

# (1) Profitability & Globalisation

A capitalist economy operates on the basis of profitability. While a socialist alternative would challenge the role of profits in an economy, it is important to acknowledge the role of profits with respect to job creation in South Africa today. Globalisation has made this even more important (e.g. exports & capital mobility).

Investment and employment - investment and hiring decisions are made by owners of capital. If profits are threatened, capital could (1) withhold investment (capital strike), (2) invest in labour saving technology, or (3) take investment out of the country.

Need to challenge some core assumptions:

- low wages and poor conditions of employment do not always increase profits
- increased profits do not always lead to greater investment and employment
- control of profits needs to be challenged (insure job creating investment, worker ownership and control, pension funds, etc)

## (2) Productivity

In current economic debates, there is a strong claim that South African labour productivity needs to increase. In the GEAR document, it is stated that labour productivity must increase at a rate faster than real wages.

Potential effects of productivity increases:

- loss of jobs (if economic growth is low)
- increase in profits (if wages increase slower than productivity)
- increased work intensity (greater stress and work hazards)

\*\*\*\* Productivity improvements are important for using resources efficiently and improving standards of living. But productivity does not only mean labour productivity -- management productivity, capital productivity, workplace organisation, and macroeconomics all play a role.

## (3) Public Service “Right-sizing”

Government has been increasingly focusing attention on job creation in the private sector while arguing for “right-sizing” in the public service. The public service accounts for nearly a third of all formal sector non-agricultural employment.

Issues put forward by government:

- need to address inefficiencies and corruption
- apartheid debt and public interest payments
- limit level of taxation in South Africa (25 percent of GDP)
- need to reduce public service wage bill

Clearly, government policy does not see a role for the public service in employment creation. This is problematic. An important component of an employment strategy should be a plan for developing a sustainable public service for efficient delivery.

## (4) Privatisation

The restructuring of state assets in South Africa has largely been a process aimed at privatisation. Internationally, privatisation has been accompanied by large job losses. Already, substantial labour-shedding has taken place from the parastatals under the apartheid regime.

In debating the restructuring of state assets, labour must take a position on:

- (1) Acceptable types of restructuring
- (2) The impact on employment (clearly, even publically owned enterprises can destroy jobs. What type of policy is needed?)

Both the NFA and the RDP state that employment must be a priority in any restructuring process. Job creation and retention, however, seems to be left out of much of the restructuring process.

# (5) Labour Market Restructuring

Debates on South African labour markets often focus on labour market flexibility. This often means wage moderation and variations in labour standards. The argument is that flexibility will create jobs. There is little evidence to support this view.

What types of changes are needed in the South African labour market?

- education and training
- employment equity
- recognition of prior learning
- affordable public transportation
- reduced labour market segmentation
- closing the wage gap

Labour market restructuring should aim at promoting equality of opportunity.

## (6) Job Enhancement

The current employment debate often argues that South Africa can enjoy more jobs or better jobs, but it cannot have both more and better jobs.

The challenge of job enhancement (improving the quality of jobs) is important in South Africa. Many poor households depend on wage income to survive. Without improvements in the quality of jobs, employment creation, by itself, will not address poverty sufficiently.

To create more and better jobs, an employment strategy must be tied to the creation of new productive resources - in other words, economic growth. The current growth strategy of government (GEAR) should be replaced with an *employment growth strategy* which places job creation and enhancement as its primary objective.

## (7) Targeting

Job creation cannot be a “neutral” process in South Africa. It must be designed to benefit those who are at greatest risk for poverty and unemployment.

Targeted groups should include:

- women
- youth
- rural households
- unskilled workers and unemployed

The risks of poverty and unemployment are high among these segments of the population. Job creation is not enough. Ensuring that vulnerable segments of the population have equal access to employment opportunities is a major challenge facing South Africa.

# Challenges and Debates

- (1) Profitability & globalisation
- (2) Productivity
- (3) Public service “right-sizing”
- (4) Privatisation
- (5) Labour market restructuring
- (6) Job enhancement
- (7) Targeting

# Social Equity Proposals

- Job creation
- public works and housing
- modernise industrial base
- job sharing
- trade policy supporting employment
- expand domestic demand
- education and training
- increase productivity
- labour-intensive development
- stop retrenchments
- redistribute land
- stimulate the economy

# Other COSATU Positions

- Living wage conference/campaign
- September commission
  - public service employment
  - comprehensive industrial policy
  - asset-based redistribution
  - develop parastatals as a social sector
- People's Budget
- Women and Work
- National Framework Agreement
- Moratorium on retrenchments

# Employment Trends I

	<b>Change in Number of Jobs Jun 96 to Jun 97</b>	<b>Percent Change in Employment</b>
<i>Mining</i>	-1 335	-0,2%
<i>Manufacturing</i>	-56 075	-3,9%
<i>Electricity, Gas, Water</i>	-499	-1,2%
<i>Construction</i>	-11 808	-3,6%
<i>Wholesale/Retail Trade</i>	+7 087	+0,9%
<i>Transport &amp; Communications</i>	-7 190	-2,5%
<i>Financial Services</i>	+3 580	+1,7%
<i>Social Services (including public service)</i>	-13 564	-0,8%

# Employment Trends II

According to the Reserve Bank of South Africa, total employment has been brought "back to a level which was roughly equal to that of 1981."

Employment in South Africa is at its lowest point in 16 years.

GEAR predicted that its policies would create 126 000 new jobs in 1996 and 252 000 new jobs in 1997.

# Employment Trends III

## Historical Job Losses

The following table shows employment trends from 1990 to 1996:

	<b>Percent Change in Employment 1990 - 96</b>
<i>Mining</i>	-27,5%
<i>Manufacturing</i>	-9,1%
<i>Construction</i>	-21,3%
<i>Wholesale/Retail Trade</i>	-3,8%
<i>Private Services</i>	+4,3%
<i>Public Corporations</i>	-24,7%
<i>Public Service</i>	+10,2%

# Unemployment I

## Unemployment Rates

	<u>Total</u>	<u>Male</u>	<u>Female</u>
<i>Total</i>	29.3%	22.5%	38.0%
<i>Urban</i>	24.5%	19.9%	30.8%
<i>Rural</i>	37.6%	27.3%	49.5%

# Unemployment II

<b>Unemployment of young workers (15-29) as a fraction of total Unemployment within different population classifications.</b>	
Rural youth unemployment as a % of total rural unemployment	51,4%
Urban youth unemployment as a % of total urban unemployment	51,4%
Male youth unemployment as a % of total male unemployment	54,2%
Female youth unemployment as a % of total female unemployment	49,4%
African youth unemployment as a % of total African unemployment	50,6%
White youth unemployment as a % of total white unemployment	46,7%

# Unemployment III

<b>Unemployment by previous occupation -- percentage of total</b>	
<i>No previous employment</i>	69,2%
<i>Unskilled worker</i>	15,3%
<i>Professional</i>	0,2%
<i>Skilled trade worker</i>	4,7%

# Causes of Low Job Growth

- ❄ Government policies promoted capital-intensive industries
- ❄ Decline in primary agricultural and mining employment
- ❄ Under-investment in parastatals
- ❄ Dramatic decline in investment; capital flight
- ❄ Restrictive monetary and fiscal policies
- ❄ High cost of living in South Africa
- ❄ Under development of value-added manufacturing
- ❄ Economic policies focus on stabilising financial markets instead of employment generation
- ❄ Apartheid-debt build-up

# Legacy of Apartheid Economy

The problem of unemployment in South Africa is primarily a structural problem, derived from the historical legacy of the apartheid economy. Under apartheid, the racial segmentation of the workforce, the limited mobility of workers, the establishment of separate homelands with marginalised economies, the systematic under-development of skills, the intentional patterns of investment and industrial development, the maintenance of out-dated, hierarchical management systems, and the dependence on low-wage, exploited black labour have all contributed to the current state of unemployment and dislocation in the economy. The present employment situation is a result of the evolution of South Africa's economic structures over time. Interventionist policies must be put in place to disrupt this continuity with the past and to place South Africa on fundamentally different growth and employment path.

# Vision for Job Creation

- Unemployment, deteriorating employment conditions, and lack of job security are the results of the dynamics of a capitalist economy with drastically uneven power relationships, unequal access to economic resources, and a drive to accumulate profits within a highly concentrated ownership of capital. Therefore, to ultimately address the on-going crisis of unemployment, current economic power relationships must be challenged and transformed.
- The economy must be developed so as to sustain full employment. Full employment would mean that anyone who wants to work would have access to a job under reasonable conditions of employment. Where unemployment does occur a guaranteed living income must be in place, but the principal objective must be full employment.
- Every job must pay a basic living wage. There would no longer be households classified as "working poor."

# Vision (cont)

- Unpaid work must be explicitly recognised and appropriate measures created to support the performance of household and caring labour.
- Discrimination and structural barriers in the labour market must be eliminated.
- Standards of living and quality of work must improve over time. Jobs must not simply be created, but also enhanced.
- Employment creation must support the provision of public services and basic needs.
- Wage differentials between different employees, particularly management and production workers, must be limited and efforts to narrow the wage gap put in place.

**Industrial and Economic  
Development**

Macroeconomics  
Investment  
Industrial Policy  
Labour Productivity  
Trade  
Technology

**Public Sector Employment**

Sustaining the Public  
Service  
State-Asset Restructuring  
Public Works  
Social Wages

**Key Areas of Focus**

Women and Job Creation  
Informal Sector  
Agriculture and Rural  
Employment

**Labour Market  
Institutions  
And Outcomes**

Social Plans  
Hours of Work  
Collective Bargaining  
Restructuring the Labour  
Market