

EVENT REPORT

Konrad-Adenauer-Stiftung e.V.

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Getting It Right:

A New Economy for South Africa

A BOOK BY PROF PHILIPPE BURGER

Konrad Adenauer Stiftung (KAS) and the South African-German Chamber of Commerce and Industry (SAGCC) hosted a book reading of **Getting It Right: A New Economy for South Africa** on 27 November. The author, Prof Philippe Burger, Acting Dean: Faculty of Economic and Management Sciences presented some key findings from the book and engaged the audience in an intensive question and answer session. The delegates were mostly members of the SAGCC and members of civil society. Some delegates asked specific questions which affect their businesses others asked general questions about the South African economy as well as South Africa's trade with the rest of the African Continent.

One of critical points which Prof Burger highlighted was the inequality in South Africa and the poor level of education. The education system is not properly preparing the learners for the workplace. Learners are struggling especially in Mathematics and this is a result of poor teacher training and lack of resources and facilities in the majority of schools. He quoted Venkat and Spaul (2015), their research findings indicated that 79% of Grade 6 Maths teachers have a content knowledge lower than that of the Grade 6 learners they are teaching. He further stated that only 14% of public schools have libraries and science laboratories. If South Africa wants to create work and prosperity in the future it must invest in its people by providing them with quality education and also secure them the rights to use the resources at their disposal.

Below please find the summary of the book by Prof Philippe Burger:

In the first decade and a half after the fall of apartheid, economic growth accelerated and unemployment fell. But then in 2008/9 the global financial crisis happened, and in 2011/2 the commodity price boom collapsed. Economic growth in South

Africa collapsed and unemployment commenced on an unrelenting upward march. From the end of 2008 to the end of 2016 more than twice as many people (2.8 million) joined the ranks of the unemployed than the ranks of the employed (1.3 million). By the end of 2016 the official unemployment rate exceeded 26%, up ten percentage points from 1996, while the broad unemployment rate was almost 36%. Barely four out of ten working age individuals are employed. Economic growth fell from more than 5% per annum in the mid-2000s to less than 0.5% in 2016. Income inequality remained stubbornly high at levels not seen elsewhere in the world. And the relief from poverty observed since the mid-1990s was largely the result of the payment of grants to the poor, not jobs.

Not only is South Africa in a rut, but high levels of corruption, patronage and state capture also means it suffers from severe institutional rot. This rot distracts attention from policy debates, while accompanying political and administrative mismanagement creates policy uncertainty. Policy uncertainty and economic underperformance, in turn, lead to low investment. These result in low economic growth and high unemployment.

To be sure, the first democratic government in 1994 inherited an underperforming economy with a broken labour system. Apartheid's labour system comprised a labour market that up to the mid-1980s suffered from the stifling effects of job reservation. It also comprised of the Bantu education system and the Bantustan and influx control system. The Bantustan and influx control system limited the movement of blacks between the cities and the Bantustans, while job reservation meant that the Bantu education system saw no need to prepare blacks for semi-skilled and skilled jobs.

Within the first three years the first democratic government introduced new labour legislation that modernized the South African labour market and

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protected worker rights. Democracy also meant that the Bantustan governments were abolished (although traditional chiefs were left in place) and the fragmented, race-based education departments were merged into a non-racial education system. But these reforms did not bring work and prosperity.

This book explains why this did not happen. Central to the explanation is policy failure and patronage. Prof Burger sets out key problems inhibiting economic growth, job creation and a reduction of inequality and poverty. He also discusses the actions that should constitute the government's policy agenda. These actions are intended to introduce the necessary structural and policy changes needed to put South Africa on the road towards prosperity and higher levels of employment. In a nutshell, to support economic growth and job creation South Africa needs much higher levels of investment, reform of land tenure to secure better livelihoods for the 32% of its population living on traditional land (largely located in the former Bantustans) and much better education to increase the employability of its youths. Economic growth needs to be inclusive. If higher economic growth translates into lower levels of unemployment, it will go a long way to that inclusion of reducing inequality. Without economic growth the resources to reduce unemployment, poverty and inequality are simply missing.

Suffice it to say that South Africa needs a drastic change of direction if the country is to have a higher, more inclusive level of economic activity and a better livelihood for all. The proposals that the author puts forward affect each and every South African – if implemented South Africa could embark on a truly new and inclusive growth path. But, and this has to be said, implementing these proposals will not be easy. Various vested interests will be affected, and patronage networks will be rolled back. So implementation will not be smooth, and encounter substantial resistance. Nevertheless, if South Africans want to embark on a truly new and inclusive growth path, and make the nation work, they will have to meet such resistance with a determined resolve. Doing so is necessary to ensure that South Africa's children have a future that is better than that of their parents.