

INSIDE THIS ISSUE

- Spotlight: BUSA on the Public Remuneration in South Africa
- Looking ahead

KEY: STRATEGIC DRIVERS

-  Transformation
-  Enabling laws and regulations
-  International positioning
-  Social security
-  SME development
-  Energy
-  Labour market development
-  Progressive pro-growth taxation
-  Enabling trade regime
-  Education and skills

MOODY'S & FITCH DOWNGRADES PUSH SOUTH AFRICA FURTHER INTO JUNK STATUS.

On the 20th of November 2020 Moody's downgraded the country's credit rating one notch to BA2 and maintained a negative outlook, while Fitch has downgraded South Africa's credit rating from BB to BB- and with a negative outlook.

BUSA CEO Cas Coovadia said the latest sovereign ratings downgrades galvanise the country into taking urgent action to get onto the road to address the reasons raised by Moody's and Fitch for the downgrades. The Moody's downgrade places SA two notches into junk status, while the Fitch downgrade places the country three notches below junk status. This reinforces the severe socio-economic crisis confronting the country and should impress on all stakeholders the urgency with which clear hard decisions need to be taken, short-term deliverables need to be implemented and credible and properly resourced plans for longer term interventions need to be tabled.

BUSA also noted the response by National Treasury (NT) to the downgrades. BUSA CEO added "we note further that NT has been consistent in its analysis of the economic and fiscal crisis. We have consistently supported this analysis and urged urgent action. We also agree with the description by NT of the dire consequences to our cost of borrowing and resultant worsening of our fiscal deficit".

BUSA CEO added that Business stands ready to work with government and other social partners to cooperate in efforts to address the issues raised by NT and the rating agencies. These include the weakening of our fiscal strength over the medium-term, implementation risk related to structural reform, rising government debt, low growth trend and our track record on implementation. We must address our country's low levels of productivity, exercise wage restraint, improve the ease of doing business and our competitiveness and deal with the ongoing challenge of financially weak State-Owned Companies that are not fit for purpose. In all these areas business stands ready to support the necessary actions.

BUSA CEO Cas said "This is not a time to cast blame but, instead, to come together and act urgently! But the principal levers do lie with government and those we have mandated to govern must now lead decisively."

📍BUSAsite: <https://org.busaza/>; Twitter, @BusinessUnitySA; and Facebook, @BusinessUnitySouthAfrica

BUSA ON THE PUBLIC SECTOR REMUNERATION IN SOUTH AFRICA

On the 9th of November 2020 BUSA release a document on Public Sector Remunerations in SA, BUSA CEO said in a statement that as South Africa considers the path towards recovery and the risks the government's fiscal policy poses to that recovery – the capacity and cost of the state and in particular the public sector wage bill is a crucial factor. BUSA commissioned Intellidex to research various aspects of the public wage bill in SA. They produced a report titled: "The Public Sector Wage Bill-an evidence-based assessment and how to address the challenge."

The report utilises data released by National Treasury, as well as the Quarterly Employment Survey released by StatsSA, which measures the full public sector.

There is no "optimal" size for a public service. SA probably needs one that is reasonably large because of the socioeconomic issues we need to address. The report finds the SA public service is not large in per capita terms, but unusually well remunerated, when compared to the basket of countries referred to above.

The report shows that public sector wages in SA are higher than the average of 46 countries looked at by the IMF. These ranged from Bangladesh to Norway and Denmark and included countries from Europe, Africa, South America and elsewhere.

Payroll costs in SA are larger than the global norm as a percentage of GDP, public spending, or tax revenues. Public sector wage increases as a percentage of tax revenues has grown from 31% before global financial crisis to 41% in 2009/10, in face of global slowdown, and has stabilised to around 37%. The percentage exceeds 50% of revenues this year and will be 47% next year and 45% in 2022/23.

The average remuneration of public servants in SA is high by international standards and when compared to private sector employees and per capita GDP. Teachers' salaries, measured in purchasing power adjusted US dollars, are nearly 50% higher than the OECD average.

The IMF data on 46 countries, referred to above, for 2017, shows public sector compensation for national government, provincial government and state entities was an average of 9.4% of GDP. SA was at 11.6% (25% higher than international average) and 15% of GDP in 2019. The report recognises differences in constitutional models, but SA has the highest ratio of compensation to public spending, with over 35% allocated to compensation. This is one-third higher than the average of the other countries in the basket, which average at 26.1%.

Compensation spending went up from R154 B in 2006/7 to R518B in 2018/19. This is a 78% inflation-adjusted increase, while increases in headcount went up by 22%. Payroll costs have increased by a compound average of 10.5% since 2006/7, compared to average growth of nominal GDP of 8.2%.

The Quarterly Employment Survey data indicates that:

Public sector employment has risen by over 18% between 2010 and 2020. In the same period, non-agricultural private-sector employment increased by 27%. The monthly public sector wage bill grew by 136% in nominal terms between 2010Q1 and 2020Q1, representing a real inflation-adjusted increase of over 70%.

The report also makes suggestions on how SA could make progress in addressing this critical issue. The following is pertinent in this regard:

SA needs to address high payroll costs, costs rising too quickly and public sector employment being increasingly unproductive. This is a tough task and will require government, labour and business working together to achieve this.

As South Africa considers the path towards recovery and the risks the government's fiscal policy poses to that recovery – the capacity and cost of the state and in particular the public sector wage bill is a crucial factor.



Econpol & Subcommittees

BUSA sub-committee on TRADE, TRANSPORT AND LOGISTICS virtual meeting scheduled to take place on **12 November 2020** took place chaired by Deidré Penfold she opened the meeting and welcomed those present at the end of the meeting he indicated that the next sub-committee is scheduled to take place **02 March 2021**.

1. BUSA/Transnet Meeting

Action

Following the lack of agenda items received from members for the BUSA/Transnet meeting, it was agreed that a meeting with Transnet should be pursued and members should send their agenda items within two weeks.

Action

Following the discussion on the agenda items for the BUSA/Transnet meeting, Stephanie van der Walt and Louise Wiggett undertook to provide their agenda items within two weeks.

Action

It was further agreed that BUSA should convene a meeting to work on the BUSA letter requesting a meeting with Transnet to address various industry issues. Furthermore, the Chair, Gavin Kelly, Louise Wiggett, and Stephanie van der Walt volunteered to be part of the group that would draft a BUSA letter to Transnet.

2. AFRICAN BUSINESS COUNCIL PRESENTATION

2.1. The NEPAD Business Foundation presentation on the African Business Council presented by Peter Vardell was noted.

2.2. Peter Vardell presented that the proposed architecture of the AfCFTA provides for the establishment of an African Business Council, as a necessary continental platform for aggregating and articulating the views of the private sector in the continental policy formulation processes.

2.3. Peter Vardell further presented that the African Business Council will play an advisory role in the continental policy formulation processes and will communicate its views and positions through the African Union Commission.

2.4. Peter Vardell reported that the African Business Council will be composed of the Chairs/representatives of the umbrella (regional) Associations/Business Councils that present the various private sector interests, such as Chambers of Commerce and Industry, SMEs, women entrepreneurs and sectoral associations such as banking and finance and farmers.

2.5. Peter Vardell further reported that the African Business Council may be invited to the meetings of Joint Conference of Ministers of Trade and Finance in Observer Capacity.

BUSBA sub-committee on TRADE, TRANSPORT AND LOGISTICS continues

LOGISTICS AND TRANSPORT

3. AARTO REGULATIONS

3.1. Gavin Kelly reported that the AARTO Draft Regulations were currently out for public comment and the deadline for submitting input/comment was on 1 December 2020.

3.2. Gavin Kelly encouraged BUSBA members to submit their comment on the draft AARTO Regulations directly to the Department of Transport before the stipulated deadline.

3.3. Tyson Sibanda reported Business had submitted the names of its representatives to the Nedlac AARTO Task Team.

3.4. Tyson Sibanda stated that the BUSBA AARTO Working Group was scheduled to meet immediately after the subcommittee meeting.

Action

Following a discussion on the Draft AARTO Regulations, it was agreed that BUSBA should submit its position in this regard to the Department of Transport.

4. ROAD TO RAIL STRATEGY

4.1. Tyson Sibanda reported that BUSBA had shared the final research of the Road to Rail on the Movement of Freight from Road to Rail with the members of the Subcommittee.

4.2. Tyson Sibanda further reported that the Nedlac Development Chamber had put together a one-a-side task team to identify and propose possible main points from the research to be recommended to the Presidential Jobs Summit Technical Committee for its consideration and the meeting of the task team was scheduled to take place on 13 November 2020.

Action

It was agreed that the study and its findings should be raised at the BUSBA/Transnet meeting.

5. HIGH CUBE CONTAINERS

Stephanie van der Walt reported that there had not been any progress made since the last subcommittee meeting.

Action

Following Stephanie van der Walt's report, it was agreed that the issue of High Cube Containers should also be raised at the BUSBA/Transnet meeting.

BUSA sub-committee on TRADE, TRANSPORT AND LOGISTICS

TRADE

6. NEDLAC TESELICO REPORT

- 6.1. The report, presented by Catherine Grant Makokera, was noted.
- 6.2. Catherine Grant Makokera indicated that there had been an agreement that trade under the African Continental Free Trade Area will start on 1 January 2021.
- 6.3. Catherine Grant Makokera reported that the African Union Summit is set to take place on 5 December 2020 chaired by South Africa.
- 6.4. Catherine Grant Makokera further reported that the 2020 BRICS 12th Summit is scheduled to take place on 17 November 2020.
- 6.5. Catherine Grant Makokera further encouraged the members of the Subcommittee to submit their input on the CEMAC and Egypt AfCFTA Initial Tariff Offers to Nedlac by 13 November 2020.
- 6.6. Members of the Subcommittee raised concerns on the short timeframes given to them to provide input on lengthy and complicated documents.

Action

Following the concerns raised by the Subcommittee members on the short timeframes, Catherine Grant Makokera undertook to raise the business' or members' concerns with the Department of Trade, Industry and Competition.

7. AFCFTA PRIVATE SECTOR OUTREACH

- 7.1. Catherine Grant Makokera reported that there was a Private Sector Outreach on the AfCFTA Non-Tariff Barriers (NTB) Online Mechanism Workshop which took place on 21 October 2020.
- 7.2. Catherine Grant Makokera reported that there had been little change on the AfCFTA NTB online mechanism.
- 7.3. Catherine Grant Makokera further reported that the AfCFTA Private Sector Outreach is hoping to introduce a Mobile App on the Non-Tariff Barriers (NBT) Online Mechanism.
- 7.4. Catherine Grant Makokera stated that once the Mobile App had been successfully launched, AfCFTA Private Sector Outreach will encourage more people to use it in order to put pressure on governments to resolve NTB issues.

Action

It was agreed that the AfCFTA Private Sector Outreach be added to the Subcommittee's 2021 Strategic Priorities, Louise Wiggett undertook to unpack what needs to be done by the Subcommittee in this regard.



Socpol & SubCET

BUSA Standing Committee on Social Policy and sub-committee on Education & Training virtual meeting scheduled to take place on **11 November 2020** took place chaired by Ms Jahn de Villiers she opened the meeting and welcomed those present, at the end of the meeting the chair indicated that the next sub-committee is scheduled to take place on **10 February 2021**.

Socpol

1. STATE OF SOCIAL POLICY

1.1. The Committee noted, with a positive spirit, the strides that government has been making into investigating corruption. It was noted that the small progress being made in this regard is encouraging and is a show of good faith.

1.2. It was noted that the President of the Republic will be addressing the nation after the cabinet meeting of the 15th of November 2020. Clarity was sought with regards to the Organised Business position. Members noted, with concern that the four focal points of the recovery plan did not seem to echo the voice of Organised Business. Additional information was requested from members who may be able to shed light in terms of the rumors of an extended lockdown in the face of a resurgence. After these queries, the Business for South Africa media release statement, which had recently been published, was referenced. It was noted that the statement firmly detailed the position of Organised Business being against the idea of a lockdown due to the fiscal position of the country. Members were also encouraged to do their part as employers and ensure that employees are well informed of their duty to obey the wellness protocols and ensure that they return to work in 2021 fit and healthy.

It was noted that Aspen and Pfizer were doing great work in the development of the COVID-19 vaccine and had reportedly entered into a joint agreement to take the work forward. Members with any information in the development of this process were encouraged to submit it to BUSA secretariat.

2. SOCIAL POLICY WORKPLAN

2.1. The Executive Director of Social Policy, Ms. Sino Moabalobelo, noted that ordinarily, the members would have received the Draft Social Policy Workplan for input and it would be adopted in the meeting. The office reported that due to internal restructuring around the focal areas in the BUSA workplans, the workplans will be tabled for approval once the internal processes are finalised.

Decision:

The BUSA office will disseminate the SocPol Workplan to members for input as soon as final approval is received.

BUSA Standing Committee on Social Policy continues

TRANSFORMATION, INCLUSIVE ECONOMY FOR SUSTAINABLE EMPLOYMENT

3. Jobs Summit Framework

It was noted that the office had tabled a re-prioritisation document that has been escalated to the Presidential Working Committee. The document focused on re-prioritisation in terms of specific sectors and projects that were linked to the Jobs Summit Framework. No progress has been made however the office will table an update when one becomes available.

4. PREDICTABLE, CERTAIN AND ENABLING REGULATORY ENVIRONMENT.

4.1. Ms. Siobhan Leyden reported that a special meeting had been scheduled for 12 November 2020 to discuss the issues surrounding the Bill in detail. It was noted that in September 2018 the Minister of Employment and Labour published the Employment Equity Bill to which BUSA submitted comprehensive comments. It was noted that earlier this year the Minister published that the bill would be tabled in parliament for the parliamentary process. Of significant importance for members to note is that the version published in 2018 is different to the current version published on the Department of Employment and Labour's website and will have notable ramifications for the business sector.

The purpose of the special Employment Equity Bill preparatory meeting is to engage with members on how BUSA will table its approach to the parliamentary process. Members were encouraged to attend the meeting in order to assist with a mandate.

It was noted that the BUSA office had not yet received confirmation from the Department in terms of the appointment of the incoming Commission of Employment Equity Statutory Body Business Representatives. For the purpose of this meeting, the office has included both the current sitting representatives and the successful candidates into the report. It was noted that the office had received suitable candidates and the names were taken to a vote. The successful candidates were noted to be Ms. Zindzi Mgolodela and Ms. Thembi Chagonda.

4.2. Draft Code of Good Practice on Violence and Harassment in the World of Work.

4.2.1. Ms. Jahni De Villiers thanked everyone who had given input into the Draft Code of Good Practice on Violence and Harassment in the World Work. It was noted that the process is still in its beginning stages. There had been one introductory briefing meeting held at NEDLAC, however the second meeting had been postponed without a date as Government was inundated with comments from the public. Regular feedback will be given to SocPol with regards to this process.

5. AFFORDABLE, COMPREHENSIVE SOCIAL SECURITY FRAMEWORK FOR FUTURE GENERATIONS

5.1. It was reported that there had not been significant movement with regards to this process. It was further noted that a special briefing meeting with SocPol and EconPol colleagues had been convened to give an update on where the NEDLAC process was. It was noted that a bilateral with Organised labour had already been convened and that there had been a subsequent meeting of the task team convened thereafter.

BUSA Standing Committee on Social Policy continues

6. National Health Insurance Task Team

6.1. It was noted that the Health Working Group had convened twice since the meeting of 05 August 2020. It was resolved that a smaller informal group to investigate whether there is a need for radical restructuring of the BUSA National Health Insurance submission of November 2019. A presentation would be developed, arising from the submission and a supplementary report with a COVID-19 focus will also be developed.

7. Compensation Fund Assessors

7.1. The Compensation Fund Assessors Business Representative, Mr. Fani Xaba noted with great concern the lack of response to the various calls for nominations to BUSA members to submit suitable candidates to serve as Compensation Fund Assessors. It was noted that only three candidates had been submitted to BUSA secretariat and that each constituency is required to submit ten suitable candidates. It was noted that the call had since been circulated three times. Mr. Xaba reinforced the importance of Business participation in the structure.

Decision:

It was resolved that BUSA secretariat would disseminate a reminder to members to submit suitable candidates to serve as Compensation Fund Assessors.

COOPERATION AND INFLUENCE IN SADC, AFRICA AND GLOBALLY

8. IOE/ILO Report

8.1. Mr. Mthunzi Mdwaba tabled a report on behalf of the IOE and ILO. Mr. Mdwaba reported on government related work by the governing body of the ILO. Mr. Mdwaba reported that Mr. Jonathan Goldberg had been nominated to represent Organized Business on 25 November 2020 in a meeting that the IOE is organizing on Essential Services. It was reported that Ms. Sino Moabalobelo had been invited to speak on the general council of the IOE. Mr. Mdwaba congratulated Ms. Moabalobelo on the achievement sighting this as a positive win for Business.

9. SOCIAL POLICY OPERATIONS

It was reiterated on behalf of BUSA members that representatives on the Statutory Bodies need to honour their commitment to submitting reports within the specified deadline. The statutory body reports assist the secretariat and the larger SocPol bodies in reporting as well as keeping abreast of the movements within the statutory bodies and monitoring of mandates.

The Department of Employment and Labour had circulated out various calls for nominations to replace some representatives on the existing structures. It was noted that there has been no confirmation received from the ministry in terms of those positions, however, the office had followed up and endeavoured to revert to the members.

BUSA Standing Committee on Social Policy continues

It was noted that Productivity SA is revitalising its turn around solutions through the Business Turnaround and Recovery. This can assist business in optimizing recovery in the light of the current economic climate. Members were encouraged to liaise with Productivity SA in participating in the programme.

The Productivity SA Annual General Meeting was reported to be scheduled for 12 November 2020.

NEDLAC

10. Labour Market Chamber

It was noted that the Labour Market Chamber meeting of 12 November 2020 has been postponed to a later date therefore the office has no further report in this regard.

11. Development Chamber

It was noted that the Development Chamber held a joint session with the Labour Market Chamber with regards to the Extended Public Works Programme. The session was well attended by Business representatives. Secretariat had circulated document for mandate that informed the Business position. Should there be any more engagements with the Department of Public Works and Infrastructure, that document will be amended and circulated accordingly.

SubCET

Feedback from the Sub-Committee on Education & Training

1.Mandatory SETA Grant Case

It was noted that following the call for funding disseminated to members to take the SETA Grant Case forward, the BUSA office had received pledges in the amount of R200 000. The pledges have been received from three members and there have been no additional funds pledged, leaving a deficit of R500 000. A discussion was tabled on this matter and it was noted, with frustration from members, that the case has been ongoing for an exorbitant amount of time and there needs to be redirection in how BUSA is approaching the way forward.

It was further noted that the attorneys had sent a letter that was mandated both by SocPol and SubCET to the Department of Higher Education, Science, and Innovation. The Department was noted to have not yet responded to the contents of the letter but had acknowledged receipt.

It was noted that BUSA had convened made many attempts, through various engagements with the Department of Higher Education, Science and Technology, to resolve the matter. It was reported that through the discussions held with the Department, both from the Minister's office as well as colleagues from the Skills Division, it was apparent that they are not going to revert on their position. The Department is of the firm belief that their initial interpretation of the grant is correct and needs to remain at 50 %. All other negotiations have not been received openly.

BUSA sub-committee on Education & Training continues

Members noted that the option of pursuing the matter through the legal route is not feasible due to lack of funds and that there may be a need for an additional mediator to be brought into the process in the form of the Office of the Presidency. It was also tabled that in the interests of Economic Recovery, BUSA may need to consider parking the matter as a compromise and cease to pursue the 50 % mandatory grant and look to proactively engaging on the new grant regulations.

A recommendation was tabled that a small team consisting of Ms. Siobhan Leyden and the BUSA secretariat will draft a letter to the presidency detailing and requesting intervention.

It was noted that members are encouraged to pursue litigation. Should there be members that are interested in donating additional funds, the office channels are open.

Decision:

It was resolved that BUSA secretariat would disseminate the letter to the Presidency to members for mandating.

2. Basic Education Laws Amendment Bill

The Basic Education Laws Amendment Bill work has been underway for several months, with several meetings having been convened. The task team had its penultimate meeting on 27 July 2020. A 1-aside task team was established to break the deadlock with Mr. Mustak Ally served as the Business representative on the one aside. A NEDLAC report was thereafter tabled and will be sent to the relevant structures for sign off. It was noted that members with a need to have line of sight into the NEDLAC report may request it from the BUSA office provided it will not be disseminated widely.

3. National Skills Authority

The National Skills Authority (NSA) representative, Mr. Mustak Ally tabled a discussion on the matter of balancing member fiduciary duty to the NSA and balancing that with the duty to the constituency. It was noted that there are instances where members cannot share information with or seek mandate from their constituency due to the sensitive nature and/or confidentiality. This was noted as a cross cutting issue on all other structures where there are constituency-based nominations.

Decision:

It was resolved that the office would seek to put an intervention through Donor partners and NEDLAC to engage on how representatives can be capacitated and how the various issues can be ironed out.

4. National Artisan Development Advisory Board (NADAB)

It was noted that BUSA needs to ensure that it is duly represented onto the NADAB platform through other members outside of the Minerals Council.

Decision:

It was resolved that the office would disseminate a call for nominations, for members to nominate suitable members to serve on the National Artisan Development Advisory Board.

BUSBA sub-committee on Education & Training continues

5. SIFA PROJECT

5.1. Ms. Cheryl James, the SIFA representative tabled the SIFA Progress Report.

Members expressed appreciation to the SIFA, representative, Jahni de Villiers and the BUSBA office in the scheduling and facilitating of the SETA Employer Engagement and noted that the initiative is an exciting way to bring to the fore important issues. Members also thanked the SIFA representative for all the work SIFA has done since the onset of the SIFA/BUSBA relationship.

6. The CCBA Project Update

6.1. It was noted that the Department of Higher Education, Science and Innovation has informally communicated to the office and indicated that the contract will be finalised soon. BUSBA will then be loaded onto the system and will be able to start the process of requesting the first tranche payment. The BUSBA office is still awaiting official communication and will revert to the Sub-Committee upon receipt.

It was noted that the BUSBA office has established a CCBA Project Steering Committee. A preparatory meeting was convened and it was relayed that the office will disseminate a circular detailing areas that will need a mandate from the Sub-committee, including the main research topic and the thematic areas that will be taken forward through the project. The office is awaiting final confirmation from the department as to how the project will be expected to be taken forward in the backdrop of the COVID-19 pandemic.

Decision:

The BUSBA office will circulate two circulars for input on the research topic and the thematic areas of the CCBA project.

7. Jobs Summit Framework Update

It was noted that the office had tabled a re-prioritisation document that has been escalated to the Presidential Working Committee. The document focused on re-prioritisation in terms of specific sectors and projects that were linked to the Jobs Summit Framework. No progress has been made but the office will table an update when one becomes available.

8. Update on Just Transition

8.1. Ms. Bev Jack, the BUSBA representative on the Just Transition task team, reported on the elements that the task team is planning on looking at from a Just Transition lens on skills. The Task Team was reported to be working with the National Business Initiative and the Skills Initiative for Africa. The process was noted to be a very complex process and is currently establishing its framework.

9. SubCET Workplan – 2021

The office reported that due to internal restructuring around the focal areas in the BUSBA workplans, the workplans will be tabled for approval once the internal processes are finalised.

Decision:

The BUSBA office will disseminate the SubCET Workplan to members for input as soon as final approval is received.

■ The End!

■ CONTACTS

For queries, contact Nomaza Spelman on
Nomaza.Spelman@busa.org.za / 011 784 8000