

With 29.1% of the people unemployed, South Africa's economic growth prospects remain on ice

The statistics released by Statistics South Africa (Stats SA) in February 2020 for the fourth quarter of 2019 present a grim picture about the country's employment situation.¹ Stats SA indicates that of the 38,7 million people of working age (15-64 year olds), 29% (6.7 million) were unemployed, while 15,6 million were not economically active (including the discouraged work seekers - those who have given up on the hope of finding jobs). It is important to note that the 29% count only considers the jobless as those who were not employed during the reference period (usually four weeks prior to the survey); were actively looking for a job or to start a business in the four weeks prior to the being interviewed; and were available to work or willing to start a business. This is called the *narrow* definition of unemployment which only counts the unemployed as the "searching unemployed" and thus excludes the "discouraged work-seekers" or "non-searching unemployed" in the definition and count of the unemployed. When the *broad* or *expanded* definition (which includes the non-searching unemployed) is used, South Africa's unemployment situation becomes even more grimier. Using the expanded definition, Stats SA indicates about 38,5% of those who could be working are unemployed. So, despite that South Africa sits astride a "demographic sweet spot" in which the number of the economically active people outweighs that of the economically dependent, it is not able to harvest the benefits of the "demographic dividend" because of high levels of unemployment. This exerts a huge pressure on the country's fiscus in providing social services such as health and education within the context of a reduced tax base.

Of the 6,7 million unemployed people, 1,9% and 6,8% were graduates and holders of other tertiary qualifications, respectively; 34,7% were matric qualifications while the majority (55.9%) of the unemployed had education levels below matric. The youth (young people aged between 15 and 35 years of age) are disproportionately affected by unemployed as compared to their adult counterparts. For instance, Stats SA indicates that the unemployment rate for those aged 25-34 (35,6%) is more than double that of the 45-54 (17,5%) year olds. This means that South Africa's unemployment crisis is a youth unemployment problem.

The most worrying trend is the growing number of young people described as NEET, i.e., not in employment, education and training. Stats SA reveals that there were 10,3 million

¹ These are findings of Stats SA's quarterly labour force survey (QLFS) which were released on 11 February 2020. These surveys are conducted once every three months.

persons aged 15–24 years in Q4:2019 and that 32,0% (3,3 million) of these young people were NEET. It further shows that of the 20,4 million young people aged 15-34-years during this quarter, 40.1% of them were NEET. The NEET young people are the most vulnerable social category in our society as being not in employment and training means that they are not in situations where they can acquire the requisite work experience and skills to enhance their future employment probabilities. It implies having a demographic group who may never be employed in their life time. For such a group, a lifetime of deprivation in all its possible manifestations is a predictable eventuality. As it stands, the ability of young people to realise their potential is seriously compromised.

Needless to say, something needs to be done urgently. Otherwise, millions of youth with nothing to do and with no hope of a better future become a fundament for social upheaval. A great deal of attention has been paid to youth unemployment by the government, yet this problem remains intractable. Policy and programmatic interventions by the state include public employment programmes such as the Expanded Public Works Programme a programme that has a youth specific focus with the objective to draw more young people into public sector temporary employment; and the National Treasury's Jobs Fund and The Employment Tax Incentive both of which are aimed at incentivising employers to create work opportunities for young work seekers. In his February 2020 State of the Nation address, President Cyril Ramaphosa acknowledged that South Africa's young people are confronted by a crisis of unemployment amid "rising living costs", deepening poverty and the compounding ability to escape it. President Ramaphosa promised a "two-pronged" approach which involves the creation of "opportunities for youth employment and self-employment". In terms of the former, the President announced the initiation of the Presidential Youth Employment Intervention which is hinged on six priority actions over the next five years. One of these priority areas is creating pathways for young to participate in the economy. This of course is predicated on the assumption that the economy will grow and thus, create the much-needed jobs for young people.

One remains doubtful of this approach if prognoses for the economy's growth prospects are anything to go by. Moreover, such a strategy entails government spending money on active support, information and work readiness training for youth in a context where fiscal constraints are worsening. Supply-side interventions have not been found to address what is essentially a demand-side unemployment problem. Nonetheless, such efforts indicate that youth unemployment is firmly on the national agenda and that the plight of jobless youth remains a real concern for those who govern us.

In sum, unemployment presents the greatest of challenges to South Africa's economic growth and development. A high number of unemployed people means that government

continues to depend on a limited number of workers for tax collection. It is important to understand that of the 38,7 million working age people in South Africa, 23,1 million constitute the labour force, and that 16,4 million of these are employed while the rest are unemployed (6,7 million) and not economically active (15,6 million). Clearly, the number of people from which the state derives income through taxation is miniscule. With limited income in the fiscus, government struggles to provide social services. As the service delivery record of the government continues to worsen, social unrest also exacerbates. Moreover, unemployment increases dependency on the state's social welfare system thereby over-stretching a system that is already struggling to cope. All this combines to blunt South Africa's economic growth and development prospects.

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