local procurement over a long period of time, on precisely these grounds. But the NDP then makes a good proposal, suggesting that government needs to ensure that "the state procurement lever is used more effectively to advance socioeconomic targets in certain geographies and industries. *Mandatory targets for socioeconomic development and job creation for all tenders above R10 million should be*



*introduced*" p140. It is precisely this type of requirement which Treasury had opposed as uneconomic. It is not clear why inconsistent approaches are taken in the Plan on this, as well as other issues.

The section on "strengthening the capacity for government to implement its economic policy" (p120) is very weak. The general formulations in this section on 'professionalising the public service' and 'oversight of public entities' doesn't address existing problems with state implementation, which include the lack of a coherent mandate across the state on economic development; the existence of powerful unaccountable centres in government, driving a conservative technocratic agenda etc. These problems which are essentially ones of asserting political leadership on economic development strategy, and contesting the influence of the financial sector and other powerful interests in the state, primarily need to be addressed. It is only in the context of such a shift in the balance of forces in the state, that interventions to improve the quality of the public service, and holding public entities to account, (both of which are important and necessary), will have the desired impact.

It is therefore ironic in this context that the NDP attempts to reassert the conservative centre of economic policy co-ordination over which Treasury has gradually been losing control in recent years. On p154 it describes "the inability of the government to drive a microeconomic reform strategy over the past 18 years because the functions are split over so many departments." It then claims that a problem of 'fragmentation' in economic policy and how it is implemented has recently emerged: "The Commission recognises that a certain degree of fragmentation has crept into government's economic strategy and this must be fixed... To deal with this issue, the Commission proposes that the Presidency, as the centre of government, be given strategic coordinating responsibility. This will entail convening power to resolve key points of disagreement and ensuring policy alignment... The country also needs to clarify its thinking, and develop a firm and consistent view on the role of the state in the economy... Policy certainty is essential"( p154) Clearly the drafters felt that a Presidency driving implementation of the NDP would be in a better position to compel adherence, including by Departments who were driving a different, more developmental policy mandate.

## **2. NDP Focus on economic growth**

Agreement has emerged in government and society over the last couple of years that economic growth *per se* is not the key issue, but rather the need for a new trajectory of growth, which addresses rather than reproduces our inherited challenges of triple crisis (unemployment, poverty and inequalities). Thus the development of a New Growth Path. However the primary focus of the NDP is on economic growth, and the *rate of growth*, not on its composition, or the role of redistribution in determining the impact of growth. It contradicts the NGP, and a range of ANC economic policy resolutions on this, including the ETC resolution from Mangaung which states "*structural problems require structural solutions that transform the trajectory of economic growth, reindustrialise the South African economy and accelerate social development*".

The NDP makes it clear that the key to its employment strategy is the rate of growth. On page 124 it says that "The goal is to almost treble the size of the economy by 2030, so that

11 million more work opportunities are created.” However its figures are unclear on this and on p118 it states that ‘GDP more than doubles’<sup>25</sup> over this period.

The Plan therefore makes it clear that the target of 11 million jobs is dependent on this level of growth over nearly 20 years. But the NDP then states “Many countries achieve an accelerated rate of growth for, about eight years. Very few sustain it. Only 13 countries have grown at an average of 7 percent a year for 20 years. There is no consensus on what accelerates growth and how to sustain it.” (p124) How much more is this so in the context of a structural global crisis?

The NDP makes it clear that it regards South Africa’s allegedly very low levels of growth as the key economic problem. It states at p110 that “Our analysis of the problem indicates that South Africa is in a low growth, middle income trap.” But the NDP analysis is problematic, because a number of middle income countries, *excluding* countries such as China, have had growth rates similar to ours, with very different outcomes. Brazil for example which has had an average growth rate in the last decade not all that significantly greater than SA<sup>26</sup>, have made huge strides in addressing unemployment, poverty and inequality, not primarily because of their *rates of growth*, but primarily because of the *composition* of their growth. So for example Brazil created over a million jobs in 2009, despite the aftermath of the financial crisis, which caused a negative growth rate. The NDP is unable to engage with this reality, but rather sets targets for an average growth rate of 5.4% between 2011 and 2030, as the main way of addressing the challenge of employment, although these targets could be unrealistic, particularly without fundamental realignment of our existing growth path, something the NDP fails to do.

### ***3. The NDP on transforming the economic structure and BEE***

The NDP proposes cosmetic reforms to the economic structure, aimed at best to *deracialise ownership*, rather than transforming the structure of the economy. Monopolies e.g. are only seen as a problem to the extent that they distort the market, and block black ownership. Despite, its massive emphasis on raising the ‘competitiveness’ of the South African economy, amazingly the entire NDP makes only one reference to competition policy (p115)<sup>27</sup>, and only one reference to the competition commission - under health.

The Chapter on Employment and the economy (while acknowledging that economic ownership is highly concentrated) proposes nothing substantial on this issue. The Plan focuses all its proposals for greater competition in *areas where State Owned Enterprises operate*- in Chapter 4 on infrastructure, which has numerous proposals to increase competition. In other words its focus is on introducing private sector competition where there is state ownership; and has a blind spot when it comes to acting against *monopoly ownership and control* in the private sector.

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<sup>25</sup> Phillipe Burger estimates that if GDP grows at 5.4% per annum, by 2030 the economy will be 2.7 times its size in 2010. Burger op cit p1.

<sup>26</sup> From 2003-2011 Brazil had an average rate of growth of 4,4% (g20 country policy brief, September 2011). Despite these moderate levels of growth, nowhere near the levels of China and India, it created 17 million formal jobs between 2003 and 2012.

<sup>27</sup> It only says that “government must encourage vigorous competition and impose it through competition laws.” But it makes no assessment of the existing environment, or proposals to make these effective.

It takes a largely hands off approach to the issue of the structure of ownership, and its proposed interventions are weak, and without real substance: “Policy instruments to encourage the private sector to change ownership patterns include voluntary scorecards, procurement regulations, licensing arrangements (such as in telecommunications and mining) and development finance.” (p42) Not surprisingly the NDP’s solution to problems of concentrated ownership, lies in economic growth and new opportunities, which will ultimately see deracialisation of the economy: “A rapidly growing economy that is diversifying into new sectors will open up opportunities for black-owned firms and smaller businesses, promoting inclusive growth.”<sup>28</sup> This is faith in market forces at its best! To take the matter further this approach is not different to the DA’s “equal opportunities” dogma.

However in the same breath the NDP concedes that “If South Africa registers progress in deracialising ownership and control of the economy without reducing poverty and inequality, transformation will be superficial” (p 27). Yet the model it proposes threatens to do precisely that.

Despite criticisms of the way in which BEE has functioned, the NDP continues to pin its hopes on a reformed BEE strategy as the primary tool to address the inherited structure of the economy: “BEE largely focuses on broadening ownership and control of production assets. It aims to deracialise the top echelons of the business community. A thriving economy creates more opportunities for entrepreneurs and for the growth of small businesses.” (p468) It concedes that the present model of BEE has “not succeeded to the degree that was intended in broadening the scope of ownership and control of large firms.” This it argues is because of lack of access to capital; narrow BEE procurement arrangements; and misalignment between the BBBEE act and the codes and charters. It proposes various measures to make BEE more effective, which focus on promotion of entrepreneurship, an enabling environment for SMME’s, state procurement, and state financial support- see pp 468-9.

Positively, the NDP does call for promotion of social ownership by “Facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises.” (p466) This is another important proposal which is just thrown up, but without giving it any detail or substance, and is mentioned nowhere else in the Plan. It therefore creates the unfortunate impression that the NDP is ‘box-ticking’ to raise issues which are important to workers, rather than being seriously committed to their realisation.

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<sup>28</sup> At p 114 it reinforces this perspective: “The long-term solution to skewed ownership and control is to grow the economy rapidly and focus on spreading opportunities for black people as it grows. Improving standards of education; better support for entrepreneurs; and a focus on career mobility, workplace training and financial inclusion are ways to deal with these structural weaknesses. Government procurement, licensing and other forms of economic rents should help reduce racial patterns of ownership of wealth and income.”

### III NDP Proposals for a social compact for labour market transformation

#### 1. NPC approach to the labour market challenge

##### Schizophrenia in the NDP

The NDP makes the noble sounding statement that the Plan is committed to “Strengthening the capabilities of the workforce, ensuring that earnings are *responsive to industrial demands*, but also sufficient to ensure a minimum standard of living, and stabilising the environment for bargaining and labour relations in a way that is *conducive to investment* but also to human rights”( p123) Also, the Plan states that “*progressively over time, the vision of decent work should be achieved*”. (p131) Anyone reading these statements at face value will get a completely false perception of the NDP’s core perspectives, although careful reading of the code words (marked in italics), even in these formulations, will give an indication of the real intention .

The document further acknowledges huge inequalities in the labour market, concluding that with high dependency ratios in low-income households, *‘the majority of working people live near or below the poverty line’*. The Plan states that: “In 2010, the median income from work was R2 800 per month overall, and R3 683 per month in the non-agricultural formal sector. The bottom 25 percent of workers averaged R1 500 per month, the top 25 percent R6 500, and the top 5 percent R17 000. Within the top 5 percent, there is significant upward variation. The variation by race and gender is substantial. Average earnings for women are 25–50 percent less than for men. In the bottom 50 percent of earners, the average earnings of African workers is one-quarter to one-fifth that of their white counterparts<sup>29</sup>.” (p132)

But this encouraging acknowledgement of the scale of the problem is then contradicted by the proposals which are made, which would actually intensify the inequalities the Plan speaks of, if they are implemented. See the section *What does the Plan actually propose?*

The Plan argues, based on alleged international experience (not specified) that wage improvement, and employment, will only be generated **after economic growth accelerates**. In South Africa this would require low youth or new entrant wages first, followed at some unspecified later point by wage improvements. “Rapidly rising wages do not usually precede growth acceleration – they are more likely to follow the onset of a sustained acceleration by two to five years. This is particularly the case if the urgent focus is on access to employment opportunities for large numbers of workers, on the back of which qualitative

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<sup>29</sup> The figures contained here are packaged incorrectly, as they should indicate that, because these are median figures, the low earners are earning *below* a certain amount, and the top earners are earning *above* a certain amount. These figures should not be presented as *averages*, as they are in the NDP.

improvements can be attained. This is a trade-off that South African society has to address.... expanding access to new entrants should not be undertaken in a manner that lowers the working and remuneration conditions of existing employees (but those lower conditions would only apply to new entrants)<sup>30</sup>...” (p126)

The NDP argues that the scale of unemployment requires a trade off, with young workers accepting lower wages, at least until 2020. “Labour relations involve buyers and sellers in a highly contested terrain. ... In the earlier phase of the plan, emphasis will have to be placed on mass access to jobs (ie youth low wage employment) while maintaining standards where decent jobs already exist.” (p132)

The NPC argues that “*Uncompetitive labour markets* keep new entrants out and skew the economy towards high skills and high productivity sectors.” (p111) But they don’t clarify what evidence they have that lowskilled labour markets are uncompetitive, and how this impacts on employment of low skilled workers. When literally thousands of low skilled workseekers queue for a handful of jobs, as we repeatedly see all over the country, is that uncompetitive? High skills areas are precisely where a shortage of workers, and lack of competition, pushes up wages and salaries. At the bottom end the opposite is true.

The NDP makes the rather strange statement on p110 that “Profits are shared and then *consumed by both existing owners of capital and existing workers.*” This ‘sharing’ which the NDP asserts, simply never happened in the last two decades, with workers share of national income dramatically and consistently declining since the early 1990s, while profits have increased as a share of income. Yet there is no evidence that those increased profits were reinvested in job creation, as the Plan itself concedes - see below.

## 2. *What does the NPC actually propose?*

The NPC argues that by reducing the entry level wage and introducing the youth wage subsidy, together with measures which make labour laws more flexible - see *proposals on labour market reform* below - employers will be more prepared to employ workers, particularly first time workers.

Because of the resistance of the labour movement to the introduction of such measures, and the rejection of this approach by the ANC itself since the 2005 NGC, the Plan tries to soften these proposals by consistently arguing that existing workers won’t be affected “Measures such as **entry-level wage flexibility** should be encouraged, but should not be exploited to displace experienced workers” (p133) However this is a statement of faith, and no coherent proposals are put forward to convince workers that this this could be implemented in practice, even if the labour movement were prepared to consider such a proposal.

The other sop the NDP attempts to offer to the labour movement is the suggestion that employers would be required to commit to job creation, and sharing of the alleged benefits which would materialise, in response to measures such as entry-level wage flexibility “**Employers will have to commit to higher rates of investment and labour absorption**, and equitable sharing of the benefits of higher growth and productivity.”(p133)

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<sup>30</sup> Our explanation in brackets

However the Plan is forced to concede that this may be wishful thinking, and admits that workers “have good reason to be suspicious. Several studies, most notably Aghion and Fedderke, argued that profit margins are already very high in South Africa, even in the manufacturing sector. The high profits have not generated higher investment levels because many of these markets are highly concentrated with low levels of competition. In other words, low profits may not actually be the reason for low levels of investment... Given deep inequalities, workers do not see why they should accept wage restraint. This concern can only be overcome if there is a clear return in terms of employment creation and growing equality across the economy.” (p476)<sup>31</sup>

Nevertheless it insists that labour “has to recognise that some wage moderation is required and efforts to raise productivity are essential.”(p477)

Thirdly, the NPC proposes that real **wage growth will have to be linked to productivity growth** – “although it is possible for it to veer off for a few years, it is not feasible to sustain a labour-absorbing path unless both are growing in tandem. This is a sensitive, but central point. Raising economy-wide and intra-firm productivity will help achieve rising real wages and expanding employment.” (p132) But the NDP fails to explain why, given that productivity growth has exceeded wage growth over many years, this result has not materialised.

Ilan Strauss of CSID<sup>32</sup> reinforces this point. He argues that the social compact of below productivity wage increases, which the NPC calls for, has *de facto* been in effect in SA and has failed. He states that low-skilled workers median wages have fallen since 1997. But jobs for the low-skilled have shrunk since 1993 by 770 000; and 2.5 million additional jobs have been created for more educated workers.

Fourthly, emphasis by the NDP on **reducing the allegedly high cost of doing business** in South Africa (contrary to various international surveys) also seems to suggest that there would be more business activity, and more jobs if the ‘cost of doing business’ was lower, and profits were higher. But again, the danger in the logic of this approach is that the drive to push down costs to business as an end in itself, will end up in ordinary people subsidising business profits in many different ways; without any quid pro quo from business in terms of investment in productive capacity, creation of decent work, environmental and social responsibility etc. Therefore a distinction needs to be made between legitimate concerns, such as unreasonably high input prices, steel, electricity, transport etc; and those costs which business needs to bear if they want to operate. There is also a thin line between lowering costs to business, and the RIA approach of deregulating business, so that it is not burdened by environmental, labour, tax and other social obligations.

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<sup>31</sup> The NDP takes this further: “Uncompetitive goods and services markets are a result of the pattern of economic growth under apartheid and sanctions-induced isolation. *This has led to relatively high profit margins but little new investment or innovation.*” p110

<sup>32</sup> Ilan Strauss, *Wages and productivity in post-apartheid South Africa*, draft CSID working paper January 2013



### *3. NDP on a Social accord – entrenching inequality dual labour markets and low wages*

Based on the above analysis and recommendations, the Plan proposes a **social accord**, at the heart of which is the reduction of overall wage levels as a share of national income. The Plan argues: “There is a fairly standard approach to social contracts internationally. In its simplest form, workers agree to accept lower wage increases than their productivity gains would dictate. In South Africa, there would have to be scope to address very low pay in some industries and occupations in this context. In return, business agrees that the resulting increase in profits would not be taken out of the country or consumed in the form of higher executive remuneration or luxuries, but rather reinvested in ways that generate employment as well as growth.”p476

The NDP calls on labour to make sacrifices – which it calls ‘compromises and trade offs’- but it is not clear from the Plan what actual sacrifice is expected of business. In return for labour market flexibility and lower wages, capital is asked to invest more- which is hardly a sacrifice, since you are asking them in effect whether they are prepared to make higher profits.

The NDP in describing trade offs and choices which will have to be made, states that: “The achievement of the objectives and targets in this plan will be to the benefit of all, but each sector of society needs to agree on the contribution it will make, and take turns to carry the heavier part of the load.”

But the Plan makes it clear as to who will have to make the first trade off, and carry the heavier part:

“Given that many proposals in this plan will take time to register any meaningful impact, it is critical to urgently introduce the active labour market policies (such as the youth wage subsidy<sup>33</sup>) proposed in this chapter, to initiate massive absorption of young people and women into economic activity. This will require *decisiveness on the part of the state...*” (p155)

It also enjoins leaders of the constituencies to motivate for the necessary compromises” Leaders must be able to rally constituencies around long-term goals, recognising that benefits may be unevenly distributed and take time to realise” (p121) i.e. we need to persuade workers to accept continued high levels of inequality, and the youth to accept employment under worse conditions.

The Plan takes a swipe at existing social dialogue, and suggests that the reason that an accord is not in place, is “because of the lack of strategic engagement among the social partners, (they) focus on immediate sector interests and general questioning of each other's “bona fides”, (and) no effective partnership exists...” (p155) It goes so far as to imply that in order to make progress, Nedlac and other institutions may need to be displaced:

“Representation may not be credible, institutions established for such engagements may no longer be useful and alternative institutions and methodologies may need to be crafted. (p477)

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<sup>33</sup> Our explanation in brackets

The NDP concluding chapter ends on a rather strange note, because it enumerates a host of reasons why the social compact would probably not materialise. But in effect it is calling on government to go ahead and implement some of the measures unilaterally, which would have constituted core elements of the proposed compact.

In its conclusion on the social compact proposal the NDP reveals some of its muddled tactical thinking on its approach to taking an accord forward:

- Government is “suspicious of business’ ability or willingness to keep profits in the economy and to reinvest in the productive parts of the economy. Indeed in the era of globalisation, is it possible for any government to be able to discipline capital? Capital is mobile and is more easily able to avoid reinvesting locally than labour is able to move...”
- “The state may not be able to lower costs for workers and firms.... strengthening the social wage could require raising taxes, which then reduces profitability..”
- “Business may be less concerned about pay than about excessive legalism in labour relations, especially around disciplinary and productivity issues, and about shopfloor disruptions linked to hostile labour relations. The “hassle factor” is often much more of a problem for employers than wage increases...”

It is clear that the social compact proposal in the NDP will never fly. But it would be a mistake of the labour movement to ignore the substance of what is being proposed. It must be exposed for what it is - a vicious anti-worker agenda - both in broader society and amongst our Alliance partners, which would take us back to the dark days of the apartheid cheap labour regime.

#### **4. NDP on Public service wages and bargaining**

A major thrust of the report, linked to the macro economic stance of fiscal restraint, and cutback in consumption spending by the state, focuses on the allegedly growing and unsustainable burden that public sector wages are placing on the state.

The NDP states that “The public sector employs about 9 percent of the labour force and accounts for about 18 percent of formal employment. Despite this limited number, the public-service wage bill (including local government) exceeds 12 percent of GDP – very high by both developed and developing country standards. South Africa's public sector is faced with a dilemma. In a skills-constrained economy, the premium for skilled labour is high. This pushes up the salaries of skilled people in the public service. *The public service also pays well above the market rate for low-skilled people, inhibiting its ability to create low-skill jobs.*” (p152) The last line also indicates a concern which has been articulated by conservative economists, that higher minimum wages in the public service is creating upward pressure for minimum wages in the private sector.

The Plan then rings alarm bells: “The public-sector wage bill has grown rapidly over the past few years and is set to exceed one-third of total government expenditure. The levels need to be sustainable. The Commission recommends that multi-year agreements be reached on public service pay, and this is determined in line with the national budget process.” (p133)



However, what the plan doesn't reveal is that *the share of public service remuneration in total expenditure declined* from 49% in 1994 to 34% in 2008 (but increased to 37% in 2011). From a long-term perspective, the increase is therefore not as huge as it is made out to be, and certainly not great enough to threaten fiscal stability.

Secondly, the NDP suggests that the public sector is destabilised by strike action, and calls for a change in terms of the definition of essential services: "The current system of managing disputes in essential services such as health, education and policing does not enable public-sector productivity. Extended strike action can undermine the delivery of essential services... A clear definition of essential services is required" (p133)

However, there have been few extended strikes in the public service, and particularly few in the essential services (i.e. health and policing). Further, the definition of essential services is clear. The issue is the need for minimum service level agreements.

Finally, the NDP calls for restructuring of public sector bargaining: "Another reason for strike action in the public sector is that its bargaining council represents different occupations and skill levels, leading to conflation of priorities and bargaining position. The Commission therefore recommends that the public service bargaining council be reformed, and that the chamber be broken into various separate chambers, based on the occupations and skills levels in the public service." (p133)

But there are sectoral bargaining councils already! The PSCBC only negotiates the overall pay scale, and grading is done at the sectoral level. The above analysis therefore indicates that on the 3 major issues around public sector labour reform raised by the NDP, all of them were based on faulty assumptions, and some of them are factually inaccurate. Again, this is a shoddy basis on which to construct a national long term plan.

## **5. NDP Proposals on labour market reforms**

The Plan makes a number of valid observations about labour market conditions, including the high cost of living for workers, high levels of inequality, distance workers have to travel to work, or seek work etc. and make some apparently constructive proposals to strengthen labour market institutions. But these are at the margins of the recommendations, and aim to camouflage the core proposals, which are a direct attack on workers and unions, even if couched in very careful language. However, it arrogantly states that several 'labour-market experiments' will be put into action from 2012. These include:

Youth wage subsidy and entry level youth wages which propose to "Offer a tax subsidy to employers to reduce the initial cost of hiring young labour-market entrants; and facilitate agreement between employers and the unions on entry-level wages" (p134), based on the assertion that 'entry level wages' in South Africa are too high, despite the evidence in the plan itself that most workers 'live near or below the poverty line'. The proposal for the youth wage subsidy is advanced despite the fact that the 2012 ANC policy conference had already rejected the proposal. This is a core proposal of the Plan, and at p155 the NDP calls for the urgent implementation of this and other labour market reforms proposed below.

The Plan's drive to employ young workers on the second tier of the labour market is even reinforced by the cynical use of employment equity, by implying that special provisions are

needed to ensure that employment equity is used to require employment of youth: “For at least the next decade, employment equity should focus mainly on providing opportunities for younger people from historically disadvantaged communities who remain largely marginalised.” (p138)

Under the heading ‘labour market regulation’ on p 134 the NDP proposes a series of measures, the core of which are aimed at undermining protection of workers by *deregulating* the labour market, and defending labour broking (by regulating it). These include 4 major areas:

- An approach to handling probationary periods that “reflects the intention of probation”
- An approach that “simplifies dismissal procedures for poor performance or misconduct”
- Reducing labour regulation for small business
- An “effective approach to regulating temporary employment services”

The proposals for the youth wage subsidy, plus the first 3 areas above, are a recycling of measures which Treasury has been trying to introduce for years, aimed at entrenching dual labour markets and breaking the power of unions.

These attacks on workers are then ‘softened’ by proposals which may be genuinely describe as improving regulation (assuming that negative intentions are not hidden in the fine print) , including : Monitoring compliance to statutory sectoral minimum wages; Implementing and monitoring health and safety Regulations; Strengthening the CCMA and the Labour Court in dispute resolution. Absolutely no detail is given on monitoring minimum wages, or health and safety, suggesting that these may have been put in for cosmetic reasons, or that no real thinking has gone into them. On minimum wages, the Plan sends mixed signals, as the NDP implies the need for minimum wages to be lowered for ‘entry level workers’, and certainly will resist the substantial increases required in current inadequate minimum wage levels, recently seen in the farming sector.

On **probation**, it is proposed that “ordinary unfair dismissal protections should not apply to employees on probation, up to a limit of six months of service. This means that the contract is assumed to be limited to the probationary period, unless confirmed otherwise.” (p 134) In other words employers would have license to fire workers on probation. The NDP proposes that government introduce a provision preventing employers recycling workers by putting them permanently on probation: “To prevent the abuse of terminating and re-employing just before the probationary period expires, the period of service could include all previous service with the employer, whether directly or through a temporary placement agency.” This doesn’t address the abuse which is rife internationally, including with labour brokers, of replacing these workers with new workers on probation, after 6 months, thus constantly having a pool of vulnerable workers.

On **dismissals** for misconduct or poor performance, the Commission argues that dismissal procedures are “strict and formulaic, and are inconsistent with legislation on the statute books. There is ... evidence of excessive reversal of dismissals on procedural rather than substantive grounds. To reduce the regulatory burden, we recommend that the pre-dismissal procedure requirements be revisited to simplify the procedures. Any appeal or reversal of a dismissal should be ruled on substantive and not procedural grounds, except in the case of constructive dismissal.”p135

On reducing labour regulation for **small business**, the NDP fudges exactly what it is proposing, arguing that it is not calling for *complete exemption* for small business as this may act as a 'perverse incentive for a race to the bottom' (!). They state "To reduce the regulatory burden on small- and medium-sized enterprises, we recommend that the Code of Good Practice clearly lay out procedures appropriate to small business." But the NDP doesn't say what the 'procedures appropriate to small business' should be. It also seems to be ignorant of the fact that small business is already exempt, or subject to separate provisions in relation to various pieces of labour legislation, including aspects of the BCEA, Employment Equity Act etc. Otherwise it is puzzling why it recommends that "Compliance requirements and regulations for reporting on employment equity and skills development should be simplified for small firms, or even eliminated for very small firms."(p135)

The issue of **labour brokers** is dealt with pp 135-6 under the bland heading of 'temporary employment services' (TES). There is no attempt to differentiate the different type of TES's or to discuss the abuse perpetrated by labour brokers, and indeed there is no direct indication in the section that they are talking about labour brokers at all, except for the statement that the growth in TES's "may partly be explained by formal employers seeking to circumvent labour regulations". They state that they have "significantly contributed to labour market matching in the past two decades" and quote research which states that 900 000 workers have been "given some work opportunity as a result of temporary employment services".

They make the bizarre and inaccurate statement that "Most new opportunities are in services activities, which often involve changing jobs periodically. These employment services raise the chance of achieving more regularised employment, as well as access to skills training for new placements. They also provide access to benefits for workers." Building on the proposals on probation, they propose that "Some basic provisions could ensure that after a worker had spent six months with a temporary employment service and/or client, the two would be jointly and severally liable for unfair dismissal and unfair labour practices." As with probation, this is a formula for exploitation, and doesn't address the issue of abuses before the 6 month period is up, or the practice of 'rotating' labour broker workers every 6 months.

### *Mistakes in the NDP*

There are numerous statistical and factual errors in the NDP, as well as selective and inaccurate reporting of documents which the NDP draws on for their conclusions. Some of them may be the result of sloppy proof reading; with others it is unclear whether the error is 'logistical', or the result of misunderstanding of the data and statistics; and with others it is ignorance of the facts, or deliberate misrepresentation or selective interpretation of the information.

The responsibility for this presumably lies with the NPC secretariat who oversaw the drafting of the document. However, it is embarrassing for the Commissioners, many of whom are respected academics and intellectuals. The intention of raising these errors is not to nitpick. Some of the mistakes are of such a nature that they fundamentally throw into

question the basis on which the NDP arrived at some key conclusions, and the policy options which have been chosen. Some of these have already been alluded to in the above analysis, but we below consolidate a partial list of some of the errors which we have identified in the economic chapter of the document.

### *Statistical and factual errors*

*A partial list of errors is contained below. Some other errors are raised in our analysis above*

*Employment scenarios: on p121, table 3.1 incorrectly calculates the totals in the 3 employment scenarios, calculating the *employment total* in each scenario as 23,76 million, even though the totals for the sub-sectors under each scenario differ substantially from each other*

*Proportion of service in employment: on p123 the document incorrectly cites the NDP table on sectoral employment percentages in the different scenarios, as stating that high level services in the diversified scenario increase from 15% to 22% when in fact they increase from **19%** to 22%*

The *GDP size* in 2030, of huge importance for the NDP, because it sets so much store by it, is never stipulated exactly, but is cited as 'more than twice' the 2010 GDP, but also as 'nearly three times' the 2010 GDP. This is at best sloppy work, at worst the NDP hasn't worked out its projections scientifically.

*Labour force participation rate-* the chart on p118 gives the target for 2030 as 65% but as 61% in the text.

*Poverty measure-* in the chart on p118, the NDP uses a poverty measure of R418 *per day* vs R418 *per month* in other places

*On the ratio of Public service wages: GDP* the NDP states that it is more than 12%. But a Treasury spokesperson at the end of last year stated that it was 11,5% (BD 3/11/2012)

*Average wage figures-* on p132 the NDP cites various 'wage averages', but the figures are actually wage medians, or other cutoff points between deciles and quarters.

*Public sector bargaining councils-* on p133, the NDP calls for sectoral bargaining chambers in the bargaining councils, when these already exist.

*Finance and retail employment growth-* claimed levels of employment growth in the financial sector are not supported by data; and claimed employment of 5 million in retail, is more than double the actual total.

## 5. Report Card: Assessment of Mangaung against COSATU Congress Resolution

In this section, we assess policy positions and developments at Mangaung (and since then) against the platform adopted by the COSATU Congress, and consider progress registered. We then measure these developments against the COSATU Congress political resolution and Declaration, to assess whether progress has been made in addressing the key elements of the platform proposed by the Congress. Where progress has not been made, we then attempt to look at a way forward.

This assessment is attempted, conscious of the fact that we failed to secure an engagement with the ANC before Mangaung to discuss our proposal for an Alliance Agreement, and this is itself is a matter of serious concern. Despite this limitation, we are able to consider a number of the issues raised by ourselves, which had been dealt with in some way at Mangaung. Nevertheless, it is clear that little progress has been made on most of the issues advanced in our Congress Resolution. It is possible however in instances where the ANC's resolutions don't explicitly preclude it, that we could still make progress in some of these areas, once focused engagements take place.

**The Congress resolved that elements of a national agreement should include the following eight areas:**

- a) Measures to ensure **representivity and integrity of the new leadership collective**, at national provincial and local levels, and to **combat social distance**.

The issue of ensuring representivity of the ANC's constituency<sup>34</sup> and combating social distance (neither term is used in the Resolutions at all) was not discussed at Mangaung, outside of the general discussion on development of a new cadre. The under-representation of active trade unionists, and civil society activists in the NEC and other structures, and over-representation of government and business leaders, was not directly discussed. The only element of representivity which continues to be subject of discussion is gender representation. The election of four active trade unionists to the NEC, while an improvement, has to be looked at in the context of the overall composition of the NEC, as well as the NWC, and NEC sub-committees. A full assessment on the composition of these committees still has to be conducted. However, we know that there are no trade union leaders sitting on the NWC. The list of NWC members and NEC sub-committee members is attached.

Without a policy discussion on this matter, there will be no coherent direction in ensuring that the ANC leadership increasingly reflects the composition of its membership, at national provincial or local levels, as election of representatives will be *ad hoc*, in terms of the question of representivity, except in so far as the election of women is concerned.

The ANC needs to be reminded of previous discussions on the matter of representivity, as it seems to have fallen through the cracks.

*Note: We deal with the issue of integrity below, as it is related to the question of corruption and conflicts of interest.*

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<sup>34</sup> This is not referred to in relation to leadership structures of the movement. It only refers to it in relation to community broadcasting as follows: "There is a need for concerted action to ensure a fair representation of women, the workers, and people with disabilities, children and the aged."

- b) **Legislation to govern conflicts of interest** in the state and the movement; policy to prevent those convicted of certain types of offenses from holding certain leadership positions; as well as a package of interventions to **combat corruption**.

The Mangaung Resolution on Organisational Renewals states: “More urgent steps should be taken to protect the image of the organisation and enhance its standing in society by ensuring, among others, that urgent action is taken to deal with public officials, leaders and members of the ANC who face damaging allegations of improper conduct. In addition, measures should be put in place to prevent abuse of power or office for private gain or factional interests.... The ANC members who are found guilty of wrongdoing in other institutions of society should also be subjected to internal disciplinary processes... [The NEC must] Urgently develop the guidelines and constitute the Integrity Committee of the ANC within three months after this Conference.”

It is welcome that the Integrity Committee, which was decided on in 2010 by the NGC, will be appointed by March 2013, and obviously all members of the committee will themselves have to be completely above reproach. The terms of reference of this committee will also be important to look at. At the same time, this is an internal ANC process, and it is equally important that measures in the state are urgently implemented, with the backing of strong legislation.

The other undertakings on corruption are welcome as far as they go. However there is no reflection on previous measures decided on to combat corruption, and no specific new measures agreed to combat corruption or conflict of interests, (apart from the commitment to subject ANC members found guilty of wrongdoing in other institutions to internal disciplinary processes) and no assessment of progress in taking forward previous decisions. On corruption the Resolution only makes five general points: “As the leaders of society, ANC comrades in every sphere of activity, need to be the champions in the anticorruption campaigns.<sup>2</sup> The ANC should take tougher action against corruption. 3 Systems to detect and act against corruption should be strengthened. 4 There should be greater cooperation across the spheres of government in dealing with corruption. 5 Corruptors should be punished as well.”

From Polokwane to NGC to Mangaung, there have been a range of decisions taken on these matters, but a worrying failure to implement decisions taken- see the 2010 CEC discussion paper *The Alliance at a Crossroads*:

“Polokwane and the Manifesto, proposed that to combat corruption:

- The NEC must develop a framework on post-tenure rules, including a cooling-off period during which public representatives and senior officials will be prohibited from accepting appointment to a board, employment or any other substantial benefit from a private sector organisation that has benefited from a contract, tender or partnership agreement with the public service/state in a process that the official has participated in. (Polokwane)
- Government will step up measures to ensure: politicians do not tamper with the adjudication of tenders; the process of the tendering system is transparent; as well as ensuring much stronger accountability of public servants involved in the tendering process. (Manifesto)

Neither of these commitments appears to have been followed up, by the NEC or government with the necessary urgency...the NGC paper only proposes an internal mechanism to discipline members found guilty of corruption, but no measures to effectively combat the roots of corruption which has become so endemic, such as abuse of tenders, shady BEE deals linked to access to the state etc. While it is welcome that the paper proposes dismissal of “members found guilty of corruption and abuse of power” it doesn’t suggest the necessary mechanisms to give either the state or the party real bite when it comes to acting against corruption.

The NGC paper’s proposal for an internal ANC ‘Integrity Committee’ also doesn’t adequately respond to the seriousness of the situation. The Committee “will manage the interests of those who hold office in the state and organisation and investigate any allegations of improper conduct.” Whilst this responds to some of the issues we have raised and is therefore welcome, the emphasis appears to be more on protecting ‘genuine’ ANC business people than ruthlessly cracking down on corruption. ..

The Organisational Renewal paper only proposes an undefined ‘protocol’ which will address conflicts of interest: “Public representatives, public servants and serving members of the constitutional structures require organisational protocols that will [combat] conflict of interest and abuse of office for commercial gain. ...” Again this doesn’t appear to address the seriousness of the challenge, nor confront the fact that almost 3 years after Polokwane, the NEC has still not produced the relevant guidelines...

Another issue which surfaces in the NGC leadership paper is that secret party funding is used to exercise improper influence over the organisation, and secure various favours. Polokwane resolved that: *‘The ANC should champion the introduction of a comprehensive system of public funding of representative political parties... [and] an effective regulatory architecture for private funding of political parties... The incoming NEC must urgently develop guidelines and policy on public and private funding...’* The NGC paper asks *“what about monies raised by candidates and lobby groups, with no accountability and disclosure about the sources (and legality) of such resources, nor how these monies are being used. Are we already in the trap of vested interests and those with money having more influence about the direction of the ANC than its membership? Our approach towards party financing will therefore have to be broader, so that it also deals with the “informal” party financing...’* This is an important point, but again nothing concrete is proposed, and the Polokwane resolution has not been implemented.”

Since Mangaung, which was weak on specific measures to combat corruption and conflict of interests, the NEC Lekgotla appears to have taken the matter more seriously, although it hasn’t addressed some of the issues identified above. Nevertheless there are 27 references in the Lekgotla resolutions which relate to corruption, indicating a greater seriousness. The Lekgotla resolved to “Restrict all public office bearers, public representatives, public



servants and local government employees from doing business with the state.” If meaningful legislation is introduced on this matter, this will be a significant victory, as this is a matter COSATU has been campaigning on for years. We need to ensure that we make input on this policy from the beginning of the process.

A matter which still needs to be addressed by the ANC, is how to deal with the problem of leaders with serious allegations hanging over their head, continuing to occupy senior positions, heading NEC committees etc, and the impact this has on the legitimacy of the organisation’s claims to be serious in rooting out corruption and conflict of interests from the organisation.<sup>35</sup> Unless the ANC is seen to be acting in an even-handed way against **all** who are implicated in corruption, and **particularly those** who are senior in the organisation, there will be no confidence that those in charge of implementing the movements decisions on combating corruption, will do so with any seriousness. Otherwise those in the leadership who are implicated will use their critical mass to ensure that these commitments are left at the level of rhetoric.

We need a coherent package of measures to implement Polokwane and Manifesto undertakings on corruption, conflicts of interest, tenders, party political funding, etc. as well as the undertaking to review the ministerial handbook.

- c) A coherent set of **interventions to advance a radical economic shift**, including specific commitments to align macro-economic policies, and all institutions of state, to the agenda of promoting decent work, agreed interventions to dramatically scale up the state's role in strategic sectors of the economy as proposed at the 2010 NGC; and a commitment that all appointments to strategic positions will be reviewed in line with the need to effect these changes in strategic Ministries, including Treasury, the SA Reserve Bank, and key SOEs and DFI's, and that their mandates be changed accordingly. A renewed and more focused mandate should also be given to the National Planning Commission to realign the planning process, and National Plan, to reflect this radical shift. Likewise with the New Growth Path and EDD.

Our analysis of the Mangaung Economic Transformation Resolution, as well as the NEC Lekgotla, above, and our analysis of the NDP, make it clear that this radical economic shift has not yet materialised, despite the rhetorical commitment which has been made to realise this shift. Gradual incremental improvements are being made in economic policy in certain areas, but certainly not on a scale required to justify the label of a radical shift, or to qualify as heralding a new phase of our transition. We require a detailed engagement with ANC to motivate our proposals for this shift, and formally table our concerns with the NDP. If the ANC takes these concerns on board, it will then raise the question of how the ANC and government relate to the NDP? One possibility is to engage with the Planning Commission on the need to redraft the economic chapter to align it with the imperatives of transformation. The other is for the ANC simply to relate to the NDP as a document which they selectively adopt on issues where it believes that it advances a compatible agenda.

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<sup>35</sup> See for example the City Press report detailing allegations against members of the NEC which details those with: criminal records; those who were ‘moved resigned or censured’; those ‘under a cloud’; and those cleared.- 24 members of the NEC or 28%, were alleged to fall in the first 3 categories. See <http://www.citypress.co.za/politics/graphic-the-ancs-naughty-executive-committee/>



Either way, we should avoid getting stuck in a debate on the NDP, but should ensure that, in addition to engaging the NDP, the Alliance advances its own proposals for the economic shift.

- d) Implementing proposals to promote a **more effective, co-ordinated developmental state**, including the Alliance - agreed proposal to implement a Council of State, to ensure a more streamlined and effective Cabinet structure.

This hasn't been taken forward. However, it can be argued that more co-ordinated high level planning will enable government to align its priorities more effectively, and integrate its development priorities in a more coherent way - the advances made by the PICC (Presidential Infrastructure Co-ordinating Committee) attests to the possibilities if government operates in a different way. It would be useful to have an engagement with the ANC, and preferably the President on the operation of government, and how it can be made more effective, including the possibility for realignment of the executive. It could be argued that we now have experience of nearly 5 years of the reconfigured executive, and that now would be a good time to review whether the Alliance's initial proposal of a Council of State should be considered for introduction in 2014. This should be formally tabled at the next Alliance Summit.

- e) A **coherent labour market, wages and incomes policy**, including; a legislated national minimum wage, linked to a minimum living level; comprehensive legislated collective bargaining in all sectors; and social protection measures, including a grant for the unemployed. These policies should be explicitly aimed at redistributing income, radically raising incomes of the working poor, and reducing inequality.

While a package of this nature hasn't been formally discussed with the ANC, the issues underlying it are becoming increasingly prominent, and being forced in one way or another onto the national agenda. Debates around minimum wages and collective bargaining have become increasingly relevant, given the unfolding struggles. The beginnings of a discussion around reconfiguring the wage structure, and developing a national wage policy are contained in the NGP, although not in the form we would have wished. The Presidential initiative launched late last year has agreed to set up a high level structure to address income inequality. All these developments have created space like never before to initiate an engagement on COSATU's proposed package. We also have the benefit of a pending engagement with the Brazilians on how they have pursued their particular version of this package, and we must try to ensure that the ANC participates in this discussion. We should look at organising a meeting with the ANC after our collective bargaining conference to explore these issues further, and to place our proposals on the table. We should also try to ensure that they have high level representation at our March conference.

- f) Special intervention programmes to address **crisis situations**, in public health and education, and other identified areas of service delivery.

The crisis of service delivery, is partly a crisis of representation and accountability, as reflected in numerous community protests. An important part of the response must be to involve people at local level in discussing solutions to problems which are confronting them on a daily basis, and contributing to: devising measures to ensure accountability of public representatives; identifying systemic, resource, and management issues which require government intervention; and where appropriate to identify policy changes that are required. This raise the question of what mechanism, in addition to normal things that

government should be doing to resolve service delivery blockages, could be used to facilitate the structured involvement of communities in addressing these challenges? One possibility is to adopt the Brazilian model of convening a series of hundreds of representative local level 'conferences' funded by the state, which are really more like popular assemblies, aimed at addressing identified issues. They would involve civil society, unions & government, which then develop proposals and programmes, and similar conferences are 'cascaded up' to provincial and national levels, culminating in a national conference / summit. The Brazilians argue that this a very effective way of involving thousands of people in responding to issues at a local level, but also ensuring that they ultimately impact on the policy response at national level. If this is adopted, it would also be important to ensure these engagements involve key public sector unions, departments, and political heads at national to local level to engage on solutions to the identified areas of crisis.

- g) Agreement on a **protocol on the Alliance and Governance** to ensure effective implementation of ANC and Alliance policies, and co-ordination with the work of government. Further to create a regular co-ordinating mechanism between the President and COSATU, to ensure a structured forum for ongoing input into issues of governance.

The ANC has repeatedly raised the concern that government technocrats drive their own agenda and that there is no accountability to an organisational mandate. Further that there is no functioning mechanism to ensure political oversight over the work of government. COSATU has consistently shared this concern. Disagreements over the question of the political centre has prevented the setting up of an Alliance mechanism to promote such oversight. The ANC too, has no such mechanism<sup>36</sup>, outside of the ANC NEC Lekgotla, which is too infrequent to allow for meaningful ongoing engagement with government processes, which are often quite rapid. As an initial step to breaking this deadlock, it may be useful to agree that the Political Council of Alliance NOB's meet on a monthly basis, to receive reports and engage with them. This would help to build trust that the intention is not to micro-manage the operations of government, as is alleged, but rather to interact with key policy proposals, and ensure that there is input before they are finalised. To assist this process, it may be useful to nominate a secretariat of officials from all Alliance partners to receive reports and process matters between meetings. This would also perform the function outlined in h) below:

- h) Related to the above, an Alliance mechanism to receive reports, monitor and **ensure implementation** of identified strategic or priority Alliance decisions which seek to contribute to this radical shift e.g. the proposals from the NGC on transformation of the mining sector, and state ownership in key sectors of economy, various Polokwane and Manifesto undertakings on the economy, corruption and state transformation etc.

A number of processes and mechanisms have been proposed above. To be viable, there has to be a willingness by the ANC to seriously engage, otherwise no amount of creativity, or proposals will move us forward. Therefore we need to both put these ideas forward, as well

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<sup>36</sup> The ANC had spoken of setting up its own monitoring and evaluation capacity, headed by Cde Jessie Duarte but this committee, if it has met, has not submitted any reports, certainly not at Alliance level.

as pursue our request for the ANC to formally engage us on our proposal for a comprehensive agreement.

## 6. Way Forward

1. In **conclusion**, we pose the question as to how COSATU should relate to this challenging post-Mangaung environment, and what needs to be done to shift the balance of forces to lay the basis for the radical economic shift we agree needs to take place. We conclude that, despite increased working class representation in the ANC NEC, we won't achieve this shift without sustained social mobilisation from below.
2. The congress gave the CEC a strong mandate to engineer the Lula Moment from below. Is the CEC sufficiently united to drive this? At the November 2012 CEC we reported that too many affiliates did not participate to shape the COSATU Section 77 notice. Was this the usual inability to implement our decisions or were there underlying reasons?
3. Are there suspicions that Section 77 notice is driven for sinister reasons and therefore it must not be supported? What are these sinister reasons – can we isolate these from the genuine workers mandate from the workers parliament and move forward on the basis of the mandate?
4. How do we manage the need for heightened levels of mobilisation for radical second transition and the 2014 elections? Is there a contradictions between the two? Can COSATU effectively mobilise workers behind an elections campaign with the current lingering problems everywhere?
5. A separate paper has been written on Building and renewing the Federation. There can be no doubt that the federation is at its weakest point at this moment. What should be the connection between these complex debates, and the need to build our own Lula moment from below, with the need for an increased interaction and improved service of members
6. COSATU has requested that an urgent meeting with the ANC and the Alliance be convened to discuss our proposals for a radical economic transformation as mandated by the congress. What are the real chances of us succeeding to push for an Alliance Programme of Action for radical change? If our allies have a sense that we are deeply divided – can they take us seriously?
7. We have worked with progressive civil society on a range of issues over many years. Are we still united around what constitutes progressive civil society or are there new issues we must debate? If so what are those issues? How do we connect our campaigns in particular the demands of our Section 77 notice with community battles for improved service in the working class residential areas?
8. COSATU has in the past worked with progressive economists to get more ideas and intellectual inputs as part of our strategy to reinforce our policies and impose a working class hegemony? Can we do that again and how – will we be united around that strategy?

## Annexures

### ANC NEC statement on the Election of the National Working Committee

18 January 2013

The National Executive Committee of the African National Congress held its meeting at Saint George Hotel in Tshwane for a day on the 17th January 2013. The meeting was the continuation of the meeting held on the 11th January 2013 at Riverside hotel in Durban North. The meeting received an overview input from the President and elected the National Working Committee (NWC).

Based on the political overview input, the meeting agreed on a range of issues including the fact that the ANC represents the hopes and aspirations of millions of South Africans and that the ANC must continue to lead society. The meeting acknowledged that it was an honour to serve in the leadership of the ANC as this gives a rare opportunity to those elected to lead society selflessly and with commitment. The meeting pointed out that leading the ANC comes with responsibility that impact on the conduct of those in leadership which must reflect both in behavior and the ability to serve.

The meeting acknowledged its primary task of implementing the mandate of the 53rd National Conference under two broad areas that were identified as providing the framework, these are:

- The declaration of this decade as the “DECADE OF THE CADRE” the emphasis will be on ethics and political education
- We must deliver Socio-Economic freedom and prosperity. Youth unemployment must be addressed urgently.

The meeting also discussed and agreed that the closure and mothballing of Shafts by the AMPLATS as well as the impending retrenchment of 14 000 workers deserves to be condemned by all South Africans. It is the view of the NEC that government, labour and organised business must do everything in their power to avert the pending loss of jobs and closure of mines. The ANC has committed to continue engaging all stakeholders in this regard.

The meeting further agreed that there is a need to monitor developments and ensure that the private sector commits itself to the National Programme as outlined in the National Development Plan. High unemployment, deepening poverty and growing inequality remain the most pre-eminent problems facing society. As we deal with the situation in the Mining Industry, the challenges facing the agricultural sector, the reality of these three pre-eminent problems must inform the approach.

After discussing the overview of the President the meeting elected a total of 20 NWC members of which 50% comprise of women as stipulated in the Constitution of the ANC. The following are **the elected NWC members**:

1. Jeff Radebe
2. Naledi Pandor
3. Lindiwe Zulu
4. Bathabile Dlamini
5. Nomvula Mokonyane
6. Nosiviwe Maphisa-Nqakula
7. Jackson Mthembu
8. Nathi Mthethwa
9. Lindi Sisulu
10. Malusi Gigaba
11. Derek Hanekom
12. Susan Shabangu
13. Maite Nkoana-Mashabane
14. Collins Chabane
15. Aaron Motsoaledi

16. NomaIndia Mfeketho  
17. Blade Nzimande  
18. Fikile Xhasa

19. Tina Joemat-Patterson  
20. Sisi Mabe

The NWC will resume its Constitutional responsibility with immediate effect. It will continue with its fortnightly meetings without fail until the end of its term. The ANC expresses its confidence on the ability of individuals elected to the NWC. As a collective, the NWC will play a pivotal role in the processing and implementation of conference decisions. It is also this structure that manages the day to day work of the organisation, cementing its importance in the hierarchy of ANC structures.

Issued by:  
Gwede Mantashe - Secretary General

## ANC NEC Deployment list to Committees/ Provinces

The ANC NEC and considered and finalized the deployment of NEC members to provinces.

**The following were elected as Convenors of NEC Deployees to Provinces...  
[list is contained in original NEC statement]**

### 1. NEC SUBCOMMITTEES:

#### 1.1. Communication and Media

Lindiwe Zulu (Chairperson)  
Jackson Mthembu (spokesperson)  
Pallo Jordan  
Zizi Kodwa  
Pule Mabe  
Nocawe Mafu  
Manganye Jane  
Obed Bapela  
Thulas Nxesi  
Sankie Mthembu-Mahanyele  
Thoko Didiza  
Pam Tshwete  
Sisi Mabe

#### 1.2. Education and Health

Naledi Pandor (Chairperson)  
Derek Hanekom  
Max Sisulu  
Blade Nzimande  
Aaron Motsoaledi

Angie Motshekga  
Dikeledi Magadzi  
Joe Phaahla  
Ruth Bengu  
Fikile Xhasa  
Fikile Majola  
Lungi Gcabashe  
Stone Sizani  
Joyce Mashamba  
Bheki Cele

#### 1.3. Economic Transformation

Enoch Godongwana (Chairperson)  
Sankie Mthembu-Mahanyele  
Malusi Gigaba  
Pravin Gordhan  
Tito Mboweni  
Max Sisulu  
Lynne Brown  
Thulas Nxesi  
Rob Davies  
Gugile Nkwinti  
Joel Netshitenzhe  
Tina Joemat-Peterson

Susan Shabangu  
Mildred Oliphant  
Senzeni Zokwana  
Stone Sizani

#### **1.4. International Relations**

Obed Bapela (Chairperson)  
Ebrahim Ebrahim  
Nkosazana Dlamini  
Maite Nkoana-Mashabane  
Obed Bapela  
Miriam Segabutla  
Thenjiwe Mthintso  
Billy Masetlha  
Collins Chabane  
Rob Davies  
Lindiwe Zulu  
Sue van der Merwe  
Bheki Cele  
Joyce Moloi-Moropa  
Dipuo Letsatsi-Duba

#### **1.5. Legislature and Governance**

NomaIndia Mfeketho (Chairperson)  
Lindiwe Sisulu  
Collins Chabane  
Nosiviwe Maphisa-Nqakula  
Ayanda Dlodlo  
Lynne Brown  
Sue van der Merwe  
Zoleka Capa-Langa  
Pam Tshwete  
Sisi Mabe  
Pinky Moloi  
Nosipho Ntwanambi  
Joyce Moloi-Moropa  
Mildred Oliphant  
Max Sisulu  
Collins Chabane

#### **1.6. Organisation Building and Campaigns**

Nomvula Mokonyane (Chairperson)  
Malusi Gigaba  
Derek Hanekom  
Sdumo Dlamini  
Mcebisi Skwatsha  
Fikile Xhasa  
Fikile Majola

Sisisi Tolashe  
Humphrey Mmemezi  
Beauty Dlulane  
David Mahlobo  
Sefora Ntombela  
NomaIndia Mfeketho  
Gugile Nkwinti

#### **1.7. Peace and Stability**

Nosiviwe Maphisa-Nqakula  
(Chairperson)  
Jeff Radebe  
Naledi Pandor  
Nathi Mthethwa  
Billy Masetlha  
Ebrahim Ebrahim  
Siyabonga Cwele  
Ngoako Ramatlhodi  
Kebby Maphatsoe  
Maite Nkoana-Mashabane  
David Mahlobo  
Tony Yengeni  
Jane Manganye  
Sbu Ndebele

#### **1.8. Political Education**

Nathi Mthethwa (Chairperson)  
Pravin Gordhan  
Joel Netshitenze  
Bathabile Dlamini  
Blade Nzimande  
Enoch Godongwana  
Joyce Mashamba  
Lungi Gcabashe  
Sam Mashinini  
Tony Yengeni  
Philly Mapulane  
Rosina Semenya  
Dipuo Letsatsi-Duba  
Thenjiwe Mthintso

**Note: This committee will be working with the former Deputy President of the ANC.**

#### **1.9. Social Transformation**

Lindiwe Sisulu (Chairperson)  
Tito Mboweni  
Bathabile Dlamini

Blade Nzimande  
Sbu Ndebele  
Zizi Kodwa  
Ayanda Dlodlo  
Rejoice Mabhudafasi  
Joe Phaahla  
Pinky Mokoto  
Ednah Molewa  
Thoko Didiza  
Nomzamo Madikizela-Mandela  
Sisi Ntombela

#### **1.10. Elections**

Ngoako Ramatlhodi (Chairperson)  
Jackson Mthembu  
Tina Joemat-Peterson  
Angie Motshekga  
Mcebisi Skwatsha  
Humphrey Mmemezi  
Beauty Dlulane  
Senzeni Zokwana  
Pinky Moloi  
Nocawe Mafu  
Kebby Maphatsoe  
Pule Mabe

#### **Chairpersons of all sub-committees Convenors for deployees in the provinces**

#### **1.11. National Disciplinary Committee**

Derek Hanekom (Chairperson)  
Collins Chabane  
Susan Shabangu  
Fikile Xhasa  
Lindiwe Zulu

#### **1.12. National Disciplinary Committee of Appeal**

Jeff Radebe (Chairperson)  
Naledi Pandor  
Max Sisulu  
Sankie Mthembi-Mahanyele  
Ngoako Ramatlhodi  
Gugile Nkwinti  
Pravin Gordhan  
Sue van der Merwe

Sbu Ndebele  
Pam Tshwete

#### **1.13. Finance and Fundraising**

Zweli Mkhize (Treasurer-General)  
Max Sisulu  
Joyce Moloi-Moropa  
Sankie Mthembi-Mahanyele  
Tito Mboweni  
Pravin Gordhan  
Nomvula Mokonyane

#### **1.14. Archives**

Baleka Mbete (National Chairperson)  
Max Sisulu  
Pallo Jordan  
Naledi Pandor  
Billy Masetlha  
Joe Phaahla



## Extract from report to May 2010 CEC on appointment of NPC

Despite the Presidency announcing that they intended to finalise the NPC by the end of March 2010, an announcement was only made on 30 April, of a commission to be chaired by Minister in the Presidency, Trevor Manuel, plus 25 other commissioners. Only 3 of COSATU's 14 nominees were included in the list, namely Chris Malikane, Karl von Holdt, and Vivienne Taylor.

Our analysis of the Commissioners revealed that our concerns about a business and technocrat-biased NPC were indeed well founded: 11 of the 25 commissioners are businesspeople and many of the others are technocrats, or university based experts. Despite three of the COSATU nominees being represented, there is not a single active trade unionist, or civil society activist in the Commission. This analysis is reflected below:

Name	Position	Status
Trevor Manuel	Govt minister	Politician
Cyril Ramaphosa	Exec Chair Shanduka	Business
Bobby Godsell	Chair BUSA	Business
Elias Masilela	Sanlam Head of policy analysis	Business
Jerry Vilakazi	CEO BUSA	Business
Noluthando Gosa	CEO Akhona properties	Business
Jennifer Molwantwa	Water scientist, private environmental management co.	Business
Mike Muller	Wits University researcher[ former Civil servant]	Academic
Miriam Altman	HSRC Director	Researcher/ technocrat
Chris Malikane	Cosatu/Professor Wits	Comrade/academic
Vivienne Taylor	Prof Social Science UWC	Academic
Marcus Balintulo	VC Walter Sisulu Uni	Academic
Vuyokazi Mahlali	Chair, SA Post Office, & business woman	Business
Malegapuro Makgoba	VC UKZN	Academic
Joel Netshitenzhe	ANC NEC	Politician
Anton Eberhard	Prof UCT Business School	Academic
Bridgette Gasa	Managing Director Elilox	Business
Thandabantu Goba	Exec Chair Goba Pty	Business
Phillip Harrison	Exec Director devt planning Jhb Metro	Bureaucrat
Ihron Rensburg	VC UJ	Academic
Jerry Coovadia	Professor of Paediatrics	Academic

Karl von Holdt	Sociologist Wits	Academic
Mohammed Karaan	Agriculturalist, Stellenbosch Uni	Academic
Tasneed Essop	Environment activist, WWF	Academic
Pascal Moloji	MD Resolve consulting company, (Ex city manager, Jhb)	Business
Vincent Maphai	Exec Director SAB, formerly BHP Billiton	Business

Of these 25, less than 10 are known to be broadly progressive. Some are unknown quantities. But clearly, the composition of the NPC is unbalanced, and cannot be said to reflect Cabinet’s commitment, contained in the final Green Paper, namely that it will: “broadly be an expert panel, but that Commissioners need to be representative of the major social forces in society ...commission(ers) should be knowledgeable and representative of the diverse views in the country...”.

COSATU issued a brief statement, sharply raising our concerns, but indicating that we would engage with the Commission, and would encourage other progressive formations to do so, to ensure that the aspirations and needs of our people are properly reflected in the national plan:

“COSATU welcomes the appointment of three of the people whom it nominated – Chris Malikane, Vivienne Taylor and Karl von Holdt – and is confident that they will vigorously fight for policies in the interests of the workers and poor South Africans.”

“We welcome several others who have a good record of supporting progressive policies.”

“COSATU is however concerned at the over-representation of business people, who constitute nearly half of the NPC. Most of them are good citizens with whom we have worked well in the past, but the overall balance is skewed against the trade union and progressive movement and this could negatively influence their political judgement.”

“We are concerned that as a whole civil society is underrepresented, which raises concerns about whether the national plan will fairly reflect the needs and aspirations of the majority. Nevertheless we will actively engage with the NPC, and urge other civil society organisations to do likewise, to ensure that these perspectives are clearly communicated, and ultimately incorporated by the NPC.”