COHESION, COVENANTS AND COMPACTS: REPORT PREPARED FOR THE NATIONAL PLANNING COMMISSION

October 2014

MAPUNGUBWE
INSTITUTE FOR STRATEGIC REFLECTION **(MISTRA)**

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ABBREVIATIONS

AsgiSA: Accelerated and Shared Growth Initiative of South Africa
BBBEE: Broad-Based Black Economic Empowerment
BLSA: Business Leadership South Africa
CCMA: Commission for Conciliation, Mediation and Arbitration
CODESA: Convention for A Democratic South Africa
COSATU: Congress of South African Trade Unions
DAC: Department of Arts & Culture
ESOP: Employee Share Ownership Plans
FEDUSA: Federation of Unions of South Africa
GDP: Gross Domestic Product
GEAR: Growth Employment and Redistribution
HRC: Human Rights Commission
ILO: Industrial and Labour Organisation
JIPSA: Joint Initiative on Priority Skills Acquisition
NACTU: National Council of Trade Unions
NDP: Nation Development Plan
NEDLAC: National Economic Development and Labour Council
NEF: National Economic Forum
NESC: National Economic and Social Council
NGO: Non-governmental organisations
NPC: National Planning Commission
NWC: National Wages Council
OECD: Organisation for Economic Co-operation and Development
PCAS: Policy Coordination and Advisory Services
RDP: Reconstruction and Development Programme
SEC: Social and Economic Council

EXECUTIVE SUMMARY

South Africa's National Development Plan 2030 (NDP) is rooted in the National Constitution and calls for a social contract that should help develop the country as well as build a more cohesive and equitable society.

The National Planning Commission acknowledges that there are various **definitions of the concept** of a social contract. However, there is broad consensus in South African discourse that the most instructive will be one that reflects the attributes of a core agreement among various societal role-players and their government that outlines the rights and duties of each party. The NDP identifies the importance of compacting in dealing with collective problems ranging from labour market policy to spatial planning. It is with this in mind that the National Planning Commission (NPC) requested the Mapungubwe Institute for Strategic reflection (MISTRA) to investigate the issues that need to be taken into account as well as the approach that can be adopted in forging a social compact in South Africa.

In terms of **methodology**, MISTRA conducted a desktop analysis of social compacts globally, and selected a few case studies for illustrative purposes to examine how the various compacts were forged, why they work and also why they do not work. Existing social compact-type arrangements in South Africa are also analysed to determine their effectiveness: the Jobs Summit, the Growth and Development Summit, the Social Cohesion Summit and the Skills Accord are a few examples that are cited. To evaluate the ability of existing institutions that serve to facilitate social dialogue, the National Economic Development and Labour Council (NEDLAC) was examined. Once this was done, pillars for a working social compact are proposed and gaps were identified. In this report, MISTRA provides pointers as to where to start conversations for the emergence of a social compact for South Africa. There is also some consideration of how else these research findings can be best used to bring key stakeholders together and to inform policy processes. This report thus articulates principles for and processes towards a meaningful social compact.

Countries that effectively introduce compacts for national cohesion and economic growth are those where social dialogue is the preferred instrument of addressing challenges.

According to Bhaskaran, M et al. (2012), the guiding principles in this regard seek 'balance between growth and equity, and between individual responsibility and social insurance'. For the purposes of this report, and because of the kind of progress that they achieved, South East Asian and a few European countries are used as a model. However, it is recognised that historical, social and institutional factors present differing openings for the development of social compacts in different countries.

For a country like South Africa which is still negotiating growing demands within the context of a backlog of the apartheid past, **poverty and inequality and their impact on social mobility** lie at the heart of its challenges. Inequality in this regard refers to criss-crossed boundaries of race, class, geography, gender, education and skills. While this may render it difficult to reach consensus on a vision and action-steps to attain it, **South Africa has commendable experience** in finding collectively-shared solutions, with the political settlement of the 1990s being the prime example.

Since then, other **subsidiary initiatives** have been undertaken, including the Jobs (1998) and the Growth and Development (2003) Summits, the Accelerated and Shared Growth Initiative for SA (AsgiSA) and the 2012 Social Cohesion Summit. Among the **weaknesses that undermined the full attainment of the objectives of, and agreements from, these initiatives are, variously**: continuing attempts of social partners to punt their maximum positions in spite of agreements reached; reluctance on the part of leaders to communicate compromises to their constituencies; politico-ideological posturing in the context of electoral campaigns; and jettisoning of compacting processes and structures when new political leadership takes the reins of government.

In addition to the social, economic and environmental rights enshrined in the Constitution, the concept and practice of social compacting was arguably first applied in the transition period with the establishment of the National Economic Forum (NEF) comprised of business, government and labour. This evolved into NEDLAC which has played an important role in ensuring social dialogue on complex issues of socio-economic policy. However, there is a widely-held view that **NEDLAC has become less effective**, among others, due to: juniorisation of representatives, of the social partners, the fact that each constituency approached discussions with frozen mandates seeking to achieve its maximum positions;

perceptions of politico-ideological alignment within its bureaucracy; and the fact that the governing politicians are perceived to be in cahoots with one of the constituencies through their political alliance.

While the absence of a National Vision had been one of the major deficits in the past 20 years, **the development and wide acceptance of the NDP** has the potential to put the country on a new and qualitatively higher pedestal of social compacting. The existence of the NDP and the support it enjoys within society presents a unique opportunity for South Africa to fashion a social compact and to ensure its implementation. Government has adopted the plan and developed a Medium Term Strategic Framework (MTSF) for the current mandate period, that accords with the NDP.

This vision needs to be continuously communicated so that all South Africans can take ownership of it. In this way whatever the basis of the Social Compact, there will be an appreciation that the immediate sacrifices a sector of society needs to make, it is in the interest of long-term gains. Basing the Social Compact on a shared vision would also acknowledge that while different elements of South African society may have differing starting points, we all share a common, minimum set of objectives which are aimed at the betterment of South African society as a whole.

The **economic storyline of the NDP** identifies the infrastructure programme, interventions to facilitate manufacturing, the green economy, a mature industrial cluster for mining, and revitalisation of agriculture as key drivers of economic growth. In addition to this, developmental activism by the financial sector and small business development are also seen as important platforms for employment creation. Agreements on how to raise each of these sectors to a higher level of growth and job-creation will be critical to the realisation of NDP.

The **pillars of social compact** should primarily include: a basic framework of macroeconomic policies and interventions; revision of sector charters so they align with NDP objectives; measures to realise the BBBEE programme including ESOPs; incomes policy and minimum wage(s); inflation policy that deliberately also addresses the cost of living for the poor; high mark-up prices in the product markets; cost of transport for the poor; implementation of

'mini-compacts' on youth, gender and skills; and safety and security issues. These issues should be **attended to as a package**.

With regard to **process**, consultations and agreement on the **framework and programme of action** for each of the proposed pillars should be in place for adoption at a **Vision 2030 Convention in 2015**. This should include consultations with the parties represented in Parliament. The process should be led by the Presidency, and NEDLAC should be used as the platform for different sectors to indicate how they can contribute to Vision 2030.

To widen the reach, legitimacy and profile of this initiative, it is proposed that a **Vision 2030 Council of Eminent Persons** also be set up to support the process. As the process unfolds, the lessons and experiences of the multi-party negotiations – including the **principle of sufficient consensus** – should be brought to bear. Furthermore, these high-level steps should create the atmosphere for the emergence of mini-compacts at a local/provincial level, or in the form of sectoral accords.

INTRODUCTION

A social compact or contract exists in relation to the distribution of power in society, condition of the national economy, and positions of various stakeholders in relation to the macro- and micro-social environment. For agreement on which attributes should be considered in the contract or compact, its implementation vehicle, and assessment of its outcomes, due consideration of the structural conditions – in the economy, politics and stakeholder relations – has to be factored in. Without this realisation of who the role-players are, what power they possess and where their likely interests would be, a contract or compact is not liable to receive support, legitimacy and agency. What allows compacts or contracts to see the light of day, survive and thrive in one location and wither and become irrelevant in other contexts, is a constant push-and-pull between the state of the politics and the economy and the transformational leaders' influence.

Countries that effectively introduce compacts for national cohesion and economic growth are those where social dialogue, rather than bargaining, is the preferred instrument of

addressing challenges. In the main, guiding principles seek to 'balance between growth and equity, and between individual responsibility and social insurance.'[1]

For a country like South Africa which is still negotiating growing demands within the context of a backlog of the past, inequality and its impact on social mobility lie at the heart of its challenges. Inequality in this regard refers to criss-crossed boundaries of race, class, geography, gender, education and skills. Apartheid functioned through the institutionalisation of inequalities. Democracy, on the other hand, creates space for recognition of these challenges through social dialogue and partnerships geared towards producing collectively-shared solutions. For purposes of this report, democracy is understood as 'essentially about accountability and about making political elites responsive to their citizens' through for example, Chapter Nine institutions 'meant to ensure that all comply with the collectively determined social compact, the Constitution, and subsequently with the legislation enacted in terms of it.' In other words, it is a vehicle that 'establishes institutional mechanisms that act as a check on elected leaders.'[2]

Most importantly, the democratic dividend has facilitated the maturity of spaces for dialogue on which a central *policy* blueprint should guide the country moving forward, including what type of *macro-organisational capacity* (polity) is needed to realise the vision and which *institutions* would monitor the implementation of the plans.

The state is an indispensable partner in fostering social partnerships (rather than mere distribution of patronage) and in managing the application and outcomes of shared agreement in such partnerships. As experience elsewhere highlights, these partnerships – between the state, labour, capital and civil society at large – provide a bedrock to the notion of a developmental state. Development in this context implies not only equitable economic growth but also human rights, community participation as well as individual and group self-determination. The state, in a democratic order, is supposed to possess a central authority

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[1] Bhaskaran, M et al. 'Background Paper: Inequality and the Need for a New Social Compact,' *Singapore Perspectives 2012*, Lee Kuan Yew School of Public Policy, p. 13.
[2] Habib, A, *Engineering News*, 'New Compact Needed to Consolidate Gains of Last 20 Years' 29 April 2014, p. 5.

and legitimacy to initiate platforms for social partnerships among stakeholders. Where there are no social partnerships, as was the case in the apartheid era, society faces intense pressures from those excluded from political, social and economic engagement.

In a situation where there are inefficient social partnerships with poor inputs from diverse sectors of society, what prevails is a mentality driven by narrow self-interest. This induces high levels of resentment among the 'have-nots', corruption, and incidence of social tension, and individualistic attitudes which eventually prove unproductive for society. One of the abiding lessons even from the precolonial societies such as the Mapungubwe state-kingdom is the requirement to craft accords or agreements to which all inhabitants of a given geographic area can consent and to work towards a common purpose based on shared sacrifice. One of the factors behind the eventual demise and fall of this ancient African civilisation was a social disconnect that emerged between leaders and the general population, incapacity to anticipate changing technological trends and a rigidity in responding to environmental predicaments.

Three decades into democracy, South Africa faces challenges, the causes and consequences of which are familiar to many other postcolonial societies. South Africa demonstrates fissures that come with the diffusion of power; spread, among others, along the fault-lines of the past. Political power resides in the main with the social groups (classes and strata) that were historically excluded from sites of governance, today complemented by an emergent (black) economic elite. On the other hand, economic power largely vests in the white business community and the swathes of professions previously denied the majority of the population.

Both these socio-political groups have the capacity to influence the direction of governmental policy owing to their common identity with the political elite or their access to resources the country needs to advance. This contradictory power dynamic results in an eclectic policy approach on the part of government, reflected in a desire to satisfy widely divergent needs and aspirations.

The attempt to attain such balance is itself not inherently negative. It could in fact lay the basis for broad consensus on the direction the country should take to deal with its social challenges. However, shorn of an appreciation of the benefits that each sector of society should derive from policies and actions, the contribution that each should make to the attainment of those benefits, and the short-term sacrifices that would be required to achieve long-term rewards for all, societal efforts become contradictory and, quite often, mutually-debilitating.

At the extreme end, as was the case in the pre-1994 situation, the long-term prospect would be victory of one side over the other or mutually-assured destruction. Herein lies the central question of leadership: the ability of the contending forces to appreciate the long-term common good and the actions required to make compromises in the short-term to attain that common good. This was the main driver of the political compact contained in the constitutional settlement of the mid-1990s.

Various reviews have been conducted to assess the progress that has been made during the 20 years of democracy. The abiding consensus from the observations is that:

- much progress has been made in consolidating democracy and ensuring the culture of human rights;
- the systems of governance have sufficient levels of legitimacy to steer the country in a positive direction, but capacity to translate ideals into concrete action requires improvement;
- interventions to deal with the social deficit inherited from the past have had some impact, but their sustenance and improvement require higher rates of economic growth;
- the country has experienced pedestrian rates of economic growth, and has been unable fully to take advantage of its potential and the post-apartheid dividend;
- poverty and inequality have not been sufficiently dented to ensure that all of society feels a common sense of belonging;
- the variety of negative experiences, ranging from socio-economic challenges to safety and security subtract from formal constitutional rights; and

- the performance and conduct of leaders in both the public and private sectors undermine society's yearning for movement to a higher trajectory of national development.

Much earlier in the transition, the need for social compacting was recognised – resulting in the fashioning of structures, systems and events to pursue that objective. NEDLAC, the 1998 Jobs Summit, the 2003 Growth and Development Summit, Working Groups of government and various sectors of society reflect that recognition. Among the weaknesses that undermined these efforts, it can be argued, was the absence of an overarching vision to inform the individual efforts.

The development and wide acceptance of the National Development Plan (NDP) has the potential to put the country on a new and qualitatively higher pedestal of social compacting. It is noteworthy that, in the 2014 national and provincial elections, some 93% of the electorate supported parties that embrace the NDP.

1.1 Brief

The policy blueprint of South Africa - at least until the year 2030 - is the NDP which was released after extensive consultation, listing ten implementation priorities. The priorities of this long-term plan include a strategy to address poverty and its effects, professionalise the public service, boost private investment in labour intensive areas, public investment to reach 10% of GDP, reduce crime, ensure environmental sustainability, and encourage active citizenship. The central organising plank of this vision is a social compact to pursue these objectives.

A social contract or compact is an important instrument to address implementation priorities not only listed above but also since what has been tried before, whether in the form of the RDP, GEAR or ASGISA, apparently was not suitably 'adequate for transforming the country into a more equitable and prosperous society by 2030.' The NDP conceptualises social compact(s) as 'collective agreements between important social partners in society about how to address major issues that parties to such agreements consider to require their collective contribution.' Similarly, Minister of Finance Nhlanhla Nene elaborates on the

necessity to 'find a balance between meeting the earning expectations of shareholders, the realisation of the vision of economic transformation required by the electorate and occupying our rightful place as global corporate citizens.'[3]

With this background, the Brief for this Report was the following:

a) conduct a desktop (DTP) of social compact models in the international and local arena and explicate how they were effectively done and tease out the problems they encountered which could cumulatively serve as lessons for South Africa going forward;

b) analyse existing social compact type agreements in South Africa since 1994 and examine how they functioned and why they did not function;

c) evaluate existing social dialogue institutions such as NEDLAC to gauge its relevance and to develop a shared understanding of the political, socio-economic challenges facing our Republic;

d) develop pillars for a working social compact;

e) identify gaps where social compacts are required and provide pointers on how/where to start conversations for the emergence of these social compacts(s); and

f) consider how else research can input into policy processes to bring stakeholders together.

1.2 Definition of Terms

The concept and practice of social compacting was arguably first applied in the transition period between 1991 and 1994 with the establishment of the National Economic Forum (NEF) comprised of business, government and labour. NEF was set up to provide legitimacy in the management of economic power relations to the interregnum between the dying apartheid order and the emergent representative society.

Social contract and *social compact* are used interchangeably in this Report to refer, in normative terms, to what is described in a July 2009 PCAS Memorandum as: 'collective agreements between important social partners in society (mostly government, labour unions, business groups, and sometimes other civil society organisations) about how to address major issues that parties to such agreements consider to require their collective

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[3] Luiz, J, 'A Social Compact for Long-term Inclusive Economic Growth,' UCT Graduate School of Business *Newsline* 4 July 2014, p. 1.

contribution.' What is more, they 'tend to be the outcome of an extensive process of interaction, deliberation and negotiation.'[4]

In the words of former Chief Rabbi of the Commonwealth, Jonathan Sacks, in *The Home We Build Together* (2007): 'Social contract is about power and how it is to be handled within a political framework. Social covenant is about how people live together despite their differences...Social contract is about laws and their enforcement. Social covenant is about the values we share.'[5] As such, a social contract as conceptualised in the NDP, aims for *quid pro quo* 'equity and inclusion' in that, at its nucleus 'is an agreement that outlines the mutual rights and responsibilities of citizens, their government, and other institutions in society. Through such a contract citizens gain civil rights in return for accepting the obligation to respect and defend the rights of others, giving up some freedoms to do so. Underlying this concept is the acceptance that everyone is equal to negotiate these obligations and freedoms, and that all will be treated the same before the law.'[6]

A mechanism to facilitate social compacts is *social partnership* in the form of, for example, labour-government-management relations. These relations, by way of social dialogue, are central in the promotion of interests of workers and management plus the development of socio-economic productivity. The Industrial and Labour Organisation (ILO), through the words of Tayo Fashoyin, regards social partnership dialogue to function best 'through negotiation, consultation, and information sharing' to 'shaping employment relations, enterprise performance and a country's social and economic development.' Fashoyin views social partnership 'as an analytical tool and as a participatory mechanism for labour market and social policy issues.'[7]

Social dialogue on the other hand encourages consultation and information sharing between partners working for common interests. *Collective bargaining* 'has only dealt with

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[4] Policy Unity (PCAS), Memorandum: 'Note on Social Compacts,' July 2009, p. 1.
[5] Quoted from Kaplan, S, 'Social Covenants and Social Contracts in Transitions,' *Norwegian Peacebuilding Resource Centre (NOREF) Report*, February 2014, p. 3.
[6] URL://http.wwwnpconline/pebble.asp?relid=101
[7] Op. cit. February 2011, pp. 1-2.

the consequences of decisions, without having been able to influence the decision-making process itself.'[8]

In a sense, a social compact as desired by South Africans in the context of the National Development Plan combines both elements of a social covenant and the narrow definition of a social compact; it requires elements of social partnership; it can only succeed in the context of social dialogue; and the processes of forging it would entail some level of collective bargaining.

Social compacts should not be viewed as a sacrosanct vehicle for inclusive and equitable development. For it to find anchor and durability it must be adaptable or responsive to changing circumstances such as political, technological, and economic trends.

1.3 Theoretical Background

Thinking on the social compact or contract has roots in 17th to 18th century theories of the likes of John Locke, Thomas Hobbes and Jean-Jacques Rousseau. John Rawls further developed the notion in the 20th century. Hobbes conceived a social contract as interest-based compared to Rousseau who emphasised the rights of individuals and society. The liberal perspective espoused by Hobbes argued for the protection and maintenance of law and order as the reason for citizens consenting to rule by the state whereas for Rousseau the promotion of social justice was at the root of government responsibility. Under a social contract, justice for Hobbes is centred on protection of individual interests while for Rousseau the commonwealth is more central.[9]

The collected works of these thinkers on and about the social contract – as essentially hinged on 'the rights and responsibilities of the state to its citizens and citizens to each other' – in the main, doubled as 'the precursor to modern concepts of democracy and the

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[8] Ozaki, M and Rueda-Catry, M, 'Social Dialogue: An International Overview,' *Trade Unions and Social Dialogue: Current Situation and Outlook*, Labour Education 2000/3, No. 120, p. 2. It is to be recalled that the 'ILO Collective Bargaining Convention, 1981 (No. 154), defines collective bargaining as: "all negotiations which take place between an employer, a group of employers or one or more employers' organizations, on the one hand, and one or more workers' organizations on the other,"' in *National Tripartite Social Dialogue: An ILO Guide for Improved Governance*, Turin, 2013, p. 17.
[9] Hickey, S, 'The Politics of Social Protection: What do We Get from a "Social Contract" Approach?' *Chronic Poverty Research Centre*, Working Paper No. 216, July 2011, p. 8.

democratic state, wherein ultimate power resides with citizens who willingly delegate certain authority to the state so that individuals may fruitfully participate in a social arrangement that enhances the shared prospects among all participants in a defined community.'[10]

These social thinkers were writing at a time when societies were negotiating the proper forms of government-society relations and frameworks for legitimacy of political institutions. Rawls in *A Theory of Justice* (1972) would extend this debate to focus on social contract theory 'whereby he argued that people would not agree to subject themselves to political authority unless certain conditions were in place to ensure their basic freedom and equality.'[11] Social contract or compact theory therefore is about the balance between the rights and responsibilities of the state to its citizens, of citizens to the state, and of citizens to each other. Arguably, it is a precursor to modern concepts and practices of democracy, wherein ultimate power resides with citizens who willingly delegate certain authority to the state so that individuals may fruitfully participate in a social, economic and political arrangement that enhances the shared prospects among all participants in a defined community.

The centrality of the state was important during these early days of formalising government-society relations. Also, the state came into being, so to speak, to deal with 'irreconcilable antagonisms' and 'classes with conflicting economic interests.'[12]

In its favour, the 1996 South African Constitution in its ambit of social relations accommodates both the Hobbesian approach and Rousseauian slant centred on 'mutual respect.' However, a distinction can be drawn between a social compact and a political compact using the distinction drawn by the social scientist Thandika Mkandawire, speaking at the 2012 MISTRA Annual Lecture. Social pacts aim to produce 'certain socio- and macroeconomic outcomes like the reduction of income inequality, economic development,

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[10] White, L, *Time to Rewrite the Social Contract?* Business for Social Responsibility April 2007, p. 4
[11] Ibid. p. 6. Moreover, Rawls would anticipate Thomas Piketty's *Capital in the 21st Century* (2014) when he contends, he 'would sooner overhaul than protect current institutional arrangements in order to ensure higher levels of equality, including re-distributive measures upon the basis of need,' pp. 7-9.
[12] Engels, F, The Origin of the Family, Private Property and the State, quoted in Netshitenzhe, J, *10th Harold Wolpe Memorial Lecture*, Cape Town, 7 November 2012, p. 2.

competitiveness, employment, macroeconomic sustainability, social security and the like.' In slight contrast, political compacts 'have been reached in a number of countries to address political impasse – GNUs (Governments of National Unity)...the political project of national cohesion.'[13]

The European Social Model of the European Union illustrates the variety of issues that a social compact can embrace. It protects and ensures social rights (over economic freedom). It requires looking at policies improving living and working conditions, quality employment, fair wages, equal treatment, effective social dialogue, trade and human rights, quality public services, social protection as well as an industrial policy favouring a just transition towards a sustainable developmental model. Sustainable development referred to here would be a humble response to the call by Rabindranath Tagore in *The Robbery of the Soil* about how cumulative human civilisation in its 'scramble for the right to self-indulgence, they laughed at moral law and took it to be a sign of superiority to be ruthless in the satisfaction, each of his own desire. They exhausted the water, cut down the trees, reduced the surface of the planet to a desert, riddled it with enormous pits and made its interior a rifled pocket, emptied of its valuables.'[14]

As argued above, to facilitate the formulation and ensure the execution of a social compact requires a social model structured around collective bargaining and, by implication, requires a social dialogue model bringing together relevant supporting measures for this process.

Since a social compact is based on the interaction between social actors comprising of government, labour, civil society and industry, its roots lies in democratic social dialogue around rights and development including the horizontality of rights among citizens. A social compact is embedded in significant social values that support the understanding of developing communities in a consultative process, including using the resources of the community itself. In terms of public governance, to define the social compact values is to highlight 'social values such as resilience, solidarity, compassion, respect and dignity as well

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[13] *Building the African State in the Age of Globalisation: The Role of Social Compacts and Lessons for South Africa*
[14] From Shiva, V, *Making Peace with the Earth: Beyond Resource, Land & Food Wars*, South Africa: Jacana Media, 2012, p. 5.

as public service values, including Batho Pele's intentions for responding to people's needs; citizens participating in processes affecting them; and rendering an accountable, transparent, and development-oriented public administration.'[15]

Corporations were by and large absent from the earlier formulation of the social contract. The recognition of the 'corporate citizen' as societal actor on a par with government or the citizenry began in earnest only in the early 19th century. The earliest state-chartered corporations such as the British East India Company and the Dutch East India Company, for all their influence, power and resources, were unique monopoly enterprises with a royal mandate as much political in nature (to expand the empire) as commercial (to enrich the royalty and investors).

For the 60,000 multinational corporations that represent about one quarter of global economic output, the need to act in partnership with government and society at large, is critical not only in order to ensure social benefit; but it is also recognised to be in the self-interest of these corporations themselves.

Social compacts are best characterised by Mkandawire as useful 'to address distributive and growth objectives of society at the micro-level; to improve labour management at the firm level…to manage the distributional issues of macroeconomic policies…(and as such) require coordination and co-operation in both the political and economic spheres.'[16]

1.4 Methodology

The research was primarily based on desktop research as required by the Brief for this Report. It is not a comprehensive analysis and review of the conceptualisation, implementation, and monitoring of social compacts locally and internationally. It simply extrapolated certain experiences from a variety of contexts in order to isolate possible lessons for South Africa moving forward after twenty years of consolidating its evolving democracy.

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[15] Crichton, A, 'Realising the Social Compact in the Eastern Cape for Health Human Resources: Improving Management Practice Through Value-driven Systems'
[16] *Mapungubwe Institute Inaugural Annual Lecture*, Johannesburg, 29 March 2012.

The relevance of existing social dialogue institutions was looked at to evaluate their significance and to develop a shared understanding of the political and socio-economic challenges. Through meetings the research group engaged in the identification of the pillars necessary for a working social compact, and established gaps where social dialogue and agreement is required.

1.5 Outcome

As stipulated in the brief, this Report aims to 'identify principles for and processes towards a meaningful social compact.' The research looked at national and international examples of social compacts and their successes and failures. Comparisons were made between the current position in South Africa and those examples, establishing similarities and contrasts.

Arising out these processes, recommendations are listed and a feasible process proposed.

2. SOCIAL COMPACTS IN HISTORY

Since there is no universal understanding or application of social compacts or contracts, there cannot be a one-size-fits-all model applicable to all societies. The structural conditions of countries present differing openings for implementation of a social compact. As such, compacts elsewhere are not easily grafted to other contexts.

Because of the kind of progress that they achieved, South East Asian countries after WorldWar II are used as the preeminent model in social compacting. These countries offer lessons on tripartism, containing 'choices and compromise,' in contributing to shared growth.

In Western Europe social pacts have been a preferred route in areas of economic and social policies, and more recently, in order to 'facilitate the adjustment of national economies to external shocks such as loss of competitiveness or economic/monetary integration.'[17]

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[17] National Tripartite Social Dialogue, p. 34.

2.1 International Cases

2.1.1 Singapore

Like other countries in South East Asia, at independence Singapore had to rebuild its society without reliance on natural resources. This had to be done in a climate where its larger neighbour, Malaysia, had been hostile to the separation. Also, internally, it is a multi-ethnic society of Chinese, Indians and Malays. It devised policies and action programmes which sought to unite the nation around a common vision and which were wholly dependent on its human resource capacity and regimes combining some levels of authoritarianism and democracy. This pragmatism, safe from the prison of dogma, recognised the role of the market in resource and product allocation, and foreign investors in revving up economic activity. Through charters such as the Charter for Industrial Progress and the Productivity Code of Practice, government's legislative framework became essential in the protection of labour while creating an investor-friendly environment.

Later a National Wages Council (NWC) was established – as an industrialisation social pact – to institutionalise 'a wages policy that provides for orderly and realistic bipartite adjustments at the enterprise level,' and 'setting minimum standards and measures for wage progression.' These initiatives were built from a foundation meant to promote 'strong consensus and trust' and 'defined national guidelines' inarguably 'consistent with overall long-term investment and growth of the economy.' Centrally, the NWC was a 'joint vision of leadership…instrumental to building trust, cooperation and compensatory benefits for both the government and social partners.'[18]

The format of these practical partnerships is a *tripartism* that shores up 'economic competitiveness, harmonious labour-management relations and overall progress of the nation.'[19]

2.1.2 Ireland

In Western Europe, the so-called 'Irish miracle' of 2002 emerged primarily from social partnerships among political leaders, industry and trade unions to devise actions and

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[18] Fashoyin, 2011, pp.12-13.
[19] URL: www.tripartism.sg/.

commitments to reverse negative economic indicators that reduced Ireland in 1987, according to *The Economist*, 'to a basket case.' In the process, *Ireland* was able to address problems of mass migration in order to place the country on an upward trajectory, until 2005 and the 2008 great recession, in a 'remarkable transformation of recent times.' Of course the Irish social partnership prototype received a litmus test after the recent global crisis. A 'government recovery plan, entitled "Further measures to support national recovery through social partnership" included proposals on new job protection measures, measures on insolvent private sector pensions, commitments to improve employment rights measures, greater protection for mortgage holders.'[20]

In a paper sub-headed *Are There any Historical Lessons to Learn from the Irish System of Social Compacts?* Abel Gwaindepi says, by way of quoting the Organisation for Economic Co-operation and Development (OECD), the recent financial crisis presented two possible responses from affected and non-affected countries: '"a) the crisis provides an external stimulus for partners to come closer together, as partners share the understanding that only by close collaboration will they find solutions for their communities to weather the storm; or b) the crisis makes the existing and unresolved differences between partners visible, resulting in more complicated discussions, and difficulties in reaching agreements on new priorities."'[21]

Irish partners set up a National Economic and Social Council (NESC) to reverse the certain abyss their country faced. Part of the major agreements reached within the NESC, also involving non-governmental organisations (NGOs), included measures to reduce the national debt, deferral of pay increases to civil servants and non-compulsion of multinational companies to negotiate with trade unions. To cushion the material pain from these sacrifices, inclusive welfare provision was made to cushion the poor from the dehumanising effects of abject poverty and unemployment.

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[20] Ibid. p. 22.
[21] Gwaindepi, A.:'South Africa Urgently Needs a "Social Compact/Dialogue": Are There any Historical Lessons to Learn from the Irish System of Social Compacts?' *Mediterranean Journal of Social Sciences*, Vol. 5, No. 14, July 2014, p. 481

2.1.3 Netherlands

The innovative 1982 Agreement of Wassenaar still stands as a model of social compacts in the Netherlands. Its initial focus on 'Aspects of an Employment Policy' and wage restraint in particular set standards for social dialogue between social partners. This Agreement was fruitful in 'wage moderation, by which wages were kept lower than productivity increases, while working time was reduced through measures such as job-sharing'. It was an important breakthrough in employment creation and stimulation of productivity. This Agreement played a major part in the increase in Netherlands' 'investment levels, and part-time jobs mainly for women and young workers.' [22]

In addition, the Netherlands has also benefitted from a social compact forum in the form of the advisory body called the Sociaal-Economische Raad (or Social and Economic Council [SEC]), founded in 1950, to promote full employment, sustainable economic growth, and fair income distribution. As a tripartite forum, this SEC, as a 'long-standing tradition and mechanism,' is also responsible for 'labour market innovation, environment and social security.'

2.1.4 South Korea

Like other East Asian countries that came of socio-economic age after World War II, South Korea has developed planning through the facilitation vehicle of 'autonomous sector institutes' which have played a 'critical role in the interface between central government and the sectoral actors.' [23] Rather than predominantly use coercive force, the various South Korea administrations, largely, have relied on convincing relevant social actors to come on board in order to realise the development that transformed this country from a rural agricultural outpost to a relatively egalitarian country.

The co-option of social actors was necessary in the creation of what has since been termed 'South Korean essentials,' which revolved around some of these factors: 'a strong interventionist state determined to pursue export-oriented economic growth; the availability of a high-quality, low-cost labour force…the issue of role and restructuring inter-

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[22] Ibid. pp. 10-11.
[23] PCAS 2007, *Strategic National Development Planning in South Korea, India, Brazil, Malaysia*.

field efficacy, mainly between agriculture and industry; the issue of maximization of surplus which can be invested, including the role of foreign capital...; legitimacy of a development project to the social sectors who will bear the effort.'[24]

2.1.5 Sweden

What is today called the 'Swedish model' has its early origins in the first quarter of the twentieth century. It emerged from what Swedish Social Democrat Per Albin Hansson called 'the people's home':

'Should the Swedish society become the good citizen's home the class difference must be removed, the social care be developed, and economic equalization happen, workers be provided share even if the economic management, democracy be implemented and applied even socially and economically.'[25]

These ideas have played a critical role in shaping social compacts between labour and capital especially. The state has sought to either facilitate or directly put in place incentives or punitive measures to encourage strategic dialogue and consultation between labour and capital with the aim of attaining 'full employment' and generally prosperous society.

Among others, 'the Basic Agreement (or the Saltsjöbaden Regime) of 1938 between the Swedish Employers' Confederation (SAF) and the Swedish Trade Union Confederation (LO) initiated a new epoch in the history of Swedish industrial relations, lasting for about 30 years.'[26]

The Saltsjöbaden Regime was perceived more as a procedural agreement outlining a 'rule system for conflict resolution in the labour market' between labour and capital. However, later on in the 1940s, the negotiations between SAF and LO included substantive issues such as 'workers protection, vocational education, joint councils for information and consultation, time-and-motion studies, joint wage statistics, etc.'[27].

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[24] Ioan Ciobanu et al, 'Secrets of the South Korean Economic Miracle,' Analele Stinintifice Ale Universitatii, Stiinte Economice, 2010, pp. 191-193.

[25] Hansson, P-A & Berkling, A quoted in Ekholm, E. 2010. The Swedish model and the Rehn-Meinder model – A definition of the Swedish model and comparison to the Ren-Meinder model.

[26] Elvander, N. 2002. Two Labour Market Regimes in Sweden. A Comparison between the Saltsjöbaden   Agreement of 1938 and the Industrial Agreement of 1997.

[27] Ibid, p3.

Of course successive agreements or social compacts were entered into given new conditions and periods in the evolution of the Swedish model and new threats to the political economy.

The Swedish model is notable for its conception of the welfare state. At the core of the model is full employment and de-commodification of labour. It is understood that if growth and development does not lead to shared prosperity, then the legitimacy of the state and the whole political economy faces the danger of collapse and that the losses will affect all sectoral interests. Welfarism is correctly understood to mean that the state intervenes through social and economic infrastructure programmes to reduce the cost of living, provide quality public services and provide a safety net, not only for the most vulnerable in society but for all of society.

Another lesson from the Swedish model is the role of the political elite in for instance periods of crisis. Crises are used to introduce systemic changes in the political economy. The legitimacy and capacity of the state to bring about social partners to resolve systemic problems is quite impressive.

2.2 South African Context

The new South Africa began with a dysfunctional economic setup, inherited from the Apartheid government, the effects of which persist today.

While the country has largely experienced positive growth rates, the rate of growth has been insufficient to absorb the large labour surplus, and negative growth due to the Financial Crisis led to negative growth and significant labour shedding. While growth has recovered since then, the growth in employment has always been smaller than the growth rate of the economy, and employment has not breached the high of 2008.[28] Employment would have to grow at 6.3% a year to absorb labour market entrants and avoid the unemployment rate increasing. The unemployment rate is amidst the highest in world, and in July 2014, at 25.5% (narrowly defined) it is the highest it has been since 2008. (Stats SA, QLFS, 2014)

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[28] Bhorat, H et al, *Occupational Shifts and Shortages: Skills Challenges Facing the South African Economy*, Labour Market Intelligence Leadership, 2013.

Investment in South Africa is low, but has been growing. Although it peaked in 2007, it has recovered following the crisis, and exceeds levels from the 1990s. Infrastructure projects coming online at present are expected to raise the investment level, but much of this investment is being undertaken by the public sector. Even though interest rates remain low, investment could be higher. In particular expenditure on research and development remains lower than 1% of gross domestic product (GDP) (Development Indicators, 2013).

Since the 2000s, inflation has been stable, although exchange rate depreciation and rising fuel prices led it to breach the inflation target in 2014, which has led to a small increase in the interest rate, but the inflation rate is expected to remain above 6% until the end of the year (Development Indicators, 2013).

South Africa has been declining in global competitiveness rankings, due to labour strife and exacerbated by declining confidence of rating's agencies in South African bonds and banks. South Africa's performance as a knowledge-based economy has also been lagging (Development Indicators, 2013).

Having provided insight into the macroeconomic situation in South Africa, we examine the goals of the National Development Plan (Vision for 2030) before discussing some of South Africa's socioeconomic trends. It outlines a long term strategy for the attainment of concrete goals underpinned by the values contained in the Bill of Rights of South Africa's Constitution.

The elimination of income poverty, reducing inequality and attaining full employment (at an unemployment rate less than or equal to 6%) are critical objectives to provide all citizens with an opportunity to secure a decent standard of living, as outlined in the NDP. Social protection available to all, should they find themselves in need, is also deemed essential to buffer citizens from shocks and circumstances beyond their control.

Also identified as a priority, is the provision of quality education and healthcare, both imperative, especially in order to facilitate the full participation of citizens in the labour

market. In addition, the building of an efficient, capable and corruption-free state in concert with the goals outlined above is an ideal that all reasonable citizens should support.

Equality, dignity, freedom and security are all rights enshrined in the constitution, and congruent with goals outlined in the NDP. Rights to assemble, demonstrate, picket and petition, as well as the right to unionisation and provisions to strike, are all essential to support the attainment of equality, dignity, freedom and security. Other social rights include the right to live in a protected, healthy environment with proper access to adequate housing.
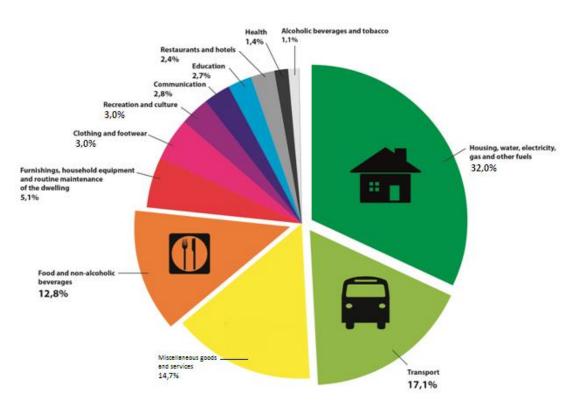
To see the necessity of a renewed action plan, it is worth considering key socio-economic trends in South Africa. Stats SA's income and expenditure survey (IES) is undertaken every five years, and statistics reported emanate from the 2011 survey. 20.2% of South Africans live beneath the food poverty line (R321 per month in 2011 prices), while 45.5% of the population live beneath the upper-bound poverty line (UBPL) of R620 per capita per month in 2011 prices. Roughly 23 million South Africans live beneath the UBPL. These statistics have improved since 2006, and the improvement is attributed to social grant extension, real income growth, lower inflation and credit expansion.

The global financial crisis of 2008/2009 is considered to have hit those living in extreme poverty; the worst with numbers increasing between 2006 and 2009, but by 2011 this rate declined to roughly 20.2% of the population. The decline in the depth of poverty reported is attributed to the 'various successes of the pro-poor elements of the country's policies.' Nonetheless, substantial inequality persists, and the Gini coefficient, which is a number between 0 and 1, where 0 indicates total equality and 1 indicates total inequality, is calculated to be approximately 0,65 based on expenditure data and 0,69 based on income data in 2011. The richest 20% of the population account for 61% of consumption in 2011, which is 3% lower than in 2006. In contrast, the bottom 20% only consumes 4.3% of the pie, down from 4.4% in 2006. Inequality is a persistent feature of the South African economic landscape and few countries are more unequal.

It is worth considering what households spend on. 32% of overall consumption expenditure is dedicated to housing, water, electricity, gas and other fuels. Combined with expenditure on food and non-alcoholic beverages (12.8% of total household expenditure), housing, utilities, food and beverages account for almost 50% of household expenditure.

17.1% of household expenditure is spent on transport or almost one rand in six – which is a large proportion of household income, and, in the wake of recent depreciation on fuel price hikes may well have risen substantially since the survey (2010-2011).

Poverty Trends in South Africa 3 April 2014

Source: http://beta2.statssa.gov.za/?p=2591

This provides an overview of the South African economy, including the macroeconomic landscape as well as socioeconomic trends to provide contextualisation for analysis of NEDLAC, the country's official home for social dialogue.

2.2.1 NEDLAC

The National Economic Forum (NEF) set up in 1992, was a precursor to the National Economic Development and Labour Council (NEDLAC) launched in 1995.

NEDLAC is a forum for social partners to deliberate on socio-economic policies and their relation, for one, to the labour market. NEDLAC was instrumental in creating a platform for the transition phase in the 1990s by facilitating the proclamation of progressive legislation and policies such as the Basic Conditions of Employment Act of 1997 and Skills Development Act of 1999 arrived at through negotiations between parties reliant on their respective mandates. One other central law, the Labour Relations Act of 1995, negotiated at NEDLAC, produced a mechanism forum for workplace dispute-resolution, namely a Commission for Conciliation, Mediation and Arbitration (CCMA), whose brief is to adjudicate, among others, in dispute resolution, employment equity, and labour rights protection.

To underscore the frenzied workload of employee-employer relations, the CMMA 'reports that it received 170,673 new cases between April 2013 and end-March this year – a staggering average of 680 every working day.'

Labour expert Tony Healy says what is required is bold business leadership that views employees not simply through their labour power but also through their contribution to the operation of the company. 'Any gesture that creates meaningful equity interest and wealth for grassroots employees has got to be a move in the right direction.' In agreement, the former leader of Business Leadership South Africa (BLSA), Michael Spicer, says there is a movement towards 'getting back in touch with your workforce and communicating the circumstances of your firm…(through) ongoing discussions on the company's performance and costs, its goals, the trading environment…and what, collectively, management and labour can do about all those things.'

During the late 1990s and early 2000s, NEDLAC found itself caught up in the ideological battles over the relevance and application of the Growth, Employment and Redistribution (GEAR) to address the legacies of apartheid in society and the economy. Trapped in this

crossfire, it found itself muffled from discharging its function as an open social dialogue platform not only for the golden triangle (business-labour-government) but civil society organisation such as those from the youth, rural, and unemployed sectors.

When NEDLAC was formed, its mandate was mostly to 'promote goals of economic growth, participation in economic decision-making and social equity; seek to reach consensus and conclude agreements pertaining to social and economic policy.'[29] Edigheji and Gostner emphasise these functions to underline a definition of a social dialogue platform like NEDLAC as 'processes and institutions which facilitate the participation of social partners in socio-economic policy processes.'

The extent to which NEDLAC can surmount its rather handicapped position that renders it being perceived as simply a creature of the early democratic phase, depends on extraneous factors but also it finding a new vision for itself. It has to transcend what has been characterised as follows: 'fossilised in its approach; each constituency pursues frozen mandates; representation has been juniorised and the interactions technocratic.'[30] For its survival, it is incumbent that it reinvents itself as a facilitation forum based on and for the promotion of trust, compromise and win-win outcomes. 'NEDLAC, as an institution, is founded on the concept of a social compact. The questions are: how formalised is it? How committed are we to it? How effective is it?'[31]

There is no denial of the imperative to instil among all social partners that genuine socio-economic development hinges on recognition of making 'short-term sacrifices for longer-term benefits.' It speaks to acknowledgment that 'social dialogue does not eliminate disagreements but rather it provides room for lawful and channelled expression of anger or dissent.'[32]

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[29] Edigheji, O, and Gostner, K, 'Social Dialogue: The South African Experience,' *Trade Unions and Social Dialogue: Current Situation and Outlook*, pp. 84-86.
[30] Harold Wolpe Memorial Lecture, 2012, p. 10
[31] Masilela, 2014.
[32] Ibid. p. 91.

Former COSATU leader, Jay Naidoo, estimated that structural conditions within society have created a 'political stalemate' that is 'on the shop floor and in the country.' Moreover, there is an atmosphere where 'people feel powerless and robbed of their voices. In the absence of strong, legitimate political organisation in the communities, they see violence as the only language their leaders will listen to.' [33]

Let us recall that one of the major roles of NEDLAC is to promote stakeholder cohesion through the promotion of a shared vision of South Africa's development in order to foster stakeholder agreements and partnerships in relation to the policy environment and action that should be undertaken to yield desired results.

NEDLAC is also positioned to assist with the selection of the optimal interventions and the formation of broad policy frameworks to accelerate investment, increase employment and improve efficiency and productivity as well as attain a fairer distribution of economic opportunities and a more equal society.

NEDLAC is also supposed to conduct research that guides the formulation and implementation of relevant policy. It also has responsibilities in relation to section 77 of the LRA and the resolution of socio-economic disputes.

To evaluate NEDLAC's performance, one cannot do so in isolation. While NEDLAC is perceived to have enjoyed far greater success in its early years, to fail to account for the change in global economic circumstances and the degree of polarisation worldwide, mirrored in the South African economy, would be unfair to the organisation.

The external environment is outside of the locus of control yet exerts considerable influence on the constituencies of NEDLAC, their mandate and their capacity to reach agreement on issues brought before the chamber. Furthermore, the extent to which issues escalate in urgency, leading constituencies to seek alternative means of representation and engagement also subverts the role of NEDLAC in the dialogue processes.

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[33] Naidoo, J, 'Marikana is 1987 All Over Again,' *Pretoria News,* 19 August 2013, p. 6.

NEDLAC's role in examining and improving legislation was recently questioned. Legislation has been sent to NEDLAC by the State for nearly 20 years, and the labour legislation formulated in the 1990s as well as competition legislation are considered amidst its major successes. At that stage, social dialogue functioned and the prospect of a social compact seemed viable.

Since then, this hope has diminished. The length of time taken for policies to pass through NEDLAC is extraordinary, particularly on controversial issues. The impact of this lack of performance was highlighted when the National Treasury sought legal support for their decision to bypass NEDLAC in relation to the Employment Tax Incentive Bill.

Rather than the simple bypassing of NEDLAC, it was the legal opinion that concluded that the state was not obliged to consult NEDLAC, 'an advisory body, no more and no less,' that calls the organisation's future into question. This must be seen in conjunction with NEDLAC being ignored when social dialogue was of absolute necessity as in the case of Marikana, a watershed moment regarding the perceived institutional relevance of NEDLAC.

Factors that have led to NEDLAC's fall from prominence include stakeholders taking dialogue less seriously. None of the constituencies sends their best people. There is limited scope for negotiation, and it is argued that both business and labour seek alternative means of policy influence. In particular, it is alleged that labour exploits its relationship within the alliance to meet their needs. Furthermore, it is argued that even the state does not take the forum seriously, failing to send representatives of a senior nature to engage at NEDLAC. It has been highlighted that state departments convene summits to bypass NEDLAC.

Summits provide alternative scope for ad hoc social dialogue, but they threaten NEDLAC's role simultaneously, because of a lack of commitment from stakeholders. Senior leadership from all constituencies should make a meaningful commitment to the institution, attending sufficient meetings and engaging at the appropriate level.

In addition, the economist Dawie Roodt indicates that while NEDLAC is not set up as a decision making body, it should be the forum for discussion and informal agreement. While he acknowledges parliament as the forum for agreements, he considers that the perceived importance of informal agreements might be altered if the government took the social dialogue space seriously, maintaining consistency between promises in informal dialoguing and formal parliamentary processes. In contrast, Adcorp's Loan Sharp alleges that the labour constituency does not represent the workforce at large, much less civil society. In addition, the postures of labour and business are further apart than ever. While this may be true, the blame for this can hardly be attributed to NEDLAC, but to the broader socio-economic landscape.

Interestingly, the stakeholders in the economy were more open to consensus in the early years of the new democracy, explains Alistair Smith, NEDLAC's Executive Director. Still, failure to find consensus began as long ago as 1996. Unlike in 1996, policy positions are far better defined and further apart.

Nonetheless, Smith reports that in NEDLAC's absence there would be no formal space to reach consensus. The role of NEDLAC is not to take decisions but contribute to making better decisions. Without NEDLAC, he says, conflict will just continue to grow. Improving the prospect of consensus requires better quality interactions, from an informed position that facilitates better reasoning.

There is however the view that NEDLAC should be abandoned, because it served a role avoiding a breakdown in relationships between key economic actors in the early years of transition, but the model is no longer applicable. According to this argument, the State through parliament and the Executive can consult and govern. Social partnerships could be negotiated through specific bilateral or multilateral forums.

Why should new forums be set up when one exists? In NEDLAC's absence, 'would the government feel obliged to consult?' Is institutionalised social dialogue really no longer important? NEDLAC's role as a bargaining forum is questioned. It is suggested that the focus should be social dialogue, and NEDLAC is the home for innovative research into ameliorating

socio-economic problems – 'rather than the bargaining chamber that the latest legal opinion indicates may not even have much legal status.' Combined with a revision of the representation of constituencies, to ensure contemporary relevance and inclusivity, NEDLAC might well reform.

It is reported that following Marikana, an external review of NEDLAC was commissioned, which was sponsored by the International Labour Organisation. At present it is not publicly accessible, but would surely provide the basis for the organisation's capacity to reform.]

2.2.2 1998 Presidential Jobs Summit

The 1998 Jobs Summit was established to facilitate a lasting agreement between labour, business and government on the creation of jobs. This development accord produced mixed results. The Summit centred on addressing the lacklustre performance of the economy in terms of job growth, in the hope that a common understanding would be reached by all stakeholders and a commitment undertaken to increase employment. At that stage, it was recognised that the economy was in the early stages of massive restructuring, but that a collective strategy was needed to promote growth, investment and sustainable employment.

While the preceding statement prefaced the 1998 Jobs Summit, it is as applicable today, which begs the question as to what in fact the summit achieved. This was despite efforts by the partners to ensure the implementation of various agreements.

One of the major outcomes of the 1998 Jobs Summit was the setup of the Job Creation Trust. The trust was founded by the labour movement, including the Congress of South African Trade Unions (COSATU), the Council of Trade Unions (NACTU) and the Federation of Unions of South Africa (FEDUSA). It was organised labour's attempt to reduce unemployment in South Africa and ameliorate crime, disease and poverty. The funds were derived largely through workers donation of a day's wage, and companies' contributing a day's profit. R89 million was raised, largely from wages and company profits.

The provision of funding was conditioned on community involvement, sustainability, governance and accountability. It was intended to improve social infrastructure and public productive infrastructure using labour intensive practices to reintegrate marginalised communities into the economy. The allocation of funding was targeted towards the provinces with extreme poverty and the highest levels of unemployment. It was reported that between 2001 and 2010, 113 projects to the value of R87 million have been funded: (http://jobcreation.org.za/project-funding/)

Organised business also committed to allocated funds for job creation. From 1999 to 2011 the Business Trust combined government resources as well as business funds to create jobs, build capacity and combat poverty. Work was undertaken to improve investment and participation in the tourism, business process outsourcing and community investment sectors. Partners worked together to improve the provision of education and infrastructure. Over the 12 year period, R1.8 billion was mobilised by business, supplemented significantly by government. Together they were able to provide 600 000 jobs, improve the performance of 1.5 million learners, and assist 8, 000 entrepreneurs with business development.

2.2.3 The 2003 Growth and Development Summit
The Summit highlighted critical objectives through a process of engagement between constituencies at NEDLAC. Stated objectives included:

- Building an enduring partnership - promoting a shared vision of South Africa's growth and development strategy to frame sector and developmental agreements and lay the basis for partnerships in action.
- Addressing urgent challenges - selecting from many possible interventions those which hold the promise of the greatest possible impact in the shortest possible time for accelerated investment, job creation, improved efficiency and productivity, greater social equity, and a fairer distribution of economic opportunities and rewards, while undertaking serious social dialogue on broad policy frameworks.
- Lending a hand - securing the commitment and active participation of all constituencies in those areas identified for prioritised action in ways that build on lessons learnt from development programmes.

This Summit recognised that without the development of concrete interventions, and appropriate monitoring and evaluation of specific programmes emanating from summits, it would be near impossible to evaluate the impact of summit agreements on broadly defined socio-economic problems.

2.2.4 AsgiSA

From 1999 to 2008, the government sought to provide a more cohesive policy effort, through the improvement in planning, policy integration and cross-departmental coordination. The Accelerated and Shared Growth Initiative for South Africa (AsgiSA) a focussed campaign to clear logjams to higher rates of growth and job creation, was launched in 2005 and is reported as one of the most significant efforts on the part of the government to lift the growth trajectory and ensure equitable benefits of the benefits. It was mandated to 'identify the major bottlenecks to attaining a 6% growth rate by 2010.'

However, the Presidency, in its Fifteen Year Review (2008) reported that coordination and planning issues remained extremely challenging, 'factors militating against effective integration in government more deeply rooted and more difficult to overcome than initially recognised.'

This was an effort to avoid a silo approach to the government's developmental agenda, but while horizontal coordination is a popular aim across governments worldwide, it is a challenge. Government administrations are typically hierarchical, with an emphasis on satisfying legal jurisdictions and departmental interests. This is opposed to an organisational set up that emphasises the 'relationships, interdependencies and the need for holistic thinking,' in relation to policy synergy.

At best, silo operations lead to gaps, which might have been ameliorated, and duplication that might have been avoided by coordination. At worst, government departments actually develop conflicting strategies targeting overlapping problems. One could use the example of the subliminal tension between the New Growth Path (Department of Economic Development) and The National Development Plan (The National Planning Commission, housed in the Presidency) as an instance of overlap, and suboptimal integration of efforts..

Social problems, for example shortfalls in education, healthcare or issues of social cohesion, urban regeneration and climate change span multiple departments and rely on collaboration to be appropriately addressed.

Horizontal coordination requires structures that facilitate informal coordination, interdepartmental committees, clusters, task teams and central implementing agencies, falling under the ambit of a coordinating unit at the highest level of government. This is what led to the emergence of the Planning Commission and the Ministry of Performance Monitoring and Evaluation, housed in the Presidency.

The Joint Initiative on Priority Skills Acquisition (JIPSA was formed in March 2006, as a component of AsgiSA, to respond to dire shortages of skilled labour in the South African economy. It was intended to be a temporary initiative to spur growth and development by establishing how best to develop and, where necessary in the immediate, to attract much needed skills to the country.

In 2007, JIPSA noted that 'South Africa lacks sufficiently skilled professionals, managers and artisans, and the challenge is amplified by the uneven quality of education and the impact of the apartheid legacy which located many people a great distance from their places of work, thus pushing up the price of labour of the poor. The acquisition of priority skills was identified as one of the most significant challenges to growth, because skills development is a long-term process.'

JIPSA's mandate (taken from JIPSA's final report, 2010) was to:
- Lead the implementation of a joint initiative of government, business and organised labour to accelerate the provision of priority skills to support AsgiSA.;
- Prioritise key skills and develop appropriate human resources development strategies to address these in the short to medium term;
- Mobilise senior leadership in business, government, organised labour and institutions concerned with education and training, and science and technology, to address national priorities in a more co-ordinated and targeted way.

- Promote greater relevance and responsiveness in the education and training system and strengthen the employability of graduates;
- Lay the foundations for more coordinated and effective human resources development strategies; and
- Identify blockages and obstacles within the system of education and training that stand in the way of the achievement of JIPSA's objectives.

Regarding stakeholder participation, it is reported that business's participation in the JIPSA framework commenced slowly, but this changed when the participating CEOs committed themselves to prioritising skills development, as a consequence of Business Leadership South Africa, putting skills development at the top of the private sector agenda as a core business input.

Government departments 'were encouraged to make high-level contributions to the JIPSA process and to improve their decision-making turnaround time so as to facilitate the speedy resolution of the challenges identified in the priority skills areas.' There was some conflict between educational authorities regarding training and throughput.

It was reported that organised labour played a positive role in the Technical Working Group and the Advisory Committees though it was felt that labour could have been more active.

Ultimately, the administration changed, and following JIPSA, it prioritised coordination and planning at the highest level of government and has created the Department of Higher Education and Training. This was a significant step to align the outputs of education and training with the skills needs of the economy. But the issue remains whether all the initiatives that were undertaken through JIPSA have been followed through.

2.2.5 Agreement to deal with the economic crisis

The deep economic crisis which emanated in the US over the 2007-2008 period, led to depressed global economic conditions. Exact points at which it impacted different countries are difficult to pin down. In December 2008, organised Labour, Business and Government met to establish a collective response to the economic strife.

Social partners stated that their primary concern related to the impact of the slowdown on the poor and most vulnerable. As indicated earlier in the report, the poor and vulnerable were indeed the worst affected by the economic slowdown – reducing their consumption, in an era where a significant number of jobs were lost. This is not unique to South Africa, and while growth has rebounded, employment gains have not been commensurate.

Employment creation programmes, the promotion of sustainable livelihoods, public investment, social relief and support were touted as the means to minimising the impact of the crisis on the vulnerable.

It is hard to establish whether these programmes were effective, because no objective assessments are available. Jobs were lost and the growth rate has not been sufficient to absorb new entrants, recover lost jobs and reduce unemployment.

Investment in the subsequent era has largely been derived from significant public investment in infrastructure – sometimes in partnership with business. However, the effect of escalating industrial strife and the recent financial precariousness evident with the need to place African Bank under curatorship suggests that all is not well. In particular, much of the consumption gap between the poor and rich has been mediated by consumption on credit, leaving financial institutions vulnerable to those who cannot afford to pay.

2.2.6 Skills Accord

The 2011 National Skills Accord was drawn up to support the New Growth Path including the inputs of NEDLAC's constituencies.

Eight broad commitments are indicated below:
- Expand the level of training using existing facilities more fully
- Make internship and placement opportunities available within workplaces.
- Set guidelines of ratios of trainees: artisans as well as across the technical vocations, in order to improve the level of training

- Improve the funding of training and the use of funds available for training and incentives on companies to train
- Set annual targets for training in state-owned enterprises
- Improve SETA governance and financial management as well as stakeholder involvement
- Align training to the New Growth Path and improve Sector Skills Plans
- Improve the role and performance of FET Colleges

While these commitments are indeed sensible, and emanated from the engagement of social partners, evaluating the impact of the Skills Accord on education and training is beyond the scope of this study. Distinguishing the impact of training on employment is an inherently arduous task, but the Department of Higher Education and Training White Paper on Post-School Education and Training (2014) highlights some of the persistent difficulties in this sector, and the Labour Market Intelligence Project is currently in the process of addressing some of the mismatch between the availability and nature of training and job-readiness.

2.2.7 2012 Social Cohesion Summit

The 2012 Social Cohesion summit took place in Kliptown – the site where the Freedom Charter was signed in 1955 – and was organised by the Department of Arts & Culture (DAC). Delegates from across civil society, government, political parties and business participated. Under the theme: *Working together to create a caring and proud society* the summit reviewed the progress made in creating a better society post 1994, discussed the National Strategy for Developing an Inclusive South African Society and identified constraints that limit advance towards a more inclusive society. Main themes discussed were: Economic Inequality, Spatial Divisions, Social Interaction, Cooperation and Solidarity, Prejudice and Discrimination and National Identity and Unity. Using the Freedom Charter which says 'South Africa belongs to all who live in it, both black and white, united in our diversity,' the complex factors and challenges we face were listed as:

- Slow economic growth and transformation which resulted in widespread unemployment, poverty, inequality and exclusion based on race, age and gender;

- Landlessness and homelessness among many South Africans and the persistence of apartheid spatial divisions, which perpetuate patterns of disproportionate land ownership and segregation;

- The burden of disease, in particular HIV/Aids and tuberculosis, which extracts a heavy toll on communities and society at large;

- Uneven access to quality education and training, which deprives young people of the knowledge and skills needed for social and economic development;

- High levels of crime and the abuse of the elderly, women and children, which affect communities and threaten safety and security;

- Gender inequalities in the household, the workplace and society which hinder the advancement of women and gender mainstreaming.

- Racism and xenophobia, which perpetuate divisions and conflict in communities;

- Service delivery failures in local communities, which lead to social instability, disintegration and conflict; and

- Perceived and actual corruption in the public and private sectors, which erode confidence and trust.

The Summit recognised that social cohesion depends to a large measure on our ability as a society to address these challenges by working together. The following resolutions were made:

1.   To mobilise society in its entirety to work together to build a caring and proud society based on shared values and a vision informed by the principles that includes human rights and equality, non-racialism, non-tribalism and non-sexism, inclusivity and social justice, redress and transformation, intercultural and community co-operation, social solidarity, active citizenship and civic responsibility.

2.   To work towards the implementation of the recommendations of the 2030 National Development Plan, as a long-term vision that should serve as a basis for partnerships across society, to attain the South Africa of our dreams, so eloquently articulated in the Constitution.

3.   To ensure that social cohesion and nation building underpins all national, provincial and local government strategic priorities, inclusive of integrated economic and social development, education, health, human settlement, land and rural development, safety and security, immigration policies and programmes, arts, culture, language and heritage development and preservation, and technological innovation, research and development.

4.   To promote and preserve all indigenous cultures and knowledge.

5.   To accelerate change by improving the quality of life of all people, with special attention to the needs of the youth, women and people with disabilities.

6.   That the state must continue to build capacity to drive the socio economic agenda in the country, including absorbing young people and women into economic activity, employing professionals, investing in skills required by the economy, and investing in research and development to respond to the demands of the knowledge economy.

7.   To continue to fight any forms of discrimination, which are threats to social cohesion and nation-building.

8.   To respect human dignity and equality, promote freedom, democracy and the rule of law, improve material well-being and economic justice, enhance sound family and community values, uphold honesty, integrity and loyalty, ensure harmony in culture, belief and conscience, show respect and concern for all people, strive for justice, fairness and peaceful co-existence, and protect the environment as contained in the Charter of Positive Values adopted by the Moral Regeneration Movement in 2008.[1]

9.   To expand existing national, heritage and other honours and awards to recognise individuals, organisations and communities that contribute significantly to social cohesion and nation building.

10. To develop a nation building project management manual and toolkit for application at all levels and to convene social cohesion and nation building summits at provincial, local and community level within the next 12 months.

11. To convene a national social cohesion report-back and monitoring summit in 2014 when we celebrate 20 years of our freedom and democracy, and thereafter at five-year intervals progress.

12. To develop a detailed plan from the proposals made at the Summit, which will be presented to the President and Cabinet on our behalf by a group of eminent South Africans.

If we consider the suite of summits and the accords discussed in this section, the only clarity that can be derived is that of the priorities the nation needs to address. The consistent refrain is to restructure the economy to facilitate inclusion, for investment to increase, jobs to materialise, so that issues of poverty and inequality can be substantially reduced.[34]

In sum, these interventions above focus attention on the necessity of continuity in policy and its implementation beyond the five year incumbency syndrome that bedevils the South African policy framework. As indicated in the Social Cohesion declaration, the state is required to invest in social and economic infrastructure and ensure the extension of a social wage to the poor; business should expand its investment horizon as well as the level of

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[34] The information for these Summits + NEDLAC are drawn from various newspaper clippings:
Summhttp://www.workinfo.com/free/sub_for_legres/data/991012apclabour.htm

http://www.nedlac.org.za/admin/images/upload/Nedlac%20Annual%20Report_2013.pdfhttp://www.bdlive.co.za/opinion/columnists/2013/10/29/whither-nedlac-try-harder-change-it-or-chuck-it?service=print

http://www.bdlive.co.za/opinion/2013/10/06/nedlacs-fall-from-grace

http://www.bdlive.co.za/national/labour/2013/09/18/bargaining-positions-at-nedlac-curb-policy-unity

http://www.bdlive.co.za/national/2013/10/08/nedlac-head-urges-social-partners-to-find-common-ground

http://www.bdlive.co.za/opinion/editorials/2013/09/19/editorial-serious-about-nedlac

http://intelliconn.wordpress.com/2012/11/02/reform-vs-oppression-the-impact-of-wiehahn-commission-on-labour-relations-in-south-africa/
http://www.dailymavericks.co.za/article/2012-07-05-reporters-notebook-in-search-of-glue-social-cohesion-summit/#.U-VM4CSxuA

investment in training and production; and labour should recognise that wage demands should be matched by labour productivity. Nonetheless, even the recognition of broad strokes necessary to foster economic growth and increase the availability of jobs has not meant that all partners are able to agree to the detailed form such a compact might take. This is at least in part due to the fractured history of the country, where the necessary trust for the undertaking of short-term sacrifice to reap long-term gain is not apparent.

A further neglected factor lies within the over-emphasis on the responsibility of the state in its implementation of policy; driven by the short cycle of five year planning that has characterised the South African policy framework. The responsibility from civil society is often not clear and happens upon an irregular platform. Without healthy and robust dialogue, the interaction between state and society on matters pertaining to important issues stays limited to small groups, marginalising most sectors of society.

While the vision articulated by the National Planning Commission (NPC) regarding savings, investment, growth and employment is focused on the state, business and labour as key stakeholders – the role of civil society in the formation of a social compact must also be recognised.

While there is broad consensus on the content of the NDP, significant social partners such as COSATU maintain that the NDP 'either contradicts, or fails to take forward, key progressive policies, including on the need to…transform the structure of the economy…industrialise our economy, (p)lace the creation of decent work for all at the centre of economic policy; and place redistribution and combating inequality and poverty as a fundamental pillar of economic development.'[35]

In a slightly different tone, the South African Communist Party is of the view that the NDP has aspects that are valid and which can be promoted such as its endorsement of 'a democratic (and not authoritarian) version of the developmental state we are seeking to build.' More importantly, 'the NDP is not carved in stone.'[36]

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[35] Press Statement from the Meeting of the COSATU CEC Political Commission, 7 June 2013
[36] May 2013 SACP Discussion Document, *Let's Not Monumentalise the National Development Plan*

Except for the tweaking regarding the NDP section dealing with international relations, which has been requested by the Department of International Relations, it is specifically the sections dealing with the economy that have generated much debate. Given that the desired social compact will revolve around these issues, a lot of work will be required to attain the level of consensus necessary to forge such a contract. As argued in other sections of this report, one of the critical issues that leaders of all the partners will need to resolve in their own internal conceptualisations is whether each sector can demand that its maximum positions should constitute the content of the social compact!

3. EFFECTIVENESS OF SOCIAL COMPACT PLATFORMS

NEDLAC became a victim of frozen ideological differences within the ruling party alliance which played out in a forum powerless to discuss and produce a consensus on policy issues better deliberated amongst alliance partners. The subsequent lack of authority of NEDLAC, on the one hand, and distrust displayed chiefly by government and labour, on the other hand, is therefore best appreciated as an effect of distrust engendered in the alliance. It is a truism that problems not sorted out in a family find resonance in other forums where family members meet and interact.

Given the record number of unemployment among young people between the ages of 18-25, it is not a coincidence then to find frozen positions highlighted in the different positions of unions and government concerning the issues of a youth employment tax incentive and labour brokers. These two issues were discussed at the policy conferences of the ruling party without reaching agreement with labour. The youth tax incentive was introduced in 2014 to tackle the problem of inexperience among young people who are both unemployed and unemployable. The question remains though: why do unions seemingly present frozen positions on this matter. Is their stance rather unique to South Africa or are there international comparisons?

In early 2014, Asian trade union leaders met in Bangkok to craft a *Social Contract for the Asian Century* since they were 'concerned about the fracturing and weakness of social contracts in the region. In particular, their main concerns were: i) the "informalisation" of

work through irregular, informal, part-time, casual or contract work arrangements which leave them in a position of insecurity; ii) the growing gap between rich and poor, which is a sign of social injustice; iii) many trade union leaders are also concerned about gender equality, social and political freedoms, democracy and the rule of law." However, while these were genuine concerns that should be deliberated, the matter of labour informalisation remains tricky to reach consensus on. This is because 'there can be no question of returning to a past lifetime employment contracts, and seniority-based salaries.' Instead, 'social contracts must be modernised to reflect the world and challenges of today' and 'need for flexibility and competitiveness in the context of globalisation and rapid technological change.'

At the same time, the negative socio-economic effects of informalisation have to be acknowledged, as in Japan, that 'the rise of irregular work is clearly associated with inequality, rising relative poverty, and lower incomes for irregular workers….The former social contract based on a fair share of national income is thus fracturing.'[37]

The need for collaboration between the ruling party alliance partners, government and forums such as NEDLAC worked arguably effectively with the AsgiSA until the change in administration. ASGISA was an initiative, a form of a social compact targeted at, among others, infrastructure-wide investment, second economy interventions, and actual service delivery at the level of public administration. AsgiSA debatably worked based on these pillars:

- It was implemented after inclusive consultation beyond government and the ruling party,
- It brought in buy-in power of labour and business plus NGO sector,
- It possessed robust communication channel strategies; and
- The programme of action was straightforward and had able (self-effacing) political champions in the executive.

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[37] *Asian Century Institute*, 'Social Contract for the Asian Century,' 26 March 2014, p. 2

It must firstly be acknowledged that social contracts in South Africa face formidable but surmountable challenges. The first perception, within and outside government, is that government is the most important partner and enforcer of social partnerships. The problem with such a perception, from government circles, is that it wrongly accords the belief and right to select proper leadership of institutions meant to provide platforms for dialogue. Part of the reason for NEDLAC losing legitimacy with other stakeholders was the nomination, by the state executive, of NEDLAC leaders perceived to be too sympathetic to the ruling party. Moving forward, for non-statutory bodies like NEDLAC to reclaim acceptability across all sectors, government will have to disabuse itself of the notion that it is the only 'main' stakeholder in this Council.

Some analysts have argued that as an alternative and looking beyond the shortcomings of NEDLAC and other forums 'where engagement is driven by the formality of frozen mandates,' what is needed is a 'new paradigm…that encourage the building of trust.' For instance, the 'Millennium Labour Council (bringing together senior leaders of labour and business) and the erstwhile Working Groups of government are the kinds of fora that would allow for shared reflection before the details are thrashed out in the formal structures.' In short, such informal gatherings can act as a preparatory ground for addressing 'the genuine self-interest and apprehensions of each partner,' and provide room for accepting the other party's integrity and building trust in order to confronting 'seemingly intractable problems' based on 'decisive leadership' that 'prevent paralysis.'[38]

Second, there seems to be a disproportionate level of representation within organised social compact platforms. Quite often the frozen ideological battles in the ruling party alliance are extended to other institutions of state and its non-statutory bodies. Those standing for the interests of employed workers have a stake in influencing social partnership spaces. However, such influence most often tends to overshadow the known but unspoken interests of those outside organised unions. These are voices of small enterprises, or street hawkers, and the armies of unemployed young people. When people speak of social

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[38] Netshitenzhe, J, 'Addressing Challenges of Unemployment: Is a Social Compact Possible?'

compacts, it is more usually a reference to the gathering of the golden triangle of business-government-unions.

Third, poverty and inequality[39] are not challenges that affect only the poor and economically marginalised. Their effects impact everyone and have a bearing on wider societal sectors ranging from law and order, social mobility, educational opportunities, and the broad 'happiness index' of a country. In order for labour to consent to make sacrifices for the common good – for example, agree to suppress their wage demands in periods of low economic activity and reduced profits – shareholders and owners of capital have to be seen to be involved in belt-tightening measures. Otherwise they risk being viewed as lacking empathy for the plight of the poor. This is graphically and metaphorically presented by the COSATU leadership as a situation in which workers, like the pig, are required to sacrifice by providing bacon for the breakfast table and so perish in the process; while other sectors (business and government), like the hen, only have to lay eggs.

Much needs to be accomplished to regain public trust – not only in government leaders, but in the 1% of society who earn astronomical amounts as compared to ordinary employees. Workers will agree to defer making demands for a minimum wage if management of companies, including the leadership in government, similarly settle for moderated remuneration or shareholding options.

This argument finds resonance in the recent article by de Rothschild: '[F]aith in market institutions has rarely been lower... Markets mostly encourage a near maniacal focus on short-term financial results, tolerance of disparities of opportunity, and an apparent disregard for the common good. If these tendencies are left unchecked, the public cannot be expected to show faith in capitalism.'

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[39] Raghuram 'Rajan has suggested that inequality in the US was the main culprit for the financial crisis of 2008/2009…the inability of the two political parties in the US to agree on education reform or on expanding social safety nets, successive US administrations glossed over the inequality problem by giving Americans easier access to cheap credit, especially for housing….The inevitable bursting of the housing bubble not only created hardship for indebted households, but also endangered financial and macroeconomic stability,' in Bhaskaran, M et al. *Singapore Perspectives 2012*, Lee Kuan Yew School of Public Policy, p. 11.

'Although it is not the business of business to solve society's problems, it is dangerous when business itself is viewed as the problem. To reverse this…will mean investments must be measured not just by short-term returns but by the development of human capital, management of innovative potential, compensation aligned with true value creation, supply chains that are sustainable and measurable evidence of the overall contribution of the enterprise to society.'[40]

In almost the same line of thought, Amartya Sen has argued that 'those who suffer from inequality (even in wealthy societies) face a diminution in their basic economic and political freedoms – such as their ability to achieve political efficacy.'[41] It is a similar argument advanced by Robert Zoellick about gender equality as 'smart economics. That countries with greater gender equality tend to have lower poverty rates; that a child's chance of survival is 20 times greater if income goes into the hands of the mother; that simply by giving women more control over agricultural inputs, agricultural productivity can be as much as 20 percent higher in some countries.'[42]

4. REFLECTION ON PILLARS FOR A WORKING SOCIAL COMPACT

4.1 Background

The Constitution of the Republic, which is recognised and supported by virtually all South Africans, enjoys the status of a covenant that inspires society and outlines the ideals for which it aspires. Together with the Bill of Rights, it also enshrines social, environmental and informational rights and does therefore lay the foundation for social compacting across society. Any efforts aimed at fashioning a social contract should proceed from this perspective.

The NDP outlines the measures required to attain the objectives set out in the Constitution. Vision 2030, contained in the NDP, is a rendition of the ideal society that the Constitution envisages. At the outset, it should be acknowledged that there are areas of difference on

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[40] Forester de Rothschild, L, founder of the Conference on Inclusive Capitalism 2014 (05/27), *Financial Times*, 21 May 2014
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[41] URL:http:// www3.weforum.org/docs/WEF_GAC_Values_2013.pdf
[42] Zoellick, R, 'The Middle East and North Africa: A New Social Contract for Development,' Peterson Institute, 6 April 2011, p. 4.

some aspects of the NDP among various role-players. Yet, what cannot be ignored is its wide support, reflected, among others, in the fact that some 93% of voters in the 2014 elections supported parties that embrace the NDP .

In trying to forge a social compact, it is from beyond the content of the Constitution that South Africans should draw inspiration. Four elements in the process that led up to the adoption of the basic law of the land need to be borne in mind:

Firstly, the multi-party negotiations process was inspired by the fact that the leadership of the contending forces had come to the determination that continued conflict would, in the long run, be to the detriment of their constituencies. Through negotiations they identified the end-state – a united, non-racial, non-sexist and prosperous society. CODESA outlined the constitutional principles that would inform the detailed draft of the Constitution.

Secondly, the leadership recognised that the conflict existed and had endured for centuries because there were genuine concerns harboured by each of their constituencies, even if some of these may have been misplaced. It was therefore appreciated that attainment of the end-state would be a process which would entail compromises and confidence-building mechanisms to help assuage these concerns.

Thirdly, both CODESA and the Constitutional Assembly involved processes of consultation – both formal and informal. Within and among the negotiating parties, there were differences on matters of principle and detail. Yet these were not allowed to stall the process, with 'sufficient consensus' or majority decisions (within parties and the 1992 whites-only referendum) accepted as the basis for movement forward.

Lastly, the political settlement recognised the massive harm done by the system it had set out to destroy. Whatever weaknesses may have attended the process, the ensuing attempts through the Truth and Reconciliation Commission to unearth the truth about human rights violations and encourage reconciliation sought to encourage societal catharsis.

4.2 Lessons from attempts at social compacting

The various efforts towards social compacting that have been attempted since 1994 were, as outlined above, informed by the fact that a political settlement per se would not of its

own accord right the historical social injustice wrought on society by centuries of marginalisation and neglect.

The Jobs Summit (1998), the Growth and Development Summit (2003), and the various sector empowerment charters such as in the financial and mining sectors, sought to address these socio-economic fault-lines. Towards the end of the decade of the 2000s, the Accelerated and Shared Growth Initiative (AsgiSA), the attendant Joint Initiative on Priority Skills Acquisition (JIPSA) and the Anti-poverty Strategy were aimed at operationalising insights and agreements to deal with the challenges of poverty, inequality and economic exclusion.

Along with these efforts were the initiation and/or consolidation of structures that served as platforms for societal engagement among the major economic role-players. From the formal structures such as NEDLAC and consultative forums of the various economic sectors, to informal ones such as the Working Groups and the Millennium Labour Council (between senior leaders of COSATU and big business represented by the Business Leadership South Africa, BLSA) – there was recognition that societal dialogue was critical to addressing the country's socio-economic challenges.

As outlined above, these efforts laid the basis for some deliberate joint programmes and actions to address these socio-economic challenges. To recapitulate, among the weaknesses that these processes evinced, the avoidance of which should stand future efforts in good stead, are:

- persistent attempts even after broad agreements had been reached, to agitate for the maximum positions of the interlocutors;
- an attachment to ideological fundamentalisms as the sole wisdom to progress, on the part of the compacting agents;
- a reluctance, when compromises had been reached, to communicate such compromises to the respective constituencies;
- politico-ideological grandstanding, especially in the instance of agreements reached in the build-up to election campaigns, as with the Jobs Summit (1998) and the Growth and Development Summit (2003); and

- inconsistencies and lack of continuity on the part of government – even with regard to initiatives and forums that were working or held much promise such as AsgiSA and the Working Groups – deriving in part from changes in political leadership.

4.3 Conjunctural observations

The existence of the National Development Plan (NDP) and the support it enjoys within society presents a unique opportunity for South Africa to fashion a social compact and ensure its implementation. Government has adopted the Plan and developed a Medium Term Strategic Framework for the current mandate period that accords with the NDP. One of the key tasks would be to popularise the NDP's Vision 2030 .

The question has been posed whether there is sufficient anomie in society to impel the leaders of various sectors and their constituencies, in earnest, to agree and pursue a social compact. In South East Asia, for instance, the threat of violent overthrow of the extant regimes and the imperatives of the Cold War served as critical motivators; the national corporate establishment was merely nascent and had limited global mobility; and levels of inequality across society were quite low.

South Africa lacks virtually all of these attributes. But other imperatives work in its favour. Among these are: the recognition across society that the current macro-social environment is unsustainable and would imperil the poor and the rich alike; the resonant voices on the need for a social compact (couched variously as an Economic CODESA, second phase of the transition and so on); the fragile global economy that presents limited space for capital emigration; and the reality of 'Africa Rising' which serves as a spur, an opportunity and an existential challenge.

Critically, South Africa's political settlement contains lessons that can be used in the current situation; and there have been previous efforts at developing generic and sectoral compacts or mini-compacts..

4.4 Identifying the basic pillars

The economic storyline of the NDP identifies the infrastructure programme, interventions to facilitate manufacturing, the green economy, a mature industrial cluster for mining, and

revitalisation of agriculture as the key drivers of economic growth. In addition, developmental activism by the financial sector and small business development are also seen as important platforms for employment creation. Needless to say, agreements on how to raise each of these sectors to a higher level will be fundamental to the realisation of the socio economic objectives of the plan.

What form should the pillars of a social compact take?

Agreement should be reached on the **basic framework of macroeconomic policy and interventions** to drive economic growth in a sustainable manner. This should include manageable levels of inflation, parameters of interest rate levels combined with flexible and developmental borrowing costs in development finance institutions, and levels of investible capital in private financial institutions that should be committed to productive investment.

Each of the critical sectors identified in the NDP, as listed above, should review its **sector charter** and align it with the objectives of the NDP. Long-term plans should be broken down into shorter-term programmes (for instance, per company) with clear targets. These plans should include levels of investment and re-investment, as well as state interventions required to facilitate such growth.

The sense and reality of exclusion among the majority is addressed through the **BBBEE programme including the codes** that have recently been introduced. These range from enterprise development and skills training to ownership. Given that marginalisation is felt even more keenly at company and enterprise level, greater emphasis should be placed on **Employee Share Ownership Plans (ESOPs).**

A broad framework of an approach to **incomes policy as well as minimum wage(s)** should be agreed. With regard to the former, agreed wage differentials can be developed per industry, company and/or enterprise. While technical arguments about global comparisons may be logical, account will need to be taken of South African realities, which include the history of deliberate exclusion and marginalisation. At the same time, there will need to be clear commitments to productivity improvements, which are as dependent on worker performance as they are on management acumen. Flexibility and asymmetry on incomes and minimum wage policies will help address the issue of sustainability of specific

enterprises; but this, in turn, will need to be accompanied by openness in relation to the workforce.

This should be linked to **inflation policy and the cost of living for workers and the poor**. General management of inflation should be accompanied by public communication of the inflation basket as it applies to the poor, as well as deliberate interventions to contain such inflation. The basket includes such items as administrative prices (e.g. rates, water, electricity, health and education), staple foods and transport. Already, interventions such as free basic services, no-fee-paying schools, subsidised housing, subsidised transport and other interventions do assist in this regard. But this is inadequate and places undue pressure on the quantum of cash wages and generates workplace conflicts that seem to be growing in both extensiveness and intensity. For instance, during the 2000s, when there were steep rises in the price of maize, government introduced a mechanism to monitor and encourage discourse and focussed actions around food prices; but this initiative seems to have petered out.

These issues also relate to the trend of **high mark-up costs in South Africa's product markets**, a consequence in part of the extent of concentration of ownership, monopoly conduct, price collusion and the openness of the economy which in some instances goes beyond the imperatives of World Trade Organisation agreements. In addition to interventions to increase levels of competition in and ease of entry into specific sectors, there will need to be a commitment on the part of business to stamp out these practices. Government will need to consider the impact of self-imposed trade constraints that go beyond WTO imperatives.

The issue of **cost of transport for workers**, which weighs heavily on their cost of living, needs to be attended to as a specific intervention that takes account of South Africa's past of idiosyncratic spatial planning. The fact that some 40% of workers' wages is expended on transport introduces a very specific burden on this section of society – which in turn exerts pressure on wage demands. The government transport subsidy goes some way in alleviating this; but it does not include the dominant mode which is the taxi industry. This will need to be addressed in the medium-term, given that the fiscus in the current period may not be able to carry an added burden. In the long-term, incentives to encourage location of

companies closer to where the majority live, and housing schemes that bridge the gap in the opposite direction need to be introduced. However, in the immediate, all companies must be obliged to introduce such a subsidy into their cost structures (which many companies already do) as their contribution to the alleviation of the legacy of apartheid spatial planning.

The 'mini-compacts' and policies that have been forged in areas such as **integration of youth and women** into economic activity, as well as on **education and skills development** should be refined and their implementation intensified.

A strategy for the **facilitation of small business development** should be developed, addressing both the macro- and micro-interventions required to raise the level of entrepreneurship in South African society. These range from bureaucratic demands on these businesses in terms of the tax regime to regulations and by-laws at municipal level.

While the issue of **safety and security** is commonly addressed as one about broader human rights, it has direct economic implications. Besides intensification of the programmes already in place to deal with robberies and commercial crimes, there should be a specific intervention to address crime as it affects **small businesses especially in poor communities and the farming areas**. In addition to improved policing, **subsidies and/or incentives** should be considered for additional security measures including personnel.

South Africa's international relations have opened up **massive opportunities for the export of goods and services**. The extent to which the business community is aware of these openings and acts to take advantage of them does not approximate the opportunities that exist. This is a function of activism in the country's missions, communication between government and business, and a level of reticence within business especially with regard to 'new frontiers' such as Africa, Latin America and Asia.

4.5 Managing the process

These pillars are identified for their catalytic attributes – that, if attended to, they would raise the country's growth and development to a higher trajectory. And they are all interrelated. For instance, a higher level of investment in manufacturing, without expanding society's buying power and exploiting regional and global opportunities, would amount to

wasteful expenditure. So, while each one of these pillars can be pursued on its own, the effect will be minimal. They should therefore be attended to as a package. However, the process needs to begin with a commitment to a Vision 2030, which is distilled from the substance of the NDP. Consideration should be given to adopting this on 26 June 2015 to mark the 60th anniversary of the Freedom Charter.

Parallel to this process should be the development of a basic framework of a social compact encompassing the issues raised above, and in each instance identifying the role and commitments required of each major social partner, particularly government, business, workers and communities at large. For a start, the generic commitments required of the state (and, narrowly, government) are contained in relevant chapters of the NDP; and they need to be elaborated on in relation to each pillar.

It is in the nature of politics that successful negotiation and implementation of such a social compact will lend itself to claims of ownership and electoral exploitation particularly by the party political incumbents. As argued above, this, in part, is responsible for the poor follow-up and negative discourse around the outcomes of the Jobs and Growth and Development Summits. It is therefore proposed that the draft framework of the social compact should be presented for contributions from the parties represented in parliament, before engagement with the sector leaders. While an attempt could be made to demand confidentiality, there will be media leaks, grandstanding and noise; and the media will accentuate the areas of difference. But, guided by the CODESA principle of sufficient consensus, the train will have to move on.

This should be followed by intense consultations and negotiations among the social partners. Working Groups pertaining to each pillar could be set up to delve into the details.

One approach could be to have all the negotiations completed by December so that the President on Day of Reconciliation (December 16) can announce the South African Social Compact. This can be followed by party pronouncements as well as the President in his State of the Nation Address in February 2016 endorsing the Social Compact as the core of government's approach, plan and strategy. This depends on the amount of time it would take to negotiate such an agreement. Related to this is whether elements of the compact

can be negotiated and publicly, announced and implemented, while other segments are still being ironed out.

The platform for the negotiations should be NEDLAC, and the process should be led by the Presidency, supported by the Department of Planning, Performance Management and Evaluation in The Presidency and the National Planning Commission. In addition to the constituencies represented in NEDLAC, serious consideration should be given to private consultations with the actual owners of capital, as distinct from CEOs and other managers, most of whom are 'employees' and may not be in a position to take major strategic decisions.

To widen the reach, legitimacy and profile of this initiative, it is proposed that a Vision 2030 Council of Eminent Persons should be set up to support the process. In addition to reaching out to various constituencies, promoting the process, and giving it wide public legitimacy, Council members can further advise on the individual roles they are prepared to play[143].

The question cannot be avoided that intense interactions around this issue, and the profile and platform of communication, will all be impacted upon by other dynamics in society – not least among which are parliamentary and legal processes pertaining to alleged malfeasance within high echelons of government. This may affect the legitimacy of the social compacting initiative and the preparedness of actors at various levels to engage. Some of the proposals above seek to assuage this. However, this is a matter that the National Planning Commission will have objectively and dispassionately to reflect on.

The above high level approach would need to be accompanied by efforts at local-level compacting. It is suggested that 10 metros/districts in the country are selected as part of the first phase of developing local level compacts.[44]

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[43] For illustrative purposes, the following 'virtual retirees' (in alphabetical order) could be considered to constitute the Council: Tom Boardman, FW de Klerk, Frene Ginwala, Graca Machel, Thabo Mbeki, Jay Naidoo, Archbishop Desmond Tutu

[44] For example, there are various attempts to initiate and facilitate local level compacting.

4.6. Place and role of research

The wide canvass of issues for consideration, as well as the variety and even antagonistic nature of policy positions propounded by the various role-players, will necessitate cutting edge research capacity to back up the process.

This will entail such capacities as economic modelling, prospective studies, analytical skills on the political economy, conflict management, communication and so on. Some of these capacities will need to be sourced from within government. But a wider array of institutions outside of government will need to be engaged to provide technical support.

Specific research will need to be undertaken on the form that manifestation of a social compact at sub-national level can and should take, based on the national social compact. This should cover provinces, and at local level, metros and district municipalities as basic geographic units of planning and compacting.

Further, research should be conducted to draw lessons from the many successful initiatives that have been undertaken in the private sector that approximate the practical expression of mini-compacts. These include discussions within and initiatives of the Millennium Labour Council, the Kumba Envision ESOP, the recent initiatives at Pretoria Portland Cement (PPC) which among others entail sacrifices by management to narrow the wage differential, and the many share-ownership and stakeholder schemes in the agricultural sector.

Consultations should be held with the forum of university vice-chancellors to establish the capacity they can provide to the research effort. In addition, state bodies such as the Human Rights Commission (HRC) as well as think tanks and other institutions should be enlisted to offer support. The list of such can be developed as part of follow up to this submission.

5. CONCLUSION

The role of a social compact is to unite society's stakeholders to facilitate buy-in to a common developmental agenda where all parties contribute towards the greater good to provide fair living standards to all who are party to the agreement. Cognisance and appreciation of the values underpinning the social compact is an essential precondition to facilitate agreement and action.

Stakeholders need to recognise that they all form part of an interdependent ecosystem, where arrangements that promote human values can ensure sustainability, rather than costly and mutually-debilitating contest.

Appropriate fora for consultation need to be made available to promote conciliatory social dialogue, with support to allow all sectors of society to be adequately represented and have the best information available for reasoned decision-making. The transition from talk to action should be widely advertised, consultation valued and recommendations incorporated, so that there is the widest possible ownership of the process.

Monitoring and evaluation should be instituted to obtain insight into interventions that are beneficial and those that need work or should be discarded. With evidence of the benefits derived from implementation, cooperation and collaboration will be reinforced.

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