

made, influenced by the Mandela-HSRC household survey and the Statistics South Africa census results. The latter shows that the labour force may still be growing by up to 2.5% per annum. Once AIDS starts having a larger impact, we could expect that the labour force might grow on average between 1% and 2% per annum over the next ten years. Much will depend on actual HIV prevalence, the relative success of education and antiretroviral roll-outs. To achieve 15% unemployment, the economy would have to generate an average of 400 000 to 500 000 jobs per annum. This requires an employment growth rate of at least 4.2% per annum.

**Under current conditions, how many jobs can we reasonably expect?** It is worth looking at the experience of employment creation in recent times, as an initial indicator of what to expect in future. Currently about 11 million people work. Approximately 70% are in the formal economy and 30% in

the economy needs to grow even faster. The precise relation between employment and growth is not necessarily known. But we do know that the rate of economic growth needs to be higher than the rate of employment growth.

Serious programme shifts and a strengthening of policy implementation are needed. Government has recently announced important initiatives ranging from a review of education and training policy, to infrastructure reform, to expanded capital expenditure, amongst others. It is clear that the employment target will need to rest not only on growth, but more importantly, on the ability of the economy to absorb labour – whether in the formal informal sectors, or through Government initiated programmes.

**What sort of scenarios could we envisage?** Ideally, a large proportion of new jobs should come from the formal sector. This has been the case since 1997, but it needs to

# HALVING UNEMPLOYMENT?

By Miriam Altman

**G**overnment is committed to halving unemployment by 2014. What does this mean? For simplicity sake, let's say that if strict unemployment is currently about 30%, then the target is 15%. What can we reasonably expect to happen over the next 10 years? Has the South African economy yet embarked on a sufficiently labour-absorbing path? Is Government policy moving in the right direction?

There are two sides to the equation – the speed of labour force growth and the rate of job creation.

**How fast do we expect the labour force to grow?** If very fast, then the job creation imperatives are greater. If slower, then there is less pressure. AIDS is the central variable. The greater the impact of AIDS, the slower the labour force will expand. But a slowly growing labour force due to the AIDS impact can have a dampening effect on growth and welfare generally – certainly not something to look forward to.

Some years ago, it was thought that the labour force might even contract due to the impact of AIDS. Revisions have since been

the informal economy. Over the past seven years, employment has grown by 1% to 3% on average or by about 100 000 to 300 000 jobs per annum. Over the same period, the labour force grew by about 500 000 to 600 000 each year. So, although there is job creation, it is only sufficient to absorb one third to one fifth of new entrants to the labour market.

**What are the implications?** The unemployment rate is unlikely to fall substantially at current rates of job creation, even if labour force growth slows.

Above the current 100 000 to 300 000 new jobs created each year, the economy needs to generate an average extra 200 000 to 300 000 jobs to reach Government's employment target. By 2014, we would want to see the economy generating at least 500 000 net new jobs annually as a matter of course.

The unemployment problem is not therefore simply the result of rapid labour force growth. There is clearly a mismatch between the scale of the labour force and the rate of job creation due to underlying structural problems.

If employment must grow at 4.2%, then

take place on a much larger scale.

Job creation in labour intensive exports will be an essential ingredient – especially in services that can absorb many low- and middle-level skilled workers. Some crucial improvements will be required to make South Africa a global destination – namely the lowering of telecommunications prices, the upgrading of ports and road infrastructure, improved delivery of education and training and centres of innovation for product development.

In the medium term, the Government has the capability of creating large numbers of jobs through construction and social services.

▶ Already the capital budget has expanded by more than R10 billion and will continue to rise in the near future. In itself, this additional expenditure will add at least 125 000 new job opportunities each year. These numbers could be multiplied if the Department of Public Works programme to promote labour intensive methods is taken to scale.

▶ Although not often discussed, there may be an even more strategic role for social welfare programmes in areas like early child development, food distribution and



HIV home and community care. Currently such activities suffer from unstable funding. Government funding is still allocated in small amounts relative to the need. Training, accreditation and quality standards need to be strengthened to enable a roll-out of Government programmes on a mass scale. Herein lies a huge opportunity for job creation and the meeting of basic needs.

- ▶ These are important short and medium term opportunities. But unlike market-related jobs, Government programmes rely on continuous funding – once the programme ends, the job is gone.

Reaching employment targets will critically depend on how well the education system and labour markets function. This problem reaches from basic education through to the process of finding work. Young people have very little access to information about what is needed to succeed, what career paths are available, and where to look for employment.

Access to education is still limited by

## Employment creation is fundamentally a story of economic linkages – how one thing leads to another

financial resources – systemic discrimination, based on class and race rather than ability, continues. People live far from centres of work which makes it difficult to get information and expensive to search for a job. And once the job is found, the commute remains expensive and exhausting which in turn affects productivity.

Investment in public transport systems, densification of housing and improved integration of the education system will be amongst the longer-term solutions. Shorter-term solutions will involve considerable private action – for example, private interventions in high schools to provide career advice and course upgrading. Large firms

could also form stronger alliances with education institutions in curricula development, internships and placements.

The role of cities and of densification is often overlooked as part of the employment policy debate. Employment creation is fundamentally a story of economic linkages – how one thing leads to another.

For each investment, how much further activity is stimulated? Urban areas are centres of agglomeration where second and third rounds of investments are more likely to take place. Government can play a central role here – by increasing housing density, improving public transport, and investing in public buildings, spaces and turnkey investments. The direction of spatial policy, and how it relates to private and public investment in urban areas, will have important implications for the relative success in reaching employment targets. •

*Dr Miriam Altman is Executive Director of the HSRC's Employment and Economic Policy Research Programme.*





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