

Keynote address by TSP Makwetla, Premier of the Mpumalanga Provincial Government at the Mpumalanga Labour Summit, Blyde River Canyon

14 May 2008

Programme Director,
Member of the Executive Council for Economic Development and Planning,
Honourable C Padayachee,
The Director General, Mr Khaya Nhema,
Senior Managers in the Public Service at National and Provincial level,
Leaders of Organised Labour in this province,
Leaders of the Business Community representing different industries and chambers in the province,
Leaders of Civil Society, Development Institutions and Government Agencies,
Prof Arowolo from the United Nations Population Fund (UNFPA),
The National Director of the Commission for Conciliation, Mediation and Arbitration (CCMA), Ms N Khan,
The Provincial Head of the Department of Labour, Ms Aggie Moiloa,
Prof Ewang of the National Development Agency,
Prof H Bhorat of the University of Cape Town (UCT) Development Policy Research Unit,
Mr Lourie Bosman, President of Agri-SA,
Ladies and gentlemen

It is an honour and a privilege to address you on this auspicious occasion. The Labour Summit of Mpumalanga Province is an auspicious occasion because it creates a platform to craft strategies and activities to place the provincial economy on an inclusive and labour-absorbing growth path.

I am particularly impressed by the theme of this summit – 'Towards a province of Choice: Pioneering a New Way' – not only because it resonates with the brand Mpumalanga's pay-off line, 'a pioneering spirit', but also because it suggests the need for innovation in the way that we approach the challenge of development in our province. It is clear to me that we have to address the imperative of eradicating poverty through growth, employment and social security with a great deal more ingenuity than has hitherto been the case if we are to meet the target of halving poverty by 2014.

It is said that there is no better way to forge unity than fight a common enemy. I believe that what unifies all the participants at this conference is that we are all fighting a common enemy: poverty. United, we stand a better chance of defeating this enemy with our considerable combined resources, energy and commitment.

The impressive accomplishments of the Mpumalanga Labour Market Forum since it was established four years ago, provides a solid foundation for government, labour, business and civil society to collectively drive a provincial growth and development trajectory that is sufficiently inclusive to eradicate poverty through the creation of decent jobs for the unemployed and for new labour market entrants.

Ladies and gentleman, allow me to make an attempt at outlining the nature of the developmental challenge confronting us. According to official statistics, the unemployment rate in Mpumalanga stood at 22,9% in September 2007. While this is a vast improvement over the September 2006 rate, with a 5,1% point reduction in unemployment, a substantial number of jobs have to be created before 2014 to achieve the national target of halving unemployment. Given that a large stock of unemployed people has built up over a number of years, while the age profile of our population means that ever more young people enter the labour market seeking employment each year, the challenge is to create employment for both those that have been unemployed for many years and for those that have recently entered the labour market.

While there is insufficient information about trends in household poverty, it is common cause that there are still far too many poor and vulnerable households in the province. While the roll-out of social grants and basic services has played a pivotal role in ameliorating poverty, the lack of wage income continues to keep many households below the poverty line. Access not only to jobs, but to decent jobs, is therefore the key to eradicating our common enemy: poverty.

It is important to take cognisance of the fact that the 22,9% unemployment rate recorded in September 2007, does not include the category of unemployed that are 'discouraged'. Because the official definition of the pool of unemployed includes only those that report that they have actively sought work the week prior to being

interviewed for the Labour Force Survey, it excludes the adult population that are in desperate need of wage income but are not actively searching for jobs because they are discouraged after years of failure, or because they live in remote areas and cannot afford the cost of the job search.

Research suggests that the vast majority of discouraged workers are African women residing in the former Bantustans.

These women would enthusiastically accept any form of wage employment, but live in areas where there is no economic opportunity of any kind and cannot afford the costs associated with seeking work elsewhere. A study of the spatial dynamics in Mpumalanga which was completed last year, found that poor households are still concentrated in the former Bantustans and scattered across townships located next to the former white towns. The concentration of poverty in the Bantustans is a direct consequence of unemployment that is not counted in the official statistics, because for many residents there is no means to actively seek work.

Ladies and gentlemen, if we are to effectively combat poverty, we cannot ignore the plight of these households, which are trapped in the second economy, unable to access opportunities in the first economy and doomed to inter-generational poverty unless all of us here today do something innovative to include them in the fruits of our growth and development.

The challenge is not only to create jobs, but to create decent jobs. As many of the poor and unemployed lack skill, they are doomed to unemployment or to work in the low wage, low productivity sector. The eradication of poverty and the acceleration of growth therefore require skills development to enhance the productivity of our workers. This is, in turn, a pre-condition to increase wage income in order to create decent jobs.

Having outlined the magnitude of the challenge confronting us, the critical question is: how do we create decent jobs in Mpumalanga to foster development and eradicate poverty? The good news is that in contrast to the poor economic growth that characterised the 1998 to 2003 period, between 2004 and 2007 economic growth has been robust, exceeding four percent each year. The industries that have driven this growth include manufacturing, construction, wholesale and retail trade, transport and communication, and financial services.

This is indicative of a structural shift in the provincial economy, away from resource-based industries and towards the tertiary sector. This augurs well for future growth and labour absorption. But for now, precisely because of the dominance of traditional industries in our regional economy and the under-developed tertiary sector, our provincial growth rate has lacked behind the national economic growth rate.

We must not, however, be oblivious to the fact that coal mining and its beneficiation through electricity generation and the manufacture of synthetic fuels dominate Mpumalanga's economy. Steel production also accounts for a high proportion of manufacturing output. These industries create much of the demand for the output of the services sector and in this way play a decisive role in the province's growth and development trajectory. These industries are concentrated in Witbank, Middelburg and Secunda, which account for a high proportion of the province's economic output, but a small proportion of its population.

We all know that these industries are highly capital-intensive and their expansion therefore fails to create the jobs that the provincial labour market needs. The challenge is to enhance side-stream and downstream linkages to improve labour absorption. It is a challenge that lies squarely on the shoulders of the corporations that dominate these industries. We must encourage them to demonstrate to this forum that they are able to apply their considerable resources and talents to squeeze more jobs out of every additional rand of investment and output.

We must also commit ourselves to playing a more purposeful role in facilitating the expansion of labour-intensive industries, including agriculture, construction and tourism. These industries are able to create a large number of jobs as they grow. Critically, many of these jobs are low-skill and therefore match the profile of the vast majority of the unemployed in our province and the country as a whole. Measures to facilitate the growth of these industries are clearly central to fighting poverty. The challenge of growing these industries must be taken up by all stakeholders represented here today, including provincial government.

Ladies and gentlemen, I am enthused that we have come together over these two days to deliberate upon how to pioneer a new development path to make Mpumalanga a competitive and prosperous province. The Provincial Government is committed to supporting all endeavours aimed at fostering growth, creating jobs and eradicating poverty in Mpumalanga. At this juncture it is important for me to outline the key programmes of the provincial government that target growth, employment and poverty eradication.

As you know, the provision of education and health services is the core mandate of the province. There is substantial agreement, supported by empirical evidence, that the development of human capital is the most effective means of redressing inequality and in the case of South Africa, dismantling the apartheid legacy. In the long-term, it is the most important driver of growth.

In order to develop the human capital of our citizens, in the 2008/09 financial year, 47,7% of the provincial budget has been allocated to education and 22,6% to health. A total of R13 billion, accounting for 70% of the provincial budget is therefore dedicated to the development of human capital through the provision of education and health services. For the provincial administration, the challenge is to ensure that these resources are effectively utilised to develop human capital, as this lies at the heart of an efficient labour market and a competitive provincial economy.

All government programmes and projects aimed at responding to the skills needs in our economy must be reviewed and assessed in the next two days to ensure proper alignment and integration. The outcomes of our budgets in these endeavours must be evaluated, and corrective measures be recommended. This address would be incomplete without an account of the Provincial Government's priority programmes: the 'big five' flagships. I will briefly outline each of these programmes as their rationale is to have a macro-impact on the socio-economic development of our province.

The first flagship is the Maputo Development Corridor, which we believe is pivotal to unlocking opportunities for economic growth and of advancing the principles of New Partnership for Africa's Development (Nepad). The N4 highway, running through Mpumalanga, and which links the industrial heartland of Gauteng to the Port of Maputo, creates a range of opportunities for the expansion of economic activity in the province through private and public investment. The challenge for Mpumalanga is to utilise public investment and facilitate trade and investment by the private sector to develop industry along the corridor and in towns to the north and south of the corridor that are linked to it through secondary roads.

In order to fully exploit the opportunities unlocked by substantial investment in transport infrastructure, the province has identified five key areas:

- Focussing the Local Economic Development strategies and programmes of municipalities on the corridor.
- Further development of transport infrastructure, including upgrading the rail network, improving truck stops and implementing a one-stop border post.
- Investment in industrial parks to facilitate investment.
- Trade facilitation initiatives to enhance the flow of goods along the corridor.
- Effectively branding the corridor to encourage investment.

The second flagship that has been identified as a growth driver is the Moloto Rail Development Corridor. Given that the vast majority of people who live in the targeted area work in Gauteng and therefore have to commute to work and back, the core objective is to improve the quality and safety of public transport between Mpumalanga and Gauteng through a massive investment in rail infrastructure. A related objective is to utilise the investment in rail infrastructure as a catalyst for the development of economic activity along the corridor. Such development will be anchored in the Local Economic Development initiatives of the two municipalities along the railway line: Thembisile, and Dr JS Maroka. The total cost for this project is currently estimated at R8,6 billion, a very substantial investment in transport infrastructure for the province.

Ladies and gentlemen, I have highlighted the role of the tourism sector in creating employment. The third flagship – the Heritage, Greening Mpumalanga and Tourism Programme addresses the need to revitalise Mpumalanga's tourism sector. The objective is to drive the growth of the tourism sector by leveraging Mpumalanga's unique competitive advantages of heritage sites and pristine natural beauty.

The book on Mpumalanga's History and Heritage - which won the prestigious Mail and Guardian Award for best non-fiction book of the year in 2007 – illustrates that our history, people, heritage, diverse cultures, and picturesque physical landscapes provide a strong foundation for the growth of tourism and cultural industries.

The role of the province is to focus its resources on specific geographical areas, where public investment will be utilised to unlock private investment. The areas currently under consideration are the Blyde River Canyon, the Songimvelo/Malolotja Trans-frontier Conservation Area and the Loskop Tourism Complex. To enhance the attractiveness of the province and foster an environmentally sustainable development path, programmes are also in place to promote sustainable environmental management practices, as well as to enhance biodiversity conservation.

The fourth flagship programme, Water for All, aims to provide access to water for an estimated 172 000 households in Mpumalanga that currently have no access to running water. It is being implemented in collaboration with the three District Municipalities and will have a significant impact on poor households. It is my understanding that the labour market skills demand we are here to strategise for, will speak to our immediate and current needs of our regional economy. However, going forward the intervention and priorities we have referred to here above, will focus our future skills demands in the province.

Ladies and Gentlemen, enhancing the productivity of government is key to placing the economy on an inclusive and sustainable growth path. To that end, the fifth flagship – the Accelerated Capacity Building Programme – aims to address the skills deficits in the provincial administration that were identified during a skills audit conducted in 2005.

The programme was launched in February this year when we opened the Mpumalanga Public Management Centre in Bushbuckridge. The work of rolling out these projects in many respects has thrown up interesting management challenges and practices, which compel us to grapple with questions about how to build a developmental state in practical terms. It is our expectation that the Mpumalanga Public Management Centre in Mapulaneng will in time become the engine of the pioneering spirit of our province.

Ladies and gentleman, having outlined the challenges confronting this summit and the provincial government's role in driving socio-economic development in the province, allow me to reflect on some important developments in relation to the process of policy development and implementation in the province.

The Provincial Administration is currently refining the Provincial Growth and Development Strategy (PGDS) that was initially developed in 2004. Having completed the integrated spatial framework late last year to enable us to include spatial dynamics in the PGDS, we are now improving its strategic framework by prioritising four pillars: growth, employment, poverty reduction and environmental sustainability.

Consultations will shortly commence with all stakeholders represented here this week. The process will culminate in a Growth and Development Summit that we have scheduled for the end of June this year. This will provide a platform for us to jointly craft a PGDS that supports integrated planning and cooperative implementation.

It is also our intention to create a permanent structure to institutionalise and deepen stakeholder consultation and oversight of the implementation of the PGDS. The Mpumalanga Labour Market Forum provides a strong foundation on which to build a forum for co-operative planning and decision-making among labour, business, civil society and government. It is my hope that we will reflect on and take forward the resolutions taken at this Summit when we meet again at the Growth and Development Summit.

I wish you fruitful and purposeful deliberations and concrete actionable outcomes that advance our shared objective of defeating our common enemy: Poverty.

I thank you.