

**Press
Release
For immediate release**

7 February 2019



South African Institute of Race Relations

The power of ideas

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SONA shows Ramaphosa's New Dawn is floundering – IRR

President Cyril Ramaphosa's SONA address reveals a floundering recovery effort that calls the likelihood of an imminent New Dawn into doubt, according to Dr Frans Cronje, CEO of the Institute of Race Relations (IRR).

'There was very little in the address to suggest that the government is in a position to tackle South Africa's greatest structural threat – the economic exclusion of very large numbers of young people,' Cronje said.

IRR research demonstrated a 'close relationship between economic growth and job creation', yet too much government policy had the effect of 'stunting rates of growth and shutting off avenues to employment'.

Joblessness is a mounting crisis. IRR analyst Nicholas Lorimer pointed out that the number of unemployed people had risen from 1 998 000 in 1994 to 6 177 000 today, or by over 200%, while on the expanded definition of unemployment the rate had risen from 31.5% to 36.6%, or by 16.2%.

Cronje said employment data 'reflects a NEET rate (people aged 18-34 who are not in education, employment or training) of 39% – and there is no greater threat to South Africa's long-term stability than such levels of economic exclusion of young people'.

‘The jobs crisis is also reflected in expenditure data which shows that 50% of households spend less than R3 000 a month.’

The close relationship between economic growth and job creation ‘suggests that South Africa would have to average economic growth rates in excess of 5% for a significant period of time in order to make deep inroads into unemployment and NEET rates’, Cronje said.

‘But the Treasury’s three-year growth projections sit at around 2%, a level at which the rate of unemployment cannot be relieved, while gimmicks such as the much-vaunted Youth Employment Service have failed utterly.’

Cronje argued that ‘too many of the policies of the government have the effect of stunting rates of growth and shutting off avenues to employment. Two of the government’s most prominent policy achievements of the past year – the move towards expropriation without compensation and the new minimum wage laws – will, for example, have a net negative effect on overall living standards and income levels.’

He said: ‘What also stands out from the speech, and is in large part a function of such policies, is that the fiscal position is dire and that on current trends the government will be forced to consider external bailouts or force pension fund holders into prescribed assets, as the ruling party is now considering, in order to finance expenditure.’

Cronje added: ‘While our projections are that the ANC will perform strongly in the next election, should Mr Ramaphosa and his administration not be able to utilize that mandate to fundamentally turn the policy framework of the government and secure much higher levels of economic growth, his domestic popularity will begin to slip, raising the prospect of internal ANC opponents at the party’s next NGC meeting in 2020 setting in motion a chain of events which would force his resignation.’

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