

**JUST TRANSITIONING – IS IT A PIPE DREAM IN LIGHT OF THE SLOW ECONOMIC GROWTH.**

**TOPIC: Reflections on Just Transition and the Future of Work**

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# JUST TRANSITION & THE FOW

- This starts with the basic meaning of a transition which pre-supposes a change from something(substantial) to another.
- A vision-led, unifying and place-based set of principles, processes, and practices that build economic and political power to shift from an extractive economy to a regenerative economy...approaching production and consumption cycles holistically and waste-free.
- The principle of a just transition is that a health economy AND a clean environment can and should co-exist. The process for achieving this vision should be a fair one that should not cost workers or community residents their health, environment, jobs, or economic assests. Any losses should be fairly compensated.

# JUST TRANSITION & THE FOW

- The ILO's Centenary Declaration which I participated in concluding and adoption with my team in 2019 in my capacity as the leader of the global employers has a human centred approach focusing on 3 areas of Action:-
  1. Increasing investment in people's capabilities;
  2. Increasing investment in the institutions of work; and
  3. Increasing investment in decent & sustainable work.

The Declaration then calls on all its 187 Member States, to ensure the following:

- ✓ all people benefit from the changing world of work;
- ✓ the continued relevance of the employment relationship;
- ✓ adequate protection for all workers;
- ✓ promote sustained, inclusive & sustainable economic growth;
- ✓ full employment & decent work.

# JUST TRANSITION ELEMENTS

- SDGs - with an emphasis on SDG1(No poverty),SDG2(Zero Hunger), SDG3(Good Health and Well-Being), SDG4(Quality Education), SDG5(Gender Equality), SDG6(Clean Water and Sanitation, SDG7(Affordable & Clean Energy), SDG8(Decent Work & Economic Growth, SDG9(Industry Innovation & Infrastructure, SDG10(Reduced Inequalities), SDG11(Sustainable Cities & Communities), SDG12(Responsible Consumption & Production), SDG13(Climate Action), SDG14(Life Below Water), SDG15(Life on Land), SDG16(Peace, Justice & Strong Institutions),SDG17(Partnerships for the Goals).
- Productivity - single most important driver for economic activity.
- Skills - Skilling, Up-skilling & Re-skilling.
- Leadership for change, efficacy, impact & realisation of social justice.

# WHAT IS PRODUCTIVITY?

“It is all about using less to create more – to work smarter, not harder.

Productivity is a mindset that continuously aspires to better ways of accomplishing tasks and conducting business.”

Productivity SA





# WHAT IS PRODUCTIVITY? (cont.)

- ✓ More than just the measure of how effectively resources (inputs) are used to produce goods and services (outputs).
- ✓ Using less to create more – working smarter, not harder.
- ✓ A mindset that continuously aspires to better ways of accomplishing tasks and conducting business.
- ✓ “Doing what I do today better than I did yesterday, and even better tomorrow”.
- ✓ Creating and delivering quality goods and services at the right time/speed, with the least cost.
- ✓ Continuous improvement (KAIZEN in Japanese).

## **At the heart of productivity is the individual.**

- An organisation can only become more productive through continuous upgrading of knowledge, skills, discipline, effort and collaboration.

# LEADERSHIP REQUIRED TO TACKLE GLOBAL CHALLENGES & JUST TRANSITIONS

- Is it possible to have a Just transition without leadership?
- Does style of leadership matter? Does impact consciousness matter?
- Should we perhaps distinguish between positions of authority and leadership? Leaders know what they know & more importantly know what they do not know.
- Can it happen when there is deityship & sycophants?
- What about egotistical and corrupt leadership based on lies?
- How is a just transition to be managed? Can it be done without meaningful social dialogue? Can it be done with a clear mix of policies that are mindful of communities and the careful management of skilling, re-skilling & up-skilling?
- What has informality taught us? Social distancing, clean water & washing our hands....mind the gap...being in the same storm but different boats.

# LEADERSHIP REQUIRED TO TACKLE GLOBAL CHALLENGES & JUST TRANSITIONS

- Sense of self-importance/status orientation that is misaligned with action.
- Labelling of people that do not belong, e.g. arrogant/reactionary, etc.
- Respect, respect, respect and South Africanisms, apartheid, colonialism and elitism.
- Learning to learn ...and unlearning, attitudinal change.
- One step at a time, one brick at a time...Rome was not built in one day, but was built everyday.
- Inclusivity, team work, Tour cycling example of leadership “I follow my people, am I not their leader” - Benjamin Disraeli...and collective responsibility.



# A REFLECTION ON SOUTH AFRICA'S SOCIO-ECONOMIC & BUSINESS LANDSCAPE

- Socio-economically, South Africa (with a population of over 59 million people, mostly Black and poor, with low skills levels), falls within the category of developing economies.
- Unemployment (which reached the highest peak at 34.4% in 2021Q2) and underemployment, lies at the core of our poverty and inequality challenges.
- For the poor, labour and access to economic opportunities are often the only assets and avenues they can use to improve their well-being.
- Hence the creation of productive employment opportunities is essential for achieving poverty reduction and sustainable economic and social development.
- It is crucial to provide decent jobs that both secure income and empowerment for the poor, especially women and younger people.
- Rapid economic growth (which has been alluding us for over a decade since the financial crisis in 2008/9) can potentially bring a high rate of expansion of productive and remunerative employment, which can lead to a reduction in poverty.
- Nevertheless, the contribution of the growth process to poverty reduction does not depend only on the rate of economic growth, but also on the ability of the poor to respond to the increasing demand for labour in the more productive categories of employment.

# A REFLECTION ON SOUTH AFRICA'S SOCIO-ECONOMIC & BUSINESS LANDSCAPE (cont.)

- Across the world and in the developing economies, small businesses have been identified as productive drivers of inclusive economic growth and development, accounting for over 80% of global economic growth and sources of employment.
- **South Africa's SMMEs, which constitute over 90% of formal businesses**, and expected to be a key driver of industrialisation and economic growth, innovation, job creation, wages and income growth are underperforming.
- Despite the country's positive pronouncements about the importance of small enterprises to economic growth in the National Development Plan, the SMMEs are still facing numerous challenges and issues which include but not limited to legislative compliance, economic constraints, and access to finance for their survival and growth.
- As is the case with emerging and developing economies, over two decades (1994 – 2021) into our democracy, South Africa is still faced with a dual economy, with the highest levels of informality and inequality rates in the world.
- More than 65 percent of over 2.3 million SMMEs in South Africa are operating in the informal economy, characterised by low productivity growth and providing low-paying jobs.

# A REFLECTION ON SOUTH AFRICA'S SOCIO-ECONOMIC & BUSINESS LANDSCAPE (cont.)

- The high incidence of the informal economy has a negative impact on enterprises, public revenues, government's scope of action, soundness of institutions, and for competition.
- Informality also often entails greater risks (both financial, job security and operational inefficiencies including cost and waste) for businesses/entrepreneurs and workers, or lower returns for their efforts.
- The informal SMEs face further challenges in terms of cost, quality, delivery, flexibility, human resource development and employ mostly unskilled/semi-skilled workers, thus limiting their potential to assume a more strategic and meaningful economic contribution (including contribution to GDP growth and employment creation).
- Most are relatively stagnant, employing mostly unskilled/semi-skilled workers, struggle to transform their informal operations into established businesses.
- The informal SMEs also struggle to break free from a restrictive owner mindset and assume a more strategic role largely because they often lack sufficient performance management systems, operating models, and management structures with well-defined roles and responsibilities, key performance indicators (KPIs), and designated decision-making.

# A REFLECTION ON SOUTH AFRICA'S SOCIO-ECONOMIC & BUSINESS LANDSCAPE (cont.)

- Low quality employment, inadequate social protection, poor governance, and low productivity are some of the obstacles that workers and enterprises face when caught in the informality trap.
- Informal workers are more likely to be poor than workers in the formal sector, both because they lack formal contracts and social protection and because they tend to be less educated.
- As a result, millions of workers and economic units suffer from poor working conditions and a lack of rights at work.
- Informal businesses also do not contribute to the mandatory social security contributions and taxes required for formal workers, contribution to the tax base and tend to remain small, with low productivity and limited access to finance.
- As a result, economic growth in a country with large informal economy remains below potential.

# A REFLECTION ON SOUTH AFRICA'S SOCIO-ECONOMIC & BUSINESS LANDSCAPE (cont.)

- For millions of entrepreneurs and workers in the emerging and developing economies, among the positive changes for their transitioning from the informal to the formal economy is a guaranteed minimum wage, social protection and safety and health – each being an important step on the way to formality and decent work.
- However, being faced with the additional challenges due to disruptive technological advancement, increased automation, and digital transformations coupled with the COVID-19 pandemic which are adversely impacting the economic and labour market systems, and business models, the informal SMMEs may not be resilient enough to survive this onslaught if something drastic is not done.
- It is the enterprises in this economy that require most of our support for an array of innovative tools to address informality for integration into the main economy, including where appropriate for their transition to the formal economy.
- Consequently, a holistic approach to improving the competitiveness of these SMMEs is essential for the long-term health of the entire economy to achieve sustainable growth, generate employment and, ultimately, enhance the prosperity of citizens, which we require the most.

# COMPETITIVENESS EROSION

- Just over 10 years ago was number 44 on the IMD Global Competitiveness Index.
- Now 62 out of 64.
- Clear areas for us to work on but no one listens and consequently does anything.
- Sent a birthday gift last year to the President and there was no acknowledgment - addressed letters to the Presidency making recommendations already shared with DEL.
- Made numerous proposals from how we transition from DoL to DEL and what it means to align with the Employments Services Act. In 3 years, nothing has happened because of a lack of political leadership and political will.
- Identified challenges in the IMD Global Competitiveness Index in 2020.



# COMPETITIVENESS EROSION

- Deteriorating headline & youth unemployment.
- Rising public debt levels amid a shrinking fiscal space.
- Lack of decisive plans to revive the struggling economy.
- Ongoing electricity supply problems & rolling blackouts.
- Sluggish legal process to address corruption in SOE's. When looking at the Key Attractive Indicators between 2020 & 2021, tells a scary story: Reliable Infrastructure 32.4% v 28.6%, Policy Stability & Predictability 31.4% v 19.5%, Business Friendly Environment 35.2% v 18.2%, Effective & Competence of Government 11.4% v 3.9%. FDI? Ease of Doing Business fixation, like treating the symptoms instead of the cause (spinning & PR) - Competitiveness Index is the way to go.

# COVID-19 EXACERBATED PRE-EXISTING SOCIAL ISSUES

- Weak Productivity Growth.
- Shortage of Skills...relevant skills.
- Informality.
- Unemployment(especially for youth).
- Governance gaps.
- Gender gaps.
- Poverty (SDG's as read with hunger??)
- Low Social Protection coverage.
- Unsustainable rural-urban migration.

# A REFLECTION ON THE PRODUCTIVITY & COMPETITIVENESS ISSUES

Most countries in the developing world are learning and introducing Productivity and Operational Efficiency Enhancement Initiatives to overcome some of the challenges they are facing, which include:

- The growth of working age population and the limited capacity of job creation;
- Knowledge, skills limitation of SMMEs that hamper their development to play the historical role observed in emerging economies;
- The limited role of local industrialists in expanding their investment and competing in world market; and
- Low quality of products and productivity causing high cost of production and negatively affecting the competitiveness of companies in global market.
- With all economies in the world affected by the COVID-19 pandemic, it is now clear that the short run effect on economic activity and employment will be significant and negative for many people

It is believed that Productivity Initiatives can help to modernise industries, create productive and decent workplaces, improve quality and productivity, develop skills of management and workers and expand investment thereby creating additional job opportunities.

# A REFLECTION ON THE PRODUCTIVITY & COMPETITIVENESS ISSUES

The historical analysis of economic and labour market landscapes points to three broad lessons that are of relevance to South Africa, as we embark on policies and programme intervention for Just Transition and the Future of Work:

- **First**, economic shocks such as recessions and the current COVID-19 pandemic dramatically reduce voluntary movements between jobs and industries, opportunities to find better work, and overall employment levels.
- This puts a premium on effective macroeconomic management that minimises the scale and harm caused by recessions and return of the economy to growth as soon as possible.
- **Second**, building the resilience of workers and the wider economy to economic shocks is of enduring importance.
- **Third**, careful policy thinking is required to foster a quick recovery, including openness to productivity and quality improvement, building a workforce of the future including through life-long learning, innovation and new technologies.
- South Africa should develop and adopt mechanisms to maximise the opportunities and manage the risks associated with these disruptive changes and their impact on the future of work and the workforce.

**The issues that should keep us awake at night as policy makers and leadership of various stakeholders and formations should be - How can we better position the enterprises and citizens in our economies to take advantage of productivity and innovation to improve the competitiveness and sustainability of our enterprises including, labour-market participation and the nature of work?**





# 2019 ILO CENTENARY DECLARATION FOR THE FOW

- Productivity (mentioned 11 times) - huge achievement.
- Important role of sustainable enterprises as generators of employment and promoters of innovation.
- Enabling environment for entrepreneurship and sustainable enterprises.
- Diverse forms of work arrangement.

Thank  
You

## IN CLOSING

- There has to be a change in attitudes, and urgently.
- Embrace productivity and place it at the centre of everything we do.
- Urgently fix our Eskom nightmare!!
- Informality versus formality - new approach required, cannot limit our thinking to transitioning people from informality to formality, but need additional innovative & creative tools to intervene, with social dialogue and consultations being at the centre.
- Recalibration, Implementation, Implementation, Implementation is the name of the game.
- Albert Einstein quote: **“Insanity is doing the same thing over and over again and expect different results.”**