



Unemployment Songezo Zibi

How to stop the social and economic Armageddon

THE disgraceful Limpopo textbook scandal must have given Finance Minister Pravin Gordhan a severe stomach ulcer. Managing any organisation's finances gives fascinating insight into its soft underbelly. People in his position do not worry only about the current state of finances, but the future state too — the organisation's ability or potential to generate more revenue.

It is our potential to generate tax revenue in the medium to long term that probably causes Gordhan to want to eat his shirt. Betraying a calamitous failure of democratic governance, leadership and administration, our continuing failure to fix basic education has the makings of an economic Armageddon. The denouement of this story is simple but it is unlikely to be told in a politics so laden with obfuscation and false optimism.

The nondelivery of textbooks in Limpopo is just the tip of the basic education iceberg. For instance, of the full intake that begins schooling in Grade One, 35% eventually drop out before Grade 12. These fill the ranks of the structurally unemployed with little or no hope of finding meaningful employment without the necessary skills.

Of the 511,000 who enrolled for matric last year, 496,000 sat for their exams but only 24% managed to achieve a university entrance endorsement. Far less than half of those who sat for their exams had mathematics and physical science in their portfolio. Of these, only 46% achieved the 30% it takes to pass both subjects.

Only 15% of those who passed and gained university or university of technology entrance and managed to enrol will complete their studies, according to a 2008 Human Sciences Research Council report. High school and university dropouts, and those who secure post-school qualifications that fail to secure them jobs, join the ranks of the unemployed. In short, the school system produces hundreds of thousands of unemployed young people every year, adding to the millions already without jobs.

What does this have to do with Gordhan's

fiscal-management worries? Part of his job is to assess the extent to which our tax base will grow. Youth unemployment is serious because it leads to three untenable problems in the future.

The first is that those who take a long time to find jobs are likely to start at a lower income than their predecessors, making it likely that during their lifetime they will earn less than their initial potential. This has grave consequences for tax collection as the tax base will progressively shrink.

The second is that the billions of rands allocated to basic education become a complete waste when children drop out of school or do not realise their skills and economic potential after finishing school. Instead of generating tax revenue for the state, they continue to be a burden, on their parents and other close relatives in particular.

Third, the continued production of des-

'Youth unemployment is serious because it leads to three untenable problems in the future'

perate, unemployable young people will lead to social instability and crime, for which Gordhan must find more money. It will also make his and Trade and Industry Minister Rob Davies's job of attracting foreign investment harder. Investment appetite drops if the host country is unstable, crime-ridden and offers limited skills or knowledge.

From here, the problem spirals out of control as the burden of adult dependents and their children strains the wage income of parents and other close relatives. This happens in an environment where food and other inflation accelerates faster than individual incomes. Wage inflation worries Gordhan and Davies, and so it must Economic Development Minister Ebrahim Patel. If labour costs grow too fast without a commensurate increase in productivity, our exports lose their competitiveness.

But how can we get out of this accelerating

spiral? The first is for citizens to grow a backbone and recognise that the failure of politicians and administrators to deliver minimum education standards is tantamount to destroying our collective future. Firing Basic Education Minister Angie Motshekga is not a silver bullet for a chronic systemic problem. Parents, school governing bodies and community leaders have to develop extreme impatience for this awful joke we call basic education. We have to demand accountability, and that means making the lives of those who volunteer to political leadership uncomfortable if they fail. This is how democracy is supposed to work.

Second, policy makers must recognise that as much as we desire First World status, most South Africans live a Third World existence. High-minded policy interventions premised on a tertiary economy will not deliver the employment utopia we fantasise

might be an inevitable outcome of population expansion but this does not appear to be well managed by rural municipalities.

It is not too late to revive people's interest in farming for their own food. When I was growing up, there were government tractors for which a nominal fee was charged, and fertiliser was subsidised. People used their cattle to till the land and grow maize, pumpkins, beans and other produce for their own consumption. That practice is almost dead now. It must be revived. Second, the atrocious state of rural roads, on the Wild Coast in particular, belies the government's intention of encouraging internal tourism. In 2010, the 90km trip from Mthatha to Coffee Bay or Hole In The Wall took about two hours due to the poor state of a road built in 1985. This neglect by the province stunts the tourism potential of an area that could be a gold mine. The same can be said of roads up and down the Wild Coast. Meanwhile, unemployment in those areas is more than 60%.

Getting these simple areas right will help relieve Gordhan's ulcer.

First, better food security will reduce the burden on the bulging and unsustainable social welfare system.

With rising unemployment triggering a decline in personal-income tax revenue in the long term, we would anyway have to deliver the bad news to recipients that we can no longer afford the system.

Second, stimulating tourism and getting rural residents involved provides opportunities for additional income generation. This in turn will stimulate consumption spending, something Reserve Bank governor Gill Marcus has been trying to do using monetary policy instruments.

The trick is simple but seemingly difficult to implement.

It is to apply tough love to education, while recognising the inadequacy of the human resource material we have to work with and stimulating those parts of the economy that respond fastest to our scenario.

■ Zibi is a member of the Midrand Group.