

SA Economy ... 20A

PROCESSED

**SOCIAL EQUITY AND JOB CREATION-
THE KEY TO A STABLE FUTURE**

BACKGROUND

- NEF - 28 November 1992
- NEDLAC - 18 February 1995
- Lack of clarity on purpose
- CEC Strategising Workshop

THE CAPE PROVINCE
TRADE UNION
LIBRARY

FOCUS:-

- (a) Job preservation
- (b) Job creation
- (c) Restructuring of state assets/privatisation
- (d) Taxation/Budget
- (e) Worker Rights

- Labour School - 04 - 08 March

1. INTRODUCTION

- Challenge the economic elite to share the wealth and resources of our country to the benefit of all.
- Social Equity must entail:-
 - Substantial redistribution of wealth.
 - Eradication of poverty.
 - Promotion of worker rights.
 - Increase employment.
 - Development of the full human potential of our people.
 - Provision of basic infrastructure and services to all citizens.

1.1 A Very Unequal Society

- **HSRC = 40% of households earn less than 6% of total income.**
- **HRSC = Africans - 76% of population's - share income amounts to 29%.**
- **HSRC = Whites - less 13% of population's - share of income is 58,5%.**
- **South Africa among the highest inequalities in the world, according to recent study on key indicators of poverty in South Africa.**
- **Poorest 53% of the population account less than 10% of the total consumption, while richest 6% account for over 40%.**
- **Consequences of all this is well known:**
 - **Education**
 - **Health**
 - **Access to sanitation**
 - **Martenal morality rate**
 - **TB etc.**

1.2 Powerful Conglomerates.

- **% control of market capitalisation.**
 - **Anglo American = 40,5%**
 - **Sanlam = 12,8%**
 - **Rembrandt Group = 10,3%**
 - **S. A. Mutual = 6, 0%**

 - Total = 78,5%**

- This has been helped by weak competition policies followed in the past.

1.3 Economic Growth and Development

- Need economic growth.
- With wrong policies we may achieve no growth, or growth that only benefits the shareholders.
- Not true that growth leads automatically to increased equity.
- Programmes that promotes social equity can lead to economic growth.
 - Land reform policies have played a major role in stimulating economic growth.
 - Wage policies that sought to increase earnings of workers - lead to generating domestic savings to finance the expansion of economic activity.
 - Investment in health can contribute to raising productivity.
- Growth should lead to absorption of labour.
- Jobless growth in 1995 - 1st half absorption was only 0,3%.
- Department of Finance on Budget Review suggest that only 55 000 new jobs were created against 400 000 new entrants to labour market.
- Strong and systematic role of the state necessary in industrial, financial and trade policies.

1.4 A Sterile Business Response.

- **Driven by ideology**
- **Old argument for:**
 - **Reduce the role of the state to be administrators and pay old age pension and run soup kitchens for the poor.**
 - **Leave business to business - free market and liberalisation.**
 - **Smash unions.**
 - **Privatise.**

1.5 Unemployed and Business

- **Blame workers for high unemployment levels**
- **But it is business who retrench, "downsize", "rightsize"**
- **Uncompetitive nature of sections of the business**
- **Successive editions of the world competitiveness reports have placed S.A at the bottom of the league of nation in human resource development**
- **Employed workers provide social security net for unemployed**
- **Wages of many workers remain extremely low**
- **According to LRS unionised labourers earn an average of R285 per week in 1995**

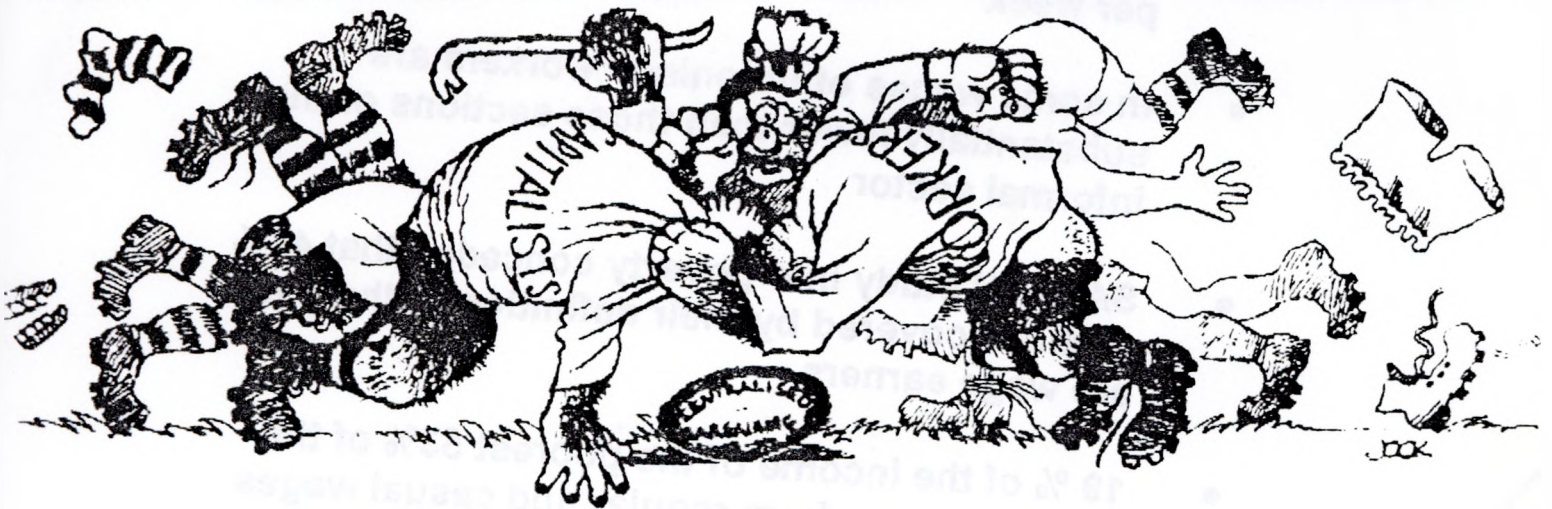
- **Executive directors of leading companies earn an average of R67 000 per month or R15 500 per week**
- **In some wages of unionised workers are substantially lower than those sections of the informal sector**
- **SALDRU study into poverty concedes that 44% of those covered by their definition of the poor are wage earners**
- **19 % of the income of the poorest 53% of the population are from regular and casual wages and from the earnings.**

1.6 Time to Break with the Past

- **We must now break with the past policies and make a fresh start.**
- **We propose six pillars to promote Social Equity, based on South Africa realities. There are:-**
 - **a programme of job creation.**
 - **a redistributive fiscal policy.**
 - **proposals to break up economic concentration.**
 - **measures to promote worker rights.**
 - **a plan to build industrial democracy.**
 - **to promote equity and economic development globally.**

Centralised Bargaining Campaign

DEADLOCK



Employers are rejecting the demands of the unions (CWIU, SACWU, MWU, AND SAEWU, NETU, YSTER & STAAL) for one industry National Bargaining Council with powers over sectors.

Employers insist that:

- There must be 13 sectors
- The sectors must be independent and have powers to make their own agreements

The unions cannot agree to this approach. It would mean that the purpose of Centralised Bargaining would be destroyed. Workers would be divided rather than united

WORKERS UNITED WILL NEVER BE DEFEATED

CWIU believes that employers are deliberately delaying finalising the Centralised Bargaining agreement. This means that the agreement to negotiate wages in 1996 is being put in danger.

All the unions have agreed that action must be taken to force employers to agree to our demands.

The 11th of March will be the first day of action for ALL chemical workers.

Call mass meetings at lunchtime and discuss further action. Send your delegates to the **CWIU BARGAINING CONFERENCE ON 15-17 March**. Prepare to discuss action and your 1996 demands at the conference

**FORWARD WITH
CENTRALISED BARGAINING
FORWARD**

1. THE FIRST PILLAR IS JOB CREATION

We propose eleven measures to create jobs in South Africa.

- 1.1 Through public works and mass housing programmes.**
- 1.2 Through modernising our industrial base.**
- 1.3 Through "job sharing" arrangements.**
- 1.4 Through pragmatic trade and tariffs' policies.**
- 1.5 By expanding our domestic demand and local purchasing policies.**
- 1.6 Through training and retraining of the workforce.**
- 1.7 Through productivity increased in the economy.**
- 1.8 Through creating jobs in labour intensive procedures.**
- 1.9 Through stopping retrenchments in the economy.**
- 1.10 Through a programme of land reform.**
- 1.11 Through the stimulation of economic activity.**

1.1 START PUBLIC WORKS AND MASS HOUSING PROGRAMMES

- **Key source of finance are the fiscus, corporate sector and prescribed investment requirement and long term assurance industry.**
- **We propose:**
 - **A major contribution from the fiscus (government)**
 - **Three year levy of 5% on the pre-tax profit of business (business sector)**
 - **A prescribed investment requirement on pension and provident funds, life assurance industry and the assets of the Public Investment Commissioners, to invest 5% of funds in special government bonds. (workers and policy-holders)**
- **This would raise:-**
 - **R3, 5 billion a year and more than R10 billion over three years from business.**
 - **R35 billion from retirement and insurance funds.**

1.2. MODERNISE OUR INDUSTRIAL BASE

- **Propose the retention and expansion of fiscal policy to encourage investment of corporate profits instead of paying out dividends.**

- **Set up a National Reconstruction Fund to finance introduction of new technology and work organisation.**
- **Representation from labour, government and business in the board of NRF.**
- **Expand the saving rate.**
 - **Develop a National Provident and Pension Fund capable of achieving economies of scale.**
 - **Joint Standing Committee on Finance for at least half of seats on the board retirement funds to be occupied by elected worker representatives**
- **Mechanisms should be developed to discourage financial institutions from moving investments abroad.**
 - **They must invest in job creation schemes and be subject to the normal risk.**
- **Serious consideration be given to the impact which the removal of exchange controls will have on flows of resources abroad.**
- **Restructure the Financial Services Board and allow representation of labour.**

1.3 SHARE THE JOBS

- **Ban overtime**
- **Introduce a 40 hour working week.**

- 115 000 new jobs in manufacturing industry alone can be created.

5. DON'T EXPORT OUR JOBS

- Active industrial policy measures to improve efficiencies and performance of companies.
- Pragmatic programmes that lowers tariffs carefully and not faster than required by GATT.
- Simultaneously - not afterwards - put in place a set of social adjustment programmes to absorb, retrain and place into new jobs, those displaced by restructuring.
- Review the current trade liberalisation programme
 - Where serious damage may be created, South Africa needs to call for an urgent review of the programme in the WTO.
- Human Resource developments measures on sectors affected by major trade liberalisation programmes.
- Social Plan act submitted by labour to NEDLAC be agreed.
- Direct representation of labour to the bilateral and multilateral trade negotiations.
- Appropriate and effective role for parliament in overseeing trade negotiations.
- Re-orientation of export incentives away from the current cash subsidy system under GEIS.

- **Replace GEIS by the Tripartite National Restructuring Fund to assist companies to address problems of uncompetitiveness.**
- **Use the Foreign Affairs to market Southern African industry abroad.**
- **Replace top management of customs and with capable management in order to stop the flow of goods entering South Africa illegally.**
- **Labour proposed 13 point plan be implemented (increase resources at ports of entry and computerise all ports, etc).**

1.5 EXPAND DOMESTIC DEMAND AND PROMOTE LOCAL PURCHASING POWER POLICIES.

- **Propose wage and income policies that expand the domestic market for manufactured goods, and for services.**
- **Real wages of the labourers has been declining in the past three years.**
- **Expand the income of workers to stimulate the domestic demand.**
- **Avoid inflation pressures by substantially increasing efficiency of production.**
- **Additional incentives through the procurement policies at national, provincial and local tender boards, SANDF and parastatals to further create local jobs.**
- **Provincial tender boards should operate under same policy as the National State Tender Boards.**

- Representation should be the same model used in the national State Tender Board.
- Propose a "by local, by fair labour standards" campaign in the spirit of "new patriotism".
- Retailers should disclose the proportion of their stocks which are locally sourced and be encouraged to buy local.

1.6 TRAIN AND DEVELOP WORK FORCE

- National Productivity Institute has noted that many successful exporting nations spend 4% of payroll on training.
- Introduction of a levy on companies of 4% of payroll, to be used to finance retraining of workers with supporting grants from the government.
- This levy to be introduced initially on firms with a turn over of at least 1/2 million rands a year.

→ Levy to be phased in as follow:-

1st October 1996	=	2%
1st October 1996	=	3%
1st October 1996	=	4%

- Government funding for managerial training in small and medium enterprise.
- Vocational training with emphasis on multi skilling and broad banding of jobs.

1.7 Increase Productivity

- Over the past 10 years, labour productivity has risen by more than 15% according to South African Reserve Bank.
- Real unit labour cost increases have reduced sharply in recent years.
- Productivity level notwithstanding the above are still inadequate.
- Apartheid legacy has a negative contribution to productivity e.g. single sex hostel, travelling to and from work, match box houses. etc.
- Propose a National Productivity and Equity framework agreement to be negotiated through NEDLAC before October 1996.
- Such an agreement to cover labour, capital, raw material usage productivity levels.
- Agreement should be used as a basis at industry level to address concrete target of productivity improvement.
- Plant agreements should be concluded with the Shopstewards Committees.

1.8 CREATE JOBS IN LABOUR-INTENSIVE PROCESSES

- **Shift the priority of Industrial Development Co-operation away from capital intensive mega projects into labour intensive and productive investment. Its main mandate should be job creation.**
- **IDC to in every six months publicly report about the impact of its projects on job creation.**
- **IDC board to have labour representatives.**
- **Major beneficiation of raw material.**

1.9. STOP RETRENCHMENTS NOW!

- **Profitable companies engage in periodic frenzies of retrenchments and downsizing.**
- **Retrenchment is often a real indictment of management, and a barometer of its incompetence.**
- **100 000 jobs to be made redundant in the public sector.**
- **We propose that all companies sign a code committing themselves to avoiding retrenchments.**
- **Retrenchment to be matter of negotiations rather than consultation.**
- **A statutory provision requiring companies to exhaust all alternatives, including cutting management packages and reducing the layers of management, before contemplating retrenchments.**

- **Minimum severance pay to be four week salary of every of service or part thereof.**

1.10 REDISTRIBUTE LAND

- **Substantial redistribution of land to the poor.**
- **Public support measures geared towards small farmers.**

1.11 STIMULATE ECONOMIC ACTIVITY

- **All above policies seek to stimulate economic activity.**

2. SECOND PILLAR IS REDISTRIBUTIVE FISCAL POLICIES

- We propose two measurers to ensure a more equitable fiscal policy.
 - First, redirect spending towards social services for the poor.
 - Second, increase the redistribution features of tax of tax policy.

1. Finance Housing and Health for All.

- 300 000 housed per year require R10 billion a year.
- Support the national health scheme, introduction of the scheme not later than end of 1999.
- Allocate more funds to the plan to develop infra-structure.

2. Increase Co-operate Tax

- There has been a shift away from corporate taxes in the past few years.

→	1970	1990	1995
Company tax	47%	24%	14%
Personal Income tax	18%	34%	42%
GST/VAT	0%	29%	27%
Other	35%	13%	18%

- Propose increase of Secondary Tax on companies (STX)

- Close the loopholes in corporate tax.

3. REDUCE CONSUMER TAX ON BASIC REQUIREMENT

- VAT is a regressive tax, it hit the unemployed and the poor the most.
- Department of Finance study shows the following:
 - The very poor (under R9000, per annum) pay 9,1% of their income on VAT.
 - For a very high income on VAT.
- A further 1% increase of VAT will constitute a further burden.
 - very poor 9,8%
 - very rich 5,9%

4. Introduce a tax category for the super rich

- High income earners are taxed at a relatively low level - top marginal tax is 45%, viz. R100 000 per annum
- Marginal tax rate is currently as follows:-

R0	-	R15 000	17%
R15 000	-	R20 000	19%
R20 000	-	R30 000	21%
R30 000	-	R40 000	30%
R40 000	-	R60 000	41%
R60 000	-	R80 000	43%
R80 000	-	R100 000	44%
R100 000	-	+	45%

- We propose the introduction of a 55% tax rate

on annual income from R200 000

5. Introduce a luxury goods tax

- **Basic electronic and basic white goods (fridges, stoves, etc) should not be covered**
- **Luxury white goods like the Imported home decor should be covered**
- **The Department of Finance should list such luxury goods**

6 Encourage savings through provident funds

- **Encourage participation in provident funds through equal treatment of provident and pension funds**
- **Implement Smith Commission proposals on pension enhancement for low income earners**

7 The debt, deficit and equity

- **Countries like Italy, United Kingdom have budget deficits higher than that of S.A.**
- **Yet their unemployment rate is far lower than that of S.A.**
- **South Africa's debt to GDP ratio is 55,6%**

- **The average GDP ratio for key Organisation for Economic Co-operation and Development (OECD) countries is 72%**
- **Therefore review the current push for lower deficit and debt to allow for spending in line with Reconstruction and Development priorities**

9. Tax amnesty

- **Declare a final amnesty**
- **Appoint a team of 10 000 communication officers to visit small business and communities to encourage people to register.**
- **Leaders of all stake holders to actively campaign in support of this process**

3. The Third Pillar is Breaking the Stranglehold of Big Business in the Economy

- **Existence of large and powerful conglomerates limits economic performance**
- **A new anti-trust policy be negotiated**
- **Organised labour will set up an Anti-Trust Commission, to report on concrete proposals**

4. The Fourth Pillar is through Improving Worker Rights

- 1. Set up bargaining forums now**
- 2. Legislate for paid maternity and child care leave**
- 3. Introduce a 40 hour week**
- 4. Change the Insolvency Act**
 - **in order to introduce proper notice the trade unions and greater preference in the schedule of creditors**
- 5. Train and promote workforce**
- 6. Use of procurement policies**
- 7. End the apartheid wage gap**

- See page 32 of the social equity doc
- Disclose information
- Top 58 companies to commit themselves to reducing the wage gap to no more than 1:8

5. The Fifth Pillar is greater Industrial Democracy

1. Union based Workplace Forums

- **Train shop stewards to enhance participation**
- **Two days leave all workers for union run training on the L.R.A.**

2. Worker participation

- **Review the company act to encourage worker participation**

3. Corporate Governance

- **50% of the members of company boards should be workers**

4. Mutual companies

- **Immediate representation of organised labour and representatives from policy holders to effect control by policy holders of companies like S.A. Mutual and Sanlam**

6. The Six Pillar is Championing Economic and Worker Rights Internationally

6.1 Grow Southern Africa

- **A regional reconstruction and Development plan to be developed**
- **A regional summit of governments and trade unions to consider how to effect this plan**

6.2 Support Regional Unions

- **Adoption and implementation of the Southern African Social Charter**
- **A regional solidarity fund of R20 million a year be availed by the government**
- **S.A. Government to negotiate a minimum standards to be established across the region**

6.3 Social Clause

- **All trade agreements to contain a social clause which commits countries to observe the following:**
 - **Right of workers to associate and bargain collectively**
 - **Freedom from forced labour, prison labour and child labour**
 - **No discrimination on the basis of race, religion, and gender**
- **S.A. to campaign for the endorsement of the social clause at the WTO**
- **Preferential access to S.A. market be based on acceptance of social clause in bilateral agreements**

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6.4 World Trade Organisation

- **Representation of labour, business, NGO in the governing structures of the WTO**

6.5 Special Market Access

- **A further preferential tariffs between countries who observe further standards beyond those in social clause.**
- **A committee be set up to identify these**

Implementation

- **Negotiate core principles at Nedlac**
- **Submit to all affiliates for consideration and elaboration**
- **Reach an agreement in the first half of 1996**

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