



## **Make the South African economy work for graduates**

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There is a lot of talk about the South African economy but not enough concrete economic policy recommendations. Even the treasury's revised discussion document lists broad interventions in the economy, which are necessary, but are not policy. The section that could have proposed a macroeconomic framework gives what economics textbooks written many moons ago say. A framework such as the erstwhile Growth, Employment and Redistribution (Gear) strategy could have been proposed.

This is not to say the treasury's discussion document is not helpful; it is a welcome attempt to develop an economic policy. Economic policy must be informed by a clear understanding of an economy. Gear understood that a structural adjustment economic policy was necessary to stabilise the economy. Barring the effects of the 1997-1999 Asian financial crisis, the economy grew substantially from about 2000 and the growth stayed above 5% until 2007.

Reforms in policies and the sequencing of those reforms are critical aspects of policy formulation. The Accelerated and Shared Growth Initiative for South Africa happened relatively late and it was not implemented.

Finance Minister Tito Mboweni spoke of "policy missteps" while delivering the medium-term budget policy statement last week. For South Africa, it is a lot more profound. After tripling to about \$400-billion in 2011, the size of the economy has been declining. Consequently, unemployment is rising fast.

The deteriorating economic performance might have exacerbated a demand-side constraint to job creation instead of the purported skills mismatch. Granted, there could be a skills mismatch in some sectors, but this is not the sole reason for the rise in graduate unemployment. There could be some form of rationing at company level: they may be employing graduates from certain tertiary institutions and discriminating against those from others.

The wage subsidy programme, later modified to be an employment incentive policy, was going to address this problem but it is late now because the fiscus has worsened since the programme was approved by Cabinet in 2006. The poor management of public finances has caught up with the country. The global economic recession occurred in 2008-2009 and had an effect on the

economy. But the economy began declining earlier than that. The recession certainly had an effect on the economy but most other economies have returned to the levels of economic performance they were at before the recession.

While efforts to get public finances back in order and initiatives to grow the economy are being pursued, graduate employment, which could contribute to South Africa's economic growth, must be given special attention.

Given the realities South Africa is facing, we should revisit the suggestion that we should create an economy for the skills we currently have.

Part of the problem is that there has been a structural shift — primary sectors of the economy have been declining while the services sector has been expanding. It is also said that the fourth industrial revolution requires certain skills.

There are many government initiatives to deal with unemployment in general. Those initiatives are important but they are scratching the surface and some of them cannot be fully implemented because of the current state of public finances, which is expected to worsen.

Making the present fragile economy work for the youth is possible. Among the interventions that can be pursued are reskilling the youth in various fields and reorienting thinking about some sectors of the economy.

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It should not be difficult to prepare graduates to better participate in the services sector. Efforts must be put into getting the youth to participate in the retail sector, the hospitality and tourism industry and the vehicle sector. Given the changing nature of jobs globally, the youth in South Africa can take up opportunities in what is traditionally known as the informal economy. It is however disingenuous to expect commerce and or science graduates to partake in certain sectors of the economy.