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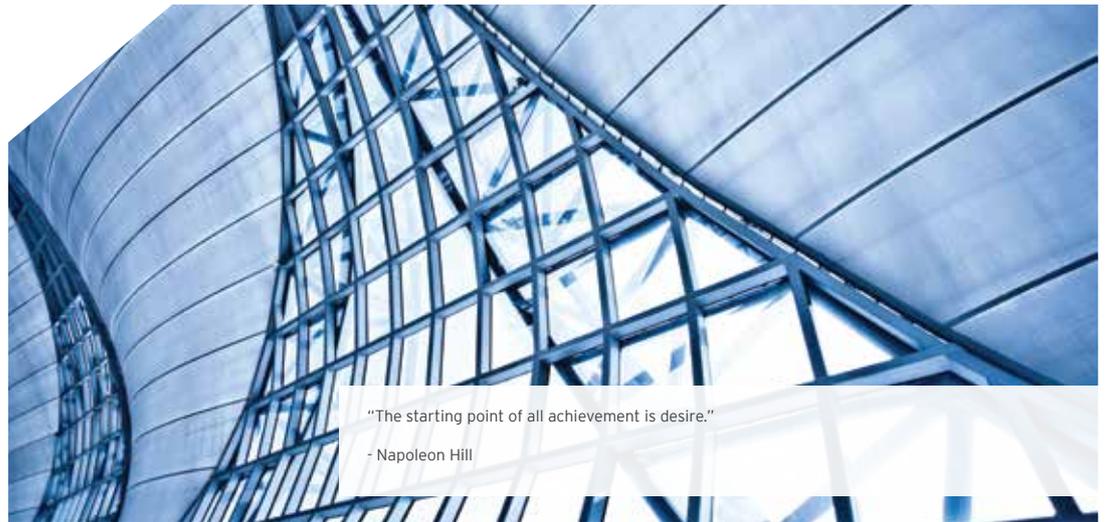
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ECONOMIC COMMENTARY - By Francois Stofberg

This week I want to isolate the latest unemployment results that were reported by Statistics South Africa (STATSSA). The results were dismal, to say the least. At almost 27% unemployment has now reached lows last seen as the aftershock of the global financial crisis. Which I guess says it all?

Unfortunately, policymakers in South Africa (i.e. the government) continue to avoid the obvious; that which they've been doing, isn't working. Einstein said that "Insanity is doing the same thing over and over again and expecting a different result". Instead our politicians "will do everything" to create jobs, which in laments terms can be translated into "we won't do anything that we're supposed to do".

To solve the issue of structurally high unemployment in SA, structural changes are needed. The first of these includes addressing the manner in which government continues to spend vast amounts on social security (grants) instead of economic security (gross fixed capital formation, GFCF). Without sufficient investment into capital (roads, schools, bridges, buildings) the economy will not be able to grow at the rates that are needed to bring unemployment down to 10-15% levels. Unfortunately, our politicians believe it's an accomplishment to spend 8-9% of GDP on GFCF, little do they know that successful emerging economies spend upward of 25% of their GDP on GFCF.

Continuing on this point of spending, government spending has to be more effective and efficiently spent. Throwing money into inefficient, and costly state owned enterprises (SOE) is an unnecessary wastage. An oversized and inefficient civil service which consumes almost 37% of total government spending, also has to be addressed; reduce the number of civil servants and their wages, as well as wage increases. The second structural change that is needed, is labour legislation changes; it has to become easier to hire and fire individuals, this in itself will curb our strike-culture in SA. The third change that is needed is to reduce the cost of doing business in SA, which includes: reducing the time it takes to start a business, and reducing the cost of electricity (which links directly to throwing money into the inefficient SOE, Eskom), and labour.

That's what should be done.