

# **COSATU, FEDUSA and NACTU**

## **Economic Recovery Strategy: Priority Areas**

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## **Nedlac Engagement with the President**

**13 August 2020**

## **1. Introduction**

COSATU, FEDUSA and NACTU have more than 3 million members and operate across the entire economy, in the mining, agriculture and other primary sectors, in manufacturing and other secondary sectors and in the services, public sector and other tertiary sectors.

Our members are feeling the pain of not only the pandemic where thousands have been infected and lost their lives, especially healthcare, public service and frontline workers but also in hundreds of thousands having lost wages and potentially millions may lose their jobs.

It should be remembered that workers have been battling many crises long before Covid-19 and the lockdown. We were already in an economic recession, with 40% and rising levels of unemployment, record levels of poverty and inequality and many of the public services and state institutions that workers depend upon in various stages of collapse.

Below are some of the key intervention areas that Organised Labour believes need to be prioritised by both government and the private sector to ensure that our economy, and in particular workers recover.

Labour must raise its anger and strongest possible condemnation of government and business who in all honesty simply failed to honour and implement their commitments under the Jobs Summit Agreement. Frequently they have not even bothered to try to implement many of their promises.

It is this continuous abrogation of duty by government and business that makes Labour question if they are really committed to and serious about fixing the economy, saving and creating jobs and genuine social dialogue and compacts.

Their lack of serious actions to date makes Labour believe that they are not serious and that workers are on their own, will be thrown under the bus and pickpocketed by government of their little wages, robbed of their increases, and their pensions and UIF funds used to enrich politicians and businesses.

This is why Labour felt there was no point in holding a Jobs Summit this year when business and government have never shown any effort to implement the 2018 Agreement.

We must equally question if government actually has any capacity to implement its many plans. The disasters at Medupi and Kusile do not give us any confidence that government can run successful projects. We all know how the looting at Medupi and Kusile cost Eskom billions in debt and caused continuous excessive electricity tariff increases, thus further burdening the economy.

We need full accountability on progress and for an honest introspection on failures.

We must also avoid organising mini-rallies when consulting. Social partners must not bring so many people to such important meetings. Especially when many colleagues are not needed here and not involved in the substantial engagements at this meeting and its subsidiary meetings.

Whilst all matters are important, prioritising both as building blocks as well as preconditions is critical and that should reflect in plans.

The insensitivity of government and business to Labour's issues is a growing phenomenon. This is driving workers to untenable situations which may become a point of no return.

We want to state very clearly to the President, Ministers, Government and Business our frustrations on a number of issues.

This includes the inexcusable failure by the President to sign the PIC Amendment Bill which tackles corruption at the PIC into law and Treasury's determination to collapse this progressive pro-workers Bill despite it having been passed by Parliament more than a year ago.

It includes Treasury and the Departments of Public Service and Administration and Employment and Labour's naked refusal to implement the Unemployment Insurance Act by not implementing its clauses that provide for public servants to be included in the UIF and to provide public servants with paid parental and adoption leave.

The Presidency, Treasury and DEL have repeatedly undermined workers' demands and treated Labour's genuine proposals to save jobs and rebuild the economy with disdain. It took 3 months for Treasury to even acknowledge Labour's proposals to allow workers to access a limited portion of their pension funds to cover lost wages and retrenchments. Even then Treasury dismissed the very idea of allowing workers to use their own deferred wages, pensions to save their families. Yet the ruling party and government cannot stop talking about how they want to access workers' pensions as a form of cheap finance for their self-enrichment projects.

The less said about how the families of our political leadership have looted PPEs the better. But suffice it to say, Labour had repeatedly warned Treasury about this and was dismissed as not knowing what we are talking about.

## **2. Presidential Working Committee and Consultation Processes**

Labour appreciates the President's commitment to engaging labour on key issues affecting workers.

However this spirit of consultation does not extend across Cabinet. Often key decisions made by the National Command Council have an immediate effect on workers and yet labour was not consulted on these. Many subsequent problems could be avoided if all Ministers proactively engaged with social partners at Nedlac.

There is an urgent need for an escalation mechanism where urgent and critical matters can be dealt with by a small working group of senior leadership and officials at Nedlac on a rapid basis as needed e.g. 24/7. This can then feed the relevant decisions to the NCC, the PWC, Nedlac Ex. Co. etc.

Labour is extremely angry that the PWC has not met since March. We had agreed to give space to the President for the first stage of the lockdown to focus on managing the pandemic.

Yet since then the PWC has not met and has in fact been repeatedly postponed with very unconvincing explanations provided. We had in fact objected in the beginning to making the PWC a quarterly meeting as we felt it would collapse the positive momentum that it was building. Last week's PWC meeting was again postponed for bilaterals with social partners that we are not aware of and no new date has been set.

We are equally worried about how many economic papers government and the ANC are developing. Treasury, the Alliance, the ANC Economic Transformation Committee, Government etc are all developing papers. We will not create jobs through a festival of papers.

We have all agreed to the Presidential Jobs Summit Agreement. Social partners have worked extensively on reprioritising the Jobs Summit Agreement over the past 2 months.

Labour is worried that government is focussed on talking and not implementing.

#### **Organised Labour Proposals:**

- Immediate implementation of the Presidential Jobs Summit Agreement, including the reprioritisation of the Agreement's focal points.
- Immediate resumption of PWC meetings on a monthly if not fortnightly basis to begin the urgent work of rebuilding the economy.
- Establishment of an escalation mechanism within Nedlac and the PWC to deal with urgent and critical issues.

### **3. Stimulus and Jobs Plan**

Our economy is in a recession. Unemployment is likely to push past 50% and over 11 million. There is a real danger that the economy will go into a depression.

The President had spoken forcefully about a bold economic stimulus at Nedlac and the Alliance Political Council. He was emphatic that anything less than a R1 trillion stimulus plan would be a pittance that will simply not do.

Yet what we saw in the supplementary budget tabled in Parliament in June was anything but a stimulus plan. It merely restated the social and economic relief measures that had been announced 2 months earlier. Treasury in fact is adamant that they believe we must grow the economy by cutting expenditure rapidly and drastically.

The supplementary budget further compounded our challenges by cutting R1.7 billion from the Department of Trade, Industry and Competition's industrial financing and related programmes. This threatens thousands of badly needed manufacturing jobs.

Further cuts of R1 billion was taken from the Department of Tourism when that sector is on the verge of collapse and R2.2 billion from PRASA when Metro Rail is collapsing and most lines closed and R1.9 billion from public transport.

In the midst of thousands of workers queuing at the CCMA to save their jobs, Treasury slashed the CCMA's budget by R55 million!

Government has said it is currently busy with Phase 2 of its response to the pandemic, and that the economic interventions will come in Phase 3. Yet it does not tell us when Phase 3 will be implemented and what does it entail.

The reality is that our economy is on its knees and millions of jobs are at risk. We simply cannot afford to delay our response to the economic crisis a day longer.

We simply cannot continue to accept that 11 million South Africans must be condemned to unemployment. This is literally a ticking time bomb that threatens our very survival as a nation.

Yet only 5 departments even have job creation targets for their economic sectors. Provincial, local government and SOEs have little if any job creation targets.

We need a mass public employment programme that will expand the number of health workers, health and labour inspectors.

Equally it needs to emulate the Indian model where all adults are guaranteed a minimum amount of paid work. This and the Expanded Public and Community Works Programmes must be targeted at creating new jobs and new economic sectors and cease to be sources of cheap labour for otherwise permanent departmental and municipal work. E.g. it should be used to formalise the recycling industry etc.

### **Organised Labour Proposals:**

- Immediate engagements with social partners on a bold R1 trillion stimulus plan at Nedlac to be tabled at Parliament in October with the Medium Term Budget Policy Statement, it must include both public and private funding.
- Reinforcing key economic frontline departments e.g. Trade, Industry and Competition; Employment and Labour, Tourism, Small Business Development, Transport; and Minerals and Energy as well as the CCMA be reversing the budget cuts.
- Ramp up and capacitate the 14 sectoral master plan task teams.
- Set clear job creation and retention targets for each department, provincial and local government, and SOEs.
- Expanding public employment of health care and labour inspectors.
- Creating mass public employment programme on Indian model.
- Reconfiguring EPWP and CWP to create new jobs and economic sectors.

#### **4. Infrastructure Programme and Impact Investments**

Labour welcomes the infrastructure programme unveiled by the Presidency. It can make a huge difference towards stimulating the economy.

However at the current levels of chaos in the state, the infrastructure programme is likely to become the next epicentre of looting.

Government has been largely silent on what it will do to prevent corruption, to ensure timeframes are met, to hold contractors responsible for job creation and quality control.

Government's track record does not give labour confidence that we won't see more scandals.

It is worrying that whilst the Presidency is bullish about the infrastructure programme, the Supplementary Budget waters it down from a programme of R.1.6 trillion over the next few years to only committing R100 billion towards it over the next decade.

Labour welcomes the Minister for Finance's commitment to expand Regulation 28 to accommodate impact investments in infrastructure. Can this happen now?

Whilst large consensus was reached at the PWC meeting in February, little movement has taken place since to reach agreement on the modalities on how impact investments will be done, where will they be invested in and how will government and the private sector be held accountable.

##### **Organised Labour Proposals:**

- Prioritise key infrastructure investments that will have an immediate and positive impact upon economic growth e.g. ports, freight and passenger rail, energy and water.
- Ensure infrastructure investment use local inputs to stimulate the steel, construction and other industries.
- Establish an infrastructure programme sub-committee under the PWC to receive monthly reports on the implementation of the infrastructure programme.
- Government to provide mechanisms to prevent corruption in the infrastructure programme.
- Establish an impact investments sub-committee under the PWC to develop proposals on the modalities for impact investments, which areas must be prioritised for investments and to monitor their implementation.

#### **5. Economic Relief Measures**

Labour supported many of government's economic relief measures. It is critical that every single tool be utilised to save industries, sectors and businesses.

However we are concerned that there are no job retention conditionalities for the relief given to employers. We cannot bail out companies using taxpayers' monies only for those employers to retrench workers. Equally we must use incentives to incentivise employers to create new jobs and to look at measures which can avoid overburdening companies with unaffordable levels of debt.

It is alarming that banks and insurance companies have been very placid with the amount of support they are providing to the economy. There have been numerous complaints from businesses about banks refusing to reschedule loan payments or provide other badly needed relief.

Whilst the South African Reserve Bank has done well to slash interest rates, the banks still remain wedded to exorbitant interest rates that merely serve to stifle the economy.

Labour has supported the R200 billion loan guarantee scheme that Treasury has stood surety for through the banks. Yet only R100 billion has actually been signed for by Treasury and only R12 billion been offered to businesses by the banks. The excessively restrictive conditionalities attached by the banks are threatening to collapse this badly needed form of stimulus.

Government has put in place various restrictions on the economy and sectors. These range from a total ban e.g. alcohol to limited operations e.g. restaurants, hospitality, tourism, hotels, transport, aviation etc. Yet it is providing almost no support for these sectors. The amounts of relief provided by the Departments of Tourism and Small Business Development are in the mere hundreds of millions whilst those sectors are bleeding in the billions.

#### **Organised Labour Proposals:**

- Making economic relief for employers conditional upon job retention and incentivised for job creation.
- Bank and insurance industries to provide loan, payment and relief for embattled businesses and consumers.
- Banks to provide debt relief and cancellation for businesses and consumers who are not able to continue as is, may close or have lost jobs or income.
- Banks to slash all interest rates to make credit more affordable for businesses and consumers.
- Treasury and big 5 banks to meet with Nedlac on urgent additional measures to ensure the R200 billion loan guarantee flows into the economy as a measure of the highest priority.
- Introduce an export tax on scrap metal without delay.
- Finalise new procurement legislation with a strong focus on centralisation and measures to fight corruption.
- Government and the banks to provide direct sectoral support (financially, tax and other relief) to badly affected and restricted sectors of the economy (e.g. alcohol, tourism, hospitality etc).
- SARB to tackle illicit outflows.
- SARS with economic cluster departments improve fight against customs fraud and work closer with justice to prosecute those involved.

## **6. Social Relief**

Organised Labour has supported government's positive responses to many of our proposals on social relief to workers, the poor and social grant recipients.

However it is worrying that there are endless delays in distributing the R350 grant for the long term unemployed.

The UIF Covid-19 TERS has been the single largest intervention in the economy. It should be remembered that it is workers' deferred wages and it is there to help workers when unemployed. It is there to simply look nice in a bank account or to solely benefit the JSE.

To date the UIF has dispersed over R40 billion in almost 9 million payments during the lockdown. This is far more than what government or the private sector have provided to help workers and the economy survive.

However there are more than 800 000 applications which have been not paid yet for various reasons. Whilst social partners are working with the UIF to address these, it is clear that the UIF was not designed for a total shutdown of the economy. It needs to be reinforced by government and the private sector to ensure that its systems are fully capacitated and modernised.

It is equally critical that the UIF Covid-19 TERS is extended in tandem with government restrictions in the economy. So if alcohol cannot be sold after August 15, then the UIF Covid-19 TERS relief for those sectors must equally be extended. If restaurants can only operate at 50% of capacity beyond August 15, then equally they must continue to be eligible for UIF support.

Labour supports government's new found interest in a basic income grant. This must be fast tracked and not simply a media gimmick and then forgotten.

#### **Organised Labour Proposals:**

- Extending UIF Covid-19 TERS for businesses and workers under full or partial restrictions beyond August 15.
- Reinforcing UIF capacity to disperse funds.
- Reinforcing SASSA and Post Office capacity to disperse funds.
- Clear road map for a basic income grant.

## **7. Eskom**

Besides Covid-19 and corruption, Eskom is the greatest threat to our economy and jobs.

COSATU, Labour and social partners have spent a lot of time developing and coming to a consensus on the Eskom Social Compact and Implementation Plan at Nedlac.

It is ready for adoption and implementation. The PWC must be convened as a matter of urgency to finalise and adopt the Eskom Social Compact so that its implementation can be fast tracked.

Equally so that government, Eskom and other relevant parties can be held to account for its rapid implementation and report to Nedlac under a sub-committee falling under the PWC.

### **Organised Labour Proposals:**

- Urgent convening of PWC and adoption of Eskom Social Compact and Implementation Plan.
- Establishment of Nedlac Sub-Committee under the PWC to receive monthly reports from government, Eskom and other relevant parties on the implementation of the Eskom Social Compact.

## **8. Road Maps for Embattled SOEs**

Numerous key SOEs remain in varying stages of ICU. Some have completely collapsed. This as we know is due to mismanagement, industrial scale looting and structural changes in their economic sectors.

With each it is workers who are being made to pay the price in the form of retrenchments of 1000s, wages not being paid, pensions looted or not paid and the need for repeated bail outs from the fiscus. They have been run into the ground and are now an albatross around the necks of workers and the economy. Yet all were profitable until the era of state capture and can be saved.

Whilst a Social Compact has been agreed to for Eskom and a business rescue plan for SAA, other SOEs do not have clear road maps.

SABC is retrenching workers despite interventions from the Ministry and Parliament. Transnet has stated its desire to retrench. Denel repeatedly fails to pay workers.

### **Organised Labour Proposals:**

- The Presidential SOE Council needs to begin its work.
  - It must include organised labour; and
  - Work to ensure each SOE has a clear road map and alternatives to retrenchments.

## **9. Corruption and Wasteful Expenditure**

Treasury states that we have an expenditure crisis and hence they are robbing healthcare and other public servants of their little 2020 inflationary increase.

Yet the 2020 Budget and the Supplementary Budget are completely silent on what exactly, if anything, government and in particular SAPS, the NPA, SIU, AG etc are doing to deal with the fact that we lose about 10% of our budget every year to corruption and wasteful expenditure.

This happens year after year. Yet there are no consequences. There have been four commissions of enquiry into state capture yet no one has been arrested, prosecuted and imprisoned as a consequence. No one has had their assets attached despite government having the full legal power to do so.

The mass looting of the PPEs process by the families of politicians is symbolic of the sick society we have become.

### **Organised Labour Proposals:**

- Government must establish rapid response anti-corruption courts (along the lines of the 2010 world cup courts).
- The President must remove compromised Ministers, MECs, Mayors, management etc and hold them personally financially liable as per the Auditing Amendment Act.
- Political office bearers and management whose departments etc. that are found wanting must equally be removed.
- The NPA, SIU and SAPS must be put on notice. Either they deliver results or their leadership must be removed.
- Critical tenders must be centralised under Treasury's Chief Procurement Office.
- A permanent Chief Procurement Officer must finally be appointed.
- All public, municipal and SOE tenders must be procured online.
- All tender recipients must be published daily on GCIS' website.
- All tenders must be restricted to local production without exception.

### **10. Labour Market Matters**

Workers as always have borne the brunt of hardships during the lockdown from lost wages, to retrenchments to being provided with sub-standard PPEs, to essential workers having infection rates four times the national average.

The molestation of workers' wages and jobs has not been limited to the private sector. Municipalities routinely fail to pay workers on time. Many workers are now being retrenched by SOEs.

Not only has Treasury pickpocketed healthcare and public service workers of their measly 2020 increase, it is now instigating SALGA to do likewise. Key to stimulating demand is wage growth. If workers and consumers don't receive their inflationary increases their capacity to spend naturally shrinks.

If business believes inflationary increases then it must stop increasing prices for their goods.

If government and business believe the wage bills are a problem then they must lead from the front and slash the exorbitant salaries that politicians and managers earn in both the public and private sectors.

The National Minimum Wage Commission awarded a below inflationary increase for NMW recipients and has failed to ensure that the BCEA annual income threshold upon which labour rights, protections and benefits are pegged since 2014 (the Employment Conditions Commission before the NMW Commission had this responsibility).

Business and Government must be aware that Labour will not allow anyone to gut our progressive labour laws. The cause of our economic crises are corruption and wasteful expenditure, they are Eskom and collapsing SOEs, they are under investment in infrastructure, they are not investing in ensuring industries are competitive etc. They are not due to labour laws. If they were then countries which do not have labour laws would be flooded with investment and job growth.

### **Organised Labour Proposals:**

- Government honour the 2020 public service wage agreement with immediate effect and commence engagements on the next 3 year wage agreement.
- SALGA honour the 2020 local government wage agreement with immediate effect and commence engagements on the next 3 year wage agreement.
- The exorbitant packages of politicians and executives, including the private sector, must be slashed and the immoral wage gap reduced.
- Establish JTC Job Losses Rapid Response Task Team to intervene and develop alternatives to retrenchments.
- Enhancing TERS and capacitating it as first stop for companies embarking on retrenchments.
- Government intervene to stop retrenchments in the SOEs.
- Business act to stop retrenchments in the private sector.
  - Government needs to provide additional financial relief to businesses to help prevent retrenchments.
- The Minister for Employment and Labour and the NMW Commission to ensure that the NMW is adjusted for inflation in 2021; that farm, domestic and EPWP/CWP workers are fast tracked to equalise with the NMW.
- The Minister for Employment and Labour and the NMW Commission to ensure that the BCEA annual income threshold is adjusted for inflation since its last increase in 2014.
- That labour legislation and labour market institutions are strengthened and reinforced.

### **11.Reprioritised Jobs Summit Agreement**

Social partners have engaged extensively on the Presidential Jobs Summit Agreement during this period. We have largely achieved consensus that the Agreement must be honoured in full but that certain areas need to be reprioritised and additional interventions are also needed given the onslaught of Covid-19 and the economic crisis.

Key focal areas include:

- **Upscaling Local Procurement** in a massive way.
  - This must include public, private and consumer procurement.
  - It must include modernising public procurement systems.
  - It must deal with the rampant looting in public procurement.
  - It needs to include tax incentives and business incentives e.g. similar to Discovery points for buying locally for businesses and consumers.
- Rolling out the **Digital Economy** to ensure that workers can work, and learners and students can work from home.
  - This must deal with the never-ending digital spectrum delays.
  - Making data affordable.
  - Providing workers, learners and students with the necessary tools e.g. laptops, data, training etc.
- **Other key interventions:**
  - Fast tracking water licensing.

- Prioritising support for commercial and emerging agriculture.
- Unlocking the R100 billion banking financing commitment.

## **12. Conclusion**

These are Organised Labour's key intervention proposals and demands to begin the rebuilding of the economy.

Labour is as always ready to engage.

However government and business must be willing to do so too and to honour agreements and ensure their implementation. Their track record to date does not give labour confidence.