Lesson Description

In this lesson we:

- Revise the socio-economic issues and how these impact society
- Revise the concept of corporate citizenship

Key Concepts

Socio-economic issues are those issues in society which would negatively influence the businesses as well as the economy. To ensure economic growth, the government as well as businesses, must do something about them. Some of these issues are:

- Unemployment
- Crime
- Poverty
- HIV/AIDS
- Lack of skills

Unemployment

- Unemployment refers to workers who are seeking employment but there is no work available.
- The unemployment rate in South Africa is high as there are too many unskilled workers, while the need for skilled workers exists.
- This has increased because of immigrants who are prepared to work for lower wages.
- Work opportunities are scarce and because of technology development, many opportunities are abolished.
- While the government is busy trying to do something about it, it would be necessary for business to play their part in resolving this problem.
- Rigid labour legislation has been a major reason why businesses are less keen to appoint workers.
- The recession or slow economic growth also contributes to this problem.
- The strengthening of the rand has caused many gold mines to close, resulting in many job losses.
- Unemployment leads to poverty, crime and other social and welfare problems.
- Cheap imports have lead to local manufacturers closing as they are unable to compete.
- Pressure from trade unions also causes businesses to reduce staff.

Possible solutions for the unemployment problem

- Business can be socially responsible by providing education and training for disadvantaged people through skills development.
- The development of entrepreneurial skills to give persons the opportunity to create jobs for themselves as well as for other people.
- Encouragement of learners to qualify themselves in a career field where jobs are available.
- Learnership projects which give persons the opportunity to earn a salary while they are being trained for a specific career.
- Job creation projects by local municipalities and other institutions.
- Implementation of the Skills Development Act and the expanding of SETAs.

Poverty

- Poverty-stricken people are people who do not have the basic goods to comply with the minimum life standard.
- That means that many people do not have an income to meet their needs for food, clothing and housing.
- Poverty is mainly caused by unemployment.
- Business and the broader community have a responsibility to supply food parcels, clothes, blankets, as well as uplifting opportunities like projects for illiterate persons.
If Government wants to do something about poverty, it must do something about the education and training of people. The economy creates a lot of work opportunities, but only for skilled workers. Most of the people do not have the necessary skills. Poverty leads to other social problems, e.g. a lack of water, electricity, sanitation, etc. This in turn causes certain deceases, e.g. cholera which is a burden on health care.

Crime

- South Africa’s crime figures are amongst the highest in the world.
- Unemployment and poverty result in crime and this has a negative impact on business and the economy.
- That means business must increase their expenses to take precautionary measures like insurance, alarm systems, security guards, etc.
- These extra expenses decrease the profit, which means workers are paid off.
- Injuries and death of skilled workers, because of crime, is a burden on business.
- Clients avoid a business that is situated in high crime areas, which has a negative influence on the rate of turnover of that business.
- Foreign investors do not want to invest in South Africa because of the crime rate.
- Government and business have a responsibility towards crime.

HIV/AIDS

- South Africa has a very high rate of HIV/Aids infected people.
- This is negatively affecting the economy.
- People dying of this illness, reduce the labour force.
- Many of these workers are skilled persons who fulfil key positions.
- Workers with this illness stay away from work, and their absence has a negative influence on productivity.
- People dying of HIV/Aids means that the consumer spending is less, which has a negative influence on business.
- Business has to contribute more towards medical aid schemes.
- Children of parents who have died because of this illness, become a burden to the community because of housing, education and the care of these children.
- Business can contribute to education programmes to prevent this illness, tests to determine this illness, management of it in the workplace, etc.
- Businesses must have HIV/Aids awareness programmes and support programmes for their employees.
- Through CSI projects, businesses can establish feeding schemes for Aids orphans, assist in the building of HIV/Aids clinics and health centers.
- Train counsellors to assist persons with HIV/Aids.
- Provide ARVs to persons with HIV/Aids.
Corporate Citizenship

It is the responsibility of the management team of a business to protect and enlarge the interest of the business together with the welfare of the community. This should be done by means of corporate social responsibility and corporate social investment.

Corporate Social Responsibility

This is when a business voluntarily takes steps to improve the quality of life for employees and their families, the local community and society at large. CSR encourages business enterprises to consider the interests of society by taking responsibility for the impact of the business’s activities on customers, employees, shareholders, communities and the environment.

Corporate Social Investment

It is the money that businesses spend on the community to improve the standard of living of the community. The aim of corporate social investment is to contribute to sustainable economic development.

The Nature of the CSI Process

It is normally implemented by bigger businesses. CSI is enforced by law - (BEE). Government expects big business enterprises to make a CSI contribution. BEE-Companies play a major role in CSI and it is seen as a political expectation. The business decides which programme it will implement for the community. Business must ensure that the project will solve a specific socio-economic or environmental issue. CSI plays a positive role in the development of communities.

Businesses have to take interest in society through CSI by:

- Assisting in poverty alleviation.
- Protecting the environment, e.g. being involved in conservation projects.
- Providing education and training for disadvantaged people, e.g. skills development.
- Investing in the well-being and advancement of employees, their families and communities, e.g. by providing employees with housing subsidies.
- Providing sponsorships to sports events.
- Delivering services that government is unable or slow to deliver, e.g. Dial Direct and the Pothole Brigade.
- Investing in job creation projects.

Questions

Question 1

(Adapted from DBE Nov 2010)
Identify any THREE socio-economic issues that may pose challenges to businesses and explain how they could address them. [12]

Question 2

South Africa has been ravaged by unemployment and HIV/AIDS. Discuss the impact that each one of these socio-economic issues has had on business and the economy of the country. [12]
Question 3
Identify and explain any four possible solutions of unemployment in South Africa. (4 x 2) [8]

Question 4
(Adapted from DBE Nov 2010)
Describe the term Corporate Social Responsibility (CSR). (4)

Question 5
(Adapted from DBE Nov 2008)
Read the following case study and answer the questions that follow.

Grinaker-LTA's contribution to the community.

Grinaker-LTA strives to ensure that its work benefits as many people as possible while providing stability and security for future generations. The Group has committed itself to spending 1% of annual earnings on Corporate Social Investment (CSI).

Significant funds have been committed to the National Business Initiative (NBI), an organisation created to enhance a business’s contribution to South Africa’s success. The NBI’s three main pillars to improve the status of ordinary South Africans are education, economic growth and effective governance.

The group has recently allocated funding for educational material for the Maths Centre for Professional Teachers and the SAICE Schools Bridge-building competition which aims to increase awareness and interest in the civil engineering profession amongst secondary school learners.

This is in addition to the assistance given to upgrading existing schools, and building new schools in both urban and rural areas. [Adapted from: www.grinaker-lta.com]

a.) Identify TWO social responsibility programmes implemented by Grinaker-LTA for the community. (4)

b.) Justify Grinaker-LTA's decision to spend 1% of their annual earnings on CSI, with regard to both the company and the community. (8) [12]

Question 6
(Adapted from DBE Mar 2010)
Richards Bay Minerals is a mining company situated in Richards Bay. Explain how the company can improve the following challenges faced by the local community. Use examples to motivate your answer.

a.) Poor education facilities (4)
b.) High crime rate (4)
c.) Limited housing infrastructure (4) [12]

Question 7
(Adapted from DBE Mar 2009)
Analyse the nature and process of corporate social investment (CSI). Illustrate how it works and discuss the benefits and problems of CSI for both business and communities. Use current examples to illustrate your answer. [40]