

# QUO VADIS: EMPLOYMENT CREATION IN SOUTH AFRICA?

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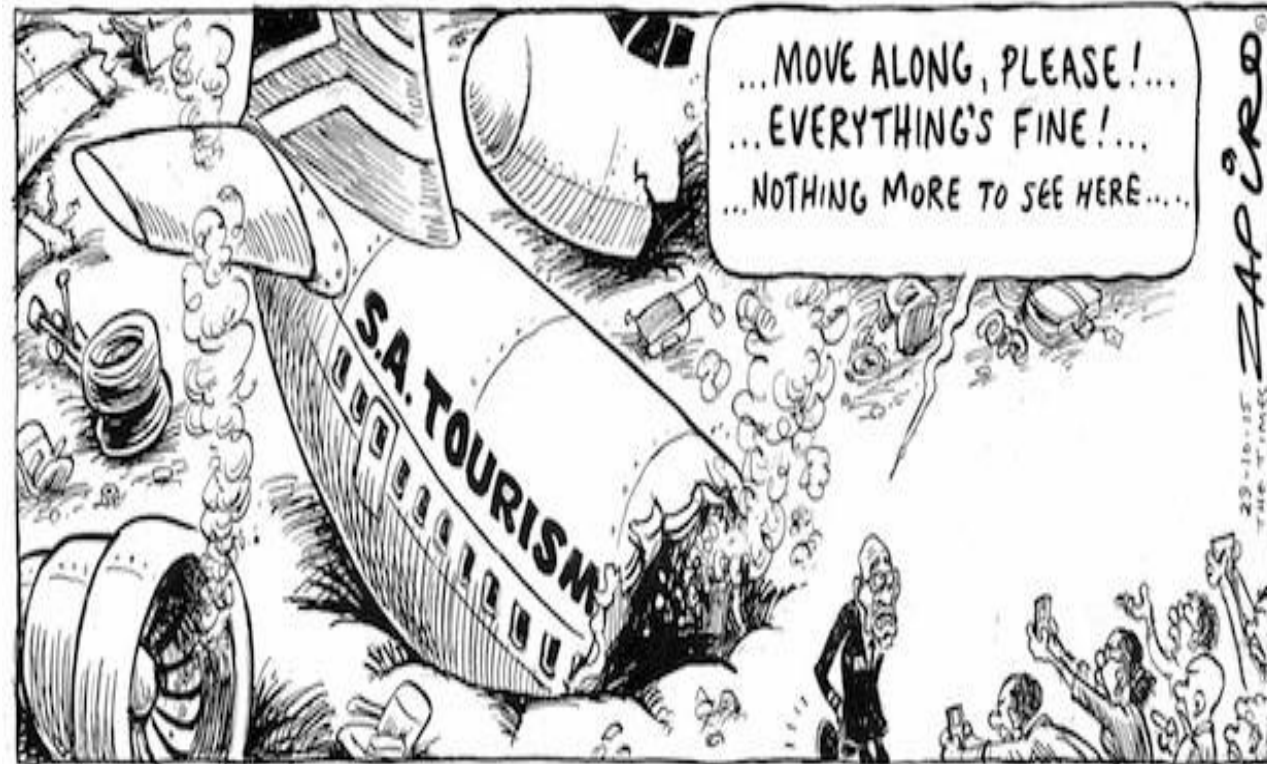






# CHINESE TAKEAWY

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**“Jobs are the cornerstone of economic and social development” World Bank, (2013)**

**“With the changing economy, no one has lifetime employment” Barack Obama, (2016)**

**“Labour was the first price, the original purchase – money was paid for all things, it was not for gold and silver”  
Adam Smith, (1776)**

**“No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable” Adam Smith, (1776)**

**“It is in the agricultural sector that the battle for long-term economic development will be won or lost”, G Myrdal,  
(1984)**

**“Unemployment is like a headache -- unpleasant and exhausting but not carrying in itself any explanation of its cause”, W H Beveridge**

**“Being unemployed is the true test of who you really are” E J Zelinski**


**“The best social program is a good job” Bill Clinton, 1994**

# Macro-economic conditions

- South Africa is an **unique country**, with unique problems, people and economic conditions. We don't conform to global norms.
- More than 50% of **consumers (C)** are living in poverty, resulting in low consumer spending and a relatively small market.
- Poverty: 30.4 million people (**55%**) live in poverty and increasing by 1 million people per annum. 1 out of 7 people live under extreme food poverty (StatsSA, 2017).
- High levels of inequality with a **Gini Coefficient** of 0.63 (0.59 in 1994), indicating low income levels.
- **Domestic Investment strike**: Main driver of economic growth is lacking.



# Macro-economic conditions (continue)

- **Volatile currency** (SA is a proxy for emerging markets): Currency represents a summary of global perceptions of the local economy. SA in the same basket as countries such as Turkey at the moment.
- High and rising **inflation**, with relatively high interest rates (despite the recession). (Cost-push inflation – monetary policy has limited or no impact).
- Low economic growth (**GDP**) (RECCESION: Q1 2018= -2.6%; Q2 2018 = -0.7%).
- High levels of economic and related **policy uncertainty** (NDP, land reform, mining charter, industrial policy, visa regulations).
- Extremely high levels of **unemployment**  poverty and inequality, but also low levels of life satisfaction. SA bottom 10 of the Happy Planet Index.

# Short term predictions

- **Manufacturing sector: July 2018 2.9% increase (StatsSA); PMI: 43 decreasing;**
- **BCI: 38 decreasing.**
- **GDP:** 2018: 0.7% - 1.2%;                      2019: 1.0% - 2.1%
- **Inflation:** 2018: 4.9% - 5.4%;    2019: 4.9% - 6.0% (upward pressure) **PPI: 6.1% increasing**
- **R/\$:** 2018: 14.80 – 15.45 (depreciating trend)
- **Brent crude oil** 2018-2019: \$74 - \$85 (current \$77.5)
- Rising petrol, electricity and other services prices
- Crime



# Employment data (also sectors)

Data set	2008	2013	2018	Average annual growth
Total employed (x1000)	13 623	13 721	16 288	1.9 %
Unemployed (x1000)	4 114	4 723	6 083	4.8 %
Unemployment rate (narrow definition)	23.1	25.6	27.2	
Labour absorption rate (Proportion of working age population that is employed)	44.7	41.1	43.1	
Total Labour force (x1000)(all working and unemployed people)	17 844	18 444	22 370	2.5 %
Informal sector (x1000)	2 340	2 221	2 818	2.0 %
Agriculture (x1000)	790	712	843	0.7 %
Mining (x1000)	506	374	435	-1.4 %
Manufacturing (x1000)	1 655	1 735	1 744	0.5 %
Community and social services (x1000)(gov)	2 167	3 053	3 592	6.6 %
Domestic workers (x1000)	953	895	996	0.5 %

# Unemployment data (global from ILO, 2017)

Region / country	Region / country
World average – 5.5%	Mozambique – 25.0%
Africa – 7.9%	Namibia – 23.3%
Southern Africa – 26.7%	<b>SA – 27.3%</b>
BRICS – 5.2%	US – 3.9%
EU – 7.6%	China – 4.7%
India – 3.5%	
<b>SA CONTRIBUTES 0.77% OF GLOBAL POPULATION, BUT 3.2% OF GLOBAL UNEMPLOYED</b>	



# Theory and type of unemployment

- **Level of government intervention:** From Smith (Invisible Hand) to Keynes (aggregate demand and government spending).
- Business cycles of boom and bust.
- **Phillips curve:** inflation (economic growth) versus unemployment (inverse)
- **Okun's law:** Economic growth versus unemployment (inverse)
- SA has mostly **involuntary structural unemployment** due to (1) industrial decline, (2) market structure, (3) government interventions (minimum wages), (4) labour laws, (5) level of aggregate demand, (6) mismatch between skills and requirements by firms, (7) more and more disheartened people, (8) social exclusion, (9) loss of human capital leading to growing poverty.
- **Jobless growth:** employment coefficient 0.5 (Growth in jobs/growth in economy).
- Globally acceptable unemployment level known as the **“Natural unemployment level”: 5.5%.**
- **To achieve the goal of 5.5% unemployment rate (also NDP target), will take 17 years if GDP growth is at 8.7% per annum (87 000 jobs per month) (Mike Schussler).**

# Policy conflict and uncertainty

- High levels of political and policy uncertainty: **No 1 enemy** of economic growth and development.
- **Agriculture**: Land reform (expropriation without compensation).
- **Mining** charter.
- **Manufacturing**: IPAP versus NGP versus NDP.
- **Labour** regulations.
- Visa regulations and **tourism**.
- “**Ramaphoria**”: limited decision making powers (leader with bangles).
- How does the world see us (pillars of democracy / possible failed state).



# Promises, promises and more lies: A time line

- **2008:** unemployment at 23% with approx. 4.1 million people unemployed
- End of 2008 the **Zuma** Presidency 5 year term starts
- SONA address of **2009**, promise 500 000 new jobs to be created.
- **2009** ANC Manifesto: promise to half unemployment.
- **2010:** SONA continue with some promises while unemployment is rising
- 2010: **NGP** policy released. Target is 5 million jobs by 2020 and to reduce unemployment to 15%. **Focus on labour intensive economy. Place Hope on investment.**
- **IPAP** policy is introduced in 2011 with a **focus on value-added production. Place hope on investment.**
- **2011:** SONA promise the year of job creation, job fund established with R 9 billion. Promises to create jobs via EPWP.
- **2012: NDP** released, promise to create 11 million jobs by 2030. **Place hope on increased public spending.**
- SONA **2012 and 2013** same promises.
- **2013:** unemployment at 25.6% with approx. 4.7 million people unemployed.
- Jump to **2018:** Minister of Finance surprised by Q2 GDP data, says land reform issue not reason for recession.
- **Confusion of conflicting** economic policy: Pro-business versus pro-labour.

# Major empirical findings on SA (some facts for future policy and current mistakes)

- (1) The **manufacturing** sector could no longer be seen as a mass job creation sector; (2) **benefication/value-add** not possible with low productivity; (3) focus on **service sectors** such as tourism and care (Lawrence, Harvard University, 2018)
- (4) **Skills and know-how** is the driver of productivity and therefore prosperity; (5) especially **collective / collaborative know-how** = innovation; (6) investment in **education** alone will not assist with growth and development (multi-dimensional approach); (7) support **small firms**; (8) **retain** the highly skilled (prevent brain drain at all cost); (9) ensure strong **institutions**; (10) **don't re-distribute** wealth but create new; (11) **don't destroy** existing well developed economic infrastructure such as markets (Hausmann, Harvard University, 2017)

# Some more Recommendations

- Facilitate high growth.
- Jobs are created by the private sector, not by government.
- Find solutions for weakening institutions.
- Resolve corruption.
- Resolve state economic policy paralysis.
- Have one Vision via NDP, and the creation of enabling environment (clear policy and good service delivery).
- Focus on labour intensive sectors.
- National social cohesion plan.
- Reduce public sector (wage bill already at R 587 billion and growing).
- Reduce trade union density and labour regulations.
- Reduce tax burden.
- Focus on the quality “right” skills training and entrepreneurial mind set.



The end, thank you, amen  
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