



ECONOMIC COMMENTARY

Dr. Francois Stofberg

YOUR MONTHLY
ECONOMIC UPDATE
1 August 2024

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A JOURNEY THROUGH SA'S UNEMPLOYMENT CRISIS

At South Africa's (SA's) core, a new dawn is breaking as the nation grapples with its most pressing challenge: Unemployment. This issue has been the number-one priority for every government since the end of apartheid in 1994. As we embark on this month's economic journey, we delve into the complexities of unemployment, explore potential solutions, and examine the broader economic implications for SA.

Unemployment in SA is a multifaceted problem, as intricate as the vibrant culture of this diverse nation. The official unemployment rate stands at a staggering 32.9% but this figure swells to 41.9% when including discouraged workers who have given up searching for jobs. For the youth, aged 15-24, the situation is even more dire with an unemployment rate of 59.7%. Approximately 11.2 million South Africans are without work, a sobering statistic that underscores the issue's urgency.

To truly understand the unemployment crisis, one must first acknowledge the historical and structural factors at play. The historical disenfranchisement and the subsequent struggle to integrate a marginalised population into the mainstream economy contribute significantly to the current unemployment crisis.

Globally, the rapid pace of technological change and the integration of China into global production systems have also had a profound impact on employment. Technological advancements have displaced many low-skill jobs while creating opportunities predominantly for high-skill occupations. Similarly, China's emergence as a global manufacturing hub has led to job losses in other parts of the world, including SA.

Addressing unemployment in SA requires innovative thinking and bold policy measures. Traditional approaches are not sufficient. Instead, SA needs policies that increase the demand for labour, driving the economy towards a more labour-intensive growth trajectory.

One promising avenue is significant public investment in rural areas and townships. Improving infrastructure can help integrate these regions into the broader economy, creating jobs and fostering economic activity. Additionally, promoting the informal economy and supporting small businesses can provide much-needed employment opportunities.

Another critical sector is manufacturing. Revitalising SA's manufacturing industry can create many jobs. The government should focus on policies that attract both domestic and foreign investment in manufacturing. This includes improving the ease of doing business, providing incentives for manufacturing firms, and investing in skills development to ensure the workforce can meet the demands of modern manufacturing processes.

Structural reforms in labour and trade policies are also essential. Current labour legislation often makes it difficult for employers to manage their workforce effectively. Giving more power to employers to hire and fire employees as needed, reconsidering the minimum wage, and making labour laws more flexible can encourage businesses to expand their workforce without the fear of cumbersome regulations.

Furthermore, trade policies need to be liberalised to promote free trade. Moving away from black economic empowerment procurement requirements toward truly free trade can open up new markets and create opportunities for South African businesses. This can boost competitiveness and drive economic growth, which, in turn, can create more jobs.

As we navigate through the economic landscape, it is important to highlight the positive developments. The yield on benchmark 2035 rand securities has dropped, and further declines are anticipated, reflecting a lower risk premium and a more stable economic environment. SA has also had more than 100 days without power cuts, a significant milestone after last year's crippling load shedding.

In conclusion, tackling unemployment in SA is a formidable challenge but one that must be addressed with innovative policies and strategic investments. By fostering a labour-intensive growth trajectory, revitalising the manufacturing sector, and implementing structural reforms in labour and trade policies, SA can pave the way for a more inclusive and prosperous future.

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