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What if unemployment can't be fixed?

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Poverty is the most serious issue facing South Africa, and unemployment sustains it. So it's not surprising that government should pledge to create a million jobs in the next five years or that every announcement of new investment should be accompanied by assurances of a specific number of new jobs. But what if we cannot change the numbers? What if the promises turn out to be hot air? What if endemic joblessness is here to stay?

A report from the Human Sciences Research Council says that 400 000-500 000 jobs must be created each year to meet government's target of halving unemployment by 2014; this would require GDP growth of 4,5%-5,5% a year.

But growth since 1994 has averaged just 2,9% a year – far slower than most other emerging economies – so only 100 000-300 000 jobs a year were created over the past seven years.

According to the latest Labour Force Survey, 28,2 percent of the economically active population is unemployed. Including those too discouraged to look for work, the number jumps to 42 percent.

The pool of potential workers is growing faster than the pool of jobs. Fewer than four out of ten new matriculants are likely to find work in the formal sector. And while much has been made of the role of the informal sector and of small and medium-sized business in providing jobs, the reality has been disappointing.

There is a widespread assumption that unemployment in this country is a product of apartheid, and that like most problems from that awful era it can and will be fixed. But while discriminatory policies clearly made many people unfit for modern jobs, other factors are also hurting today.

Unemployment will not easily be lessened. It is time to face that fact and deal with it. "Jobless growth" is a new challenge worldwide, and SA is feeling its effects.

The nature of work has changed dramatically in the past two decades. Untold millions of people around the world have become obsolete. They do not have the skills for "knowledge work" and will never gain them. They are a burden on their families and societies and will remain so until they die. Some may get menial, low-paying, temporary work but they will have no security and little possibility of advancement.

Manufacturing jobs are being shed everywhere. Tourism and call centres offer opportunities for SA, but there is fierce competition from other countries and much more will need to be done to grow both sectors.

The mining industry has shed more than 200 000 jobs in the past 10 years, and with an estimated 40 per cent of gold mines now unprofitable, more cuts must be on the cards. The auto industry has been astonishing success story, but there too, jobs have gone.

Public sector employment is rising overall, but many parastatals have downsized dramatically. Transnet's new strategy will require harsh medicine. Iscor and Telkom traditionally huge employers, have cut tens of thousands of jobs by embracing new technology.

Employment on farms has also dwindled. Here too, technology is at work, enabling fewer people to produce more food. Also, because small-scale farming just is not viable, farms have been consolidated, farmers have left for town and farm workers have been sent packing.

There are four reasons to be pessimistic about the prospects for making much of a dent in the employment problem.

First, this economy's growth is limited without much greater levels of investment. Yet while business confidence is soaring, both government and the private sector have their hands in their pockets. International players have largely stayed away, and they are not likely to arrive in strength anytime soon.

Market size is a key determinant of where money goes, and this market is both small and poor. HIV/Aids will stifle population growth and spread poverty, so there will be fewer customers for many products and services. Sub-Saharan Africa is the global epicentre of the disease, so both foreign and local firms will look further afield for expansion prospects.

Second, there is shortage of critical skills ranging from top managers to engineers and artisans. Emigration and an ineffective education system are costing us dear.

Third, global pricing pressure and the rand's volatility make high fixed costs dangerous. High employment costs and inflexible labour laws deter firms from hiring – and instead encourage them to downsize, automate and outsource. So expect more organisations to make further cuts in the short term, and to work hard to hold down employment costs in the longer term.

The fourth factor is Afropessimism. The African Renaissance and Nepad sound like good ideas, but negative news from across the continent keeps bothering both local investors and foreigners. Crime and corruption are problematic. There is uncertainty about the SA government's long-term intentions, and a fear of creeping "Africanisation".

Although global firms are used to operating in challenging places, they consider carefully the costs and benefits of doing so. And SA presents too many disadvantages when competing for attention against attractive giants like China and India.

The past ten years have seen extraordinary advances in SA. But even significant changes do not guarantee jobs. More of the same will bring little improvement. It is time to recognise that massive unemployment and poverty are likely to be with us far into the future – maybe forever.

As a matter of extreme urgency, leaders in all sectors need to consider not just how to create jobs, but also how to deal with a society in which expectations are high and jobs do not come. There are dangers ahead, and we are denying them.

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