



IRR GROWTH STRATEGY

A plan to get SA working

John Endres
23 August 2023
Online

AGENDA

- 1** A country on welfare
- 2** How much growth do we need?
- 3** Increase direct investment
- 4** Maintain and expand infrastructure
- 5** Draw millions more people into the job market
- 6** Broaden and speed up economic participation

AGENDA

- 1** A country on welfare
- 2** How much growth do we need?
- 3** Increase direct investment
- 4** Maintain and expand infrastructure
- 5** Draw millions more people into the job market
- 6** Broaden and speed up economic participation

A view from the government

“The expectation that this group [referring to people without income but ineligible to receive social grants] would derive their income primarily from selling their labour has proven to be ineffective in the context of persistent, long-term and structural unemployment.”

– *Department of Social Development, 2021 Green Paper on Social Security and Pension Reform*

SA's current situation

- Sub-1% economic growth
- Above 30% unemployment
- Solution: build the developing world's largest social security system
- Not sustainable

Reality of unemployment

- 8 million unemployed South Africans
- 4/5 unemployed for over a year
- Dependent on others for income
- What prospects?

The SASSA experience

In January 2021, Minister Lindiwe Zulu exhorts people queuing for their social grants to socially distance - while police sprayed the people with a water cannon.



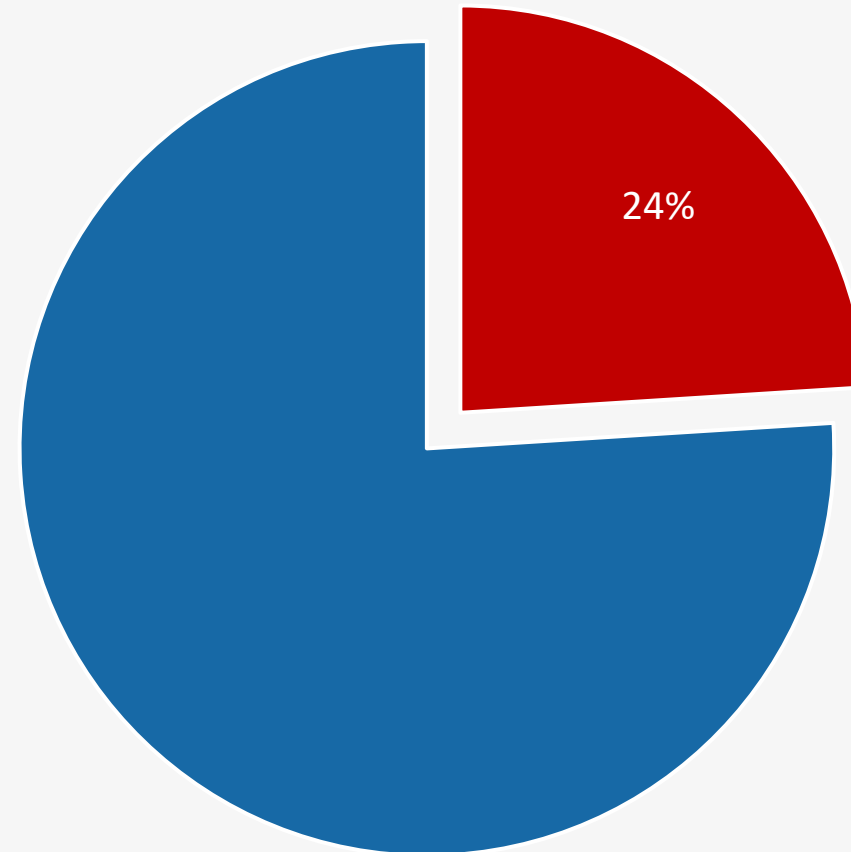
Social grants

“... one of the greatest achievements of our democratic society”

- President Cyril Ramaphosa

The scale of grants

- Half of South African households receive at least one grant
- 24% rely on grants as their main source of income
- In the ANC strongholds of Mpumalanga, Limpopo and Eastern Cape, two-thirds of households receive at least one social grant



■ Grants as a main source of income

■ Other main sources of income

AGENDA

- 1** A country on welfare
- 2** How much growth do we need?
- 3** Increase direct investment
- 4** Maintain and expand infrastructure
- 5** Draw millions more people into the job market
- 6** Broaden and speed up economic participation

7%

Why the growth rate matters

- Dividing 70 by the growth rate in percent tells you how many years it will take to double the size of the economy
- Dividing 70 by a 7% growth rate tells you that the economy will be twice as large in 10 years - a decade
- A 7% growth rate is needed to bring unemployment (on the official definition) down into single digits

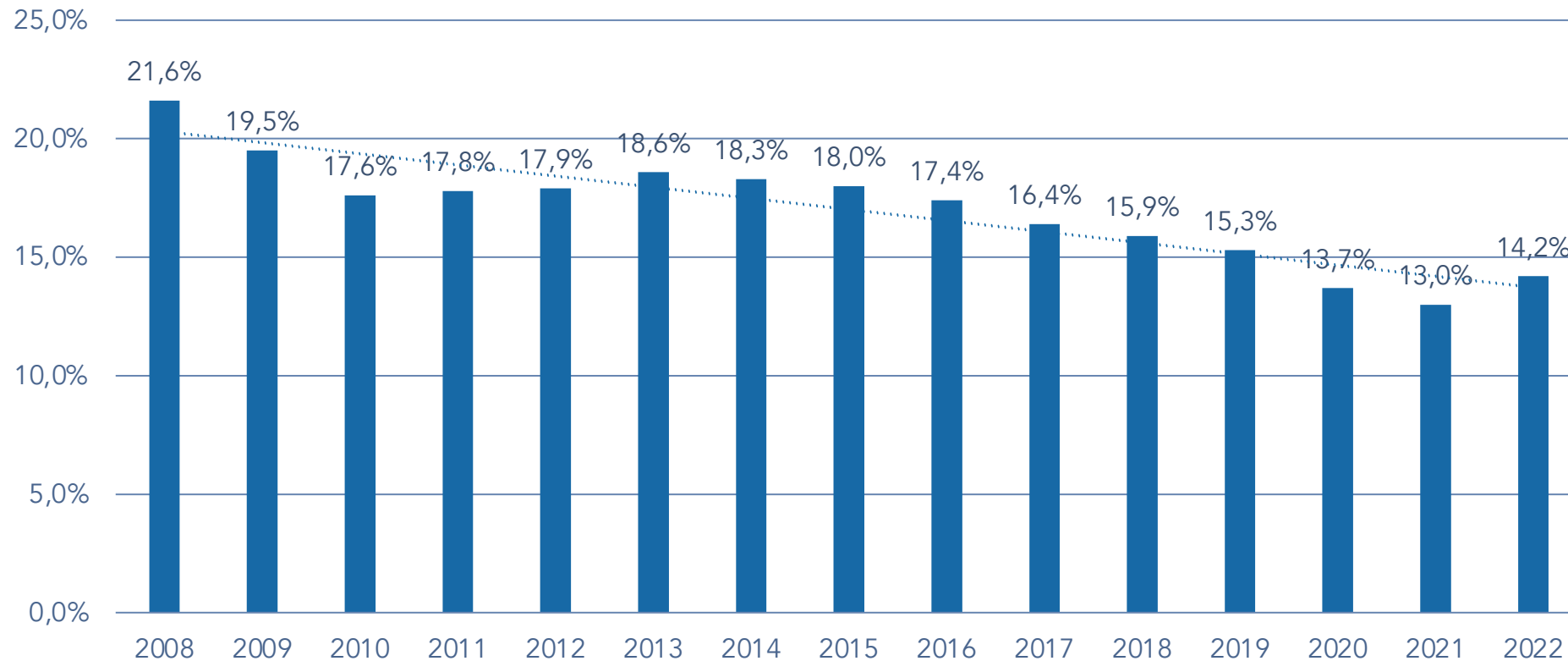
7% - but how?

AGENDA

- 1** A country on welfare
- 2** How much growth do we need?
- 3** Increase direct investment
- 4** Maintain and expand infrastructure
- 5** Draw millions more people into the job market
- 6** Broaden and speed up economic participation

1. Boost investment

Gross Fixed Capital Formation, 2008-2022



Source: Bureau for Economic Research

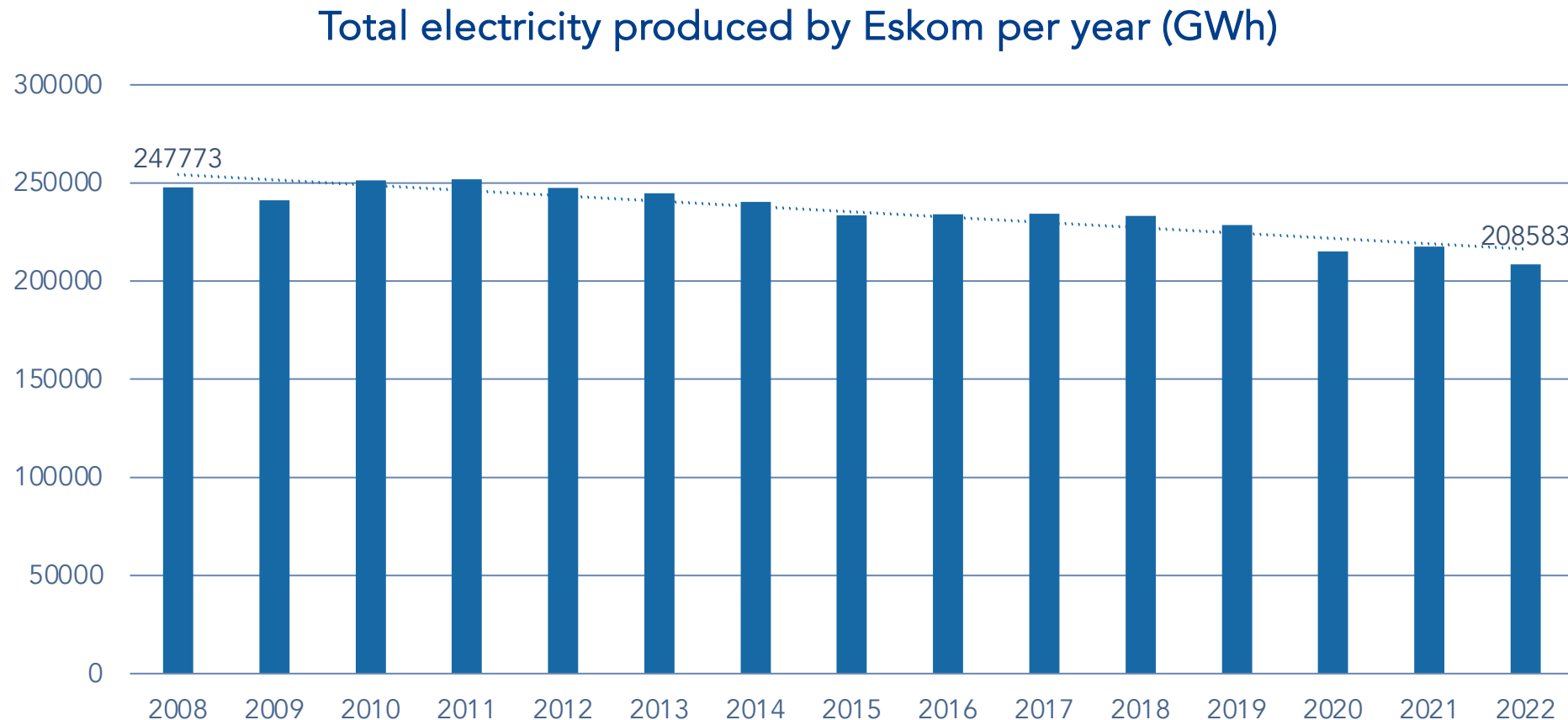
How to boost investment

- Remove the threats to property rights
- Overcome the scourge of escalating crime
- Create a competitive investment climate
- Create an entrepreneur-friendly economic climate

AGENDA

- 1** A country on welfare
- 2** How much growth do we need?
- 3** Increase direct investment
- 4** Maintain and expand infrastructure
- 5** Draw millions more people into the job market
- 6** Broaden and speed up economic participation

2. Fix and expand infrastructure



Source: Stats SA; totals include electricity produced for export and for consumption in power stations and auxiliary systems

How to fix and expand infrastructure

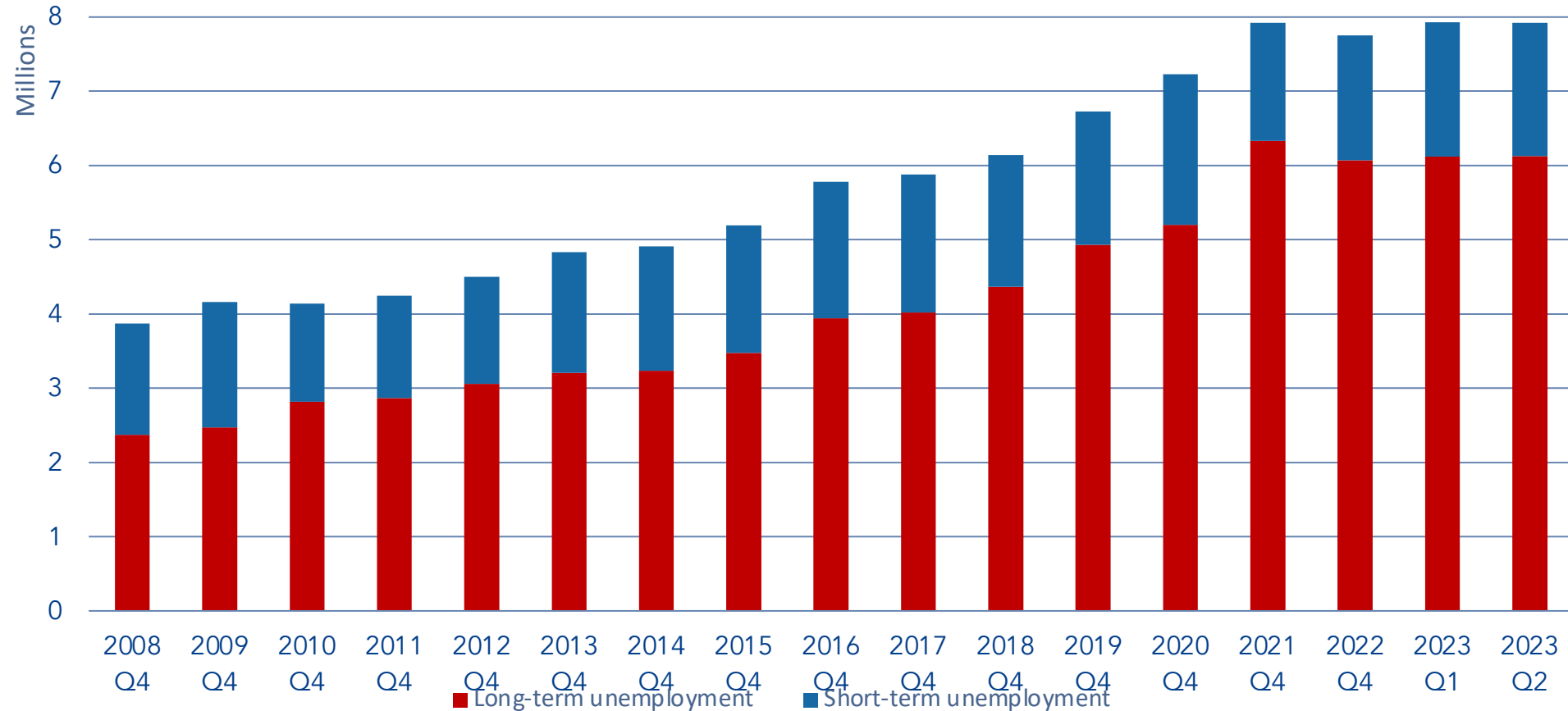
- Bring in the private sector
- Use various forms of private-public partnerships
- Privatisise SOEs (use proceeds to pay down government debt)
- When privatising, use open and competitive processes that prevent corruption, cronyism and new monopolies

AGENDA

- 1** A country on welfare
- 2** How much growth do we need?
- 3** Increase direct investment
- 4** Maintain and expand infrastructure
- 5** Draw millions more people into the job market
- 6** Broaden and speed up economic participation

3. Draw millions into the labour market

Long-term and short-term unemployment, 2008-2023



Source: Stats SA

Live free. Prosper.

How to create jobs

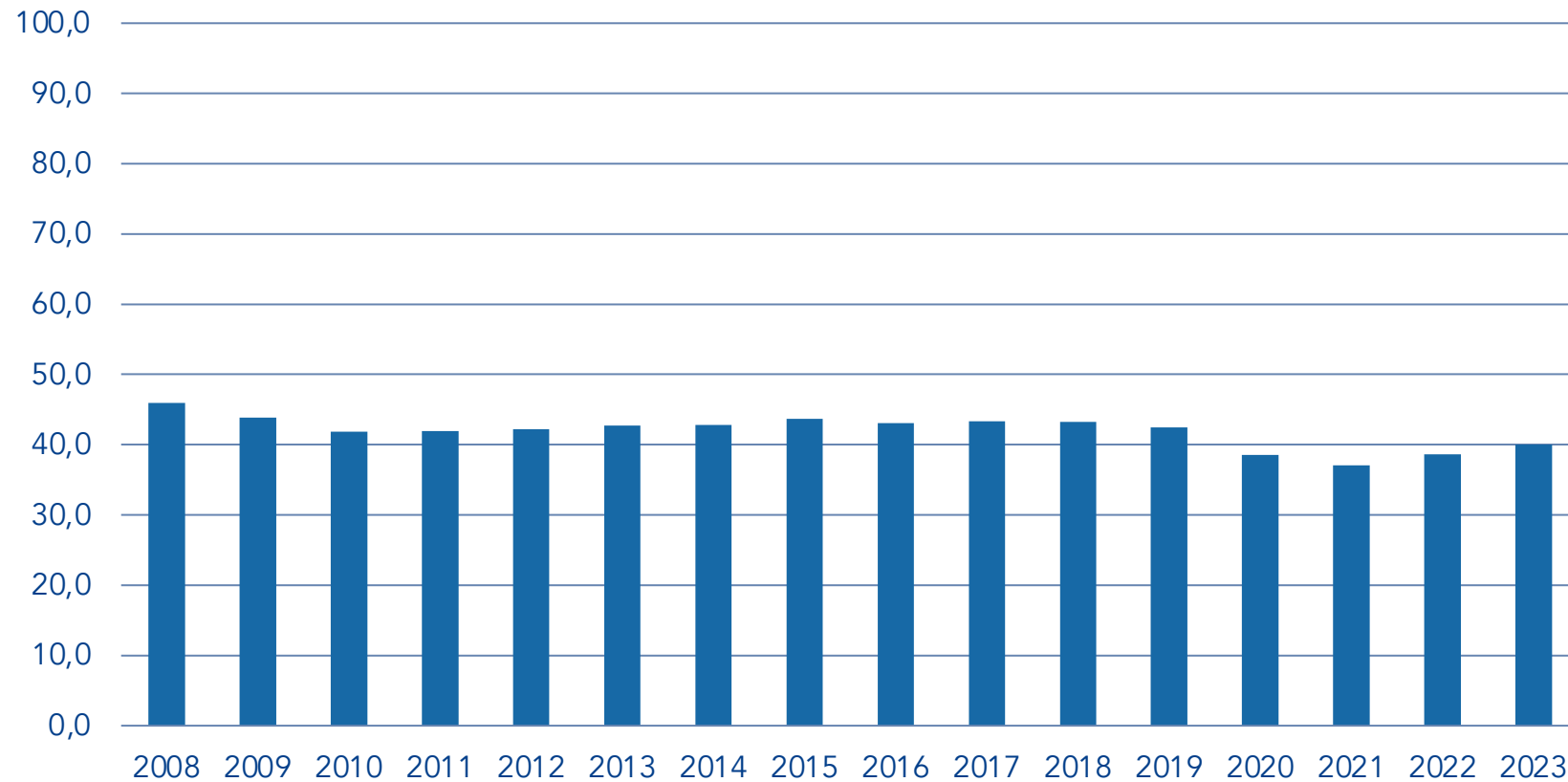
- Growth will create demand for jobs
- Lower the barriers to entry for jobseekers
- Improve business conditions for labour-intensive sectors like agriculture, mining, tourism
- Attract skilled labour by easing immigration procedures, aggressively selling lifestyle attractions, and targeting expats

AGENDA

- 1** A country on welfare
- 2** How much growth do we need?
- 3** Increase direct investment
- 4** Maintain and expand infrastructure
- 5** Draw millions more people into the job market
- 6** Broaden and speed up economic participation

4. Broaden economic participation

Labour absorption rate, 2008-2023



Source: Trading Economics

■ Absorption rate

How to broaden economic participation

- Replace BEE with EED
- Recognise and reward businesses for supporting growth and expanding opportunity
- Select beneficiaries on a socio-economic instead of a racial basis. Keep cash grants in place
- Improve education, health and housing outcomes through a voucher system

THANK YOU



www.irr.org.za



[@IRR_SouthAfrica](https://twitter.com/IRR_SouthAfrica)



[IRRSouthAfrica](https://www.facebook.com/IRRSouthAfrica)

