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Op-Ed

Rejuvenating South Africa's economy – a labour sector perspective

South Africa's reputation – in fact its very standing – as the industrialised leader of the African continent is diminishing. On Statista.com, the country is listed as the third-largest economy in Africa in 2021 with a GDP of US$329.53-billion, trailing behind Egypt (GDP US$394.28-billion) and Nigeria (GDP US$514.05-billion). Our strength on the world stage has never been weaker.

In addition, it is a worrying indicator that of the rising statistics in the country, the one showing one of the steepest upward trajectories, is that of the unemployment rate, which continues its steady climb. In the third quarter of 2021, South Africa's unemployment rate stood at a staggering 34,9% – the highest official figure recorded since the start of the QLFS in 2008.

In a recent dialogue that the Inclusive Society Institute had with labour, labour representatives were of the view that in the current economic climate, the South Africans who are fortunate enough to be employed – those who make up the hard-working labour force – require all the help they can get to reach their full potential. The country's GDP depends on the energy and motivation of these workers, who toil to achieve it. Certain problems have been simmering for years. The issue of foreign nationals taking the jobs of South Africans, they say, is almost at the point of boiling over. The way things are going we might soon see levels of xenophobia last experienced in 2008.

On the positive side, green shoots are starting to appear which point to government's willingness to address areas of concern in the labour sector. On 2 March 2022, Employment and Labour Minister, Thulas Nxesi, officially tabled the National Labour Migration Policy (NLMP) for public comment and engagement. Touting the policy as the first time in the history of South Africa that government has formulated a comprehensive NLMP, the Minister said that "government have researched extensively and benchmarked internationally in search of policy based on best practice". Together with the tabled NLMP, amendments to the Employment Services Act (of 2014) were proposed to limit the extent to which employers can employ foreign nationals.

But it's not enough. In fact, the most pressing issue is not the influx of foreigners, although immigration remains a sticking point that needs to be solved. The unfortunate fact remains that South Africa continues to be plagued by internal difficulties that stand in the way of real progress. The failing SOEs come to mind, as does clearly corrupt politicians, their hands caught in the cookie jar, who are not brought to book for their misdeeds. The country's jails are empty of crooks while its state coffers continue to be cleaned out.

Something needs to shift, and a suitable starting point might be an upward curve in the political will of the powers that be to effect change. South Africa's economy is growing at a snail's pace. Although growth was projected to rebound to 5.2% in 2021, the forecast is for the economy to slow to 1.9% in 2022 and 1.6% in 2023. For a country brimming with natural resources, the growth rate is well below what can be achieved. But solutions such as the National Anti-Corruption Strategy 2020-2030 (NACS) to boost the economy have been tabled and are waiting to be actioned. Across the board, however, these well-thought-out policies and ideas are not being implemented. Promises are not kept as people in key positions seem to lack the energy, the will, or the competence to act.

Labour is of the view that another beneficial shift might be a move away from government's seeming obsession with neoliberal macroeconomic policies. The austerity measures that result from neoliberalism is not speaking to the lived realities of South Africans. With no state-led development – and the private sector pretty much on an investment strike – money is not ending up in the pockets of the people. The trickle-down effect that the country has been waiting to witness for years has not come, which means the people are excluded from taking part in the economy and, so doing, contribute to growth.

Research shows that South Africa finds itself in the so-called middle-income trap, with a middle-income economy failing to transition to a high-income economy due to rising costs and declining competitiveness. The country's macroeconomic policies are not assisting its social and industrial policies. Expenditure on industrial incentives is lacking, which does little to grow manufacturing. As a result, South Africa's social cohesion is being tested, as economic strife is compounded by the high levels of inequality still seen in the healthcare and education sectors, among many others.

The policies that have been tabled to move the country forward are most certainly helpful, but they are piling up. Since 1994, 20 major policies – ranging from the Reconstruction and Development Programme (RDP) to the Growth Employment and Redistribution (GEAR) programme to the recently conceived 15 Master Plans – have made it onto the desks of government officials. Perhaps the best policy going forward is one of less policies and more action. And if new policies are brought to life, the rule should be to first make sure that they are pragmatic, such as a drive to build greater digital infrastructure and a renewed commitment to upskilling artisans.

South Africa is a proud and functioning member of the world economy. The country may have dropped a couple of rungs on the leader board of industrialised nations in Africa, but that does not mean it is out of the game. Growth and prosperity on the scale seen in South Korea and elsewhere are within reach and might very well be on the horizon.

Daryl Swanepoel is the Chief Executive Officer of the Inclusive Society Institute, an autonomous and independent research institute. This article captures the essence of the labour sector's contribution towards the development of the institute's blueprint for the rejuvenation of the South African economy.

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