CHAPTER THREE

THE ROLE OF THE PRIVATE SECTOR IN SOCIO-ECONOMIC CHANGE

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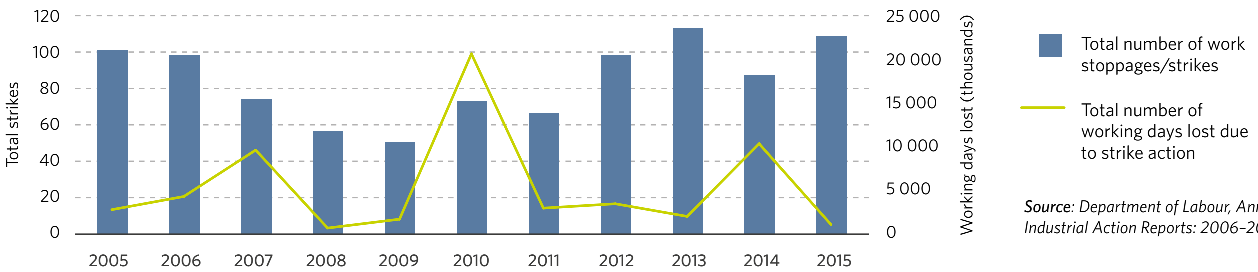
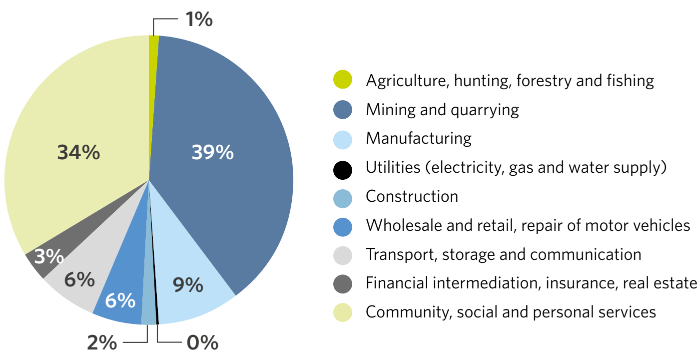
The Department of Labour's statistics highlight that the number of strikes per year does not necessarily correlate with the extent of working days (and productivity) lost, as the latter is largely the consequence of the length of the strike and number of participants (and points towards the importance of dispute settlement and the social compact). The mining and community services sectors were responsible for approximately three out of four strikes (73 per cent) over the past ten years. Public protests have also shown an upward trend, with violent protest action contributing to an increasing share thereof. Despite large-scale labour unrest, according to the WEF Executive Opinion Survey South African executives identify insufficient capacity to innovate and poor public health as the most problematic factors for conducting business.

Total strikes and working days lost, 2005–2015



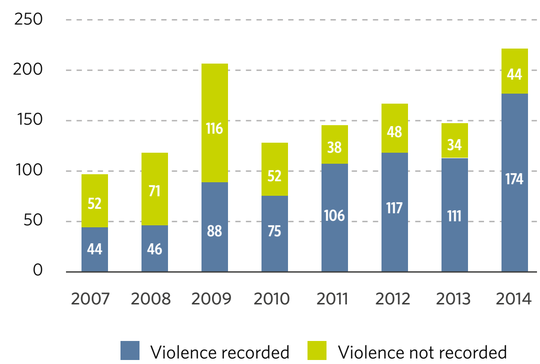
Source: Department of Labour, Annual Industrial Action Reports: 2006–2016

Working days lost: Contribution per sector, 2005–2015 (percentage)



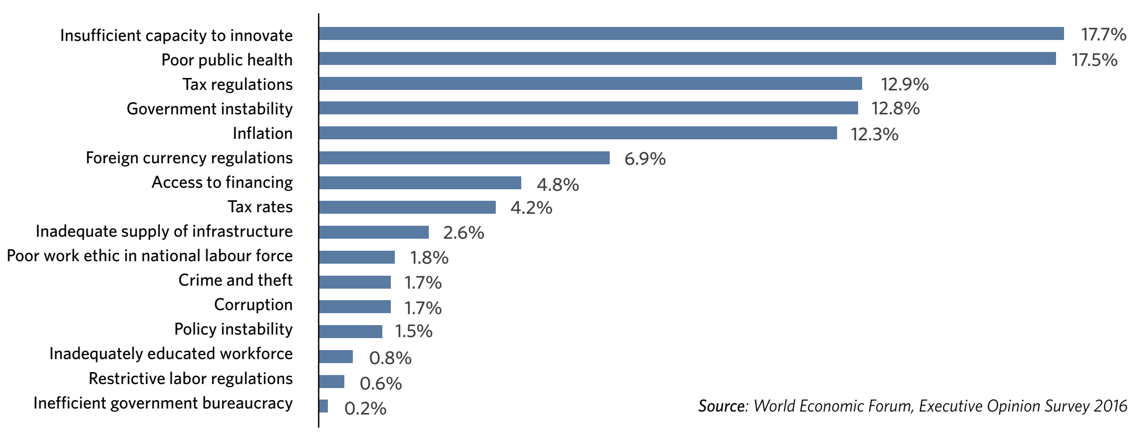
Source: Department of Labour, Annual Industrial Action Reports: 2004–2014
Own calculation based on 10-year average, per sector
Community, social and personal services include education; health and social work; recreation, cultural and sporting activities; and public administration and defence activities

Total protests and violence, 2007–2014



Source: Powell, D.M., O'Donovan, M. and De Visser, J. Civic Protests Barometer 2007–2014. The Multi-Level Government Initiative, Dullah Omar Institute. University of the Western Cape

Most problematic factors for doing business (percentage)



Source: World Economic Forum, Executive Opinion Survey 2016

WEF GLOBAL COMPETITIVENESS REPORT RANKINGS

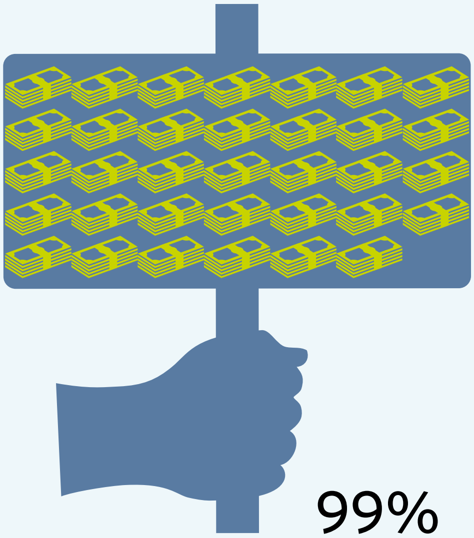
138th out of 138:
South Africa
has the worst
labour-employer relations
in the world

Source: WEF Global Competitiveness report 2016/2017

PRINCIPAL CAUSE OF STRIKE ACTIVITY MEASURED IN WORKING DAYS LOST

2014

10 264 775
working days lost to strike action

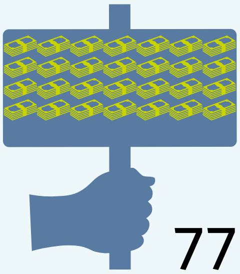


99%

of working days lost, strike related principally to wages, bonuses and compensation

2015

903 921
working days lost to strike action



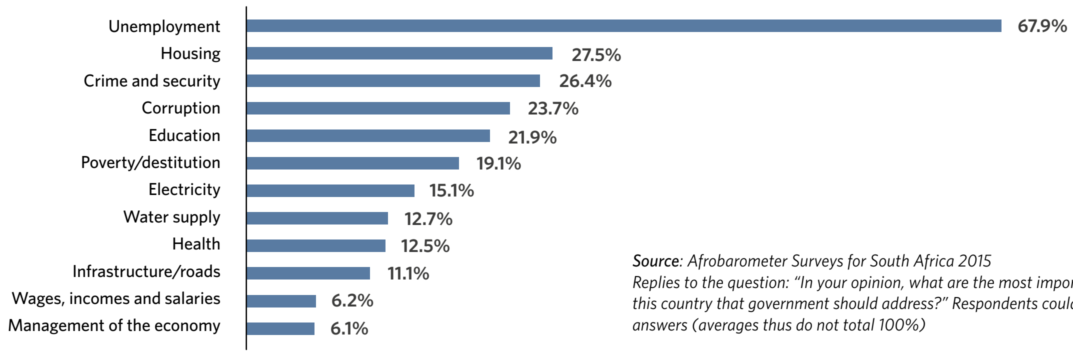
77%

of working days lost, strike related principally to wages, bonuses and compensation

Source: Department of Labour, Annual Industrial Action Reports: 2006–2016

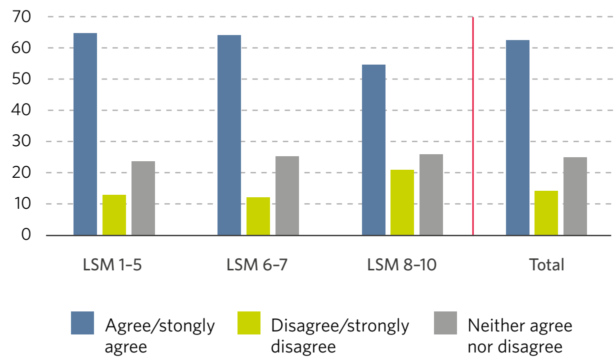
In contrast to the opinion of company executives, the principal causes of strike action from the perspective of labour are wage levels and compensation-related issues. A large majority of broad South African society seems to be concerned with very high levels of unemployment (at 27.1 per cent, or 36.3 per cent according to the expanded definition), with wages and income viewed as a lower priority (at 6.2 per cent). Pertinent to the question of a social compact, the majority of South Africans (across all Living Standard Measurements) agree or strongly agree with the importance of addressing poverty for the process of reconciliation. It is, therefore, worrying that Finn (2015) indicates that 53.8 per cent of South Africa's employees can be classified as 'working-poor'.

Most important problems facing the country (percentage)



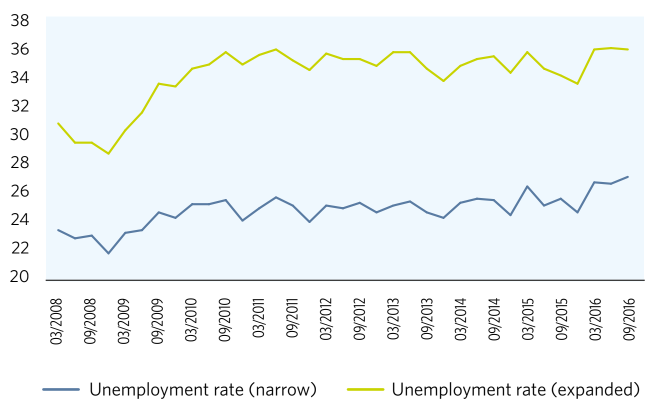
Source: Afrobarometer Surveys for South Africa 2015
Replies to the question: "In your opinion, what are the most important problems facing this country that government should address?" Respondents could provide their top 3 answers (averages thus do not total 100%)

"Reconciliation is impossible as long as people who were disadvantaged under apartheid continue to be poor", by Living Standard Measurement (percentage)



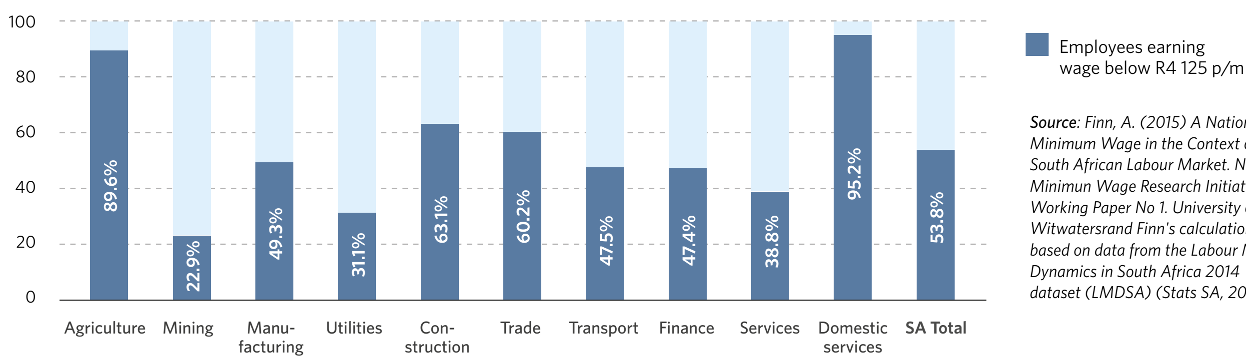
Source: The South African Reconciliation Barometer (SARB) 2015

Unemployment in SA 2008 to 2016 (percentage rate)



Source: Stats SA Quarterly Labour Force Survey (QLFS)

Proportions of working-poor employees per industry (percentage)



Source: Finn, A. (2015) A National Minimum Wage in the Context of the South African Labour Market. National Minimun Wage Research Initiative Working Paper No 1. University of Witwatersrand Finn's calculations based on data from the Labour Market Dynamics in South Africa 2014 dataset (LMDSA) (Stats SA, 2015)

3/ KEY INSIGHTS

- While the country has made significant political headway in entrenching a democratic state, complete with civil liberties and institutional checks and balances, intractable socio-economic inequalities today threaten South Africa's political stability.
- The very concept of a transition denotes the short-term nature of a settlement, with the hope that there would be goodwill to tackle the longer-term challenges related to social and economic transformation.
- Over time, frustration mounted and, today, with the goodwill of the transition having waned, mistrust and polarisation (both social and ideological) have become the order of the day.
- While business leaders focused on the economic policies that would be put in place under the ANC, and the removal of the threat of nationalisation, the ANC was fixated on the political settlement, which it hoped would ultimately secure economic dividends.
- For nearly a decade after the ANC took over power, it continued to be preoccupied with privatisation, consolidation of public finances, and other macroeconomic policies that were regarded as 'prudent' within the neoliberal frame of reference.
- Very high unemployment creates profound strains on social cohesion, narrows possibilities for economic growth and deprives the government of the revenue necessary for development, all of which deepens human stresses caused by the unemployment crisis.
- While the unemployment crisis and various related socio-economic problems receive a tremendous amount of media and academic attention, there is still no clear consensus on why South Africa's unemployment is so much worse than almost anywhere else in the world.
- In order to tackle society's massive socio-economic challenges effectively, there needs to be a capable state, with a leadership that is purposeful and effective, and a bureaucracy that is functional and productive.
- A common thread as far as business and labour are concerned has been the vigour with which both have pursued sectoral interests at the expense of economy-wide competitiveness, and their related reluctance to make short-term trade-offs in favour of long-term economic sustainability.
- The presence of a clear developmental vision, which has an institutional framework for implementation and the backing of a political power, should form the foundation for a strong relationship between business and the government.

Introduction

South Africa lacks a social and institutional framework around which its main social actors can coalesce to push back against the country's mounting socio-economic challenges. With the increasing weight of these challenges putting the very foundations of the post-apartheid state under pressure, we seem to be running out of ideas on finding a common approach that balances macro-economic stability with more decisive action to achieve substantive inclusive development.

While the country has made significant political headway in entrenching a democratic state, complete with civil liberties and institutional checks and balances, intractable socio-economic inequalities today threaten South Africa's political stability. Somehow, the country has failed to graft a negotiated transformation agenda onto the basic political framework that was put in place during the Convention for a Democratic South Africa (CODESA) negotiations. Without this, our country's transition remains incomplete and fragile.

This paper asks how we might regain the momentum. In a pluralistic democratic polity, such as South Africa, with its low levels of interracial trust and equally fractious relationship between the state and business, dialogue, facilitated by a credible and responsive government, remains our best hope for social and economic change. In this regard, there are lessons to be drawn from the early phases of our political transition, which may help to put us back on track towards a more enduring social compact. There are, however, important factors standing in the way of success, amongst them a deleterious political culture that has played a pivotal role in limiting the realm of opportunity. Deliberative democracy remains underdeveloped, and this is borne out particularly in the strained relationship between the government and the private sector. This paper focuses on strategies to overcome the impasse, through the forging of a social compact between the government and business that would bring about a profound change in economic distributive patterns without compromising macro-economic stability.

As such, our major contention here is that the value of dialogue, as the basis for solving the country's intractable socio-economic challenges, needs to be preserved. Without a strong collaborative relationship between the government and the private sector, meaningful reform that would put the country on a higher and more sustainable growth trajectory will remain out of reach. A new social compact should be underpinned by political will, mutual respect between the government and business, well-defined and shared objectives, quality institutions that inspire confidence, a coherent economic policy and development strategy, and a corporate sector that transcends narrow interests and a check-box mentality. All of this will require an overhaul of our political culture, as well as a clear confirmation by the government and business of their *bona fides* in jointly working towards a fairer and more inclusive economic model.

The paper is divided into four sections. First, it provides an assessment of South Africa's political transition in the 1990s to identify the impulses behind today's shaky social compact. In the second section, we take a look at the nature of current socio-economic challenges, focusing in the main on issues related to youth unemployment and social inequality. From here we proceed to interrogate the weaknesses of the existing compact. In the final section, we sketch broad outlines of a proposed social compact grounded on productive government and business relations.

Understanding South Africa's transition and what went wrong

A social compact between the government, business and labour was one of the pivots that defined South Africa's democratic transition. The National Economic Development and Labour Council (NEDLAC) became the new democratic state's first expression of such a compact and, albeit at a sectoral level, initiatives were undertaken to address specific issues related to transformation and wage bargaining. At the time, the creation of such a social compact was crucial, given the deep-seated distrust amongst the stakeholders that had to navigate profound socio-economic challenges. The commitment of political leadership, especially from the erstwhile foes, the African National Congress (ANC) and the National Party (NP), to embark on a process to define the terms of transition helped in building goodwill for the rafts of economic policy reform that followed. There were external factors that lent urgency to the reform process, such as the collapse of communism, the growing isolation of the apartheid government, and an intensified push by international actors for a negotiated solution in South Africa

(Adam, Slabbert & Moodley 1997). The collapse of the Soviet Union, in particular, shattered the notion that the ANC would act as a Trojan horse for Soviet influence in South Africa (Welsh 2009).

Internal factors such as rapid economic decline and fear of civil war, especially against the backdrop of growing uprisings in townships, further nudged the apartheid state towards a negotiated settlement. Choices were limited, especially for the white minority government, but the leadership from both sides of the political divide made the most of the perplexity of the prevailing political milieu. Yet, for a large-scale reform process of this nature, trust was necessary, and the ultimate political settlement of 1994 would not have been possible were it not for the intense trust-building efforts that preceded it between 1990 and 1993. Connective and transformative leadership was a powerful driving force in defining the character of the settlement, with both Nelson Mandela and FW De Klerk acting as the glue that held the tenuous transition together. In important respects, they had to go against their respective parties' scepticism, and convince militants and securocrats alike that negotiations were a higher road worth taking. The very concept of a transition denotes the short-term nature of a settlement, with the hope that there would be goodwill to tackle the longer-term challenges related to social and economic transformation.

The symbolism of the language of reconciliation and national unity, especially as amplified by Mandela, at the time served to give hope for momentous changes in the lives of black South Africans. It was on the basis of this compromise that goodwill was built up, and that there was confidence to drive earlier macroeconomic reforms. However, these measures still represented a halfway house at best. They did not define a transformative agenda to overcome socio-economic challenges, nor did they rescript spatial planning or offer greater inclusion to those who were previously excluded from playing a meaningful role in the economy. Big expectations were created, but bold policy action was largely absent.

The immediate political goal of putting in place a democratic constitutional framework was achieved, but the impetus for change was not sustained. South Africa would remain fractured along racial and ethnic lines, with economic distribution patterns continuing to run along these historical schisms. While the Constitution of 1996 outlined the foundational values of the new democratic state, the fostering of a fairer, more equitable society required renewed effort. Unfortunately, the momentum was lost early on.

A transformational agenda in the form of equity policies, like broad-based black economic empowerment, would prove to be directionless, failing to reach their intended beneficiaries. Over time, frustration mounted and, today, with the goodwill of the transition having waned, mistrust and polarisation (both social and ideological) have become the order of the day. Had black economic empowerment been part of the framing of the original social compact of the 1990s, or had it been prioritised by the Government of National Unity (GNU), South Africa's social reality may have looked very different. Expectations of how the government was to address social challenges diverged, with some placing emphasis on a minimalist government and free-market economics, while amongst the majority of black South Africans there was an expectation that the ruling party would use its newly found power to deliver economic dividends. Much of the negotiation between the ANC and the National Party government, however, was preoccupied with political questions, including the cessation of military hostilities by both sides, dealing with violence, normalising political activity by lifting restrictions, and the release of political prisoners.

As negotiations progressed, there was a growing push for power sharing, the promotion of liberal constitutional values and the protection of private property, mostly to allay the fears of the white minority. At the political level, the social compact was expressed more patently in the establishment of the GNU. Symbolically, this step made a significant impression in countering the narrative of minority rule and political subjugation of the black majority that had prevailed formally since the creation of the Union of South Africa in 1910, and intensified with the introduction of more severe, legislated forms of apartheid in 1948. The creation of a democratic, non-racial South Africa – the essence of the social compact that emerged in 1994 – was the culmination of difficult negotiations between former enemies who recognised the need to compromise for the sake of future generations.

There were, however, many unresolved problems on both the political and the socio-economic level, especially on the latter, which made the social compact tenuous. Worried about the fact that the political change ushered in during the 1990s did not bring about a meaningful shift in the material conditions of the majority of South Africans, the ANC called for a second transition that would require a new social compact, noting the following:

> *having concluded our first transition with its focus on democratisation over the last eighteen years, we need a vision for a second transition that must focus on the social and economic transformation of South Africa over the next 30 to 50 years.* (ANC 2012: 4)

From this perspective, the first transition dealt with the enactment of a new constitutional order, while the second had to address poverty, income inequality and lack of economic opportunities for black people and women.

This two-phased depiction of South Africa's transition arguably points to a recognition on the part of the ANC that the country's elusive economic pact might be jeopardising the stability of its political pact of the 1990s. In present-day South Africa, social inequality and uneven development are disrupting efforts to achieve a more stable and cohesive society. The ANC government is anything but blameless in this regard. Although it would have been unreasonable to expect radical change in the period immediately following the country's transition, a review of the past 22 years points to incoherent efforts, at best, as far as the creation of a more systematic approach towards overcoming socio-economic challenges is concerned. What has been lacking is the imagination and drive necessary for completing the transition to a more equitable society.

A major obstacle to fruitful dialogue on economic transformation at the outset of the transition was the dire state of the economy. Growth was poor; public debt was high. As a result, the economic propositions that gained traction were those that were aimed at stabilisation, namely focusing on growth, cutting the budget deficit, lowering tax on business and attracting foreign direct investment (Giliomee 2012).

Therefore, the initial economic pact was chiefly about getting a sick patient back on its feet, without due consideration for its long-term recovery. Of the four economic scenarios that National Party and ANC heavyweights discussed in the early nineties at Mont Fleur, outside Stellenbosch, the dystopian 'Icarus' scenario worried negotiators the most.[1] In this grimmest of scenarios, a black government would ignore constitu-

IN PRESENT-DAY SOUTH AFRICA, SOCIAL INEQUALITY AND UNEVEN DEVELOPMENT ARE DISRUPTING EFFORTS TO ACHIEVE A MORE STABLE AND COHESIVE SOCIETY.

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tional checks and drive a populist and expansionary fiscal programme that would eventually culminate in an implosion of the economy. The most optimistic scenario, 'Flight of the flamingos', on the other hand, envisioned a country in which all South Africans would rise together through cooperation and negotiation. The establishment of the National Economic Forum (NEF) in 1993, a precursor to the formation of NEDLAC in 1995, was a step towards materialising this scenario. It also signalled a gradual shift in the role of unions from focusing on protests to reconstructing a new society. Yet, most energy was directed towards the achievement of a political settlement, as this was seen as a foundation for a lasting economic compact. On the economic policy front, the compact was tilted heavily in the direction of a more liberal, free-market economics.

The ANC may have won the political battle, but it had far less influence on the direction of economic policy and, consequently, on the character of socio-economic change. Even with regard to the constitutional negotiations, the areas where the National Party extracted meaningful concessions were in relation to economic provisions such as those in its proposal that:

> *a new constitution 'must contain or address' a range of principles including…your property will remain your own – no government will be able to confiscate it through expropriation or nationalisation; a free market economy…* (Welsh 2009: 440)

These negotiating gambits were in reaction to fears of the probable socialist thrust of the ANC upon ascending to power.

Business and political change

Fearful of how the political transition would eventually pan out, the business community, as far back as the early 1980s, had initiated informal dialogues with the ANC in exile. These were meant in part to understand the ANC thinking on economic policy, and in part to begin a process of socialising its leadership to free market economics. The Anglo American Corporation, as a dominant corporate entity, led the way in this regard, with former CEO Gavin Relly initiating a first meeting with ANC leaders in Lusaka, Zambia at the end of 1984, followed by another in January 1985. This was a voluntary initiative of the corporate sector, with no blessings from the political elite. In the wake of these discussions (and there would be many similar informal discussions in the future involving different players, including in Dakar in 1987, Paris in 1989 and London in 1990), Relly remarked:

> *I'm less concerned about who runs South Africa than I am about the form of economic system which prevails. My judgement is that the ANC would be more interested in a viable and vibrant South African economy than they would be in the Marxian form of economy.* (In Pallister, Stewart & Lepper 1987: 196)

The endgame of these discussions, from the point of view of business, was to secure the place for a free-market, capitalist economy when the political order changed.

This was an act of self-preservation, at a time when South Africa's international isolation was intensifying, with major Western corporations pulling out of the country as part of an organised disinvestment campaign. For the Anglo American group, it did not matter whether the political leadership was white or black; what was important was to explore political reforms that would ultimately create fertile ground for free market economics. Sanctions were an albatross around the neck of the white-owned economy, and the only way to unlock the economy would be through political reform. While the business leaders focused on the economic policies that would be put in place under the ANC, and the removal of the threat of nationalisation, the ANC was fixated on the political settlement, which it hoped would ultimately secure economic dividends (Esterhuyse 2012).

During the early stages of the transition, there was also a strong inclination on the part of the ANC to build bridges with the business community. As Esterhuyse (2012) notes in his recollection of that period, Mbeki had underlined the importance of the business sector in playing a key role in the transition to an inclusive democratic dispensation:

> *without the cooperation of businesspeople and without a growing economy, we will struggle with the democratization project…the political process of transition to an inclusive democracy with international status should not be too difficult. We would be able to manage that. The socio-economic transition process, though, is the more complex issue.* (In Esterhuyse 2012: 256)

The crux of the challenge of South Africa's political transition and the social compact that it gave birth to was that it built a halfway house of democratisation that lacked economic foundations. The more intense of these discussions about the character of the economic settlement took place in 1990 at Mells Park, London, and were inconclusive. The euphoria of political change left little room for the creation of a lasting framework that would overcome poverty, bring down the walls of race-based inequality, and diversify the ownership of the economy.

The long shadow of apartheid's socio-economic legacy was underestimated, but there were also objective constraints, particular to the historical juncture of the transition, which encumbered state intervention in the economy. Major shifts in the global political architecture, occasioned by the collapse of the Soviet Union, and a sharp swing of the pendulum from statism to free-market economics, made such strategies politically unpalatable to international financial institutions. These sentiments could not be ignored, given the country's high level of indebtedness, large budget deficits and mounting unemployment. For nearly a decade after the ANC took power, it continued to be preoccupied with privatisation, consolidation of public finances, and other macroeconomic policies that were regarded as 'prudent' within the neoliberal frame of reference (Clark & Worger 2011).

The government was in a bind: in order to make a dent the socio-economic legacy of apartheid, growth was necessary; for growth to happen, massive investment by the private sector would need to be mobilised; and for the private sector to invest in the economy, the government would need to adopt business-friendly macroeconomic policies. The threat of an investment strike in the event of the government adopting populist policies hung over it like the sword of Damocles.

It had been hoped that the political settlement would generate goodwill that would yield dividends for economic growth, which, in turn, would improve the quality of life of the majority of South Africans. Again, imagination was lacking on the part of business and the government on how to join forces in stabilising the economy while formulating a shared vision for inclusive growth and economic prosperity. It was either trickle-down economics that relied on growth, a position pushed strongly by business, or state interventionism, which was preferred by the ANC (but with limited tools and fiscal constraints), in charting this path. The result was a hybrid approach, with policies that helped to create growth, but which failed to bring about a more inclusive economy. Probably the greatest disappointment is the extent to which the economy failed to create decent and sustainable jobs. This weakness became particularly evident when the economy shed more than a million jobs in the 12 months after the country went into recession during the second half of 2009.

Against this global and domestic backdrop, the government's first social-democratic framework in the wake of the transition, the Reconstruction and Development Programme (RDP), which was favoured by the unions, did not stand much of a chance. With the government lacking the resources to implement such an ambitious programme, it opted for a market-based economic path, the Growth, Employment and Redistribution (GEAR) framework, which stressed growth, deficit reduction and the attraction of foreign direct investment. The era of technocratic government had arrived. In justifying its embrace of a liberal reform programme, the ANC contended that:

> *GEAR was a tactical detour necessitated by objective conditions (high public debt and deficit, bloated public service, low growth, etc.) and subjective conditions (distrust by private capital of the new dispensation). We explained that, in fact, after 2000, because of fiscal space eked out by our stabilisation policies, we implemented more expansionary fiscal policies, and experienced a period of sustained economic and employment growth.* (ANC 2012: 9)

The ANC, therefore, had limited room to manoeuvre upon assuming power. It had to undertake large-scale socio-economic reforms, but it could not do so by alienating key social partners, such as business. It was forced to forge a national consensus in respect of state–business relations, while simultaneously cutting across party-political, ideological and racial lines. Towards the end of President Nelson Mandela's term of office, however, fractures appeared between the major political parties, particularly the ANC and the official opposition, the Democratic Party (later the Democratic Alliance). A similar trend emerged in government-business relations, albeit somewhat later during the Mbeki presidency. Trade unions, moreover, adopted increasingly adversarial relations with employers, in both the private and the public sector. In this environment, the goodwill and momentum for the development of a social compact to drive economic change dissipated over time.

The need for a social compact is more urgent than ever. Some have articulated this need in the form of a call for an 'economic CODESA'. Arguably, however, it is not possible under the present political circumstances to conceive of an economic compact as something that would arise purely from roundtable discussions by stakeholders, or as something that would approximate negotiations about a new political settlement. A democratic constitutional order is in place that sets out both political and socio-economic rights, and provides the institutions within which they can be discussed. These include a parliament where legislation is processed, agencies that are responsible for implementing economic policy, and other consultative platforms that play a role in the search for economic solutions to the country's developmental challenges. Before discussing an outline for evolving a social compact, it is important to sketch the nature of these challenges.

The challenge of slow growth and implications for social stability

In its 2011 diagnostic report, the National Planning Commission (NPC) highlighted nine areas that require attention: poor educational outcomes; high disease burden; divided communities; uneven public service performance; spatial patterns that marginalise the poor; too few South Africans who work; corruption; a resource-intensive economy; and crumbling infrastructure (Presidency 2011). Economic underperformance and high levels of social and economic exclusion are at the heart of the challenges identified by the NPC.

Since the end of apartheid, economic growth can be divided roughly into four periods. The immediate post-apartheid period, from 1994 to 1999, was characterised by substantial uncertainty over the state of the transition, and the tentative reworking of the structure of the economy, with a focus on macroeconomic stability. The period ended with the global slowdown triggered by the Asian financial crisis, which flattened out growth as the 1990s ended.

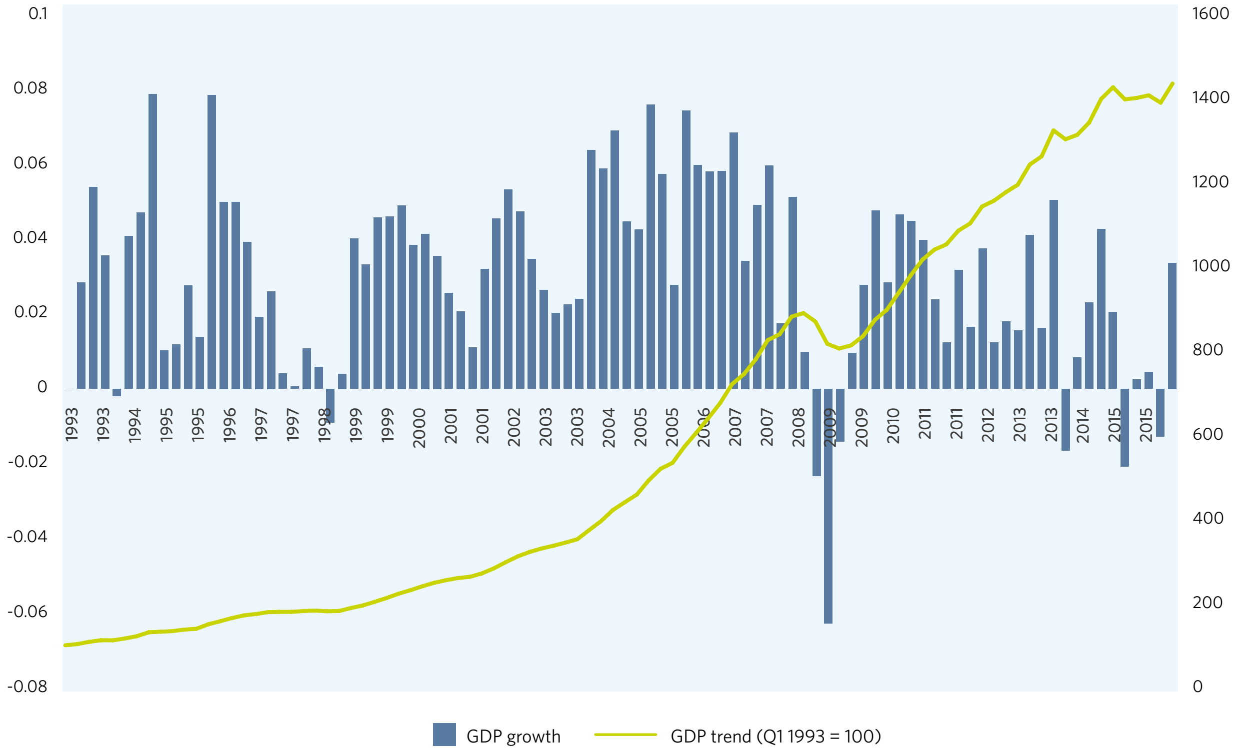
From around 2000 to 2004 the economy experienced some moderation, and achieved relatively stable growth of between 3 and 5 per cent. It was also during this period that the government built up a social safety net in the form of social grants and pensions. Grant recipients grew from 2 million people in 1996 to 13 million in 2008 and 16 million in 2013 (Mbeki & Mbeki 2016). The government's rhetoric shifted at this time, especially after 2004, with less emphasis on macroeconomic stabilisation and free markets, and more on thinking around the creation of a developmental state.

The third phase, running from 2004 until 2008, features some of the most rapid growth in recent memory. This was fuelled largely by rapid global growth, and a global commodity boom, which drove up the price of key commodities like platinum and gold. It was underpinned by a period of increased infrastructure investment, which accelerated as the Zuma administration came to power in 2008.

This year also marked the advent of the most recent growth period, the post-crisis phase. The global financial crisis (and its ensuing spillover impacts, like the European sovereign debt crisis) pushed South Africa into the deepest GDP contraction since the political transition of the mid-nineties, but the economy quickly returned to growth (see Figure 3.1). This was the result of three factors: firstly, the increased infrastructure expenditure since 2008 started to have an impact on the economy; secondly, there was a moderate rebound in global commodity prices in the wake of the crisis; and, thirdly, the roll-out of stimulus programmes (particularly quantitative easing) in the developed world encouraged investment in the developing world. The longer-term impacts, however, have been more damaging. The collapse of commodity prices, a European economy mired in slow growth and political uncertainty, and the slowdown of growth in BRICS countries have had an adverse effect on the global economy. With fiscal buffers largely depleted in the rush to respond to the financial crisis, there was little that could be done in terms countercyclical budgeting to decouple growth from the weak global economy, leaving South Africa to wait for the rest of the world to recover. What we have seen in the period since the global financial crisis is the compounding of internal socio-economic strain – a legacy of historical factors exacerbated by a negative external environment.

Several problems have been omnipresent throughout each of the four periods, the most notable of which is unemployment. It is hard to overstate the seriousness of South Africa's unemployment situation. The rate itself is, of course, remarkable; with an unemployment rate

Figure 3.1: GDP growth at seasonally adjusted constant prices



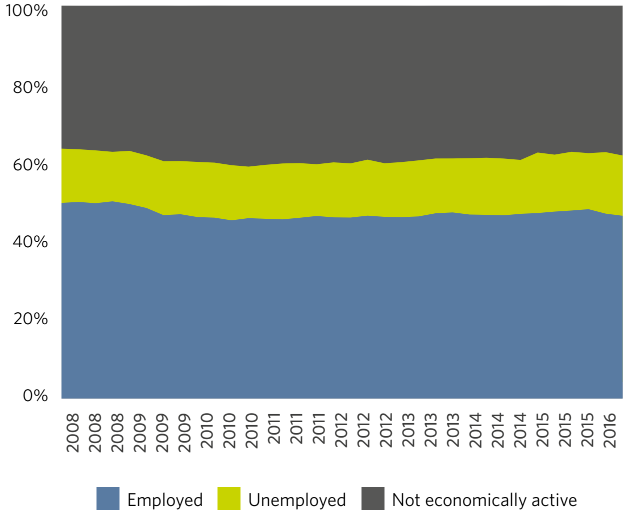
Source: *Stats SA, Gross Domestic Product data, Q2 2016*

of 27.1 per cent and an absorption rate of 42.5 per cent,[2] the entire country is balanced delicately on a thin layer of employed people and a tiny tax base. Expanding this definition to consider precarious unemployment makes matters appear even worse. As can be seen in Figure 3.2, the share of unemployed people as a percentage of the total labour market has barely changed in recent years, and while the period in question does cover the difficult post-crisis period, the rate has changed only marginally since 1994. Very high unemployment creates profound strains on social cohesion, narrows possibilities for economic growth and deprives the government of the revenue necessary for development, all of which deepens human stresses caused by the unemployment crisis. This makes it all the more urgent to shape a new social compact with a dual focus: the immediate challenges facing the economy, and a long-term strategy to create inclusive growth and shared prosperity.

Young South Africans are particularly adversely affected, with unemployment rates of 53.7 per cent for those aged 15–24 years and 31.4 per cent of those aged 25–34 years. Figure 3.3 shows that when these two groups are combined, they make up approximately 70 per cent of all unemployed people. This is clearly a crisis for those who are unemployed, but it also has a broader, long-term impact for us as a society. The youth, particularly, those aged 25–34 years, will raise future generations, drive a large portion of retail sales, and underpin the housing market (among other important social functions). An economy that does not service its youth now creates immediate economic problems, and leaves the next generation at a disadvantage, as they have to overcome the economic hardships faced by their parents. Consumption levels, a critical fuel of the economy, will also be uncertain, making it harder to imagine high growth rates in the future.

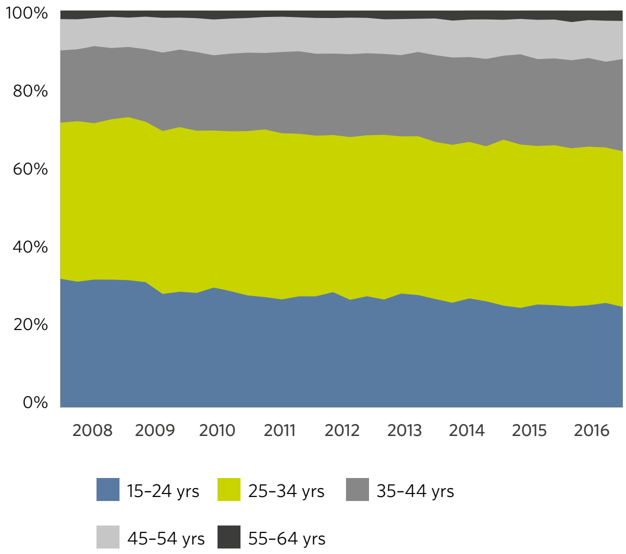
While the unemployment crisis and various related socio-economic problems receive a tremendous amount of media and academic attention, there is still no clear consensus on why South Africa's unemployment is so much higher than almost anywhere else in the world. Brazil, for example, is similar to the South African economy in numerous ways, but even at the height of a deep political crisis and economic recession, its unem-

Figure 3.2: South African workforce by status, 2008–2016



Source: Stats SA, Quarterly Labour Force Survey data, Q3 2016

Figure 3.3: Share of unemployment by age group



Source: Stats SA, Quarterly Labour Force Survey data, Q3 2016

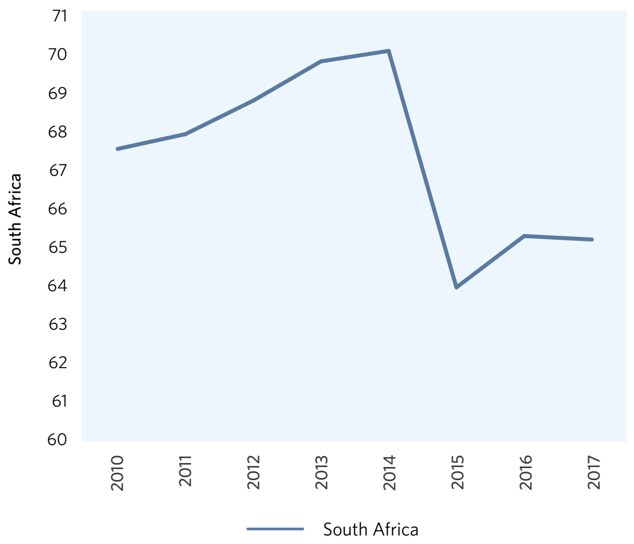
ployment rate remains below 12 per cent. One major factor, according to Harvard academic Ricardo Hausmann, has been 'a structural change in the economy, away from low-skilled jobs, and a significant increase in the proportion of South Africans looking for jobs' (National Treasury 2008: 1). As a result, unemployment spiked over a very short period from close to 15 per cent in 1995 to over 27 per cent in 2004.

A panel of international advisors, appointed by the National Treasury in 2006 to identify binding growth constraints, suggested that poor export performance (another factor with historical roots) presents an additional obstacle to the achievement of a more dynamic economy. South Africa has consistently underperformed in comparison with its peers. Between 1960 and 2004, the real value of exports grew by only 34 per cent (about 0.7 per cent per year), which stands in stark contrast to 169 per cent in Argentina, 238 per cent in Australia, 1 887 per cent in Botswana, 385 per cent in Brazil, 387 per cent in Canada, 390 per cent in Chile, 730 per cent in Israel, 1 192 per cent in Italy, 4 392 per cent in Malaysia, 1 277 per cent in Mexico and 120 percent in New Zealand (National Treasury 2008). While there is no decisive answer for what makes South Africa so unfortunately exceptional, three perspectives are cited frequently.

The first is the 'certainty and policy efficiency theory'. This viewpoint pins the blame largely on political or policy climate factors, such as: a large amount of red tape; a black economic empowerment policy that is narrowly focused and generates few outcomes by way of shared growth or inclusion of those on the bottom rungs of the social ladder; policy that constantly changes and generates substantial uncertainty; and a general lack of faith in a government leadership that is seen as corrupt, self-serving and not up to the task of governance. It is important to stress the fact that, without credible political leadership, there is no basis for a social compact. In order to tackle society's massive socio-economic challenges effectively, there needs to be a capable state, with a leadership that is purposeful and effective, and a bureaucracy that is functional and productive. The state plays a central coordinating role in mobilising other social actors, and in directing energies towards productive ends.

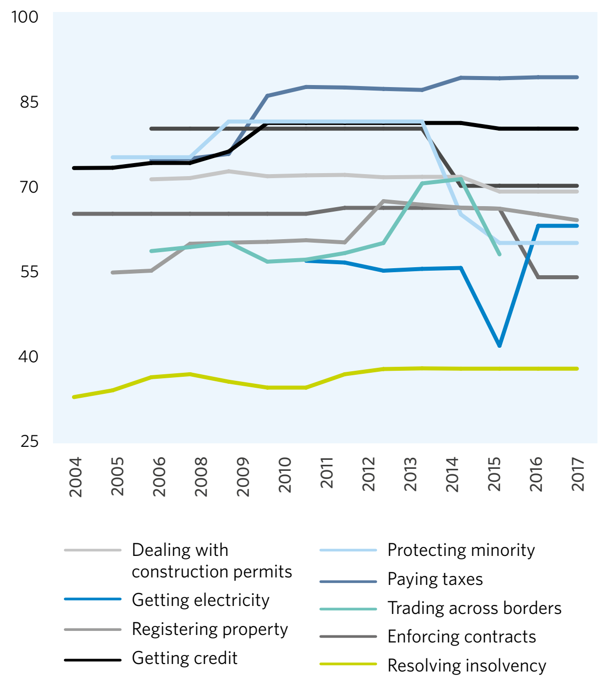
While business red tape is certainly a concern, and something that must be improved continuously, there is little evidence to suggest that South Africa is notably worse off than other major economies on this score. As

Figure 3.4: Ease of doing business overall measure



Source: *World Bank, Ease of doing business, distance to frontier data*

Figure 3.5: Ease of doing business measures



Source: *World Bank, Ease of doing business, distance to frontier data*

can be seen Figures 3.4 and 3.5, South Africa performs relatively well on the World Bank's 'ease of doing business ranking', which assesses the extent of cumbersome red tape that firms encounter. South Africa consistently outperforms leading emerging economies like China and India, although the comparison is a bit misleading, since those economies can compete on their economic fundamentals (like population size and cost of labour), while South Africa must compete against these natural advantages, through factors like a very efficient governance structure.

The ease of doing business ranking also paints an incomplete picture on another score. While many government failings may not be dire, consistent systemic failure can trigger much more serious crises, such as in the case of failure to invest adequately in energy infrastructure. Similarly, a general lack of faith can undermine business confidence and make firms unwilling to invest in or expand employment. These firms are not necessarily correct (in an economic sense) when they make such decisions, but a lack of government action to convince business that the country is on the right track is indicative of an unhealthy working relationship that can have a profound impact on growth.

Closely linked to political instability is instability in the labour market. South Africa lost an average of 206 work hours per 1 000 workers between 1999 and 2008, making it the fifth most strike-prone country in the world (Bhorat & Tseng 2014). Substantial labour unrest is, in part, the result of a labour regime that provides extensive protection to labour movements, and, in part, due to the close relationship between unions and the government, which allows labour to exert influence on aspects of economic policy. More fundamentally, it is based on a poor relationship between labour and business, in which lack of trust and deep animosity are the order of the day.

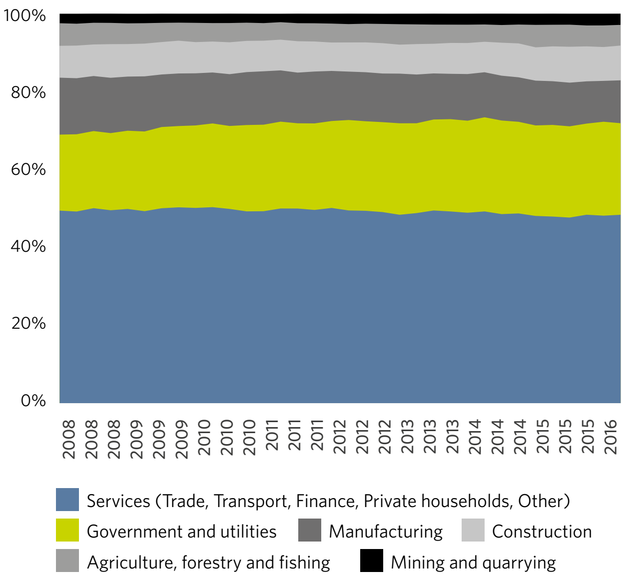
The second perspective relates to the industrial structure of the South African economy. South Africa developed as a mining economy, and relatively rapidly became a services economy, bypassing a period of deep industrial activity, which has resulted in a small manufacturing sector (see Figure 3.7).

While a heavy manufacturing industry, particularly in iron and steel, was developed, it was never on the scale that led to the mass employment seen elsewhere in more recently industrialised states. The weakness of manufacturing, in particular, has often been identified

Figure 3.6: Trends in industrial action in South Africa, 2010–2016

Source: *Department of Labour, Annual Industrial Action Report 2014*

Figure 3.7: Employment by sector, 2008–2016



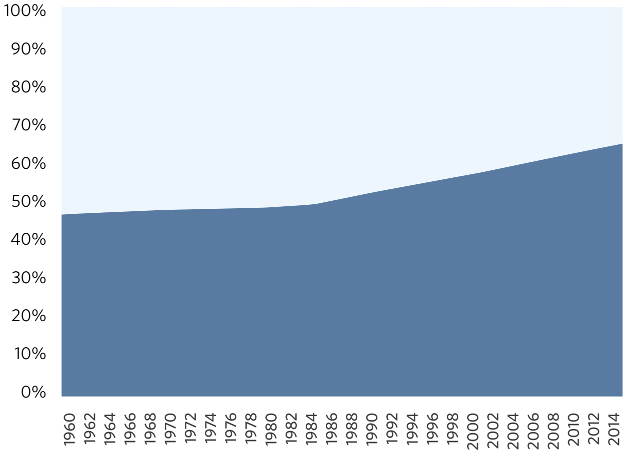
Source: *Stats SA, Quarterly Labour Force Survey data, Q3 2016*

as a systemic problem for the South African economy. Manufacturing is generally considered desirable, because it has extensive linkages to other parts of the economy: the purchase of raw materials, the provision of services, and the development of industrial component supply up and down the value chain. This is complemented by a range of additional spillover benefits, such as strengthening the currency (through both exports and import substitution) and developing technical skills and productive capacity. Perhaps most crucially, manufacturing offers a route to the middle class for those without advanced skills – a vital consideration for human development and social cohesion. This pathway has largely been closed in South Africa, partly because of a lack of industrial activity, and partly because of our now late industrialisation, which typically takes place during a period of capital-intensive production that demands less labour and higher skills.

Although discussed less than manufacturing, agriculture is also of great importance. South Africa employs an unusually small percentage of our population in agriculture. Traditionally, agriculture has acted as a buffer during the process of job creation – a large traditional sector able to absorb the lower skilled, while the rest of the economy evolved to the level at which it could provide opportunities. The unique history of South Africa, however, saw mass dislocation from agricultural land during apartheid, and a politically complex scenario after democracy. The politically charged nature of an agricultural sector dominated by white-owned farms has meant that agriculture has received little support, and with the land reform programme stalled, there is little evidence that transformation will happen rapidly enough to inspire renewed concentration on the sector. The weakness of agriculture has contributed to the rapid urbanisation of the country (as can be seen in Figure 3.8), which, in turn, places substantial strain on major economic centres, and means that the formal economy must absorb the overwhelming majority of the population.

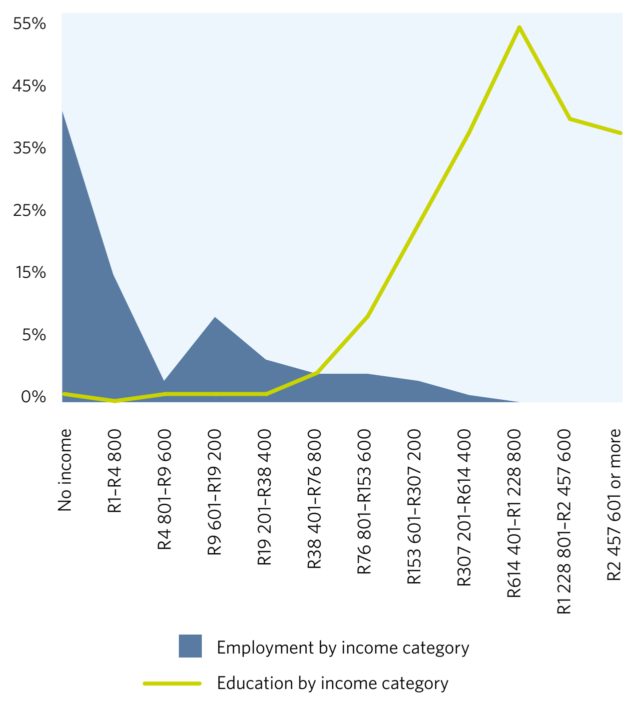
The third perspective on South Africa's high unemployment rate is concerned with economic inequality. Not only is South Africa consistently ranked among the most unequal societies in the world, its inequality also has a pronouncedly racial character. This creates a serious barrier to the type of social progress that facilitates access to work. Most recently, this has been highlighted at university level in the 'FeesMustFall'

Figure 3.8: Urban population as share of total, 1960–2015



Source: *United Nations, World urbanisation prospects, urban population (percentage of total) data*

Figure 3.9: A broken pathway



Source: *Stats SA, Census 2011 data*

protests, but it has also been evident in a long-running critique of the basic education system, which disproportionately benefits the wealthy while failing the poor. As can be seen in Figure 3.9, someone looking to move up the income ladder faces narrowing job opportunities and rapidly escalating education demands. Deep inequality undermines access to scarce opportunities and leaves much of the population fighting for too few low-income jobs.

However, inequality has side-effects other than its impact on social mobility. There is a growing consensus, backed by empirical evidence, that inequality slows economic growth. Thomas Piketty has become the most noteworthy proponent of such thinking, but more recently, orthodox financial institutions, such as the IMF, have echoed this view (Ostry, Berg & Tsangarides 2014). The mechanisms of this impact are still contested, but one is particularly interesting for South Africa. As a service economy, employment grows fastest when domestic demand for retail services expands. Retail services grow fastest when there is a strong middle class that can purchase such services. It is here that South Africa is perhaps most anomalous. Globally, income inequality tends to be split roughly 50/50, divided between the combined wealth of the bottom 40 per cent and top 10 per cent, and the middle 50 per cent.

Realistically, all of the above explanations contain a measure of truth and, thus, the answers may lie in a combination of them. However, the differences are important. With no consensus, even in diagnosing the problem, it becomes very hard to rally key constituencies around a common economic vision, or what we have been referring to in this paper as a social compact. This is especially true when different groups have vested interests in backing particular explanations. Business will go for the policy uncertainty explanation or blame political factors broadly, while labour is likely to emphasise class issues (the inequality explanation, in particular), and the government will emphasise the legacy of apartheid and exogenous factors.

Creating a social compact that can move the economy forward needs to take into account all of these divergences. Finding a shared platform on which the various ideological perspectives, political inclinations and sectoral interests can be rationalised through deliberative processes into a common pragmatic vision for the country could help a great deal. The earlier platforms for such a social compact, in the form of the NEF and later NEDLAC, have reached a point of exhaustion. This is due largely to the fact that mechanisms like NEDLAC were created to shore up a specific type of political transition, with key actors having to grapple with immediate challenges, which involved the formulation of the initial raft of economic and labour market policies. They have reached their sell-by date, and a new framework for navigating solutions in the future is urgently required.

The weaknesses of the current social compact

Few developments symbolise the fraying of South Africa's tentative social contract as clearly as does the demise of NEDLAC. Established in 1995, it represented the post-apartheid hope that equal, representative engagement could overcome entrenched divisions. Yet, while this body has had some success, most engagements have stumbled on the same real fault lines that cut across South African society. When important agreements have been reached – as in the recent case of the minimum wage – too often the resultant compromises have left everyone unhappy, raising questions about the extent to which sustained compromise can be attained in a society that is so deeply polarised. Moreover, it has raised serious questions about the overarching capacity of institutional structures to compensate for a broader lack of unity.

NEDLAC has its origin in the merger of the NEF and the National Manpower Commission (NMC) – two negotiating forums established during the transition to debate economic policy for the new government. At its formation in 1995, NEDLAC aimed to achieve the triple aims of growth, equity and participation through negotiated agreements (NEDLAC 2015), rather than a set of talks resulting in an outright 'winner' (Parsons 2001). It was structured around three chambers, which included the three core members – labour, business and the government – and focused on issues of labour, trade and industry, and monetary and fiscal policy. A fourth chamber included the additional constituency of 'community', and focused on social policy. There are representational problems, or a democratic deficit, in NEDLAC. Consider, for example, the so-called community representation in NEDLAC, alongside trade unions and business. Most of those who purport to be representing the 'community' are former unionists, ANC politicians and South African Communist Party activists. They have no legitimacy to speak for the broader interests of South Africa's diverse communities. The poor, in whose name NEDLAC exists, have no say in this body.

Throughout its existence, the functionality of NEDLAC has shifted substantially, with various developments roughly fitting into three periods.

The first was the foundational period for NEDLAC, which was characterised largely by debates around the Labour Relations Act 66 of 1995 (LRA) and related work. The LRA was and remains one of the landmark legislative achievements of the post-apartheid era, defining a wide range of labour protections and establishing a clear dividing line between unions and the private sector, which frequently bemoans the restrictions imposed by the LRA. One of the defining features of the negotiations in this phase was the close relationship between labour and the government or, more accurately, between the Congress of South African Trade Unions (COSATU) and the ANC. The result was the passing of legislation that business was never fully comfortable with, and which remains a frequent point of contention in debates around labour market flexibility and when strike action breaks out. While the LRA negotiations produced an important outcome in terms of a critical piece of legislation, the process itself undermined the reasons for which NEDLAC was established, namely the forging of consensus around key economic legislation. A social compact, if it is to be credible in the eyes of all stakeholders, requires sufficient consensus.

The degree of consensus shifted with the second, highly contested, phase, which was framed by the GEAR strategy. GEAR was widely regarded by labour as a move towards a more business-friendly approach to the economy, even while the private sector continued to complain about the excessive power wielded by labour. This nascent strain was deepened by the institutional damage brought about by the departure of NEDLAC's executive director, Jayendra Naidoo, and a resulting vacancy in the senior leadership position for 12 months (Bassett 2004). The period coincided with the consolidation of power under the Mbeki administration, which saw decision-making increasingly centralised in the presidency and, to an extent, the ANC. The Mbeki era, with its technocratic high-handedness, foreclosed any possibility of a broadly shared social compact. The result was the creation of major policies that angered both labour and business, and a consequent weakening of NEDLAC.

Apart from the fact that it was formed to counter the apartheid-era practice of unilateral decision-making processes on economic and social policy, NEDLAC also set itself the objective of promoting economic growth and social equity, as well as minimising tensions in industrial relations. It has not been able to achieve these objectives.

Over the past 17 years, industrial disputes at NEDLAC have continued to surge, in both the public and private sector. At one point, it threatened to throttle innovative ideas, such as youth wage subsidies, without putting in place any feasible alternative to infuse dynamism into the economy. Sectoral interests in business have also sought to use NEDLAC to canvass for tariff protection for sectors that cannot withstand global competition. A common thread as far as business and labour are concerned has been the vigour with which both have pursued sectoral interests at the expense of economy-wide competitiveness, and their related reluctance to make short-term trade-offs in favour of long-term economic sustainability.

The third phase has been characterised by a growing and over-layered agenda, thereby making this institution lose its relevance. The GEAR period and that of its successor, the Accelerated and Shared Growth Initiative for South Africa (ASGISA), practically ended with the ascendance of the Zuma administration. While the initial period of Zuma's presidency saw a brief resurgence in the influence of labour, it did not result in the revitalisation of NEDLAC or the putting in place of a new mechanism to build a social compact. Relations between the trade unions and the ruling party would become strained over time, industrial action (especially in the mining sector) would mount and the factious battles within the tripartite alliance would sap energy for policy innovation. The NPC appointed by the Zuma administration lacked the required authority to drive social and economic change. It could not act outside the consent of the affected ministers, regardless of the initial public support it enjoyed. Furthermore, the political gridlock under Zuma and poor relations between the government and business meant that there would be no structured mechanism drawing together key social actors to push for a social compact that could create conditions for inclusive growth. The resultant discontent with NEDLAC as a forum for self-serving interest reached its peak after the massacre at Marikana (Gumede 2015), with the tragedy highlighting the very deep divisions between labour, business and the government, as well as the devastating consequences for the economy.

All three stages are bound by a set of common problems, key among them being the inability to operate on the basis of consensus. In effect, the three phases reflect shifting power balances within NEDLAC, the first phase dominated by labour (and backed by the government), the second by the private sector (again with the backing of the government) and the third seeing a loss of authority by NEDLAC, and a general rise of mistrust in the institution.

As deep as concerns are about these divisions between the tripartite forces of labour–business–government, so are worries about the widening schisms within each constituent sector. To compound matters, NEDLAC has neither the credibility nor the capacity to bridge these. Labour is most clearly divided, with increasing fragmentation from both the split within COSATU, and the rise of more militant alternative unions, such as the Association of Mineworkers and Construction Union (AMCU). The government underwent a period of extensive fragmentation at around the same time as the foundation of NEDLAC, with responsibilities divided between different levels of government (national, provincial and municipal) and across various functions (with an ever-growing roster of departments, agencies and state-owned enterprises).

This fragmentation is a problem primarily because of poor systems of communication and coordination, but the divide is now even wider, with intermittent tension between some departments (e.g. the Treasury and the Presidency, for example) and clear ideological differences between others (e.g. the Treasury and the Department of Trade and Industry, or Eskom and the Department of Energy in respect of green energy). Finally, business is being dogged by institutional weakness, particularly with instability at Business Unity South Africa, and by profound division between businesses on multiple levels. These manifest between large and small industries (the latter generally being poorly represented), and between white- and black-owned businesses (notably with the formation of the breakaway Black Business Council). With lack of unity in each constituent part, it will prove increasingly difficult to achieve consensus by way of

FAILURE TO MOULD A SOCIAL COMPACT WOULD PROLONG UNCERTAINTY, INTENSIFY ECONOMIC STRAIN AND CONTRIBUTE TO CONDITIONS THAT GENERATE SOCIAL INSTABILITY.

the NEDLAC machine. Worryingly, the prospects for a social compact now seem even further out of reach than during the early phases of political transition.

Broad outlines of a social compact: an improved government and business relationship as a catalyst for change

The relationship between the state and the private sector differs widely around the world and, indeed, within individual countries. The private sector is not a homogenous body. Some sectors and firms have a much closer relationship with the government than do others. In some sectors, the government may be an active participant, in the form of state-owned enterprises. Similarly, the government may have good but highly fragile relations with business, the relationship breaking down when the government does something the private sector does not like. The complexity underlying state–business relations notwithstanding, there do seem to be some governments that find the right balance – where the relationship drives, rather than hinders, growth.

In South Africa, more than ever, there is a need for sustained dialogue between the government and business to navigate the country out of its current low-growth trajectory. Over the past five years, there has been great apprehension about the deteriorating state of the economy, and the lack of leadership in addressing it. Leadership, or the absence thereof, seems to be at the heart of our current challenges. Such leadership, in terms of defining a shared vision for the future, should be forthcoming from the government; but the private sector, too, given the resources at its disposal, should be challenged to do more than simply driving social corporate investment projects.

Society expects much from both government and business leaders in generating solutions to mounting social and economic challenges. There are historical antecedents to fraught relationships between the government and business. Even under apartheid, there were often frosty relations between the Afrikaner political elite and the guardians of Anglo-Saxon capital that dominated the mining sector. Some of these tensions centred on the terms of the latter's contribution to the fiscus and broader social development (of the Afrikaner community in the main). As is the case today, ideological antipathy was not in short supply, with the nationalists arrayed against those they perceived to be representing imperial interests.

The presence of a clear developmental vision, which has an institutional framework for implementation and the backing of a political power, should form the foundation for a strong relationship between business and the government. It is not enough for this vision to simply map the outlines of development, as the NPC has done with the National Development Plan (NDP) or, indeed, as was the case with the RDP in the 1990s. It, furthermore, needs unambiguous political backing, expressed in a designated implementation agency or agencies, something that is also currently lacking in South Africa.

While all sides need to be receptive to dialogue, it would be up to the government to take the initiative in reaching out to other parties. Although running against time, the NDP could be a starting point for such conversations, especially as it relates to the chapters that deal with economic and social infrastructure. What must be clear is that failure to mould a social compact would prolong uncertainty, intensify economic strain and contribute to conditions that generate social instability.

Unfortunately, some of the more recent initiatives have been short-termist, reactive and/or self-serving. An example of this is President Zuma's call in 2012 on government and corporate executives to tighten their belts, through a pay freeze, as a way of signalling a collective commitment to combatting inequality. Inequality, along with corruption, represents the ugliest part of South Africa's social underbelly. It poses a serious danger to long-term social stability. Political leaders need to pay attention to their own obligations before pontificating about the role of business in society. As it is, many creative initiatives on the part of business leaders and other individuals to promote social change in society are undermined by persistent corruption in government, and a hostile attitude towards the business sector.

Whenever the government engages positively with business, it is not with a view to crafting a long-term social compact, but to address short-term concerns or to get buy-in from business (e.g. to present a façade of unity close to the State of the Nation Address or to ward off the possibility of a credit rating downgrade).

A social compact that could formulate an effective solution to the country's deep-seated social problems

A SOCIAL COMPACT THAT COULD FORMULATE AN EFFECTIVE SOLUTION TO THE COUNTRY'S DEEP-SEATED SOCIAL PROBLEMS REQUIRES THAT THE GOVERNMENT AND BUSINESS LOOK PAST THEIR DIFFERENCES AND CONSIDER THE FUTURE.

requires that the government and business look past their differences and consider the future. Business would have to come out of its own comfort zone and realise that it has a stake in the stability of South Africa, and that a thriving, stable democracy is good for business. Without a doubt, the conversations are going to be difficult, but they are necessary and may very well help society to deal with its own difficult conversation about the effects of the legacy of the past , and to be animated by the possibilities the future holds, as expressed in an emerging social compact crafted by the government and business.

Conclusion

In an article on difficult conversations, Professor Arnold Smit of the University of Stellenbosch School of Business draws on the themes of the book titled *Difficult Conversations*, published as part of the Harvard Negotiation Project (Smit n.d.; Stone, Patton & Heen 2000). In the book, the authors distinguish between three types of conversation. The first of these is the 'what happened conversation', in which differences relate to specific facts. Instead of exploring the views and truths of others, we rather fight for the acceptance of our version of things. Individuals and groups sometimes tend to find it hard to transcend their ossified biases to explore what the world of the other looks like, or just to take a moment to listen and understand. This requires strategic patience in a search for something bigger and more uplifting than the current position.

The second is the 'feelings conversation', in which we recognise the emotional charge between and within us. Here, instead of acknowledging and owning up to discomfort, we apportion the negative emotions to the other party and, consequently, rob the conversation of honesty and inter-subjective connectivity. This represents a failure to take responsibility for our perceptions and the negative emotion that they generate.

The third is the 'identity conversation', which we can find threatening, with the consequence that we seek protection in a group similar to ourselves while labelling the others as the enemy. Dogma becomes our guide here. We exchange our dogma with those who have a dogmatic outlook similar to ours, and when we are challenged, we immediately close rank. Instead of searching for new solutions, we seek affirmation for our heuristic biases, sometimes taking refuge in a racial group or clan, thereby missing the opportunity of building something bigger than ourselves that we could bequeath to future generations.

As William Eggers and Paul Macmillan (2013) point out, citizens, businesses, entrepreneurs and foundations often turn to each other rather than relying solely on the public sector to coordinate solutions to every problem. The time has come for business leaders to raise their platform of engagement with the government. If things were to collapse, the effect would reverberate across society, the economy would be badly damaged, return on capital would be whittled down and social instability would become pervasive. The fiscal strain that is likely to follow in the wake of the sub-investment downgrades, for example, will not only induce pain for those in Luthuli House or the Union Buildings, but will also weigh heavily in the corporate boardrooms, in the profits of companies, and in the pockets of the middle classes through high taxes. Menacingly, it could debase the livelihood of ordinary citizens.

More than a ratings downgrade, we need to be concerned about the character of leadership that tough economic times tend to produce. When it gets tougher in the economy, politicians tend to appeal to raw nationalistic feelings and the emotive issue of race, and to shift the blame to corporates that are resisting transformation. Populism gains wider currency in such circumstances, and this tends to play to growing resentment caused by high levels of social inequality and declining opportunities for gainful employment.

Granted, it is not the core business of corporates to fix politics. It would be regrettable, however, if business leaders were to fail to recognise their transcendental role as social actors who have it within their power to contribute meaningfully to social change. They do not have to shout from the rooftops or support political parties to play this role, but should be good corporate citizens, committed to meaningful transformation and willing to contribute to solutions. This can be done in formal forums, or via informal dialogues with the government, but also through playing a nurturing role in the renewal of ideas for change in the form of support to think tanks.

One thing we have learnt from experience is that meaningful dialogue, between partners who are invested in finding an outcome, can create new possibilities. The walls of mistrust can be broken down, and new societies, under a credible leadership, can rise from the rubble in the wake of conflict. Experience has taught us, furthermore, that technocratic policies and other approaches that lack consultation do not help societies to improve. Often, they have an opposite, polarising effect. Leaders – whether in government or business – therefore, have to work and, importantly, learn to trust across their domains to ensure lasting solutions.

Finally, there is a need to move beyond the revision of plans and tweaking on the margins, and to commit to intense implementation. South Africa has seen too many half- or un-implemented plans. Our catalogue of policies includes the New Growth Path of the Economic Development Department, the National Industrial Policy Framework of the Department of Trade and Industry and the NDP of the NPC. Provinces also tend to develop their own growth strategies that sometimes are not properly aligned with national policy frameworks. At the national level there seems to be a paralysis in policy implementation, precisely because of weak leadership. Quite clearly, there is the need for much better alignment in terms of the institutions of governance responsible for economic policymaking but, importantly, there is also the need to rebuild trust and knit together a new social compact that would open up possibilities for shared growth.

ENDNOTES

1 The various scenarios were: 'Ostrich in the sand' (a recalcitrant white government rejecting a negotiated settlement); 'Lame duck' (a prolonged transition under a weak government, satisfying no one); 'Icarus' (a black government ignoring constitutional checks and driving a populist and expansionary fiscal programme that would lead to the collapse of the economy); and 'Flight of the Flamingos' (a scenario in which everyone rises together).

2 The absorption rate refers to the percentage of the working-age population employed. Unlike the unemployment rate, it also counts those who are not actively looking for work.

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