



## *How to dismantle a (ticking) time bomb? Policy solutions for a volatile South Africa*

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Poverty, unemployment and growing inequality remain South Africa's greatest challenges in undoing the legacy of Apartheid. The 'triple challenge' has revealed itself increasingly in ongoing protest and strike action. Militant local protests are a frequent occurrence across South Africa with aggrieved residents protesting against poverty, corruption, joblessness and inadequate and uneven provision of public goods and services. 2012 saw an explosive strike wave in both the mining and agriculture sectors, with strikers at the Marikana mine demanding monthly pay of R12 500. The strike resulted in the killing of 34 miners by police. This unrest is significant in that those without work and workers who bear the economic and social burden of the unemployed are taking to the streets. The situation has been described as a 'ticking time bomb' by many. How, given the structural nature of the inequalities in South Africa, should we best go about dismantling this time bomb?

The broader unemployment rate in South Africa that includes 'discouraged work-seekers' is 37%. The employment challenge facing South Africa's young people is even greater. The unemployment rate amongst those under the age of 25 years is about 50 percent, accounting for 30 percent of the total unemployed. Many youth have never worked and come from families of multi-generational unemployment.

The positive correlation between growth and employment in South Africa has weakened since the 1970s as a result of a complex array of factors. A robust debate exists on the causes and solutions of this 'jobless growth' and accompanying employment crisis. Certain views emphasise that the post-apartheid period has seen growing financialisation and the internationalisation of the economy, a declining wage share of GDP and the absence of any serious reinvestment in the economy (Ashman & Fine, 2013; Reddy, 2014). Neo-classical economists, however, argue productivity is falling and labour costs are increasing which in turn makes investors avoid South Africa. Other factors that have been identified further include competition from cheap imports the post - 1994 liberalisation of the economy and economic and regulatory pressures pushing employers towards industries which are increasingly mechanized and require skilled over unskilled labour (CDE, 2010).

50% of South Africa's work force earned less than R3030 per month in 2011. As demonstrated by the striking mineworkers at Marikana demanding R12 500 – the social and

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economic burden of mass joblessness is falling on the shoulders of the working poor. Steinberg (2013) describes this situation as 'redistributing from the poor to the very poor'.

There is no silver bullet to bring about more equitable economic growth to solve the triple challenge. We need to stop pretending that we will achieve full employment and rather accept that the private economy is going to have to better support the unemployed. Economic growth and the creation of more and better formal sector jobs is essential but must occur alongside other strategies. Recent research by Studies in Poverty and Inequality Institute (SPII) has explored a combination of the setting of a national 'living' minimum wage, providing a basic income grant to all adults and strengthening the informal sector as strategies for ensuring more equitable economic growth and boosting the economy.

The setting of a national minimum wage tied to a decent living level will protect all low-paid workers. It will also aid a reduction in wage inequality which has risen in the post-apartheid period (Reddy, 2014), as shown in Brazil.

South Africa's social grant system prioritises the elderly, disabled and children. There is significant evidence to show that the current levels of poverty would have been starkly worse in the absence of such a roll out of cash grants (Liebbrandt et al., 2010). The current system excludes all unemployed working age people. A universal basic income grant would not only lessen the burden on those who have jobs, but help kick-start bottom-up economic activity. Evidence from across the world has shown that cash circulating from social grants is able to stimulate economic inclusion from below.

Friedman (2014) argues that the debate over creating jobs often expresses a prejudice - that 'real work' only happens in the formal economy, while in fact the majority of South Africans are active in the informal economy selling fruit, fixing cars and running hair salons. These activities (alongside social grants) are the dominant survival strategy for the poor. Instead of criminalising this sector, as witnessed in the confiscation of goods of informal traders in Johannesburg (despite a court order preventing such confiscation), we need to support and strengthen it to develop pathways to link people who are marginalised from the mainstream economy into sustainable livelihoods.

With the deep social and economic crises facing South Africa, more social and political unrest can be expected. A national minimum wage, a basic income grant and strengthening the informal economy are all strategies which when combined with appropriate macro-economic and industrial policy can bring about more inclusive growth. The coming national elections provide an opportunity for candidates to commit themselves to these and other concrete solutions for inclusive growth.

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