



CDE debates

Unemployment - the numbers and implications for South Africa

CDE held its fourth debate on 30 September 1996. The speakers were Labour Minister Tito Mboweni, CDE board member and independent consultant Professor Lawrie Schlemmer, and Thandi Mathibela, president of the National Association of Women Business Owners and director of her own company, Thandi's Kitchen Centre (Pty) Ltd, in Diepkloof, Soweto. Ms Mathibela is also a board member of Ktsika Enterprise Promotion Agency, an agency of the Department of Trade and Industry. The debate was chaired by CDE board member Jabu Mabuza of SA Breweries.

Tito Mboweni opened the debate by saying that the issue of unemployment covers two matters: the statistics of unemployment, and the implications for the country. One could spend most of this debate discussing the definition of employment in terms of the nature of work, income levels and the informal sector. Given the complexity of definition, the measurement of unemployment proves difficult.

The Central Statistical Services (CSS) provide quarterly figures for all industries except agriculture. These are taken from samples of formal sector companies. As the government succeeds in encouraging small, medium and micro size enterprises in South Africa, so the CSS formal sector figures should reflect a shrinking share of total employment. But do these statistics reflect a fair indication of the trends? The CSS October Household Survey provides a more comprehensive measure of employment since it samples the labour force rather than employers. Still some anomalies emerge. Above all, the 1994 survey reports some

WHAT ARE THE CDE DEBATES?

During 1996 and 1997 CDE will run a series of debates on topics of crucial importance to current national policy issues. The intention is to air issues underlying the topic and to raise the challenges that must be met by the players and the policy makers. Following each debate, CDE will publish a pamphlet summarising the event. These will be widely distributed and publicised as CDE's contribution to keeping the debate alive.

76 000 people employed at no income at all and a further 350 000 earning less than R200 a month. How did the enumerators differentiate between those employed for no income and those employed for a minimal income?

These measurement difficulties led the International Labour Organisation's 1996 report on South Africa to argue that this country should focus on poverty, not unemployment. The concept of 'unemployment' reflects an industrialised economy where most of the workforce has a realistic chance at a formal sector job. The term fits poorly in third world economies such as that of South Africa. One can agree that poverty in South Africa results largely from the lack of employment opportunities, including self-employment, which will generate an income adequate to provide an acceptable standard of living. The ILO made an important point: being employed does not mean that the person has risen above poverty.

These caveats made, the trends in formal sector employment should be examined.

The two years since the election have brought about a stabilisation of employment in this sector rather than growth. From 1989 to 1993, formal employment dropped by 300 000. From 1994 to 1995, overall employment grew by a few percentage points. All new employment was created by the public sector (civil service, local and provincial governments and parastatals).

The latest data from the CSS (released September 1996) indicates that total employment declined by almost one per cent in the first quarter of 1996. It should be flagged that unemployment cannot be understood without reference to the dynamics of race and gender in South Africa. Africans account for virtually all unemployed people - some 98 per cent of that total - and only three quarters of the employed, including self-employed. African women make up over half the unemployed, but only a quarter of the employed. Moreover, a quarter of African women who count as 'employed' are self-employed as unqualified workers earning under R500 a month. This figure underscores the need to see unemployment and underemployment as part of a continuum that must be addressed through an integrated strategy.

In short, however it is measured, unemployment in South Africa is very high, and the formal sector is not growing adequately to alleviate it. This situation imposes three burdens:

- the cost to individuals remains high. They suffer not only from the lack of an adequate income, but are also marginalised by society. This translates into a heavy burden on the social fabric of communities.
- high unemployment in a middle-income country like ours goes hand in hand with a highly unequal distribution of income as a relatively small share of the population enjoys the rewards of employment and ownership.
- the cost to the economy of wasting human resources and low productivity persists.

While government has not yet created a jobs boom, it does have in place broad strategies that should help generate, in the medium term, more productive employment opportunities. These include:

- the commitment to improving infrastructure, basic services and housing for historically deprived communities. In addition to creating jobs directly, this process should give communities a stable basis for generating longer term productive opportunities. Already several partnerships have been struck by government and the private sector with regard to delivering infrastructural projects.
- the commitment to employment equity and a substantial improvement in human resource development in the context of the National Qualifications Framework. By upgrading skills for all workers, this system should enhance both productivity and the ability of individuals to find or create employment opportunities.
- a stable macro-economic framework, coupled to an industrial strategy and land reform, geared to maximising employment creation.

As these examples illustrate, South Africa cannot separate sustainable employment creation from long-run social and economic development. This challenge cannot be met by government alone. It must become an integral part of the plans and projects of all actors in the economy.

Professor Lawrie Schlemmer, who is at present a visiting fellow at the SA Institute for Race Relations conducting a major study on unemployment, agreed that unemployment and underemployment needed to be seen as a continuum. Where one cuts the continuum is a complex matter of judgement. Rates of unemployment can be turned into demons: if they are too low, they cause disinterest and complacency; if too high, they can have almost the same effect in that the problem becomes too daunting to deal with.

The CSS in 1994 gave two internationally accepted definitions of unemployment: the strict definition is those who are unemployed and looking for

work, and the expanded definition is those who are unemployed and either looking or not looking for work. When one compares the CSS 1994 figures with other middle-level industrialising countries like Chile, Turkey, Philippines and Bangladesh, South Africa's proportion of people who are self-employed or who are employers is much lower. Furthermore, these other four countries include unpaid family workers as a category among the employed. This number is substantial in the case of Bangladesh and Turkey. South Africa does not specify this category. Hence these other countries minimise unemployment while in our South African statistics we maximise it.

The unemployment statistic given for Bangladesh is two per cent, Philippines eight per cent, Turkey five per cent and Chile six per cent. For South Africa it is given as 33 per cent. This does not make sense. Therefore the South African statistic requires closer scrutiny.

Our research included interviewing entire households and collecting data from some 40 000 people. It was found that unemployment was worse in terms of the expanded definition - 39 per cent by 1996. It was even higher among women. But, among that 39 per cent, most earned more than R100 a month and most respondents said they spent over R50 per month on clothing.. The comparative countries would count these people as employed. The research into expenditure showed that it is difficult to distinguish between the unemployed and the low-skilled employed. When questioned as to what minimum wage they would accept, the respondents said they would not settle for an income equivalent to less than that of the lower rungs of unskilled employment. The research has shown that unemployed people who have social skills and experience go out and work in the informal sector. Some earn comfortably.

If the outcomes of the research so far are closely examined, it is unlikely, in terms of the strict international definitions, that SA has up to 39 per cent unemployed. The CSS statistics are probably overestimating the rate of unemployment. At this stage, with research outstanding, South Africa's true unemployment rate is between 20 and

25 percent. This puts the country in line with other countries once certain adjustments have been made. For instance, other countries have counted the entire informal and unpaid subsistence sectors as employed. If one adjusts for this, then these countries begin to show unemployment rates similar to ours. Morocco shows an unemployment rate of 23 per cent, Sri Lanka 21 per cent, the Philippines and Turkey 18 per cent. South Africa may indeed, if one allows for the complexities, be in the world ball park. South Africa's unemployment rate is not beyond that of the rest of the developing world.

None of the above should suggest that unemployment is not serious. When the South African base of unemployed was questioned as to how they survived, the answer generally was that they relied on other family members. This has serious implications: it means that the household budgets are being enormously eroded by unemployment. This leaves no room for savings which has serious implications for economic growth.

There are, furthermore, categories of people for whom the situation is appalling: young women who leave school pregnant and have to bring up babies as unemployed people, on a permanent basis dependent on others for the rest of their lives; and school leavers in general who do not have the social skills and confidence to go out and earn a living in the informal or formal sector.

Thandi Mathibela spoke from her personal experience as a business owner in a township. She has been running her kitchen company in Diepkloof, Soweto, for the past 11 years and regards herself as a true township entrepreneur. She spoke of the difficulties and obstacles experienced by township business people and of the available solutions in dealing with these problems.

Soweto alone has a population of three million. With the influx of illegal immigrants, the squatter camp and township population is growing rapidly. More than 41 per cent of the unemployed in Gauteng are black and, as Professor Schlemmer point-



ed out, 50 percent of these are women. Some 60 per cent of the youth (people under the age of 30) are unemployed. The obvious implications in the townships are poverty, crime, lack of dignity and disease.

Township entrepreneurs are particularly affected by crime. They are certain targets. Crimes against them are seldom reported because of the perceived meagreness of the amounts involved. But township entrepreneurs are role models for communities; they provide employment for family breadwinners. The frequency of armed robberies and car hijacks is worse in the townships than in the suburbs.

Business people in the townships are targets for stolen goods; the criminals see them as loaded with money. Some are also used as buyers of stolen goods. Business owners need to stand together and refuse to buy stolen goods, most of which find their way into the townships.

Sadly, most South Africans are no better off today than they were three years ago. How does a Johnnic deal which will produce new black faces in a boardroom benefit a jobless township youth? These youngsters are the majority who care little for shares in large corporations; they are concerned about jobs. With poverty rife, the township entrepreneur has to have that extra marketing skill and flair to keep his business afloat.

Another hindrance is the difficulty in securing collateral. As property prices fall, banks are reluctant to grant loans with fixed property as collateral.

Lastly, competition is often synonymous with death, as illustrated by the taxi industry. There is no recognition by most township residents of the free market system and the determination of price by the forces of supply and demand. Some areas of township business are grossly overmanned. At the end of the day, an awful mentality prevails: shoot the competition.

Life is not all doom and gloom in the townships. The old Chinese saying that every crisis has a latent opportunity rings true. There are realistic solutions to curbing unemployment in the townships. South Africa's opportunity is much greater than its crisis. South Africans have in their hands huge resources of untapped human potential and talent.

“South Africa’s opportunity is much greater than its crisis.”

Are South Africans creative enough to harness and develop this potential and latent talent for the economic growth and prosperity of the country?

The first strategy must be co-operation between local government structures and local business people, an area greatly lacking. Opportunities and viable projects which can be created in the townships need to be identified with academics and universities throwing their weight behind the initiative.

Secondly, larger employers must give attention to human resource development. Big companies are shying away from hiring because they think it is too difficult to fire. Large corporations are setting up labour intensive projects outside South Africa because labour has become too expensive inside the borders. Companies need to realise that South Africa has ceased to be a supplier of cheap labour. For decades nothing was spent on human development. Identifying and rewarding initiative, skill and self-reliance results in productivity.

Thirdly, the links between small and big business must be productively explored. These should not be based on the conscience of corporate social responsibility, but on sound business principles. Big business should sub-contract and give opportunities to business in the townships and so develop the communities. Business people in the townships need to stay there to develop those communities. Their exodus will create slums.

Fourthly, banks and building societies which have large clienteles in the townships need to look at the possibilities of reinvesting in the townships. This would be for the mutual benefit of all concerned. Banks are waiting for the cue from government in terms of incentives. Surely local and national government can look into this matter.

Finally, government needs to speed up its public works programme. Now is the time to deliver.

South Africans are a winning nation. If South Africans could exude as much enthusiasm for business and productivity as they do for sports, then the reduction in unemployment and the six per cent growth rate targeted by the Finance Minister becomes child's play.

Points raised during open discussion...

As a trade unionist, I must point out that often companies which contract out services pay less than half the rate negotiated by a trade union which would apply to a company employee. Sub-contracting can lower standards, and can frustrate the achievements which organised labour has taken a long time to negotiate.

Thandi Mathibela said sub-contracting should not lead to conflict between organised labour and small business. Labour might be frightened of out-sourcing because it is perceived as leading to job losses. But with co-operation between business associations, conflicts and concerns can be addressed. In her experience, the issue of 'lower rates' for sub-contractors had never arisen. Professor Schlemmer said although it was a problem to defend low wage employment, in some areas of sub-contracting, such as office cleaning, the sub-contractor proved more labour intensive than the company that had kept the task in-house. Sub-contracting may be increasing the rate of employment.

Mr Mboweni referred to an article written in Business Day by Thami Mazwai which raised the issue of a low wage buying half a loaf of bread versus no bread at all. He said the trade unions needed to answer this question in a manner that showed they were committed to job creation and not only to addressing the issue of unemployment from the view of those currently employed. The challenge for the trade unions, he said, was to expand employment at what wage rate?

As a worker in the field of developing entrepreneurs and facilitating sub-contracting, I have found larger companies reluctant to enter into written contracts with smaller suppliers. Generally they prefer gentleman's agreements which are not legally binding on themselves. I find this hypocritical from a sector

which publicly claims to be developing small business. It is dishonest.

Jabu Mabuza responded to the claim of dishonesty on the part of big business by saying that if any major player in any sector was seen to lack honesty in its commitment to broadening the economic base through ownership, management development and skills transfer, it would lose out to a competitor. No big business wanted to lose market share.

The majority of the unemployed we are talking about - the youth, particularly women - have never learned any business skills and have had no entrepreneurial training. But there are initiatives from these people themselves to become business-wise. They deserve to be listened to and supported.

As the son of a football family, I see soccer as a means of combatting crimes committed by youth. Every black child is a football player and through specially devised development programmes, every child could play for a local team. The idea would be for the youngster to build an allegiance to his area or township and to get him off the streets.

An agricultural expert agreed with the minister that a formal job does not necessarily break the poverty barrier. Poverty, he said, not only related to income, but to services such as water supply, schooling and infrastructure. He urged the government to shift the RDP from third into first gear.

Greater equity between management and labour had to be achieved. No manager should earn more



than 10 times the lowest paid worker. If South Africa wanted to see economic development take place in earnest, this was the way to go. When asked by Jabu Mabuza what he would say to managers, with their portability of skills, packing their bags to take advantage of comparative international salaries, the contributor said this would be unpatriotic.

The country's policy engineers need to focus on job creation and shift resources to accommodate this initiative. So much money is spent on curbing crime; some of this funding could be used to develop small and medium enterprises (SMEs). Government lost an opportunity when establishing the present ministries by not developing and involving SMEs. Developing sectors which are potential large scale employers, such as tourism, should be encouraged.

The debate should be turned around: over-employment should be curbed by a four-day week with the unemployed being given the chance of working the overtime.

Out-sourcing is the way the world is moving, but in South Africa it is done mechanically. No scrutiny is made of training and development programmes in domestic companies.

Concluding remarks by CDE executive director Ann Bernstein

One of the frustrating issues about unemployment and job creation is that there are so many tentacles to the debate. One wants to ask 'Who is accountable?' but too many different aspects of government and private sector policy affect the issue. One is always talking around the topics of unemployment and job creation. How does one deal with this issue directly?

South Africa's official statistics are, as usual, unreliable and therefore Professor Schlemmer's research is beginning to unpack a complex area with fascinating outcomes. His work will help to identify the target groups which should be influenced and the policies to be employed.

The theme of entrepreneurship, with the entrepreneur as hero, must be supported. Education is vital, and so is the manner in which political and business leaders perceive and popularise business as an inherently positive and patriotic activity.

Tonight's debate did not focus sufficiently on practical policy issues. But there are important matters of policy which must be dis-

Professor Schlemmer pointed out that pay equity was unrealistic, as China had found. That country, which used to have a narrow eight-level system, now has to pay international market-related salaries to management in order to attract investment. He was sceptical about any attempt to artificially reduce unemployment and suggested rather that work in a large industry or in government is now a scarce commodity. There should be no interference, however, in a person's ability to create his own work. Under-utilised technical colleges could be encouraged to approach communities and pass on the necessary social skills which would assist with entrepreneurial employment.

Thandi Mathibela said the present education system leaned towards producing job seekers rather than job creators. The emphasis had to be readjusted.

Tito Mboweni agreed that implementation was all important. He said joint partnerships between the private and public sector had been established as part of infrastructural development projects. Often this meant importing international management expertise. He said it was vital that all involved in politics and in policy making remain focussed on employment creation. Government had put its macro-economic structure in place and what was needed now was a change in the negative attitude on the part of potential foreign investors. This brought a challenge for the trade unions who had to show that they are concerned about the unemployed.

cussed. One is the concept of a national youth corps where young people spend a year 'serving the nation', e.g. by building facilities in disadvantaged areas.

The second is the globalization of the economy. People who think economics is a question of morality inside South Africa are looking at this the wrong way around. The tough news is that, if South Africa is to succeed, we have to be part of the global economy and this is not about moral issues at all. It's about people deciding where their best investment will be. Entrepreneurs will step in as the South African region opens up to capital and to labour - both legal and illegal. This will affect wages. The challenge to regional leaders is to sustain investment in their areas and keep and increase jobs in cities and regions and not lose them across borders.

International developments pose tough challenges for both the unions and political leaders on how to sustain investment in South Africa and to grow it. This is a national and regional issue which goes beyond morality.



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