

The Implementation of Unemployment Policies in South Africa

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ABSTRACT

This article examines an issue that is currently of particular importance in South Africa. The South African Government has just allocated R9 billion to address unemployment. A number of policies address unemployment in South Africa since the transition to democracy in 1994. Notwithstanding these policies, unemployment has about doubled since 1994. The challenge that all these policies should consider is how to define unemployment. The unemployment data is crucial in an effort to design a proper unemployment policy. It seems that unemployment is much higher for younger workers than older workers. Getting the first job, especially in the formal sector, is quite difficult for most young South Africans. This article will therefore focus on aspects like the reasons for the increase in unemployment, the role of labour legislation, the impact of the South Africa's labour policies and towards the end some policy suggestions. The analysis of unemployment is mainly based on household surveys from 1995 to 2010. The article argues that if unemployment is to be addressed, it is crucial to realise that policies should focus on job-creation in South Africa. A concern should also be the interests of the unemployed and the informally employed poor who are largely beyond the reach of the labour institutions. The lack of appropriate data on the informally employed complicates the policy-making process. In conclusion, the article appreciates unemployment policies and programmes, like public works programmes and skills training against the background of a lack of local evidence. The question is really where future employment will be generated. In this instance sectors like trade, finance and tourism should be high on the list. It is critical to realise that substantial improvements in policies are needed to address unemployment.

INTRODUCTION

South Africa has a unique labour market with sharp segmentation. The market portrays high unemployment and low informal sector employment. The primary concern of this article is

with unemployment and policies to address the challenges. The lack of data about informal employment often disguises unemployment. Data for the article is based on household surveys from 1995 to 2010. South Africa has one of the highest rates of unemployment in the world (Kingdon & Knight 2007:814). The simple reason is the sharp divergence between growth of the labour force and the growth of the formal sector employment that is 4% per annum for the period 1997 to 2003 (Kingdon & Knight 2007:816).

The sequence and approach in this article starts by identifying the problem of unemployment in South Africa. The research problem is really whether the current policies and plans can address unemployment and therefore achieve the target of halving unemployment by 2014. It is noted that several definitions for unemployment exist. The design of a policy requires the proper definition of the problem. In this article two South African definitions of unemployment are provided. Unemployment also relates to several other societal problems like poverty. In the article a brief exposition of the nature of unemployment as well as the South African labour market are provided. A couple of South African policy responses to unemployment will be analysed. Towards the end of the article a few scenarios for employment creation are provided.

THE RESEARCH PROBLEM OF UNEMPLOYMENT

More than a quarter of the South African potential labour force was unemployed by 2004 (StatsSA 2004). The unemployment rate for the first quarter of 2010 increased 0,9% to 25,2% (StatsSA 2010). The total number unemployed in 2010 was 4,3 million for the first quarter. Employment declined by 171 000 between the fourth quarter of 2009 and the first quarter of 2010, with the formal sector losing 140 000 jobs and the informal sector shedding 100 000 jobs. Agriculture created 35 000 jobs and private households 34 000 jobs (StatsSA 2010). The 2010 survey showed that the number of people in the labour force decreased by 25 000 and construction by 64 000 jobs. The youth employment rate and the unemployment rate for women are higher than the national average.

The question is really whether the Government's current policy priorities and plans for the formal services sector will guide the economy towards its 2014 target of halving unemployment? This article will therefore explore scenarios of unemployment in South Africa and possible policy issues.

UNEMPLOYMENT DEFINED

Against the backdrop of different definitions of unemployment, the South African approach is twofold, the strict (narrow) and the expanded (broad) definition. The narrow definition applies a job-search test whereas the broad definition includes those who do not search for work in a four-week reference period, but who report to be available to work after they accept an offer of a suitable job. The narrow definition of unemployment is the one that is more commonly used. It is often argued (Kingdon & Knight 2007:827) that the broad definition is a more accurate reflection of joblessness in the South African conditions.

It is interesting to note that Kingdon & Knight (2006) distinguish three states of unemployment in South Africa. The first is that in South Africa the non-searching unemployed



are, on average, significantly more deprived than the searching unemployed. The mere fact that they are not better-off, casts doubt on the classification that is based on desire for employment. The cause of this can be ascribed to *firstly*, the unique situation in South Africa that job-search is hampered by poverty, by the cost of job-search from remote rural areas. In spite of the world trend, South Africa has a higher rural than urban unemployment rate. *Secondly*, the overall well-being and happiness of the non-searching unemployed are not at all better than the searching unemployed. *Thirdly*, data on wage-unemployment indicates that non-searching unemployed are taken into account as labour force participants. The less emphasis on the broad definition in policy circles may be because of the challenge of narrowly measured unemployment, or because the searching unemployed could be viewed as more deserving for policy making purposes.

NATURE OF UNEMPLOYMENT

According to President Zuma (Business Report 25 March 2011) the serious challenges of unemployment and poverty remain constant challenges in South Africa. South Africa has a peculiar situation of long periods of growth, but this has not created jobs. At a policy level, South Africa is a mixed economy. South Africa's economy grew by 2,8% in 2010 and was forecasted to grow by about 3,5% in 2011 (Business Report, 25 March 2011). It is interesting to note that the South African Government has declared 2011 as a year for job creation. The membership of the BRICS (Brazil, Russia, India, China and South Africa) group of developing countries is another opportunity for possible job creation by businesses. Government policies should create conditions conducive to investment and the creation of jobs (*Business Day*, March 2011).

The high level of unemployment begs the question: Why do the greater majority of the unemployed not join the informal sector, as in most other developing and middle-income countries? The informal sector is generally viewed as open-entry and therefore people not employed may be considered as voluntary unemployed. The poor cannot afford the process of searching for a job. How strange this might sound, the unemployed, is substantially worse off than the informally employed. According to Kingdon and Knight (2007: 829) the unemployed are substantially and significantly less happy than informally employed people. This situation, therefore, suggests that their unemployment is not due to choice. The nature of unemployment shows that the average duration of uncompleted spells of unemployment (2,2 years) are too long to sustain a person in search for employment.

THE SOUTH AFRICAN LABOUR MARKET

Unemployment policies should reflect and come to terms with the South African labour market. The analysis of the available unemployment data could have different interpretations. Levinsohn (2007:3) identifies four patterns that are significant for this article. *Firstly*, unemployment as well as labour force participation has risen over the past decade. Whether one uses the narrow definition or broad definition of unemployment, the level of unemployment is quite high. *Secondly*, one finds an uneven spread of age over the spectrum

of unemployment. Unemployment is especially high under the younger job seekers. *Thirdly*, although unemployment is high for those with a grade 12 (final qualification of the secondary school), it is almost zero for those with a degree (Levinsohn 2007:3). *Fourthly*, any transitions from unemployed into the formal sector are rare as are the transitions from the informal sector to the formal sector. Employees tend to cling on to their formal sector jobs, even if they move around in the formal sector. These trends are depicted in tables 1 through to 5.

The most of these tables use the broad definition of unemployment. Table 1 provides a view of unemployment and labour force participation. Table 1 illustrates three critical points from a policy perspective. In the first instance labour force participation rates are low by international standards but showed a slight increase over the past decade. The increase is especially large for women with participation rates increasing from 50% to 65% from 1997 to 2005. In the second instance employment rates are quite low. Only half of the men worked by 2005 and only about a third of women worked. In the third instance it is clear that unemployment rates are high and have risen over time.

Table 1 Participation, employment and unemployment rates by year (%)

Survey Year	Participation	Employment	Unemployment
Men			
1995	69,25	53,63	22,57
1997	66,88	47,33	29,23
1999	70,85	49,60	30,00
2001	74,02	48,43	34,57
2003	74,04	47,59	35,73
2005	74,71	50,17	32,85
Women			
1995	51,19	31,73	38,01
1997	50,85	27,93	45,08
1999	58,54	33,25	43,20
2001	65,06	34,51	46,96
2003	65,32	34,09	47,81
2005	65,27	33,82	48,19

Source March 2005 Labour Force Survey

Table 2 provides aggregate figures relating to education that are also critical for policy purposes. It is clear from Table 2 that unemployment is primarily a problem for those individuals with grade 12 or less. It can therefore be deduced that finishing high school is not sufficient to enter into the labour market. The rate for those with post-grade 12 education fell by almost two-thirds and for those with a university degree, unemployment is minimal.



Table 2 Participation, employment and unemployment rates by level of education (%)

Educational Level	Participation	Employment	Unemployment
Men			
Less than a matric	68,47	43,17	36,95
Matric	87,32	59,07	32,35
Some post-matric	92,08	81,04	11,99
Degree	91,01	86,95	4,46
Women			
Less than a matric	59,09	26,97	54,36
Matric	76,44	40,25	47,35
Some post-matric	88,97	71,85	19,25
Degree	88,35	83,69	5,27

Source March 2005 Labour Force Survey

Table 3 highlights the age pattern of labour force participation and unemployment rates. Table 3 emphasises the large jump from the 16-19 year old unemployed to the 20-24 year old unemployed that reflects the transition from school to the labour force. In terms of a policy perspective the unemployment problem is especially concentrated in the 20-24 year old group for men where the unemployment rate in 2005 was 60%. In terms of women in the 20-24 year old group the unemployment rate is a staggering 73,5%.

Table 3 Participation, employment and unemployment rates by level of education (%)

Age Group	Participation	Employment	Unemployment
Men			
16-64	74,71	50,17	32,85
16-19	21,58	6,60	69,40
20-24	68,63	27,22	60,34
25-29	92,83	56,35	39,29
30-34	94,20	67,46	28,38
35-39	93,38	73,51	221,29
40-49	88,84	71,52	19,49
50-64	70,76	59,13	16,44

Age Group	Participation	Employment	Unemployment
Women			
16–64	65,27	33,82	48,19
16–19	20,06	3,76	81,27
20–24	68,70	18,21	73,50
25–29	85,81	35,17	59,01
30–34	84,60	44,60	47,28
35–39	81,99	48,41	40,95
40–49	75,06	52,57	29,97
50–64	44,34	35,41	20,14

Source March 2005 Labour Force Survey

Tables 4 and 5 provide a different picture that gives data on labour market transitions. The data in tables 4 and 5 therefore emphasises individuals from ages 18 to 35. Table 4 presents transitions for all such individuals while table 5 does so just for those individuals with at least a grade 12. The key points in tables 4 and 5 are threefold. In the first instance the transition from the informal sector to the formal sector is fairly rare. Secondly, once one has a job in the formal sector, one tends to retain a job or move about in the formal sector. Thirdly, the likelihood of having a job in the informal sector is only about 40%.

Table 4 Transition matrix of employment status for all youth

State Sep 2003			State Mar 2004				
	N	NEA	Discouraged	Searching	Informal	Formal	Total
NEA	1,231,796	63,87	14,30	13,32	3,32	5,20	100
Discouraged	760,545	20,85	37,08	28,71	5,36	8,01	100
Searching	918,747	18,19	18,89	44,97	5,68	12,10	100
Informal	362,946	10,71	9,98	17,37	43,83	18,10	100
Formal	1,261,128	6,08	3,62	8,48	4,38	77,44	100
Total	4,535,162	27,08	15,73	21,29	7,68	28,22	100

Source September 2003 and March 2004 waves of Labour Force Survey.



Table 5 Transition matrix of employment status for youth with at least grade 12

State Sep 2003			State Mar 2004				
	N	NEA	Discouraged	Searching	Informal	Formal	Total
NEA	254,597	59,21	11,10	15,66	2,00	12,03	100
Discouraged	200,856	18,93	32,78	34,73	4,21	9,35	100
Searching	342,750	18,08	15,98	44,82	4,84	16,28	100
Informal	94,873	8,66	6,85	17,04	40,70	26,76	100
Formal	691,878	6,54	2,72	6,31	3,74	80,69	100
Total	1,584,954	19,19	10,99	20,38	5,97	43,46	100

Source September 2003 and March 2004 waves of Labour Force Survey.

POLICY RESPONSES TO UNEMPLOYMENT

The South African Government has produced quite a number of policies that address the unemployment situation. These policies do not exist in a vacuum, but relate to each other and also to related issues like poverty. A rather broad plan is the *Accelerated and Shared Growth Initiative of South Africa* (AsgiSA). The *Broad Based Black Economic Empowerment* initiative is another policy that focuses on employment. The employment policies are also supposed to mesh well with other policies that all work in the field of incentives to employment creation. The mere existence of all these policies does not mean that the unemployment situation will be relieved. The effects of these employment policies are based on certain conditions in the market. In the South African context for instance, an industrial policy will be compatible with employment growth of the particular sector or sectors or firms intensively using workers with grade 12 or less (Levinsohn 2007:21). It turns out that the outcome of the policy may contribute to employment growth, but this is not necessarily the main focus of the policy.

Broad Based Black Economic Empowerment is an economic policy that claims to have employment consequences, but unfortunately not on a scale that is quantitatively important in relieving unemployment (Levinsohn 2007: 21). The fact of the situation is that unemployment is concentrated among the young and the less educated. It can therefore be deduced that an employment policy should aim at the labour market that exists and not the labour market that one would like to have. This implies that besides the unemployed grade 12 individuals, there should also be a match between the skills of grade 12 individuals and the demand for specific skills in the labour market. In this instance it would make sense to invest in a labour creating

education system in South Africa. The alignment of the school system is actually a long term project and will not address the currently unemployed, South Africans.

A singular employment policy will not necessarily solve the unemployment challenge. One cannot ignore the reform of a school system, but this will not alleviate the unemployment in the near future. The expanded public works programme (EPWP) is another South African policy to address unemployment. The appeal of such programmes is obvious and it could be located where rural unemployment is severe. The public works programme can potentially employ large numbers of poorly educated and otherwise unemployed workers. The downside of the expanded public works programme is that it does not provide for training that equip workers for meaningful employment. Training is not the primary focus of the public works programme (Levinsohn 2007:22). The nature of the public works programme is short-term and in a way addresses poverty that relates to unemployment. This is effective for a rather under-developed informal sector and relatively subsistence agricultural sector. The severe unemployment in South Africa is of such a nature that the expanded public works programme will not adequately alleviate unemployment. Thus, a singular employment policy will not necessarily be sufficient to address unemployment.

The scale and rise of unemployment compels the South African Government to be pragmatic in its employment policies. It is critical to distinguish among different kinds of unemployed individuals. Tables 1 through to 5 clearly reflect these different categories. The unemployed according to their employability (owing to their lack of skills, any previous employment experience and long duration of unemployment) would rather need a policy on poverty alleviation. Those individuals with a greater probability of finding employment might need a policy on skills development and job creation. The expanded public works programme is perhaps more geared towards temporary job creation. The skills development programmes should therefore emphasise the training for employability (Kingdon & Knight 2007:837). Skills training has become a core issue in the South African Government since 1998 with the introduction of the *National Skills Development Act, 97 of 1998*. This Act was amended in 2003 by the *Skills Development Amendment Act, 31 of 2003*. According to this Act the Sector Education Training Authorities (SETAs) were created which charged skills levy on firms, to be repaid on the production of evidence by the firm that it is undertaking approved training for workers.

The skills that are lacking may be of a general and thus a marketable nature. In this regard general skills like numeracy, literacy, communication skills, problem-solving, initiative-taking are the desired skills by firms. The outcome of these skills programmes is by now well documented and it proves the reluctance of firms to undertake training themselves because they are unable to sufficiently recoup the expense of investment in such skills if their trained workers quit soon after the training. The SETAs were supposed to solve the poaching problem among firms. In fact the SETAs have found that their skill-levy revenues remain largely unclaimed by firms. This would be difficult to explain if firms indeed face serious shortage of skills (Kingdon & Knight 2007: 839).

Despite South Africa's high level of unemployment, the welfare system is premised on full employment. There are no grants for the unemployed. Social assistance is only provided for those too old to work (pension), too young to work (child support grant) or too sick/disabled to work (disability grant). Further, people suffering from AIDS qualify for a disability grant. This grant poses a tension between welfare, health and unemployment policies. The



health policy provides that antiretroviral therapy (HAART) is provided through the public health system. People with AIDS qualify for a disability grant (Nattrass 2005:4). The HAART therapy offers them a chance of restored health, but this could easily put them in the next category of the unemployed, and this comes at the cost of losing the disability grant. The high level of the unemployment rate in South Africa implies many will not find work after the disability grant for AIDS is no longer applicable and bring them to a terrible trade-off between unemployed health and income through the disability grant for AIDS (Nattrass 2005:4). A singular unemployment policy will not necessarily lead to the creation of jobs. Employment policies should therefore relate to each other and the implementation should also be managed accordingly.

SCENARIOS FOR EMPLOYMENT CREATION

Employment scenarios are stimulated by halving unemployment by 2014. The rate of unemployment will largely depend on options in the labour force as well as employment growth. Future growth depends not only on the policy environment, but also on aspects like past experiences and business conditions (Altman 2006:630).

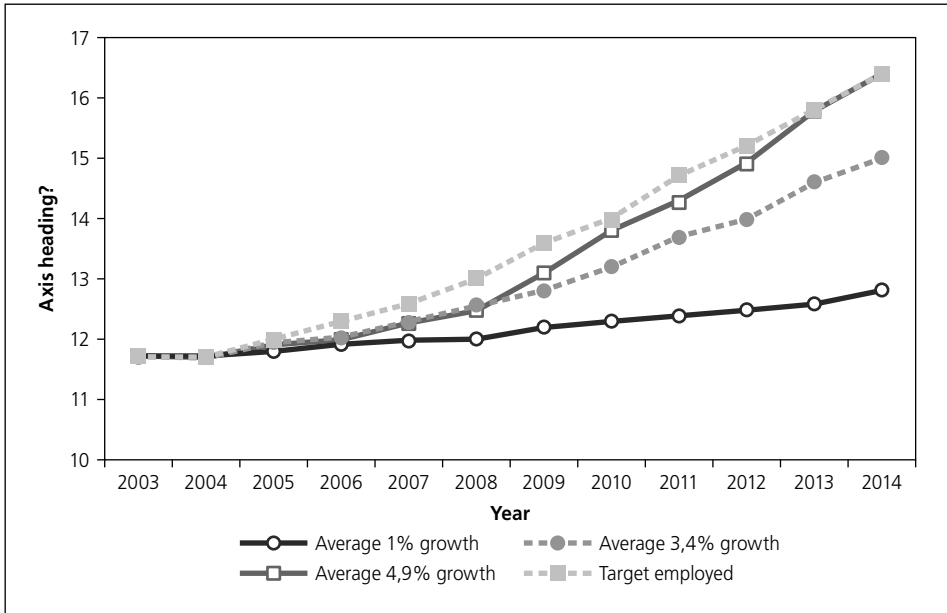
It is critical to ascertain the rate at which the labour force might grow. It seems that the more rapidly it grows, the more pressure there is on job creation. This of course, should be seen against the backlog of individuals who are already unemployed. In South Africa both these considerations are critical in reducing the unemployment rate. The pace of employment growth will again depend on the demand for labour and availability of specific required skills for the labour demand. This relates to the question of appropriate training that was addressed earlier in this article (*Supra*, Table 5).

The way to define the halving of unemployment could be either by the number of unemployment or the rate of unemployed (Altman 2006:630). For the purpose of this article, the rate of unemployment will be used. In 2010 there were about 14,9 million individuals working and 4,1 million unemployed (StatsSA 2010).

The labour force appeared to be growing annually by up to two per cent. The total population estimates are not exact because of the result of HIV and AIDS. According to the recent 2010 survey of Statistics South Africa participation rates are still at the low end of average, and could potentially rise. The average for middle income countries varies from 50 to 68%, as compared to 54 % in South Africa (Altman 2006:631). Scenarios for 2014 will therefore be based on much uncertainty. If it is assumed that the labour force grows by 1,8 % annually in South Africa, this translates into a labour force growth of 18,9 million participants in 2014. The assumption is that the population growth will be slower, and then an anticipation of success in employment promotion is a possibility.

The unemployment rate for 2010 was 25 % (StatsSA 2010). If the labour force was 18,9 million participants in 2014, then to achieve an unemployment rate of 13 per cent, 16,4m individuals should be working. To halve unemployment, approximately 4,76 million new jobs would have to be generated in the ten-year period between 2004 and 2014 (Altman 2006:631). Figure 1 exhibits the number of jobs that would be needed to reach the 2014 employment target. It provides the market-based jobs that would be needed to expand to meet the target on its own. Market-based employment includes formal and non-formal employment. Market-

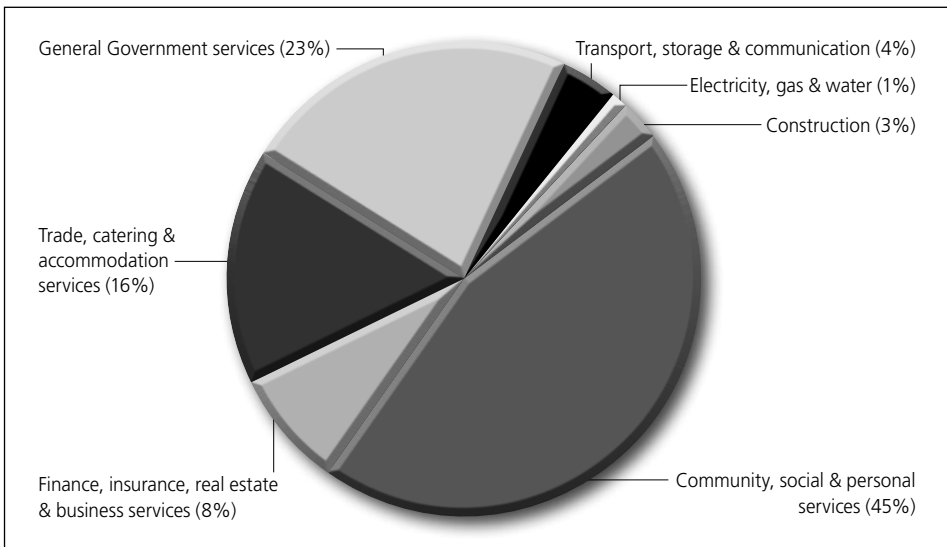
Figure 1 Meeting targets at different rates of employment growth



Source Altman 2006: 631

based employment have to grow with an average 4,9 % per annum, to raise total employment from 11,64 million to 16,41 million on its own. This picture therefore portrays a very rapid rate of employment growth, requiring higher economic growth rates. A combination of policy options should therefore be considered that include amongst other market-based sectors, government employment and the public work programmes (Altman 2006:632).

Figure 2 The distribution of employment in South Africa (2003)



Source: Altman 2006:634

Historical employment rates may give a sense of potential sources for employment. In the past decades South Africa has experienced the creation of formal and non-formal jobs mostly in the service sectors, manufacturing, finance, insurance, real estate, computer and other businesses. Government can also create jobs, but more importantly are the policies that are geared towards job creation. Although manufacturing is generally taken as the driver for growth in developing countries, this was not necessarily the case in South Africa (Altman 2006:633). Besides manufacturing, mining or agriculture would also depend on the services sector (See **Figure 2**) to achieve the 2014 scenario of halving unemployment.

Public sector employment decreased in all spheres of Government (Altman 2006:640). Government policies that encourage employment are needed to add to job creation. Some sectors in Government, like the health sector, have high vacancy rates (Altman 2006:640). A very conservative projection might put public service growth at 1% per annum. If this did happen, additional people will be working in the public service by 2014.

CONCLUSION

It is critical to understand that many successes have been accomplished in South Africa since 1994. Since the advent of democracy 17 years ago, unemployment still threatens those achievements and its burden is mostly borne by those who were previously disadvantaged. Policies are needed to address the total issue of unemployment. Currently policies on employment do have an impact, but more focused policies are required. By postponing a policy response to unemployment could be costly over time. Policies should focus on the actual problem of unemployment in South Africa that is school leavers before their learning becomes forgotten.

The consequences for policy could be noted in terms of a couple of issues. The labour market statistics should be effectively used for policy purposes. Employment policies should come about by the interaction between Statistics South Africa, policy-makers, and independent researchers. Despite the statistical progress over the last decade, the lack of appropriate data hinders the analysis of important issues that impinge on unemployment. The testing of employment policies is necessary. Skills promotion is based on the supposition that training increases employment, but this should be rigorously tested in South Africa. In short, impact evaluation studies, would assist in policy design. It is important to consider from time to time the set and network of policies that promote employment and economic growth. The South African Government should bear constantly in mind the network of policies in different fields like economic policies, labour market policies, policies on international relations, crime and health, that might impact on employment. The economic growth of the economy in South African will determine, above all else, the future employment in the country.

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