

# Role of social compacting in addressing socio-economic challenges

Briefing to the Select Committee on Trade and Industry, Economic Development, Tourism, Employment and Labour

7 November 2023

**Nedlac**



National Economic  
Development and  
Labour Council

# Request from the Select Committee

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- “Government in various platforms and policy statements such as the State of the Nation Address and Budget Speech have emphasised the need to strengthen the social compact approach to tackle the grand socio-economic challenges.
- “To this end, the Committee invites Nedlac and its stakeholders to outline work already undertaken to obtain strategic policy objectives frames and carried under social compacting to tackle South Africa’s grand socio-economic challenges.”

# Agenda

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- Overview of Nedlac and social compacting
- Recent social compacting initiatives at Nedlac
  - Presidential Job Summit
  - Economic Recovery and Reconstruction Plan
  - Social compact to support Eskom
  - Response to Covid-19
- Reflections and observations from social partners and Nedlac secretariat

# Overview of Nedlac and social compacting



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# Recap on National Economic Labour and Development Council

- Nedlac was established in 1994 through legislation to:
  - Promote the goals of economic growth, participation in economic decision-making and social equity
  - Reach consensus and conclude agreements on matters pertaining to social and economic policy
  - Consider all proposed socio-economic policies and legislation
  - Consider all proposed labour legislation relating to labour market policy before it is introduced in Parliament
- Nedlac has led and participated in many initiatives to build consensus, reach agreement and input into critical socio-economic matters facing our country including:
  - Presidential Job Summits
  - Economic Recovery and Reconstruction Plan
  - Covid19 pandemic and lockdown
  - Establishment of a National Minimum Wage



## Parties to Nedlac:

- Organised business
- Organised labour
- Government
- Community and development interests

# Defining a social compact/social compacting

- Mistra (2014) in a paper for the NDP argued that:
  - The most instructive definition in the South Africa discourse of a social compact is one that has “the attributes of a core agreement among various societal role-players and their government that outlines the rights and duties of each party.
  - A social compact “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”
- Thus, social compacting should be seen as both a process and an institutional framework.
- Social compacting starts from the view that working together, collaborating, co-creating, coordinating, networking, and building trust between important groupings in society will lead to better socio-economic outcomes than each working separately
- It’s about *unity in diversity* where common interests are maximised in a principled way
- It’s not about denying that there are different and/or conflicting interests.

# Kinds of social compacts

- The following can be regarded as social compacts:
  - Reconstruction and Development Programme
  - The establishment of Nedlac
  - Previous Job Summits and Jobs Accords
  - The Economic Recovery and Reconstruction Plan
  - Sector master plans
  - Specific focused social compacts e.g. to support Eskom, to save Ashton canning factory
- The following can be regarded as social compacts:
  - Where the state may be a partner or not e.g.
    - Community Action Networks (CAN's) set up at community level to provide relief at the beginning of the Covid19 pandemic
  - Within the state
    - Effective coalition agreements at local government level
  - Bilateral arrangements between the state and one social partner
    - Partnership between B4SA and govt focusing on energy, freight and public transport and crime
- There is also a process in DSAC for a social compact on nation-building and social cohesion – but it could be mixing up social contracting and social compacting

A social compact can involve trade offs or can be programmatic

# Recent social compact initiatives at Nedlac



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# Introduction

The next slides summarise the following social compacting initiatives at Nedlac, together with key achievements, challenges and lessons:

- Presidential Job Summit, 2018
- Economic Recovery and Reconstruction Plan, 2020 – 2021
- Social Compact to Support Eskom, 2020 – ongoing
- Response to the Covid-19 pandemic, 2020 – 2022



# Presidential Job Summit



- In 2018, a Presidential Job Summit agreed on a Framework Agreement with 77 commitments on retaining, creating and enabling jobs
- Working groups drafted detailed agreements in preparation for the Summit
- Between 2018 and 2020, the structures were set up to monitor implementation and unblock delivery including:
  - A Presidential Working Committee that was chaired by the President and met weekly
  - Presidential Co-ordinating Unit
- With the onset of the Covid19 pandemic and subsequent lockdown, social partners agreed to reprioritise and augment the commitments in support of economic recovery and reconstruction
- In early 2021, the Presidential Job Summit commitments were evaluated to establish whether they had been:
  - Achieved – see next slide
  - institutionalised within government such as through the establishment of Operational Vulindlela
  - integrated in the ERRP such as the implementation of the Eskom social compact
  - are continuing in an appropriate forum such as master plans



# Presidential Job Summit: Key achievements



- Significant momentum was created to achieve the following:
  - ✓ Signing of the social compact to **support Eskom**
  - ✓ Establishment of the **Temporary Employee Employer Relief Scheme (TERS)**
  - ✓ Boosting and monitoring **localisation** including through tender monitoring
  - ✓ Capitalisation of the **Productivity SA Business Turnaround Solution** with UI funds
  - ✓ Prioritising **industrial financing** including in Special Economic Zones
  - ✓ Introducing a **blended finance** model for emerging farmers
  - ✓ Promoting **master plans**, especially in clothing, textile, footwear, auto and furniture
  - ✓ Escalating job creation in **business processing**
  - ✓ Establishment of the **Presidential Climate Change** Commission
  - ✓ Supporting **regulatory certainty** on water use licenses, e-visas, unabridged birth certificates and critical skills
  - ✓ Supporting the development of **pathway management** for young job seekers
- Social partners felt part of the process of retaining and creating jobs and holding the government to account

# Presidential Job Summit: Lessons



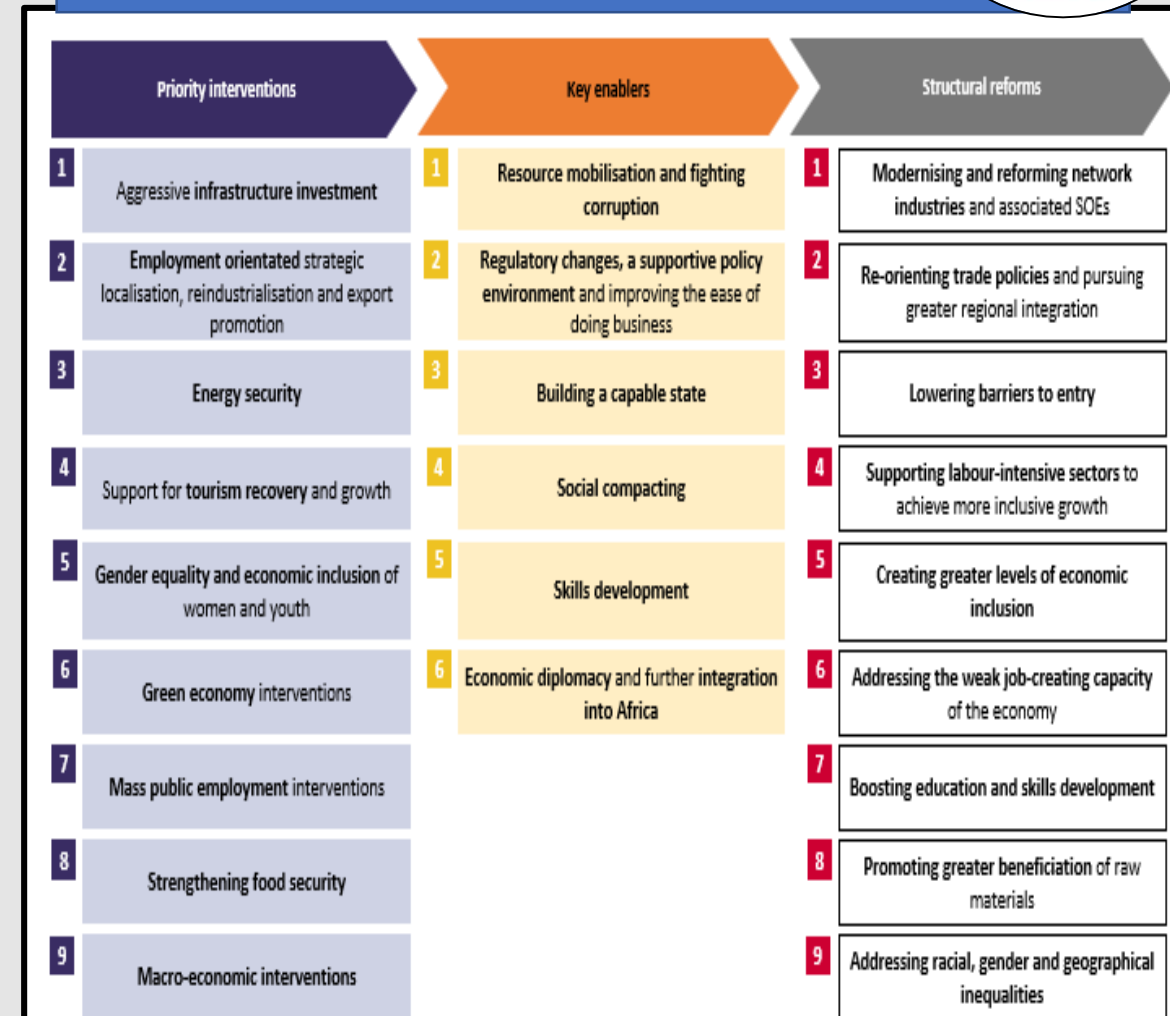
- The job creation targets were not easy to measure - success should rather have been measured in terms of mechanisms established to enable job retention and creation
- The Covid-19 pandemic and lockdown led to significantly more job loss and heightened the economic crisis, invalidating some of the work and agreements reached
- Government departments did not appreciate being held accountable by social partners
- The fact that all social partners could not contribute equally to job retention and creation, created tensions
- There were limitations as to what organised business could commit individual companies to do e.g. in respect of localisation commitments.

# Economic Recovery Action Plan & Economic Recovery and Reconstruction Plan



- In the face of the economic crisis as a result of Covid-19, President Ramaphosa convened a Nedlac Forum for Economic Recovery on 13 August 2020 where the proposals from different social partners were presented
- The social partners subsequently identified a focused number of collective and individual commitments to build confidence in the short term and turn the economy around in the medium to longer term
- These were included in an Economic Recovery Action Plan (ERAP) which was presented to the President a month later.
- The Economic Recovery and Reconstruction Plan (ERRP) included inputs from the ERAP and after approval by Cabinet was announced by President Ramaphosa on 15 October 2020.

## Economic Reconstruction and Recovery Plan



# Taking forward the ERRP at Nedlac



- During 2021, the Nedlac secretariat under the guidance of a social partner process committee:
  - Tracked the implementation of the commitments made in the ERRP;
  - Set up the following workstreams to
    - Unlock blockages in freight and improving public transport
    - Implement the social compact to support Eskom and steps to improve energy security
    - Identify and deliver on targets for localisation in public and private sector
    - Improve the eco-system for small business
  - Set up co-ordinating structures including a 7-a-side of the leadership of social partners and government
- At the beginning of 2022, a report back was given to the President who then initiated a process of bilaterals with social partners on a social compact, which was announced in the State of the Nation Address.
- This was not a Nedlac process but during 2022 and 2023, Nedlac continued to focus on the above key areas, mostly sharing information and building understanding.
- In 2023, the structures set up under the ERRP, were consolidated into Nedlac Chambers and task teams focusing on energy, public transport, freight and SMMEs where information continues to be exchanged and where appropriate draft policy and legislation engaged upon.

# ERRP: Achievements and challenges



## Achievements

- Emerging consensus was achieved on the key binding constraints to economic growth and what should be done especially i.ro. energy and freight
- Significant information was exchanged which created transparency and enhanced decision-making in government and among social partners
- Birthed the work of Operational Vulindlela, the National Electricity Crisis Committee (Necom) and the operational partnerships between business and government.

## Challenges

- There was significant contestation among the social partners on the appropriate role of Nedlac in implementing the ERRP.
- Issues included:
  - Whether a Nedlac forum is the appropriate place for social partners to hold each other accountable
  - Whether Nedlac should track the implementation of commitments of all social partners
  - The unequal contribution of social partners and how this is managed
  - Whether the Nedlac Secretariat had the capacity to co-ordinate what was required.

# Social compact to support Eskom



- Was initiated and forged towards the end of 2019 when the country faced a similar (even if less serious) energy crisis.
  - Parties to the social compact: Govt (DPE but not Eskom), Business, Labour, Community.
  - It diagnosed the problem and short, medium and long-term solutions were identified with different social partners playing different roles
  - An implementation plan was developed and Nedlac structures were set up to track implementation and co-ordinate areas of collaboration
  - When the Economic Recovery and Reconstruction Plan was agreed upon, it included in the plan
  - It was signed by Ministers and leaders of social partners in December 2020
- The heart of the compact was :
    - Government would commit to turning around Eskom, stop corruption, make it easier for the private sector to supplement generation capacity and initiate a just transition process
    - Business would invest in generation
    - Labour would support a solution using worker funds to address Eskom's balance sheet challenges which at that time was seen as a significant constraint to energy security
    - Community would address vandalism and non-payment of electricity



# Social compact to support Eskom: What happened



From 2021, an Energy Workstream made up of over 50 representatives from social partners and government have met almost monthly to share information and engage on the implementation of the key issues in the social compact.

## Draft policy and legislation considered

- Electricity Regulation Amendment Bill
- National Nuclear Reactor Amendment Bill
- Electricity Pricing Policy

## Issues engaged upon

- **Generation capacity issues**
  - Integrated Resource Plan updates
  - Increasing self-generation
  - Eskom's energy crisis plan
  - Addressing obstacles facing private sector self-generation (OV updates)
- **Tariffs and pricing**
  - Eskom Multi-Year Price Determination (MYPD5)
- **Load shedding schedules**
- **Climate change and the Just Transition:**
  - Preparation for and reports on Cop 26 and 27
  - Eskom's JET plan including regular progress reports on Komati
  - Carbon Tax
- **Masakhane Campaign**
- **Municipal debt to Eskom**
- **Wheeling and municipal financing issues**

# Social compact to support Eskom: Achievements and challenges



## Achievements

- Understanding of the nature of the Eskom crisis and links to the energy crisis (and climate change) was developed
- Trust and engagement led to the parties seeing the energy crisis as a common and collective responsibility to address
- A consensus emerged on key issues including the role of renewables and embedded generation – due to the trust, transparency and engagement around the process
- The implementation plan has been regularly reviewed and updated making the social compact a living and iterative process

## Challenges

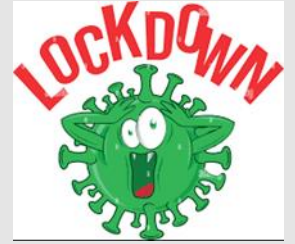
- Government partners such as DMRE, Cogta and Eskom were not part of the initial compact and it took time to bring them on board
- There was a lack of understanding of the complexity of Eskom's balance sheet: The proposed solution was not pursued by government
- Not all social partners have contributed:
  - The community constituency was not able to deliver a Masakane campaign
  - Nersa as a regulator has been reluctant to be part of the process and share draft policy positions

# Nedlac Covid-19 Rapid Response Task Team



- Over the period of the pandemic, a Nedlac Covid-19 Rapid Response Task Team met regularly to respond, mobilise, give feedback, exercise oversight and co-create mechanisms with a high degree of consensus in respect of:
  - Non-pharmaceutical interventions and lockdown regulations – curfews, restrictions on travel and gatherings, social distancing, masking etc
  - Vaccination organisation, mobilisation and communication
  - Return to work and workplace health and safety
  - Relief to workers, businesses, the unemployed, and the vulnerable.
- New structures were set up such as Business 4 South Africa, Solidarity Fund, Nedlac Community Trust and the Event Sector Alliance.

# Nedlac Covid-19 Rapid Response Task Team: Lessons



- **Agility:** Due to the lockdown circumstances, new ways of doing things were developed including with respect to holding meetings, who was invited to the meetings, decision-making and mandating
- **A crisis focuses the mind:** There was less room for ideological positions and unrealistic demands and more acknowledgement of fiscal limits
- **Trust creates flexibility and risk-taking:** For example at the beginning of the UIF Covid-19 Ters – a significant amount of money was disbursed in a short period
- Agile and transparent, timeous, two-way **information sharing and communication** between state institutions and social partners can help to improve the quality and credibility of public policy.
- The need to have **common communication messages** – ‘all of society approach’ of different voices, one message – builds the credibility of the message
- There is a need to **quickly institutionalise** the practices and innovations of the Covid-19 pandemic - or the lessons will be lost e.g. hand washing, health and safety in workplaces, preparedness for future pandemics and crises.

# Other areas of social compacting

- There are other areas of social compacting which are not coordinated by Nedlac but involve some/all Nedlac social partners and sometimes report back/engage with Nedlac structures
- These include:
  - Master plans in sectors such as sugar, furniture, clothing & retail, steel
  - Collaboration to save the Langeberg canning factory in Ashton in 2022
  - Western Cape Food Forum which co-ordinates NGOs and government on initiatives to enable household food security
- During Covid-19 there was also an unsuccessful attempt to agree on a social compact on alcohol – to reduce and better manage alcohol bans in return for social investment in addition prevention

# Reflections and observations



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# Observations: Nedlac Secretariat (1)

- In Nedlac:
  - **Programmatic** social compacting (where there is an agreement to collaborate on a common set of issues (e.g. energy crisis) or against a common enemy (e.g. Covid) has worked
  - Attempting to secure **trade-offs** between social partners has not worked
- It is hard to secure trade-offs in situations where:
  - parties do not have much to give e.g. wage restraint in the context of high unemployment
  - it is difficult to secure mandates to give up something e.g. federal and dispersed structures in business & community
- In programmatic social compacting the focus is on what social partners have to contribute rather than sacrifice

Programmatic social compacting can involve:

- Information sharing and building understanding
- Reaching consensus on difficult issues
- Communicating common messages and being involved in galvanising all of society approaches

While reaching agreement on a limited set of issues

# Observations: Nedlac Secretariat (2)

- Social compacting is appropriate when more will be achieved if more than one stakeholder/set of interests works together rather than separately
- Social compacting works best
  - When there is a focus on:
    - A specific or limited set of issues where agreement can be reached
    - A sector (e.g. automotive) or a space (e.g. Komati)
    - Addressing a common enemy/crisis (e.g. Covid-19, water shortages)
  - Where there:
    - Can be areas of agreement (while acknowledging contradictions or conflicting interests)
    - Is flexibility and inclusion in respect of partners
    - Agreement with principals is complemented by strong technical support/expertise and engagement.
  - When the process is iterative and dynamic recognising changing circumstances and avoiding duplication as things change (e.g. changing nature of Nedlac energy work stream when Necom was set up)



# Observations: Nedlac Secretariat (3)

Preconditions for successful social compacting requires that:

- The state needs to play a leadership role and social partners should not step into the role of the state
- The parties to social compacting need to be:
  - Diversely representative (not only those who are seen as ‘insiders’)
  - Able to get a mandate and carry their constituencies
  - Capable of making hard decisions – which may be unpopular in the short term but will have long-term benefits
  - Have the capacity, capability and political will to deliver on commitments in the social compact
  - Able to take “a leap of faith”, and have hope and trust - which in turn can lead to increasing levels of trust
- Each party needs to make a contribution which may not be equal but should be equitable
- The playing field between different parties should be levelled e.g. through capacity-building support, recognising others sources of knowledge and experience

# Conclusions

*“We have a lot of problems in our country, but when our team comes together... it shows we can pull together to achieve something.”*

Siya Kolisi



Social compacting is about pulling together at the right time around the right stuff