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Towards a Social Compact for South Africa

Based on a research report: *Cohesion, Covenants and Compacts* by the
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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 its Constitution and calls for a social contract to develop the country as well as build a more cohesive and equitable society.

The National Planning Commission (NPC) acknowledges that there are various definitions of the concept of a social contract. There is, however, broad consensus in the South African discourse that the most beneficial will be one that includes the elements of a core agreement among various societal role-players and government which outlines the rights and duties of each party. The NDP identifies the importance of forging a social compact in dealing with collective problems ranging from labour market policy to spatial planning. It was with this as a basis that the National Planning Commission 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 could be adopted in forging a social compact in South Africa.

A desktop analysis of social compacts globally was conducted as well as a few case studies to examine how the various compacts were forged, why they work or why they may not work. Existing social compact-type arrangements in South Africa were 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 and pillars for a working social compact are proposed.

Evidence shows that countries that are able to effectively introduce compacts for national cohesion and economic growth are those where social dialogue is the preferred instrument of addressing challenges. This report uses South East Asian and European countries to demonstrate the outcome of social compacts in those contexts.

For a country like South Africa which is still addressing growing basic demands within the context of a backlog based on its apartheid past, poverty and inequality and its impact on social mobility lie at the heart of its challenges. While this may impact on the ability to reach consensus on a vision and the measures to attain it, South Africa has a commendable history of finding collectively-shared solutions, with the political settlement of the 1990s being the prime example.

Since then, other related initiatives have been undertaken, including the Jobs (1998) and the Growth and Development (2003) Summits, the 2006 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 these initiatives include: continuing attempts by social partners to uphold uncompromising 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 abandoning of compacting processes and structures when the political leadership changes.

In South Africa, the concept and practice of social compacting was first applied in the transition period with the establishment of the National Economic Forum (NEF) comprised of business, government and labour representatives. 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 view that NEDLAC has become less effective due to, among others, the downgrading of representatives to junior members; the fact that each constituency approached discussions with non-negotiable mandates seeking to achieve its maximum positions; perceptions of politico-ideological alignment within its bureaucracy; and the fact that the government is perceived to be colluding 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 path in terms of social compacting. The existence of the NDP and the support it enjoys within society presents a unique opportunity for South Africa to create 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 serves as a building block for the NDP.

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

The NDP's economic narrative 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, a commitment to support developmental initiatives 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 a social compact should primarily include amongst others: a basic framework of macroeconomic policies and interventions; a revision of sector charters so they align with NDP objectives; measures to realise the BBBEE programme including ESOPs; an incomes policy including minimum wages; an inflation policy that also addresses the cost of living for the poor, high mark-up prices in the product markets and the cost of transport; the implementation of mini-compacts on youth, gender and skills; and safety and security issues. These issues should be considered as a package.

It is proposed that the pillars and the framework be used as the basis for consulting society about the process to conclude a social compact

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. In order to agree on which attributes should be considered in the contract or compact, its implementation and assessment of its outcomes, due consideration of the structural conditions in the economy, politics and stakeholder relations should be considered. Without this understanding of who the role-players are, what power they have and where their likely interests could be, a contract or compact may not have the required legitimacy or receive adequate support. What allows compacts or contracts to flourish in one context and fail in another is the constant tension between the state of the politics and the economy and the influence of transformational leaders.

Countries that have effectively introduced compacts for national cohesion and economic growth are those where social dialogue, rather than negotiating, is the preferred approach to addressing challenges. In the main, guiding principles seek a 'balance between growth and equity, and between individual responsibility and social insurance.'¹

For a country like South Africa which is still addressing growing basic demands within the context of its apartheid past, inequality and its impact on social mobility lie at the heart of its challenges. While apartheid functioned through the institutionalisation of inequalities, democracy creates the space to address these challenges through social dialogue and partnerships geared towards producing collectively-shared solutions.

The state is a crucial component in fostering social partnerships and in managing the agreements of such partnerships. As experience elsewhere indicates, the partnerships between the state, labour, capital and civil society provide the foundation of a developmental state. The state in a democratic order is expected to possess the central authority and legitimacy to initiate platforms for social partnerships among stakeholders. Where social partnerships are absent, society faces intense pressure from those excluded from political, social and economic engagement. In situations where there are inefficient social partnerships with limited inputs from the various sectors of society, a mentality driven by narrow self-interest tends to prevail. This induces high levels of resentment among those that are excluded, increased incidents of corruption and social tension characterised by individualistic attitudes which prove counterproductive for society.

Two decades into democracy, South Africa faces challenges which are similar to many other postcolonial societies. South Africa demonstrates cracks that are associated with the diffusion of power that is spread along the fault-lines of the past. While political power is located in the groups that were historically excluded, economic power still largely vests in the white business community and the cluster of professions that were previously denied to the majority of the population.

Both these socio-political groups have the capacity to influence the direction of governmental policy and this contradictory power dynamic results in a policy approach that selects elements from various philosophies 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. This requires that stakeholders should recognise the benefits that each sector should derive from the agreed development path, understand the contribution that each should make, and the short-term sacrifices that would be required to achieve long-term rewards for all. This raises the central question of the leadership to manage the contending forces to ensure a focus on the long-term common good and the actions required in the short-term to attain that common good. Leadership 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:

- ① Much progress has been made in consolidating democracy and ensuring the culture of human rights;
- ② 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;
- ③ Interventions to deal with the social deficit inherited from the past have had some impact, but their maintenance and improvement require higher rates of economic growth;
- ④ The country has experienced moderate rates of economic growth over the entire post-apartheid period, and has been unable to fully take advantage of its potential and the post-apartheid dividend;
- ⑤ Poverty and inequality have not been sufficiently reduced to ensure that all of society feels a common sense of belonging;
- ⑥ The variety of negative experiences, ranging from socio-economic challenges to safety and security detract from formal constitutional rights; and
- ⑦ The performance and conduct of leaders in both the public and private sectors have at times tended to undermine society's aspiration for movement to a higher level of national development.

Much earlier in the transition, the need for forging a social compact was recognised resulting in the establishment of structures and systems to address that objective. NEDLAC, the 1998 Jobs Summit, the 2003 Growth and Development Summit, Working Groups of government and various sectors of society are examples of that approach. Among the weaknesses that undermined these efforts 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 trajectory of social compacting. It is noteworthy that, in the 2014 national and provincial elections, approximately 93% of the electorate supported parties that embraced the NDP.

Methodology

A desktop analysis of social compacts globally was conducted as well as a few case studies to examine how the various compacts were forged, why they work or why they may not work. Existing social compact-type arrangements in South Africa were 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 and pillars for a working social compact are proposed.

A word on terminology

Social contract and *social compact* are used interchangeably in this report to refer, in normative terms, to collective agreements between social partners in society about how to address major issues that require their collective contribution.

Inequality in this report refers generically to the unequal distribution of the nation's resources and opportunities based on race, class, geography, gender, education and skills. It will be indicated when inequality is used with reference to one of these characteristics such as gender inequality or income inequality

A *social partnership* is a mechanism to facilitate social compacts that take the form of social dialogue in the promotion of the interests of all partners.

Social dialogue encourages consultation and information sharing between partners working for common interests.

Theoretical background

The concept of social contracts has its roots in 17th and 18th century theories of philosophers such as John Locke, Thomas Hobbes and Jean-Jacques Rousseau with John Rawls further developing the notion in the 20th century.

Hobbes regarded a social contract as being based on mutual self-interest while Rousseau emphasised the rights of individuals and society. The 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 common interest is more central.²

The collected works of these thinkers about the social contract as 'the rights and responsibilities of the state to its citizens and citizens to each other', also served as 'the precursor to modern concepts of democracy and the 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.'³ 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) extended 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.'⁴ 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.

The centrality of the state was important during these early days of formalising government-society relations. The state developed in order to deal with 'irreconcilable antagonisms' and 'classes with conflicting economic interests.'⁵

To facilitate the formulation and to ensure the execution of a social compact requires a social model structured around mutual benefit and, by implication, requires a social dialogue model that brings 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 business, its basis is in democratic social dialogue about rights and development including the concept of equality of rights among citizens. A social compact is embedded in social values that support the understanding of developing communities in a consultative process by using the resources of the community itself.

Corporations were largely absent from the earlier formulations of the social contract. The recognition of the corporate citizen as societal actor on a par with government or the citizenry began in the early 19th century. 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 is critical not only in order to ensure social benefit but also to preserve the self-interest of these corporations themselves.

Thandika Mkandawire⁶ suggests that social compacts are 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.'

SOCIAL COMPACTS IN HISTORICAL PERSPECTIVE

Since there is no universal understanding or application of social compacts or contracts, there cannot be a uniform model applicable to all societies. The structural conditions of countries present different opportunities for implementation of a social compact.

The growth associated with South East Asian countries after World War II is used as the leading model in social compacting. These countries offer lessons on agreements between labour, business and government containing choices and compromise in contributing to shared growth.

In Western Europe social pacts have been a preferred option 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.'⁷

INTERNATIONAL CASE STUDIES

Singapore

Like many other countries in South East Asia, after independence Singapore had to rebuild its country without being able to rely on natural resources. This was in the context where its larger neighbour, Malaysia, had been hostile to the separation. Internally, it was 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 used 'investor-friendly labour relations and market policies'⁸ to grow the economy. This pragmatism recognised the role of the market in resource mobilisation and product allocation and of foreign investors in accelerating economic activity. Through charters such as the Charter for Industrial Progress and the Productivity Code of Practice, the government's legislative framework became essential in the protection of labour while creating an investor-friendly environment.

A National Wages Council (NWC) was subsequently established as an industrialisation social pact to institutionalise 'a wages policy that provides for orderly and realistic bipartite adjustments at the enterprise level,' and for '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 that were 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.'⁹

The format of these practical partnerships is a tripartism that bolsters 'economic competitiveness, harmonious labour-management relations and overall progress of the nation.'¹⁰

Ireland

In Western Europe, the so-called *Irish Miracle* of 2002 was referred to as the Celtic Tiger for the similarity with Asian countries in which they were able to grow their economy from the 1990s. This period, that saw Irish incomes surpass their British and European counterparts, emerged primarily from social partnerships between political leaders, industry and trade unions to devise actions and commitments to reverse negative economic performance as a result of years of internal strife. As with many other countries, this upward trend continued until the 2008 global economic crisis.

The National Economic and Social Council (NESC), established in 1973, serves 'to analyse and report to the Taoiseach (Prime Minister) on strategic policy issues relating to sustainable economic, social and environmental development in Ireland'¹¹. The NESC published the Strategy for Development in 1986 which formed the basis of the first Programme for National Recovery. The NESC produced strategy reports for the subsequent six social partnership agreements from 1990 to 2006.

The NESC is composed of representatives from business and employers' organisations; the Irish Congress of Trade Unions; agricultural and farming organisations; community and voluntary organisations; environmental organisations; public servants, including one that represents the

Taoiseach, and one the Minister for Finance; and people possessing relevant knowledge, experience and skills.

Netherlands

The ground-breaking 1982 Agreement of Wassenaar 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 effective in wage moderation, where wages were kept in check despite productivity increases and unemployment was managed by reducing working time and implementing job-sharing. It was an important innovation in balancing employment creation and productivity. The agreement can be largely credited with the increase in Netherlands' investment levels, and employment levels for women and young workers.

The Netherlands has also had the benefit of an advisory social compact forum called the Sociaal-Economische Raad (or Social and Economic Council [SEC]), which was established in 1950 to promote full employment, sustainable economic growth, and fair income distribution. As a tripartite forum, the SEC had the responsibility for labour market innovation, environment and social security.

South Korea

South Korea began its rapid socio-economic development after World War II as a result of the agreement reached by the Allies at the Potsdam Conference. South Korea developed planning through the facilitation vehicle of 'autonomous sector institutes' which played a 'critical role in the interface between central government and the sectoral actors'¹². Rather than predominantly using coercive force, the various South Korea administrations, 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.

South Korea focussed mainly on the development of export-oriented industries using highly skilled and educated labour and strongly supported by government. A strategy of targeting specific industries for development was implemented in 1962 as part of a series of economic development plans.

The co-option of social actors was necessary in the creation of what has since been termed 'South Korean essentials,' which revolved around 'the rapid expansion of world trade; a strong interventionist state determined to pursue export-oriented economic growth; and the availability of a high-quality, low-cost labour force.'¹³

Sweden

The Swedish model has its early origins in the first quarter of the twentieth century when 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.¹⁴

These ideas have played a critical role in shaping social compacts between labour and capital in Sweden. The state has sought to either indirectly 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 a generally prosperous society.

One of these was the Basic Agreement (or the Saltsjöbaden Regime) of 1938 between the Swedish Employers' Confederation (SAF) and the Swedish Trade Union Confederation (LO) which introduced a new era in Swedish industrial relations that endured for about 30 years.¹⁵

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.'¹⁶

Successive agreements or social compacts were entered into given new conditions and periods in the evolution of the Swedish model and new pressures on 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 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 periods of crisis where crises are used to introduce systemic changes in the economy. The legitimacy and capacity of the state allows for effective engagement of social partners to resolve systemic problems.

SOUTH AFRICAN CONTEXT

The democratic period in South Africa began with a dysfunctional economic system inherited from the apartheid government, the effects of which persist today. While the country has largely experienced positive growth rates, it has been insufficient to absorb the large labour surplus. The decline in growth due to the 2008 global economic crisis resulted in increased unemployment and while the economy has recovered since then, the employment has remained low. Employment would have to grow at 6.3% a year to absorb labour market entrants and reduce the unemployment rate. The unemployment rate is among the highest in world, and in July 2014, at 25.5% (narrowly defined) it is the highest it has been since 2008.¹⁷

Investment in South Africa is low, but has been growing. Although it peaked in 2007, it has since recovered following the 2008 crisis, and exceeds levels from the 1990s. Planning infrastructure projects as well as those currently underway are expected to raise the investment level. The expenditure on research and development remains lower than 1% of gross domestic product (GDP)¹⁸ but is expected to contribute to South Africa's economic transformation.

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.¹⁹

South Africa has been declining in global competitiveness rankings due to, amongst other issues, labour strife which is exacerbated by deteriorating confidence of rating's agencies in South African bonds and banks. South Africa's performance as a knowledge-based economy has also been lagging.²⁰

This brief account of the macroeconomic environment in South Africa is crucial when examining the goals of the NDP and discussing some of the country's socioeconomic trends.

The NDP 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 poverty, reduction of inequality and attainment of full employment (at an unemployment rate less than or equal to 6%) are critical objectives to secure a decent standard of living, as outlined in the NDP. Social protection available to all is deemed essential to protect citizens from economic shocks and circumstances beyond their control.

The provision of quality education and healthcare has been identified as priorities in order to facilitate the full participation of citizens in the labour market. The goals outlined above can only be attained in the context of an efficient, capable and developmental state.

To understand the importance of the long-term plan, it is worth considering the key socio-economic trends in South Africa. The Statistics South Africa's income and expenditure survey (IES) undertaken every five years, indicates in its 2011 release that 20.2% of South Africans live beneath the food poverty line (R321 per person per month in 2011 prices), while 45.5% of the population live beneath the upper-bound poverty line (UBPL) of R620 per person per month. This means that approximately 23 million South Africans live beneath the R620 per person poverty line. These statistics indicate an improvement on the 2006 survey data which can be attributed to factors such as the extension of the social grant, real income growth, lower inflation and credit expansion.

The global economic crisis of 2008 is considered to have had the worst impact on those living in extreme poverty with numbers increasing between 2006 and 2009, but declining to about 20.2% of the population by 2011. The decline in the poverty trend reported is attributed to the various successes of the pro-poor elements of the country's policies. However, substantial income inequality persists with the Gini coefficient 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 accounted for 61% of consumption in 2011, which is 3% lower than in 2006. In contrast, the bottom 20% only consumed 4.3% of total consumption, down from 4.4% in 2006. Income inequality remains a persistent feature of the South African economic landscape with few countries more unequal.

It is worth analysing the items that account for household spending: 32% of overall consumption expenditure is dedicated to housing, water, electricity, gas and other fuels. When this is combined with expenditure on food and non-alcoholic beverages, it accounts for almost 50% of household expenditure. Approximately 17.1% of household expenditure is spent on transport which accounts for a substantial portion of household income.

National Economic Development and Labour Council

The National Economic Forum (NEF) established 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 impact on the labour market. NEDLAC was instrumental in providing a platform during the transition phase in the 1990s for the deliberation of progressive legislation and policies such as the Basic Conditions of Employment Act of 1997 and Skills Development Act of 1999. These were arrived at through negotiations between the parties who presented their respective mandates. The Labour Relations Act of 1995, also negotiated at NEDLAC, established a mechanism for workplace dispute resolution, the Commission for Conciliation, Mediation and Arbitration (CCMA). The CCMA's brief is to adjudicate, among others, in dispute resolution, employment equity, and labour rights protection.

When NEDLAC was established, its mandate essentially was to 'promote goals of economic growth, participation in economic decision-making and social equity and to seek to reach consensus and conclude agreements pertaining to social and economic policy.'

NEDLAC's role is to promote stakeholder cohesion by advocating a shared vision of South Africa's development. The aim is to foster stakeholder agreements and partnerships in relation to the policy environment and determine action to be undertaken to yield the desired results. NEDLAC's position is designed 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 to attain a fairer distribution of economic opportunities and a more equal society.

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) policy proposed to address the legacies of apartheid in society and the economy, in particular. As a result, its ability to function as an open social dialogue platform not only for business, labour and government but for civil society organisations representing the youth, rural, and unemployed sectors, was constrained.

The extent to which NEDLAC can overcome its position of being perceived as simply a structure of the early democratic phase depends on external factors but also on 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.'²¹ If it is to endure, it is crucial that it reinvents itself as a facilitation forum based on the promotion of trust, compromise and shared interests.

NEDLAC's role in the legislative process has been recently called into question. While NEDLAC has been consulted about proposed legislation since its establishment, and has a history of providing valuable input in labour and competition legislation, confidence in this process has diminished. The time taken for the consultation process in NEDLAC, particularly on controversial issues, has tended to cause delays in finalising policies and legislation.

Factors that have impacted on NEDLAC's diminished standing include: stakeholders taking dialogue less seriously; constituencies sending junior officials to meetings, the limited scope for negotiation resulting in the contention that both business and labour seek alternative means of policy influence. In particular, it has been alleged that labour exploits its relationship within the tripartite alliance to meet their needs.

There is the view that NEDLAC should be disbanded because it has become irrelevant. It is argued that while it played a role in avoiding a breakdown in relationships between key economic actors in the transition period, the model is no longer applicable. According to this argument, the State through Parliament and the Executive is able to consult and govern and social partnerships could be negotiated through specific bilateral or multilateral forums.

There is a view that while NEDLAC was not established as a decision-making body, it should, however, be the forum for discussion and informal agreement. According to this view, the perceived importance of informal agreements might be improved if government attached as much importance to social dialogue as formal parliamentary processes.

There is also a view that the stakeholders in the economy were more open to consensus in the early years of the new democracy even though efforts to find consensus faltered as early as 1996. Currently, however, policy positions are far better defined and more divergent. According to this view, NEDLAC's absence will eliminate formal opportunities to reach consensus and contribute to making better decisions and conflict will just continue to grow.

The question of why new forums should be established when one exists and whether government would be obliged to consult in NEDLAC's absence become relevant in this context. NEDLAC's role as a negotiating body and the importance of institutionalised social dialogue should be examined. It has been suggested that the focus of the reform of the forum should be focussed on social dialogue and that NEDLAC should provide innovative research into ameliorating socio-economic problems. This approach should be combined with a revision of the representation of constituencies, to ensure contemporary relevance and inclusivity.

1998 Presidential Jobs Summit

The 1998 Jobs Summit was undertaken to produce 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 jobs growth with 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 sentiment was the basis of the 1998 Jobs Summit, it is as applicable today, which raises the question of whether the summit, despite efforts by the partners to ensure the implementation of various agreements, achieved its goals.

One of the major outcomes of the 1998 Jobs Summit was the establishment 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 the donation of a day's wage by workers, and companies contributing a day's profit.

Funding was provided 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 had been funded.

Organised business also committed to allocate 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 and 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.

The 2003 Growth and Development Summit

The Summit focused on critical objectives through a process of engagement between constituencies at NEDLAC. Stated objectives included:

- ① 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.
- ② 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.
- ③ 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 virtually impossible to evaluate the impact of summit agreements on broadly defined socio-economic problems.

Accelerated and Shared Growth Initiative of South Africa

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. It is one of the most significant efforts on the part of the government to improve the growth trajectory and ensure equitable distribution of 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 reported that coordination and planning issues remained extremely challenging. It noted that 'The factors militating against effective integration in government are more deeply rooted and more difficult to overcome than initially recognised.'²² 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 arrangement that emphasises the 'relationships, interdependencies and the need for holistic thinking,' in relation to policy synergy.

There was recognition that 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 establishment of the Planning Commission and the Ministry of Performance Monitoring and Evaluation, based 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 the best methods to develop and attract much needed skills to the country.

In the final JIPSA report it noted that 'The growth envisaged through AsgiSA depends in part on resolving the shortage of suitably skilled labour. 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 increasing the price of labour of the poor.'²³

With regard to stakeholder participation, business' participation was initially limited but changed when the participating CEOs committed to prioritising skills development. This was 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, however, some divergence between educational authorities regarding training and throughput.

After the 2009 elections government 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.

Agreement to deal with the economic crisis

In December 2008, organised Labour, Business and Government met to establish a collective response to the global financial crisis. Social partners stated that their primary concern related to the impact of the slowdown on the poor and most vulnerable who were the worst affected by the crisis. The impact was not unique to South Africa, and while growth has rebounded, employment gains have not been commensurate. A number of measures were agreed to save jobs as well as to assist those who had

lost jobs during the crisis. Employment creation programmes, the promotion of sustainable livelihoods, public investment, social relief and support were highlighted as the means to minimising the effect of the crisis on the vulnerable.

It is difficult to establish whether these programmes were effective because objective assessments are not available. In addition to the jobs that were lost, the growth rate has not been sufficient to absorb new entrants, recover lost jobs or reduce unemployment.

Investment in the subsequent era has been boosted by significant public investment in infrastructure, occasionally in partnership with business. However, the effect of escalating industrial strife, increasing current account deficit, government debt, and reduction in growth targets have resulted in the recent downgrades by rating agencies. Taken together, these factors are threatening to significantly slow down the recovery of the South African economy.

Skills Accord

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

The eight broad commitments below were agreed to:

- ① Expand the level of training using existing facilities more fully;
- ② Make internship and placement opportunities available within workplaces;
- ③ Set guidelines of ratios of trainees: artisans as well as across the technical vocations, in order to improve the level of training;
- ④ Improve the funding of training and the use of funds available for training and incentives on companies to train;
- ⑤ Set annual targets for training in state-owned enterprises;
- ⑥ Improve SETA governance and financial management as well as stakeholder involvement;
- ⑦ Align training to the New Growth Path and improve Sector Skills Plans; and
- ⑧ Improve the role and performance of FET Colleges

These commitments are practical and emanated from the engagement of social partners; however it is too early to evaluate their impact. Determining the impact of training on employment is an inherently arduous task as indicated by the Department of Higher Education and Training's White Paper on Post-School Education and Training (2014) that highlights some of the persistent difficulties in this sector. The Labour Market Intelligence Project that was established to address some of the mismatch between the availability and nature of training and job-readiness echoes the difficulty of measuring the impact of training on employment.

2012 Social Cohesion Summit

The 2012 Social Cohesion summit that took place in Kliptown, the site where the Freedom Charter was signed in 1955, was organised by the Department of Arts & Culture (DAC). Delegates from 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 since 1994, discussed the National Strategy for Developing an Inclusive South African Society and identified constraints that limited the development of a more inclusive society. The main themes that were discussed included: Economic Inequality, Spatial Divisions, Social Interaction, Cooperation and Solidarity, Prejudice and Discrimination and National Identity and Unity.

Using the phrase from the Freedom Charter that declares 'South Africa belongs to all who live in it, both black and white, united in our diversity,' the Summit listed a series of challenges that included slow economic growth and transformation, the persistence of apartheid spatial divisions, the burden of disease, in particular HIV/Aids and tuberculosis, uneven access to quality education and training, high levels of crime, gender discrimination, racism, xenophobia, service delivery failures, 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 the ability of society to address these challenges by working together and adopted twelve resolutions including to mobilise society 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.

Summary

When considering the aims of the initiatives undertaken by South Africa, the key issues facing the country become evident. These include restructuring the economy to facilitate inclusion and for increased investment and employment to be addressed so that poverty and inequality can be substantially reduced. These interventions focus attention on the importance of continuity in policy and its implementation beyond the five year period of an electoral cycle.

The Social Cohesion Summit declaration makes the point that 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 investment in training and production; and labour should recognise that wage demands should be matched by labour productivity. Despite the general recognition of the conditions required to foster economic growth and increase jobs, it has been difficult to reach agreement among the partners about the details of such a compact. This is, in part, due to the history of the country, where the necessary trust for undertaking short-term sacrifices to reap long-term gains is not present.

A further factor is the over-emphasis of the responsibility of the state in the implementation of policy that is driven by short five-year planning cycles that have characterised the South African policy framework. The responsibility of civil society is often not clear and takes place on an ad hoc basis. Without healthy and robust dialogue, the interaction between state and society on important matters remains limited to small groups, thereby marginalising most sectors of society. While the vision articulated by the National Planning Commission 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 the need to...transform the structure of the economy...industrialise the (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.'²⁴

The South African Communist Party takes a slightly different approach and 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' and more importantly, that 'the NDP is not carved in stone.'²⁵

Predominantly, the chapters dealing with the economy have generated the most debate. Given that the desired social compact will revolve around these issues, a great deal of work will have to be undertaken to attain the level of consensus necessary to forge such a contract. As noted previously in this report, a critical issue to be resolved by leaders across all sectors is the impact of maintaining uncompromising positions on the ability to constitute a social compact.

EFFECTIVENESS OF SOCIAL COMPACT PLATFORMS

As social compacts require a high level of commitment from relevant partners, it is crucial that the risks and consequences are analysed in addition to the advantages. Although the South African context provides a series of unique challenges, these issues are not exclusive to South Africa.

In early 2014, Asian trade union leaders met in Bangkok to craft a Social Contract for the Asian Century based on concerns about the fracturing and weakness of social contracts in the region. In particular, their main concerns were:

- ⑧ The "informalization" of work through irregular, informal, part-time, casual or contract work arrangements which leave them in a position of insecurity;
- ③ The growing gap between rich and poor, which is a sign of social injustice;
- ③ The inadequacy of labor rights like the "right to organize" by forming trade unions, and the right to "collective bargaining" meaning the right of workers to discuss and negotiate with employers collectively through a trade union; and
- ④ Many trade union leaders are also concerned about gender equality, social and political freedoms, democracy and the rule of law.'²⁶

While these were genuine concerns to be considered, the matter of labour informalisation remains a complex issue because a return to an era of lifetime employment contracts and seniority-based salaries would not be possible. Social contracts should instead be modernised to reflect the current challenges taking into account the need for flexibility and competitiveness in the context of globalisation and rapid technological change.

However, the negative socio-economic effects of informalisation have to be acknowledged at the same time. In Japan, '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.'²⁷

In South Africa the collaboration between the ruling party alliance partners, government and forums such as NEDLAC with ASGISA worked relatively well. ASGISA was a form of social compact targeted at, among others, infrastructure-wide investment, second economy interventions, and actual service delivery at the level of public administration. The positive aspects of the ASGISA initiative were:

- ⑧ It was implemented after extensive consultation beyond government and the ruling party,
- ② It had the support of the labour, business and NGO sectors,
- ③ It possessed robust communication strategies; and
- ④ The programme of action was straightforward and had political champions in the Executive.

It must firstly be acknowledged that while social contracts in South Africa face formidable challenges, these are not insurmountable. The perception both within and outside government is that government is the most important partner and main agent of social partnerships. The drawback of such a perception, from government's perspective, is that it incorrectly confers the right to select the leadership of institutions that are meant to provide platforms for dialogue. This may account for NEDLAC losing legitimacy with other stakeholders as the forum's leaders were perceived to be too sympathetic to the ruling party. For non-statutory bodies like NEDLAC to reclaim authority across all sectors in future, the employment of members of its bureaucracy will have to be more balanced to overcome perceptions of ideological bias.

Some analysts have argued that a new paradigm that encourages the building of trust is required. Examples such as the 'Millennium Labour Council (bringing together senior leaders of labour and business) and the Working Groups of government are the kinds of fora that would allow for shared reflection before the details are thrashed out in the formal structure²⁸.' Such structures can act as a preliminary forum for addressing the interests and concerns of each partner and to provide room for establishing integrity and building trust in order to confront seemingly intractable problems based on resolute leadership that prevents paralysis. It must be stated, however that the mere existence of a forum is not a guarantee for achievement as there must be a genuine commitment to the process by all partners.

Secondly, the level of representation within organised social compact platforms seems to be disproportionate. Quite often the ideological battles in the ruling party alliance are extended to other institutions of state and its non-statutory bodies. Those representing employed workers have an interest in influencing the social partnership, however, this influence often tends to overshadow the interests of those outside organised unions such as small enterprises, street vendors, and the unemployed youth. The perception of social compacts is that it is a gathering of the golden triangle of business, government, and organised labour with the interest of those outside these groups not represented.

Thirdly, poverty and inequality affects not only the poor and economically marginalised but have a bearing on wider societal factors ranging from law and order, social mobility, educational opportunities, and the broad 'happiness index' of a country. In order for labour to agree to sacrifices for the common

good such as suppressing their wage demands in periods of low economic activity and reduced profits, it is crucial that shareholders and owners of capital equally undertake curtailment measures as well or risk being viewed as unsympathetic to the plight of the poor.

A great deal needs to be accomplished to regain public trust, not only by government leaders, but by the 1% of society who earn elevated amounts compared to ordinary employees as well. Workers will agree to defer demands for higher wages if management of companies and leaders in government similarly settle for moderated remuneration or shareholding options.

This argument finds resonance in the recent article by Forester de Rothschild where he notes:

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.²⁹

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.'³⁰ A similar argument is 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.'³¹

PILLARS FOR A WORKING SOCIAL COMPACT

The Constitution of the Republic which is supported by all South Africans enjoys the status of a covenant that inspires and outlines the ideals of society. The Bill of Rights outlines the fundamental human, political, social, and economic rights and provides the foundation for establishing a social compact across society. Any efforts aimed at framing 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 an interpretation of the ideal society as envisaged in the Constitution. While there are areas of difference about some aspects of the NDP among some role-players, its wide support reflected, among others, in the fact that some 93% of voters in the 2014 elections supported parties that embrace the Plan, cannot be ignored.

It is crucial to reflect on the developments that led to the adoption of the Constitution when embarking on the process to construct a social compact. Four factors should be considered:

- 1 Firstly, the multi-party negotiations process was the result of the fact that the leadership of the opposing forces realised that continued conflict would be detrimental to all in the long run. Through negotiations they identified the end-state of a united, non-racial, non-sexist and prosperous society. CODESA provided the basis of the constitutional principles that would inform the detailed draft of the Constitution.

- ② Secondly, the leadership recognised that the conflict existed and had endured for such a long period because there were genuine concerns harboured by each constituency. It was therefore understood that the attainment of a lasting solution would be a process which would entail compromises and assurances to alleviate these concerns.
- ③ Thirdly, both CODESA and the Constitutional Assembly involved both formal and informal processes of consultation. Despite the differences on matters of principle and detail among the negotiating parties these were not allowed to stall the process, with 'sufficient consensus' or majority decisions being accepted as a sufficient basis for progress.
- ④ Lastly, the political settlement recognised the massive harm done by the system it was dismantling and weaknesses in the process were addressed through programmes such the Truth and Reconciliation Commission which served to reveal the truth about human rights violations and encourage reconciliation.

Lessons from attempts at social compacting

The various efforts towards social compacting that have been attempted since 1994 were informed by the fact that a political settlement would not on its own correct the historical social injustice imposed 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 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 establishment of structures that served as platforms for 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 there was a recognition that dialogue was critical to addressing the country's socio-economic challenges.

The weaknesses that these processes revealed include:

- ① Persistent attempts, even after broad agreements had been reached, to campaign for the maximum positions by sectors;
- ② A resoluteness about specific ideological positions as the only path to progress;
- ③ A reluctance to communicate compromises reached to the respective constituencies;
- ④ Grandstanding, especially when agreements had been reached in the build-up to election campaigns, as with the Jobs Summit (1998) and the Growth and Development Summit (2003); and
- ⑤ Inconsistencies and lack of continuity on the part of government as a result of changes in political leadership.

General observations

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

The question of whether there is sufficient consensus and incentive in society to persuade the leaders of various sectors and their constituencies to agree and pursue a social compact must be resolved. Imperatives that work in South Africa's favour include the recognition across society that the current macro-social environment is unsustainable and would threaten the poor and the rich alike; the resonant voices on the need for a social compact; the fragile global economy that presents limited space for capital flight; and the reality of 'Africa Rising' which serves as an opportunity.

Identifying the basic Pillars

In terms of the economy, 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 growth. In addition, a demonstrable commitment to broader national development objective by the financial sector and small business development are also seen as important platforms for employment creation. It is evident that agreements on how to improve these sectors will be fundamental to the attainment of the socio-economic objectives of the NDP.

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

Each of the critical sectors identified in the NDP should review the relevant sector charter and align it with the objectives of the NDP. In particular aspects of the charters that contribute to job creation should be given priority. Long-term plans should be broken down into short-term programmes with clear targets. These plans should include levels of investment and re-investment, as well as the state interventions required to facilitate such growth and employment creation.

With regard to the reality of exclusion experienced by the majority of South Africans, the BBBEE programme has been designed to address this. These range from enterprise development and skills training to ownership. Given that marginalisation is felt even more keenly at company and enterprise level, greater attention should be given to Employee Share Ownership Plans (ESOPs).

The move from a narrow focus on BEE, which benefited only a fraction of the majority of the population, to a broad-based approach was a significant change. The recent developments that seek to promote black industrialists is another move in the right direction, aligning BEE with broader development goals by emphasising support to those engaged in productive activities rather than those who simply act as "middlemen", often importing goods at the expense of local production.

A broad framework of an approach to incomes policy as well as minimum wages should be agreed. With regard to the incomes policy, agreed wage differentials can be developed per industry, company or enterprise. While technical arguments about global comparisons may be logical, it will be important to take account of the South African realities which include the history of deliberate exclusion and marginalisation. There will also need to be clear commitments to productivity improvements, which are as dependent on worker performance as on management acumen. Flexibility and asymmetry on incomes and minimum wage policies will help address the issue of sustainability of specific enterprises but this will need to be accompanied by transparency in relation to the workforce.

This framework 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 specific interventions to contain inflation. The basket should include items such as administrative prices (e.g. rates, water, electricity, health and education), staple foods and transport. While interventions such as free basic services, no-fee schools, subsidised housing and subsidised transport currently being applied do assist, they are inadequate and household incomes remain under severe pressure which generates workplace conflicts.

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 eradicate 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 spatial planning policies. While the government transport subsidy alleviates this to a great extent, it does not include the dominant mode of transport, 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 additional 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.

The mini-compacts and policies that have been established 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.

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 opportunities and takes advantage of them does not equate with 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.

Managing the process

These pillars have been identified for their catalytic attributes that, if attended to, would raise the country's growth and development to a higher trajectory. An important aspect of the pillars is that they are all interrelated which would ideally require that they are attended to as a package.

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.

The pillars and framework should be used to consult society as widely as possible including sectors such as business, labour, community-, nongovernmental- and faith-based organisations. The consultations should be aimed at getting feedback and consensus about the pillars and framework and to solicit views about how the process should develop in order to ensure that it is as inclusive as possible.

Place and role of research

The wide array of issues for consideration, as well as the variety of policy positions advocated by various role-players will necessitate cutting edge research to support the process.

It will require capacities such as economic modelling, prospective studies, analytical skills on the political economy, conflict management and communication skills, among others. These capacities will need to be obtained both from within government as well as from institutions outside of government to provide technical support.

Specific research will need to be undertaken on the form that a social compact at sub-national level 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. In addition, research would need to be conducted to draw lessons from successful initiatives that have been undertaken in the private sector that approximate practical expressions of mini-compacts.

Consultations should be held with university vice-chancellors and research institutions to determine the capacity they are able to provide to assist the research effort.

CONCLUSION

The role of a social compact is to unite society to support a common developmental agenda where all parties contribute towards the greater good to all who are party to the agreement. A recognition and appreciation of the values underpinning the social compact is an essential prerequisite to ensure agreement and action.

It is important that all parties recognise that they all form part of an interdependent system, where arrangements that promote human values can ensure sustainability, rather than actions based on costly and mutually-debilitating contest.

Appropriate forums for consultation need to be made available to promote conciliatory social dialogue which allows all sectors of society to be adequately represented and have the best information available for decision-making.

Monitoring and evaluation should be instituted to determine which interventions are beneficial, which need to be improved or which should be discarded.

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