Hollard.

How important is it to develop people to grow South Africa?

February 2018

South Africa

FORWARD TO
THE WORKERS
STRUGGLE
FORWARD

How do we measure growth?

Growth is beyond just the macroeconomic factors

1. GDP?
2. Government Revenue > Expenditure?
3. Infrastructure development?
4. Debt: GDP ratio?
5. Trade balance?
6. Other?

According to an IMF publication, the growth of a country needs to be holistic

Quality growth encompasses

- Macroeconomic stability
- Political stability
- Financial development
- Institutional quality

Stable FDI inflows and a diversified industry portfolio of GDP contributors have also been cited as factors that indicate 'quality growth' of a country

Source: IMF – A quality of growth index for developing countries

If we only consider GDP growth, the fastest growing countries in the world are reported to be Ethiopia and India

Country	GDP growth 2016	GDP growth 2017	GDP/Capita 2016 USD	GDP/Capita 2017 USD
Ethiopia	7.9%	7.5%	795	845*
India	6.8%	7.2%	1,723	1,850*
Australia	2.5%	3.1%	51,850	55 215*
Norway	1.0%	1.2%	70,391	73,450*
China	6.7%	6.6%*	8, 113	8,481*
South Africa	0.3%	0.8%	5,261	5,589*

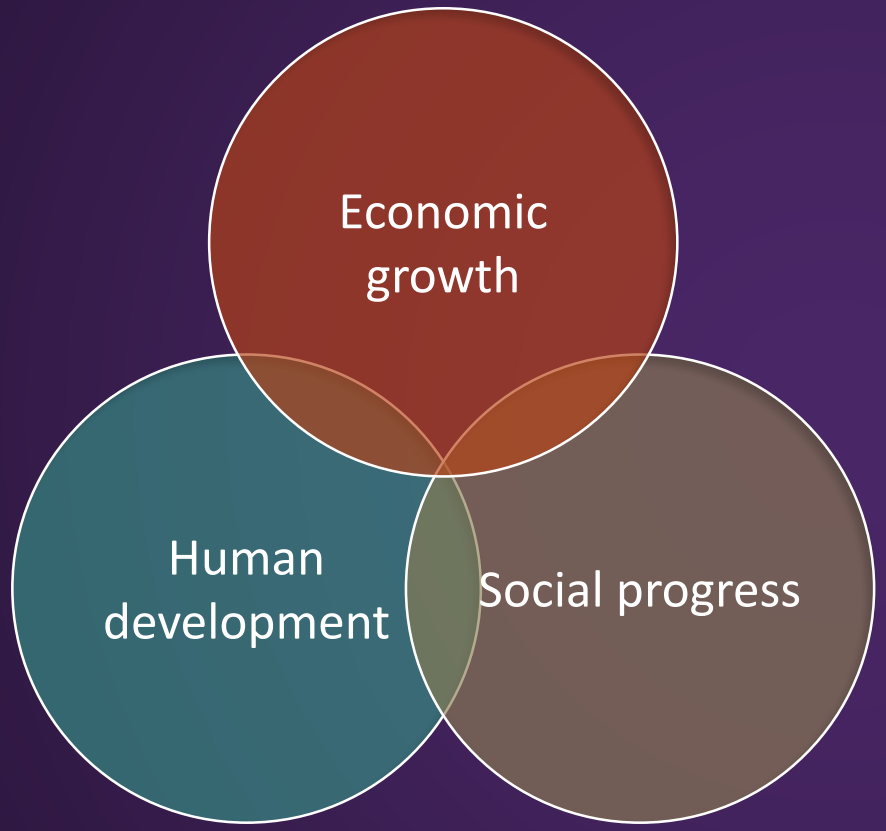
Source: IMF
Note: * are IMF estimates

But both Ethiopia and India have the lowest human development indices and rank quite low in terms of social progress

Country	GDP growth rate '16 – '17	HDI Rank (2015)	2017 GDP/Capita (USD)	SPI Rank
Ethiopia	7.5%	174	845*	121
India	7.2%	131	1,850*	93
Australia	3.1%	2	55 215*	9
Norway	1.2%	1	73,450*	3
China	6.6%*	90	8,481*	83
South Africa	0.8%	119	5,589*	66

Source: CIA Factbook, IMF
Note: * are IMF estimates

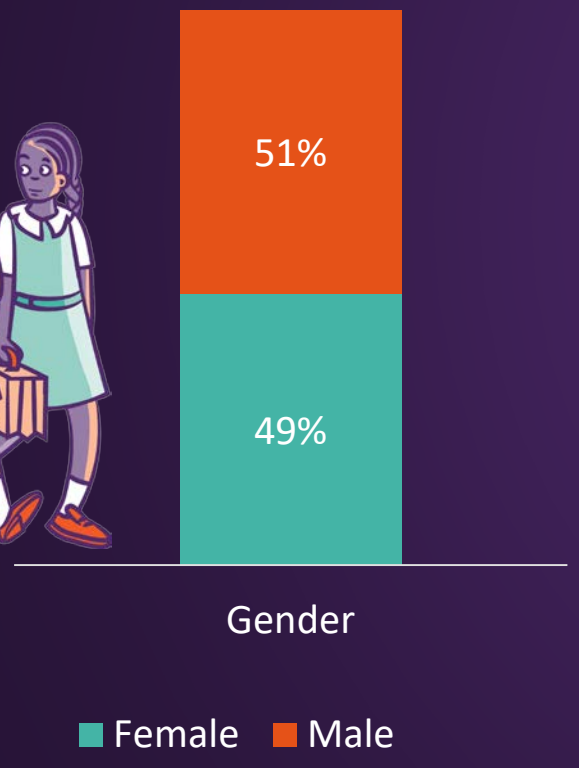
Thus holistic growth of a country includes economic growth, human development and social progress

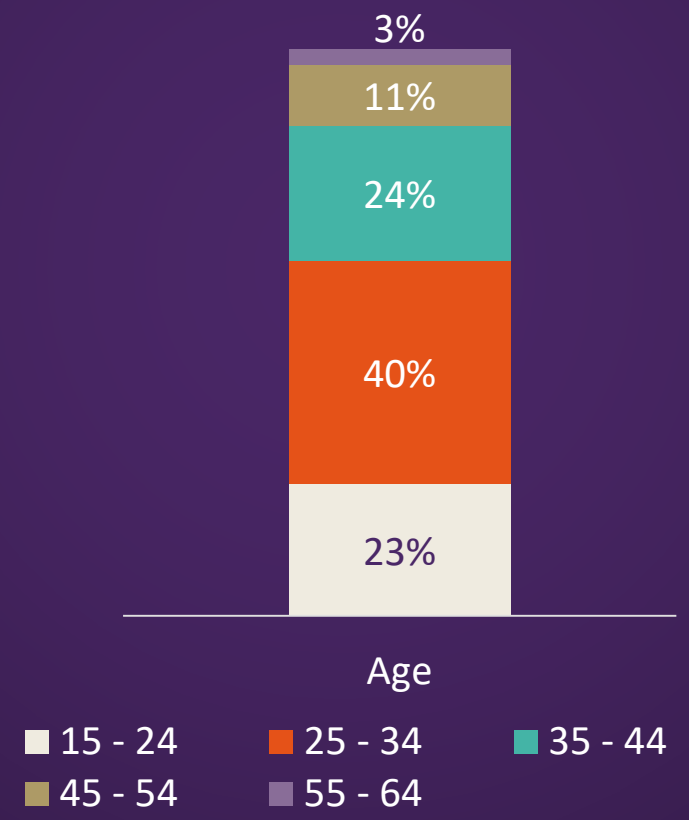


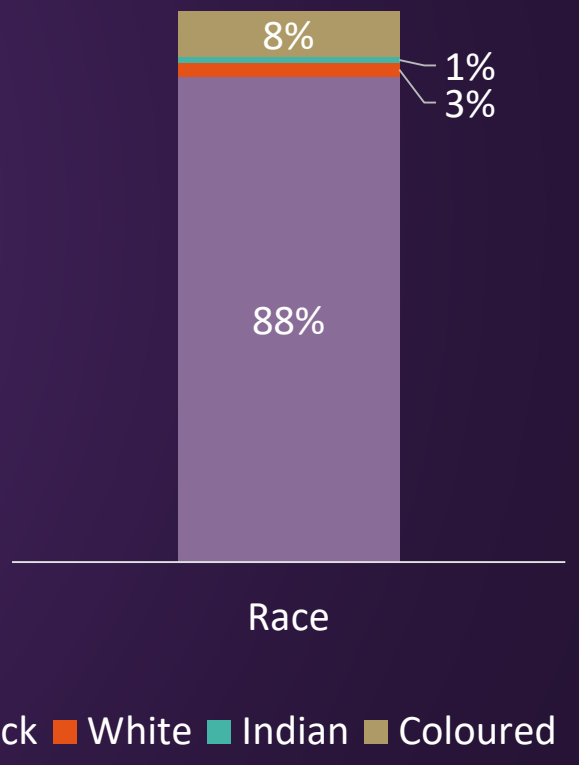
Holistic growth of a country

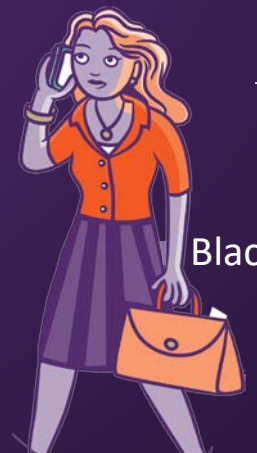
Who are the unemployed ?

51% of the unemployed are male, 63% are below the age of 34 and 88% of them are black



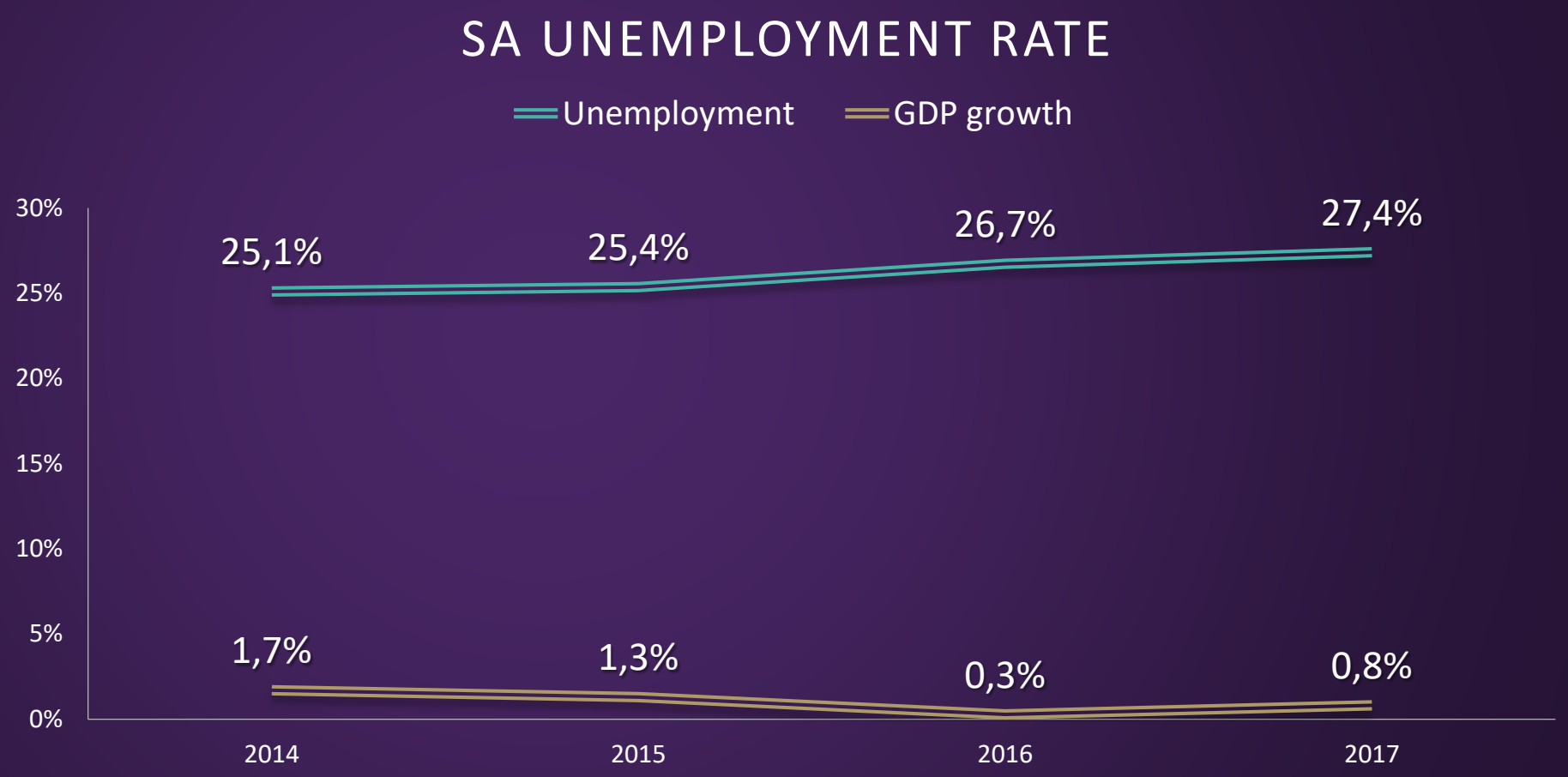






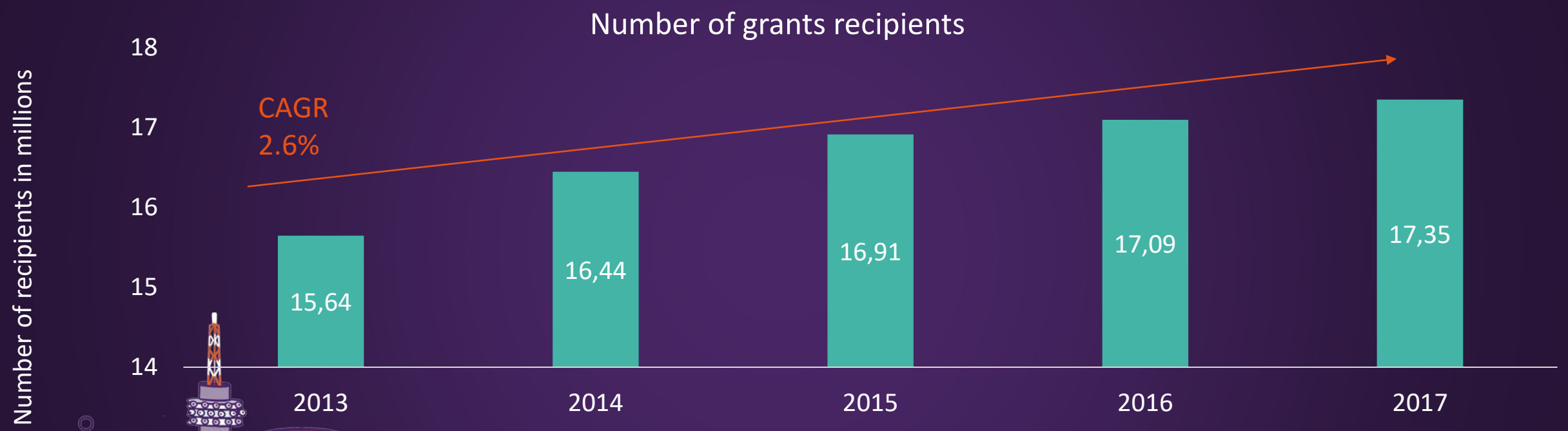
Source: Statistics SA
Note: Figures are as at September 2017

Unemployment has continued to increase since 2014 while the GDP has been recording low growth rates



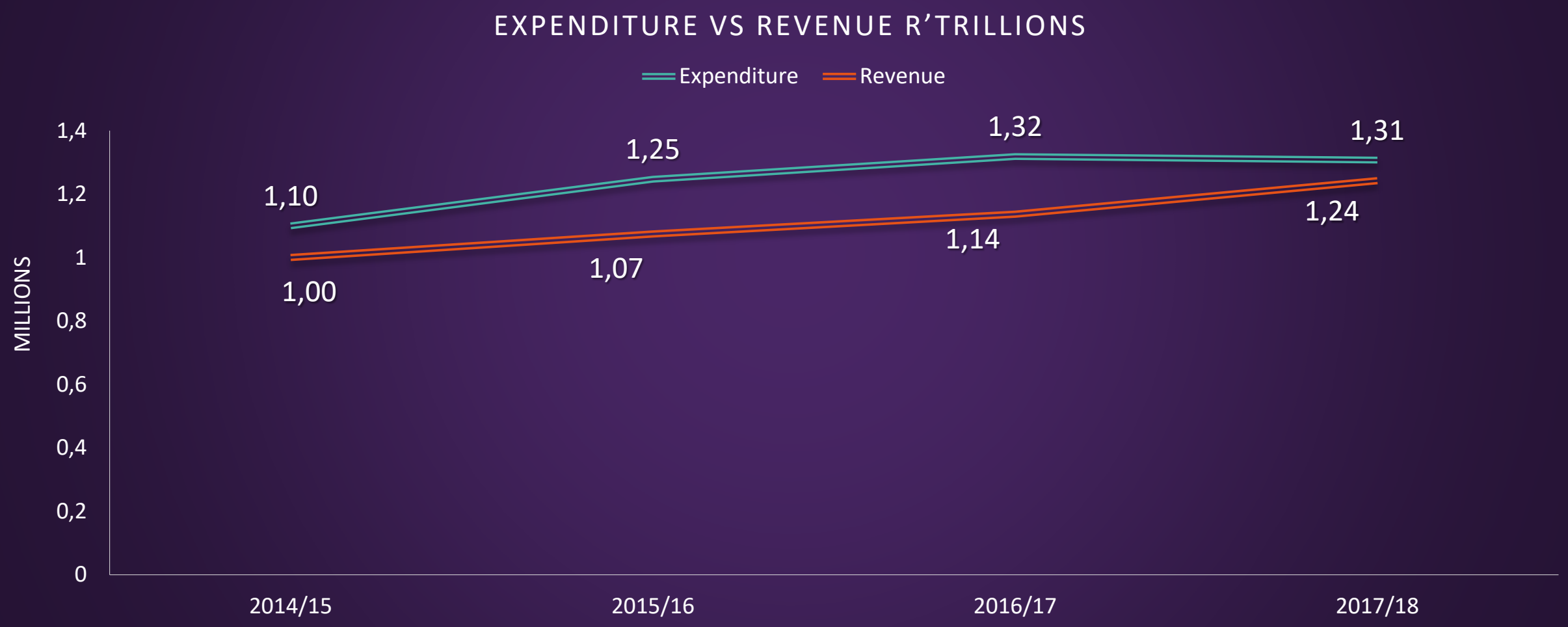
Source: IMF

…as a result about 30% of the South African population depends on government grants



Source: SASSA
Note: Figures for grant recipients are for Dec each year

… and government expenditure continues to exceed revenue



Source: Budget speech
Note: Numbers are as per budget speech estimates

How do we develop people?

There are some business/corporate models whose application in broader society can be used to develop people

GROW model

- **Goal** – Set goals that we want to achieve as a country (e.g. which skills are priority?)
- **Reality –** Be aware of the current reality (e.g. Education level, skills gaps, literacy)
- **Options –** Explore options that you have
- **Will –** Get the people excited and motivated, thus committed to the goal

Capability development model

- First develop simple, basic skills (e.g. literacy)
- Expose/teach new skills (e.g. how to replace car parts)
- Give people a platform to repeatedly practice what they have learnt
- Encourages experimental practices
- Allow for application of knowledge to promote creativity

HYP Positive professional dev model

- **Provide access** to quality dev & networking opportunities
- Create **mentorship** (e.g. Private sector mentors helping SMEs)
- Create meaningful opportunities for contribution (e.g. Internships/Learnerships)
- Help people identify their strengths (e.g. Make people aware of various roles in the economy)

Source:http://lrrpublic.cli.det.nsw.edu.au/lrrSecure/Sites/Web/13289/ezine/year_2008/sep/article_capability_development_model.htm, http://www.hypaustin.org/hyp-positive-professional-development-model.html,

Almost everyone can be developed, if their heart is in the right place and their attitude is positive

Types of people that can be developed

People that are eager and willing to learn new skills in order to survive and feed their families

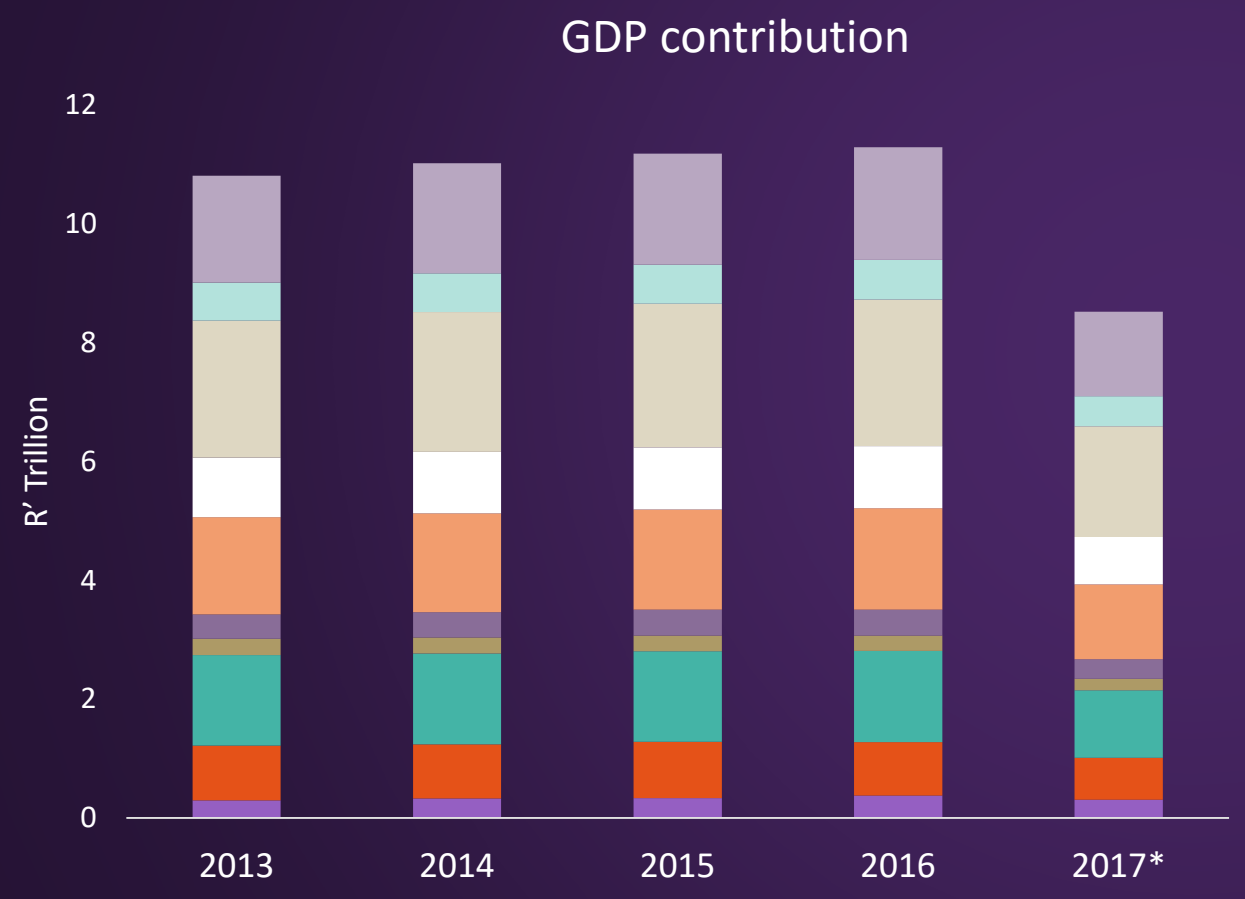
Educated people that need to bridge the gap between academics and the work place

People who are not formally educated but are willing to work with their hands

People that are entrepreneurial, creative, imaginative, inquisitive and want to change SA for the better

Examples of projects that develop people

Some of the fastest growing industries include agriculture, finance and construction and these may in future need people



	CAGR '13 –'16
General	1.7%
Personal services	1.4%
Finance & Insurance, real est & business services	2.3%
Transport, storage & communication	1.6%
Wholesale & Retail trade, catering & acc.	1.4%
Construction	2.0%
Electricity & Water	-2.1%
Manufacturing	0.2%
Mining & Quarrying	-0.8%
Agriculture, Forestry & Fishing	8.3%

Source: Reserve Bank
Note: Figures are at constant 2010 prices, seasonally adjusted by Reserve bank

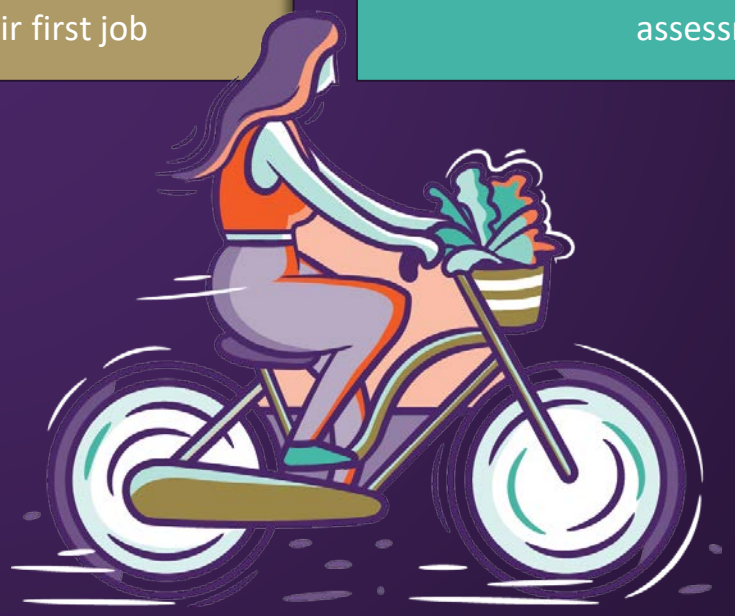
A social enterprise that connects unemployed youth with employers looking for entry level talent through “matching” assessments

harambee
YOUTH EMPLOYMENT ACCELERATOR

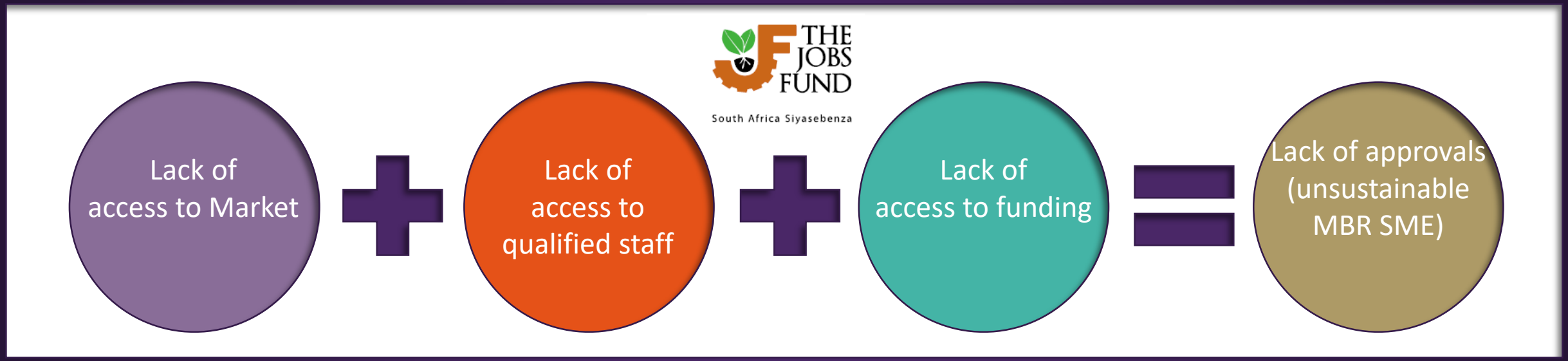
Partnered with
400
employers from large corporates to SME’s

We’ve helped over
40 000
young people find their first job

Created job matches with over
1.5M
assessments



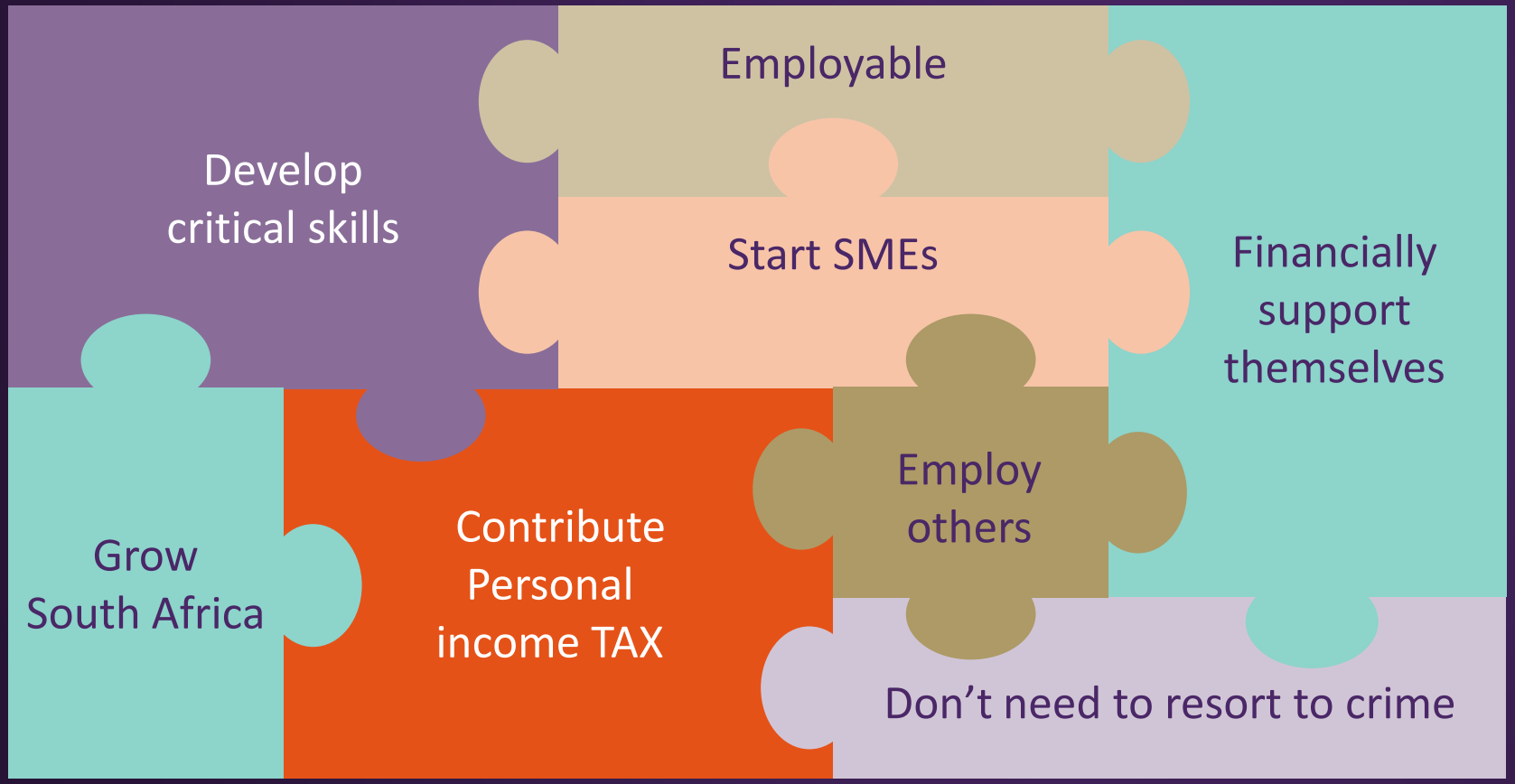
An initiative meant to break down barriers to entry into the car insurance repair industry for black owned Motor Body Repair SMEs and create 3 000 jobs



What the jobs fund team will do:

- Train employees of the SME so that they can meet requirements for working on cars
- Help the SME owner fix the work place to comply with regulation requirements
- Help SME owner run the business professionally and profitably
- Assist the enterprise owner acquire a working capital loan from ABSA at a reduced interest rate
- Load complying SMEs as insurance service providers
- Consciously allocate repair business to the black owned SME

Finally, when people develop, they get empowered and can help grow the country



People have money in their pockets and can pay for their education, medical bills, housing, food thus reducing dependency on government

What happens if we don’t develop people but focus on growing the GDP only?

Possible Risks include:

- Only a few people benefit from the growth
- Income levels don’t rise / shrinking middle income
- Inequality gap widens
- People get frustrated and make poor choices in order to survive
- Petty crimes increase
- Corruption continues to rise

“I wanna lend a hand.”

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Hollard.

Thank you