



31 May 2012

THE NATIONAL ECONOMIC DEVELOPMENT AND LABOUR COUNCIL (NEDLAC) ANNUAL REPORT 2010/11

1. Introduction

NEDLAC was established under the National Economic Development and Labour Council Act, No. 35 of 1994 (the NEDLAC Act). The institution is about securing commitment and active participation of all social partners in those areas identified for prioritised action in ways that build on lessons learnt from development programmes.¹

NEDLAC is comprised of organised business (BUSA), organised labour (COSATU, FEDUSA and NACTU), Government (the Department of Labour is the overall convener of Government) and the Community Constituency (Women's NATIONAL Coalition, South African National Civics Organisation, the South African Youth Council, Disabled People of South Africa, the National Cooperatives Association of South Africa and Financial Sector Campaign Coalition).²

The NEDLAC Act's vision is to have:

- Policy-making at the highest level;
- Consensus based;
- Tripartism;
- A forum for negotiating legislation prior to normal legislative processes; and
- Demarcation of sectors.³

2. Institutional Challenges

According to NEDLAC, some of its institutional challenges include:

- A burgeoning agenda of complex issues;
- Long delays in finalising issues, partly attributed to constituency representatives that are over-stretched;
- Inadequate technical support for representatives;
- NEDLAC secretariat is under resourced. In 2006, the NEDLAC review progress resulted in a number of recommendations that included restructuring of the institution and adequate resourcing. However, this has not been implemented though the 2012 -2013 annual performance plan indicates that the entity will prioritise these recommendations.⁴

¹ NEDLAC (2010) 15th NEDLAC Annual Report 2009/10

² Ibid.

³ Mkhize, S. (2012).

⁴ Ibid.



3. Questions

- How many vacancies are currently at NEDLAC?
- In order to improve the performance of the institution, can NEDLAC elaborate on the proposed new structure?
- Why has South Africa not achieved more consensual, rather than adversarial engagements?
- Has NEDLAC succeeded as an effective tripartite institution?
- Is collective bargaining playing a constructive economic role?
- Is there sufficient progress on productivity and skills development?

4. Port Folio Committee debate about the continued existence of NEDLAC

The Portfolio Committee on Labour (PC) was told during April 2012 that there is need for a serious and intensive broader policy debate by social partners from business, organised labour and Government about the continued relevance of NEDLAC). This followed questions to the Department of Labour Director-General, Nkosinathi Nhleko by members of the PC after his presentation of the departmental strategic plan for the period 2012/13. Some members of the PC said the relevance of the body had expired and it was time to close shop.⁵

Nhleko said that the relevance of NEDLAC cannot be determined through a strategic plan. NEDLAC is an institution of social dialogue that was brought about by prevailing circumstances at the dawn of democracy. Whether the country still needs it cannot be answered by one partner to the exclusion of others. He furthermore stated that this debate is not unique to South Africa. Many countries still grapple with the question of a social parliament. While some have abandoned it, others have kept it. He further stated that such a debate should be able to answer why some people think NEDLAC does not address developmental goals meant to boost South Africa's economic goals.

Alistair Smith, NEDLAC's Executive Director, said the debate should focus on repositioning the institution rather than disbanding it. Factors that impact on NEDLAC's performance include the commitment by partners to social dialogue, tensions among partners as well as the capacity of the institution. He said the solution lay in social partners agreeing on the rules of engagement in the interest of accountability.⁶

⁵ Department of Labour Website at: <http://www.labour.gov.za/media-desk/media-statements/2012/labour-dg-calls-for-discussion-on-NEDLAC>.

⁶ Department of Labour Website at: <http://www.labour.gov.za/media-desk/media-statements/2012/labour-dg-calls-for-discussion-on-NEDLAC>.



5. NEDLAC's focus areas during 2011

NEDLAC had a number of key engagements with Government principals including engagement with the Minister of Finance and the Minister of Energy. The Minister of Finance and his team presented the Medium Term Budget Policy Statement to NEDLAC Constituencies and the key messages from the presentation included amongst others:

- That the global environment poses risks to the world economic recovery and the outlook for South Africa's own economy;
- That tax revenue collections have not yet recovered thus allowing for a temporary increase in borrowing;
- To prioritise public infrastructure spending and investment in job-creating assets;
- To address inefficiency, extravagance and waste in public administration.⁷

The lack of security of supply of electricity has been one of the grave concerns in the country. NEDLAC Constituencies concluded the consideration of the Integrated Resource Plan (IRP) 2010, a long-term national electricity plan that considers requirements for electricity supply, the appropriate technology mix to meet South Africa's objectives and the linkages with other resources such as water, skills and land. The Minister of Energy and her team updated social partners on the progress of implementation of the agreements made in NEDLAC on the IRP and other energy matters.⁸

The Governor of the Reserve Bank, Ms Gill Marcus, engaged with the NEDLAC Executive Council on monetary policy, the state of the global economy and its impact on the South African economy. A key note from the briefing by the Governor and her team was that South Africa is facing a high level of global uncertainty and that this was one of the worst crises, thus the country could not afford to have a business as usual approach, a sense of urgency and decisiveness was necessary.⁹

Unemployment, poverty and inequality remain stern challenges faced by the country. The looming global economic instability poses a real threat on efforts made to address these challenges. One of these efforts is the New Growth Path, which proposes the creation of 5 million jobs by 2020 through "bold, imaginative and effective strategies". Leaders of the NEDLAC Constituencies signed social accords namely, the *Accord on Basic Education and Partnerships with Schools*, the *National Skills Accord*, the *Green Economy Accord* and the

⁷ NEDLAC website at: <http://www.nedlac.org.za/about-us/foreword-from-executive-director.aspx>

⁸ Ibid.

⁹ Ibid.



Local Procurement Accord, and these accords outline the partnership and commitments by the social partners to achieving the said target.¹⁰

6. Independent Auditor's Report

The financial statements of NEDLAC were audited by an independent auditor. In their opinion, "the financial statements present fairly in all material respects, the financial position of NEDLAC as at 31 March 2011. The financial performance and cash flows for the term ended are in accordance with SA Standards of GRAP and the requirements of the PFMA."

They did draw attention to a number of issues, which appear to be minor issues:

- The figures for March 2010 had to be restated as a result of an under provision for leave pay in the prior year, which amounted to R308 355.
- Non-exchange revenue was received for the acquisition of land and buildings. Accounting principles changed and were applied retrospectively with regard to these figures and this amount had to therefore be restated.

With regard to the Report on other **legal and regulatory** requirements:

- There were no material findings on the annual performance report concerning the presentation, usefulness and reliability of information.
- With regard to the annual financial statements, it was stated that: "The Council submitted *financial statements for auditing that were not prepared in all material aspects in accordance with Generally Recognised Accounting Practice* as required by section 55(1)(a) and (b) of the PFMA. However, the material misstatements identified by the auditors were subsequently corrected."

In terms of the **internal control**, the following was mentioned:

- The auditors considered internal control relevant but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported were limited to significant deficiencies.
- In terms of leadership, the auditors stated that "The *Council did not exercise oversight responsibility regarding compliance with laws and regulations*. Matters of non compliance with laws and regulations relating to the financial statements were reported."

¹⁰ Ibid.



7. Questions

- Why did the auditors state that there were financial statements for auditing that were not prepared in all material aspects in accordance with Generally Recognised Accounting Practice as required by section 55(1)(a) and (b) of the PFMA?
- Please elaborate on the reasons why the auditors came to the conclusion that the Council did not exercise oversight responsibility regarding compliance with laws and regulations.

8. Report of the Executive Council

- The operating results during the period under review: The Council has a deficit of R384 306 (2010: surplus of R2 674 033).
- No fruitless and wasteful expenditure was incurred.
- Rent is receivable from Proudly South African and during the year the Council wrote off an amount of R836 111 in respect of arrear rentals.

9. Conclusion

Social dialogue remains a critical imperative in South Africa as South Africa confronts the challenges of poverty, unemployment and social deprivation in a time of global economic crisis. In this context the role of NEDLAC is essential in pulling together the wisdom of the four pillars of society, namely, organised business, organised labour, government and civil society in an endeavour to find solutions to the problems faced by the nation.¹¹

Some of the key issues and achievements that occupied the centre stage in the period under review include:

- NEDLAC concluded the agreement on Preferential Procurement Regulations;
- Launched the Decent Work Country Programme;
- Commenced engagement on the New Growth Path;
- Finalised the Code of Good Practice for the Expanded Public Works Programme;
- Reached agreement on the National Climate Change Response Green Paper concerning the best method of addressing climate change in relation to both mitigation and adaptation;
- Finalised consideration of the Road Accident Fund No Fault Policy;
- Resumed engagement on the labour market policy review (including consideration of the Labour Bills); and
- Finalised recommendations on cushioning the poor against electricity tariff increases and concluded agreements on the Integrated Resource Plan 2010.

¹¹ NEDLAC website at: <http://www.nedlac.org.za/about-us/foreword-from-executive-director.aspx>