

# Why a social compact is key to fighting rising unemployment and low growth in South Africa

*By Wandile Sihlobo*

The twin challenges of low growth and rising unemployment facing South Africa today are not new. Structurally high unemployment has been a feature of this economy for many years, and economic growth has disappointed in the decade before the pandemic.

Lifting growth and lowering joblessness has also long been the central theme of numerous [government policy papers](#). Amongst other interventions, [these papers](#) have championed the need for a social compact approach to economic development, recognizing not only the government's fiscal constraints and capacity challenges at various levels of government but also the need to generate buy-in.

The capability challenges have resulted in [many municipalities failing to deliver essential services](#) such as maintenance of infrastructure, which enables businesses to operate efficiently. The government institutions and some state-owned entities also suffer similar challenges. Corruption, which [intensified over the past decade](#), is one of the major causes of capacity challenges in many government institutions. In the agricultural sector, this is reflected through the weaknesses in delivery in the [Onderstepoort Biological Products \(OBP\)](#), amongst others.

Sustainably resolving the socio-economic ills such as rising unemployment and unlocking growth will require fully functional government institutions. This is key in supporting both currently operational business and new entrepreneurs in the economy. In the agricultural sector, the weaknesses in institutions such as the OBP, amongst others, mean that the transformation or inclusion of black South Africans will primarily suffer due to state inadequacy.

For this reason, the social compact approach was widely championed by businesses through Business for South Africa's [economic paper published in 2020](#). This document outlined the essential interventions for unlocking growth from a sectoral approach. Within agriculture, some interventions recommended were [legislative and required minimal government spending](#). Others, however, do require a broader shift in policy orientation in critical areas such as land reform.

At the core, the social compact approach called for increased cooperation and trust between business, labour, community and government for the betterment of South Africa. For success, each of the social partners has to understand their responsibilities and commitments.

There usually is success in instances where the business has worked collaboratively with the government. There are a few examples in this regard. Within agriculture, during the port's challenges in Durban in 2021 and the period of unrests in KwaZulu Natal and parts of Gauteng, the [government and business worked collaboratively](#) to ensure the security was increased and businesses were increased could move products across the country.

Similarly, on exports, the collaboration is what increased exports, although at a significant cost to the industry, especially the horticulture subsector. It is for this reason that in the first three quarters of 2021, [South Africa's agriculture, food, and beverages exports reached US\\$9.6 billion, up 23% compared with the same period in 2020](#). The generally large agricultural

production was also a major factor behind the large exports. From a broader development approach, government programmes such as Jobs Fund have included numerous black farmers in commercial production. There are also positive examples in the livestock, field crops and horticulture.

Therefore, in 2022, the government's goal should be to strengthen the social compact approach from a sectoral basis and understand the areas of interventions and collaborations that will majorly pay off in addressing the twin challenges of rising unemployment and slow growth path. This exercise should improve the network industries, specifically the rail, road and ports.

The agricultural sector began 2022 with this [major congestion challenge at Cape Town port](#). With the citrus industry heading to its export season in the coming months, there are rising concerns that the port of Durban and other ports in the country could yet again present challenges that will be costly for the industry.

Thus, a close collaboration between government, Transnet, business and other major industry stakeholders in resolving near term challenges and planning for long term solutions is paramount. The same is true for major agricultural institutions such as the Agricultural Research Council and the Onderstepoort Biological Products. This approach also requires a change in outlook so that business can be viewed as part of the solution to the country's problems. Building trust and delivery by all parties to all resolutions will strengthen credibility.

From a government's side, moving swiftly in all legislative matters that don't require capital and communicating the progress effectively will enhance the much-needed trust.

**NOTE:** The ideas contained in this article formed earlier thinking of an upcoming detailed essay in the next issue of [Africagrowth Agenda Magazine](#). This piece won't be republished to other news sites, at least, until the release of the *Africagrowth Agenda Magazine* issue.

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