Economic and Social Transformation

Theme: In Praise of Communism

YCLSA -3rd NATIONAL CONGRESS 8—12 December 2010

Secretariat Report Part 2:

Contents

Part One: Economic Transformation

1. Introduction

The purpose of this section of the report and discussion is to make an analysis of the state of the South African economy, and to engage with it in as far as the policies announced by the ANC-led government overtime have contributed to huge inequalities, high unemployment rate and have relegated millions of young South Africans into the lives of misery and closed opportunities on the one hand, and on the other, how the post 1996 economic policies have contributed to wealth accumulation for a tiny minority in our society.

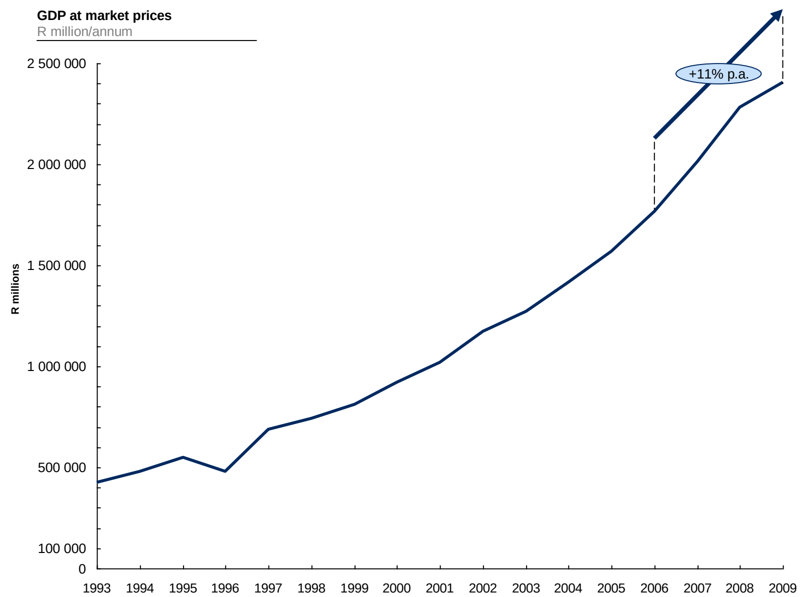
We will show through facts and figures how the mantra of pushing employment through growth, a phenomena still persistent within the New Growth Path released recently by the Minister of Economic Development, have resulted in speculative investment and a move away from industrialisation within our economy. We also illustrate the state of unemployment, and in particular youth unemployment, and propose some of the strategies we believe should be employed in ensuring that young people are absorbed within the labour market, whilst we equally engage with some of the proposals from government, the trade union movement and civil society. The YCL should play an important role in ensuring that we advocate for an economy that ultimately instils the values of social solidarity, equality and equitable redistribution of wealth.

2. South Africa's Economic Growth

2.1 Changes in Gross Domestic Product

South Africa's growth path is not interesting in its own right but, as we will show, sectoral GDP growth tells an important story about our current propensity to create employment and generate sustained growth. Whilst appreciating that GDP growth is at best a proxy for development; it is an important first step towards understanding how the South African economy has changed over the past 4 years. In the section that follows we first show GDP growth over the past 4 years and thereafter decompose GDP by sector.

FIGURE 1: TOTAL GDP AT MARKET PRICES



Source: STATSSA

GDP at market prices grew from R426 132 million in 1993 to R 2 407 689 million in 2009. This represents a compound annual growth rate (CAGR) of 11% per annum over the entire 16-year period. This CAGR also characterizes the 2006 – 2009 period wherein GDP grew from a total of R1 767 423 million to R 2 407 689 million [1].

On average, South African economic performance has lagged under four percent in the last sixteen years. As such, the target of ensuring growth of 6 percent per annum, as promised in GEAR, has been missed. In addition, South Africa growth has also lagged behind that of other middle-income countries like Brazil.

As illustrated in chart 2 the South African economy dipped into a recession during the 2008 and only started recovering third quarter of 2009. GDP growth dipped to as low as -7.4 percent in the first quarter of 2010. The recession is attributable to the global economic crisis and the slowing down of the domestic economy. Global economic slowdown reduced the demands for exports from South Africa and the slowdown in the domestic economy meant that there was no alternative to redirect this output internally. Slow internal growth is due to the deceleration of domestic demand as the commodity and consumption boom slow down in part due to tightening credit.

FIGURE 2: GDP GROWTH IN 2009

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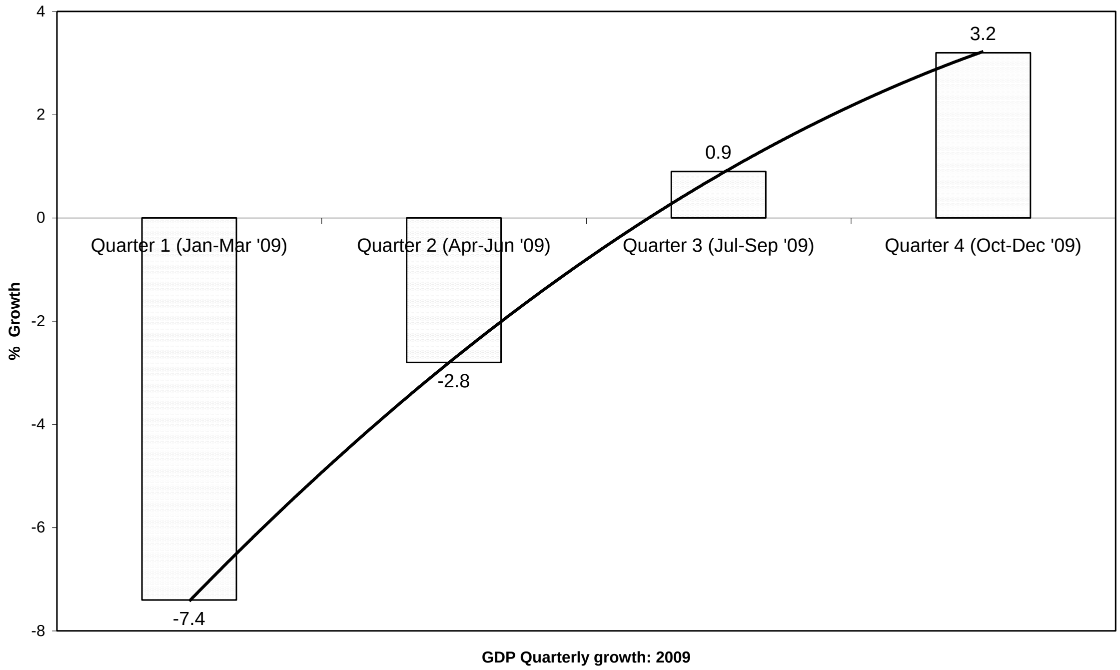
[1] See Appendix A for compound annual growth rates for 3 year periods over the entire horizon. The 11% CAGR is matched in 2000 – 2003. Compound growth of 12% per annum was seen in the periods 1994 – 1997 and 2003 – 2006. Only the period 1997 – 2000 saw a below-average CAGR of 10%.

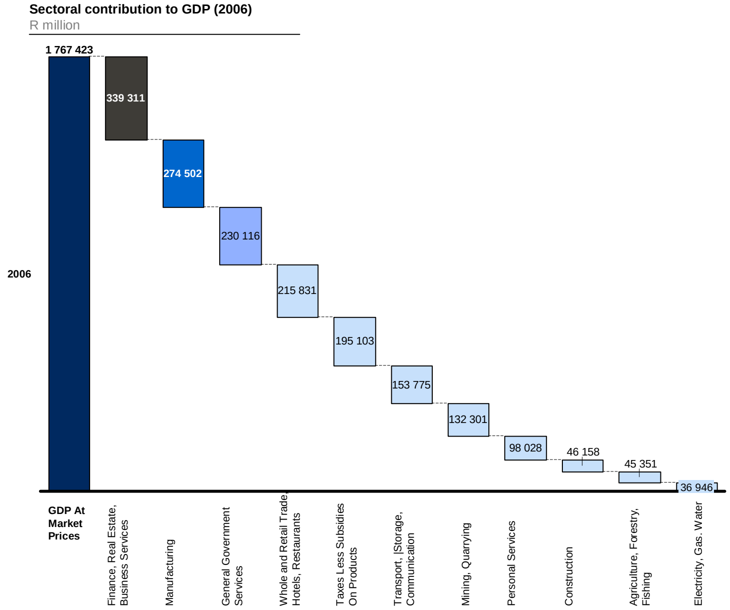


Source: Stats SA, Gross Domestic Product, Fourth Quarter 2009.

2.2 Sectoral Composition of Gross Domestic Product

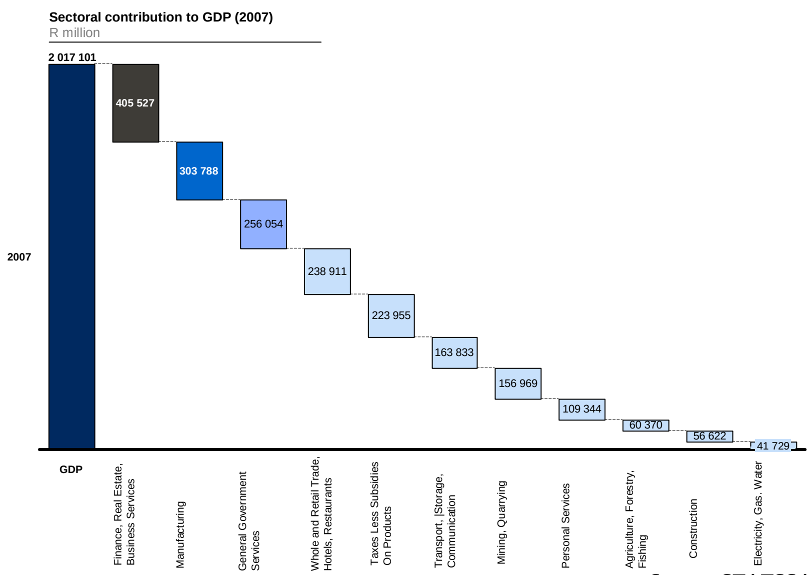
GDP by sector for each year in the 2006 – 2009 periods shows that the services sector; particularly Finance, Real Estate and Business Services is the largest contributor to GDP. Its contribution to GDP has grown in both absolute and relative terms over the past four years. The manufacturing sector was the second largest contributor to GDP in 2006, 2007 and 2008. However, in 2009, the contribution of general government services to GDP outstripped that of manufacturing by R8.1 million. The sectors that contribute the least to GDP remain constant over the 2006 – 2009 period with Construction; Agriculture, Forestry and Fishery and Electricity, Gas and Water contributing the least to GDP. This information is represented in Figures 3 – 6 below.

FIGURE 3: GDP BY SECTOR (2006)



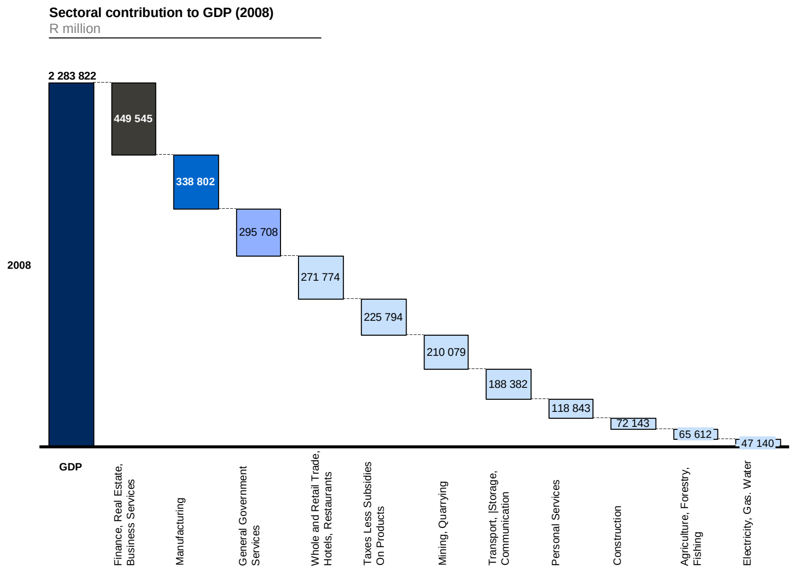
Source: STATSSA

FIGURE 4: GDP BY SECTOR (2007)



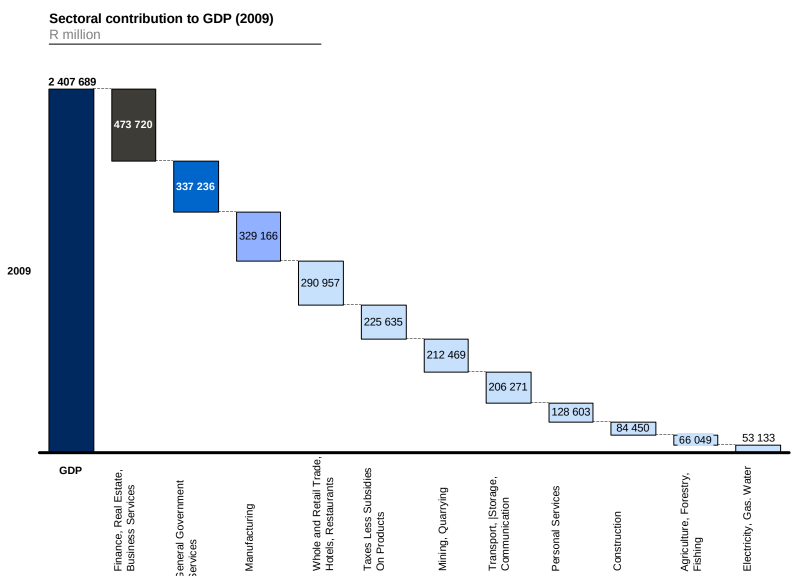
Source: STATSSA

FIGURE 5: GDP BY SECTOR (2008)



Source: STATSSA

FIGURE 6: GDP BY SECTOR (2009)



Source: STATSSA

The shift to services predates the political transition in 1994 but began since the mid-1970s. The shift to services was spurred by declining contribution of the primary sector (mining and agriculture) in total employment and gross domestic product. Growing mechanization but volatility of commodity prices for most of the 1980s account for the precipitous drop of primary sector contribution to GDP. In addition, South Africa's labour intensive (or light manufacturing) has been stagnant since the 1970s. High tech (capital intensive) growth was fuelled by the bias in public sector investment (focused on intermediate goods) and the growth of capital-intensive manufacturing sub-sectors.

2.3 The link between growth and employment

Pursuing higher growth has in recent times become something of a fetish. It is assumed that higher growth will automatically translate into high growth in employment. *Put differently, it is assumed that growth has a high employment multiplier*. Technically this means that for every rand of addition spending on output—employment should also increase. However, experience of the last sixteen years proves that higher growth does not necessarily mean more jobs. On the contrary higher growth has been associated with low employment growth and rising profits, particularly because drivers of growth are not only attributed to the productive sectors of the economy, but also to the speculative sector. That means, that profits are either not being reinvested or not directed toward labour-intensive sectors of the economy.

Lewis (2001) estimates the employment multiplier in financial services at 7.71 units of labour (at all skill levels; throughout linked sectors) for R1 million additional output. Moving down the sectoral GDP curve, general government services has a multiplier of 17.67; food processing (included in manufacturing) has a multiplier of 14.22 and trade generates 10.97 employment opportunities per R1 million additional output. At the bottom of the scale, electricity, gas and water has a lower employment multiplier of 6.48 and construction generates 17.40 jobs per R1 million. Agriculture, generally the second smallest contributor to GDP, generates the largest number of employment opportunities per R1 million at 23.63.

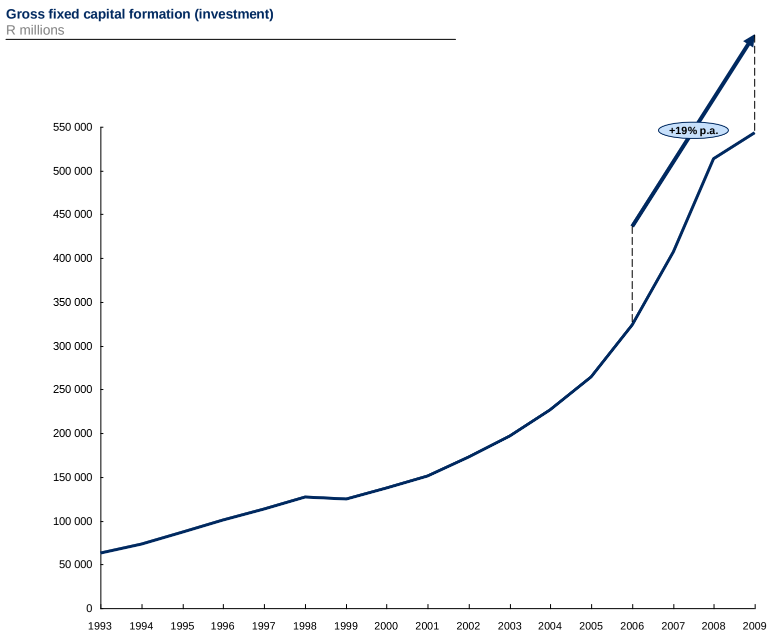
More interesting, however, is the number of semi-skilled and unskilled opportunities generated by these sectors. The three sectors at the lower end of the scale generate more unskilled and semi-skilled opportunities than they do skilled opportunities. They also generate a greater number of opportunities for the semi-skilled and unskilled than the sectors with the most significant contribution to GDP. Financial services, for example, generates only 1.13 semi or unskilled opportunities as compared to 19.18 generated in the agricultural sector. When we see, as shown in Figures 2 – 5 above, that the services sector is driving GDP growth; we must realise that this has significant effect on (1) the rate at which the unemployed are drawn into employment; (2) the type of labour that is incorporated into the formal labour market and (3) the economic disparities that are reproduced.

In addition to employment generation, further analysis is required into the rate at which each of these sectors contributes to gross fixed capital formation (investment) in the economy. Total investment in the economy is illustrated in Figure 7 below. There has been an upward trend in investment over the entire period; with the period 2006 – 2008 exhibiting a CAGR in investment of 26% per annum. This decreased significantly to only 6% between 2008 and 2009; generating an average CAGR for the period 2006 – 2009 of 19% per annum. This compares favourably to the 14% per annum growth rate over the entire 1993 – 2009 period.

3. Changes in fixed investment

Real investments, (that is) expansion of factories and purchase of new equipment is considered one of the key drivers of growth. That is the more surplus is reinvested the more the accumulation process continues subject to holding certain assumption constant. Consensus among economist is that gross investment should be 25 percent as a proportion of GDP for higher growth to be attained. South Africa's investment relative to GDP has lagged far behind this target due to the slow increase in public and private investment, especially into green-field new investments. One estimate suggests that most investment is geared towards mergers and acquisitions rather than in new investments.

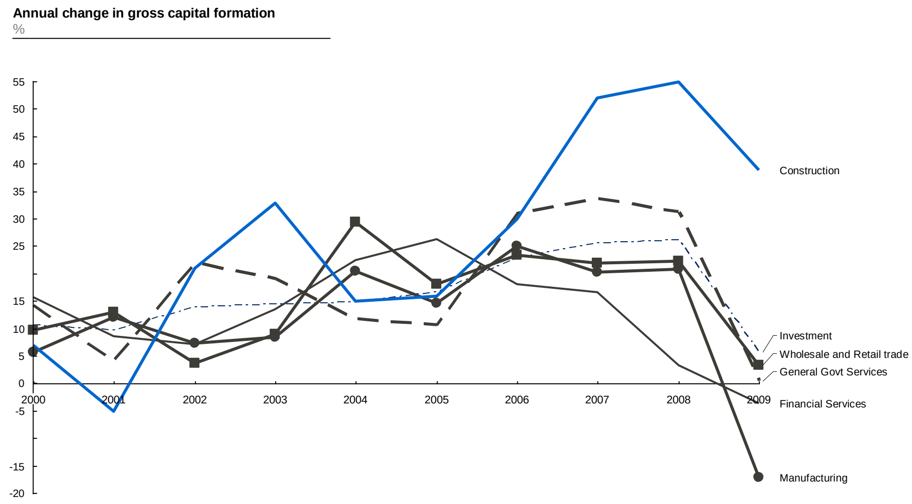
FIGURE 7: TOTAL GROSS FIXED CAPITAL FORMATION (1993-2009)



Source: Reserve Bank

Figure 8, below, indicates gross fixed capital formation (investment) per sector. It shows annual change in investment for the top four sectors and for construction. As expected, investment by the construction sector outstrips overall investment rates in the economy from 2005 until 2009. This is due to public spending in infrastructure development in the same period, and partly as a result of the hosting of the FIFA World Cup. Thus, in the third quarter of 2010 construction has shed more jobs than any other sector. This is likely to increase given government's commitment towards infrastructure development, with a dedicated R780bn. General government services is the only other sector that contributed more than the average investment function; although this trend is reversed towards the end of 2008 as the worse effects of slowing growth are felt. Manufacturing and financial services actually disinvest from mid 2008; indicating that these sectors were first to absorb the impact of slower global growth.

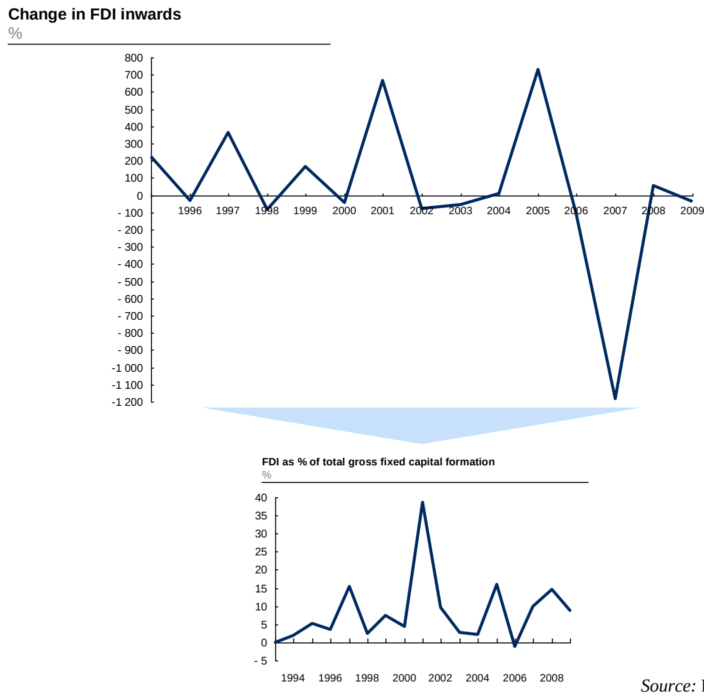
FIGURE 8: ANNUAL CHANGE IN GROSS FIXED CAPITAL FORMATION FOR VARIOUS SECTOR



Source: Reserve Bank

Although there is significant *volatility* in sectoral investment rates, the volatility in foreign direct investment flows into South Africa masks these local investment rate changes. Figure 9 below shows the significant changes in Foreign Direct Investments (FDI) flows into the country over the 1996 – 2009 period. From 2005 – 2007 South Africa saw a pronounced decrease in FDI, which rebounded to 9% of total fixed capital formation in 2009. The volatility of FDI flows confirms the difficulty of being overly reliant on FDI as a source of investment and on this investment as a panacea for growth.

FIGURE 9: YEAR-ON-YEAR CHANGE IN FDI FLOWS AND CHANGES IN FDI AS PERCENTAGE OF TOTAL GROSS FIXED CAPITAL FORMATION



Source: Reserve Bank

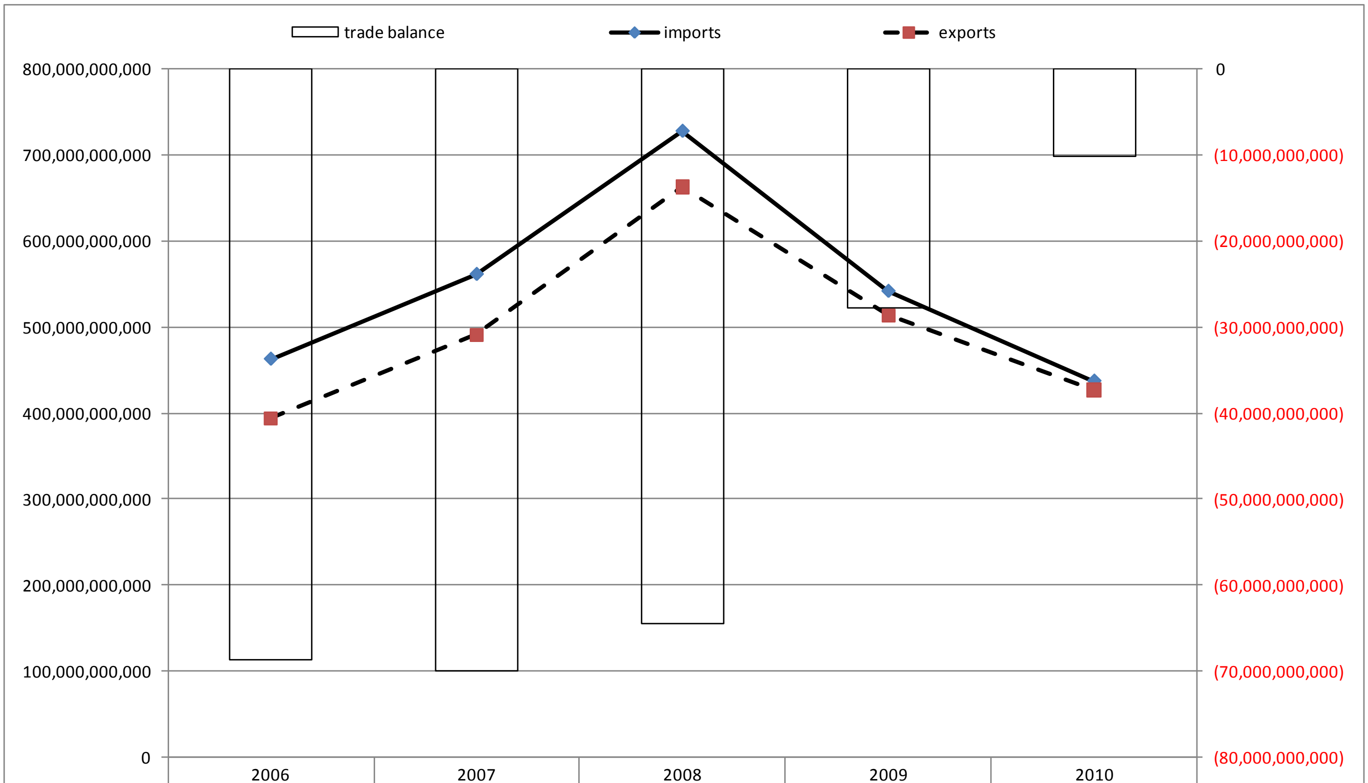
4. Trade

Chart 10 below depicts South Africa's trade patterns for the period 2006 to 2010. It is apparent that South Africa trade balance was in deficit for rest of the period. That is, South Africa imports more than it exports, hence the trade imbalance. It is important to note the following salient points about South Africa's trade patterns:

- South Africa has a trade deficit with most of its trading partners, except Africa where it has a surplus;
- The portfolio of exports from South Africa is mostly capital-intensive or raw materials. On the contrary, we import more labour intensive products like clothes.
- Whenever exports rises import increases as well reflecting the export-oriented-import-dependent growth pattern. Increase in capital-intensive export relies on imports of machinery and equipment.
- The consumer boom, *financed through credit*, raises the level of imports of luxury and other commodities.

This trade pattern has far-reaching implications for industrialisation strategy, particularly the challenge of increasing low skilled employment. In the long run South Africa has to ramp up its import-replacement strategy to produce machinery and consumer goods locally. This will support growth in labour-intensive low-tech manufacturing crucial to addressing the deeply entrenched structural unemployment. However, we should not replace affordable imports with inefficient and expensive local products.

FIGURE 10: IMPORTS, EXPORTS AND TRADE BALANCE



	2006	2007	2008	2009	2010
trade balance	(68,641,484,642)	(69,939,892,366)	(64,532,442,674)	(27,707,681,439)	(10,182,578,096)
imports	462,637,684,045	561,193,810,664	727,632,234,248	541,521,341,472	R 437,112,363,964
exports	393,996,199,403	491,253,918,298	663,099,791,574	513,813,660,033	426,929,785,868

Source: calculated from the SARS Trade Data.

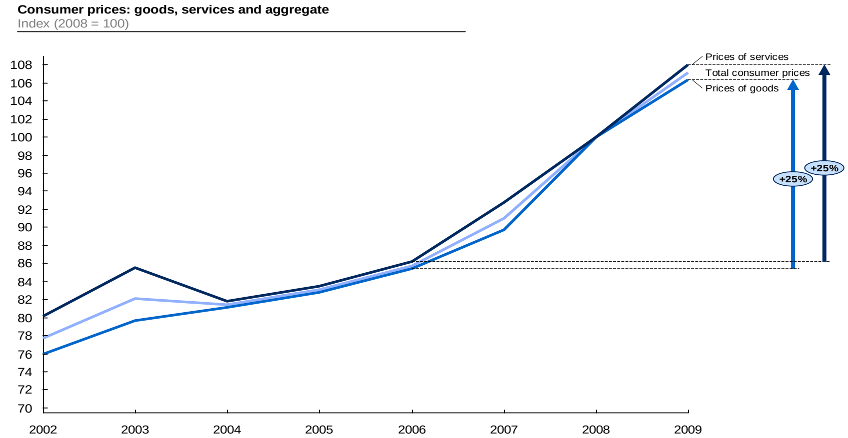
Note: 2010 figures are from January to September

5. The cost of living

One aspect of the South African economy that deserves particular attention; particularly against the background that the largest sectors generate the least employment for the semi-skilled and unskilled and have below-average contribution to investment rates; is the cost of living over the past four years.

In aggregate terms, figure 10 shows a significant increase in the consumer prices of services and goods. Both goods and services see a 25 percentage point difference between 2006 and 2009 indices. The prices of services increases in quite a stable manner whilst the rate of change in the consumer prices of goods slowed between 2006 and 2007 and then rose more rapidly than the change in the aggregate price of services from 2007 – 2009. This is very important for us because at the crux of government economic policy *have been the insistence that we need to decrease the cost of doing business in our country* in order to *attract foreign direct investments*. Given what we have illustrated earlier, that FDI is an unreliable measure for growth to employment, Figure 10 is meant to show that even if we reduce the cost of doing business, as long as the costs of goods and services remain high, a growth-led job creation strategy can never be realised.

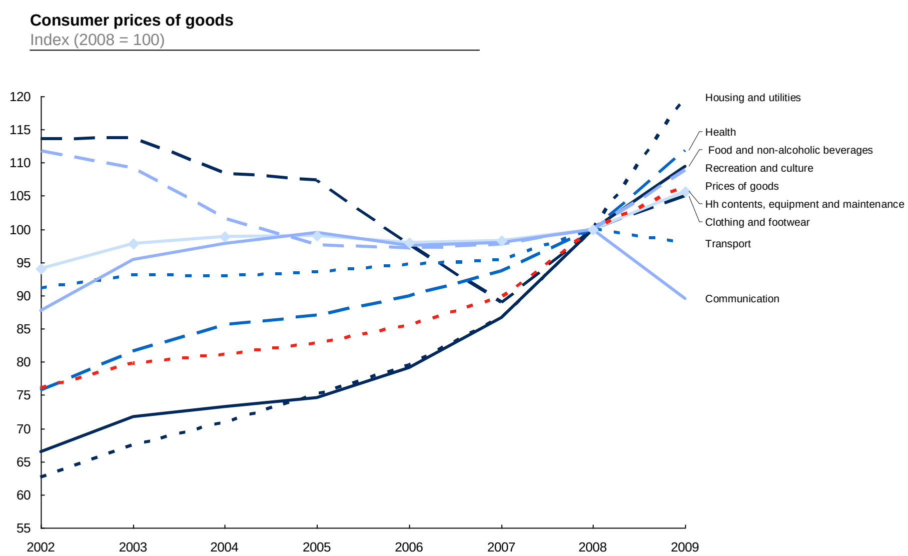
FIGURE 11: CONSUMER PRICES OF GOODS AND SERVICES



Source: Reserve Bank

Below, we decompose both the consumer prices of goods and services into their component parts in order to evaluate whether there are particular elements that drive the increase in consumer prices.

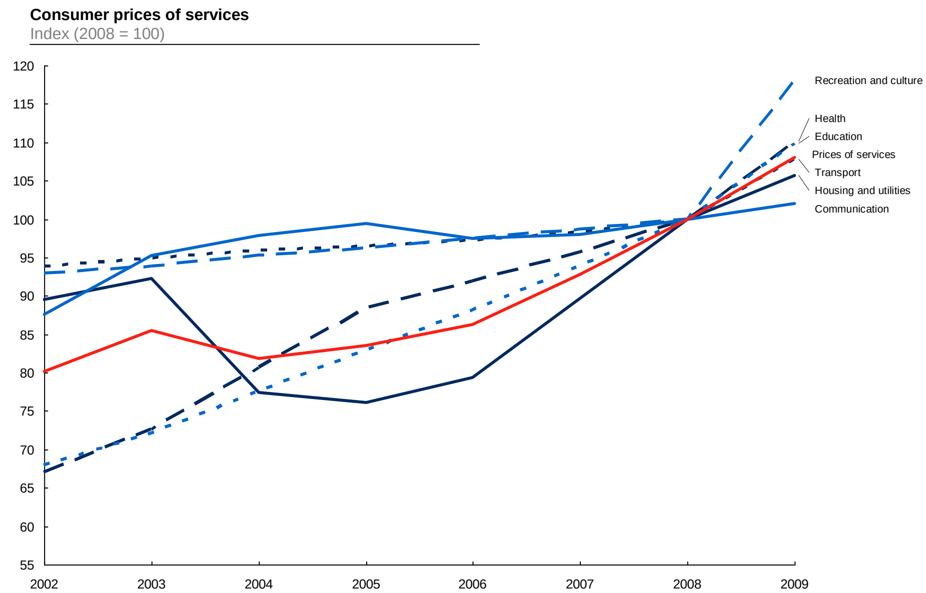
FIGURE 12: COMPONENTS OF THE CHANGE IN CONSUMER PRICE INDEX FOR GOODS



Source: Reserve Bank

Figure 11 shows that the categories Housing & Utilities; Health and Food & non-alcoholic beverages are the largest contributors to the high (and increasing) consumer price index. The change in consumer prices for these categories is larger than the change in the overall consumer price index for goods. This is concerning as these categories; particularly Health and Food & Beverages account for a much larger proportion of disposable income for the poor than for the rich and any increase in these categories is thus likely to have a disproportionate impact on those least able to absorb such increases. It is also important to note that whilst the change in consumer prices for transport and communication are below the change in the average index; we should not make the assumption that these prices are either low or fair. The decrease in transport must be viewed against the backdrop of the rapid rises in global oil prices during the latter half of 2008.

Figure 12 below shows a similar and worrying trend to figure 10. Education and Health are the second and third largest contributors (after recreation and culture) to the increase in consumer prices of service. Transport prices have been increasing at the rate of inflation since 2007.



Source: Reserve Bank

These sectors account for a much larger proportion of the disposable income of the poor than middle or high income earners; indicating that the overall impact of inflation is still disproportionately felt by the poor who cannot amend their consumption baskets in ways that minimise the impact of inflation.

6. Changes in Employment and Unemployment

6.1 Changes in Employment

Employment by industry shows that all sectors- bar utilities (12,000) and finance (123,000) - lost jobs in the one year period between December 2008 and December 2009 (Table 1). The worst hit was the trade sector which since at least 2002 has been the largest creator of jobs in the South African economy. This sector alone has lost almost 300,000 jobs. Remarkably, also, the construction sector which has provided a much needed cushion due to government’s massive infrastructural spend in the last six years, has in the last one year, lost over 100,000 jobs.

TABLE 1: EMPLOYMENT BY INDUSTRY

Industry	Oct-Dec 2008 (Thousand)	Oct-Dec 2009 (Thousand)	Year on year change (Thousand)
Agriculture	764	615	-149
Mining	321	296	-25
Manufacturing	1944	1742	-202
Utilities	86	98	12
Construction	1191	1085	-106
Trade	3164	2873	-291
Transport	774	739	-35
Finance	1636	1759	123
Community and social services	2661	2628	-33
Private households	1298	1135	-163
Total	**13844**	**12974**	**-870**

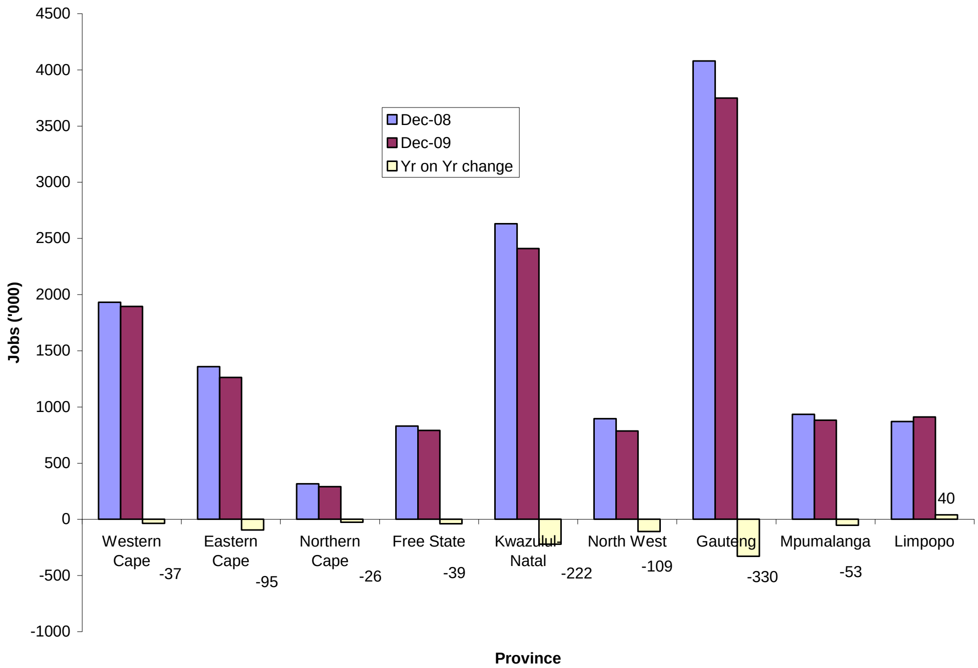
Source: Stats SA, QLFS, Quarter 4, 2009.

Employment figures for the last two quarters of 2009 are positive and show that the labour market is slowly rising from the global economic crisis. Of the 89,000 jobs generated across all industries between these two quarters, 77,000 were in finance, 28,000 were in construction, 21,000 were in trade, 2,000 were in transport and 1,000 were in community services (Stats SA, QLFS, Quarter 4, 2009:vii).

Provincially, Gauteng has lost the highest number of jobs (330,000) followed by Kwazulu-Natal (222,000), the North West (109,000) and the Eastern Cape (95,000). Only Limpopo, as shown by Figure 3 below experienced a net positive employment gain of 40,000 new jobs between December 2008 and 2009. Except for Kwazulu-Natal and the North West which lost 49,000 and 3,000 jobs respectively in the last quarter of 2009, as well Mpumalanga which saw no jobs created in this quarter, all the other provinces experienced some modest job growth in the last three months of the year. [2]

FIGURE 13: PROVINCIAL JOB LOSSES, DEC 2008-DEC 2009

[2] In the last quarter of 2009 (Oct-Dec), the provinces experienced job growth as follows: Western Cape-26,000; Eastern Cape-5,000; Northern Cape-35,000; Free State-32,000; Gauteng-30,000 and Limpopo-11,000. Stats SA, QLFS, Quarter 4, 2009, p.vii.



Source: Stats SA, QLFS, Quarter 4, 2009.

6.2 Unemployment

In concrete terms, South Africa now officially stands with around 4,2 million unemployed workers but this does not include approximately 1,7 million workers who are simply too discouraged to look for work because either there are no jobs available in their area, or they have been unable to find work requiring their skills, or otherwise they have lost hope of finding any kind of work. In the current economic downturn, it is the unavailability of jobs, much more than the inability of the worker to find a job requiring his or her skills, that has seen the drastic rise in the number of discouraged work-seekers. Not surprisingly, workers are becoming increasingly disillusioned with ever finding employment and possibly also, of ever returning to the labour market.

When the number of discouraged work seekers is taken into account, we have, unofficially, 5,9 million unemployed workers in the economy which translates into an unemployment rate of 31,1%. In comparable terms, we remain one of the few middle income countries where more than a quarter of the labour active population is out of work. The sharp rise in unemployment since the 1970s can be attributed to the following factors:

- the slow growth of the economy since 1974;
- the growing capital-intensity of the economy, which has changed production methods;
- structural shifts in production, as reflected in a decline of the primary sector and a sharp increase in the services sector; and
- the sharp increase in the rate of growth of the African populations group since 1960.[3]

[3] S. Terreblance, A History of Inequality in South Africa 1652-2002, p374.

In the 25.2% unemployment rate, youth between 15 -34 years of age accounts for 72.4%. This represent a rise of youth unemployment by 12.4% from the first quarter of 2010. We are having at least 6.1 million unemployed but economically capable youth. This represents a huge reserve of army with all the capabilities to trigger social instability. It is in this sector where *lumpen* proletariat is rife.

6.3 Earnings – wages and profits

Workers' real earnings have been stagnant for the last ten years. This is a result of employer strategies to link pay to inflation and productivity. The growth of non-standard employment plus retrenchments has substantially reducing labour costs in the economy. This is despite unions efforts to raise workers' wages through collective bargaining. As a result, workers share in the national income has progressive decline since 1994, while the share going to capital has increased.

Statistics show that a majority of workers in the formal sector earns around R2, 500 per month. Wages are the main source of income for many households. Remittances from workers to the families in the rural areas also constitute the most important source for income next to social grants.

The fact that workers have to pay for many social expensive out of the pockets places pressure on pay packet. For instance it is estimated that an average worker spend at least 16 percent of their income on transport. In addition, workers must pay for their children's education, health care and municipal services.

Executive pay

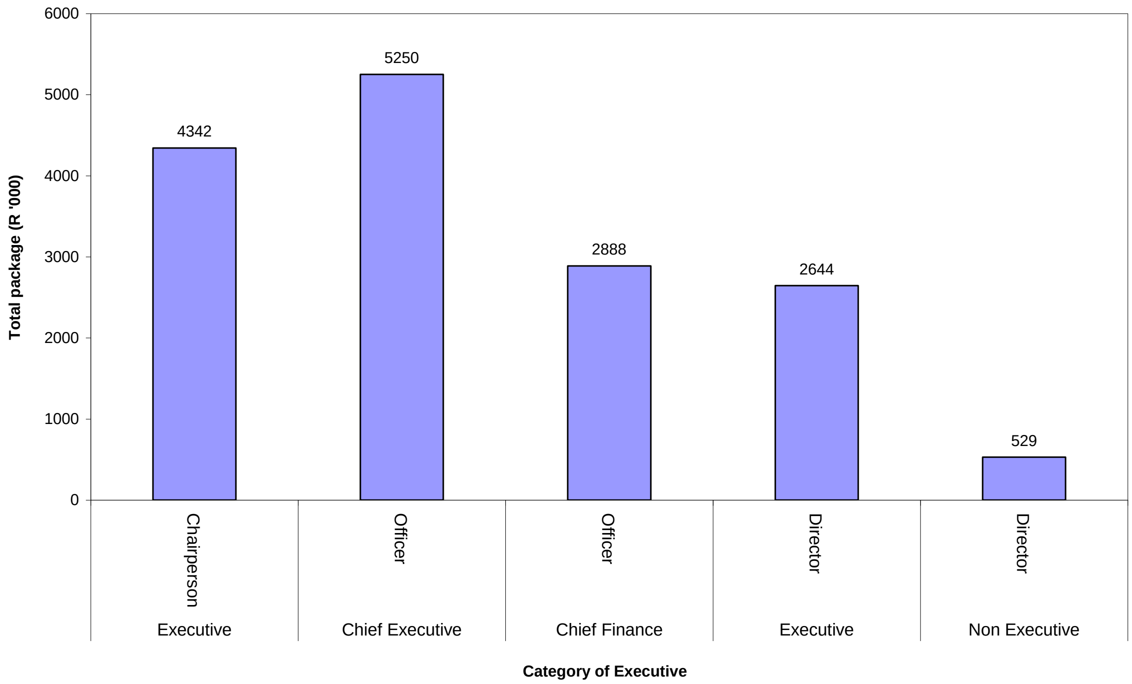
Contraction of the local economy has seen a 'modest increase' in the packages earned by executives in the 2008/2009 season as compared with previous years but in monetary terms, chief executive officers, executive chairpersons, executive directors and non executive directors received increases well within range of average annual inflation.[4]

In the previous season (2007/2008), the packages of chief executive officers (CEOs) had increased by a median[5] of 9,9% or R425,000 while earnings by executive directors and executive chairpersons had increased by R86,000 and R88,000 respectively. CEOs earned about R4.7 million, executive chairpersons just under R3,9 million and executive directors just over R2,6 million (Mabili, Directors' Remuneration Report, 2009:11). As shown by the figure below, executive earnings in 2008/2009 bucked the trend with CEOs earning the highest packages (R5,3 million) followed by executive chairpersons (R4,3m) and chief finance officers (R2,8m).

FIGURE 14: EXECUTIVE PAY 2008/9

[4] Average annual inflation (CPIX) in 2008 was 11,3%. (Stats SA, CP1, December 2008).

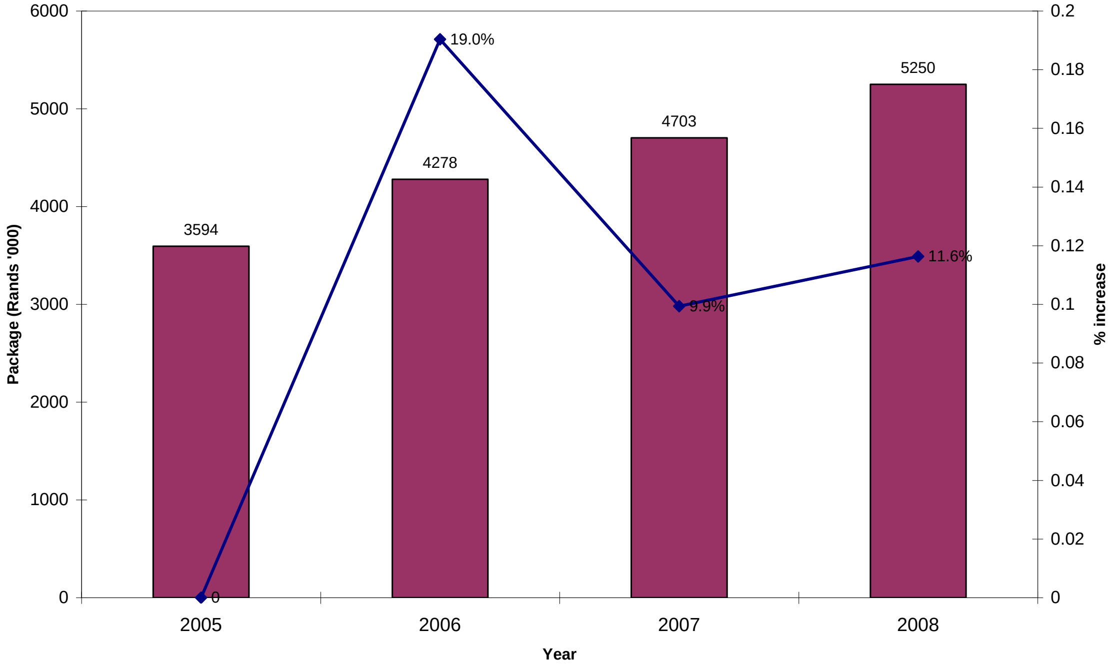
[5] The Median measure is the middle point or "the point at which half the cases are above it and half below". (Newman, W.L. (1997). Social Research Methods: Qualitative and Quantitative Approaches. MA, Allyn and Bacon. (p300). As a measure of distribution, the median provides a much more accurate and reliable comparison than the average (mean) measure.



Source: Mabili, Directors' Remuneration Report, 2009:10

While between 2006/7 CEO packages had risen by 9,9% from R 4,3m to R4,7m, in 2008, their packages rose by an average of 11,6% to just under R5,3m as shown by the figure below. This means that the increase was at par with average annual rate of inflation of 11,3% for 2008 but the rand increase of R547 000 was eighteen times more than the annual salary of the majority of workers (52,8%) in the South African economy who at the end of 2007 were earning just under R2500 a month (Stats SA, LFS, March, 2008:24).

FIGURE 15: INCREASE IN EXECUTIVE PAY 2005-8



Source: Mabili, Directors' Remuneration Report, 2009:10

On an industrial basis, CEOs in the financial sector earned some of the highest packages, taking home an average of R6,7 million while executives in the basic metals sector received the highest guaranteed packages of R3,8 m (Mabili, Directors' Remuneration Report, 2009:5).

7. The Evolution of economic policy

This section gives a broad overview of current policies and positions in the economic transformation sphere which have been put forward by government and labour and form the basis of the drive towards a growth path which not only seeks to increase GDP growth but also to drastically improve South Africa's endemic challenges of gross unemployment and income inequality.

We first look at the Industrial Policy Action Plan which represents the state's approach to industrialisation. We then look at COSATU's 'Growth Path towards Full Employment' document which sets out their policy perspectives on the matter, and lastly at the recently launched New Growth Path which outlines the states, and more specifically the Economic Development Department's approach to the challenge of employment creating economic growth.

2.1 The Industrial Policy Action Plan

Industrialisation as an approach towards economic growth stems from the argument that only manufacturing can drive growth in the long run while also creating stable and secure employment. At its heart, this approach entails the encouragement of the production of manufactured goods, mainly for export purposes. This increased manufacturing is used as a tool to access large markets further encouraging mass based production with the ensuing result of increased growth and higher employment.[6]

The Industrial Policy Action Plan (IPAP) is derived from the National Industrial Policy Framework (NIPF) which was adopted by Cabinet in January 2007. The NIPF sets out government's broad approach to industrialisation by focusing on a range of objectives. These include:

- Facilitating diversification the traditional commodities and non-tradable services sectors which the South Africa economy currently relies on.
- The promotion of a more labour-absorbing industrialisation path.
- Fostering a broader-based industrialisation path which encourages greater participation of historically disadvantaged people into the mainstream industrial economy.

The first framework for the implementation of industrial policy was set out in the 2007/8 IPAP which has largely been implemented. The 2010/11 – 2012/13 IPAP (IPAP2) builds on the first IPAP while setting out new programmes to be implemented. IPAP2 is based on five cross-cutting interventions which are the cornerstone of further specific interventions planned for implementation across three clusters of sectors.

The five cross-cutting areas for improvement that have been identified include enhanced access to industrial financing, increased leveraging of procurement, the fostering of more developmental and strategic trade policies, an increased focus on the eradication of anti-competitive practices and lastly, the achievement of a new articulation between macro and micro economic policy.

As mentioned before, the key sectors which IPAP2 will focus on are clustered into three groups. The first cluster centres around qualitatively new areas of focus. These include the areas of metal fabrication; capital and transport equipment; 'green' industries and agro-processing. In the second cluster of sectors, the goal of the interventions will focus scaling up and broadening interventions that have already started.

The sectors in this group include automotives, components, plastics, chemicals, clothing, biofuels, forestry and tourism. The focus of these interventions is mainly centred around increasing these sectors' labour absorbing capacity. So for example, interventions in the automotive sector are focused on increasing the percentage of local content in the manufacture of vehicles, thereby stimulating the local component manufacturing industry and increasing its labour absorbing capacity. The third cluster of sectors is those with the potential for long-term advanced capabilities. These include advanced materials, aerospace and nuclear industries[7].

Despite its potential for great success, the industrialisation approach is quite risky for a number of reasons. Firstly, it requires the active participation of the state in managing economic growth, implying that the state needs to take full responsibility for the success or failure of the interventions it introduces. Secondly, this approach assumes that there will always be sufficient demand globally for manufactured growth – it does not make provision for a sustained decline in demand on a global level, as recently witnessed. Thirdly, there is strong competition for access to the world's markets by other countries who are following a similar growth strategy, thus leading to heavily subsidised sectors which makes market penetration difficult. Finally, this approach focuses on the long term improvement of economic growth and therefore is not ideal for a situation, such as our current one, where employment creation in the short to medium term is crucial[8].

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[6] Makgetla, N (2010). " Debating Development: Paradigms Shaping Economic Proposals". African Communist issue no: 180

[7] Department of Trade and Industry (2010). " 2010/11 – 2012/13 Industrial Policy Action Plan". Sourced from internet: http://www.thedti.gov.za/ipap/ipap.htm

[8] Makgetla, N (2010). " Debating Development: Paradigms Shaping Economic Proposals". African Communist issue no: 180

2.2 COSATU's Growth Path towards Full Employment

COSATU launched their growth path document in September 2010 following a process of engagement with their affiliates. This document aims to consolidate COSATU's perspective on the various elements of a potential new growth path framework. COSATU has stated its intention to use the document as a basis for engagement with government, the Alliance and civil society.
Key areas discussed in the document include economic policy, social policy, ownership of resources and Southern Africa's regional development strategy. In the document COSATU highlight ten key factors which seek to identify the weaknesses in the current post-1994 growth path. These include:

- The persistence and increase in unemployment
- The consistently high levels of poverty
- An inadequate redistribution of income, with inequalities still skewed along racial lines
- The continued control of the means of production by white capitalists
- The economy's reliance on the 'minerals-energy complex'
- The worsening education and skills development crisis
- The persistent housing challenge, and
- The deteriorating health profile of the population

In seeking to address the abovementioned weaknesses in the current growth path, the document proposes a new redistributive growth path that creates decent work. This implies the implementation of a growth path which is biased towards the working class. Ideally, within the framework of this growth path, economic growth should deliver higher levels of decent work opportunities as well as increased access to basic goods and services for the working class.

Key to the successful implementation of this growth path is the development or fostering of a state whose role and character is developmental in nature. This point to a state which is firstly biased towards the working class and whose outlook is based on participatory democracy. The state also needs to be decisive in its interventions in the economy especially with regard to the redistribution of resources aimed at increasing employment, reducing poverty and narrowing the income and spatial inequalities that currently exist. Lastly, the state should be willing to play a leading role in spearheading economic growth and not rely so greatly on the private sector and market forces.

This is one of the major weaknesses of the recent New Growth Path released by the Economic Development ministry some few weeks ago, relying more on the same foundation that failed when GEAR was introduced. The YCL has consistently and fully agreed with this element ion Cosatu's approach, that the role of the state will be central in employment creation, and to suggest that social actors other than the state can coalesce to create employment is to leave the fate of the millions who are unemployed in the hands of the private sector.
To this end, the COSATU document identifies four key capacities which the state should seek to build in order to strengthen its developmental characters. These include:

- Extractive capacity – the state's capacity to extract social surplus and mobilise national resources in order to fund social and economic development
- Redistributive capacity – the state should redistribute national resources in a way which seeks to address historical dispossession through apartheid
- Transformative capacity – the state should have the capacity to change the current industrial structure and to lead the process of social transformation

- Administrative capacity – the state needs to have at its disposal a highly skilled technical cadre capable of driving the state apparatus and the economy as a whole.

COSATU's proposed growth path is based on six pillars which are interrelated and which set out the broad areas where intervention is needed. These six pillars are fiscal policy, monetary policy, industrial development, collective and public forms of ownership, the development of the Southern African region and environmental sustainability.

One of the focus areas in COSATU's new growth path is economic policy, and to this end the document identifies five areas for possible interventions. These are industrial policy, rural development, trade policy, skills development and macroeconomic policy. These can be nuanced with some of the issues raised by the SACP's Special Congress and the ANC 52nd National Congress. It is very critical that we emphasise the significance of any economic policy intervention to align itself along the lines of what the Alliance has strongly pronounced.

The document further acknowledges the need for a coherent and effective industrial policy. An effective industrial policy, in this case, is one that fosters the creation of decent work, a stable balance of payments and expanding production for the domestic and regional markets. To this end, it is clear that any sector which is identified for state support must be one that is labour intensive; that contributes towards balance of payments stability; and that produces strategic inputs for other sectors or basic consumer goods. The proposed growth path emphasises the importance of the strengthening of both forward and backward linkages among key sectors which have been identified through the industrial policy. Key interventions proposed for the strengthening of these linkages include the regulation of exports of commodities and petro-chemicals, targeted industrial financing, at least 75% local content thresholds for the wholesale and retail sector, and making state support dependent on local procurement and job creation. Attention is also paid to the process of ensuring that the industrial policy encourages environmental sustainability, the social economy and also focuses on the creation of green jobs.

COSATU's new growth path document identifies rural development as consisting of the following elements: provision of decent work in rural areas; large-scale land reform; eradication of poverty and the improvement of food security; the promotion of activities other than farming, e.g. light manufacturing; access to basic goods and services and the reduction of income and asset inequality. The document sets forward a few proposals on improving the standard of living of people in rural areas. These proposals include the provision of social and economic infrastructure, the development of a strong agro-processing industry and other light manufacturing industries, and the development of suitable institutions tasked with overseeing various aspects of rural development.

The new growth path proposed by COSATU recognises the importance of trade policy as an instrument that can be used to support industrialisation. To this end, the document calls for the state to implement trade policy measures that are strategic and developmental in nature. These include ensuring that policy measures are targeted at sectors that have the most employment potential and growth prospects. Trade policy should also assist in encouraging the domestic production of basic goods and services, and in so doing contribute towards the promotion of a positive balance of payments.

In its review of macroeconomic policy the document makes a few proposals. In the savings and investments sphere, the document proposes a review of the investment strategies of not only the PIC but also, of trade union investment companies. The new growth path also calls for the creation of a state bank which will offer low interest rates in order to in order to finance productive economic activity and which will also focus on reducing volatility in financial markets. It is important to note that the ANC NGC has ultimately resolved on the creation of a state bank. There are various scattered tentacles a state bank such as the various development fianance institutions (DFI's), the Land Bank, Development Bank of SA, National Empowerment Fund and the Industriul Development Coorporation. Criticism levelled towards these institutons around their lack of cooperation and coordination, ineffective state monitoring and accountability on investments and the drive for market oriented investments rather than developmental priority is a cause for concern.

With regards to *fiscal policy*, the document calls for a move away from fiscal policy that is designed to support inflation-management objectives towards one which is focused on the achievement of full employment and socio-economic transformation. State expenditure will therefore be targeted towards encouraging state procurement of locally produced goods (at least 75%) and increasing the social wage. The imposition of various tax interventions aimed at increasing redistribution and transformation is proposed. These interventions include the introduction of a solidarity tax to address wage disparities; a land tax to aid the process of land redistribution; export taxes on strategic mineral and metals resources in order to encourage value-addition and investment tax credits to encourage the local procurement of machinery and equipment. Monetary policy should move away from 'inflation-targeting' to 'employment-targeting'. The new growth path thus promotes the implementation of a monetary policy stance that is expansionary and developmental in nature and that supports industrial policy. [9]

COSATU's growth path document also speaks extensively to employment creation and puts forward a range of proposals on how the challenge of unemployment should be addressed. These proposals are discussed later in this report, under the section on youth unemployment.

2.3 Government's New Growth Path Framework

A key focus of the newly established Economic Development Department (EDD) has been the articulation of the need for a comprehensive developmental growth path. The EDD launched its New Growth Path in November 2010. As expected, the growth path framework is focused on the creation of decent work and increased employment opportunities. Government's new growth path seeks to respond to the global economic crisis and the opportunities it has opened for developing countries to implement policy prescriptions previously frowned upon as going beyond what is conventional. The new growth path also seeks to respond to domestic developments in our country's economic growth in the past, and in so doing it identifies a range of bottlenecks which need to be addressed.

The objectives of the development growth path centre around the following ideas:

- To enhance the labour-absorbing capacity of the economy
- To build a lower carbon-emission economy, and
- To find ways to connect knowledge and innovation to the challenge of jobs and growth

To this end, the growth path starts by identifying sectors in which employment creation is possible and then proposing policies and institutional changes which will need to be implemented in order to take advantage of the employment-creating opportunities identified.

The new growth path proposes a target of growing employment by five million jobs by 2020. If this target is reached, they estimate that this will mean that over half of all working-age South Africans will have paid employment. It is envisaged that most of these new jobs will come from the private sector.

The document identifies 'job drivers' – areas that have the potential for creating employment on a large scale. These job drivers include substantial public investment in infrastructure; the targeting of more labour-absorbing activities across the main economic sectors (agricultural and mining value chains, manufacturing, and services); taking advantage of new opportunities in the knowledge and green economies; the leveraging of social capital in the social economy and the public services; and the fostering of rural development and regional integration. The growth path states that it aims to ensure that the drivers identified above leverage and reinforce each other based on their inter-linkages.

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[9] COSATU (2010), "A Growth Path Towards Full Employment". Draft Discussion Document.

In order to achieve the employment target of five million new jobs by 2020, the new growth path acknowledges that it is crucial to put together a package of policy instruments or interventions that will address a range of challenges in the economy and that will mitigate any unintended consequences that may arise. This development package consists of macroeconomic strategies, microeconomic measures and a range of stakeholder commitments. It is hoped that this package of interventions will place South Africa on a new growth trajectory which will result in the vast expansion of decent work opportunities and increased economic output and growth.

In the macroeconomic sphere, government proposes that the monetary policy stance be to continue to target low and stable inflation, but at the same time do more to support a competitive exchange rate and lover investment costs through reducing interest rates. (?)It is recognised however that there will need to be more foreign direct investment in order to ensure that the rand does not appreciate beyond desirable levels. One of the measures proposed by the new growth path to assist with this is the establishment of an African development fund which will invest in African infrastructure. The new growth path proposes that fiscal expenditure be restricted to real growth of only 2% a year for the next few years in order to balance the more relaxed monetary policy and ensure that inflation is contained. This implies a more rigorous approach to the approving of spending proposals by the various state organs and also less money spent on the remuneration of public servants.

The microeconomic package proposed in the new growth path puts forward a range of interventions across ten key areas. It is envisaged that the combination of these measures will control inflationary pressures and inefficiencies while proactively supporting an inclusive economy, social equity and regional development. Key interventions will be across the following areas: industrial policy, rural development, competition policy, skills development and education, enterprise development, broad-based black economic empowerment, labour policies, technology policy, developmental trade policies and policies for African development.

In terms of stakeholder commitments, the growth path recognises that other social partners have a role to play. Government proposes therefore that stakeholders contribute in the form of agreeing to a broad *developmental pact on wages, prices and executive bonuses*. In short the proposals within this pact are that wage increases will be kept moderate for those workers earning between R3 000 and R20 000 a month; will inflation linked for those earning over R20 000 per month and will be capped for those earning over R550 000 per year. Other agreements will be around improving the social wage and social security system, as well as improving the levels of private savings.

The growth path proposes the introduction of a variety to resource drivers aimed at redirecting savings and investment towards productive projects which will support employment and sustainable growth. These drivers include retirement fund reforms, more targeted investments by Development Finance Institutions (DFIs), and exploring the possibility of establishing a state owned bank which will provide services in rural areas and support the development of community and co-operative banking.

As part of the work to be carried out around the growth path, the EDD intends to explore ways in which to improve the performance and impact of public institutions which are vital to economic development. The department will also engage extensively in social dialogue with organised labour and business, due to the crucial role that both these social partners play in the creation of jobs. Part of this interaction will entail the strengthening of the technical capacity of small business and organised labour, better enabling them to contribute to the discussion around economic development[10].

8. Economic Transformation – Forging a New Deal for South Africa

8.1 Vision for Post-apartheid Economy

[10] Economic Development Department (2010). "The New Growth Path: The Framework"

The previous section looks at three policy documents that have been developed by both the state and organised labour in order to put forward proposals of what needs to be done to ensure that the South African economy grows sustainably and in a manner that encourages the fastest rate of decent work opportunities.

This section picks up on key areas of discussion which are of significant relevance to the majority of South Africans in general, and to young South Africans in particular. These are areas on the economic landscape which have a direct effect on the daily lives of most young South Africans or that are currently on the agenda of the Alliance. These include youth unemployment, access to basic goods and services and the potential role for state ownership of key resources in the economy.

8.2 Elements of a new growth path

Tackling Youth Unemployment

A previous part of the report has given us some insight to the employment statistics in South Africa. They are indeed shocking. Just to recap: South Africa now officially has around 4,2 million unemployed workers, excluding the more than 1,7 million workers who are simply too discouraged to look for work because the transaction costs of finding a job are too high or they have lost hope of finding any kind of work.

When the number of discouraged work seekers is taken into account, we have, unofficially, 5,9 million unemployed workers in the economy which translates into an unemployment rate of 31,1%. In comparable terms, we remain one of the few middle income countries where more than a quarter of the labour active population is out of work[11].

These figures are even more discouraging when looked at in the context of young job seekers. It is estimated that 72% of the unemployed are young people between the ages of 15 and 34, and further, that 78% of these unemployed youth are African. We know from personal experience that most young people who are unemployed have never worked before and this is confirmed by statistics which confirm that 40% of the unemployed are new entrants into the job market i.e. have never had formal employment[12].

A lot has been said about the reasons for South Africa's unemployment crisis. Much emphasis, especially from the private sector has been placed on the supply-side deficiencies in the labour market. The rationale behind this is that unemployment is caused by the inability of the supply of labour to be flexible and be able to respond to prevailing market forces. This approach however does not peruse the fundamental causes of why this economy is failing to absorb substantial numbers of job seekers. Focusing on the *supply-side* of the labour market tends to *overemphasise the effects of the price of labour and the skills acquired* by workers and job-seekers. This somehow explains why the economy is not creating large scale employment for low skilled workers. It goes without saying that the *proposed* solution is to drop the price of labour and/or increase the skill of labour. No wonder business always calls for flexibility – a code word for low wages and easy firing rules. In this respect labour laws are seen as a hindrance to employment creation. While it is accepted that the supply-side does matter it does not explain why South Africa is struggling with employment creation – it is a partial explanation[13].

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11 Statistics South Africa (2010). Quarterly Labour Force Survey. Quarter 4, 2009

12 COSATU (2010), "A Growth Path Towards Full Employment". Draft Discussion Document.

13 Manamela, B (2010). "Rescuing the Future of South Africa: A Framework for Youth Employment". Paper presented at the YCL Jobs Summit, 20 May 2010

A much more realistic approach in seeking to explain South Africa's employment crisis lies in examining what the structural causes of unemployment are. This entails looking at the demand for labour and what factors influence this demand. The main reason that the South African economy is not able to create jobs is because there is not enough labour-absorbing growth taking place. We need to increase aggregate demand in order to create job opportunities. This implies moving towards more labour intensive methods of production and increasing our manufacturing capability.

What is clear is that it does not matter what the reasons for this unemployment crisis are. What is crucial is to find sustainable and innovative measures to increase the ability of the economy to absorb labour and provide employment opportunities at an accelerated rate. A few interventions that have been proposed by various social partners are discussed below.

Youth subsidy

The government has proposed the introduction of a subsidy to employers that will lower the cost of hiring young people without work experience. Under consideration is a cash reimbursement to employers for a two-year period, operating through the SARS payroll tax platform, and subject to minimum labour standards. It will be available to tax-compliant businesses, non-governmental organisations and municipalities. It is estimated that about 800 000 people will qualify. The aim is to raise employment of young school-leavers by a further 500 000 by 2013[14].

Employer of last resort

COSATU, in its growth path document sets out a proposal to reconceptualise the current Expanded Public Works Programme (EPWP). It is proposed that the EPWP should be expanded to make it an 'employer of last resort' (ELR). The core element for the ELR principle is that there should be employment for everyone of working age that is willing and able to work. This employment should be productive, should facilitate skills development and should be subject to a minimum real wage. Possible benefits of the ELR that are identified include the stabilisation of aggregate demand, the promotion of decent employment, the preservation of skills in the labour force and the promotion of social cohesion through addressing social problems.

There are however possible difficulties that may arise in the implementation of the ELR model. These include the danger of a reduction in non-ELR wages towards an ELR wage; increased wage inflation due to higher aggregate demand and the resulting high price inflation. Increased demand will probably result in a higher amount of imports, possibly leading to exchange rate instability and pressure on the current account. Lastly, the implementation of the ELR model will put considerable pressure on state expenditure and may prove too expensive to finance. However, considering the current expenditure on the social grant system, the ELR could be affordable in the long run as it would act as an effective unemployment insurance system, and assist in increasing aggregate demand, thereby stimulating economic growth and creating more employment opportunities[15].

Skills development

Research has shown that 95% of the unemployed do not have tertiary education. Of the 95%, 33% have completed secondary education, but what is even more alarming is the fact that 62% have less than secondary school education[16]. Herein lies one of the foremost reasons for our structural unemployment problem: the current education system prematurely ejects young people with little skills into the labour market. In addition to having to deal with a lack of job opportunities these young people are also not

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[14] National Treasury (2010), Budget Speech 2010 by Minister of Finance, Pravin Gordhan

[15] COSATU (2010), "A Growth Path Towards Full Employment". Draft Discussion Document.

[16] Ibid

equipped to cope with the demands of the labour market, especially since they often do not possess any skills.

Several proposals have been made to intervene on this front. The first of these measures is to strengthen the current schooling system, and more importantly to ensure that young people do not leak out of the system at alarming rates, as is currently the case. Post-matric, there is a need to increase the capacity of tertiary education to enable more young people to obtain a tertiary qualification and thus gain a stronger foothold into the labour market. The most effective way of doing this may be to expand the Further Education and Training (FET) sector. This expansion however should be designed in such a way that the training offered at these institutions is aligned to the skills needs of the new growth path. Young people should therefore be acquiring skills in areas where there is labour-absorbing capacity as identified in IPAP2 and government's New Growth Path.

Supporting Youth Entrepreneurship

There is huge scope for the state to support youth entrepreneurship through procurement, financing and marketing. To this end, it is crucial that the National Youth Development Agency is used effectively in order to ensure that it is able to offer support services to all young people, especially those in the rural areas and those in working class urban communities. The procurement scorecard for companies offering services to government should also incorporate the area of youth support. Youth entrepreneurship however, should not be seen as an individualistic endeavour, but should be encouraged to take place within the context of youth SMMEs and co-operatives.

Part Two: Social Transformation

1. Introduction

Social transformation talks to the type of society and human beings we aim to create. Within the NLM, especially in the ANC, social transformation is regarded as the interventions by the state in ensuring that the working class reproduces itself. Although this has an impact on social transformation, it is not in itself the ultimate transformation of society. Our approach towards social transformation extends to transforming society in political, economic and social terms from a capitalistic mode of production to that of socialistic mode. Economic growth is but a means and not the end to achieve maximum human development. It is also important to emphasise that it is an error to conceive social development as a **deduction** from economic growth. This conception often means that the economy must grow first and then social development will follow. That is, social development is conditional upon economic growth. The alternative perspective, espoused in the RDP, see social development and growth as inter-linked and mutually reinforcing. Social development or redistribution adds and changes the character of growth.

For instances providing basis services like education is not only important for improving productivity but can also stimulate growth of some sectors in the economy. Let's take housing as an example. Housing construction stimulates the construction and building materials industries. It also helps stimulate associated industries like furniture, household appliances, clothing and so forth. Therefore meeting basis needs is in our view important in meeting basic needs but also supporting growth. We argue that the relationship between growth and development is not a zero-sum game.

The ANC contested the 2009 elections on the platform of prioritising health care, education and crime prevention. In addition to these issues we will also deal with the scourge of HIV and AIDS, and a social safety net.

2. Education

Education plays an important role in the development of society and of the individual. The role of education include the holistic development of the individual; socialisation, developing critical thinking, developing skills required by the modern economy and general pursuit of knowledge. South Africa faces a titanic task to reverse years of mis-education and unequal allocation of resources to education in order to meet the demands of the contemporary South Africa. Major educational reforms were carried out in the last sixteen years to introduce a single, non-racial and non-sexist education system. Some of the reforms include:

- Creating a single education system for general, further and higher education;
- Introduction of a qualification framework to enable articulation between different levels of education as well as portability of qualifications to facilitate multiple entry and exit points;
- New curriculum for the general education to ensure outcome-based education and to bridge academic and vocational education;
- Changing the higher education landscape through rationalisation of institutions and creation of universities of technology (former technikons);
- The establishment of the work place skills system through establishment of SETA's that have replaced artisan training. In this connection FET colleges are expected to meet the demands for work place training as well as general vocational training.

Despite these laudable and complex changes the South African education system faces enormous challenges. First, closing the gap between former white and black schools and urban and rural schools is one of the daunting tasks. The public education system still displays serious inequalities across the urban-rural and suburb-township divide. The whole education system comprises three tiers: private schools (expensive but catering for a low section of the population); former model-C schools, and schools in the township and rural areas. Schools in the township and rural areas lack basic equipment and properly trained teachers. The failure of Outcomes Based Education is attributable to lack of adequate resources within the school and the families from which many working class learners come from. As such, OBE as a concept is not wrong but it is resource-intensive, require participation of parents and highly trained teachers. COSATU notes the following challenges and backlogs that continue to plague the education system:

- 42 percent of schools depend on **boreholes, rainwater or have no access to water on or near site.**
- 61 percent of schools have no **arrangement for disposal of sewage;**
- Of those with toilets, 36 percent depend on **pit latrines;**
- 16% have **no source of electricity** on or near site;
- 41% of schools have no **fencing or the fence is in poor condition;**
- 93% of schools have not **libraries or libraries are not stocked;**
- 88% of schools have **no laboratories,** or laboratories are not stocked;
- 81% of schools have **no computers** or more than 100 learners share a computer;
- 62% of schools have a **learner educator** ratio that exceeds 30.[17]

The second challenge relates to the **quality of education**. This relates to the quality of outcomes (whether learners are functionally literate and numerate) to whether they can perform in work setting when they leave school. A related question is how far have we gone as a society to change the profile of qualifications to include more maths and science graduates? In addition, are we making progress in bridging the gap between vocational and academic learning. The chronic absence of public early learning facilities means that many children are not ready for school when they start grade 1.

The third challenge relates to the number and quality of teachers in the public school system. While national educator-learner ratios suggest that class sizes have been reduced, the reality on the ground is that teachers are over-burdened and burnt out. To address this problem will need employment of more suitably qualified teachers. Whether teachers are adequately remunerated is another challenge facing the public education system. There is also a need for continuous training and retraining of teachers if they are to cope with the challenges of the new education system.

Fourth, South Africa continues to face a serious problem in terms of financial support for higher education. Many learners continue to be financially excluded from higher education or a burdened by escalating debt. This demands that we review the whole funding model of higher education system due to the failure of full-cost recovery and user pay principles. Cutting of subsidies to institutions of higher learning has now squeezed students who must pay higher fees. In addition, it means that research is dictated by private corporate funders and not public priorities. Going forward, the commercialisation of higher education will continue to place education beyond the reach of working class students. This will further perpetuate inequality and generational poverty. Another important issues that deserves attention is the **content** that is being taught in institutions of higher learning. Higher education reforms have focused more on structure/form and less on content/curriculum.

Fifth the workplace learning system fails to revolutionise workplace education as anticipated. It seems that many SETA's are mired in red tape, bureaucracy and poor performance but fail dismally to deliver skills as envisaged. Learnership opportunities especially for the unemployed are few and far in between.

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[17] COSATU, 2010, A Growth path towards full employment, p.85.

At this current rate the dismal performance of SETAs on their core mandates poses a serious challenge in improving the skills of the South African work force. Rationalisation of SETA's may go a long way to address some of the administrative problems faced by SETA. However, the critical challenge is to scale up delivery on the core mandate of retraining and training of workers. Recognition of prior learning lags behind robbing many workers with experiential learning career mobility. In fact it means that employers are getting cheap 'semi-skilled' workers by failing to recognise skills acquired during the working life of a worker. Black workers, especially older workers are therefore stuck at the bottom with limited hope for career progression.

The paradox of unemployed graduates turns the whole theory of the relationship between skills and employment on its head. Statistics show that over 200, 000 qualified graduates (in all fields) cannot find employment. This is odd given the fact that South Africa is supposedly facing a skills shortage. This phenomenon requires a critical examination of the failure of the economy to absorb even skilled workers. We must also interrogate the quality of such qualifications if graduates are not finding jobs.

All these challenges underscore the need for a **revolution** in education. It is a revolution around **access**, **quality** and **outcomes** that must be waged. Life-long learning will be achieved only if we address the leakage (schools drop-out and exclusions at tertiary institutions) that is endemic in the South African education system. The recent research and proposals by the NSFAS Review Team should be implemented without any further delay. Although we have supported the call for universities in Mpumalanga and North West, we clearly need more "public universities" to address the crises of access, and thus the need for more academics. The YCL should consistently maintain its call for free and quality higher education as a means to ensure that we address some of the inter-linked social transformation crises.

3. Health

Despite spending close to eight percent of GDP on health care South Africa faces deeply entrenched inequities in health. Most of the health care spending (managed through medical aids) is absorbed by the private health care system, which takes care of less than 20 percent of the population. It is a well established fact that the South African private health care system is expensive and inefficient if we take per capita expenditure into account. To say that the public health care system, caring for the majority, is in a bad state is an under-statement. It is chronically under-resourced and creaking under the burden of caring for the majority of the citizens.

The health care crisis in South Africa is not only about funding but access and quality. All these problems must be addressed simultaneously. It manifests in chronic shortages of staff and medicines; infrastructure backlogs; and inadequate systems. Little wonder that staff morale is low and the country is losing nurses and other medical professionals to other countries.

The shift to primary health care is thwarted by the lack of resource (human as well as medication). It also compromised by the dearth of income generating activities for many household. In turn many household cannot afford to feed themselves a situation worsened by the cost of basic food stuff. Working class communities are trapped in poor and unhealthy conditions and do not have a guarantee of proper care through the public health system. The state of health care manifests in the following negative outcomes:

- Maternal mortality has increased from 81 to 600 (per 100,000) between 1997 and 2005. The MDG target is 38.
- Child mortality has been on the decline, but remains high at 68 (per 1000 live births), yet a comparable country such as Brazil, has reduced this figure from 58 in 1990 to 22 in 2007.

- There are 1000 AIDS-related deaths per day (and another 1,450 people becoming infected each day).
- 70% of the case load in the public health system is now taken up by HIV and AIDS cases crowding out the capacity to treat other medical conditions).
- There is a disconnection between national policy and the allocation of resources, management information systems are insufficient for decision-making and decision-making powers are generally incorrectly located.[18]

4. HIV and Aids

South Africa's HIV infection rate is regarded as one of the highest in the world. Its strategy to combat HIV and AIDS is also regarded as one of the most comprehensive responses to the pandemic. It combines three elements: *prevention; treatment and care; as well as a search for a vaccine*. Still, ARV roll-out is still trailing behind the number of people who need care and government's targets in this regard are welcome.

The political, economic and social consequences of the pandemic are well recorded. South Africa's HIV crisis is more challenging because it affects the productive core of the economy – that is people between the ages 16 to 45 years. Therefore, the pandemic is not just a health care crisis but affects the future sustainability of the country. Hence it is important to roll back substantially the number of new infections and scale up treatment and care.

As a youth movement we are confronted by a serious paradox regarding HIV and AIDS and the youth. Despite increased levels of awareness and universal availability of condoms it seems that young people are not changing risky sexual behaviour. Increasing the ABC message seems to be an inadequate response given the trenchant problem of behavioural change. That young people as young as twelve are highly sexually active is no longer in doubt the question is how to turn around the attitudes towards risky sexual behaviour. In case you are in doubt the rate of teenage pregnancies is a rude reminder of the sexual activity of young people.

It is also important to win the battle for young people to delay having sex until they are mature enough to deal with its consequences. This is not aimed at demonising sex and sexuality but to increase responsibility. Sex may be regarded as a private act but as the AIDS pandemic shows it has serious social consequences. Society cannot take a prudish and escapist approach to the issues of youth sexuality and sexual activity.

As a society we need to unravel the social and economic factors driving risky sexual behaviour. Until these are addressed it will feel like we are fighting a losing battle. Of course we must intensify all the elements of the campaign against HIV and AIDS. But it is equally important that we address directly the factors that are leading to risky sexual behaviour among young people. Factors driving risky behaviour may include power dynamics in relationships, status, peer pressure and economic deprivation. The YCL can make a meaningful contribution by attacking the drivers of irresponsible and risky sexual behaviour.

5. Fighting Crime

Apartheid and colonialism have left a deeply entrenched culture of criminality and violence in our society. Violence is hard-wired in our society and it is important to distinguish between *institutionalised and personal violence*. Unequal distribution of wealth, income and opportunities seems to be driving

[18] COSATU, 2010, A Growth Path Towards Full Employment, p.89.

criminality in our society. The relationship between poverty and crime is a complex one because not all poor people are criminals or prone to crime. The spectre of white collar crimes including corruption proves that crime is not merely a product of poverty. The acquisitive culture of crass materialism seems to be fuelling white collar crime because of the narrow chase of wealth by any means. In addition the poor are the worst victims of crime, especially violent personal crimes, while the rich suffer property crimes.

INSERT CRIME STATS

That said, there is no escaping the reality that crime, especially violent crime is very high. The criminal justice system is bursting in the seams because it cannot cope with the pressure to investigate, prosecute and rehabilitate criminals. That South African jails are over-crowded is a no-brainer. Some of the challenges facing the criminal justice system include:

- There is insufficient and inequitable resourcing across the criminal justice system: there is generally unacceptable ratio of police per population. Given the challenges that the country faces, fuelled by high unemployment, a ratio of 2.7 police per 100 is not adequate. In some areas there is not enough equipment e.g. police cars and vans.
- There is a lack of collaborative relationship between the different sectors in the cluster, which also relates to the fact that certain law enforcement agencies (including the Criminal Record Centre and the Forensic Laboratory) are uncoordinated and operate autonomously – often leading to lack of evidence, inadequate resources, e.g. fingerprint expertise, delayed cases and missing documents.
- The process of rehabilitation of offenders also becomes a significant challenge in the fight against crime. The Department of Correctional Services should face some of the challenges relating to overcrowding and under-staffing in prisons; sexual offences in prisons; safe custody of juvenile offenders; and eradication of 'gangsterism' in prisons.[19]

The likelihood of reducing our prison population seems near-impossible given the high levels of crime. It is a disturbing phenomenon that young black males are more likely to go to jail than finish their education or gain some meaningful income-generating activity, and that we are faced with overcrowded jails than overcrowded classrooms. Related to this is the disturbing phenomenon of young offenders some of whom are involved in serious violent crime. We need to understand the systemic factors that are condemning many young black males to a life of crime.

A law an order response in its own is inadequate and will just worsen the vicious cycle of criminality and over-crowding. It must be linked to a broad mass empowerment strategy to open new avenues for young people to lead productive lives. In addition, community mobilisation is crucial in the fight against crime. The *Know Your Neighbourhood* campaign is therefore critical in this regard.

6. Social Protection

It is estimated that 13 million South Africans (mostly children up 14 years) receive some of social grant from the state.[20] Income transfers from the state play a significant role to improve household income security and in supporting local economic development. Many a local economy in South Africa depend on this form of income transfers from the state. Provision of basic services (free electricity, water, health care) complements social grants to form a system of **social protection** for many poor South Africans. Despite what may seem like a comprehensive social protection system, many poor people fall through

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[19] COSATU, 2010, A growth path towards full employment, p.103.

[20] State approach to social protection include child support grant, old age pensions, income support for those that could not work because they are sick,

the cracks. Many of the poor do not qualify since the grants are means-tested (taking household rather than individual income into account).

Many young people are either too old to receive the child support grant, too young to get the state old age pension or too healthy to receive a disability grant. Millions of South Africans do not have social protection and fall through the system either because they do not receive social grant or social insurance in the form of UIF or retirement support. It is against this background that the YCLSA has supported the call made by COSATU and other civil society groups for a basic income grant to pluck this gap in the social protection network.

The social protections system has been attacked on a number of grounds. First, that is creates dependency on the state by 'disincentivising' people to seek work. Some economists claim that it forms a 'reserve wage' that is some unemployed workers are not willing to work for wages that are below the social grant. A related claim is South Africa is building a '*nanny or welfare state'* where people rely more on the state to provide rather than take the risks finding employment or investing in self-improvement. The second, charge is that social grants crowd-out other areas of public expenditure like economic infrastructure. South Africa spends at least 20 percent of the budget on social grants. This fiscal burden, it is argued, is not sustainable in the long run. The number of social grants recipients far exceeds the number of tax payers. Third, social grants are not-linked to any conditionalities (like sending children to school) and are susceptible to abuse. There are lots of stories about young mothers spending the child support grant on airtime and other frivolous personal care activities rather than on children. Another popular story is that the child support grant is encouraging teenagers to get pregnant so that they can qualify.

These arguments can be challenged on a number of grounds. First, the systemic and structural nature of unemployment will not be resolved by taking away grants (majority of which goes to people who are not in the labour market – children and the aged). This is tantamount to blaming individuals for social problems. If only the poor can be more enterprising, poverty will not be severe, so goes the argument. Second, the level of the grant (R200 for child support grant and R1200 for disability and old age) is hardly enough to constitute a reasonable livelihood. Comparison to the generous welfare system in the developed North is misplaced at best and frivolous at worst. Third, it is doubtful whether there is not adequate fiscus space to fund social grants given the tax breaks given to the well off annually and the diversion of money to useless megaprojects like the pebble-bed modular reactor. Fundamentally, these arguments deliberately ignore the developmental role played by social grants. In the first instance, social grants offer a buffer between destituteness and extreme poverty for many poor household. The granny's grant in many household is stretched to pay for electricity, school fees and so forth.