

Steps to keep pace with



FORCE TO RECKON WITH: The Congress of South African Trade Unions (Cosatu) marches to parliament in a demonstr

MIRIAM ALTMAN

THE government is committed to halving unemployment by 2014. What does this mean? For simplicity's sake, let's say that if unemployment is now 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.

500 000 jobs each year. This requires an employment growth rate of at least 4.2% a year.

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 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 a year. 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.

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ment growth.

Serious programme shifts and a strengthening of policy implementation are needed. The 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 or informal sectors, or through government-initiated programmes.

What sort of scenarios could we

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

Once Aids starts having a larger impact, we could expect that the labour force might grow on average between 1% and 2% a year over the next 10 years. Much will depend on actual HIV prevalence, the relative success of education and anti-retroviral rollouts. To achieve 15% unemployment, the economy would have to generate an average of 400 000 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. 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 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 employ-

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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 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-level 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 con-

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