

# Proposal for Jobs Summit – One Million Climate Jobs

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## 1 Problem statement

Please provide no more than half a page providing an outline of the impediments to job creation that exist and how the proposal will meet the challenges.

South Africa (SA) has one of the highest levels of unemployment in the world. SAs unemployment crisis is rooted in the structure of the SA economy. There is a mistaken view that in SA wages are too high, profits are too low and labour laws are too protective. However, in reality we witness that real wages have been stagnant since 1994 and perhaps have even fallen since 2005. A declining wage share (a fall in real wages) over time in the South African economy, gives rise to a lack of aggregate demand, particularly in relation to domestic demand. The lack of domestic demand is a structural problem that breeds high levels of unemployment. To address this SA needs to see a dramatic increase in workers' wages towards a wage-led growth path. This is because economic demand has a positive effect on jobs - increasing employment opportunities. A focus on export-led growth that has characterised the South African economy since 1994 is a counter to the development of local industries and the jobs to be expected as a consequence of a changed prioritisation

The job crisis in SA is exacerbated and perpetuated by the country's addiction to mining for both exports and for energy (reflected in the mineral energy finance complex). The mining and extractives industry continues to shed jobs as it becomes increasingly capital intensive. Therefore, we can foresee a deepening of unemployment unless we take urgent and concomitant action. At the same time that South Africa is one of the biggest contributors to climate change in the world, dependence on mining does not only threaten many jobs it also puts us on a path towards an ecological catastrophe. Our proposal will highlight the importance of implementing an industrial policy that will address unemployment, and climate change (in-line with South Africa's commitments made at COP21) towards a wage-led low carbon economy.

## 2 Jobs impact

Indicate the impact on employment of the proposal and what is required to make sure that there will be a positive impact on employment

Please also indicate other anticipated benefits from the proposal, if any.

If this proposal is implemented it will be able to create 800 000 + direct jobs whilst simultaneously mitigating the impacts of climate change. In order to ensure that we are able to create this many jobs it is critical that the renewable energy industrial programme is state

driven with local manufacturing being a main objective. In relation to timeframes, developing local plants to manufacture wind turbines and solar PV cells could be built and up and running in a year. The expansion of public transport could also happen very quickly.

This will have many benefits, including increased demand for transportation, housing and other goods. All this has compounding effects, such as: creating many more jobs in other sectors and industries including jobs in the built environment, this includes: roads, buildings, water treatment plants, hospitals and schools. We need to convert old buildings so that they use less energy and build new ones that use even less. The urgent need for water conservation requires re-plumbing toilets to use grey water. The job-creation potential here is huge. Moreover, we need ensure that our built environment can cope with the growing consequence of climate change, this too will require more jobs.

### **3 Theory of change**

Please provide no more than half a page that indicates in practical terms, how the proposal would work – what has to be done, what the outputs would be, how that would lead to the desired outcomes.

The AIDC's theory of change is based on the assumption that changing the current political, social and economic inequalities can only occur when there is a united, self-aware and self-confident alliance of labour, community, faith-based, environmental and women's organisations and movements, demanding accountability by both the public and private sectors to ensure a socially just, economically viable and ecologically sustainable development path.

To ensure a socially just, economically viable and ecologically sustainable development path it is critical to ensure that it is a locally-owned, renewable energy industrial programme. In doing so, our research shows it will be possible for South Africa to create at least 750 000 direct jobs. This includes the creation of 250 000 jobs through the creation of renewable energy infrastructure towards the production of electricity. 390 000 jobs through the development of a renewable energy based public transport system. 150 000 to 200 000 jobs in construction and maintenance of renewable energy infrastructure.

This can be done over the next 3 years with total of 252,000 jobs per annum. Including 188,000 jobs a year in manufacture and installation of renewable energy, 44,000 jobs a year in operations, and 20,000 jobs a year in running the grid. These jobs must be public sector jobs that guarantees a living wage.

In addition a number of indirect jobs will be created through this process as there will also be a lot of construction jobs building the grid and installing wind power and solar power. There will also be a lot of jobs for electricians, technicians and engineers.

### **4 Existing initiatives/experience**

Indicate if the proposal has been attempted or piloted, and broadly what was learned.

Since 2011, we have conducted and commissioned empirical research on how to address climate change and unemployment through a locally-based renewable energy industrial

programme. These studies show the number of jobs that can be created as well as the timeframes it will take to produce these jobs, including the kinds of jobs, the lifespan of these jobs, the sectors where they will be located and how these jobs will reduce South Africa’s carbon footprint.

## 5 Constituency participation in implementation

What is the potential for constituencies to participate in the implementation of the proposal.

Inequality, mass unemployment and poverty as well as racism and extreme violence against women can only be addressed through the day to day efforts of ordinary people in alliance with progressive scholars, professionals, activists and dedicated state officials to reconstruct the currently captured and dysfunctional state into a capable and developmental state.

To this end, it is necessary to build a more united, autonomous and democratic civil society that is rooted in grassroots formations that can both challenge existing power relations and advocate for viable and realistic alternatives.

## 6 Benefits

What social/economic groups would benefit from the proposal directly and indirectly? Please use the following table, and do not list more than 5 groups. Please describe the benefits as precisely as possible.

Group	Job creation	Other benefits	Time frame for success

## 7 Cost and potential sources of funding

What social/economic groups would bear the cost of implementing the proposal directly or indirectly? Please use the following table, and do not list more than 5 groups. Please describe the costs as precisely as possible. In the case of financial costs, who would pay them?

This industrial programme should be largely resourced by the state. We estimate that it could cost government approximately R346 billion, per annum but it is possible for government to recover at least R252 billion per annum.

R167 billion each year through electricity bills, tickets, rent, sales and the like. Next, more than a 700 000 people who did not have a job will now be making money. They will spend much more money, and some of that money will go toward paying VAT. The better paid will also be paying income tax to the government. And companies in the supply chain will also be paying corporation tax.

Moreover, we estimate that altogether the government can get back at least R85 billion in taxes.

The shortfall can be financed by:

1. Increased taxation of companies. In March, 2016 non-financial private companies in South Africa were hoarding R725 billions in bank accounts. A compulsory 10% tax could raise R70 billion.
2. Taxing high incomes. The top rate of tax for the rich now is only 41%. If we just roll back a third of the cuts in the personal income tax since 2000, we could raise R60 billion a year. We could raise more if we wanted to raise taxes further on incomes of over R5 million a year.
3. Tax Bond Sales. There is already a tax of one quarter of one percent on sales in the stock market. If we extend that small tax to bond sales, we should raise some R20 billion a year.
4. Close Tax Haven Loopholes. During the last decade, illegal capital flows from South Africa, and shifting profits to tax havens, have been very large. It is not possible to be precise about how much money we could raise, because these transactions are hidden, and only some of this money could be recovered in taxes. But these profits would be liable for the 28% tax on corporate profits.

Group	Anticipated costs	Potential sources of funding to implement the project	Time frame for impact

## 8 Risks

What are the main risks that would prevent the proposal from achieving the anticipated outcomes? Describe *at least two*.

1. SA is already expanding renewable energy industry rapidly. The problem is that even though this program is the start of an important process, it is very limited. The governments celebrated public/private partnership in renewable energy (REIPPPP) has already agreed contracts with private firms for 6.3GW of capacity in wind and solar power. The government has also commissioned a further 6.3GW of capacity. If ESKOM connects all of this capacity produced to the grid it will only be able to replace 12% of current electricity supply. Meaning 88%, the majority, will be coming from the burning of fossil fuels. The worst part of REIPPPP is that only 45% of the value and therefore only 45% of jobs will be created in SA. Therefore, more than half of the jobs will be created outside of the country.
2. Another challenge is in relation to trade unions, who very importantly want to protect jobs, the problem is that these jobs are located in a sector that will inevitably continue to increasingly shed jobs. The recent prominence of renewable energy compounds this global pattern. Given that the recent introduction of renewable energy is worsening the already job-shedding reality that now marks mining it is critical to ensure that in transitioning from a fossil fuel based industry to one functioning on renewables that all people who lose their job because we stop burning oil, coal, or gas will be guaranteed suitable re-employment or a grant of similar value to when they were employed. Anything less than these guarantees invites a just resistance from trade unions and workers.

## **9 Risk mitigation**

What should be done to mitigate the identified risks? Which stakeholder would be responsible for the risk mitigation activity?

## **10 Additional comments**