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NEVA MAKGETLA: Jobs malaise due to much more than just bad governance

Country needs change far beyond the gradual improvements promised by faster economic growth

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Prospective job seekers visit the stalls at the Youth Job Creation Initiative in Alberton in this June 2015 file photo. Picture:

SOWETAN/BAFANA MAHLANGU

In the year to March 2019 employment fell by 90,000 jobs, or 0.5%. Joblessness is not a new problem – since the 1980s SA has distinguished itself internationally for extraordinarily high unemployment. Still, since 2011 employment has only once before fallen over a full year (in the year to mid-2016).

The downturn in employment follows five years of slowing job creation, pointing to the risks of complacency and conventionalism for SA's economy. Both policy-makers and business have been quick to blame poor governance as the cause of all economic ills. But SA's persistently high joblessness and recent slow growth point to deeper structural challenges, especially around mining dependence and long-standing inequalities in wealth, access to education, infrastructure and inconsistent urban planning.

Quarterly employment figures need to be treated with caution. They are not seasonally adjusted and derive from large-scale surveys (covering 30,000 households). They necessarily are estimates that partly depend on how respondents perceive their employment status.

Nonetheless, the first quarter of 2019 does not look good, with a 1.4% fall in

employment. That is well above the normal seasonal contraction, which has averaged 0.3% since 2008. The sharpest drop was in construction, which recently saw some major companies go under. It lost 10% of its jobs, far above its normal first-quarter holiday downsizing of about 3%.

Slowing job creation reflects the slowing GDP. Since 2010 trends in employment outside agriculture have tracked the economy, with decelerating expansion since the global commodity boom ended in 2011. From 2011 to 2015 GDP growth averaged about 3% a year; since 2015 it has fluctuated around 1%, which is well below population growth. Job creation slowed in tandem with the economy, dropping from about 3% a year between 2011 and 2014 to 1.3% annually since 2015. Meanwhile, the working-age population is growing at 1.7% a year.

Both business and the government have struggled to respond as the end of the commodity boom slashed the impetus for mining and cut into export revenues. The state has sought to contain public spending as its revenues have fallen. That strategy reassured investors but deepened the slowdown. In the past year declining government employment accounted for most job losses, while stagnant public investment has been central to slower economic growth.

However, SA's jobs malaise goes far deeper than the current slowdown. The underlying problem emerges from the employment ratio – the share of the working-age population that has income-generating employment. Internationally, about 60% of working-age people are employed. In SA, the figure rose from about 39% in 1994 to 46% in 2008 and now stands at 43%. The extraordinary gap between SA and the rest of the world points to the need for a qualitative step-up in employment levels, far beyond the gradual improvements promised by faster economic growth.

High joblessness was entrenched by apartheid, which aimed explicitly to limit economic opportunities for most South Africans.

To that end it used its power to deprive the majority of land, housing and other assets; quality education; places to live near economic opportunities; and access to infrastructure.

The figures on land and agriculture show the results. In other upper-middle-income countries, about a fifth of adults are employers or self-employed, mostly as smallholders in agriculture. In SA, the destruction of African farming before 1994 means self-employment creates just one job in 20. The gap in self-employment is reflected in lower employment levels overall.

History cannot simply be reversed. Just giving households land will not create acceptable kinds of employment for most jobless people. Still, the long-standing structural roots of joblessness in SA point to the need for deep-seated changes, centred on a qualitative improvement in basic education for all pupils ; densification of urban areas to make it easier for working-class people to get work, create economic opportunities, and improve their access to infrastructure; and consistent support for new economic clusters and activities.

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