



INCLUSIVE SOCIETY
INSTITUTE

Developing a New Economic
Blueprint for South Africa –
Lessons from Germany:
Building Social Cohesion

summary of themes from a webinar hosted on August 20, 2020



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The Inclusive Society Institute is developing a new growth-centred economic blueprint for South Africa. The project comprises several phases, the first of which is to study several economies from historically distressed jurisdictions that have successfully turned themselves into winning nations. This report focuses on lessons that South Africa can learn from examining the relationship between social cohesion and Germany's economic prosperity.



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Abbreviations & acronyms

ISIInclusive Society Institute

OECD Organisation for Economic Cooperation and Development

Stats SA.....Statistics South Africa



Introduction

South Africa's transition in 1994 to a democratic dispensation, hailed as the 'Mandela Miracle', received international praise. However, despite positive strides since the advent of democracy, South Africa still has a long way to go in addressing limiting factors that are holding back reconciliation, social cohesion and unity. Inequality remains a stumbling block. The privilege attached to race, class and gender has not been sufficiently reversed in the quarter-century since the end of Apartheid, despite the 1996 Constitution laying the basis for the progressive realisation of a truly democratic, non-racial, non-sexist, united and prosperous society.

South Africa has a vision for a society that embraces diversity – one in which opportunity is not determined by race or birth right. The National Development Plan 2030 calls for South Africans to be united around a common programme, to strive for a sense of togetherness, to achieve prosperity.

Social cohesion, defined as the extent of connectedness, solidarity and trust that exists among different groups of society, is an important driver of long-term prosperity and competitiveness. Social cohesion ensures the sustainability of competitiveness. Cohesive societies are politically stable and focus on economic growth and business development (Bris, 2014), attributes that are desperately required in South Africa, where growth has stalled.

Considering the experiences of Germany, South Korea and Japan – three countries that the Inclusive Society Institute (ISI) has considered in its quest to develop a new economic blueprint for South Africa – it is clear that social cohesion, unity and rallying behind a common goal were important building blocks for their respective economic successes.

Germany has an enduring history of economic success. Despite suffering numerous setbacks during two world wars and challenges with the reunification of West Germany and East Germany and migration, the country has maintained a leading position among developed nations. Germany industrialised in the late 1800s and remains among the top five biggest economies, weathering the rise of emerging nations. In 2019, Germany had the fourth-biggest gross domestic product, after the US, China and Japan (World Bank, 2020).

The social market economy was an important factor in Germany's success after World War 2. Grounded in German 'ordoliberalism', the German variant of economic liberalism, the social



Introduction

market economy seeks to strike a balance between market forces and the political desire to serve the common good. It is geared towards inclusion and aims to allow for as many as possible to benefit from social development, from the labour market and from consumption (Folkerts-Landou & Schneider, 2016).

West Germany invested in social cohesion during its high growth period from 1948 to 1960. Although the formerly rich in West Germany remained wealthy during the 'economic miracle' years and the powerful stayed in power, a broad base of the West German people benefitted enough from increasing economic prosperity that they were generally happy and social cohesion was quite high.

With the reunification of West Germany and East Germany in the early 1990s the West was more economically prosperous than the East, and lower-wage skilled workers from East Germany put downward pressure on the wages of workers in West Germany. German trade unions proved equal to the task of accepting this adjustment, building the foundation for successful German reunification, as well as for the ongoing growth, competitiveness and strengthening of the German economy in the decades that followed, although residual inequalities remain between the historically Eastern and Western parts of the country.

This report, the third in a series published by the ISI, considers the relationship between citizens' wellbeing and economic prosperity, based on the case of Germany and other Organisation for Economic Cooperation and Development (OECD) countries.

The information in this report is based on an August 20, 2020, webinar that the ISI hosted with the following participants:

- Professor Klaus Boehnke from the Jacobs University Bremen, Germany.
- Theo Vorster, a South African economist and CEO at Galileo Capital.
- Professor Tania Ajam, associated with the School for Public Leadership at the University of Stellenbosch. She is also a member of President Cyril Ramaphosa's Presidential Economic Advisory Council.
- Joan Fubbs, director for the Centre for Education in Economics and Finance. She is also a former chairperson of the Parliamentary Portfolio Committee on Trade and Industry.



The Bertelsmann Social Cohesion Radar

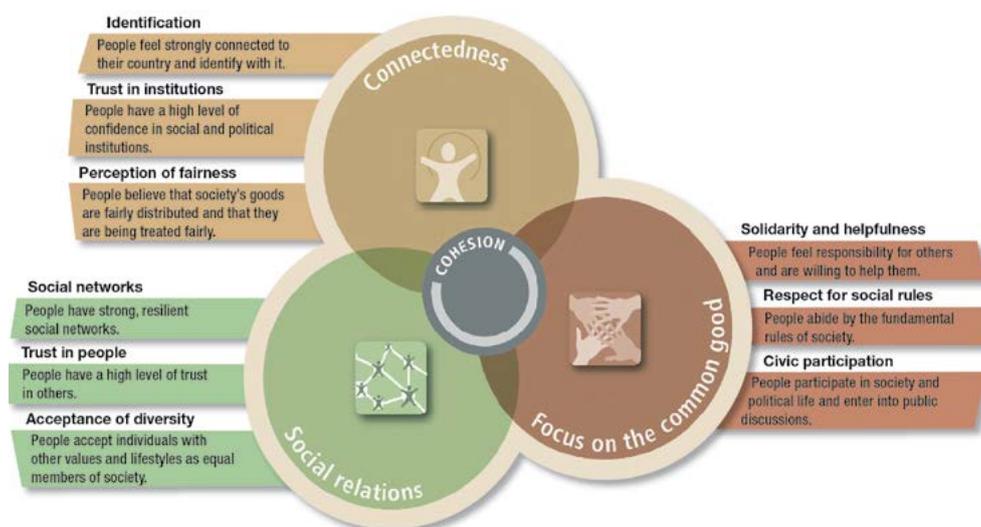
Although the concept of social cohesion in Europe goes as far back as the French Revolution in the 1790s, it is only in recent years that an instrument has been developed to define and measure the state of social cohesion, the determinants that shape it and its consequences for society.

Commissioned by the Bertelsmann Stiftung and under the leadership of Jacobs University Bremen professor Klaus Boehnke, the Social Cohesion Radar provides empirical information on a country's social integration. It breaks down the concept of social cohesion into three dimensions: social relationships, connectedness and focus on the common good. Each of these domains comprises three measurable dimensions: social networks, trust in people, acceptance of diversity, identification, trust in institutions, perception of fairness, solidarity and helpfulness, respect for social rules, and civic participation.

The radar is based on a broad set of indicators and has been applied in a wide range of studies, including an international comparison of the OECD nations, the 16 German federal states, the 78 communal units of the Free Hanseatic City of Bremen and non-Western societies, namely 22 countries in South, Southeast and East Asia.

The research found that, in the Western world, economic prosperity, low levels of income inequality and acceptance of cultural diversity have positive effects on social cohesion. "Modern societies are based not on solidarity rooted in similarity, but on solidarity rooted in diversity and mutual interdependence. Therefore, they need an inclusive form of social cohesion that not only accepts a multitude of lifestyles and identities, but views them as a strength (Dragolov et al, 2018)."

Dimensions of social cohesion



Source: Klaus Boehnke

The Bertelsmann Social Cohesion Radar

Progression towards a knowledge society with more access to modern technology also helps social cohesion. "The higher a country ranks on the World Bank's Knowledge Index, which compiles information on educational level, economic innovation and infrastructure related to information and communication technology, the more likely that country is to show high social cohesion (Dragolov et al, 2013)."

The higher a country ranks on the World Bank's Knowledge Index, the more likely that country is to show high social cohesion

A 2017 study focusing on Germany found that acceptance of diversity, compliance with basic social rules and identifying closely with one's community fosters high levels of social cohesion.

Boehnke says that in areas where social cohesion is high, people are happier, healthier and more satisfied with their lives. "In socially cohesive societies, there is also less support for populist parties," he adds.

In socially cohesive societies, there is also less support for populist parties

Recommendations for strengthening social cohesion do not travel easily from one world region to another, as can be seen from the 2018 Bertelsmann Stiftung study, titled 'Social cohesion and its correlates: A comparison of Western and Asian

societies'. This study has concluded that while Western and Asian countries share similarities on economic prosperity and social cohesion, there are differences when it comes to income equality and political conditions. In the West, the larger the gap between the rich and the poor, the less cohesive the society. In Asia, however, disparities in income seem to foster social cohesion, as long as they are not excessive. In Asia, authoritarian regimes also have stronger, not weaker, cohesion, whereas in Western societies, democracy strengthens social cohesion (Walkenhorst, 2018).



Lessons for South Africa

Focusing on grassroots activity

Considering that policy recommendations on social cohesion cannot be based on a "one-size-fits-all" approach, Boehnke is a strong proponent for measuring social cohesion and then using empirical data to shape policies.

"South Africa needs to know where it stands before it can decide on policies," he says.

It would be beneficial for South Africa to apply evidence at a disaggregated level, so that it could hone in on specific areas and activities.

Boehnke emphasises that fostering social cohesion is a grassroots activity and not something that can be decreed from the top. "Actions and activities of people are at the core of social cohesion. So is perceived justice and acceptance of diversity in everyday life. It is the people themselves that make social cohesion."

Cohesion benefits from individuals who have an open outlook on life and who believe that all people, regardless of social status, heritage or culture, have something in common (Bertelsmann Stiftung, 2017).

In its 2017 'Social Cohesion in Germany' study, the Bertelsmann Stiftung has some suggestions for fostering social cohesion that could have touch points for South Africa. "When people live in close proximity, but rarely interact or engage with each other, measures must be taken to include them more in community life, for example by promoting volunteering activities that reflect modern lifestyles. And opportunities for cross-cultural and inter-religious exchange that can help reduce feelings of not belonging are needed most where people encounter each other every day: in the cities and towns in which they reside (Bertelsmann Stiftung, 2017)."

"Activities that will bring people across different races and languages into favourable exchange will improve social cohesion."

Overcoming apartheid spatial planning, including the deracialisation of suburbs in South African cities and towns by encouraging social and emotional engagement between neighbours, will go a long way in helping the country to achieve more social cohesion, says Centre for Education in Economics and Finance director Joan Fubbs.

Activities that will bring people across different races and languages into favourable exchange will improve social cohesion

Lessons for South Africa

Building trust and perceived justice

Central to the concept of social cohesion is the notion of trust: the level of trust in others and confidence in social and political institutions, as well as perceived justice – whether people feel that the system treats them justly.

Trust in institutions, Boehnke says, arises from institutions that are perceived to be acting justly. Redistribution of wealth, for instance, is one such “just act” that could facilitate trust in institutions.

University of Stellenbosch Professor Tania Ajam emphasises that social cohesion in South Africa will be difficult to achieve unless the rich are prepared to share their wealth, a sentiment that other panellists agreed with. A new “wealth tax”, as proposed by the Davis Tax Committee, could be one way to alleviate the high levels of income inequality. South Africa already has a wealth transfer tax in the form of estate duty, donations tax and capital gains, but it does not have a tax on the net wealth holdings of individuals (BusinessTech, 2020).

While wealth distribution is important, the country must increase its ability to generate more prosperity, says Ajam.

Further, it is difficult for the poor to share in the small available pool of wealth, because of corruption. Widespread corruption, nepotism and maladministration have dented trust in public institutions. Although several attempts have been launched to tackle corruption since the end of the Jacob Zuma administration, there is still widespread disregard for the rule of law and social integrity.

Boehnke emphasises that a corrupt society cannot be a socially cohesive one. “Corruption very clearly stands in the way of social cohesion.”

High economic prosperity must also be coupled with measures to improve equality. If an entire society gains prosperity, it will aid social cohesion, but if the gained prosperity is not distributed equally and people are not perceived to be treated fairly, it will damage cohesion.

Meanwhile, Boehnke points out that trust in neighbours or other people is more difficult to achieve than trust in institutions and says it can differ widely between different countries. For instance, in China trust levels in neighbours are high, while Myanmar exhibits high levels of distrust.

*Corruption very clearly stands
in the way of social cohesion*

South Africans also do not fully trust people and/or public services and institutions, according to the Baseline Survey by the Foundation for Human Rights. The 2018 survey, billed as the biggest attitudinal survey in South Africa, shows that although respondents have relatively



Lessons for South Africa

high levels of trust for relatives or neighbours, the same cannot be said for trust in people from other countries, with about two-fifths of adults indicating they had 'no trust at all' in foreigners. The survey also shows that more than half of respondents have some degree of distrust in at least one or more groups of people, based on race, language, religion, political affiliation, sexual orientation and nationalities (Foundation for Human Rights, 2018).

Fubbs believes that some "softer skills", like emotional intelligence and building relationships will go a long way in helping society work together. Strong relationships, built on trust in people and institutions, foster greater creativity, critical thinking and cognitive flexibility to appreciate diversity, particularly cultural diversity. However, trust and values cannot be imposed on people from the top. Values are assimilated at home, she says.

However, South Africans have shown a political, social and economic resilience that defies much analysis. "Deep down, there is a reservoir of 'Afrinism' in all of us, in our capacity to reach out as South Africans across races," says Fubbs.

Ensuring labour market inclusion

People need to realise that it is in their self-interest to have a society in which everyone feels that they have a chance, including the youth, says Ajam.

Youth unemployment is one of South Africa's most pressing socio-economic challenges and one that has a bearing on social cohesion. In a country with an already high unemployment rate, the youth (aged 15 to 34 years) is the group most affected by joblessness (Stats SA, 2020). Statistics South Africa's (Stats SA's) Quarterly Labour Force Survey for the first quarter of 2020, indicates that 63.30% of the total number of unemployed persons were aged 15 to 34 years. The unemployment rate within this group was 43.20% in the first quarter of 2020 (Stats SA, 2020).

Ajam laments that South Africa's education system does not equip young people with the right skill sets to enter the labour market. A lack of skills and work experience reduces the chances for young people to find employment, which ultimately results in some losing hope of ever finding a job, resulting in them becoming discouraged work-seekers. In the first quarter of 2020, 1.90-million of the young people without work were discouraged from looking for jobs (Stats SA, 2020).

Ensuring that more young people gain access to the labour market will have a positive impact on social cohesion. This is evident from the 2017 Bertelsmann Stiftung study on Germany, which finds that cohesion is stronger in regions and states in the country in which more young people can find jobs. It is also true of those areas that were more successful in preventing social exclusion. Germany's eastern states, where more young people are excluded from the labour market, score lower on the social cohesion index than their western counterparts.



Conclusion

South Africa faces many challenges in its endeavours to build a socially cohesive nation, but it is a goal worth working towards as there is clear evidence that social cohesion has a positive influence on economic growth and development.

In addition to the German experience, social cohesion also emerged as an important factor in the two recent ISI reports focusing on the lessons that South Africa could learn from Japan and South Korea. Executive senior research fellow at the Institute for Developing Economies Dr Katsumi Hirano urged South Africa to become a “truly non-racial society” as a starting point for its reconstruction, while South Korean Ambassador to South Africa, Jong-Dae Park emphasised a rekindling of community spirit and said a “profound change” in people’s behaviour was needed (ISI, 2020).

Government wants to develop a stronger social compact, through which it hopes to address issues around equal opportunities, inclusion and redress. Initiatives around social cohesion and nation building are spearheaded by Sports, Arts and Culture Minister Nathi Mthethwa, who believes that greater cohesion is within South Africa’s collective grasp. Achieving such cohesion will require “interventions that recognise and seek to bridge past divisions and simultaneously deal with the question of improving the material conditions of previously marginalised communities, mainly black and poor” (Mthethwa, 2020).

Although government recognises the value of a stronger social compact in the development of the country, it appears that social cohesion has taken a backseat, while political leadership grapples with the country’s severe economic challenges. Economist and Galileo Capital CEO Theo Vorster, however, says that without social cohesion, many other policies will find it difficult to succeed.

ISI CEO Daryl Swanepoel agrees, arguing that the success of economic restoration in South Africa will hinge on the ability to achieve social cohesion. “I think authorities, political leaders, community leaders and civil society would be well advised to re-emphasise the importance of social cohesion and make sure that it is built into any economic plan that is developed.”

Swanepoel states that it has become clear that three elements must be built into the guiding principles of the ISI’s planned blueprint for the South African economy. These are economic prosperity, social cohesion and social justice. “If people do not feel that the system is fair, you will not have social cohesion.”

Canadian writer and political philosopher John Ralston Saul has said that social cohesion of the future will require diversity and community. “Empathy, respect for difference and the willingness to accept the complexity of society, rather than exclusion and fear are the factors that will pave the way toward a successful future (Saul, 2019).”



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The Inclusive Society Institute (ISI) is an autonomous and independent institution that functions independently from any other entity. It is founded for the purpose of supporting and further deepening multi-party democracy.

The ISI's work is motivated by its desire to achieve non-racialism, non-sexism, social justice and cohesion, economic development and equality in South Africa, through a value system that embodies the social and national democratic principles associated with a developmental state. It recognises that a well-functioning democracy requires well-functioning political formations that are suitably equipped and capacitated. It further acknowledges that South Africa is inextricably linked to the ever-transforming and interdependent global world, which necessitates international and multilateral cooperation. As such, the ISI also seeks to achieve its ideals at a global level through cooperation with like-minded parties and organs of civil society who share its basic values.

In South Africa, ISI's ideological positioning is aligned with that of the African National Congress (ANC) and others in broader society with similar ideals.

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