

Publication: TheCitizenKZN - Main
Title: Austerity measures killing jobs
Publish date: 12 Mar 2025
Page: 6

Reach: 44390
AVE: R 19951.01
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Austerity measures killing jobs

Eric Mthobeli Naki

Minister of Finance Enoch Godongwana will not be able to address joblessness among the youth and women in his budget because of National Treasury's austerity, says an expert.

A recent World Bank report shows that in the next decade, 1.2 billion youth would enter the workforce, but only 420 million jobs will be created, leaving many, especially young women, without opportunities.

South Africa's official youth unemployment was estimated at 55% and over 60% unofficially as often cited by non-state sources.

Political economy analyst Prof Patrick Bond, blamed the World Bank for forcing the country to reduce public spending and implement austerity measures, which put the minister in his current budget crisis.

South Africa had to apply austerity as part of fiscal consolidation and among his strategies, Godongwana intended to increase value-added tax (VAT) to increase revenue collection, but his effort was met with universal opposition.

Bond said measures such as cutting public spending had put the minister in his current budget crisis.

"Ironically, perhaps, because the World Bank and its sister, the International Monetary Fund, have been forcing Enoch Godongwana to cut back on state spending, our own unemployment will continue to worsen far faster than the rest of the world's.


"Regular Bank/IMF reports carry the condition of 'fiscal consolidation' – a euphemism for extreme austerity – even though massive corruption was associated with our biggest foreign debts, which are due to these two institutions," Bond said.

The austerity regime that Treasury had imposed since 2020 meant an 18.1% decline in per-person spending on state services.

"If a debt audit were undertaken to weed out corrupt loans, then instead of spending 22% of each taxed rand on debt repayment, vast sums could be redirected to public works projects, which society desperately needs as our infrastructure quality rapidly degenerated," Bond said.

IMF senior resident representative in South Africa Tidiane Kinda said austerity itself was not a problem, but the implementation was.

He said in the case of South Africa, salaries in the public sector were larger than those in the private sector, which constrained growth.

 *Austerity itself is not a problem, but its implementation is.*

Tidiane Kinda
IMF resident representative.