



CENTRE FOR
DEVELOPMENT
AND ENTERPRISE

A Short Note on the Jobs Summit and the Challenge of Mass Unemployment

October 2018

South Africa's crisis of unemployment is the deepest in the world. The Jobs Summit, taking place on Thursday 4 and Friday 5 October 2018 will be a wasted opportunity unless it begins to deal with some of the key structural constraints on employment creation.

Unemployment currently sits at 37 per cent or 9,6 million people, and the situation is deteriorating rather than improving. Since 2008 the adult population (aged 15 to 64) has grown by about 1,700 people per day, but the number of jobs has increased by only about 500 per day. If you exclude the number of people who are not economically active, this means that every day, another 860 people join the unemployment queue.

The scale of the challenge is difficult to comprehend. There are only two provinces in South Africa that have populations greater than 9,6 million people (Gauteng and KwaZulu Natal). The total working population in the Northern, Eastern and Western Cape combined is 9,6 million people. Just to halve unemployment, South Africa would need to create 11 times the number of jobs that currently exist in the mining sector.

For young people (aged between 15 and 34) the trend is even worse: the population of young people has grown by 500 per day, but the number of jobs has decreased by 100 per day. There are 400,000 fewer young people in jobs today than there were ten years ago.

Previous strategies, approaches and summits have proven unable to address the unemployment challenge. Since the National Development Plan (2012) set as its target reducing the (narrowly defined) unemployment rate to 14 per cent by 2020 and to 6 per cent by 2030, it has increased to 27,2 percent.

And yet there is nothing inevitable about South Africa's high unemployment rate.

A key reason for the unemployment crisis is that currently most of the solutions focus on projects, initiatives and interventions that help move people into or closer to the front of the 'unemployment queue'. But too little attention is paid to the policy reforms that are needed to shrink those queues. The real challenge is fundamental reform of policies that stifle economic growth and discourage a more labour intensive growth path.

The most efficient, sustainable "projects" for creating jobs are private sector firms. Policy that ensures their survival and expansion, as well as the creation of many more new firms, would have the most impact on unemployment. Instead, South Africa's policies raise the cost of doing business, discourage employment and reduce the economic growth rate.

South Africa's emphasis on building an economy that is high skill and high wage ignores the reality of millions of unskilled and inexperienced work-seekers. We need an environment conducive to firms' making and selling goods and services using the workforce we have, not the workforce we wish we had.

If South Africa is to make progress, **we need a bold reform agenda**. We need to place growth and jobs at the heart of our development strategy, and to stop taking actions that undermine these two primary objectives. We need to change the approach to collective bargaining so that work-seekers and smaller firms are not priced out of the market; reduce the cost of employing young people, especially in comparison to older, more experienced workers; and reduce subsidies being paid to firms that are capital and skill intensive.

There are therefore, four questions to ask concerning the forthcoming Jobs Summit agreements:

- Do the proposals respond to the **scale** of the challenge?
- Are they likely **to improve the business environment** for all firms and especially smaller and newer firms?
- Will they **encourage firms to hire more workers and especially young inexperienced work seekers?**
- **Is the Jobs Summit agreement all there is?** Or, is this the start of a process of further engagement and reform on the more fundamental issues?

Most important of all, do the outcomes of the Jobs Summit set South Africa on a new path to policy reform that will enable growth and investment? If the answers to these questions are positive, CDE would regard the Jobs Summit as a success. Unless there is a genuine commitment to policy reform, another generation of South Africans will grow up in a world of unemployment and hopelessness.

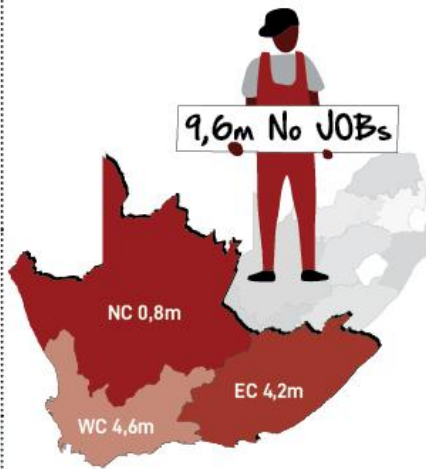
Unemployment facts & figures



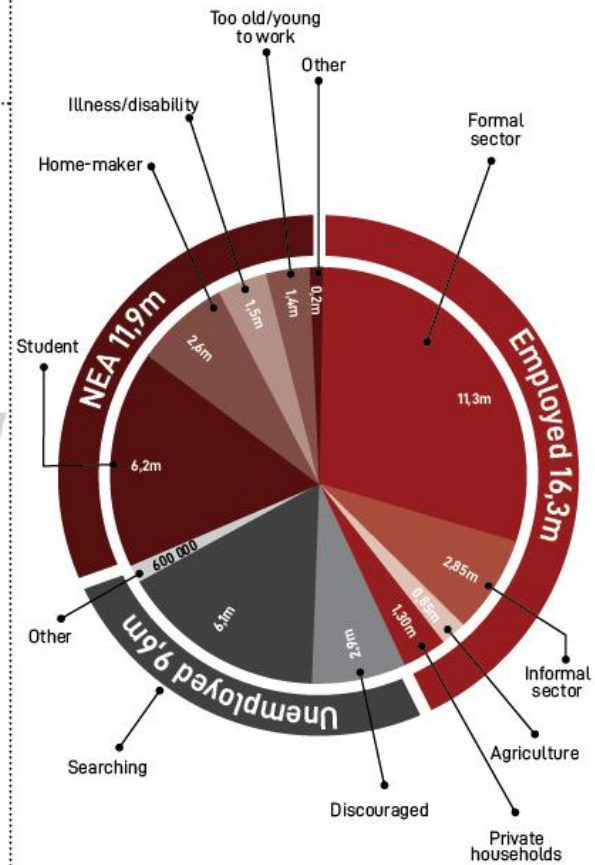
37,8m
Total adult population
(15-64)



11,9m
Not Economically Active



Unemployed
9,6m
is the total working age population of the Northern, Eastern, and Western Cape.
7 out of 9 provinces have fewer people than 9,6m



Since 2008:
Every day 860 people have joined unemployment queues
There are 3.2m more unemployed people. The number of young people in jobs has fallen by 400,000



Breaking the cycle



In order to reduce unemployment by half, we would have to create

11 times
as many jobs as there are in
the mining sector

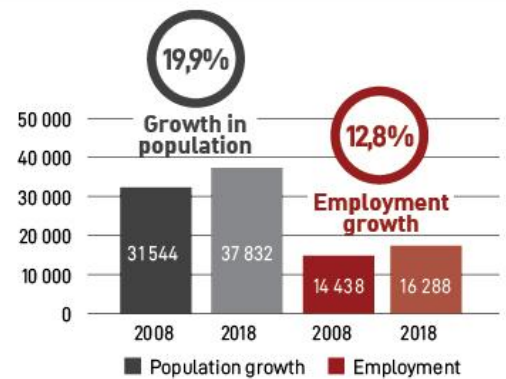
Challenges

- Failure of high skill high wage strategy
- Corruption
- Bad policies that harm labour-intensive activities
- Transformation for a small elite not millions

CDE proposals

- Enterprise led growth
- Make it easier to employ people
- Think differently about jobs
- Encourage labour intensive industries
- Improve skills

10 year trend



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