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*Incorporated association not for gain*

Our Ref : 7/ (J H VISSER) MS

Your Ref :

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Dear Sir

CONTRIBUTION FOR CONSIDERATION BY CODESA

Attached is a brief document on fundamental economic principles for consideration by CODESA. You will see that the point of departure of the document is that the purpose of economic activity in any country is to generate more wealth for all. Social and political stability is highly dependent on the standard of living of the nation, and it is therefore necessary that the future constitution should deal with the ways and means how living standards can be increased.

It is my view that the principles set out in the very cryptic document can be included in a chapter on directive principles that should be part of the constitution. The Indian constitution has such a chapter and it became the "soul" of the constitution in that it contains a kind of social contract to which the participants in the government must adhere.

I would welcome the opportunity to give a detailed explanation of the principles contained in the memorandum to any CODESA committee.

Yours faithfully

**DR J H VISSER**  
EXECUTIVE DIRECTOR



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# THE IMPROVEMENT OF THE STANDARD OF LIVING OF ALL SOUTH AFRICANS

South Africa should commit itself to an economic strategy that will ensure an adequate standard of living and quality of life for all South Africans. This commitment should be the point of departure for deliberations at the Economic Forum which, in turn, must give these principles as an input to CODESA.

During the past decade, the average standard of living in South Africa remained low and it is still deteriorating. The projected rapid increase of more than nine million people in our total population this decade, as well as the low economic growth rate, suggest no improvement in South Africans' standard of living in the years to come. Not only should the average standard of living be increased, but it is also necessary that increased wealth should not be distributed unevenly as in the past.

A few fundamental factors should be accepted by those leaders mapping out the future South Africa.

1. Any economic strategy must, as a point of departure, accept that the final objective should be an increase in the standard of living of all the peoples of the country. Every aspect of economic policy or strategy should be tested against this criterion. The individual, i.e. every consumer of goods and services, must be better off. If strategy A achieves this rather than strategy B, the former should be selected.
2. It is particularly important to remember that the standard of living of a nation is measured as the consumption per capita, which, in turn, is determined by the production per capita - or, stated otherwise, by the productivity of the nation. Because it is impossible to consume more per person unless more is produced per person, it is true to say that living standards are determined by the productivity of the peoples of the country. Productivity and quality should be the cornerstones on which the economy is built.

3. An increase in the output per person can be achieved by the better and more efficient utilisation of labour, capital and materials. At the same time quality must be such that market, customer and consumer needs are met, both locally and internationally. Productivity and quality will make the total economy more competitive and will lead to a higher economic growth rate. Higher economic growth leads to more job opportunities and a higher standard of living.

Increased productivity does not primarily imply that every worker should work harder. It does mean, though, that every worker will be given the skills and the opportunity to perform his or her task more effectively, thereby increasing the personal and national wealth and living standards. Whereas a redistribution of existing wealth can at most be a one-off event that leaves everybody poorer in the long run, a maintained policy of productivity increase sets off a self-propelling process that keeps on increasing wealth and generating higher living standards *ad infinitum*.

An increase in the standard of living under present South African conditions will, even with a more sympathetic international community, not happen automatically. The full potential of our economy will only be realised if our economic policies are first and foremost aimed at higher productivity and quality so that the economy as a whole will be more competitive.

For productivity to become the cornerstone of our economic endeavours, the country will have to accept and function according to some core values which could well be entrenched in the new constitution. Such values could be

- i) that nobody should ever be laid off because of higher productivity and increased quality;
- ii) that productivity and quality improvement must always be a joint venture between management and workers, and
- iii) that additional wealth flowing from improvements in productivity and quality should be shared three ways: the owners of the capital should benefit in the form of higher dividends and more opportunities for productive investments, customers should benefit in the form of lower prices and higher quality products and services, and employees should benefit in the form of more work opportunities and higher wages and salaries.

The aim of the nation should be to perform better than other nations, producing better quality goods and providing better quality services at better prices. This would require a better trained and skilled workforce working with and not against management to create more wealth for all. By including the above core values in the constitution, every citizen should feel morally committed to the wealth creation process.

Economic policies should also demand that an entrepreneurial spirit be cultivated, industrial relations improved, Government spending curtailed and high taxation avoided, that exports be promoted vigorously and that much more focus should be placed on work ethic. At the same time it is necessary to remember that short-term economic policies and strategies should not take precedence over long-term strategies. Adhocracy and economic expedience never led to sound long-term economic development.

The importance of the worker and the human factor in a successful and productive economy cannot be over-emphasised. The productivity and quality movement begins with humanity and the trap into which some advanced market economies stepped by neglecting humanity must be avoided. Everybody engaged in the creation of wealth through productivity and quality should endeavour to integrate and unify the human element and economic efficiency.

The NPI has over the years endorsed and supported the fundamental principles espoused by countries like Japan, Taiwan, Singapore and South Korea in their extremely successful national economic development projects. These projects, with their focus on productivity and quality, employment creation, exports and human involvement, brought those countries great prosperity. We believe that an economic policy aimed at constantly developing productivity and quality will in the long term produce the results so urgently required to make South Africa a winning nation. Productivity and quality is the key to this.

The NPI would be happy to provide more information about the above views in a personal submission to the relevant committee.