

Making the South African labour market work for the poor

A first look at the issues

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Hugh Scott

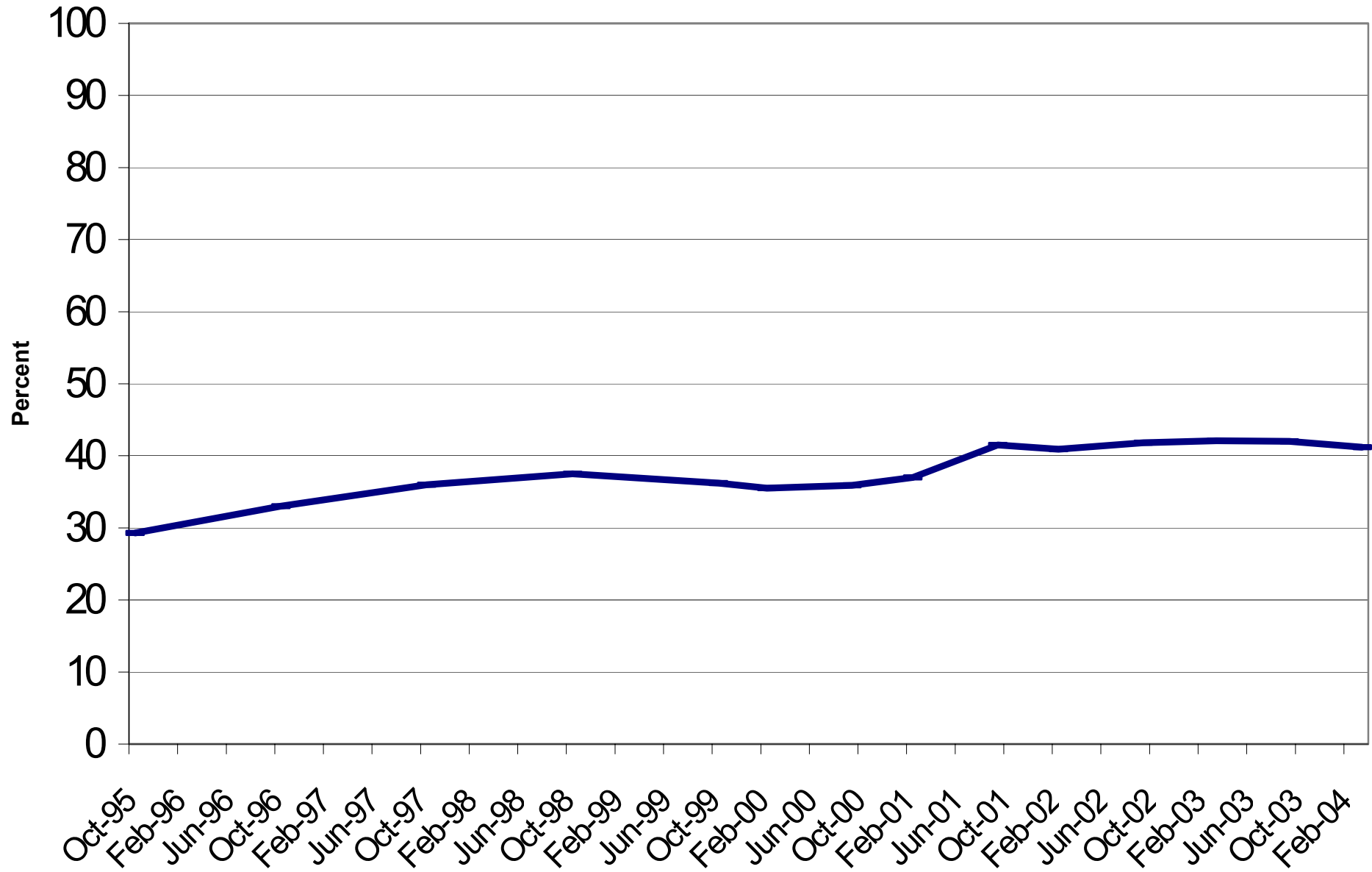
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Labour market facts

- SA population: 47.2 million
 - ‘Economically active’ population: 20 million
- The labour market doesn’t work for nearly half its would-be participants
- Expanded rate is a more accurate indicator of willingness to work and of welfare
- Unemployment appears to be ‘stable’ at a very high rate
 - ‘official’ rate 27.8% in March 2004
 - ‘expanded’ rate 41.2% in March 2004

'Expanded' unemployment rate in SA 1995-2004



Labour market facts

- Unemployment by gender
 - Male: 34.4%, Female: 48.2%
- Unemployment by region
 - Most rural province: 57%, most urban province: 36.3%, fastest growing province: 22,9%
- Unemployment by highest education level
 - 9 years of school: 37.2%; 12 years of school: 32.2%, Post-school technical qualification: 19.5%, Degree: 5.6%
- Unemployment by age
 - 71% under 35

Labour market facts

- Unemployment by race
 - Black African: 48.3%
 - Coloured: 25.6%
 - Indian/Asian: 21.2%
 - White: 8.0%
- Unemployment is **permanent**
 - 75% of unemployed under 30 have NEVER had a job
 - 60.6% of all unemployed have NEVER had a job
- Unemployment is closely linked with poverty
 - 12 % of the employed are poor

Unemployment: some causes

- Rapid population growth until at least 2000
- Structural changes to the economy
 - Increasingly post-industrial, increasingly skill-intensive. 40% of GDP in services; 10% in primary sectors
 - Absolute(?) decline in some primary sectors
 - Manufacturing increasingly capital and skill intensive, increasingly 'lean' in the face of international competition
- Deliberately poor education followed by inadvertently poor education
- Reservation wage too high?
- Labour market rules too rigid?

Implied solutions and their difficulties

- Slower population growth
 - Demographic transition may be happening
 - HIV/AIDS
- Increased labour-intensity
 - State Incentives vs. productivity and competitiveness
 - Public works programmes – scale and sustainability
- Education reform
 - The silver bullet; but unavoidably slow
- Reductions in transfers
 - Politically near-impossible; ethically unthinkable; probably too much of an economic shock

Implied solutions and their difficulties

- Changes to the ‘rules of the game’
 - Politically never easy, but certainly possible
 - Requires more and higher-level debate “This is not a zero-sum game”
 - Requires more information about:
 - labour market institutions and rules
 - costs and benefits of these institutions and rules

SBP's RCC survey

- Forerunner/component of DFID-SA's 2-year Employment Promotion Programme
- Introduced 'efficiency' vs. 'compliance' cost distinction to SA
- Key findings:
 - Regulatory compliance cost SA firms an amount equivalent to 6.5% of GDP
 - Firms said that 'reducing employment' and 'limiting size' were the most effective ways to reduce regulatory costs
 - After 'weak demand' firms listed labour laws and other government regulations as the biggest constraints on employment
 - Regulatory compliance costs are very regressive: *40 times higher* from smallest than for largest firms.

DFID-SA's EPP: MLMW4P

- Goal: To reduce unemployment in South Africa
- Purpose: To promote an enabling environment for employment creation
- Output 1: A reliable base of evidence exists to inform better employment-related policy, legislation and regulation
 - Employment Confidence Index
 - Second round of RCC survey
 - Other research

DFID-SA's EPP: MLMW4P

- Output 2: The employment effects of policies and regulations are monitored and assessed from a public good perspective
- Create structures to assess labour market policy and regulation from a public good perspective
- Introduce Regulatory Impact Assessment (ongoing with Treasury and Presidency task force)
- Impact of media over the last two years

DFID-SA's EPP: MLMW4P

- Output 3: Labour market institutions and organisations operate more effectively
- Labour market rules and regulations
- TA to labour market stakeholders: CCMA, NEDLAC, Labour courts, Commission on Employment Equity
- Focus on reducing compliance costs
- No reduction in workers rights and concepts of decent work

DFID-SA's EPP: MLMW4P

- Output 4: Improved design and implementation of the infrastructure elements of the Expanded Public Works Programme
- TA to government's labour-intensive public works programme