

OUR YOUTH FOR LIFE: ECONOMY AND FINANCE

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The youth constitutes an important segment of the poor and the South African population and a disproportionately high percentage of the unemployed: almost 15 million (or 31% of the total population of 48 million) are in the age group of 0 - 14 years, 20 million (or 42%) in the age group 0-19 years and 25 million (52%) in the age group 0-24 years. These percentages are relatively high – in comparison with other middle income countries – as a result of the high population growth experienced by the African population group since 1970. The share of this population group in the South African population has increased from 70% in 1970 to 80% in 2005. This can be ascribed to the fact that the other three population groups experienced their high demographic growth phase before 1970, while the Africans experienced this phase between 1970 and 1995.

The sharp increase in the population since 1970 has important economic and financial implications for the youth. The economically active population increased from 9 million in 1970 to 20 million in 2005. The large numbers that enter the labour market annually since 1985 are an important reason for the high levels of adult and youth unemployment. Another reason for the high levels of unemployment is the low and slow growing job creating capacity of the (too small) modern sector in the economy.

The high population growth is responsible for a too rapid increase in the supply of labour since 1970, while the small size and the growing capital intensity of the modern sector of the economy are responsible for the too slow increase in the demand for labour since 1970. The reintegration of the South African economy into global economy since 1994 and the relentless global competition also led to large job losses.

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Total unemployment (according to the broad definition) has increased from 20% in 1970, to 29,4% in 1995 and to 41,8% in 2005. Youth unemployment is at an even higher level (see Table 1). The unemployment rate of 76,1% in 2003 among the age group 16-20 years is deceptive because many of them are still in school at this interval. The high unemployment rate of 66,2% in 2003 (or \pm 1,2 million individuals out of a labour force of 1,8 million) for the age group 21-25 years is, however, reason for serious concern.

TABLE 1
UNEMPLOYMENT RATES BY WORKER GROUP, 1995-2003

	1995	2003
Narrow definition of unemployment		
All persons	17,0	28,2
Broad definition of unemployment		
All persons	29,4	41,8
Youth unemployment: broad definition		
16-20	59,4	76,7
21-25	45,8	66,2

Estimated by Kingdom, G. and Knight, J., 2005. Unemployment in South Africa. 1995 – 2005
(<http://www.csae.ox.ac.uk>)

The small size and the inadequate job creating capacity of the modern sector of the economy is a remnant of the periods of extended colonialism and apartheid. Since the mineral revolution at the end of the 19th century, a systemic faultline was built into the South African economy by the unequal power relations that were in place. From 1890 until 1970 the economy was divided in a relative small and prosperous modern core and a large and impoverished periphery. The core was controlled and owned by the whites and it operated to their advantages while a large percentage of the blacks on the periphery were exploited as a reservoir of cheap and unskilled labour. In 1970 the faultline between the mainly white and prosperous middle-class in the core and the mainly black and impoverished lower class (and even underclass) on the periphery, was already well institutionalised.

Since 1970 the core of the dual economy experienced a remarkable modernisation. Due to this process the dual economy was transformed into the dichotomy of our two-economy divide, with growing prosperity in the First Economy and deepening poverty in the Second Economy. More or less half of the population presently live in the First and Second Economy respectively. In the case of the youth, $\pm 40\%$ are living in the First Economy and $\pm 60\%$ in the Second Economy (see below).

The faultline has shifted since 1970 through the process of modernisation and by the political powershift. Twenty million of the blacks were alleviated by these shifts from their lower class status to become inhabitants of the First Economy. Unfortunately, the process of modernisation also brought about a deepening of the faultline. This deepening "trapped" the lower half of the population in the systemic poverty of the Second Economy.

As the economy became modernised and more capital intensive, the whites could not any longer supply in the demand for skilled and professional labour in the private sector of the economy. On top of this, the political transformation during the 1990s also created in the public sector a large and fast growing demand for skilled and professional black labour. These opportunities that were created for blacks in both the private and public sectors alleviated – together with the policies of affirmative action and black economic empowerment - ± 10 million blacks to the status of middle-class people, while another ± 10 million blacks became a lower working class with permanent and relatively well-paid job opportunities in the First Economy.

The sharp increase in the capital intensity of the production process since 1970, brought about a decline in the job-creating capacity in the First Economy. Consequently, large numbers of unskilled black workers were declared "redundant", while unemployment increased from 2 million in 1970 to 8 million people in 2003.

The trend towards modernization was already well established in 1994. Since then this trend has been strongly stimulated by the politics of neo-liberalism, market fundamentalism and globalization as implemented by the ANC government under pressure of the local and foreign corporate sectors. The ANC claims – with a high degree of justification – that its intervention in the First Economy played an important role in the ongoing modernization and in the relatively high economic growth rate attained in the First Economy. Both the white and the black middle-class are the main beneficiaries of the government's economic policies, while the inhabitants in the Second Economy are the main losers.

The Second Economy is poor, undeveloped and underdeveloped; it cannot generate savings and investments. At the time when the dual economy was in existence (before 1970), the unskilled workers employed in the private part of the modern sector were able to send remittances to their families in the underdeveloped sector. With the emergence of the two-economy divide after the 1970s, the amount that is flowing from the private sector in the First Economy to the people in Second Economy in wages has declined sharply. The income that reaches the people in the Second Economy is now mainly social grants for those who qualify for such grants. But many inhabitants of the Second Economy – inter alia those who are unemployed and between the ages of 14 years and 60-65 years – receive no or very little income in both the private and the public sectors.

The government's interventions in the Second Economy have been dismally ineffective. Between 1992/3 and 2004/5 the share of the non-interest budget for social grants rose from 10% to almost 18%. This is no mean accomplishment, but not large enough by a long way. Basic services such as water, electricity and sewerage systems have been supplied to many more households, but this is not sufficient from both a quantitative and a qualitative point of view – especially due to poor service delivery.

A report by the Development Bank of South Africa (2005) alleges "a sober examination of government's efforts [in the Second Economy] leads to the conclusion that, despite some successes and useful experiences, it has merely dabbled thus far, especially if the increased number of the poor is considered". The report blames this failure on "the apparent absence of a coherent, scale-appropriate strategy for the Second Economy".

The living conditions of the inhabitants of the First Economy differ so sharply from those in the Second Economy that one can allege that the two groups are living on two separate worlds. The inhabitants in the First Economy maintain living standards that compare with those of the Rich North. Over the past 12 years their per capita income (and those of the youth in the First Economy) has increased quite spectacularly. They have access to good education and health services. The majority of them are living in convenient accommodation. They are in a position to protect their property and their personal safety with high walls and good insurance policies. Their civil society organizations are well-organized and they exert on a daily basis influence on government policy.

The inhabitants of the Second Economy maintain living standards that compare with those in large parts of the Poor South or other African countries. They are poorly organized with almost no influence on government policy. Over the past 12 years the income of these inhabitants has increased marginally as a result of increased social services and increased social spending. But in spite of these increases, the socio-economic conditions of the inhabitants of the Second Economy (including the youth) have deteriorated. According to the United Nations Development Reports, the Human Development Index (HDI) of the poor half of the population has declined sharply since 1994. South Africa's per capita income of ±\$12 000 makes the country the 52nd wealthiest in the world. But South Africa's HDI ranking declined from 85 in 1990 to 120 (out of 177 countries) in 2005 according to last year's UN Development Report. This increasingly "skewed" relationship between per capita income and the HDI is the result of worsening levels of poverty and inequality in South Africa.

Due to the fact that 62% of the members of households in the poorest five deciles are younger than 24 years, it is reasonable to allege that 60% (or ± 14 million individuals) of the ± 24 million impoverished inhabitants in the Second Economy are in the age group 0-24 years. The impoverished youth "trapped" in structural poverty and destitution in the Second Economy constitute almost 30% of the total population!

Although the government acknowledges that the problems of unemployment, poverty and inequality are serious matters that need attention, it is not prepared to acknowledge that the socio-economic conditions of the poor are deteriorating. The government is apparently too eager to demonstrate progress in poverty alleviation and is, therefore, unwilling (or unable) to undertake a proper investigation into the root causes and the true nature of the ongoing pauperization process.

The poverty of the poor has deepened since 1994. Several factors played a role in this: growing unemployment, poor service delivery, poor levels of education and skills development, crime and violence and chronic diseases. The poor people in the Second Economy are the powerless victims of a dynamic process of pauperization that not only perpetuates their situation of poverty, but also augments it. It is mainly the youth – and especially the children in the age group of 0-14 years – that are exceptionally vulnerable to the strong forces responsible for the on-going process of pauperization.

During the periods of extended colonialism and apartheid a large percentage of the impoverished children were born and bred in disrupted (and even malign) socio-economic environments. Many impoverished children are presently still born and bred in such environments. A poverty mentality and deviant values and behavior patterns have been inculcated – and are still inculcated – in the minds of these unfortunate children. In these disrupted environments vicious subcultures of poverty, violence and criminality were set in motion and were –

and still are – perpetuated from one generation to another. The challenge to turn these vicious circles into virtues ones are an extremely difficult one. The privilege part of the population, however, own it to these children to do everything in their capacity to turn these vicious circles around.

Almost all the 14 million impoverished youth in the Second Economy are members of households of which the head of the household are unemployed. A chronic lack of money is, therefore, a permanent feature of their lives. The infant mortality rate is 49 per 1000 - almost double than that of other developmental countries with high incomes. It is estimated that 21,6% of children between the ages of 0-9 years suffer from starvation and malnutrition. The main cause of death among young people is injury related and is largely the result of the violence typical of the disrupted households in which the poor children are born and raised. Violence against children and their sexual exploitation were the most common form of abuse according to the Child Institute at UCT. The high levels of crime and violence among the poor are not only augmenting children poverty, but also adult poverty. The poor are too poor and without the means or the inclination to protect themselves against the disruptive effects of crime and violence.

The dismal health of the poor and the lack of access to health services are in all probability the strongest pauperization factor among the poor and especially among the poor youth. Although less than 6% of the age group 0-24 years are HIV/AIDS infected - in comparison with a prevalence of $\pm 12\%$ for the total population - the youth is also indirectly very negatively effected by the pandemic. Many children live in households where one or both parents are infected or dead. A profound difficulty facing young people is illiteracy about HIV/AIDS and the inability to become HIV/AIDS activists due to lack of skills and information on ways to curb the pandemic. A large percentage of the impoverished youth are also exposed to other chronic illnesses like Tuberculosis and Asthma, while health care is often inaccessible to them due to the fact that many facilities are not child-, youth or poverty friendly or too expensive.

The government's child support grant for children in the age group 0-14 is indeed a positive development. We can put forward a strong case that this grant should be extended to poor children younger than 18 years. The present program is by far not comprehensive enough – especially because it is not part and parcel of an inclusive poverty net. In the age group 0-14 years, 9 million of the 15 million children are living in poverty and are in desperate need for a child support grant. In September 2005 only ^{2,2}~~2,7~~ million children received the grant. Many of these ~~2,7~~^{7,2} million children's parents are unemployed and do not receive a wage income or a social grant and are therefore dependent – at least partially – on the children's grant. This unfortunate state of affairs focuses attention on the powerlessness of poor children and their inability to participate in decision making.

We have reason to be very concerned about the extent to which poor children's human rights are violated in spite of the protection promised to them in the South African Constitution of 1996. In the Constitution the government committed itself to *"the progressive realization of the following children's rights: the right of children to basic nutrition, shelter, basic health care services and social services; educational rights; adequate accommodation; nutrition, etc. ..."* Given the huge wealth in the hands of the rather rich middle class (±15 million people) the government can certainly get hold (through increased taxation) of the financial means necessary to fulfill its commitment in the Constitution towards our children.