

# BREAKING THE MOULD

Prospects for radical socio-economic transformation

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Edited by  
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# Contents

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List of tables and figures	IV	<b>CHAPTER 3</b>	
Contributors	v	<b>Skills and education</b>	<b>34</b>
Acronyms and abbreviations	VI	Skills and education at a glance	36
Preface	VII	State policy failure in overcoming low employer demand for skills in South Africa	39
Introduction	VIII	<i>André Kraak</i>	
<i>Ayanda Nyoka</i>			
<b>CHAPTER 1</b>		<b>CHAPTER 4</b>	
<b>Economic governance</b>	<b>01</b>	<b>Poverty and inequality</b>	<b>50</b>
The economy at a glance	02	Poverty and inequality at a glance	52
Prospects for radical economic transformation	05	The Millennium Development Goals: Towards a post-2015 development agenda for South Africa	55
<i>Cees Bruggemans</i>		<i>Vusi Gumede</i>	
<b>CHAPTER 2</b>			
<b>The labour market</b>	<b>18</b>	Appendix	69
The labour market at a glance	20		
The changing labour union landscape after the Marikana massacre	23		
<i>Terry Bell</i>			

# List of tables and figures

---

## Tables

- Table 3.1** Key differences between the NATED and NCV programmes at FET colleges  
**Table 3.2** Total enrolments, FET college sector, 2007–2010  
**Table 3.3** Programme composition of the FET college system by programme type, 2010
- Table 4.1** GDP growth, South Africa and other countries, 2000–2010  
**Table 4.2** Percentage of unemployed people in South Africa, 2008–2013  
**Table 4.3** Education in South Africa among persons aged 5–24 years, 2001–2011  
**Table 4.4** Poverty headcounts in 2006, 2009 and 2011  
**Table 4.5** Fertility and mortality levels, 2002–2013  
**Table 4.6** HIV prevalence estimates and the number of people living with HIV, 2002–2013

## Figures

- Figure 4.1** Malaria cases and deaths in three provinces, 2000–2010

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# Acronyms and abbreviations

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<b>AMCU</b>	Association of Mineworkers and Construction Union	<b>NATED</b>	National Education
<b>ANC</b>	African National Congress	<b>NCV</b>	National Certificate Vocational
<b>ASCISA</b>	Accelerated and Shared Growth Initiative for South Africa	<b>NDP</b>	National Development Plan
<b>BoE</b>	Bank of England	<b>NGP</b>	New Growth Path
<b>BRICS</b>	Brazil, Russia, India, China and South Africa	<b>NQF</b>	National Qualifications Framework
<b>COSATU</b>	Congress of South African Trade Unions	<b>NSFAS</b>	National Students Financial Aid Scheme
<b>CSVR</b>	Centre for the Study of Violence and Reconciliation	<b>NUM</b>	National Union of Mineworkers
<b>DHET</b>	Department of Higher Education and Training	<b>NUMSA</b>	National Union of Metalworkers of South Africa
<b>DLF</b>	Democratic Left Front	<b>NVQ</b>	National Vocational Qualification
<b>DSM</b>	Democratic Socialist Movement	<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>ECB</b>	European Central Bank	<b>PBoC</b>	People's Bank of China
<b>Fed</b>	Federal Reserve	<b>RBN</b>	Royal Bafokeng Nation
<b>FET</b>	Further Education and Training	<b>SACP</b>	South African Communist Party
<b>G20</b>	Group of Twenty	<b>SACTU</b>	South African Congress of Trade Unions
<b>GDP</b>	Gross Domestic Product	<b>UDM</b>	United Democratic Movement
<b>GEAR</b>	Growth, Employment and Redistribution	<b>UK</b>	United Kingdom
<b>IMF</b>	International Monetary Fund	<b>UN</b>	United Nations
<b>MDG</b>	Millennium Development Goal	<b>VET</b>	Vocational Education and Training
<b>NACTU</b>	National Council of Trade Unions	<b>WASP</b>	Workers and Socialist Party

# Preface

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Alongside high levels of inequality, South Africa has seen increased social fragmentation over recent years. In 2014, we witnessed the fracture of the Congress of South African Trade Unions, with the expulsion of its largest affiliate, the National Union of Metalworkers of South Africa. The fifth Parliament descended into chaos in what seems to have been the ANC's attempt to undermine the rules of the game in a multiparty democracy. It would appear that the South African social fabric achieved under Mandela's leadership has begun to unravel.

Poverty and growing inequality have been a constant feature of South Africa's democracy, and are likely to undermine prospects for social cohesion. Racial inequality remains salient but, increasingly, class is becoming a key source of division (as identified by South Africans in the South African Reconciliation Barometer). Wage inequality and unemployment are the biggest drivers of income inequality in South Africa. High rates of unemployment continue to impact on the rights of South Africans and, more glaringly, on the future prospects of young people. The aspirations of underprivileged youth are further obstructed by a poor quality education system. South Africa would do well to address the skills shortage and human capital deficit that is crippling the economy.

In 2014, the economy did not perform as expected. The National Treasury revised its growth estimates downwards from 2.7 per cent to 1.4 per cent. For 2015, growth is forecast at 2.5 per cent, still far below the target of 5 per cent set by the National Planning Commission in order to achieve the 'Vision for 2030' in accordance with the National Development Plan. South Africa was also hit by a downgrading of its credit

ratings by the top three rating agencies. The country's fiscal prudence, which was regarded as a key strength, is on shaky ground with analysts raising concerns about deficit levels and a fast-growing public sector wage bill.

It is unsurprising, therefore, that emerging from the 2014 elections, which marked 20 years of democracy, the ANC government has prioritised radical economic transformation for the next five years. Indeed, to produce radical outcomes, South Africa will have to change course and not merely do more of the same. Central to achieving its ambitious goals, the government will have to focus on the efficient management of state resources against a backdrop of escalating corruption. It will also have to work on rebuilding a social pact with the private sector and other social partners, with the introduction of labour market reforms as a goal.

It is encouraging that the number of people living in extreme poverty has dropped. Social grants continue to play an important role as social safety nets to protect the most vulnerable in our society, especially children.

It is in this vexed context that the IJR continues to remind South Africans about the founding values of their Constitution, reconciliation and justice – values crafted from the ruins of apartheid at a time when their realisation seemed most unlikely. I trust that this edition of the *Transformation Audit* will further policy debate about what trade-offs are required of us to improve the well-being of South Africans and to promote a growing and inclusive economy.

Dr Fanie du Toit

*Executive Director: Institute for Justice and Reconciliation*

# Introduction

*Ayanda Nyoka*

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With the celebration of 20 years of democracy in 2014, it was an opportune moment for South Africa to take stock and critically assess progress made towards consolidating its fledgling democracy. To this end, the essential building blocks for a flourishing democracy are credible and strong democratic institutions, a vibrant political culture and, by no means less vital, an inclusive and growing economy. South Africa's liberal Constitution provides a wide array of independent institutions to support democracy. The performance of Chapter 9 institutions, in particular, has been under scrutiny ever since they were first established under Chapter 9 of the new Constitution. With notable exceptions, most of these institutions have not gained much credibility over the years and have simply faded into the background.

Entities like the Independent Electoral Commission (IEC), the Auditor-General and the South African Human Rights Commission have performed relatively well and often have served as best practice models outside South Africa. Since 1994, the IEC has done a sterling job in delivering free and fair elections. However, its future credibility was at stake following the lease agreement debacle involving the Commission's chairperson, Advocate Pansy Tlakula. In a complaint lodged by Bantu Holomisa of the United Democratic Movement and others, the Public Protector found Tlakula guilty of misconduct in awarding the lease procurement deal for the IEC's headquarters to her business partner, Thaba Mufamadi. She was eventually forced to resign after the 2014 elections, following a ruling by the Electoral Court that she be removed from her position. Tlakula's application to the Constitutional Court to appeal the ruling was rejected, and her eventual resignation was critical to safeguard the integrity of this institution.

The laudable achievements of the present Public Protector are most noteworthy. For the first decade and a half of South Africa's democracy, the office of the Public Protector maintained a low profile and was relatively unknown to citizens. Since coming into office, Adv. Thuli Madonsela has been widely commended for implementing her constitutional mandate without fear or favour, particularly in cases involving high-profile figures. This was certainly not always the case. Her predecessor, Adv. Lawrence Mushwana showed little appetite for taking on the ruling party, especially in instances where this involved people in its higher echelons, as was the case with the alleged role that ANC heavyweights Tokyo Sexwale and Kgalema Motlante played in the so-called Oilgate party-funding scandal.

The current Public Protector has gained high levels of public trust, with findings from the South African Reconciliation Barometer (SARB) Survey of the IJR showing that 64 per cent of South Africans have faith in this office. The institution's ranking is exceeded only by citizens' trust in religious institutions. The same cannot be said of government institutions and national leaders. The survey's analysis of the ten-year period 2003–2013 shows decreased levels of public trust in leaders and the executive institutions.

A marked decline in public trust in Parliament is of great concern. Trust levels decreased sharply by 12.7 per cent from 61.6 per cent in 2003 to 48.9 per cent in 2013. This worrying trend points to a decaying parliamentary system that is increasingly failing to exercise its requisite oversight of the executive.

Parliament's failure to perform its oversight function effectively has given fresh impetus to the debate on electoral reform, first raised by the 2003 Slabbert Commission Report. As it stands, there is a wide consensus that the current electoral system of pure proportional representation provides substantial incentives for the executive to buy the allegiance of the legislature. Nowhere is this more apparent than in the outcomes of the parliamentary *ad hoc* committee set up to deal with the Public Protector's recommendations in the Nkandla Report.

The controversial committee commenced its work without the participation of opposition parties, which walked out on what they judged to be a spurious process aimed at undermining the Public Protector. This effectively meant that only ANC MPs were to decide on whether to enforce the recommendation of the Public Protector that the President pay back the portion of state money spent on the non-security items in the upgrading of his private home. Given the fact that MPs are elected through party lists, it was almost impossible that this committee would produce a non-biased outcome and, consequently, its findings were bound to be contentious.

With the *ad hoc* committee absolving President Zuma of any liability, the first months of the fifth Parliament were marked more often than not by pandemonium. While some observers criticised the lack of decorum among MPs, certain quarters held the view that Parliament had become much more robust. The fact that opposition parties, that tended to take positions against each other in the National Assembly, were united over the Nkandla issue, and against the strong-arm tactics of the Speaker, is likely to build a stronger parliamentary opposition

if sustained. The inherent weaknesses of a system with a single dominant party are reinforced by a weak opposition, and this is detrimental to political accountability.

Against a backdrop of institutional weaknesses and limited accountability, civil society organisations (CSOs) have played an important role in strengthening South Africa's democratic political order. Historical alliances established between the ANC and civil society formations in the struggle against apartheid created conditions for a more collaborative relationship between the new regime and CSOs, at least in the early years of the transition. Over time, this relationship had to be reconfigured, with civil society taking on a stronger advocacy and 'citizen-centric' position to safeguard the rights entrenched in the new Constitution. In recent years, the financial sustainability of CSOs, especially those working in the governance and human rights sectors, has been threatened by shrinking international donor funding. Nevertheless, in these trying times, civil society has employed innovative strategies to mobilise across single-issue campaigns.

For example, the Right2Know campaign emerged as a civil society coalition against the Protection of State Information Bill, and has since made important strides in changing the problematic aspects of the Bill. In November 2014, together with the South African History Archive, Right2Know secured a judgement in the South Gauteng High Court that instructed Minister of Police Nkosinathi Nhleko to make public the list of 'national key points' (NKPs), which had become a bone of contention with the classification of Nkandla as an NKP. Other similar campaigns involve a coalition of CSOs for the disbanding of the Sereti Commission of Inquiry into the 'arms deal'. Thus, the collective actions of civil society at large have played an important role in balancing power relations between citizens and the state. Nevertheless, it remains unfortunate that some of the key advances made by civil society have had to be through the courts, which is indicative of a government that is unyielding even when it is in the wrong, and this further strains relations between civil society and the state.

Increasingly, new social media technologies are giving rise to active online publics that are connected to global networks. Technology transforms traditional state-citizen interface mechanisms, and enhances the demand for democracy, which means that the state will have to be much more responsive to the demands of citizens.

An Achilles heel of South Africa's democracy has been the slow pace of economic transformation to improve the material conditions of the majority of poor black South Africans. The country's development trends show that the dividends of democracy have been felt by only a few. Most noteworthy, income inequality within racial groups has increased, particularly in the black African population. Thus, the political stakes were high in the 2014 general elections. Arguably, the performance of the economy, against the background of high unemployment and the political scandals of the ruling party

leading up to the elections, was a key factor in the minds of voters when they went to the polls. Much speculation arose about the future of the ANC, which has struggled to deliver on its promises of job creation, halving poverty and reducing inequality.

This election seemed to potentially mark a new era in South Africa's political landscape with new entrants, such as Dr Mamphela Ramphele's AgangSA and Julius Malema's Economic Freedom Fighters (EFF). In an unprecedented move, ANC stalwarts, Ronnie Kasrils, Nozizwe Madlala-Routledge and Jay Naidoo launched the *Sidikiwe! Vukani!* campaign ahead of the elections, calling on ANC voters to spoil their ballot papers. AgangSA proved to be a dismal failure, but the EFF's performance was most surprising. The party won over a million votes, translating into 25 seats in the National Assembly and making it the official opposition in Limpopo and the North West. Commentators suggest that the EFF was able to garner its support base from disillusioned ANC constituencies and black youth most affected by high unemployment and lack of economic opportunities.

The Democratic Alliance (DA) also increased its share of the national vote to 22.2 per cent, a 5.6 percentage point growth from 16.6 per cent in 2009. However, it did not make any significant inroads in gaining a share of the black vote, despite the party's strategy of promoting rising young black stars, such as Lindiwe Mazibuko and Mmusi Maimane. The party has much work to do to convince the black electorate ahead of the 2016 local government elections that it can advance their economic interests. This follows evidence of ideological divisions within the party on racialised economic redress policies that benefit black South Africans and women.

How South Africa moves forward in terms of the economy has become a key political question and, arguably, this has shaped the ANC's discourse of 'radicalism' after emerging with a victory of 62.2 per cent in the elections, amid low voter turnout in key provinces and stiff competition from the EFF. This term, 'radical', viewed as provocative in some circles, drew interest among the broader policy community, curious to understand what radical economic transformation might mean. Questions have been asked as to whether it has any transformative potential or whether it is simply political sloganeering to match the radical 'red berets'. Either way, it has been given substance in government policy priorities for the next five years, as captured in the Medium-Term Strategic Framework for 2014–2019.

## Chapter overviews

This year's edition of the *Transformation Audit*, titled *Breaking the mould: Prospects for radical socio-economic transformation*, has been developed with the aim of engaging in-depth with the implications of the government's radical economic transformation programme on selected topics covering the four long-standing policy areas of the publication. A broader

objective is to stimulate policy dialogue on the extent to which the issues raised in this publication might impact on the policy agenda of radically transforming the economy in the next five years. For instance, how the changing trade union landscape might impact on what could be achieved is a key question for the government to consider. Equally, the question of skills acquisition is fundamental to driving economic outcomes. The post-2015 Millennium Development Goals (MDGs) agenda will also have a bearing on South Africa's policy choices in the short term. Importantly, the chapter on economic governance seeks to promote constructive policy debate on the prospects and limitations for radically transforming the economy.

### Chapter 1: Economic governance

In a provocative opening chapter article, Cees Bruggemans discusses the limitations and opportunities for radical economic transformation. He takes a long view of South Africa, looking back at the policy choices of the government over the past 20 years and looking forward at what choices are likely to secure a prosperous economic future. Bruggemans argues that the policies of the ruling party have produced disastrous outcomes and have not maximised the potential of the South African economy for sustained economic growth. He agrees that redistribution was necessary but questions the sequencing of political and economic objectives. According to the author, political ideologies of both the past and present regimes tended to distort economic development paradigms, effectively producing distorted outcomes in the economy. However, things can still be turned around, he writes, proposing four scenarios that could put the country on a downward or an upward trajectory. He further contends that the policy incoherencies between the National Development Plan and the New Growth Path will probably derail prospects for the much needed social pact on the economic framework. On this score, he adds a key constraining factor on the economy – the high levels of societal polarisation, which, he argues, 'makes the entire "radical" agenda a double-jeopardy gauntlet'.

### Chapter 2: The labour market

Against the backdrop of the rally held on 16 August 2014 to commemorate the second anniversary of the Marikana massacre, this chapter's article by Terry Bell provides an in-depth account of the historical events and political catalysts that led to Marikana. This well-researched piece offers a narrative of miners' resistance that is often missing from the news media coverage of Marikana. Bell critiques the complacency of the new democratic dispensation in leaving unchallenged the continued exploitative practices of mining companies that have been sustained through the migrant labour system. He argues that Marikana might have been avoided had the different role-players paid sufficient attention, especially to the living conditions of miners. Bell interrogates the role of the National Union of Mineworkers and concludes

that the union had become distorted, paving the way for the rise of the Association of Mineworkers and Construction Union. In his detailed account of miners' resistance, he dismisses the allegations of a third force that were made by South African Communist Party General Secretary Blade Nzimande. Instead, Bell shows that the struggle over power and control of workers has a long history in the union movement dating back to the 1960s. He adds that 'What Marikana did within the ranks of COSATU was to bring to the surface the tensions that had been simmering for more than a decade'. The expulsion of the National Union of Metalworkers of South Africa from the Congress of South African Trade Unions, with speculation that other federation unions might also break ties, threatens to weaken the trade union movement. Ultimately, the biggest losers in this scenario are likely to be the workers.

### Chapter 3: Skills and education

Getting the further education and training (FET) colleges better aligned to the government's economic and industrial policy initiatives is a major priority, writes Andre Kraak. In this chapter's article, he provides an analysis of reforms in the FET college sector. These reforms, he argues, have produced very little success. According to the author, South Africa was ill-advised to follow the skills regime models of Anglo-Saxon countries, which are supply-led.

The curriculum reform from the old trade-oriented NATED programmes to the 2007 new National Certificate Vocational (NCV) had the most destabilising effect on colleges. Kraak argues that both learners and teachers were unprepared for the cognitive and pedagogic demands of the NCV, and this can be observed clearly in poor college outcomes. Another key critique is that employers were largely isolated in thinking through what reforms would be appropriate for the sector. This is evident in the lack of alignment between the new NCV and industry needs, contributing to high levels of unemployment among college graduates, he writes.

Kraak recommends that South Africa adopt a demand-led model for skills acquisition. Successful models seem to be those that integrate economic development and workforce development strategies for each regional context. He further draws on good case studies from Oxford, the Organisation for Economic Co-operation and Development and the United States. Once the Green Paper on Post-School Education and Training is finalised into a White Paper, a new set of reforms will be set in motion, with ambitious targets to be reached by 2030. South Africa cannot afford to do more of the same; it will have to perform a careful balancing act between scale and impact.

### Chapter 4: Poverty and inequality

2015 marks the deadline for the Millennium Development Goals (MDGs), and member states have already embarked on a post-2015 development agenda. In the final article of this publication, Vusi Gumede reflects on progress and limitations

in achieving the MDGs in South Africa. He further discusses the critical policy levers required ahead of a post-2015 development agenda. Inappropriate and ineffective policy-making, he argues, has restricted South Africa's ability to meet all of the MDGs on time. Gumede asserts that South Africa's policies have tended to be too general, instead of being specific to the country's historical context of apartheid colonialism.

The compromises made in facilitating the 'elite transition' in South Africa constrained development, he argues. South Africa failed to set up appropriate policy reforms to boost economic growth, job creation and human capital development. These areas, he notes, were critical success factors for the MDGs. Gumede finds that scant progress was made on poverty reduction and on the health-related and environmental sustainability areas. Anticipating the post-2015 development agenda, he recommends an emphasis on addressing poverty and income inequality and job creation, and on establishing a new consensus around the development framework.

## Prospects for radical economic transformation

For democracy to be meaningful it has to give substance to the notion of citizenship, which should secure all forms of rights, including socio-economic rights. The extent to which citizens can assert themselves and fully enjoy the rights enshrined in the Constitution is determined largely by material access. Thus, creating an inclusive economy not only promotes human dignity, but is also likely to bridge the existing gap between the state and citizens. Breaking the impasse on the economy requires decisive leadership and improved dialogue among social partners.

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