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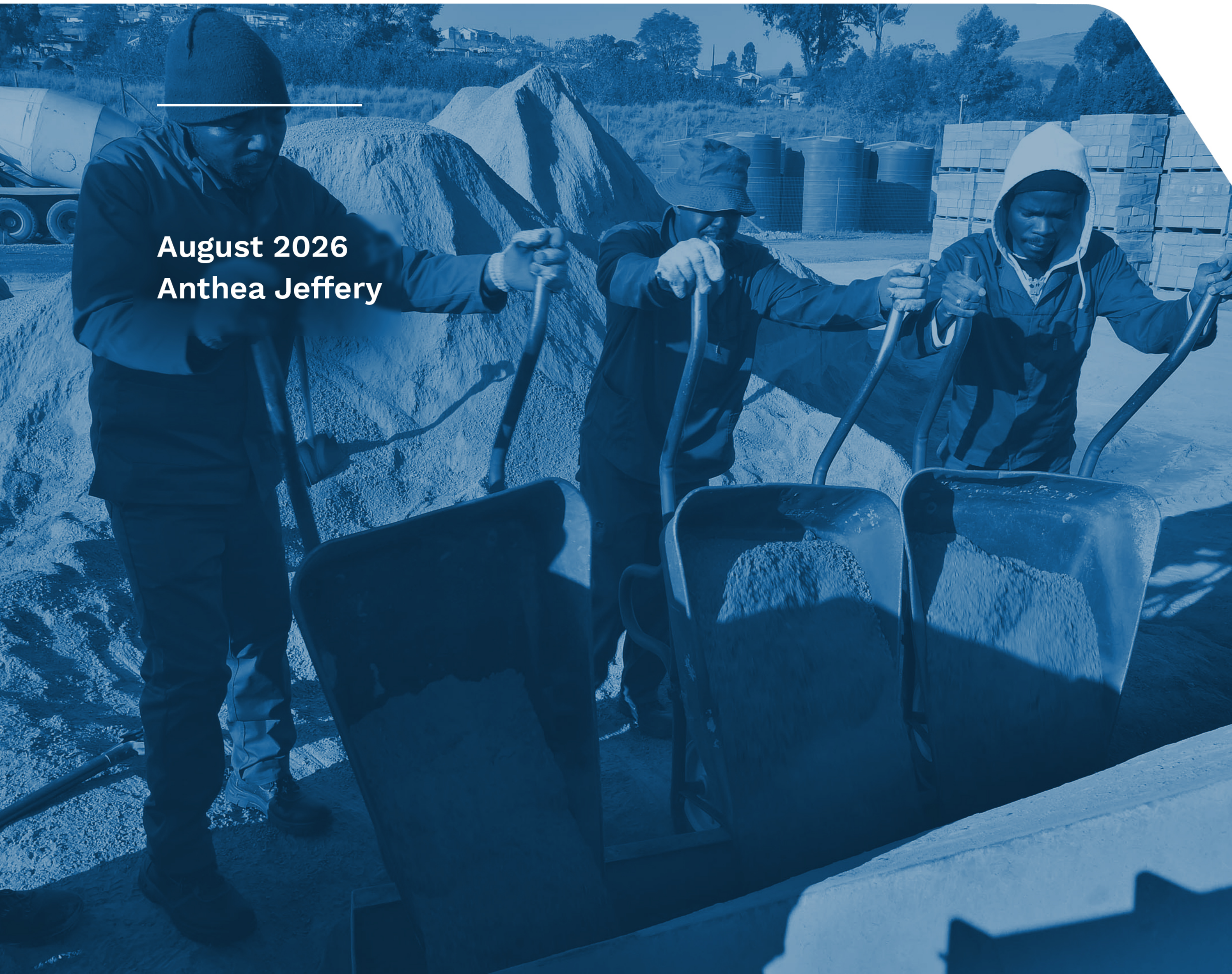
The IRR's Blueprint for Growth:
Generating Jobs and Skills



August 2026

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The cry for "Jobs, Jobs, Jobs!"

In the 1994 election the African National Congress (ANC) used the rallying slogan "Jobs, jobs, jobs!" to help bolster its support. Thirty-two years later, that promise remains largely unmet, especially among young "born free" South Africans aged 15 to 24. Here, the unemployment rate stands at a dispiriting 62.8%. On what might be termed an expanded definition, based on a combination of unemployment and potential labour force, unemployment exceeds 72.9%.[1]

Among the working age population as a whole, the joblessness rate is currently 33.6% on the official definition and 43.8% on the expanded (or combined) one. These are among the highest unemployment rates in the world. By contrast, the International Labour Organisation estimates that the global unemployment rate in 2026 will be 4.9%.[2]

Back in 2012, the ANC adopted a National Development Plan (NDP) that it claimed would bring the official unemployment rate down to 6% by 2030. That 2030 deadline is a mere four years away, while the joblessness rate stands at more than 33%. That is some 450% below the NDP target.[3]

To reduce the unemployment rate to less than 10% within ten years, South Africa needs to generate roughly 900,000 net new jobs a year. Only with job creation at this level will it be possible to find work for those already seeking jobs as well as for new entrants to the labour market. However, the country has generated only about 240,000 net new jobs a year over the past 20 years. In addition, most of those jobs were created in the years when economic growth rates averaged around 3% of GDP. [4]

Overcoming the unemployment crisis is a moral, economic and political imperative for both the country and the Government of National Unity (GNU). It is also what most South Africans want the most. In IRR opinion polls going all the way back to 2001, respondents have consistently identified joblessness as by far the most important problem they would like the government to overcome.[5]

To increase new jobs from their present levels to the necessary 900,000 a year, the GNU must pinpoint the main barriers to job creation and set about removing them with singular determination. Prime among these barriers are anaemic growth, damaging labour laws, limited potential in labour-intensive sectors, and poor education and workplace skills.

The urgent need for rapid economic growth

The best way to generate millions more jobs is to trigger an upsurge in economic growth. Only then will thriving businesses in every sector need many more employees to help them meet rising demand. Ideally, as the *IRR Growth Strategy* has set out in reports dating back to 2024, the country requires a sustained annual growth rate of around 7% of GDP. This would see the economy double in size every ten years.[6] This level of growth is not immediately attainable, but could be reached over time as policy barriers, electricity distribution, water shortages, logistics problems and other constraints are overcome.

In contrast to the 7% needed, South Africa's annual growth rate since 2008 has averaged around 1.2%. At the current pace it will take some 54 years for the economy to double its current size. In addition, with the growth rate often lower than the rate of population growth, GDP per capita has stagnated since 2008. In the words of IRR CEO Dr John Endres: [7]

> ...[I]in 2008, South Africa's GDP per capita ($13,596) was at the same level as global GDP per capita ($13,659). [However], a growing gap started opening up as the world economy resumed its growth after the Global Financial Crisis, while South Africa's stagnated. Sixteen years later, in 2024, South Africa's GDP per capita was unchanged ($13,599), while global GDP per capita had risen by 35.8% to $21,268. [8]

In 2025 GDP growth in South Africa came in at a meagre 1.1%,[9] again below the population growth rate of 1.3%.[10] Growth of a such a paltry kind makes all South Africans poorer on average with every passing year. It reduces consumer demand, inhibits fixed investment and makes it difficult for businesses to expand or take on more staff.

The damaging impact of coercive labour laws

An unusually high national minimum wage

Under the National Minimum Wage Act of 2018, which took effect in 2019, the national minimum wage (NMW) was initially set at R20 an hour or roughly R3,360 a month (assuming 21 working days of eight hours each in most months). At that time, lower amounts were permitted for farm workers (R18 an hour), domestic workers (R15 an hour) and people provided with "temporary employment opportunities" under the state's Expanded Public Works Programme (R11 an hour).[11]

By March 2026, the special dispensation for farm and domestic workers had ended and the NMW had risen by some 40% to R30.23 an hour or roughly R5,080 a month for most full-time employees. Only individuals working temporarily for the state on public works programmes continued to receive considerably less, at R16.62 an hour.[12]

Though many nations set the NMW at between 7% and 55% of the median wage,[13] South Africa's NMW already amounted to 76% of the median wage in 2023. This is exceptionally high.[14] It also helps explain why some 430,000 jobs have been destroyed since the NMW became operative in 2019.[15] This estimate of jobs lost may also be too low, given the fact that some 5.4 million people earn less than the NMW.[16] This makes their jobs illegal – and their employers vulnerable to significant penalties if their unlawful conduct is detected.

In February 2026 the National Employers' Association of South Africa (NEASA) responded to the growing unaffordability of the NMW by saying: "It serves no purpose to introduce a minimum wage, at any level, where there are no jobs to be had, where employers, both commercial and domestic, are battling to survive and where there are no prospects of the sustained economic growth required to stimulate job creation and the accompanying increases in wages."[17]

South Africa's NMW is not only costing jobs but also preventing many unskilled and inexperienced people from finding work at all. This is because their labour is not worth what the government compels employers to pay. Many of the millions now unemployed would prefer to work for less than the NMW than to have no earnings at all, but the statute prevents voluntary agreements of this kind.

Writes researcher Paul Maritz: "Many small and medium-sized firms would gladly employ additional workers at a wage level lower than that which government prescribes, and many unemployed jobseekers would even more gladly accept the work – because the alternative is no work at all. When the state intervenes to prohibit this exchange, it removes choice from both sides."[18] This is particularly damaging for new entrants to the labour market, who are prohibited from accepting the lower-paying "stepping stone" jobs that would provide them with work experience and help them climb the jobs ladder.

The 2018 statute is now to be amended in several ways, as part of a package of labour law changes recently gazetted for public comment but not yet put before Parliament. The most important proposed change seeks to exclude all deferred payments – such as pension fund contributions, medical benefits and contractual bonuses – from consideration in computing the wages being paid. If this amendment is adopted, the take-home pay of many employees will have to be increased. Business Unity South Africa (BUSA) has criticised the proposed new rule, saying that the exclusion of costly benefits from minimum wage calculations will put additional pressure on many employers. By contrast, the Congress of South African Trade Unions (Cosatu) strongly supports the change.[19]

Coercive bargaining council agreements

The Labour Relations Act (LRA) of 1995 includes a system of "blanket coverage," under which bargaining council agreements on wages and working conditions – generally reached in negotiations between big businesses and big unions – are extended by ministerial regulation to all employers within a given sector. These wage agreements then become binding on small and medium enterprises (SMEs) which have never consented to them and often cannot afford them. Since compliance is mandatory, SMEs may be forced into retrenchments – or even into liquidation – as a result.

The impact of this "blanket" coverage on entry level wages has been considerable. In 2026, in the metals and engineering (M&E) sector, entry-level wages (including various mandatory benefits) for unskilled, entry-level employees rose to some R100 an hour or more than R16,000 a month. This is more than many smaller enterprises in the sector can afford.[20]

Artificially high wages are particularly onerous at a time of slow growth, limited domestic demand, high input costs and surging Chinese imports. Because of these constraints, the basic iron and steel sub-sector is already operating at a mere 48% of its capacity: a level last seen during the global financial crisis in 2008.[21] For the government to insist on unrealistic wage increases in these circumstances makes little economic sense.

Some relief may be provided under the Labour Relations Amendment Bill of 2026 (which forms part of the package of labour bills recently released for public comment). This Bill proposes that newly established SMEs employing fewer than 50 people should automatically be exempted from the extension of bargaining council agreements for their first two years. If enacted, this change will give new SMEs a firmer foundation for survival and growth than they might otherwise have. However, it will do almost nothing to address the overall burden of coercive blanket coverage.

Rules raising the costs of dismissals and retrenchments

Under the Labour Relations Act (LRA), all dismissals are considered "unfair" unless employers can prove that they were carried out for fair reasons and following fair procedures. This reverse onus of proof encourages dismissed employees to claim reinstatement and/or significant damages (generally up to a maximum of 12 months' pay) from employers via the Commission for Conciliation, Mediation, and Arbitration (CCMA) established under the LRA. Employers are thus constantly at risk of being brought before the CCMA on grounds that may be spurious but nevertheless take significant time, effort, and money to refute.[22]

In addition, some reasons for dismissal – participation in a protected strike, for instance, or unfair race discrimination – infringe rights and are considered "automatically" unfair. If employees allege such reasons for dismissals, they must produce sufficient evidence to show that their claims are credible. Once they have done so, the onus shifts to the employer to show that some other factor, such as misconduct, was the proximate reason for the dismissal. If the dispute is not resolved by conciliation before the CCMA, it cannot proceed to arbitration and must be referred to the Labour Court. This adds to legal costs. In addition, maximum compensation for such dismissals is 24 months' pay, rather than 12.[23]

The CCMA has long had an enormous workload. In 2024/25 alone, more than 193,000 disputes were referred to it, of which 51% involved dismissals.[24] In total, the CCMA has dealt with almost 4.2 million referrals since its start in November 1966.[25] In addition, the decisions of CCMA arbitrators are often flawed, but cannot easily be set aside on review. As law firm Cliffe Dekker Hofmeyr explained in 2023: "The test is not that the arbitrator came to an incorrect decision [as] this is the basis for an appeal. The test requires that the arbitrator's decision must be [one] which no reasonable decision maker could reach on all the material that was before them." Since this test is hard to fulfil, many defective CCMA decisions remain unchallenged.[26]

In September 2025, however, an updated *Code of Good Practice: Dismissal* introduced some positive changes. Under the earlier rules, employers seeking to dismiss employees generally had to start by conducting court-style hearings. Here, employers had to present evidence and call witnesses; employees had to be given full opportunities to cross-examine those witnesses and present their own evidence; and presiding officers had to provide written outcomes setting out the reasons for their decisions. Not surprisingly, small businesses found it difficult to cope with these hearings. The new Code thus dispenses with the need for internal disciplinary processes that mimic court proceedings. Instead, the sole requirement is that the employee must be given "an adequate and reasonable opportunity to respond to the reason for dismissal."[27]

The LRA Bill recently released for public comment proposes various additional changes. Among other things, it seeks to make it easier to dismiss employees who prove unsuitable during their initial probationary periods. Probationary periods are generally limited to the first three months of employment, but may last longer if this is agreed beforehand and is "both reasonable and operationally justifiable."[28] During their probation periods, employees are still protected against automatically unfair dismissals. In other circumstances, however, the Bill allows employers to terminate their contracts on notice.[29]

In addition, the Bill limits the remedies available to high-income employees. Though reinstatement is the usual remedy for dismissal, high-income employees will be entitled to this only for automatically unfair dismissals. For "ordinary" dismissals, compensation alone will be available. This will be subject to a cap set by ministerial regulation – and the proposed initial limit has been set at R1.8 million per annum. (Subsequent ministerial adjustments to this sum must be in line with consumer price inflation.)[30]

The positive changes being proposed are thus relatively minor and apply only to a small number of employees: those who are on probation or earn high incomes. The most important change is the one simplifying disciplinary proceedings. For the rest, the LRA's onerous rules will continue to make employers risk-averse – and anxious to avoid the legal dangers in new hires.

Retrenchment requirements and other new rules

The LRA's rules regarding retrenchments (dismissals for "operational reasons") are onerous too. The statutory requirements are particularly demanding and time-consuming for supposedly large-scale retrenchments involving 5% of employees or more (10 out of 200, for example). The GNU's proposed changes to labour laws do nothing to lighten this burden. On the contrary, a proposed amendment to the Basic Conditions of Employment Act (BCEA) of 1997 will double compulsory severance pay on retrenchment from one to two week's pay for every year worked.[31]

Business opposes this change. As an editorial in *Business Day* has pointed out, "for a company forced to retrench due to financial difficulties or because of a restructuring, [the increase] could impose an onerous burden."[32] Though bigger pay-outs will help retrenched workers, they may also make it more difficult to preserve businesses as going concerns. And if heavier retrenchment costs add to their financial difficulties – or perhaps push them into liquidation – the unemployment crisis is likely to grow worse.

Major reforms still required

When the LRA was being drafted in 1994 by an ANC-appointed task team, organised business warned against it, saying that "no developing country could adopt labour standards which even the developed world could not afford to maintain."[33] It cautioned that the statute would have "a disastrous effect" on SMEs vital to growth and employment, which would battle to cope with the statute's enormously complex and coercive rules.[34]

In 1996 a business lobby group – then called the South Africa Foundation and now Business Leadership South Africa (BLSA) – added that the LRA was likely to increase the unemployment rate on the expanded definition from 32% in 1994 to 40% in 2004. This proved remarkably prescient, for it was indeed in 2004 that the jobless rate on the expanded definition reached the 40% level of which the BLSA had warned.[35]

The BLSA urged that a "two-tier" labour market should be allowed, with more flexible conditions for young and inexperienced workers who would otherwise struggle to find jobs. But the then labour minister, Tito Mboweni, lambasted these proposals, saying that the idea of a two-tier labour market was "the most ridiculous of all" and "an affront to democracy."[36]

Thirty years later, with unemployment among youths aged 15 to 24 exceeding 70% on the expanded (or combined) definition, labour legislation continues to price the unskilled and inexperienced out of jobs. Thus far, moreover, the GNU has failed to introduce meaningful reforms. Sadly, most of the positive changes currently being proposed are relatively insignificant. Worse still, many of the new rules will increase the regulatory burden. Few will allow more freedom of choice to either business or the unemployed.

The need for major reform is becoming increasingly urgent. Both the National Minimum Wage Act and the rules regarding the extension of bargaining council agreements should be repealed altogether, so that they stop pricing the poorly skilled out of jobs. Many unemployed people would prefer to work at wage rates below those set by the NMW or imposed on SMEs through the extension of bargaining council agreements. The GNU should respect their wishes, not keep brushing them aside.

At the very least, three meaningful exemptions from NMW and bargaining council rules should be allowed. First, all employers should be permitted to take a leaf out of the government's book and pay entry-level employees at the same hourly rate (R16.62) as the Expanded Public Works Programme (EPWP) provides. Second, the government should allow the unemployed to opt out of the protection of these rules for two to three years, while they build up work experience and increase their value to employers.

Third, the 13 special economic zones (SEZs) the government has established at a cost of some R25 billion should be permitted to exempt investors from these rules. As the Centre for Enterprise and Development (CDE) has pointed out, "SEZs offer a chance to try different approaches to economic policy because they are, by definition, places where different rules apply." At present, however, the tax and other concessions that SEZs offer are too limited to attract much more investment (which is why they have brought in only some R32 billion and created a mere 28,800 jobs).[37] More meaningful SEZ exemptions should thus be introduced – and exempting employers in SEZs from NMW and bargaining council rules would be a good start.

Rules regarding dismissals must also be reformed. Employers must be able to insist on sound performance – and also to adjust rapidly to peaks and valleys in demand. Hence, they will hire freely only if they can dismiss freely too. The presumption that dismissals are unfair unless the employer can prove otherwise should be removed. Instead, employees who allege they have been unfairly dismissed should bear the burden of proving this (as the common law has long provided). In addition, employers should be permitted to dismiss workers under the agreed notice periods included in their employment contracts.

Expanding labour-intensive sectors

The GNU should take steps to expand all sectors of the economy with the capacity to employ large numbers of unskilled people. Agriculture, mining, and tourism fall within this category. All have the further advantage of being tradeable sectors with the capacity to generate export earnings.

Agriculture

"Over the past three decades, the agriculture sector has more than doubled in real terms," says Wandile Sihlobo, chief economist of the Agricultural Business Chamber of South Africa (Agbiz). In this period, it has also "built globally competitive export industries and established itself as a reliable supplier to markets across Europe, Asia, and the rest of Africa."[38]

In 2025 the country's agricultural exports totalled a record $15.1 billion (some R250.2 billion), a 10% increase on the 2024 figure. This strong upward trend continued in 2026, with exports in the first quarter increasing 11% year-on-year to reach $3.7 billion (R60 billion). Also in this quarter, farm jobs increased to 960,000, a 3% increase year-on-year.[39]

However, the sector is still being held back by bad policies and state dysfunction. Electricity supply has at last become reliable since loadshedding ended in 2024, but prices have risen astronomically since 2008 – mainly because of inefficiency and corruption. (Some commentators put the increase in electricity prices at 1,172% since 2008, as against inflation of 335% over the same period.)[40] South Africa's ports have generally improved in the past year but they nevertheless remain among the worst in the world. Major road and rail bottlenecks persist.[41] In addition, a massive outbreak of foot-and-mouth disease threatens the livelihoods of many farmers, while the state's response has been slow and ineffective.[42]

A fundamental divide between commercial and largely subsistence farmers continues too. In the words of Mr Sihlobo and Tinashe Kapuya, Research Director at the Africa Network of Agricultural Policy Research Institutes (Anapri): "A small number of large, commercial farms dominate production, income, and exports. These farms are highly productive, well-capitalised, and integrated into global value chains." By contrast, the country also has "many smallholder and subsistence farmers – often in former homeland areas – who produce mainly for household consumption, with limited access to markets, finance, or technology… The gap is stark. Commercial farmers achieve far higher yields and incomes, while smaller producers remain trapped in low-productivity systems. The result is a dual agricultural economy: one globally competitive, the other largely excluded."[43]

The ANC's supposed solution is for the state to expropriate large tracts of commercial farmland for "nil" or inadequate compensation under the Expropriation Act of 2024 (the 2024 Act) and then lease – rather than sell – this land to emergent farmers. (The 2024 Act has yet to come into force, however, as the Democratic Alliance (DA), the IRR and others are challenging its constitutional validity.) The ANC is also planning to redirect many water-use licences from commercial to emergent farmers under the National Water Amendment Bill of 2026, once this is enacted.

These interventions overlook the fact that success in farming requires much more than land and water. It depends on a host of other inputs, from secure title and working capital to sound skills, affordable labour, cheap energy, good infrastructure, efficient logistics, and expanding markets. The ANC, however, keeps ignoring these needs. As a result, between 50% and 90% of all transferred land has either fallen out of production or yields only at subsistence levels.

Speeding up the transfer of land and water-use rights in these circumstances will merely result in more "assets dying in the hands of the poor", as Thozi Gwanya, then the director general of land affairs, warned in 2007.[44] In addition, the government has already bought some 2.5 million hectares of farming land which it has yet to redistribute. Most of that land is "under-utilised", says Mr Sihlobo, because it has "never been released to beneficiaries with [the] title deeds or long-term tradable leases" needed to borrow working capital.[45]

The GNU should urgently shift the focus of land reform. Instead of trying to speed up harmful redistribution, its main aim should be to expand the number of successful commercial farmers of all races. Towards this end, the GNU should sell the state's 2.5 million hectares of land to emergent farmers on favourable terms. It should also help them secure all the other inputs needed for success, as earlier identified. As part of this initiative, as Messrs Sihlobo and Kapuya recommend, it should develop "strong extension services," restore failing irrigation systems in former homeland areas, introduce better livestock systems, develop more effective farming practices, and help link emergent farmers to markets.[46] Unlike current land reform policies, these interventions would help increase production, expand agricultural jobs, and meet the food needs of growing populations within the country and across the African continent.

The GNU must also overcome other constraints, if the sector is to realise its full potential. It should use efficient public-private partnerships to counter foot-and-mouth disease. It should also deploy such partnerships to improve the efficiency of key SOEs, reduce electricity tariffs and solve port and rail logistics problems. It should also replace cadre deployment with merit-based appointments in all state entities. In addition, it must scrap the National Water Amendment Bill and comprehensively rewrite the Expropriation Act of 2024 to increase the compensation payable and bring the statute fully into line with the Constitution.

Mining

The mining industry has long been the bedrock of South Africa's industrialised economy and still contributes some 7% to GDP.[47] In 2025, according to the Minerals Council South Africa, the sector added R810 billion to export earnings, employed 470,000 people, supported the jobs of 400,000 more, and provided all these direct and indirect employees with some R680 billion in household income. The industry also paid R100 billion to the fiscus, while a further R240 billion in tax contributions came from its supplier base.[48]

Though South Africa has one of the most valuable mineral endowments in the world, it is nevertheless battling to attract new investment – especially in exploration. Its problems stem mainly from bad mining law: primarily in the form of the Mineral and Petroleum Resources Development Act (MPRDA) of 2002. Since this statute came into effect in 2004, it has destroyed property rights, curtailed business autonomy, encouraged corruption, and reduced investor confidence.

In 2025 the minister of mineral and petroleum resources, Gwede Mantashe, gazetted a draft Mineral Resources Development Bill (the MRD Bill) intended to replace the MPRDA. This has been mooted as a positive reform, but the MRD Bill is in fact more damaging than the current statute. For one, the MRD Bill empowers the minister to increase BEE ownership targets by regulation and demand costly "top-up" deals whenever BEE investors sell out. Yet if mining companies are compelled to do repeat BEE ownership deals – even at the current 26% level, let alone at the 30% or 51% levels the MRD Bill may usher in – this would result in crippling costs.[49]

BEE ownership rules are already a major barrier to mining investment. Under the current requirements, companies applying for new mining rights must surrender 26% of their equity upfront to BEE "investors" not of their choosing. In addition, these "investors" generally lack capital and must be provided with discounts, loans or guarantees.[50] This obligation adds to upfront capital requirements and curtails likely investment returns.

Many BEE ownership deals in mining have also been tainted by corruption. In addition, almost all their benefits have gone to a relatively small and politically connected black elite. For example, a 2015 report compiled for the mining industry shows that deals concluded between 2004 and 2014 went primarily to "a minimum of 46 BEE entrepreneurs."[51] Each of these individuals gained an estimated R2 billion to R3.7 billion. This was roughly 310,000 times greater than the benefits to some 6.9 million community members. It was also 25,000 times more than the gains made by some 200,000 mine employees.[52]

Most poor black South Africans gained nothing at all from these BEE deals. On the contrary, the poor black majority was actively harmed by BEE ownership rules in mining, which deterred investment, limited growth, restricted employment, and added to the current unemployment catastrophe.

Escalating BEE requirements are a key factor behind South Africa's steady decline on the authoritative *Annual Survey of Mining Companies* compiled by the Fraser Institute, a Canadian civil society organisation. In its 2025 report, South Africa's ranking dropped to 57th out of 68 jurisdictions on the overall Investment Attractiveness Index, putting the country close to the bottom ten in the world.

South Africa scored even worse – in 64th place out of 68 – on the Policy Perceptions Index, which measures investor perceptions of the attractiveness of mining laws and policies.[53]

What then is to be done? The reforms required for growth and jobs in mining are similar to those needed in agriculture. The GNU must improve state efficiency via privatisation or public/private partnerships, and by ending cadre deployment. Critically, it must shift from damaging BEE requirements to a non-racial strategy (developed by the IRR) of "Economic Empowerment for the Disadvantaged" or "EED". It must also introduce a long-promised mining cadastre: a digital portal with details of all mineral resources and all mining rights granted or being sought. This is an essential foundation for increased transparency and a faster permitting system.[54]

In addition, the GNU should scrap both the MRD Bill and the MPRDA. Instead, it should introduce new mining legislation which makes the granting of mining rights primarily dependent on the technical and financial capacity of applicants to implement approved mining plans, safeguard health and safety, and remediate environmental impacts. These are objective and measurable criteria. Unlike BEE requirements, they leave little scope for bureaucratic discretion or corruption.

This change would help bring South Africa's mining legislation into line with that in Botswana. There, similar rules – combined with other sound policies – have seen Botswana move steadily up the ranks on the Fraser Institute's indices. In 2025 Botswana came 2nd in the world on the Policy Perception Index and 7th out of 68 on the overall Investment Attractiveness Index. By contrast, as earlier noted, South Africa came fifth worst in the world on the Policy Perception Index and 57th out of 68 on the Investment Attractiveness Index. Yet South Africa has much more valuable mineral resources than its neighbour and should be able to outstrip it on both these indices.[55]

The IRR has drafted an alternative *Growth and Employment in Mining* or *GEM Bill*, which follows Botswana's lead in key respects. The GEM Bill sets out many of the vital legislative changes required to attract more investment, stimulate faster growth, and enable the generation of many more jobs in the mining sector.

Tourism

South Africa has much to offer both domestic and overseas tourists. The country is a prime holiday destination, offering wildlife safaris, shopping, agritourism, culinary tourism, luxury experiences and star bathing.[56] The sector is jobs-intensive and could employ millions more South Africans with limited skills.

However, it suffered badly during the prolonged Covid-19 lockdown. Hence, it was only in 2025 that international tourist arrivals finally exceeded the pre-lockdown figure of 10.2 million in 2019. The 2025 total was 10.5 million: a 2.6% increase on the 2019 figure and a 17.7% increase on the 8.9 million recorded in 2024. Though this increase was impressive, the great majority of these tourists (8.1 million) came from elsewhere in Africa. Of the remaining 2.4 million, the largest share came from Europe, with substantial numbers arriving also from the United States and the United Kingdom.[57]

Tourist arrivals from China and India – two of the world's largest outbound tourism markets – rose in 2025 to some 38,000 and 69,700, respectively. However, these numbers are far below those that South Africa used to attract: 151,000 from China in 2013 and 112,000 from India in the same year. Arrivals from both countries dropped sharply after South Africa made its visa requirements unduly onerous. (As IRR policy fellow Ivo Vegter has pointed out, South Africa made no provision for the group travel that most Chinese visitors prefer. It also demanded that visitors fill out complex paper applications in English, "which was just as absurd as China expecting South Africans to apply for visas in Mandarin.")[58]

To rectify this situation, the Department of Home Affairs has implemented a Trusted Tour Operator Scheme (TTOS). This scheme has replaced inefficient paper-based processes that earlier required prospective tourists to travel long distances to apply for visas, wait weeks while these were processed, and then make return trips to collect them. Under the new system, by contrast, tour operators already approved by the department are able to upload applications online and receive digital outcomes within 24 hours on average. Such "approved tour operators" now number 110.[59]

Home Affairs also plans to launch an "electronic travel authorisation (ETA) system" for tourists from many other countries. This will provide a secure and fully digital visa application and adjudication process, which will be driven by AI and machine learning.[60]

In May 2026 tourism minister Patricia de Lille told Parliament that the ETA system was "now live in China, India, Indonesia and Mexico." This meant that travellers from these countries could "receive visa outcomes digitally within 24 hours from their homes and cellphones." Once the ETA system had been fully rolled out, it was "expected to increase arrivals in a way that could create between 80,000 and 100,000 jobs," she said.[61]

A joint public-private Tourism Growth Partnership Plan has also been adopted. According to Ms De Lille, this is "a working compact between the public and private sectors, with measurable targets, shared accountability and clear implementation plans." It aims to expand "international tourist arrivals to 15 million by 2030," thereby increasing "direct employment to 1 million and indirect and induced employment to 1.5 million."[62]

The tourism sector has considerable potential to grow, but further reforms are needed to achieve this. The GNU must curb crime to increase tourists' confidence in their safety. It must also substantially improve electricity and water supply, road transport and air travel. The visa system must be further simplified and made to work efficiently at all times. More direct flights to China and India should be introduced too. In addition, the GNU should do more to develop niche tourist offerings, ranging from medical and archeological tourism to marine and photography options.[63]

Growth potential in other labour-intensive sectors

Other sectors also have considerable potential to absorb more unskilled labour. As the infrastructure programme expands, for example – as set out in the *IRR Growth Strategy* of January 2026 – a host of unskilled jobs will open up in the construction sector. There will also be increased demand for new schools, houses, and clinics and for the provision of energy, water and transport.[64]

The retail sector, valued at R2.27 trillion in 2023, is particularly important and is expected to expand by 6% a year until 2027. As the *Financial Mail* reported in August 2025, it includes an informal sector making up 30% of the total retail market. It also incorporates spaza shops and other informal businesses accounting for "40%-50% of grocery sales" in township communities.[65]

Official figures put the size of South Africa's informal economy at between 6% and 10% of GDP. However, the sector is notoriously difficult to measure, notes Dawie Roodt, chief economist at The Efficient Group. Hence, it could be "at least twice as large" as official estimates indicate. (Stats SA, he explains, takes care to use "internationally accepted" methods and formulas, but these are often based on "theoretical models and agreed-upon methodologies," which may not adequately capture all relevant factors in different countries.)[66]

What matters most is the growth potential of informal enterprises and how many more jobs they might be able to offer. According to GG Alcock, author of several books on the informal economy, the first requirement is to stop calling for "more entrepreneurs" in townships and start recognising how many the country already has. "We are a nation of entrepreneurs, [with some] running million-rand businesses from backyards," [67] he says. Some township landlords already "rent out 30 to 40 back rooms at R2,500-R3,000 a room." One township bakery is already "churning out 12,000 loaves a day and distributing them via a fleet of 14 bakkies."[68] Informal businesses are thus not always small, but vary enormously in size and sophistication.

The main need, Mr Alcock stresses, is to build on the enterprises already in place. "Starting a business is hard," he says. And it is particularly difficult to do this "in the informal space, with no access to capital, support or infrastructure." Hence, the primary focus of policy should be to "support businesses that already exist."[69]

Mr Alcock proposes a range of "simple interventions" that could help achieve this, such as providing entrepreneurs with secure trading spaces and affordable card machines." Gerrie Fourie, a former CEO of Capitec Bank, adds that the bank is already acting to fulfil such needs. "Capitec is rolling out initiatives to help cash-based businesses move to digital. 'We've made business banking pricing identical to personal banking – low, flat, and transparent. And we're providing cheap, easy-to-use card machines, encouraging people to shift from cash to digital so we can better understand their businesses and help them grow.' Once these entrepreneurs start using electronic payments, they become visible – and fundable. 'We can score them. We can lend to them. We've already seen clients go from R5,000 loans to buying delivery bakkies'."[70]

In October 2025 Standard Bank published a *Township Informal Economy Report*, seeking (as its sub-title says) to "*Power Growth from the Ground Up*." This report valued the township economy at R900 billion. It also described it as "a vital engine of economic activity and community resilience in South Africa," which was already providing many jobs and could generate far more.[71]

The bank focused its analysis on businesses with an annual turnover between R100,000 and R50 million, most of which were located in Gauteng, the Western Cape, KwaZulu-Natal, Limpopo, and North West. These enterprises were "predominantly led by South African males, aged 35-54," with many "operating from homes or streets to minimise costs." Roughly 80% were unregistered, which limited their access to funding and markets. Some 60% had managed to grow since their inception, but the remainder were stagnant (35%) or shrinking (5%).[72]

The dominant sectors were retail, transport and hospitality, but township businesses had also "found gaps in almost every economic sector." Their focus was on supplying niche goods or services that larger enterprises either overlooked or decided not to pursue. Their main constraint was that "township informal businesses often targeted and operated in saturated markets, driven by low barriers to entry, leading to intense price competition. This resulted in thin profit margins, especially in sectors like fast food and groceries. Without scale or differentiation, many businesses struggled to grow beyond subsistence levels."[73]

Other barriers to growth included rising input costs and significant operational expenses, especially on stock and transport. Poor infrastructure, marked by a lack of electricity, water, secure premises and internet access, also hampered operations. In addition, some 57% of those surveyed were "self-funded", having "started their businesses using personal savings and [with] assistance from friends (13%) and family members (10%)." Only 5% had obtained assistance from government institutions such as the National Youth Development Agency (NYDA) or the Department of Small Business Development (DSBD).[74]

In addition, township businesses commonly "lacked formal accounting systems, with 77% managing their finances manually [and] only 5% having an automated computer-based accounting system."[75] Many entrepreneurs had "inconsistent monthly income," which made it difficult to "plan ahead or save," let alone attempt to reinvest. Overspending was common, while an "inability to separate personal and business finances further exacerbated financial instability."[76]

Concluded the Standard Bank report: "For these businesses to thrive, critical needs include marketing support, operational funding, skills training, and improved infrastructure. To unlock their full potential, a roadmap is essential: encouraging gradual formalisation, promoting the separation of personal and business finances, investing in foundational skills training, embracing affordable digital tools, and fostering strategic partnerships and local networks. Implementing these measures will empower township entrepreneurs and integrate them more fully into the formal economy."[77]

Other interventions are needed too. The GNU must simplify regulations and make sure all remaining rules are implemented efficiently. Forms and fees must be kept to a minimum to limit administrative costs.[78] Essential infrastructure in the form of reliable lighting, running water, ablution facilities, access to Wi-fi and lockable storage for stock must also be provided. (Given the extent of municipal dysfunction, cost-effective public/private partnerships are required to meet these needs.) Effective protection against crime is vital too, while pervasive corruption within the South African Police Service must be stamped out.[79]

The overarching need, however, is to boost the rate of economic growth: ideally to the level (7% of GDP a year) at which the economy doubles in size every ten years. The more growth lifts off, the easier it will be to expand informal businesses and bring them into an appropriate regulatory framework. The informal economy already abounds in entrepreneurial energy and creative solutions to market needs. These important assets should be better harnessed, so as to expand employment and add more momentum to the wider economy.

Boosting skills and productivity

South Africa remains chronically short of skills of all kinds, from management and financial skills to engineering, ICT, artisan and other technical skills.[80] The country's narrow skills base makes it difficult for businesses to find employees, artisans or consultants with the know-how and competence they need. This is a serious constraint on investment, growth, productivity and competitiveness. Poor skills also hurt the individuals affected by reducing their chances of finding work or climbing the jobs ladder. The skills shortage must speedily be overcome – but this will also be difficult to achieve.

Getting basic schooling right

The South African government spends more on Grade 1 to Grade 12 schooling than most other middle-income countries (R358 billion or some 4.5% of GDP in 2026/27).[81] However, it gets little bang for its extensive buck. Some 80% of public schools are dysfunctional, failing to impart even the basic skills of reading, writing and 'rithmetic. As a result, roughly 81% of South Africa's Grade 4 pupils cannot read for meaning in any language, while 61% of Grade 5 pupils are unable to add and subtract whole numbers.[82] Not surprisingly, almost half of all pupils – 580,000 in 2025 alone[83] – drop out of school before matric or fail their final examinations. Moreover, many pupils who pass the National Senior Certificate examinations (with the 35% average required)[84] are still functionally illiterate and innumerate.

Though this poor performance is among the worst in the world, many of the problems evident in South Africa are also found in public schools elsewhere. Millions of parents across four continents have thus been voting with their children's feet by taking them out of free public schools and sending them to low-cost private schools instead. These schools have become ubiquitous in India, sub-Saharan Africa and elsewhere, and are often located in the slums and shantytowns where the poorest people live. Despite their limited resources, low-cost private schools generally notch up significantly better academic results than public ones. This is primarily because classes are smaller, teachers work harder, and principals have the power to hire and fire. Private schools offer other benefits too, including effective discipline and an emphasis on hard work, honesty, and self-reliance.[85]

Private, or independent, schools have grown strongly in South Africa in the past 20 years. However, the number of pupils attending them is still a small fraction (roughly 5.9%) of the 12.8 million learners at the country's 22,260 public schools.[86] Many more parents would like the benefits of private schooling, but most simply cannot afford this. This barrier can be overcome, however, by introducing tax-funded schooling vouchers for the disadvantaged.

The voucher idea is a simple one. Instead of funding schools directly – and continuing this funding every year irrespective of how poorly they perform – the government works out the per capita amount for all children in low-income families and allocates that per capita sum to each child's parents. In the words of James Tooley, vice chancellor of the University of Buckingham in the United Kingdom and a world expert on the issue: "Parents choose a school for their child, and the funding goes with the child to the school of their choice." Schools use this funding to pay their operating costs, including teacher salaries. "In the competitive market for schools that results, popular schools attract more children… Importantly, schools become accountable to parents",[87] who can withdraw their children and their vouchers if they are dissatisfied with the performance of their chosen schools. The introduction of vouchers "spurs competition and innovation in schooling, leading to great improvements".[88]

In South Africa, vouchers could be funded by reallocating much of the country's large – but currently ineffective – schooling budget, rather than increasing it. Their introduction would greatly expand parental choice by allowing families to choose between private "for-profit" schools, schools run by non-governmental organisations, and public schools incentivised to improve their performance. In this competitive environment, all schools would have to up their game. Pupils would become better equipped for further studies, whether in Technical and Vocational Education and Training (TVET) colleges, universities or elsewhere. This in turn would increase their prospects of obtaining jobs and earnings. Tax-funded schooling vouchers would thus be significantly more effective in empowering the poor than current BEE policies will ever be (see *Breaking the BEE Barrier to Growth*).[89]

Scrapping wasteful Sector Education and Training Authorities (SETAs)

Even where basic and tertiary education are sound, on-the-job or internship training is generally vital in improving workplace skills. Prior to 1994, businesses spent about 1% of payroll on average on the employee training of their choice and were granted tax relief in return.[90] After the political transition, however, labour minister Tito Mboweni introduced a new system, under which all employers with annual payrolls exceeding R500,000 must pay a levy of 1% of payroll into a skills development fund. From this, 20% goes to a National Skills Fund intended to provide training for small business and the unemployed. The remaining 80% goes to 21 (down from 25) Sector Education and Training Authorities (SETAs), established under the Skills Development Act of 1998. Employers may apply to these SETAs to recover up to 20% of the levies they have paid, provided they submit annual reports on the certified training they have provided, along with workplace skills plans.[91]

Mr Mboweni promised that the new system would usher in a "skills revolution," but employers soon found that SETAs were overly cumbersome and bureaucratic. Levies were being paid and SETAs were accumulating revenue – but obtaining SETA approval for training was so difficult, especially for small businesses – that much of the money supposed to be dedicated to training was languishing unspent in SETA coffers.[92]

SETA performance has remained dismal. In July 2025 a report compiled by economist Peter Courtney (for the Southern Africa-Towards Inclusive Economic Development or SA-TIED programme and Operation Vulindlela in the Presidency), concluded that "the SETA Development Levy (SDL) system was particularly inefficient, with high costs and little evidence of positive employment or productivity outcomes." Mr Courtney also found that "the cost of SETA enrolment was notably higher than that of university enrolment, underscoring the need for better resource allocation and efficiency improvements." Overall, he concluded, there was little evidence of "employment benefits or a return on investment from SETA programmes."[93]

Later in 2025, the Bureau for Economic Research (BER) at the University of Stellenbosch published a comprehensive report on how the 21 SETAs had performed in the period from 2011/12 to 2023/24 – during which SETA levies had cost employers R164 billion in total. The report found that the SETA wage bill had grown by an average of 12% a year, from R745.8m in 2014/2015 to R1.9 billion in 2023/2024. Expanding employee numbers (from 1,750 to 2,750) had fuelled this rise, but so too had annual annual wage increases outpacing those in the public sector. As a result, the average SETA employee earned R715,000 a year by 2023/24. In the top band, salaries averaged R3.2 million a year: significantly more than the R2 million to R2.5 million paid to provincial education heads with more important responsibilities.[94]

The BER study also compared SETA costs with those at universities and TVET colleges. In 2023/24, for instance, it found (as Claire Bisseker reported in the *Financial Mail*), that "the cost per SETA *enrolment* (R162,879) was more than twice the cost of a university enrolment (R76,405), when low-cost, high-volume SETA skills programmes were excluded." (These SETA skills programmes are short ones, sometimes comprising single-unit courses, which are not comparable to three-year university degrees.) [95]

"The cost per SETA *certification*" was considerably higher, standing at R388,052 (again, with skills programmes excluded). This exceeded the average cost of a university graduate certification (R370,923), even though universities must also cover the costs of research.[96] (As Ms Bisseker explains, "certification" refers to students who have successfully completed their studies. Costs per SETA *certification* were much higher than costs per SETA *enrolment* because roughly 24% of SETA enrollees dropped out without obtaining any qualification.)[97]

In addition, the BER report showed a significant decline in SETA efficiency. During the period under review, SETA revenue had increased by 46% in real terms, but the number of certifications had diminished by 23%.[98] Throughput rates were particularly poor for those participating in internships (42%) and not much better among jobless people registered in SETA learnerships (53%). Short-term skills programmes had high certification rates (96%), but these were the least substantial SETA courses. If these were excluded, the average throughput rate dropped to 57%.[99]

Philippa Rodseth, executive director of the Manufacturing Circle, describes the SETA system as "inefficient and not fit for purpose." Many companies, she says, are paying twice for skills development: once for the ineffective SETA system and then again for "privately led initiatives tailored towards [their] actual requirements." Part of the problem, adds Business Unity South Africa (Busa) CEO Khulekani Mathe, is that "rigid rules requiring [that SETA] funding...go only to accredited programmes exclude many agile, workplace-relevant offerings, especially in fast-changing industries."[100]

These criticisms reinforce the need to scrap the entire SETA system. Employers do not require a costly, complex and wasteful intermediary system to determine their training needs and then find ways to meet them.[101] Instead, they should once again be given tax credits for providing their employees with the "on-the-job" training they consider best suited to their needs.

Changing university funding rules

Since 1994 the number of university students, including those at universities of technology, has almost doubled, rising from 575,000 in 1995 to close on 1.1 million in 2023.[102] This is in keeping with the government's long-standing drive, reflected in the 2013 *White Paper for Post-School Education and Training*, to increase student enrolment to 1.6 million by 2030.[103] Fortunately, that target figure has recently been reduced, the cabinet resolving in mid-2026 to aim rather for 1.18 million students by 2030.[104]

Rapid massification has generally resulted in declining quality. The state's subsidy to universities – low by international standards – has failed to keep pace with rising student numbers.[105] The number of new academic staff appointed, at roughly 5,300 from 2005 to 2023, has been well below the increase in enrolments.[106] Worst of all, a mostly dysfunctional schooling system is still largely failing to equip students for the rigours of university study.

Completion rates are dismal, with only 16.5% of students on average graduating with a three-year undergraduate degree within three years (the "regulation period").[107] Completion rates within regulation periods for three-year under-graduate degrees in STEM fields are particularly worrying. In 2023, they stood at 15% in physical sciences, 16% in computer and information sciences, 19% in engineering, and 11% in mathematics and statistics.[108]

Instead of trying to overcome these complex challenges, the government has focused on providing "free" university education to all poor and working-class students. In 2016 – largely in response to increasingly violent #FeesMustFall protests that cost universities some R800 million in damage to property[109]– President Jacob Zuma appointed a commission of inquiry into the funding of tertiary education. This was chaired by Judge Arthur Heher and reported in 2017.[110]

Having concluded that the government could not afford "free" tertiary education for all, Judge Heher recommended that all university students should be funded via income-contingent loans (ICLs), as further outlined below.[111] However, Mr Zuma ignored his recommendations. Instead, the president used the ANC's national congress in December 2017 to announce the introduction, as from January 2018, of "free" education for all university students with maximum family incomes of R350,000 a year. (This ceiling was substantially higher than the R122,000 limit for the student loans the state was then providing.) In addition, funding would in future take the form of a 100% grant for all university expenses – including accommodation, subsistence, books and laptops – rather than a loan to be repaid.[112] The new funding scheme was precisely what Judge Heher had warned against, saying the fiscus could not afford it.

The National Treasury had made no provision for this unexpected spending increase.[113] In 2018 some R57 billion was nevertheless allocated to "free" university education over the next three years. Much of the additional revenue was obtained by raising the VAT rate by one percentage point, thereby obliging the poor to help pay for the fee-free education of the relative elite.

The National Student Financial Aid Scheme (NSFAS) took on the task of administering the new scheme but lacked the capacity to manage the transition. ICT systems failed, irregular spending rose sharply, and the great majority of students went unpaid for eight months, causing them great hardship and badly disrupting universities. NSFAS was thus placed under administration in August 2018. As the administrator, Dr Randall Carolissen was later to write, "nobody had anticipated the degree of dysfunctionality of NSFAS or the pervasiveness of maladministration and the great rot that had ensconced itself in the system."[114]

Though NSFAS emerged from administration in 2020, further malfeasance soon became apparent. In October 2023 a report by Werksmans Attorneys found that NSFAS had irregularly contracted with four costly and inexperienced companies to pay students their allowances for accommodation, food, laptops and books. (Tuition fees were not in issue, as NSFAS paid these directly to universities.) Acting on Werksman's recommendations, NSFAS cancelled these contracts and fired its CEO, Andile Nongogo, who had improperly influenced the selection of the four.[115]

Despite this further evidence of NSFAS failures, the then minister of higher education and training, Dr Blade Nzimande, announced in January 2024 that the government was introducing a new loan scheme for students from households with annual incomes between R350,000 and R600,000, who did not qualify for bursaries. Some 70% of this funding would be allocated to STEM disciplines, while students would have to achieve a 60% average to obtain the loan and keep receiving it. In addition, "students with a 70% or above average, and who finished their course in the prescribed time, would qualify for a 50% reduction of their loan on request," Dr Nzimande said.[116] This loan scheme had positive features, but it added still further to the burden on NSFAS. Soon NSFAS was so dysfunctional that it had to be placed under administration again in April 2024.[117]

NSFAS remained under administration until February 2025, when a new board was appointed.[118] According to its new acting CEO, Waseem Carrim, the funding body had "a R39-billion allocation for the university sector" and had dispensed some R29 billion of this. It nevertheless faced a budget shortfall of about R10.6 billion, stemming largely from inflation and increased student demand. In addition, NSFAS was owed R45 billion by students who had signed loan agreements before 2018, had since graduated, and were now earning. These students needed to "pay back their debt" to NSFAS, so that the outstanding sum could be "re-utilised to fund new up-and-coming students."[119]

Student accommodation costs were also a major burden, with NSFAS needing to cover the costs of some 330,000 beds at 17 universities (and at 23 TVET colleges) in 2025. It also faced many claims for outstanding rental payments, the Private Student Housing Association alleging that NSFAS had failed to pay R62 million in student accommodation fees dating back to 2024.[120] Other governance problems persisted too. NSFAS received a disclaimer from the auditor-general for its 2024/25 annual report, while several of its board members resigned.[121]

Evidence of possible fraud emerged as well. The Special Investigating Unit (SIU) was called in to recover some R1.7 billion in misallocated funds from universities, TVET colleges and former students.[122] In addition, as Professor Marthinus van Staden of the School of Law at Wits University was later to write, NSFAS "fraudulently allocated…more than R5 billion to unqualified students, while R260 million flowed monthly to about 158,000 'ghost students'."[123]

In May 2026, the minister of higher education and training, Buti Manamela, placed NSFAS under administration once again, for the third time in eight years.[124] Soon thereafter, his department told Parliament that "165,000 qualification certificates" were being withheld because of student debt. Universities South Africa (USAF) put this total even higher, at some 188,200. By then, overall student debt across all tertiary institutions was reported to have risen to R59 billion, of which NSFAS-funded students accounted for R29 billion or almost half.[125]

Mr Manamela defended his decision to place NSFAS under administration, saying it was essential to stabilise its finances before a new student funding model was introduced. The proposed new model would have "four tiers: a full grant for the poorest students, income-contingent loans for the "missing middle," bursaries for scarce and critical skills, and a reformed tier for private sector contributions," he said.[126]

In mid-2026 NSFAS remained under administration and the consequences were stark, wrote Linda Meyer, the managing director of AdvTech's Rosebank International Group and a visiting professor at Nelson Mandela University: "Payment backlogs have resulted in academic exclusions, evictions from student housing and prolonged food insecurity." As a result, some students were "unable to complete their studies or enter the workforce." Moreover, though NSFAS had a university budget allocation of R54.8 billion for the 2026/27 financial year, it faced another potential budget shortfall of some R10.5 billion.[127]

In response, the then deputy minister of higher education and training – the DA's Dr Mimmy Gondwe – urged the GNU simply to disband NSFAS. The Treasury could then pay universities directly, "doing away with the middle man." She noted that Finance Minister Enoch Godongwana had "previously suggested that pivoting to a direct funding model could save R700-million in NSFAS costs," which would help fund another 9,000 students.[128] The Department of Home Affairs and South African Revenue Service (SARS) would continue to verify eligibility (based on identity, citizenship and household income), but the payment mechanism would become cheaper and more effective. Ms Meyer agreed, saying there was no good reason to retain "a bloated [NSFAS] bureaucracy that benefits no one." [129]

With "free" university education becoming more unaffordable for an overburdened fiscus – and completion rates remaining dismal in general – the time has come for the GNU to stop portraying university education as the only prestigious option for young South Africans. University education is constantly held out as the key to "dignity, upward mobility and participation in the post-apartheid middle class," writes Peter Swanepoel, a historian and author affiliated with the University of Johannesburg's History Department.[130]

In keeping with this fixation, he adds, "schools celebrate bachelor passes above all else. Politicians announce rising enrolment figures as evidence of progress [and] parents push children toward degrees." Yet this harms the majority of students, who arrive on campuses "underprepared in literacy, numeracy, writing and analytical skills after years in deeply dysfunctional educational environments." As a result, many fail to graduate within regulation time, while "substantial numbers never graduate at all." This has devastating consequences for hundreds of thousands of young people. "Students spend years pursuing qualifications, often accumulating debt or consuming NSFAS funding, only to leave institutions without degrees, without technical skills and without having entered the labour market early enough to build meaningful practical experience elsewhere."[131]
The ANC's long-standing drive towards massification has also put enormous pressures on

universities, which are "expected to absorb growing enrolments, compensate for failures produced much earlier in the educational pipeline and still produce employable graduates in an economy unable to generate enough skilled work."[132]

This wasteful and often destructive system must be ended. As part of the reforms required, the GNU should significantly tighten up the requirements for university admission – for "a bachelor's pass", as the government calls it – to eliminate poorly prepared students with few prospects of success. It should also end "free" university education and introduce a new funding model based on the Heher commission's recommendations.

As Judge Heher earlier urged, all university students should be funded via income-contingent loans (ICLs), to be repaid by them when their earnings reach specified levels. These loans would be obtained from commercial banks, with the backing of state guarantees, and would cover the full costs of study, from tuition and accommodation costs to subsistence and travel stipends.[133] "Strict academic requirements for *continued access* to an ICL" would also be introduced and, as Judge Heher proposed, "monitored from as early as the first module or semester of the first year."[134]

Similar ICLs have been introduced in various other countries, based on the recognition that university education is both a public and a private good. Sound university education increases productivity and helps expand the economy, which is a public good. But graduates with scarce skills benefit from increased earnings throughout their careers, which is a private advantage.[135] The ICL approach is thus widely seen as fair. It expects those who can afford to pay to do just that: either immediately or in the future. It also increases access as "no one is refused loans on grounds other than normal university admission criteria", Judge Heher notes.[136]

The GNU should make other changes too. As Judge Heher proposed, it should ensure that state subsidies to universities increase to 1% of GDP,[137] which is closer to international norms (and would be more affordable with an ICL system in place). In addition, the GNU should ensure that the increased subsidy is available for private universities as well as public ones. This would increase competition, giving failing public universities greater incentives to improve their performance. The ICL system would also enhance efficiency as both students and lending banks would want effective performance from the universities that students have chosen.

Reforming Technical Vocational Education and Training (TVET) colleges

The government pays lip-service to the importance of technical and vocational training at the country's 50 TVET college. This is particularly evident in the 2013 *White Paper for Post-School Education and Training*, which seeks to increase TVET enrolments to 2.5 million by 2030 – significantly higher than the 1.6 million target it set for university students.[138] In practice, however, TVET enrolment continues to lag substantially behind that at universities. This was evident once again in 2023, when there were some 564,100 students enrolled in 50 public TVET colleges – and more than a million at the country's universities.[139]

TVET colleges have long offered a vocational "NC(V)" matric for pupils in grades 10-12, as well as post-matric "N4" to "N6" courses under the "NATED" system (short for National Accredited Technical Education Diploma). Most of these TVET offerings have been strongly criticised by employers for being too theoretical and failing to provide essential work-place experience.[140] In addition, lecturers often lack practical knowledge and industry experience, while the subjects and technologies being taught are generally outdated.[141] In addition, many TVET students have poor levels of literacy and numeracy and struggle with course work. Throughput rates are dismal, while graduates often battle to find jobs.[142]

In 2017 the Heher commission – having highlighted many of these major problems – nevertheless recommended that "the TVET college sector should increase threefold".[143] In South Africa, he said, a mere 2% of pupils aged 15 to 19 were enrolled at TVET colleges, whereas "industrialised countries had over 6% of the youth cohort in vocational education." This meant that "the TVET college sector was too small for the size and level of development of [South Africa's] economy".[144]

Judge Heher urged that some of the challenges confronting TVET colleges be solved "through efficiency changes." Worrying "throughput and drop-out levels" would have to be addressed.[145] The curriculum would need to be changed so that it could "meet the needs of the economy and society".[146] TVET lecturers "with the required skills and industry experience" would have to be "trained and encouraged to enter the sector." ICT and blended learning techniques would be needed to increase efficiency, improve academic support, and ensure that graduates were better prepared for the world of work.[147]

Major curriculum changes are now under way. Both NC(V) and NATED (N4–N6) courses are being phased out and replaced by Occupational Courses developed by the Quality Council for Trades and Occupations (QCTO). Every QCTO course includes a theoretical section (counting 20%), a practical element involving simulated tasks in a college workshop (counting 30%) and mandatory "workplace-based learning (WBL)" (counting 50%). Students will not be able to pass without completing all three, making workplace experience essential. In addition, internal TVET exams are being replaced by an external assessment system, (grandly) entitled the External Integrated Summative Assessment or EISA.[148]

To ensure the necessary workplace training is provided, TVET colleges are barred from offering QCTO courses without first signing agreements with employers or industry associations willing to provide it. Already, however, considerable problems have arisen. Workplace training is supposed to be funded via SETA levies, but the payments on offer (at R70,000 to R90,000 per student per year) barely cover the costs of mentoring, safety equipment and basic stipends. Hence, they cannot compensate for the productivity losses employers are likely to suffer from having to supervise untrained students. Many employers are thus reluctant to sign up for training of this kind. In response, the Department of Higher Education and Training (DHET) has stated that, where actual workplace experience is not available, "simulated workplace experience would constitute an appropriate and feasible substitute."[149] A key weakness in current TVET courses is thus, in practice, likely to persist under the QCTO system.

The new occupational courses aim to equip graduates (as one TVET college puts it) with "up-to-date skills, workplace experience, and competencies aligned to modern work demands," thereby "reducing the need for remedial or additional training."[150] Students are to be trained, for example, as "mechatronic technicians," with a basic knowledge of what used to be three separate trades: fitter, electrician and millwright. This training will supposedly equip them to install and repair industrial machinery forming part of automated production systems.[151]

Students will also be trained to work in sectors such as cybersecurity and renewable energy. Since many TVET lecturers have little knowledge in these spheres, they too are to be provided with suitable theoretical and practical training. To help fill gaps, TVET colleges may also be permitted to hire private-sector experts on part-time contracts to deliver advanced practical modules.[152]

The practical challenges remain formidable, however. According to Professor Mbulungeni Madiba, Dean of Education at Stellenbosch University, "colleges are grappling with a severe lack of qualified staff, particularly in high-tech fields like mechatronics." As he points out, "the shortage of TVET lecturers is driven by systemic and interconnected factors, including the strong pull of industry, where qualified artisans, engineers and IT professionals earn significantly higher salaries and enjoy greater professional prestige than in TVET teaching."[153] He adds:

> Retention is further undermined by heavy workloads, excessive administrative demands, frequent curriculum changes, poor infrastructure, outdated equipment and governance challenges that create demoralising working conditions. These challenges are compounded by slow and rigid public-sector hiring processes, uncompetitive HR [human resources] practices that cannot accommodate scarcity skills, and a long history of underinvestment in the TVET sector. [154]

In addition, TVET skills and funding shortages cannot possibly be overcome while the great bulk of government spending on tertiary education continues to go to universities. The overall budget for tertiary education in the 2026/27 financial year is R146 billion. Of this, a mere R14.6 billion (10%) has been allocated to the 50 TVET colleges, while R107 billion (73%) is to go to universities (R49 billion in subsidies and the rest in NSFAS funding). Even the failed and ineffective SETA system, with an allocation of R30 billion (20%), is to get double what TVETs receive.[155]

If TVETs are to become the preferred institutions for most students, current allocations to universities and TVETs require fundamental change. To help shift demand from universities already struggling with excessive "massification" and high drop-out rates, the GNU (as earlier noted) should replace "free" university education with a system of income-contingent loans. This would allow current NSFAS university funding of some R58bn to be redirected to qualifying TVET colleges. To help increase demand for TVETs, the GNU should also ensure that TVET study is genuinely "fee-free". To avoid wasted revenue and high drop-out rates, it should further ensure that TVET students have the necessary foundational skills – which requires more effective basic schooling from Grade 1 on.

Reforming the TVET sector requires many other changes too. In particular, the GNU must take effective steps to enhance the current modernisation of TVET training. It must seek out expert advice both here and abroad on how TVET curricula should be amended to meet modern workplace needs. However, the courses on offer should also impart the core plumbing, electrical, brick-laying, glazing, roofing, wood-working and other technical skills likely to remain in demand in millions of homes and small businesses across the country, even as many larger workplaces shift towards AI-driven automation.

In addition, the GNU should help ensure that all TVET lecturers are themselves adequately trained. It should require that genuine workplace experience replace the "simulated" kind that can never be an effective substitute. It must also explore the optimum use of AI: initially to provide TVET students with personal study "guides" to help improve their understanding and proficiency. In time, such guides could also be used to hone student capacity to use AI as a coding and sophisticated diagnostics tool, for example.

The importance and the value of the TVET sector should also be stressed. Many academic disciplines in the humanities are over-subscribed and do not lead to jobs, whereas sound technical skills are still in high demand and short supply. Moreover, unless the technical skills deficit is reversed, South Africa's economy will lose even more of the complexity its used to have.[156] The benefits of TVET training must thus be thoroughly communicated to all South Africans.

In addition, to stimulate competition and further increase efficiency, the increased TVET funding to be provided should be made available to low-income students via tax-funded TVET vouchers. Under the current payment system, tax revenues flow directly to public TVET colleges and remain much the same each year, regardless of how well or badly these colleges perform. Under a voucher system, by contrast, the revenue now often being badly spent would be divided among qualifying TVET students in the form of tax-funded vouchers, redeemable only for TVET courses.

Like the tax-funded school vouchers earlier described, TVET vouchers would follow students to the TVET colleges of their choice, which would use them to pay lecturers and meet other vital needs. TVET colleges would then have to compete with one another to attract and retain the custom of their students. This competition would give them powerful incentives to improve their efficiency and keep their costs down.

Competition for voucher-bearing TVET students would also encourage the establishment of many more private technical colleges. At present South Africa has 50 public TVET colleges and roughly 350 private colleges. However, the latter colleges are barred from state funding and currently cater for only some 70,000 students.[157] Tax-funded TVET vouchers would level the playing field as between public and private institutions. Many more independent TVET colleges would then spring up. Some would be established by non-governmental organisations but most would be developed by "for-profit" companies or "edupreneurs" looking to meet an important societal need and make a living too.

Time to think outside the box

For more than 30 years, the ANC – along with its trade union and communist allies – has been intent on expanding and entrenching state control over the economy and society. The negative effects of its destructive labour and other policies are everywhere apparent. They manifest in paltry growth rates and mammoth unemployment ones. They show themselves in widespread state dysfunction, collapsing infrastructure and pervasive crime. They are also the main factors behind an under-performing agricultural sector, a shrinking mining industry, a tourism sector unable to live up to its potential, and an informal economy hobbled by over-regulation.

Most ANC policies have long been making most South Africans ever poorer. This malady is also now being experienced across society: among the large community of unemployed "outsiders," with few opportunities for jobs and earnings; within the established workforce and middle classes, who find their personal finances and lifestyles under pressure; and even among the more affluent, for whom South Africa is becoming increasingly risky and unpredictable.

At the same time, the long-promised "skills revolution" has yet to transpire. Instead, most public schools remain dysfunctional, despite the major tax revenue provided to them. Beyond the basic schooling sector, SETAs do more for their employees and a relatively narrow group of (often corrupt) "tenderpreneurs" than for the businesses they are supposed to serve. Universities are battling with poor throughput, which cannot be improved under flawed massification and "free" education policies. TVETs, despite their importance in generating technical skills and sustaining a complex industrialised economy, remain severely under-funded and impart few useful skills.

The time has come to think outside the box. The GNU should abandon the statist ideology in which the ANC alliance has steeped South Africa since 1994. In all the spheres earlier outlined, state intervention is the problem, not the solution. The state must, of course, collect the taxes needed to help fund education and fulfil other essential needs. But the state – especially a state this inefficient and corrupt – need not be involved in delivery. Nor should it have the coercive and destructive powers the ANC increasingly demands.

Centralised, top-down state delivery empowers bureaucrats, not ordinary South Africans. It disregards their needs, while constantly seeking to control the private sector and build up state monopolies that hobble competition. Yet competition and innovation are vital to efficiency, cost-effectiveness and "value for money."

The GNU should embrace all the reforms outlined here to stimulate faster growth, encourage very much more employment, and remove the constraints inhibiting tradeable sectors with the capacity to absorb large numbers of poorly-skilled people. It should act to achieve a real skills "revolution" by introducing tax-funded school and TVET vouchers for the disadvantaged, so as to increase choice and efficiency. It should also scrap ineffective and costly SETAs, along with "free" education at massified universities. Instead, the GNU should embrace the Heher commission reforms and ensure that adequately-prepared university students are funded via income-contingent loans, backed by state guarantees.

All these reforms are vital. However, tax-funded vouchers are particularly important because they link necessary state funding to essential competition in delivery. Since vouchers would go to low-income individuals and their families, this would also give them a hitherto unprecedented capacity to choose between providers vying for their custom. Little could be more empowering for people long mired in poverty and confined to the margins of society.

The heavy hand of an intrusive and inefficient state is the common denominator in current obstacles to growth, employment and skills. That heavy hand must be removed. Its debilitating weight has been bearing down on the country for more than 30 years – and GNU must now muster the determination to jettison it.

With that achieved and real reforms in place, growth and employment will accelerate; largely voucher-funded schools will start to function well; and tertiary training institutions will become effective in equipping young South Africans with skills in high demand. On this solid foundation, a long-stifled economy will increasingly be equipped to expand and prosper – and a fractured society will be able to look to a brighter future.

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