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## Brain drain turned a weak state into SA's prime threat

**T**he biggest risk facing SA is not a shortage of funds for climate-change mitigation and adaptation. It's a weak state. It is not only a player accounting for almost a quarter of GDP, it is also responsible for playground maintenance. It sets the rules of the game too, and is supposed to ensure they are followed.

The state's capability matters for the country's ability to adjust to the current and future effects of climate change, as well as cutting greenhouse gas emissions. Failure to do all of this will cause more joblessness and poverty, and leave the state with a heavy debt load.

Reserve Bank governor Lesetja Kganyago has said, "Much as I wish we had a strong state that could deliver high-quality public goods at reasonable prices, the facts reflect otherwise. Relative to the 2000s, we have a weaker state, spending a larger share of GDP."

Analysis by the Southern Centre for Inequality Studies explains why. The real incomes of senior managers in the government and judges "have been forced down consistently over the last decade". As the pay of lower-level workers increased, the gap between the two levels narrowed – so-called wage compression.

"In a context of rapid increases in pay for private sector executives and others at the top end of the distribution, this is likely to have contributed to the brain drain from the public service and the operational collapse experienced in so many government departments over the last decade," says former Treasury budget office head Michael Sachs in a paper, "Public Services, Government Employment and the Budget".

The SA Cities Network tells a similar story. Quoting Treasury data, it notes in its 2022 State of City Finances Report that the number of professionals employed in the metros declined from 8,000 to 6,600 between 2015/2016 and 2019/2020. It also quotes the concerns of the SA Institution of Civil Engineering about cities' technical capacity and the implications, particularly for infrastructure investment and management.

There is also the professionalisation of local government, meaning people occupying key positions in cities must be appropriately qualified and trained. Cities have also had busy departures lounges, which is explained by changes in political leadership. This has "a detrimental effect on the culture and organisational discipline" within cities.

All these developments have led to a state that is weak and therefore in no position to manage the economic changes that will come with



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climate change and adaptation. That complicates matters because, as the late Douglas North noted, much is known about successful economic development, "but very little is known about how to get there – that entails an understanding of the process of economic change".

Economic change is itself complex. North, who won the Nobel prize for his study of the role of institutions in economic history, saw three parts to economic change. What he termed the "reality" of the economy, are the perceptions humans in a society possess about that reality, and given the beliefs the humans possess, the institutional structure they impose to reduce uncertainty and control the economy.

There are also the perceptions of entrepreneurs in a given economy about economic opportunities. These are derived from their "mental constructs" and are important in determining the dynamics of change. Those mental construct perceptions are critical determinants of successful economic change. They are shaped by how a state manages the economy – the rules of the game it develops and enforces, as well as how well it maintain the playgrounds.

For the state to succeed in its goals it needs people who are well tuned to these mental constructs of entrepreneurs and their perceptions. This is even more crucial while a country is under pressure to transform its economy. That calls for skilled, experienced public servants.

Economic change – what climate change adaptation and mitigation are about – is ultimately about getting the desired human behaviour and economic outcomes.

Companies are not run by algorithms but flesh-and-blood people. They have emotions and therefore respond to what they perceive. Hence, John Maynard Keynes wrote of "spontaneous urge to action".

Successful economic change therefore depends on a capable state, whatever role it chooses to play – whether as a player in its own right, a rule maker, a referee or whether it just keeps the playgrounds in good condition.

● *Sikhakhane, a former spokesperson for the finance minister, National Treasury and SA Reserve Bank, is editor of The Conversation Africa. He writes in his personal capacity.*