

The noise around (Un)Employment

Our recent client road show focused on the distinction between noise and real trends. Currently, we hear a lot of noise about our labour markets, prompting the question what are the real trends around (un)employment. From a variety of public sources we can establish the following.

6 million jobs

Between September 1995 and March 2015, nineteen and a half years, 6 million jobs were created in SA. 9.5 million people were employed in September 1995 and 15.5 million were employed in March 2015. These jobs include formal and informal sector jobs in the agricultural and non-agricultural sectors, domestic servants and jobs in the Government's various expanded public works projects.

That is an increase of 63%. Over roughly the same period (20 years) the economy expanded by about 82% (in constant 2010 numbers). It implies that for every 1% GDP growth the jobs in the economy grew by about 0.77%. So much for the noise of "jobless growth".

Carnage

The 6 million increase in the number of jobs happened in spite of the job destruction of 2009.

The Global Financial Crisis hit SA in 2009 and the economy went into recession – the only recession year since 1994 (even the 5 months platinum strike in 2014 could not do that). 870 000 people lost their jobs. Total employment went from 13.8 million people in December 2008 to 12.9 million people a year later.

To put the job destruction into a different perspective: in 1995 39% of the working age population in SA worked. One can say that we started democratic SA with an employment percentage of 39%. By 2008 45% were working. That was a substantial improvement and we were, as the saying goes, "cooking with gas".

The 2009 carnage then reduced the percentage of working age people that actually worked to only 41.5%. Better than it was in 1995 (39%), worse than it was in 2008 (45%).

Recovery

From that low point of 2009 more jobs were again created bringing the total to the 15.5 million in March 2015. The percentage of working age people who were working increased from 41.5% in 2009 to 43.2% now. A slow crawl back.

How many were public sector jobs?

How many of the 6 million jobs created were government jobs? The data is quite revealing.

The best source of information is PERSAL data i.e. the government payroll system. It covers all the national and provincial government departments, which also constitute the bulk of the public sector (it does not cover local government, parastatals and entities with their own payroll like the Defence Force and universities).

In March 1995 there were 1.275 million civil servants on Persal. Eighteen years late, in 2013 this number stood at**1.25 million** – some 24 000 lower!!

This sounds completely counter-intuitive. We know that more police officers were appointed, more clinics built, more children at school and so on....

Yet if one thinks about it a bit, the numbers make sense. The old SA had a national civil service, ten homeland administrations and 3 “own affairs” administrations. Many of them were grossly over-employing. One anecdote from that time was that the old KwaZulu homeland employed more people in its Department of Agriculture than the national SA Department of Agriculture servicing the whole of SA! Integration of the national, 10 homeland and 3 own affairs administrations would have led to rationalisation.

The bottom line is that if there were 24 000 fewer people on the payroll, the entities covered by the payroll could not have contributed to the 6 million jobs. Granted, there are some new entities like SARS that would have contributed to job growth, but certainly not enough to swing the numbers.

Local government

Where job growth did take place was in municipalities.

A new local government dispensation came into operation after democracy, whereby the whole country was carpeted by municipalities (not the case in the old SA). New municipalities were created and more people were employed. Furthermore, there are numerous anecdotes of local municipalities over-employing, for example instances where capital budgets are fully spent on salaries with nothing left over for capital works. Unfortunately we do not have comparable numbers; the best available figure for municipal employment we have is **268 000** in 2010 (from a Treasury report of 2011). If we *assume* that local government employment doubled since 1995, that would imply a job growth of about 134 000 – out of 6 million.

Parastatals

We likewise do not have comparable data for parastatals. Transnet and Telkom have seen huge reductions in the numbers working there, whilst Eskom saw increases. But we do know that in 2011 **176 232** people were so employed. Again, if we *assume* that half were created after 1995 it would amount to 80 000 – out of 6 million!

Conclusion on the public sector

Adding the 3 areas in the public sector together it is clear that the public sector could not have contributed more than 5% of the 6 million jobs.

Public works programmes or “public employment”

The one area where Government did play a role in the 6 million is the Expanded Public Works Programme or EPWP. This area has caused a lot of confusion and is the main reason why people who do not look at the numbers carefully claim that the government has created most of the 6 million jobs.

Public works programmes jobs are temporary or part time jobs. The wage paid varies but is around R100 per day. These programmes cover well-known projects like Work for Water; Working on Fire; Working for Wetlands and so on. Readers would also have noticed people walking along roads picking up litter; others waving red flags at road works; in Hermanus there are parking attendants (not car guards) wearing an EPWP overall and so on. Currently there are more than 5 000 projects being run nationally.

The public works programmes were started in 2004 by the Mbeki Government and has grown consistently since then. In the year to March 2015 1.24 million such opportunities have been created. In surveys these workers would be classified as “employed” and so we can assume they form part of the 6 million.

Even so, there is simply no ways these jobs can be compared with normal civil service jobs where civil servants get significantly more than R100 a day, paid leave, a 13th cheque and pension and medical aid benefits. To claim them as part of the civil service is a big misunderstanding.

Unemployment

In 1995 there were 1.9 million unemployed people in SA and that constituted an unemployment rate of 17.7%. In March 2015 there were 5.5 million people unemployed and the rate was 26.4%.

The number of employed increased by 6 million and the number of unemployed by 3.6 million. How is it possible to have an increase in both numbers?

The simple explanation is that the growth in the labour force far exceeded the growth in jobs. Many more people became economically active (think of all the women who joined the labour market) and internal and external immigration add to that. The country is now more than 60% urbanised – the result of migration from rural to urban areas. In spite of xenophobia the country is still a magnet for immigrants, swelling the working age population. The problem is not that jobs were not created (they were); it is that many more people have become economically active.

These social and demographic forces are huge and require more than tinkering with labour market legislation. We will have to do a big re-think, as the OECD warned in a recent report with reference to the global economy. SA must also conduct the re-think.

So What?

- 6 million jobs were created between 1995 and 2015, resulting in 43.2% of working age people working, as opposed to 39% in 1995 and 45% before the global financial crisis.
- We can safely say that the public sector at large, including Expanded Public Works jobs, created not more than 1.5 million of the 6 million jobs created since 1995 – 25%. Clearly most of the jobs were created in the private sector – 75%.
- The increase in jobs expands the consumers in the economy and simultaneously the tax base of the country. More than 60% of taxes are paid by everybody that earns a living – irrespective of whether they pay income tax or not.
- The job growth was not enough to trump the increase in the economically active population and as a result we also saw an increase in unemployment.
- Unemployment is a real problem and the country need to face up to it. But we do not have to waste time with unfounded fears of “jobless growth” or “government created all the jobs”.