



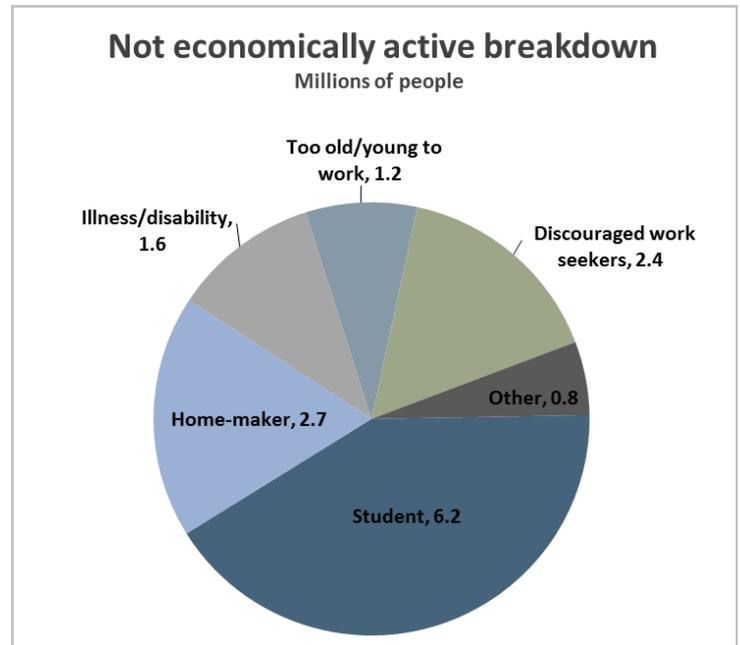
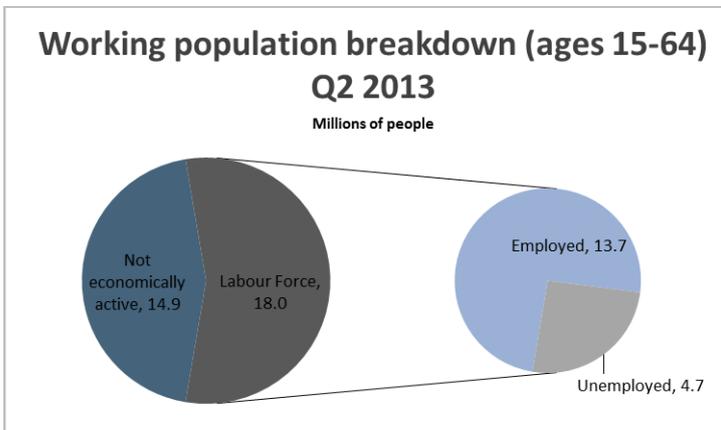
## The burning issue: Unemployment in South Africa

It's on every politician's lips. It's in the newspapers and media. It's in every official economic document whether national, provincial, municipal or departmental: the huge unemployment challenge facing South Africa.

With labour issues still in the spotlight after the disaster at Marikana a year ago, Anglo platinum's announcements of labour restructuring in the beginning of 2013, and wage negotiation season in high tide, the challenge of the massive unemployment rate in SA remains a burning issue.

Not many other countries share SA's fate, with more than a fifth of our population being unemployed. Spain and Italy recently posted growing unemployment figures (26.3% and 27.4% respectively), following the financial crisis and resultant austerity measures that forced serious cuts in their fiscal budgets and public employment. Austerity also meant that economic growth in the Euro periphery slowed down significantly, causing many private businesses to close their doors. Other countries that have posted high unemployment figures include Armenia (19% in 2011), Bosnia (27.2% in 2010), FYR Macedonia (31.38% in 2011), Nigeria (23.9% in 2011), Serbia (23.1% in 2012) and Tunisia (18.9% in 2012). (IMF data from the WEO, April 2013).

The South African situation can be better understood if we delve a little deeper. According to the latest Quarterly Labour Force Survey by Stats SA, our working population currently consists of 33.4 million people between the ages of 15 and 64. Only 18.4 million (or 55%) of these make up what is called the "labour force". The rest (14.9 million, or 44.7%) are classified as "not economically active." What's more, when analysing the labour force, we can see that 25.6% of the labour force is currently unemployed. This is how SA's official unemployment rate is calculated. See graph on left.



Only 2.4 million people (16.0%) who fall in the economically not active category have actually stopped looking for work (the so-called discouraged). The rest are mostly students (41.4%), homemakers (18.1%), ill or disabled (10.9%) or either too young or too old to really participate in the labour force (8.2%). If we included the discouraged work seekers into our unemployment calculation, for argument's sake, we see SA's (more accurate, but broadly defined) unemployment rate actually at 38.4%, much higher than the 25.6% according to the official (internationally accepted) definition. Looking at this version of unemployment gives us a better understanding of the dependency burden SA's actual working individuals are facing.

**The burning issue: Unemployment in South Africa (continued)**

When we look at the changes in the population and labour force statistics between 2008 and 2013 (second quarters), we are able to assess the incredible impact the financial crisis has had on economic growth and employment these past five years.

Millions of people	2008Q2	2013Q2	Change from 2008	For every 100 people
<b>Population</b>	<b>30.9</b>	<b>33.4</b>	<b>2.452</b>	
<b>Employed</b>	<b>13.9</b>	<b>13.7</b>	<b>-0.158</b>	-6
<b>Unemployed</b>	<b>4.1</b>	<b>4.7</b>	<b>0.588</b>	24
<b>Not economically active</b>	<b>12.9</b>	<b>14.9</b>	<b>2.022</b>	
<b>Student</b>	5.7	6.2	0.484	20
<b>Home-maker</b>	2.5	2.7	0.184	8
<b>Illness/disability</b>	1.8	1.6	-0.161	-7
<b>Too old/young to work</b>	1.0	1.2	0.258	11
<b>Discouraged work seekers</b>	1.1	2.4	1.283	52
<b>Other</b>	0.8	0.8	-0.027	-1

Here we note that of the additional  $\pm 2.5$  million people that came of working age during this period,  $\pm 2.0$  million are now classified as not economically active,  $\pm 160\ 000$  lost their jobs and  $\pm 590\ 000$  are classified as unemployed. This means that during the last five years, SA has not created any new jobs to match the pace of population growth. It essentially means for every 100 new entrants to come of working age, 6 lost their jobs, 24 more were unemployed, 20 were students, 8 home-makers and 52 became discouraged to look for work.

When we look at employment over the last five years at sector level and divided into two periods – the first being just after the financial crisis (4th quarter 2008 to the 1st quarter of 2010) and the second from the following quarter to the 1st quarter of this year, we can see that from the 384 200 jobs lost during the first period, 374 900 jobs have already been recovered. However, the manufacturing and gold mining sectors are still struggling to cope with the economic slowdown and have continued to show significant job losses over both these periods. This confirms the cost pressure both these industries continue to face, making growth within these sectors unlikely. Ironically enough, these two industries are also facing an onslaught on the wage increase front at the moment.

Sector	Cumulative job losses (-) gains (+) (numbers)	
	4 <sup>th</sup> Q 2008 to 1 <sup>st</sup> Q 2010	2 <sup>nd</sup> Q 2010 to 1 <sup>st</sup> Q 2013
Finance, insurance, real-estate and business services	-163 400	97 900
Manufacturing	-118 300	-38 500
Trade, catering and accommodation services	-75 700	57 900
Construction	-52 100	13 500
Total mining	-35 900	23 200
Gold Mining	-8 900	-21 300
Other mining	-27 000	44 500
Electricity	-3 300	5 900
Private transport, storage and communication services	-2 000	2 800
Community, social and personal services	13 400	12 300
<b>Private sector</b>	<b>-437 300</b>	<b>174 900</b>
Provinces	51 600	77 400
Local governments	15 000	29 200
National departments	-800	43 200
Other public-sector enterprises	-7 800	32 200
Public transport, storage and communication services	-4 900	18 100
<b>Total public sector</b>	<b>53 100</b>	<b>200 000</b>
<b>Grand total</b>	<b>-384 200</b>	<b>374 900</b>

**The burning issue: Unemployment in South Africa (continued)****Wrapping up**

The country's official economic plan, the National Development Plan (NDP), aims to reduce SA's unemployment to 20% in 2015, 14% in 2020 and 6% (amounting to the "creation" of 11 million jobs) by 2030. In order to achieve this target our economy (according to the NDP) needs to expand at an average pace of 5.4% over this period. The average annual rate of growth actually achieved in the past 18 years was 3.3%. This is a very ambitious and perhaps even unachievable target, especially if our large trading partners in the developed economies experience economic stagnation.

Clearly it is time to take action. For decades now, many plans and programs aimed at addressing SA's unemployment problem have come and gone, but none delivered results on a national scale. I'm afraid the only solution on the table might lie in political direction and leadership. I've heard many an analysts' call for a commission of inquiry into this problem or a job creation "Codesa".

Unfortunately, those that are really in need of employment, the unemployed, are unlikely to receive an invitation. Perhaps it's time to rethink how we (as a country) should tackle this one.

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