

# Three ways to create an enabling state that will minimise unemployment

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Recently, Stephen Koseff, former CEO of Investec Group, tackled the tricky conversation around the national unemployment problem, currently sitting at a staggering 29%, in relation to the UN's Sustainable Development Goals (SDGs) at the 2019 Nation Building Summit held by the South African Institute of Chartered Accountants (SAICA) in conjunction with Leaderex. As a solution, he offered the need to shift from developmental state to enabling state, with a particular focus on upskilling in the tourism and agriculture industries as potential solutions and explains how civil society can get involved...



Stephen Koseff

Koseff's started his own career as an accountant, but left the profession almost 40 years ago to go into banking and that's where he's worked ever since. Investec's initial team of eight has grown to a staff complement of 10 500 today and Koseff is proud of the entrepreneurial culture that developed along the way that enabled the team to build the business it is today.

This growth is inspirational and something to aspire to, especially considering the country's current unemployment rate shows 6.7 million people who could be working are not, the bulk of those able-bodied youth.

So while Koseff says we're in need of more well-capitalised, sustainable businesses, with a culture of growth and staff development, it's not as easy as 'starting something' today and reaping the rewards of your booming business tomorrow. That's the challenge currently facing society, says Koseff – granted, some are lucky, but it doesn't work like that for most entrepreneurs. You need perseverance and resilience, and to keep grinding away in finding a way to move your business forward.

More than this, how do we address the structural issues that have led to the deepening unemployment problem we're currently facing?

Koseff said the simple answer is economic growth.

But how do you grow an economy? Koseff offered three solutions to the problem.

## **Solution 1: Shift from developmental state to enabling state**

Multiple countries have come from nowhere and become large economies, with Koseff drawing on an example highlighting the differences between approached in Asia and Africa.

While they had similar-sized GDP per capita in 1960, now almost 60 years ago, Ghana fought about who owned the resources. South Korea had few resources to start with, so opted to instead focus on educating its people, resorting to holding school three times a day where there weren't enough classrooms.

Today, the resulting difference is clear. Ghana has \$48 billion GDP (or \$1,600 GDP per capita), while South Korea has \$1.6 trillion GDP (\$30 000 GDP per capita). This difference is why Koseff says it's crucial to educate, grow and develop a nation's people, as they are then equipped to "pick up the ball and run with it".

Koseff adds that a developmental state's attempts to centrally plan everything just doesn't work. Instead, he says to create

an enabling state, where government has a smaller role to play in enabling business and enabling the entrepreneur, not in telling them exactly what to do and how to do it. This will result in more job creation.

Koseff also called on unions to realise their role in job creation as opposed to job protection, but acknowledged these are big challenges. While he understands where the ruling country comes from in its approach, times have changed. “It’s not about fighting apartheid any more. Now, it’s about fighting joblessness and striving for economic growth.”

In this light, Koseff had an economist work out that what we lost from 2009 to 2019 in nominal terms.

Most emerging markets returned to their post-financial crisis growth rate from 2010 to 2018. If South Africa’s economy had followed suit, growing at the rate of roughly 5% per annum from the back-end of the Mbeki years, Koseff says we would have had between R1 trillion and R1.4 trillion extra GDP in 2018.

With tax as a percentage of GDP, around 28% of that – R300 billion to R400 billion – would have gone to the Reserve Bank. Take into account our forecast deficit of R250 billion at the time and still, we would have had a surplus and much lower deficit over the years. Resulting blue-sky benefits would have included an “A credit rating”, the ability to borrow more, and more investment in South Africa. Instead, we now need to grow the economy, fast.

## **Solution 2: Create a growth environment by upskilling in tourism, agriculture**

In fostering a growth environment and becoming an enabling state, Koseff said we don’t need to go back to the drawing board altogether: Instead, we need to focus on where we can compete globally. Luckily, South Africa remains one of the top countries in the world to visit, so tourism is a must as a starting point for economy boosting. An added bonus? There’s ample scope to employ lower-skilled workers in the tourism industry.

Agriculture is another starting point. Koseff points out that SA has lots of fallow land but not enough farmers. This is another industry with capacity to absorb lesser-skilled people, so we need to grow, train and develop new farmers.

Koseff says South Africa is currently estimated to be short on 800 000 skills, with the slow-but-steady brain drain meaning that we’re losing already skilled people across the race spectrum.

That’s why we need to make sure South Africa is seen as a place to create a living, educate your children, and have a decent future. We have to fight as a country. “We can’t just sit back and develop a negative attitude as we watch the noise get louder beneath our feet,” urged Koseff.

## **Solution 3: Civil society can boost the economy from a grass-roots level**

That’s where civil society comes in. Koseff says it’s on all of us to adopt a ‘glass half-full’ attitude, to be positive about what we can do to make a difference.

Though he’s since retired from his formal roles, Koseff still chairs a number of foundations that allocate money to NGOs and is in awe of the work these NGOs are doing to uplift South Africa and fill the gap in society, from early childhood development to food delivery to schools, helping those who’ve been subjected to sexual abuse and providing access to clean drinking water across the continent, by installing silo towers with boreholes and taps around villages where infrastructure is incomplete or initial sources have since run dry.

This simple act – usually seen as a single corporate social responsibility initiative – uplifts a whole community and changes the narrative in the society, as the communities can now start farming and help look after the water facility, once installed.

South Africa remains one of the most unequal countries in the world, but Koseff believes the only way to move people from the chronic poverty line towards middle-class society is in growing the overall size of the pie, in educating the people and building on their skills.

Concludes Koseff: “We need to create an enabling state, step in to make a difference, and take a positive stance to change the narrative and give others hope. Let’s leverage South Africa’s position as one of the most attractive places in the world to visit, to become an economic powerhouse, again.”

**Watch the full discussion between Stephen Koseff and SAICA’s Senior Executive for National Projects, Robert Zwane, here: <https://www.youtube.com/watch?v=SXTuG9odYmU>.**

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