

## Speech to SASBO Congress, 21 October 2011 (Check against delivery)

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President of SASBO,

General Secretary and other Leaders,

COSATU leaders and guests,

Shopstewards, Educators, Comrades and Friends,

I am very glad for the opportunity to share a few thoughts with you on the occasion of your National Executive Congress. SASBO is located in a critical part of the economy. Your organisation provides a voice for workers in the financial sector and SASBO has been a long-standing member of COSATU.

(Add on first visit to SASBO before it joined COSATU).

As employees in the financial sector, you will have seen the vast expansion of finance over the last decade or two.

Economic growth has traditionally been the benchmark of progress in societies. How have we fared? From 1980 to 1994, average growth in South Africa was about 1,2% a year. In the period since democracy, average growth almost tripled, to about 3,2%.

Compared to our peers, this growth rate was broadly in line with the average for middle-income countries if we exclude China and India, both of who had extraordinary growth rates.

In spite of fairly strong economic growth, we have very substantial challenges of poverty, inequality and unemployment.

We looked at the structure of growth in the past decade and a half. Before the recession, a big part of the growth was driven by an expansion of credit to fuel a consumption boom, and inflows into the economy due to rising commodity prices. The consumption boom was not underpinned by a major expansion of the productive sector of the economy, by which we mean manufacturing, mining and agriculture.

In fact, a growing part of our consumption was based on importing goods from abroad, increasingly from China.

The domestic economy was moreover characterised by high levels of economic concentration and price-fixing, which means we did not build a dynamic economic machine, able to produce excellent goods at affordable prices.

Skills remained a major challenge to stronger economic performance.

We underinvested in major infrastructure, particularly on rail, dams and energy.

Our savings rate was – and is – low, so the capital we need for development has to be imported from elsewhere in the world, which produces economic vulnerability when we are unable to obtain flows into fixed investment in factories, mines and farms.

For us, clearly this was not a sustainable model.

On top of this reality, in September 2008 the global economy hit its biggest challenge in more than sixty years, with the meltdown on Wall Street that rapidly became a crisis of jobs and incomes. This downturn affected South Africa very deeply. We lost more than one million jobs. And the structural problems that lay behind the global economic crisis have not been resolved. The situation in Europe and elsewhere may well result in the global economy facing a second recession, with further job losses across the world.

At the same time, the world has had to confront the reality of climate change – that is how rich nations have industrialized in the past is dramatically changing the environment and the climate, with potentially devastating consequences for future generations.

This has led government to develop a New Growth Path as the basis for a different framework: one in which employment is placed at the centre of our goal, and economic growth is encouraged in sectors with large job-creation potential. In short, we are talking about job-rich growth and inclusive growth.

Comrades and delegates

These challenges – of poverty, inequality and unemployment; of a global economy whose performance is uncertain and unlikely to provide the demand for our products that will create the decent jobs we need; and of the reality of climate change – means that we cannot continue in the old ways and simply hope we can achieve better and different outcomes. We are called upon to adopt and implement plans and strategies that will offer hope to our people. These should entail short, medium and long term interventions to create jobs while minimising the impact of the economic downturn.

The New Growth Path sets an ambitious and important target - five million new jobs by 2020. We see job creation as the central means for ensuring a more equitable and inclusive economy.

The New Growth Path identifies ten jobs drivers that can create new jobs on the scale we require.

These jobs drivers are

- Infrastructure development
- Agriculture, rural development and agro-processing
- Mining and beneficiation
- The manufacturing sectors in our Industrial Policy Action Plan
- The green economy
- Tourism, the creative sectors and high level business services
- The knowledge based sectors
- The social economy which includes cooperatives and social enterprises
- The public sector, and
- African regional development.

There is a strong focus in the New Growth Path on development itself as a source of growth – investing in infrastructure, education, healthcare, rural upliftment, in the fight against poverty and exclusion are also ways to create jobs and expand the productive economy.

In an uncertain world, we identify domestic sources of growth and development rather than simply rely on export performance to lift the economy. At the same time, we seek to position the South African economy to take advantage of growth opportunities on the continent and in the South.

Together with special policy measures in each of these sectors, we have also developed a broad-ranging set of interventions in the New Growth Path:

- skills development for workers,
- technology policies to bring new products to market,
- competition measures to tackle monopolies and price-fixing,
- trade policy to ensure we have more balanced economic relations with the rest of the world,
- industrial policy that will drive the reindustrialization of the economy,
- labour market interventions that addresses the position of vulnerable workers and promote partnerships at the workplace

- small business development and support for cooperatives in order to create new enterprises that will bring more people into productive jobs.

The New Growth Path identifies a stronger role for public agencies such as the IDC, the Competition Commission, the trade authorities, research bodies such as the CSIR, small business agencies, state-owned enterprises, provinces, metros and national government departments. This role of the public sector is both in creating jobs and in creating the conditions for large-scale job-growth across the economy.

It recognizes that the private sector must play a bigger role to create jobs than what it is doing currently. Expansion of investment and employment in the nation's factories, mines, farms and private sector services is vital if we are to achieve the target of five million new jobs.

The New Growth Path calls for a series of social agreements – or social accords – that address the challenges of income inequality, wages, jobs and investment, rising prices – in short, it calls for a new national consensus and a shared solidarity on how to place employment and decent work at the centre of our efforts.

Since its adoption, we have taken a number of steps to address the jobs challenge and I wish to highlight a few of these:

We started a social dialogue with Cosatu and the other federations as well as business and community through Nedlac, resulting in agreement on a number of principles, including support for the target of five million new jobs and for joint efforts by all constituencies to help achieve that jobs target.

We have now already signed a national Skills Accord as well as a Basic Education Accord with the labour movement and business.

The National Skills Accord commits business and government to take in 30 000 apprentices for training as artisans.

It calls for the SETA system to be refocused to the jobs vision in the New Growth Path.

It calls on businesses to increase their funding for training to between 4% and 6% of their payroll.

It commits organized labour to recognizing the specific status of trainees in companies where employers train above their company needs.

It commits business to provide internship opportunities to young people.



We are now working near to finalizing agreements on local procurement and the green economy.

We have turned the IDC's focus to job creation. The IDC has committed to R102 billion in fresh investments over the next five years to drive the industrialisation of the economy. It will focus on the jobs drivers laid out in the New Growth Path.

We have adopted a new energy plan that will expand electricity generation by 50 000 MW over the next twenty years, with about one third of new energy coming from green energy, that is solar, wind, biomass and small-scale hydro energy. Some of the projects, particularly biomass and biofuels, can create large numbers of jobs in the agriculture and agro-processing sectors.

We have installed about 140 000 solar water geysers on houses, many of them RDP houses, providing hot water to hundreds of thousands of South Africans.

We have announced a R9 billion Jobs Fund to expand employment and we have committed to create one million job opportunities in community works programmes, particularly for young people, by 2014.

We have adopted a beneficiation policy and established a state-owned mining company as steps to improve the processing of local minerals here in South Africa.

We have focussed the competition authorities on the challenge of employment and competitiveness in order to build a more modern, agile and responsive economy and they are tackling the abuse of market power by large companies. You know for instance that the Commission undertook an intensive investigation of overcharging by the banks, seeking to ensure this critical service is more affordable and efficient.

You will have seen reports on the Walmart case in the news. Walmart, the world's biggest retailer, is acquiring the Massmart Group, which includes Game, Dion, Makro and Builders Warehouse. Our competition law requires that any such merger must also meet certain public interest criteria. Government sought to have respect for workers rights as well as protection of employment made a condition of the merger. Some conditions have already been imposed on the company but government is seeking stronger, binding commitments from Walmart to source food and other products locally and so avoid job losses in their supply chain.

#### Metropolitan/Momentum case

At the international level, we have been hard at work to integrate Africa's small national economies into a powerful large market and to deepen south-south economic cooperation.

President Zuma hosted a Summit of 26 African heads of state in June this year at which all agreed to launch negotiations to create an African Free Trade Area that involve 600 million people from Cape Town to Cairo.

We are addressing the changing global order in order to take advantage of new opportunities and manage potential risks. This year we join the BRICS group, bringing together Brazil, Russia, India, China and South Africa.

China and South Africa signed a Comprehensive Strategic Partnership agreement last year, committing to a concerted effort to develop a balanced trade profile and encourage trade in manufactured value-added products.

The challenge now for us is to take advantage of the opportunities opened up by this agreement. China is a vast market of 1,3 billion people, and extraordinary rates of economic growth. How can we ensure that we do not end up exporting only raw materials, but rather leverage our position as a major supplier and an entry way to Africa into a developmental opportunity?

Delegates and friends,

You work in a particularly difficult sector from a standpoint of equitable and dynamic growth.

On the one hand, finance is the grease that lets the economy function and develop. We cannot imagine any modern economy if we take away the millions of financial transactions, provision of credit, savings and payments. Production and investment would simply grind to halt.

We can see the importance of finance when we look at where gaps persist in coverage – in services for poor households and small and micro enterprise, in loans to new industries that will only develop over a longer time, in affordable funding for basic infrastructure.

Providing these services on a larger scale would support, not only broader development, but also job security and improved conditions in the financial industry itself.

The expansion of financial services to more small towns and rural areas will be a spur to bringing more people into the mainstream economy and will create jobs in the finance sector.

The growth of the financial sector has not been matched by the expansion of financial services to more South Africans or the growth of financial services to the productive economy.

Globally there have been concerns about the financialisation of economies: a process in which growth is often concentrated in the expansion of finance, and in the share of GDP that it makes up, instead of the impact that its activities have in growing the rest of the economy.

We can see financialisation in few telling figures.

The financial sector has grown faster in terms of value added\* than any other industry since 1994.

The value of its output has grown twice as fast as the rest of the economy, tripling\* in real terms over the past 17 years while the economy as a whole expanded only by 67%. But employment in financial services has grown much more slowly. From 1994 to 2010, employment in financial services is estimated to have climbed just 14% - faster than the economy as a whole but far, far behind the growth in the value of the industry.

Portfolio inflows into the stock exchange and bonds have been entirely disproportionate, leading to high profits for some – but also an overvalued rand that has stifled growth in many tradable sectors and especially in industry. The World Bank says that in the past ten years, portfolio inflows into South Africa

equalled a tenth of the total to all emerging markets, although South Africa itself accounted for only 2% of the production-base of these economies.

The stock exchange had capital in 2010 equal to 280% of our GDP. That is extraordinarily high. For instance, in Brazil the figure was 74%, in China 81% and in India 93%. Even in the US, it was only 118%.

Again, while these speculative capital flows make millions for some, they also limit growth in the real economy by increasing the value of the currency and diverting innovation and creativity to endless complex deals rather than genuine investment and growth.

The relationship between financial and non-financial corporations has also undergone substantial changes with far-reaching consequence for industrial development. Finance has substantial control and influence over non-financial corporations and the relationship imposing short-term planning horizon over non-financial corporations.

The net effect of all of these is the diversion of resources away from productive investment towards financial speculation with negative impact on employment, innovation and product development. We need to turn the tide to shift focus from speculation to productive investment by the financial sector.

We saw the Financial Sector Charter and similar efforts as critical to addressing this challenge. We know the Charter has faced difficulties. But it continues to point the way to a financial sector that can make a genuine and strong contribution to our development.

Delegates and friends,

The trade union movement has played a critical role in the transition to democracy; in nation-building through the non-racial organisation at the shop-floor and in pointing to the key economic disparities in the economy.

The nation now needs you to play another important role: to help us achieve five million new jobs by 2020.

This will require us to do things differently.

It means the major investments in new infrastructure: roads, rail, ports, energy, water, communications networks. We are now looking at new and innovative ways to raise funds to expand the infrastructure investment levels. Retirement funds should see this as a major opportunity for investment to secure safe returns for members as well as to contribute to long-term sustainable growth.

It means we must upgrade skills in the economy> Unions should lead the emphasis on workplace training and should have as one of the core benefits of union membership, that your members receive continuous skills upgrading.

It means we need to address a new consensus on working together at the company level, cooperating on improvements in productivity and service delivery. We are now in discussions with our social partners to look at responses to the global economic slowdown and the impact it can have on our economy. This will require a new package of measures, one in which all contribute: government, the business sector, organised labour.

Together, we can bring about the changes we need. We need to ask you to help us find solutions that create jobs both in your sector and across our economy, so as to secure a more prosperous and stable future for all of us.

The union movement can bring its power to bear to ensure the realisation of our developmental objectives at a sectoral and workplace level.

The challenge for SASBO is to find ways to deepen understanding of our policy priorities within the organisation. SASBO can deepen consciousness of its members through its education programme and mobilise them around the goals of our development strategy. Further, I call on SASBO to integrate economic transformation in its economic policy and bargaining agenda.



Finally, SASBO can play a vital role in ensuring the transformation of the financial sector. In particular ensure rapid implementation of the recommendations of the banking enquiry around access to the banking sector and measures to educate and protect consumers.

In conclusion, I wish SASBO a productive Congress and may you grow from strength to strength!