

## SACCI 2012 ANNUAL CONVENTION REPORT

The South African Chamber of Commerce and Industry (SACCI) hosted its 2012 Annual Convention on the 4<sup>th</sup> and 5<sup>th</sup> of October at the Gallagher Convention Centre. The convention was well intended and provided a valuable opportunity for guest speakers and delegates to discuss crucial issues of economic policy affecting the country.

**Mr Chose Choeu, President of SACCI**, officially opened the Annual Convention at the Gala Dinner held on Thursday evening. Here follows a synopsis of his speech:

The SACCI Annual Convention is the most important even on our calendar because it is part celebration and part discussion. We make a point every year to invite all the individuals who have given their help, their support and their advice, and we celebrate our shared accomplishments. Tonight is such a celebration and I am glad to see that so many of our friends are here.

The Annual Convention is also very much a forum to discuss the current issues facing the country in a way that is respectful of different viewpoints. The point is not to generate a list of grievances, but to put our heads together to find solutions in the best interest of the whole South Africa.

The purpose of debate and cooperation should never be to pat each other on the back. We have had some “robust debates”, as the unions leaders would say, with our social partners. The true test of public debate is whether it can generate new ideas rather than being content to act as a boxing ring for opposing ideologies. The point is that organised business has always made a point to treat our social partners respectfully, and this example has been mirrored in our dealings with government from Ministerial level.

Public debate is about the conversation and the exchange of ideas, but unfortunately it has become a zero-sum game of winners and losers. By treating the public forum as a boxing ring, many social partners are worse for wear and punch drunk.

Having said that, the big question is why South Africa has fallen into the trap of such an antagonistic situation, or whether there ever has been a time for sober reflection and mutual respect. The very existence of South Africa as a political entity can be attributed to a period when seemingly intractable enemies with decades of bad blood were able to transcend their differences and cooperatively build a country. This implies that some culprit entered the scene to change the emerging culture of productive exchange to brinkmanship.

The trap of antagonism is largely due to resistance to change and an unwillingness to hear the other side of the argument. Public debate in South Africa has become path dependent; many stakeholders have taken fixed views on matters of public concern and would never change those views because the particular views have entrenched themselves.

Path dependency is a term originally from physics but has been adopted by other disciplines like economics since the 1990s. The importance of path dependency as an analytical paradigm is the message that decisions that are based on past experiences without reflection on changes to the status quo propagate past errors. To put it more simply, if we stick to a certain mode of thinking that has proved erroneous without reflecting on whether the conditions have changed, the risk of perpetuating the error is assured.

The solution to breaking this bad habit is to prod social partners to overcoming their closely held beliefs and to enter a discussion. The solution to the antagonism in public debate is therefore to precisely insist on continuing the debate, but in setting parameters and challenging participants to think anew. It is therefore a design issue on how social partners should interact, and not an option issue whether they should interact. Thought leaders need to sit in the room and critically assess their own beliefs.

The SACCI Annual Convention is perhaps the only event of its kind because the participants will represents government, business, opposition political parties, labour unions and international organisations. It is a small step towards breeding a culture of mutual respect and inclusive policy debate, but the mere extent of representation promises that a wide range of differing viewpoints will be exchanged. The hope is that this process will be the start of a wider development in thought in South Africa towards generating new ideas for our future.

Dear guests, let me close off by saying that we are very excited to have you with us tonight, and that we look forward to your valuable inputs in during the convention.

Mr Choeu also introduced the next President of SACCI, Mr Clive Manci.

**H.E. President Jacob Zuma** was the keynote speaker of the Gala. Here follows a synopsis of his speech:

Our role as government is to promote the creation of a better life for all our people. In doing so, we work closely with the social partners represented at NEDLAC including business. We cannot achieve these goals if each sector works alone.

SACCI has chosen a very important topic for the annual convention of the SA Chamber of Commerce and Industry. Job creation is one of the five priorities of government that we adopted in 2009. Others are education, health, creating decent work, the fight against crime as well as rural development and land reform. We chose the five because of our view that any achievement in those areas will greatly enhance the improvement of the quality of life.

It has been an eventful 18 years since the ushering in of democracy and freedom in our country. Work began then to reverse the legacy of apartheid and colonial oppression. Progress has been made in a number of areas although challenges still remain given the extent of the under-development of the black majority.

Politically, we have consolidated democracy. We have developed sound and functional democratic institutions. The executive, legislature and the judiciary as well as the chapter 9 institutions that protect and promote democracy work effectively.

We have made significant strides in addressing socio-economic imbalances. About three million houses have been built for the poor. Six million households have gained access to clean water since 1994. Electricity has been connected to nearly five million homes. The country's extensive social grants system now reaches more than 15 million people, 10 million of whom are largely vulnerable children. This programme has played an important role in reducing poverty. To improve access to

education, more than eight million children at primary and secondary schools benefit from school-feeding schemes. A similar number do not pay school fees. Financial support has been extended to students in higher education and further education and training colleges. Statistics show a decrease in most crimes, including armed robberies, housebreakings and contact crimes. In addition to meeting basic needs like water, electricity and housing, our infrastructure development programme is building and revitalising many clinics, hospitals and schools. On Tuesday we celebrated the replacement of 49 mud schools with modern schools in the Eastern Cape. More importantly, income levels have also been rising in the country since 1994. Over the period 1993 to 2008, average real incomes for Africans increased by 51 per cent compared to a 35 per cent rise for Whites.

Unfortunately ladies and gentlemen, despite these achievements, the gap between rich and poor still remain. In that case, income inequality is still extremely high in South Africa. Unemployment also remains a huge challenge. The situation at the bottom levels of income distribution is of great concern as 80 per cent of households have no employed people at all. It has therefore proven difficult and is taking longer to re-engineer the economy to provide opportunities for those who were pushed into impoverished and remote rural areas under apartheid.

We have to continue searching for opportunities for economic growth. But unfortunately, the global economic climate remains negative. Our traditional lifeguards, the United States of America and the European Union, are both facing serious economic challenges. The oil controlling Middle East and North Africa are also having a share of their own difficulties. The major link in various global supply chains, Japan, is still recuperating after their natural disasters. The rising global food and oil prices are placing pressure on China's inflation rate. These affected countries comprise more than two thirds of South Africa's export market. The economic slowdown in the United States and Europe is not bound to clear up soon due to the severity of their structural debt. We must remember that these countries are the main importers of South Africa's manufactured goods. It can therefore be expected that exports of manufactured goods will be adversely affected.

We need to work together to ensure a robust response that minimises the impact on growth overall and especially on the poor. We have initiated important programmes to address these economic and social challenges. Our New Growth Path framework encapsulates the spirit of promoting a labour absorbing economic growth and development. The New Growth Path focuses on six areas in which we are working to promote growth and jobs more intensively. These are infrastructure development, agriculture, mining and beneficiation, manufacturing, the green economy and tourism. Our core response this year has been the adoption of the National Infrastructure Plan, within the New Growth Path framework. Our infrastructure drive is about providing housing, sanitation, public transport and running water in the urban areas for millions of South Africans who are urban residents. It is about connecting rural communities to economic opportunities through building dams and irrigation systems, connecting farms and villages to the energy grid and building schools and clinics. The National Infrastructure Plan opens a host of new opportunities for businesses, both as suppliers of inputs and construction services.

Beyond infrastructure, we are also advancing work in other areas which are critical in the creation of jobs for the South African economy. In this regard specific resources have been allocated to industrialisation, the strengthening of SMEs and other policy measures. The emphasis on SMEs is on incubation, training, mentoring and symbiotic cooperation between small and big business. We are

confident that our infrastructure build and also our programmes of industrialization, preferential procurement and localization will bring new opportunities and partnerships for business.

We also need a dramatic improvement in education and training. This will help us respond to the extensive skills shortages in the economy. We welcome the National Skills Accord signed by government, labour, business and the community sector as it will help us improve the employability of the jobless and foster greater labour demand. You would have performed priceless national service as corporate citizens if you absorbed as many of these jobless graduates and new artisans as possible.

Let me use this opportunity to remind business and labour of the need to ensure shop floor peace and stability in the country, in order for us to continue the collective responsibility of promoting economic growth and development. We have gone through a difficult period in our country in the past few weeks with wild cat strikes, one of which tragically claimed the lives of 46 people in Marikana. We should not seek to portray ourselves as a nation that is perpetually fighting. We must create a climate of constructive social dialogue, which South Africans are known for.

The Constitution guarantees the rights of both workers and employers and the country's labour legislation outlines how these rights should be enjoyed by all parties. We wish the parties well as they negotiate to solve both the mining and truck driver strikes.

Having spoken about the difficult global climate, the question to ask is what then should we do? With the difficulties in the developed North, we have no doubt in our minds that the new Global order will be led by the developing south, by countries such as China and India. It is estimated that the market size of the developing world will be larger than the developed world by 2020. It is therefore important that the developing nations trade amongst each other, in addition to doing business with the developed world. We are promoting South-South economic relations effectively through forums such as India-Brazil-South Africa as well as BRICS. We should also look more within the continent where profound change is taking place. Trade between Africa and the rest of the world has increased by two hundred per cent since the year 2000. Africa is posting an average growth rate of 5.5% and remains robust. It is impressive that over the past five years, seven African countries were among the 10 fastest growing economies in the world. Therefore, the mood among the Africans is better than at any time since the independence era in the 1960s and provides many opportunities for South African businesses.

There are many ways in which as business you can contribute to building a prosperous South Africa. You can take the lead with innovative investments that will build the capacity of the economy and create employment. That requires taking risks and thinking ahead of the curve, rather than just retreating into established industries and kinds of production. You can do as much as possible to support new and smaller enterprises, through mentoring, local procurement and by paying invoices on time. We are running a campaign within government to promote the payments of SMMEs within 30 days by government departments. If we all do the same, we will contribute a lot to promoting the growth of SMMEs and employment creation. You can also find ways to broaden ownership, through employee ownership schemes, community trusts and so on.

Some may become pessimistic when the international climate is as bleak as it seems, or when tragic incidents such as Marikana take place in our free and democratic country. There is no reason to be despondent. We have the capacity to overcome difficulties when we work together as South Africans.

On the second day of the Convention, issues relating to job creation were discussed in more detail by the guest speakers.

**Mr Clive Mancini, newly elected President of SACCI** opened the second day of the convention. Here follows a synopsis of his speech:

South Africa faces three principle problems: unemployment, lacking infrastructure and local economic development.

On the issue of job creation, the chambers of commerce throughout South Africa are important to the retention of jobs in the country. In this context, South Africa is not an island and needs to reach out to chambers around the world and trade Agreements need to be fostered and strengthened. The apex organised business organisation, Business Unity South Africa (BUSA), and other partners need to coordinate with government on issues such as BRICS.

The world's challenges are not the same as South Africa. South Africa's macro policy is sound, but it is the socio economic issues that need to be worked on and the youth need to be mobilized. Job creation is the most important priority and business has to partner with teachers to create programmes that promote job creation.

On the need to expand South Africa's infrastructure network, government and the private sector should enter into alliances to build these crucial infrastructure networks.

Local economic development and doing business with municipalities requires a reduction of cost and businesses need to be paid on time.

SACCI must be judged by its level of activism and chambers should become one stop facilities for businesses, driving ideas for businesses. The discussion around the labour market environment should not be forgotten. Recent strikes have affected his business own business and South Africa needs to put examples on the table and engage the issue.

**Mr Jean-Guy Carrier, President of the International Chamber of Commerce (ICC)** provided an International Perspective of Unemployment. Here follows a synopsis of his speech:

Unemployment is currently one of the most important issues and is shared by most countries and there is no relief for unemployment at the moment. For example, in France the official unemployment rate is 10 per cent and among youth it is 25 per cent, which is very high for the country. The US is also battling sustained high unemployment. China is also a concern as growth is down 2.5 per cent and to absorb labour market entrants the economy would need to grow at more than 8 per cent per year. In India they have an enviable demographic situation and they have a

demographic dividend and will have 500 000 young people that will enter the market, but this could become a big problem if there is not enough jobs for the youth.

To understand the unemployment situation is extremely challenging and demanding. Governments cannot get nations out of the situation due to a lack of organisation, ideas and cohesion. And Governments are also in too much debt. In this regard, SACCI has proposed some practical and pragmatic ideas on how unemployment can be reduced.

The foreign view of South Africa is that the country is still the gateway to Africa and still seen as a moral force in general. South Africa is also in an internationally favourable situation as it is part of the G20 and is ranked 50 in the World Economic Forum Competitive Index and number 1 in Sub-Saharan Africa. South Africa also has a GDP per capita which is better than China.

South Africa is unfortunately standing still in some places and therefore falling behind. There is an amount of decline and this affects the country's image. South Africa is also experiencing low productivity, high taxes and a decrease in foreign direct investment, but there is still a positive image of South Africa as the world wants the country to succeed.

Competitiveness is important due to globalisation which has become a reality for many. France is going through a tough time and their unemployment problem is due to an uncompetitive labour market. Politicians are open to the ideas of business and this engagement is important in an international and national context. There needs to be engagement with government otherwise protectionism will be what businesses and governments take part in. How can you be competitive and make advances in the economy is a role business has a role to play in advising government. South Africa remains a benchmark for how emerging economies should grow.

**Mr Herman Mashaba, President of the Free Market Foundation (FMF)**, discussed Competitiveness and Ease of Doing Business. Here follows a synopsis of his speech:

South Africa's unemployment has reached crisis proportions. Labour laws that were intended to make life better for the poorest South Africans are making their lives worse. Instead of having secure jobs, with decent wages, 7.5 million people have no jobs at all.

Given South Africa's history, it was to be expected that post-1994 labour laws would give greater rights to workers and less rights to employers. The intention was to ensure that apartheid-style exploitation of black workers would never happen again. But this approach does not take into account the realities of economics and of doing business.

The reasons for (and solutions to) our unemployment crisis are encapsulated in indices such as the Economic Freedom of the World (EFW)\* and Global Competitiveness (GC) reports.

Labour laws have gone too far and aspects need to be reconsidered urgently! The laws and regulations that have become a barrier to employment must be removed. Equality before the law, as required by the Constitution, has to be applied in the labour field. The law must give the unemployed as much of a right to get a job as the employed have to keep their jobs.

We are told that a two tier labour market is unhealthy, but we have the worst possible two tier market. Our first tier consists of people who have jobs and earn wages. Our second tier consists of people who have no jobs and earn no wages. Surely it is possible to give unemployed people access to jobs without endangering the job security of people who have jobs? I am convinced that the jobless would be happy to accept less job security, lower wages, and safe but not wonderful working conditions, rather than be permanently unemployed. Their human rights demand that they have the right to make their own choices on a matter that is so critical to their survival and the well-being of their families.

There appears to be less initiative and less risk-taking by small firms than there was prior to 1994. How can this be when we are now free of the burden of apartheid? In other countries, especially in the EU, small firms employ the majority of the people. This should be the same in SA.

One of the problems for small firms is centralised bargaining and the ability of bargaining councils to impose their decisions on all firms in an industry. The system has had negative consequences for small firms and their employees. For instance, despite the protests of factory workers who wanted their employers to be left alone, small Newcastle clothing factories had to close down because they could not afford to pay the minimum wage set by the bargaining council. The result was that thousands lost their jobs. Instead of getting less than the minimum wage, they now get no wage at all. The minimum wage, which is in theory intended to protect workers from exploitation by employers, actually exploits the unemployed. It prevents them from getting jobs that pay them "something", which is a whole lot better than "nothing".

Stimulating small firms does not require subsidies. What is absolutely essential is to set them free to supply goods and services to their customers, and to reduce their legislative and tax burdens.

Small firms have the potential, not only to increase economic growth, but to provide the jobs SA so badly needs. What is more, small firms are the ones that train the young and teach them skills, employ the otherwise unemployable, and bind together the entire economy. Instead of giving them subsidies, government should exempt them from the most onerous laws.

Another problem compromising the future of SA's youth is a lack of proper basic education. Tragically, a large percentage of our young people, instead of facing an optimistic future full of promise, face a bleak future of unemployment and poverty. Lack of money for education is not the problem. Taxpayers are providing R207 billion (20 per cent of the total budget) for spending on education in 2012/13. A Stellenbosch University researcher recently reported that South Africa has a dual schooling system, "a dysfunctional system which operates at the bottom end of African countries, and a functional system which operates at the bottom end of developed countries." So schooling is another crisis, and management of schools and quality of teaching appear to be the source of the problem.

South Africa's economic policies need to change if we want to see the economy grow, reduce unemployment, reduce poverty, reduce crime and violence, and improve the quality of life of all the country's people. Some people are proposing that there should be more government spending, the hiring of more government officials, and a bigger role for government in the economy. These proposals would all come at the cost of the private sector of the economy and lower economic growth. The accent should rather be on a freer economy and more reliance on the private sector. All

the evidence shows that free economies do better, in all respects, than centrally controlled economies. When we were fighting to end apartheid, I thought it was freedom we wanted. Not freedom from want, but freedom to do our peaceful business without constant interference that borders on oppression.

SA can eliminate mass unemployment and improve the lives of all our people by:

- Removing the fear of taking on staff.
- Removing minimum wages that make people unemployable.
- Fixing education.
- Adopting pro-growth policies.
- Applying the rule of law.

**Dr Mamphela Ramphele, Executive Chairperson of Letsema Circle,** discussed the issue of Mainstreaming Youth Employment, Here follows a synopsis of her speech:

South Africa is a country of enormous potentials for greatness but its rich endowment in natural, mineral and human resources have not yet been fully translated into competitive advantages.

The major challenges South Africa faces are growing inequality which is generating poverty and misery for the bottom social classes, unemployment especially youth unemployment and an inability to translate the intentions of growing small medium enterprises to generate wealth and broaden participation.

The failure of the education system is the root cause of growing inequality and there is a need for the private sector leadership to promote SMEs and entrepreneurship.

It is worrying that young people excluded from the labour force for long periods are deprived of on-the-job learning, leaving them with a skills deficit that they will never be able to catch up. Even if they get jobs in later years, they will never be as productive as those who spent even parts of their youth in employment, where they would have picked up abilities critical to making them more employable and more productive.

This undoubtedly wounds their psyche and their feeling of self-worth. If we believe that work gives us a sense of self-worth then these youth have good reason to feel insecure. Most of them have abandoned the hope of ever being gainfully employed. They have ceased to dream and believe that they are doomed to grinding poverty and despair.

I believe that we have a narrow window of opportunity and that we will not have the luxury of an “Arab Spring” but are instead headed towards a searing African summer.

Although most educational officials, principals and educators are unaware of this, the importance of work has been captured in the National Curriculum Statement which states that schools must “facilitate the transition of learners from education institutions to the workplace.”

The National Curriculum Statement enjoins us to “equip learners, irrespective of their socio-economic background, race, gender, physical ability or intellectual ability, with the knowledge, skills and values necessary for self-fulfilment, and meaningful participation in society as citizens of a free country”.

It follows therefore, that we should incentivise schools to ensure that learners do not drop-out, that quality passes lead towards an internship, apprenticeship, job or place in university. In this way our education system will be more relevant and inclusive.

Vibrant economies such as Brazil, India, China, Germany and Switzerland have recognised that they need to emphasise a vocational pathway in addition to a university pathway. We, sadly, are part of a conglomerate of countries that encourages only the road to university education as the way of success. We have neglected to build a vocational pathway into our schools system. This is criminal given that universities only have space for 5% of learners.

It is clear that we need to align the strengths and aptitudes of youth with the needs of industry. This has been achieved with some success by the Institute of Chartered Accountants. They have sourced learners suited to their particular industry by identifying them in high school and providing them with accelerated support.

Many countries in Europe never abandoned the apprenticeship system that once thrived in South Africa. Apprenticeship or vocational training in Norway, Switzerland, Holland, Germany, Denmark and Austria has ensured that their average youth unemployment rate is only 8% per annum.

**Mr Brian Dames, CEO of Eskom**, discussed the Eskom Build Program within the context of Physical Infrastructure Development. Here follows a synopsis of his speech:

I am impressed by the practical and constructive proposals made in the SACCI document on infrastructure development.

Eskom is determined to ensure that the economy grows and to improve the life of South Africans. There are many ways to create jobs and there is a serious issue around the skills gap, especially with regards to the shortage of artisans. Not all students need a matric, from grade 10 students should be able to go on a focused path.

Eskom supports business and job creation in its own way; Eskom need to keep the lights on to ensure that businesses work and Eskom has been a creator of jobs and skills. Eskom has embarked on a R40 billion development project which will add 50% capacity of the grid and allowing the market to grow quickly.

Unfortunately, electricity availability has hindered growth in terms of infrastructure expansion but demand for electricity is currently down. However it will begin to increase over the medium term. The government mandate is to make sure that local infrastructure is built in addition to developing skills and the economy. In one example, the developments at the Medupi power plant will double the size of the town of Lephalale and the Kusile power plant will increase GDP in the area by 30%.

Eskom has begun to train future engineers and artisans, especially artisans as there is currently a shortage. Eskom has also experienced a shortage of welders and has needed to import the labour, but to combat this we have taken on 5 000 unemployed people and have begun to train them

Eskom invests in science and technology and has developed a youth foundation for future growth. Eskom currently sponsors an expo for young scientists and this year they managed to reach 10 000 young scientists and the winners of the local expos are sent into a programme run by Intel.

The skills issue is not only an Eskom issue but is prevalent throughout the private sector. Business is losing skills and decisions need to be made in the long term results in mind. In *Tracking the Future* by Daniel Silke argues that investment in education, skills and upliftment is needed and that it is time for business to show that it will take the lead in this regard.

**Mr Marvin Benjamin, Executive at Siemens South Africa**, discussed Siemens' activities in the context of Physical Infrastructure Development. Here follows a synopsis of his speech:

There have been massive shifts in the world and these changes carry significant implications. The environment, robust economic activity and a good life need to be sustained for all. Energy, mobility, water, healthcare, and safety and security are all things that are important to people in the world, regardless of background or beliefs.

The world is currently not living sustainably and not giving the earth time to replenish itself. Siemens wants to see a change in the world and has a business model that is geared to the massive shifts in the world. The Siemens business model boils down to three factors: people, planet and profit. Siemens has embarked on many ventures that have combined these three factors and have auditors that assess whether the company is doing what it claims to be doing.

**Mr Vuyani Jarana, Exectuvie at Vodacom**, discussed Using Technology to drive growth within the context of ICT Infrastructure development. Here follows a synopsis of his speech:

ICT determines competitive advantage, drives growth and facilitates FET education. In this regard, I am pleased that education has been a focus of the convention.

Mr Jarana presented a video made by the National Planning Committee (NPC) which emphasised that a virtuous cycle of contribution to the economy needs to be created.

South Africans are not producing patents and intellectual property as much as Europe and Asia who are making gains.

**Hon Dr Bonginkosi “Blade” Nzimande, Minister of Higher Education and Training**, gave the keynote address at the second day of the convention. Here follows a synopsis of his speech:

Growing our economy and expanding employment is probably the most important challenge facing us as a country. This is essential in order to ensure that our people can make a living for themselves, have the satisfaction of contributing to the wealth of the society in which they live, and pass on to their children a positive attitude to work and to society as a whole. Without being able to work, people cannot fulfil their potential as human beings. Social grants help to keep people alive or assist them in times of need. But they are no substitute for employment, whether employment in an organization or self-employment.

Employment creation is essential for creating social stability. People who don't have a reasonable hope of finding work – or creating their own sustainable livelihoods – have little to lose and have little stake in maintaining a stable society. Research shows that we currently have over 3 million people between the ages of 18 and 24 who are not in employment, education or training, and we probably have a larger number in this position between the ages of 25 and 35. I don't think it is an exaggeration to say that the future stability and prosperity of our society depends on the creating opportunities for these young people. Creating employment opportunities depends on many things including, for example, the level of economic growth, the structure of the economy, government policies, policies of employers in the public and private sectors, and the match between the skill needs of the economy and the skills of the workforce.

Government believes that the state should play a central role in economic and social development as set out in the New Growth Path. The South African government is currently taking some very important steps to this end. In his State of the Nation address this year, the President announced government's intention to initiate a major infrastructure development programme. Implementation of this programme has already begun and the programme will be rolled out in the next few years. We expect it to make an important impact on job creation and providing opportunities for economic development. Just as important is the government's intention to strengthen our industry and especially to develop manufacturing through local procurement and other forms of stimulus.

Tourism has been growing in recent years – a major achievement given the economic problems in Europe – and we hope to continue strengthening it. The Green economy is another area where we see large potential for job creation and economic growth, including developing sustainable energy sources, promoting efficient use of energy, developing environmentally-friendly ways to provide grow food, provide transport, construct buildings, and so on. Government's efforts to win the international competition to host most of the Square Kilometre Array, have recently put South Africa on the map as far as space science is concerned; this will result in opportunities to significantly develop our scientific capacity which will no doubt also have economic and spin-off effects. Crucial to all these processes, is the role of education and training. While education and training on their own cannot create economic growth or employment, it is also true that economic growth in a modern economy cannot take place without the necessary knowledge and skills. If we are going to fulfil our objectives we must develop a skilled workforce capable to take on the necessary tasks. Government is keenly aware of this and has set up structures and developed policies to ensure that this happens. My own department, the Department of Higher Education and Training (DHET), was established in 2009 as the lead government department in this respect. The DHET is responsible for

universities, FET colleges, adult education, the skills-levy institutions (the 21 SETAs and the NSF) as well as regulatory and quality assurance institutions such as SAQA, the Council for Higher Education and the QCTO.

The government has also established a South African Human Resources Development Council chaired by the Deputy President and administered by the DHET. It brings representatives from government (including several ministers), private business, state-owned enterprises and the labour movement. Its purpose is to have oversight over and give advice regarding education and skills development policy for the country at a national level. The overall aim is to have a framework, agreed to by the major social partners, to guide human resource development, whether in the public or private sector. My department has conceived its main objective as building an expanded, high quality and integrated post-school system.

Our initial vision has been set out in the Green Paper for a Post-School Education and Training as is currently being revised on the basis of public comment and will be published early next year as a White Paper. The Green Paper sets a target for expanding the university system from approximately 900 000 students last year to 1.5 million by 2030 and vastly increasing enrolments in colleges and other post-schools institutions to 4 million by the same date. We also want to ensure greater synergy and articulation between the various post school institutions, so that universities work together with the FET colleges, train college lecturers, do more research on vocational training and ensure that FET college graduates can enter university programmes. SETAs have been directed to work more closely with public colleges and universities, providing funding for occupationally directed programmes and brokering partnerships between employers on the one hand and colleges and universities, especially universities of technology, on the other. We are actively engaged in improving the quality of education in all our institutions, focussing on raising the levels of our weakest institutions. Our main priority in the sphere of post school institutions is to expand and strengthen the FET Colleges – which are soon to be renamed Vocational and Continuing Education Colleges to better describe their function. The purpose is to expand the production of mid-level skills, including the production of artisans.

One of the biggest challenges in this regard is to find positions for students to get work-place experience which, in many instances is actually compulsory in order to qualify. If we are to expand the pool of skills in our country we have to ensure that every student in a vocational programme at a college or university of technology has the opportunity for workplace training. We can expand training in our college and university system, but if students do not have the practical experience – particularly in a real workplace – they cannot be considered as qualified. So it is essential that employers in both the public and private sectors become involved in providing training spaces to young trainees – either as apprentices, learners or interns.

Workplace experience is not only important as a means of learning and honing practical skills; it is also essential in order to prepare young people for life in the workplace by teaching them other essential skills like workplace discipline, working in teams, etc. Research has shown that those with some workplace experience find it easier to find and to keep jobs. Taking on trainees has many advantages to employers as well as employees. Employers do, of course, need to pay a small amount to the apprentice, learner or intern, but do benefit in return. They not only get the labour of the trainees who can contribute profitably to productive activities if their work is carefully planned, but a

proper trainee system can play an important part in staff recruitment. This is because it gives employers the opportunity to observe prospective staff while they are in a temporary position as trainees and to recruit the best worker or fit best with the company's needs or the company culture. At the national level, a system in which all employers participate in training will make for a better-skilled workforce for the country. Countries with close cooperation between employers and government in training the youth tend to have a competitive advantage. In Germany and Switzerland, for example, 70% of all young people become apprentices when they leave basic education, working 3 or 4 days a week (depending of the trade or profession) and attending classes for the other 1 or 2 days a week.

Every workplace should be a training space. Every business should be involved. Training is good for business and it is good for the economy. We have a great opportunity to work together for the benefit of our country and for the betterment of our young people.

**Hon Mrs Hellen Zille, Premier of the Western Cape**, discussed job creation strategies for South Africa. Here follows a synopsis of her speech:

A recent discussion with foreign investors gave insight into why companies are loath to put money into South Africa. These are; policy uncertainty, corruption and perceived slow collapse of independent organisations and a problematic regulatory environment. The relevance to the discussion on job creation is that SMEs create jobs, but SME require investment.

Most participants in this convention know well that the South African economy is performing sluggishly. With poor growth, relative to our buoyant peers, and shaky investor confidence, the economy continues to shed jobs. Up to half of all South Africans live in poverty, and income inequality has even surpassed what it was during the dark days of apartheid.

SACCI's proposal for job creation overlaps with the Democratic Alliance's Growth and Jobs Plan. Both documents are products of evidence-based policy making, and non-partisan objectivity.

Broadly speaking, the contours of both sets of proposals are to reform regulations to reward work and help create jobs; and, in the long run, to redirect the resources spent on welfare grants towards a platform of inclusive growth. This is so that the 'outsiders', locked outside of the economy, can become 'insiders'. To pre-empt our critics, we will never remove the safety net from the most vulnerable in our society.

Above all this, there is agreement that education (both investment in and reform of) must be the centre-piece of our proposals. Our education system must be designed to nurture creativity, ingenuity and innovation.

South Africa's biggest policy failure, since 1994, has been our failure to fix our broken education system.

The first pillar of SACCI's proposals is to deliver, one, high-quality education and, two, training so that job-seekers have marketable skills. Like the DA, you identify that the education system is

constrained by both dismal attainment outcomes, and a mismatch with the skills demands of the economy.

I agree with SACCI that mathematics and literacy skills must be prioritised in the curriculum. In this regard, SACCI's proposal to introduce mandatory Continuing Professional Education Points makes perfect sense to flatten the divergent standards across the country. In my career, I have discovered excellence in the smallest and poorest of communities. I do not believe excellence is place or time bound.

Educating our children must be designated as a frontline service, and be freed from trade union disruption. Never again should one child's basic right to an education be held to ransom by striking teachers.

The DA also agrees that businesses need to be actively involved in shaping the curriculum.

Our educational system has paid scant attention to training in the engineering fields, the sciences, and related business knowledge. Even for graduates, there is no such thing as the 'job for life' anymore.

This is why the DA's policy focuses on assisting people to acquire the requisite transferable lifelong skills to enter the job market and stay working. It means constantly upgrading skills, and adapting to change in a world of low predictability.

We see a role for the public and private sector working together; not in direct opposition. As a leading social commentator put it, "the whole ecosystem in which innovation is housed" requires this kind of co-operation.

We also believe that there is a need to reunite the drive for growth with the original purpose of Black Economic Empowerment. There is a tendency to evaluate them in silos.

The second pillar of SACCI's proposals is how to address the high cost of doing business in South Africa. Here again there is much agreement between us.

Both sets of proposals recommend tough, but necessary, reforms to the country's labour laws that will reduce barriers to entry, encourage flexibility and stimulate productivity in South Africa's principal labour-absorbing sectors such as mining, manufacturing and agriculture. Combined with focussed employment incentives and market-driven skills development programmes, our plans detail a radical overhaul of the country's labour market.

A major factor affecting the competitiveness of businesses in South Africa is the regulatory environment in which they operate. If we are to succeed in growing business and attracting investment, we must reduce the burden of regulation and make it easier to start and operate a business. We are two decades behind most developed countries, from Great Britain to New Zealand, in doing this.

It is gratifying to note that SACCI cites, for example, the DA's proposal for the introduction of a three-year tax loss carry-back for businesses with a turnover of less than R5 million. I was especially delighted to see that you supported our proposal to establish a business voucher support scheme.

This augments the DA's proposal to introduce opportunity vouchers, which have been successful in countries like Sweden and Australia.

SACCI also propose a one-stop business shop to provide one access point to businesses in their interaction with government on as many issues as possible. We agree, and we are doing it in the Western Cape.

Your proposals also touch on a profound insight; namely that a growing economy requires a national work ethic.

In the end, government can create the best growth environment possible, but the responsibility falls to people to work hard. Lee Kuan Yew, the founder of modern Singapore, speaks of 'Asian values' to explain East Asia's economic boom. As I have already said, I do not believe excellence is time or place specific. While I would not recommend people should sleep under their workstations like in post-war Japan, why should 'African values' not be associated with hard work and productivity?