Repositioning the South African economy: a labour perspective

Introduction

South Africa's deep social and economic fractures are beginning to seep every more to the surface. Student discontent has paralysed universities, labour unrest remain a powerful undercurrent to all economic discussions, and state failures are breaching into rolling outrage on the part of critics and increasing withdrawal on the part of politicians. Perhaps the deepest fault lines are represented by the simmering calls for economic justice, for the economy we want: one with opportunities for all, and an end to the injustices of the past. As the pressure builds, there is a risk that policy making in South Africa becomes increasingly short-term and responsive, with new ideas coming in response to outrage and protest. This is an appealing notion to some, but unbridled, it is dangerous. No single issue exists in isolation, and no transformative economic policy strategy can be cobbled together from the selected shouts of newspaper headlines. What is needed is a comprehensive vision of a transformed economy, repositioned for both the demands of a competitive global marketplace and those of a country crying out for justice.

Failed Visions

While there is broad agreement on the type of outcomes we want from the economy - one that engenders social justice and opportunities for all - there has been a consistent failure on the part of policymakers, academics, economists and the broader South African dialogue to craft a shared vision of what that economy might practically look like, and how it can be built.

This certainly isn't for lack of trying. Government has produced multiple overarching economic policy visions, which have either proved divisive or shallow. The more detailed plans, such as the Reconstruction and Development Programme (RDP) or the Growth, Employment and Redistribution (GEAR) strategy proved too divisive to maintain the necessary level of social cohesion to support a transformative policy, with constituents arguing they were too far left or too far right, depending on your perspective. The most recent major effort - the National Development Plan - is less divisive, but largely because it has much less substance. The NDP advances easily shared visions (like combatting unemployment or improving skills) and very broad approaches to these (like improving productivity and strengthening schools), but without delving into the practical policy that makes or breaks a strategy, and is usually the battleground for competing views and interests.

The failure to craft a unified strategy is as much down to broader social failings as it is to government. Policymakers have to cope with a deeply divided policy community, which is often locked between the competing views of business, labour, analysts, and an endless diverse spectrum of others. In this situation, visions are bound to be criticized by one side of the spectrum, and will fail to hold the necessary consensus. The common response to this culture of criticism is to ignore the critical side, even though they almost always have important contributions and insights to make. The resulting polarisation reinforces the problem, and leaves pressures little room for unified policy making.

Moving forward with a vision to reposition South Africa's economy requires understanding why these previous visions have failed. Much of this failure, of course, is due to fundamental disagreement between groups with different views of society and policy. A very large other part is due to deep inequalities and continued mistrust of various elements of society after the collective trauma of apartheid. And of course, pure politics plays a big role. But another significant element is due to the two sides of the debate trying to maximise the benefits for two very different sides of the economy.

Two Economies

The South African economy can be split into any number of component parts: from Thabo Mbeki's dual economy (formal vs informal) to any number of subdivisions based on types of industry (manufacturing vs services vs mining). But the core focus here is on the efficiency economy versus the core (employment) economy.

The efficiency economy refers to those parts of the economy that grow as they become more productive. The most notable example here is manufacturing, but the category also includes internationally traded services (like call centres or engineering advisors) and agriculture. The key policies that help the efficiency economy are reducing costs or increasing productivity.

The core economy refers to those parts of the economy that grow as people spend more locally. These are mostly service industries, including retail shops, petrol pumps, or domestic workers; but they also include some parts of construction (particularly the housing and retail markets) and portions of agriculture. The key policies that help the core economy are ensuring people have enough money to keep buying, while also making sure the companies are safe and protected enough to work.

Between these two poles is a middle economy, which is either hard to classify or relies on both sides. Security, for example, employs more people as more companies from either side develop; while mining can't strictly be categorised as either. Government, which relies on taxes from everyone, fits next to, but not properly in, the middle economy.

Why does the distinction between these three parts matter? It matters because very often what is good for the efficiency economy is bad for the core economy, and vice versa. Consider the most obvious examples: wages. If an exporting manufacturing firm drops its wages, it becomes more competitive. But it then leaves less money for workers to spend on the core economy. Since the core employs the vast majority of South Africans, this undermines employment and with it, the basic social cohesion needed for that firm to keep working and to benefit from important public goods like education. Conversely, a wage increase that helps the core can undermine competitiveness in the efficiency economy. This trade-off happens in areas well beyond wages, in regulation, labour protections, and many others.

What does this mean for the crafting of a national vision? Put simply, it means all sides of the divide in our economic debate are right. Those calling for deregulation and a liberalisation of the labour market, are right - for the efficiency economy. Those calling for labour protections and wage increases, are right - for the core economy. And in the fact that neither side is adequately considering the whole systemic impact of their changes - all of them are wrong, and our vision is stuck.

Three Considerations

Crafting a unified vision on how to reposition the economy therefore requires meeting the needs of both sides of the economy or, failing that, choosing a priority and building social consensus about what that means in practise. There are any number of legitimates options on the table, but three crucial components need to be carefully considered in building a unified strategy.

Inequality and the Base

The first issue, unsurprisingly in South Africa, is inequality.

Inequality is an undeniable driver of many of South Africa's most fundamental economic problems. Its impacts can be felt in any number of ways, of which two are crucial.

First, inequality undermines the political cohesion needed to drive development. Multiple studies have demonstrated that countries are more prone to instability when a country has substantial inequality.[1] Some countries have managed to get around this, but almost all of those feature relatively socially homogeneous societies. South Africa has a triple-whammy of the inequality-instability relationship: it features some of the world's highest inequality, deep racial divides, and a close intertwining of the two: where the downside of inequality is felt overwhelmingly by people of colour. The relative stability of South Africa's transition stunned many academic observers, but it is already beginning to fray. Large scale service delivery protests, student protests like #FeesMustFall, and a notable shifting of popular political discourse all speak to something beyond the immediate causes they address - to a racial superstructure that many feel is a permanent barrier to their own achievement. With a political system that has been unable to craft a vision of change that people can believe in, the result of this discontent is constant ad hoc pressure on policy and the budget, that leads to responsive policymaking that is never as efficient as careful planning. And yet without the types of responsive interventions this will increasingly demand, the broader instability could do as much damage: leaving the government with no choice but to lean on suboptimal development decisions.

Second, and arguably more importantly, inequality is bad for growth and bad for employment. This was long a highly contentious economic claim, but work by the IMF[2], World Bank[3], and famously Thomas Piketty[4] largely moved the claim into the economic mainstream. It is now

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[1] For example, Cingano, F. 2014. "Trends in Income Inequality and its Impact on Economic Growth", OECD Social, Employment and Migration Working Papers, No. 163, OECD Publishing. http://dx.doi.org/10.1787/5jxrjncwxv6j-en

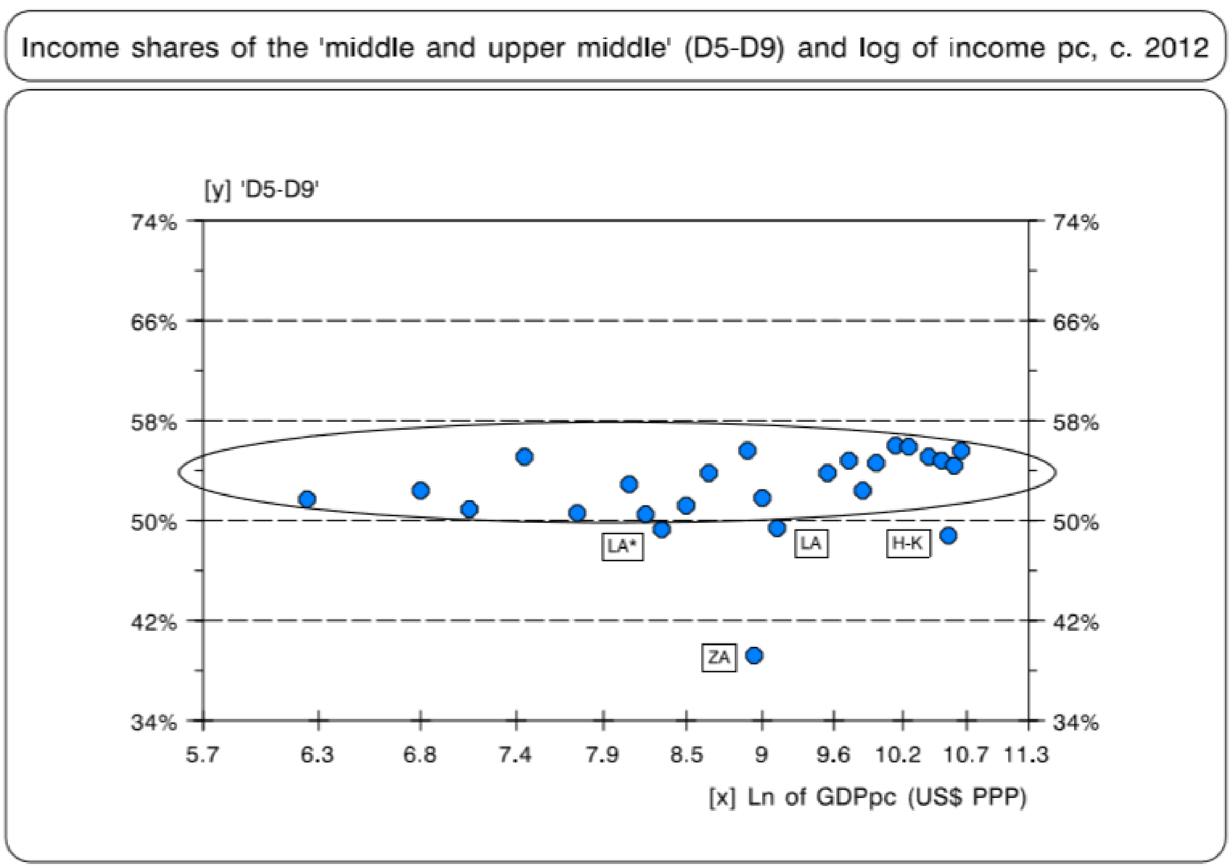
[2] Ostry, J., Berg, A. & Tsangarides, C. 2014. "Redistribution, Inequality, and Growth." IMF Staff Discussion Note SDN/14/02.

[3] Bourguignon, F. 2004. "The Poverty-Growth-Inequality Triangle." Washington, DC: World Bank.

[4] Piketty, T. 2014. "Capital in the Twenty-First Century." Cambridge: Belknap Press.

widely accepted that inequality hurts growth, even if the reasons why are a subject of disagreement.

The core reason offered here is that inequality undermines the base. Around the world, services (and particularly retail services) are almost always the largest employers. Even in the capital of global manufacturing, China, services employ 36,9% of the working population, versus 30,5% in manufacturing.[5] In South Africa, services account for 69,5% of employment. Retail services grow when their client base grows, and their client base is dependant on a core of domestic demand. Domestic demand is undermined by inequality - particularly when that inequality comes in the form of a weak middle class. South Africa has an unbelievably, bizarrely weak middle class - uncomparable to almost any other country. To see this, consider a common rule in income distribution: Palma ratio. The Palma ratio states that in almost every case, 50% of the wealth is controlled by 50% of the population. To be more specific, the richest 10% and poorest 40% control as much as the middle 50%. As can be seen in Figure 1, this rule holds roughly true for a huge range of countries, whether developing or developed, with only one large outlier: South Africa.[6]



[5] Author's calculations based on ILO figures.

[6] Palma, G. 2016. "Do Nations Just Get the Inequality They Deserve? The 'Palma Ratio' Re-examined." Cambridge Working Paper Economics: 1627.

This unbalance helps explain one of the other ways South Africa is a major outlier: unemployment. Of the 129 countries that are poorer (lower GDP per capita) than South Africa, only Mauritania has a higher unemployment rate.[7] The economies that are most similar to our own - Brazil and Turkey - both have single-digit unemployment rates. Somehow, South Africa manages to employ far fewer people per unit of GDP than any other major economy. Understanding why is absolutely crucial to building an economy that is fundamentally stable enough to prosper.

While South Africa' unemployment is a complex phenomenon, with many causes, there is good reason to believe that the palma ratio mentioned above is a (or perhaps the) fundamental driver. Put simply: a middle class that can't afford to buy, creates an economy that can't afford to employ. As a pressing first step, the core of the economy needs to be fixed, to strengthen the middle class, and begin eroding inequality.

Efficiency with a Weak Core

This in turn undermines the efficiency economy (productive sectors). In isolation from other factors, it shouldn't matter to an export manufacturer that South Africans cannot afford to buy, they can still sell their goods abroad, or survive off the rich. China managed to become the world's second largest economy with a famously frugal and spendthrift population. This holds true in isolation - but in reality everything the efficient economy needs to succeed is dependent on the core economy.

Productive economies need a couple of things to do well. Most of these are the same boring, familiar recommendations you can find in every second opinion piece: skills, certainty, labour flexibility, low regulatory costs, and competitive infrastructure (amongst others). All of these problems are either caused by, or difficult to resolve, because of the weakness of the core.

To build a skilled workforce, you need good education. Education, however, is broadly correlated to how much money you have: the richer do better, the poorer are denied the chance to. In circumstances where inequality and the weak core undermine efforts to give family's the wealth needed to give their children education opportunities, then policy is always swimming against the tide. The same logic applies for certainty (policy shifts with the demands of an angry underprivileged electorate), labour flexibility (undermining wages and hurting the core employment economy), low regulatory costs (largely impossible with the state having to protect an underprivileged populace), competitive infrastructure (where funds are by necessity poured into social infrastructure rather than competitive infrastructure), and a range of other key factors.

Many will argue that this Efficiency-Core relationship is not true, that if you just fixed the key policy problems, the economy would grow and the core's problems would be resolved. This is largely misguided. Policies that undermine the core undermine the largest employers in the economy: the service industry. And policies that want to try and succeed in growing the efficiency economy need to explain how we manage to create policies that are better than our

[7] World Bank Databank, "Unemployment, total (% of total labor force) (modeled ILO estimate)" and "GDP per capita (current US$)". Based on 2013 figures, and excludes countries with missing data.

competitor countries, like China or Brazil, who don't have problems with their core and have even more effective governments.

The productive sectors of our economy need as much help as they can get. But there needs to be a broad consensus developed that protecting the middle class is perhaps the best way to provide this help.

Pathways Out of Poverty

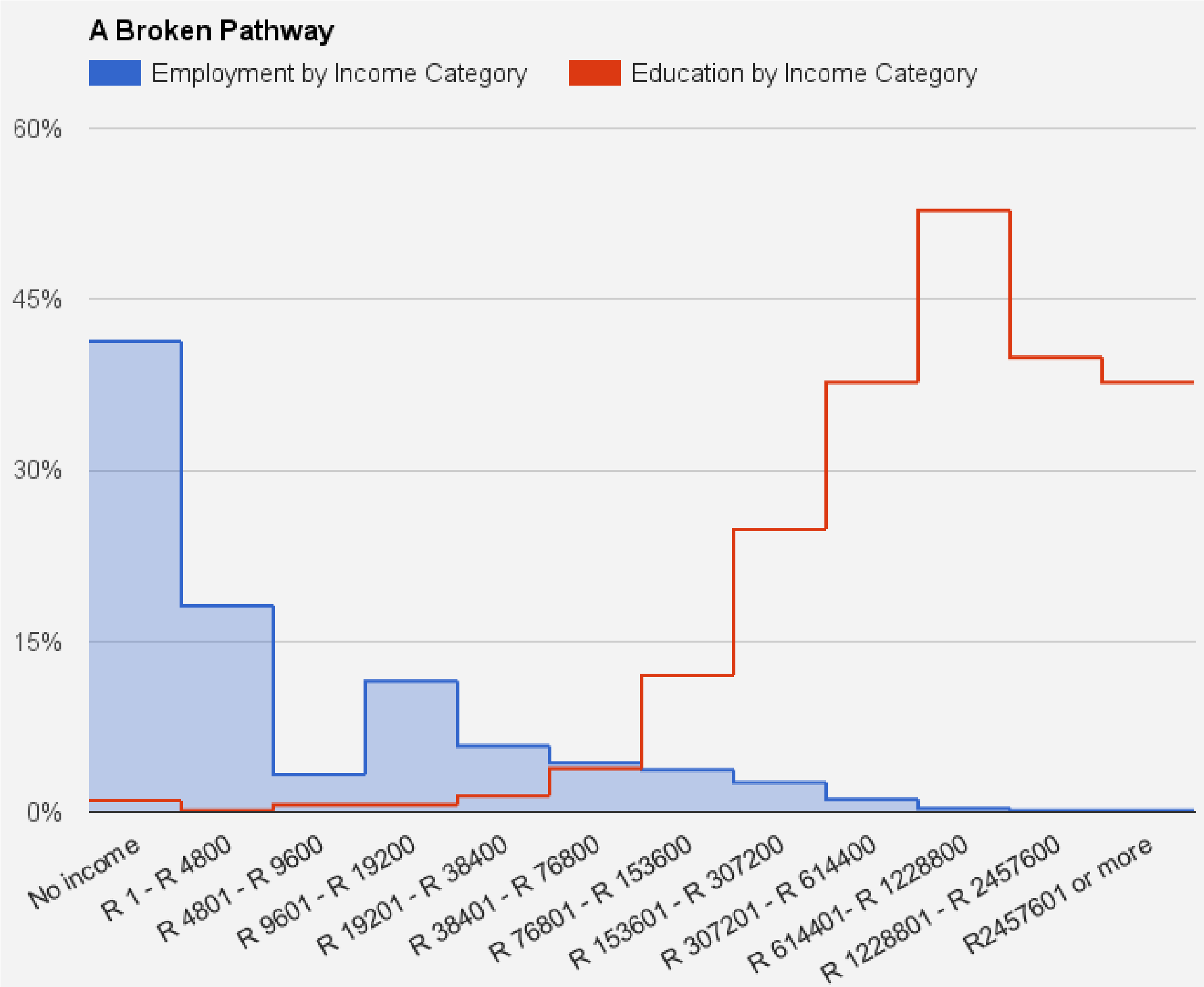
Finally, and essentially, there needs to be a way for the core to form the foundation for people to advance, economically and in important social ways like gaining an education and buying a house. Without this crucial factor of social progress, the economy will stagnate as a low-cost services economy, and never develop the type of capabilities need to build the efficiency economy.

The global history of social mobility is a deep concern for South Africa. Evidence seems to suggest that countries and people develop across generations. A given person is often limited by the social circumstances of their birth (on average, there are always amazing exceptions). If you are born poor, you can maybe make it to the lower-middle class. If you're born lower-middle class, you can maybe make it to the upper-middle class. And if you're born middle-class you can perhaps get into the upper-class. Rags to riches stories do come true, but they don't come true often enough to rely on as a development strategy. The hard truth is that the poor do get richer, but often only four generations later.

This is a tremendous problem for South Africa, for two reasons. First, it is simply not politically or socially feasibly to make the case for multi-generation development to an unjustly underprivileged South African. That would involve accepting that, because of the immense injustices of South Africa' history, they will likely never get rich, and will probably not live long enough to see their family members who might get rich. In the meantime, a rich elite will get to benefit off those same injustices. Why would anyone accept that? South Africa's history has so profoundly destroyed any myth of meritocracy, and has so stripped away any sense of national solidarity, that there is nothing to encourage people to accept the injustices that dominate most of the development process.

The untenable nature of cross-generation development means we need to supercharge social progress, to propel the poor into the middle class at an unprecedented rate. This is a daunting challenge, considering the South African pathway out of poverty is largely broken. Figure 2[8] shows employment by income category. The job opportunities on offer get thinner and thinner as one moves up the earnings chain, progressively narrowing the opportunities for social progress that are practically available at each step. As one gets higher up, education barriers rise sharply. And the middle is even weaker than it looks. Half of employment in the R 76801 - R 153600 income category are government functions - correctional services, the police and defense force, education, and provincial administration.

[8] Author's calculations based on StatsSA, Census 2011.



To reposition South Africa's economy, we need to do three things. First, fix the core. Reducing inequality will slash unemployment, and create the basic pipeline needed to have a stable and well capacitated economy. Second, with that in place, the needs of the Efficiency economy can be more fully met. Concentrated investment in the productive sectors will unlock that growth when off a more solid base. Third, fix social mobility, creating the pathway out of poverty that is necessary for sustained economic transformation.

A Unified Strategy

What this means in practical policy terms is complicated. At its centre it means that every policy enacted must be especially careful not to weaken the core, and that the trade off between promoting the efficiency economy needs to be carefully balanced against protecting the core. Executing this will requiring an effective balancing act at every level of policy making. For the big ticket items however, a couple of strategies should be considered.

Rethink the Social Welfare Net

Social welfare is a difficult issue in South Africa. The country is already deeply dependant on welfare, with over 16 million people receiving some form of social grant. Those who wish to make changes arguably face barriers in either direction. If you're looking to reduce social grants, you're confronted with a huge portion of the country being in some way reliant on the money they receive from grants. Undermining this support net would be politically unfeasible, socially disastrous, and devastating to the core of the economy. Those who wish to expand the social safety net are faced with other serious problems, notably that there simply isn't money available. The fiscus is already strained and heavily dependant on taxes from a small working population, and with growth low and not expected to accelerate in the short term, this debt is unlikely to fall fast.

The relationship between the budget and social welfare is, however, worth interrogating a bit more closely. First, South Africa's social spending actually isn't that high by global standards, coming it at around 4% of GDP.[9] Second, South Africa's tax take - which is really a far more important figure than how many contribute to tax - is high, at 25.5% of GDP.[10] Third, and this is the crucial point, the impact of non-welfare spending on a poor economy is much weaker than spending in a richer economy. South Africa's budget has to pour billions in our education system, healthcare system, and so on in order to have moderate impact. The key restraining factor is the capacity of the populace to make full use of these resources. It seems a simple conclusion to make, but the bulk of evidence suggests that a richer population - reinforced by social grants - will be better equipped to benefit from government spending in other parts of the economy. And since the effectiveness of government spending is what is crucial (spending that grows the economy pays for itself), improved social spending may offset the real cost of all other functions.

The one fact that cannot be escaped is how strained the budget currently is. There is legitimately little room to maneuver. The core driver of this, however, is a bloated and poorly structured government; as well as ongoing threats to the tax system by political mismanagement. The duplication of functions and the dilution of resources for initiatives makes for an expensive and weak government. While creating more space in the budget would require a political shift that restructured government, it is possible. And if done, it could open the space for a substantial shift in the welfare net.

What would that shift look like? The primary change would be to move from a needs-based to a impact-based welfare system. Our current system is almost entirely based on helping the most needy, as can be seen in Table 1.

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[9] Ferreira, L. 2016. "FACTSHEET: Social grants in South Africa – separating myth from reality." AfricaCheck https://africacheck.org/factsheets/separating-myth-from-reality-a-guide-to-social-grants-in-south-africa/

[10] World Bank, "Tax revenue (% of GDP)" http://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS

Grant	Recipients	Amount	Core Target
Grant for Older Persons	3.1 million	R1,500	Men and women over 60
Disability Grant	1.1 million	R1,500	Those unable to work due to disability
War Veterans Grant	277	R1,520	Those who served in World War 2 or the Korean War
Foster Child Grant	533,000	R890	Foster parents
Care Dependency Grant	129,000	R1,500	Caregivers of children with serious permanent disability
Child Support Grant	11.9 million	R350	Caregivers of children under 18
Grant-in-Aid	126,600	R320	Additional funding for grant recipients requiring full time care
Social Relief of Distress	Variable		Those in dire need
Source: Ferreira, L. "FACTSHEET: Social grants in South Africa – separating myth from reality", AfricaCheck			

The need-based model cannot be done away with. There is a moral imperative to care for those that the system protects, plus the current system plays a vitally important economic role, with welfare grants often supporting families beyond the core recipients. But it is very different from offering strategic support to key constituents in the economy. Thinking about using welfare to grow the economy changes who you target. Young parents, for example, make a vital contribution to education outcomes through how they raise their children, they tend to spend heavily and create employment, and they make vital contributions to the economy through their own work. If young parents get richer, the economy immediately employs more people, and strengthens the channel through which the next generation of educated workers will travel. Offering social support to these groups may offer more productive benefits than programmes that directly target the likes of education and economic growth, but that don't first fix the core weaknesses in the economy. Creating these types of impact-based redistributive systems can also target other key weaknesses, including making a stronger argument for the value of social cohesion, and perhaps putting more pressure on government to operate efficiently.[11]

Expanding welfare is often a go-to policy for politicians without better ideas. It's an easy win that appeals to voters, while often not truly creating deep change. But in the case of South Africa, with our uniquely weak middle class, it truly has the potential to be transformative. A reimagined welfare system has the potential to create the base of economic strength needed to make all other changes substantially easier.

Industry Targeting for Social Progress

Whether generally acknowledged in policy documents or not, there is a clear bias in terms of which industries government policy supports. The priority is generally given to manufacturing. This makes a lot of sense: manufacturing is a proven job creator, with powerful linkages to the rest of the economy, and important technological spillovers. Support to manufacturing is also often the most sensible in terms of policy, with mining largely self-reliant based on domestic resources, and services able to leverage nontradable domestic retail services. Manufacturing does, however, have clear limits in its ability to transform the economy.

[11] Studies have shown that taxing welfare payments encourages more politically active citizens.

Consider, for example, the automotive sector. Widely considered to be the major success story of South Africa's industrial policy, the auto sector has received unprecedented support, and managed to create around 93,000 jobs in both direct auto assembly and component manufacture. That's an impressive figure, but it's less than half of the employment generated by retail and aftersale jobs in the auto industry alone. Mainstream retailers (like Pick 'n Pay or Shoprite) employ around 800,000 people. Modern manufacturing, with its focus on high technology production and maximising productivity, simply is not the employment engine it once was. While manufacturing is a vital industry, there needs to be a broadening of our targets.

One way to do this is to focus on industries that can play an important role in creating stepping stones out of poverty. Industries that can fortify social progress are those that are able to absorb a disproportionate number of jobs in positions that are accessible. Accessibility is a difficult thing to measure, so we use income categories as a proxy, and examine the top ten industries that employ an above-average number of people in a given income category. The results are presented in Table 2 below.

R 1 - R 4800	R 4801 - R 9600	R 9601 - R 19200	R 19201 - R 38400	R 38401 - R 76800	R 76801 - R 153600	R 153601 - R 307200	R 307201 - R 614400	R 614401- R 1228800	R 1228801 - R 2457600	R2457601 or more
Regional services council activities	Fish hatcheries and fish farms	Logging and related services	Fish hatcheries and fish farms	Fish hatcheries and fish farms	Correctional service	hardware consultancy	Service activities incidental to mining of minerals	Extraction of crude petroleum and natural gas	Processing of nuclear fuel	Processing of nuclear fuel
Activities auxiliary to insurance and pension funding	Regional services council activities	Production of organic fertilizer	Fishing, Operational of Fish Hatcheries and Fish Farms	Transport via pipelines	S A Police service	Manufacture of aircraft and spacecraft	Processing of nuclear fuel	Activities auxiliary to insurance and pension funding	Fish hatcheries and fish farms	Fish hatcheries and fish farms
Fish hatcheries and fish farms	Fish hatcheries and fish farms	Game hunting, trapping and game propagation	Production of organic fertilizer	Fish hatcheries and fish farms	S A Defense force	Education	Maintenance and repair of office, accounting and computing machinery	Reproduction of recorded media	Reproduction of recorded media	Reproduction of recorded media
Site preparation	Private Households	Production of organic fertilizer	Ocean and coastal fishing	Mining of non-ferrous metal ores	Fish hatcheries and fish farms	News agency activities	Exterritorial Organisation	Exterritorial Organisation	Exterritorial Organisation	Exterritorial Organisation
Fish hatcheries and fish farms	Farming of animals	Fish hatcheries and fish farms	Logging and related services	Manufacture of insulated wire and cable	Education	Manufacture of optical instruments and photographic equipment	Data base activities	Manufacture of insulated wire and cable	Inland water transport	Inland water transport
Shebeen	Production of organic fertilizer	Growing of crops	Business activities N.E.C.	Fish hatcheries and fish farms	Provincial administrations	Telecommunication	Software consultancy and supply	Logging and related services	Extraction of crude petroleum and natural gas	Extraction of crude petroleum and natural gas
Private Households	Fish hatcheries and fish farms	Agricultural and animal husbandry services	Mining of Metal Ores	Fish hatcheries and fish farms	Renting of construction of demolition equipment with operators	Software consultancy and supply	hardware consultancy	Manufacture of accumulators, primary cells and primary batteries	Other financial intermediation N.E.C.	Other financial intermediation N.E.C.
Fish hatcheries and fish farms	Production of organic fertilizer	Fish hatcheries and fish farms	Retail sale of automotive fuel	Manufacture of bodies (coachwork) for motor vehicles;	Activities of trade unions	Other financial intermediation N.E.C.	Manufacture of optical instruments and photographic equipment	Other financial intermediation N.E.C.	Renting of personal and household goods N.E.C.	Renting of personal and household goods N.E.C.
Wholesale trade in agricultural raw materials	Shebeen	Forestry and related services	Manufacture of footwear	Mining of Metal Ores	Manufacture of other electrical equipment N.E.C.	Correctional service	Other financial intermediation N.E.C.	Software consultancy and supply	Other computer related activities	Other computer related activities
Manufacture of footwear	Fish hatcheries and fish farms	Production of organic fertilizer	Building completion	Mining of gold and uranium ore	Hardware consultancy	Research in natural sciences and engineering	Research in natural sciences and engineering	Maintenance and repair of office, accounting and computing machinery	Hardware consultancy	Hardware consultancy

A couple of stylised facts could be drawn from the table. First, agriculture (including fisheries) is absolutely vital to employment creation in the lower income groups. South Africa has consistently failed to breath life back into the agriculture sector, which continues to employ very few by global standards, standing at 4,7% of the working age population versus a world average of 31,9%. Second, public jobs remain vital bridges to the middle class, with the police, correctional services, and education systems proving absolutely vital in the middle tiers. Third, the types of manufacturing that truly seem to be well endowed with high quality jobs is often commonplace and small scale - like wire manufacturing - while certain services like the upkeep of office equipment seem to also offer good opportunities.

Understanding the deeper dynamics at play is of course more complex. But the core message is that the old ways of thinking are not appropriate to our most pressing economic challenges. We need to move away from easy measures of industry like pure job creation of contribution to GDP, and start thinking about supporting industries that can help create a smooth and accessible set of stepping stones up the ladder of social progress.

Shortcuts for the Export Economy

Fixing the core of the economy is important to creating a truly world class efficiency economy, but it’s a long term strategy, and creating rapid transformation in the meantime isn’t possible without a competitive efficiency economy. In particular, our efficiency economy needs to quickly be bedded into an incredibly competitive global economy, and to do so before we get everything right. This is obviously very difficult, since our companies will have to compete through some key barriers (like weaker skills), and to do so in a weakening global economy (with China, the engine of global growth, expecting to continue to slow rapidly in the coming years). Traditional answers - like focusing regional trade or smoothing non-tariff barriers - are important, but can only go so far, particularly since most of those solutions will take years to get right. What we need in the meantime is to introduce a number of shortcuts to economies hoping to compete globally. Two could be particularly useful.

First, empower intermediaries. Much of export focus is on making the firms exporting competitive. But even in the most incredible development successes of recent memory, manufacturing firms rarely did the exporting themselves. Rather, exports were led by trading firms, that know how to work in the global market, and could take good quality domestic manufacturers and sell them abroad. At the height of Japan’s success in the 1980s, 80% of Japanese exports went through trading firms; while 22% of China’s massive export success similarly moves through intermediaries. Trading firms in South Africa are both weak and fail to receive adequate support. If we can build a dynamic trading industry, we can create pathways to trade for small firms that don’t require them building in-house capacity for complex procedures like finding its way through customs red tape.

Second, build export-targeting facilities. With the rollout of the Special Economics Zone policy and the Industrial Parks Revitalisation programme, government will have a captive audience of firms that they have direct contact with, and direct capacity to help. Within those physical spaces, an export infrastructure needs to be developed that makes trading easy - through local offices of SARS and SABS, connections to transit lines, and the development of transport infrastructure like rail and storage facilities. Similar to building intermediaries, building export facilities will make the aim of exporting substantially easier for smaller firms: instead of building that capacity in-house, they simply have to locate in a facility that can help them reach global markets.

The core of these interventions are that they are easy to implement and quick to impact. More substantial changes will be needed to create competitiveness in the long-term, but for now we need to connect the clusters of competitiveness that already exist with the rest of the world. Doing so will bed-in the type of trading growth that strengthens the efficiency economy, and builds the networks needed for emerging firms to compete globally.

Conclusion

In September this year, President Zuma famously struggled to recall the nine point plan that forms the core of government's guiding economic vision. If the President cannot remember the nation's vision after repeating it time and again in speeches, then that vision cannot be expected to truly take hold in the minds of the people. To hold the country together, there needs to be some common vision of how to transform the country. The general population have too much to worry about already to concern themselves with endless government documents about the intricacies of the economic bureaucracy. We need a vision that resonates with the people, and thankfully in South Africa, we have exactly the opportunity to provide that. Creating a new generation of economic support to empower the middle class will help us construct a core economy that can create employment and generate the conditions needed to build a globally competitive economy. An economic vision that directly empowers people is the best way to strengthen our economy, and to create a direct relationship between the people and the government's development vision.

Throughout this process of repositioning the economy, labour and the public service have a crucially important role to play. Labour are on the frontlines of empowering the middle and working class, and must work hard to protect these groups, while advancing an economic vision that doing so makes everyone better off. That vision must be translated into real change, through the engine of the public service, and doing so will mean all of us doing better in implementation and trimming waste. South Africa's diversity and our disagreements can be best dealt with when they are guided by an economic vision we can all believe in: building a strong core by empowering the middle class is the place to start.