

ECONOMIC COMMENTARY

- Dr. Francois Stofberg

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THE TRUE STORY ABOUT UNEMPLOYMENT IN SOUTH AFRICA

Last week, Statistics South Africa (Stats SA) released South Africa's (SA's) unemployment statistics for the first quarter of 2021. We are now finally able to start understanding the cost of the COVID-19 pandemic but, even more so, the cost of an ineffective government. By this I am not simply referring to the ruling party's absolutely dismal performance in responding to the pandemic, but to all the harm that they have caused our economy since they have come into power. One simple example is state-owned Eskom who, in 2001, was named the power company of the year at the Financial Times Global Energy Awards in New York. Now, owing to decades of poor management, corruption, unaccountability, a lack of vision or any other such reason that you can think of, we are forced to not only pay more in taxes, but to sit in the dark, often for more than four hours a day. This, in itself, has prevented economic growth, which, in turn, has led to millions of lost job opportunities. I am not going to go into other examples like the fact that SA often has the worst literacy, mathematics and science results in the world. But examples like these make it easy to understand how our unemployment went from a record low of around 22% in the early 1990s to today's all-time high of 32.6%. Of course, there is a case to be made for the type of jobs South Africans had access to in the early 1990s, but space does not allow me to elaborate on this. The truth is that unemployment has been rising by about 1% annually the last couple of years but, as bad as that seems, the figures do not tell the whole story. Here is how the numbers really work:

Today there are roughly 39.4 million people, falling between the ages of 15 and 64, who are eligible to work: 22.2 million form the labour force and 17.2 million are non-economically-active individuals. The 22.2 million labour force can be split into those who are employed, 15 million, and those who are not, 7.2 million. Using these figures, we arrive at our unemployment rate of 32.6%. But there is more to it: of the 17.2 million who are not economically active, some are still in school, and a fraction are studying. Discouraged workers, those who have given up on trying to find a job, represent 3.1 million individuals. If you include these, who really are nothing else but unemployed, the figure jumps to 43.2%. But there is something else in the figures that we also interpret differently: Stats SA, being a statistical agency who loves to smooth out the numbers, did not add individuals who lost their jobs during the pandemic, a figure that is now about 1.5 million. If we add this additional figure to our labour force, unemployment according to the narrow definition is 36.9% and according to the broad definition is 44.2%. So, not only has the number of employed individuals decreased by 1.4 million since the pandemic hit, but unemployment itself has increased rapidly.

But it is not just doom and gloom. Similar to the U-turn that SA made during the Zuma-years, we believe that SA is busy with another U-turn under the guidance of President Cyril Ramaphosa. We maintain that the persistent crackdown on corruption, incompetence and inefficiencies will bear fruit, albeit in time. But the president needs at least another term in power to bring about real change, the so-called radical economic transformation (RET) that is needed; just to clarify, our idea of RET is completely different from what some politicians believe it to be. At this point, he would have consolidated enough power to use his executive authority to bring about the structural change that is needed to grow our economy by +4% annually, which is needed to address the issue of unemployment.

