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GROWTH AND DEVELOPMENT

NEVA MAKGETLA: Social pacts are hard work, not a bunch of nice words

If we don't do more to understand why past agreements succeeded or failed, more pacts risk undermining social trust

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Children of the Dingleton community in the Northern Cape. Picture: DAYLIN PAUL

As social pacts blossom, it's worth remembering Einstein's oft-quoted definition of insanity as repeating the same thing while expecting different results.

Bearing down on the nation are an investment summit, a financial summit, a review of the Mining Charter and a jobs summit. Yet democratic SA already trails a long line of pacts, including the 1999 jobs summit, the 2004 growth and development summit, the 2008 framework agreement for the global financial crisis, and various agreements from about 2012 on youth employment and local procurement.

Despite these serial commitments to work together for inclusive growth, SA still ranks among the most unequal countries in the world. If we don't do more to understand why past agreements succeeded or failed, more pacts risk undermining social trust rather than reinforcing it.

Pacts are best understood as an effort to manage the disconnect between political democracy and economic power. The Constitution gives every citizen a vote, but economic decisions are far more concentrated.

About 600 companies pay two-thirds of all company income tax, while half a million well-off individuals – less than 2% of the adult population – account for 37% of personal income tax receipts.

In effect, social pacts incorporate a fundamental trade-off: the majority agrees to be patient and abide by democratic norms, and the economically powerful commit to bringing about real change. To date, however, too little has changed, and patience is running out.

First and foremost, forming pacts has to build a responsive and effective partnership to transform economic outcomes. Too often the parties have reported only against specific commitments – funds spent, learnerships created, suppliers developed – while ignoring the persistence of slow growth, joblessness and inequality.

That approach promotes finger pointing rather than genuine joint efforts to build a better economy.

A real commitment to change means the parties can't just sign and walk away. Rather, they have to put a lot of time, capacity and goodwill into fixing the economy.

A second learning is that the government has to be clear about what it wants and the constraints on its partners.

The government is responsible for representing its constituents, many of whom are jobless and most of whom have very low incomes. It can't merely mediate between parties, leaving demands for real change to labour and community organisations. Some of us were traumatised by the 2004 growth and development summit. Government officials asked the social partners to volunteer contributions on infrastructure, but couldn't say what they actually wanted.

Government demands have to be large enough to have a visible effect. SA needs changes in the architecture of the economy, not just add-ons. We can't afford more programmes that reach only a few thousand.

For business, genuine change has to start with acceptance that business as usual is still not delivering for the majority. The challenge is to identify and unwind systems that are in effect, often unintentionally, exclusionary. Those systems often encompass, for instance, opaque lending criteria and procedures; promotion systems and pay scales; and procurement decisions. Fixing inherited systems requires far-reaching innovation and disruption around the core of business operations, not just segregated projects to uplift a relative handful of individuals.

Sustained growth won't happen without social cohesion and solidarity. Effective pacing processes are no fun, but the alternatives are worse.

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