

An industry-led manufacturing initiative



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RSA Clusters Group

Passion for local manufacturing.
Innovative ideas.
Empowering networks.

Compassion for the unemployed youth

Public Response: Extension of Main Agreement

To: Minister of Employment and Labour

% Ms Sellinah.Mahlangu (Sellinah.mahlangu@labour.gov.za), and
Ms Annelie Niemand (Annelie.niemandt@labour.gov.za).

cc: Ms T. Phele, Ms N. Dlambulo and Mr M. Shunmoogam
Chairpersons of RSA Clusters Group; Casting Forging and Machining Cluster of
South Africa, Electro Technical Industry Cluster of South Africa, the Rail
Manufacturers Cluster of South Africa

Re: Extension of the SEIFSA main agreement in the metal industry

To whom it may concern,

1. About Us

The RSA Clusters Group NPC (manufacturing cluster) is a non-profit, industry-led collective of manufacturers and service providers active in various industries across the manufacturing value chain. We afford independent businesses the opportunity to work collaboratively to overcome challenges and achieve objectives that would otherwise be too difficult to achieve as individual companies, for the benefit of the cluster and industry as a whole. The manufacturing cluster is focused on growth and development in the manufacturing sector, and aims to increase local content, skills, and employment.

By creating alliances and using collective resources, the cluster aims to stimulate capacity development and utilisation, through the improved competitiveness of South African made products. As a result, the cluster has made localisation, import replacement, and driving down input costs (e.g. energy, raw materials, etc) key focus areas.

We strongly believe that provided the opportunity to address the challenges, South African manufacturers can become globally competitive, more innovative, and contribute to local economic development, and create more jobs.

2. Introduction

South African youth are faced with limited choices when they enter the domestic job market: to stay in the country in the hope of getting employed, to stay in the country and withdraw from the labour market, leaving the country to seek work elsewhere, or to set up an entrepreneurial venture. For those choosing to stay in South Africa, the odds of finding a job are low. The statistics are clear, youth unemployment is extraordinarily high. According to recent data from¹ Stats SA for Q1 2022, the youth unemployment rate for youth between the

¹ <https://www.statssa.gov.za/?p=15407>

ages of 15 and 24 is 63.9%. For youth between the ages of 25 to 34 is 42.1%, whilst the national average is 34.5%. This indicates a large latent potential human resource that can be developed to the benefit of the individuals involved, for the industries that employ them, and for the economy.

We need to put aside our differences, and focus on working together to find lasting solutions to the dilemma of youth unemployment. A few points:

- a. High levels of unemployed youth in South Africa is not a new concern.²

Statistical records indicate that there have been high levels of youth unemployment (at least 45%) since 1991, based on a limited range 1991 to 2022..

- b. Inadequate education and lack of productivity is costing jobs.

Unemployment increases progressively with decreased educational levels; and the education system is not producing the skills for the labour market. Labour supply is affected by the increase in the number of job seekers over the years.³

- c. We are not applying our collective minds to seek a higher agenda in the interest of our youth.
 - i. The mindset currently applied misses the value that young people bring to the economy as they grow and mature over a period of 40 plus years.
 - ii. There are personal trade offs and decisions to be made that can only be decided by the youth, with the support of elders that bring wisdom and experience to the discussion.
 - iii. These important discussions cannot be decided as part of any agreement, unless it can clearly show that
- d. We are not seeing the strategic benefits of a large youthful population in growing the South African economy. Youth provides:
 - i. a large and cheap future workforce: - Youth start their work career with relatively few or no skills, and need to be educated or trained to acquire skills. Those without the means can be trained and developed whilst on the job. The benefit to the individual is an opportunity to work and gain skills. The benefit to the employer is to have access to cheaper skills. Industry in China, for instance, continues to use this model to great effect to compete against industry in South Africa. Higher wages would be paid as skills and experience are acquired.
 - ii. a growing market for manufactured products: - The employed youth would spend their money in South Africa.
 - iii. a large tax base for the country and diminished dependency on the state for basic income grants: - The employed youth would add to and increase the pool of formal taxpayers in South Africa.

The youth are a low cost value adding resource to be nurtured rather than ignored. The effectiveness of this latent potential, once identified (as we are doing here), cannot be curtailed by exclusive external agreement that might impair or limit the economy from

² <https://www.macrotrends.net/countries/ZAF/south-africa/youth-unemployment-rate>

³ <https://www.gcis.gov.za/content/resourcecentre/newsletters/insight/issue13>

unlocking this potential (i.e. using the need for low cost labour to increase the employment of youthful people and the need for skills acquisition to increase training, development, and knowledge transfer).

3. Metals Industry profile

In context, the discussion about youth employment in the steel and metals industries is relevant, as this has been a field that has made jobs available to vast numbers of job seekers over the years, and currently employs about 190,000 people. This number could increase as productivity and competitiveness improve, and the metals industry in South Africa expands.

We note that despite the consistent newsreel and environmental noise surrounding the metals industry, there is very little public knowledge on key strategic issues relating to youth, and the focus rather been more about skills, or the lack thereof, that are challenging industry. Although the skills challenges align somewhat to youth issues (i.e. impacting youth employability), they do not address youth challenges and opportunities directly. The Steel Master Plan v1.0⁴ has attempted to capture the issues and most relevant to youth, is the the noted challenge that “there is no focus on getting young people into the key skills that are required for occupations in high demand for the industry”.

The metals industry relies on a diverse set of skills, where engineering, technical, management and artisanal skills are important. We have been shown by the Asian Tigers and China, however, that competitiveness is not just about machines and automation. Rather, the Asians have learned that their low cost labour has helped improve competitiveness in some of the most sophisticated industries. They have revealed that youth coming into industry at a low cost, albeit with basic skills, can still be an important part of the modern production environment.

4. The Main Agreement

According to Steel and Engineering Industries Federation (SEIFSA), the Metal Industry Main Agreement reached between SEIFSA and the trade unions is a majority agreement between the largest employer and employee bodies, and that the purpose of the Main Agreement⁵ is to regulate the employment conditions of those employees engaged in manufacturing processes in the metal industry.⁶

To our understanding, there is strong disagreement between the parties, particularly SEIFSA, and the non-federated employer bodies, primarily around the lowering of costs, and in particular the entry level wages.

We struggle to understand the need for a one-size fits all type of agreement at this time in our history, if it constrains job creation. Our concern is that the agreement, if extended

⁴ http://www.thedtic.gov.za/wp-content/uploads/Steel_Industry_Master_Plan.pdf

⁵ <https://mainagreement.seifsa.co.za/>

⁶ <https://www.seifsa.co.za/main-agreement/>

to all parties in the metals industry, will not be in the best interests of all parties: particularly for the youth, as higher wages will only be offered to a select few higher skilled job seekers. This will constrain the absorption of youth into the industry, and in the short-term will simply amplify the unemployed youth problem.

We rather support the view that low cost youth are used strategically by companies to help drive down the cost of goods and services, in return for skills and experience. It is a trade-off that needs to be further explored to ensure that once in a job, new recruits are not isolated and forgotten, and instead are supported in developing to their full potential.

Lowering the cost of entry into the industry is key to incentivising employers to hire youthful employees and to initiate the cycle of hiring more youth, training and developing them, promoting from within, creating specialisations and excellence. Without this incentive, the risks are too high, and employers are resorting to other mechanisms to sustain their businesses. In response to increasing costs, they are being influenced to make potentially incorrect decisions to cut back on existing labour; resist the need to hire people; increase mechanisation and artificial intelligence; and to seek out non-labour intensive opportunities.

Upskilling and passing on know-how to inexperienced youth is important. It is a good plan to protect the future of the metals industry, and local economies. By lowering the costs of entry for youth, it presents an opportunity to get more youth involved in the metals industry, and increase skills. The industry would have opened a gateway for youth to get into the industry, and to have access to the meaningful jobs that manufacturers have to offer.

It does not make sense to us that these all-important concerns related to the youth, have not been properly discussed, and resolved. It seems premature to us that the Minister has been requested to intervene, and in doing so, to extend the SEIFSA Main Agreement to all manufacturers in the metal industry.

We propose that there is a lot more at stake (i.e. constraining the potential of youth) and submit that the Minister declines to extend the SEIFSA agreement to the rest of the industry.

We further propose that a suitable platform is established to further the important youth agenda, involving companies, and institutions in the metals field, academia, government and government agencies, councils, and training colleges, and submit that a Cluster Initiative is the right platform to coordinate and facilitate the delivery of youth-focused objectives.

5. Conclusion

The youth of today are going to have a meaningful impact on the metals industry of the future. They are the next generation of leaders, executives, managers,

engineers, technicians, supervisors, specialists, artisans and workers in the metals industry. They are a valuable resource that needs to be nurtured and developed to their full potential. Having recognised that fact, measures need to be put in place to ensure that we enable, rather than constrain the youth from reaching their potential. Using low cost strategies to increase and grow industries in the metals sector, whilst working hard to develop a wide skills and know-how base is a good idea.

We have shared our view that an agreement with universal effect on wages in the metals industry is not ready to be presented to the Minister, and have proposed that a Cluster Initiative is established in the metals industry, with the aim to develop an agenda that considers the concerns of the youth.

We suggest that it is premature to suggest that the main agreement would be in the best interests of the metals industry, and humbly request that the Minister decline to extend the SEIFSA agreement beyond their members.

Kind regards,

[Name] [Surname]
[Position]

RSA Clusters Group NPC

Company Registration: 2021/333769/08



13 September 2022

Signature

Date