

Developments in the Labour Market and on the Land Issue

A. Labour market trends

The latest Quarterly Bulletin of the Reserve Bank (SARB) reveals some interesting trends in the SA labour market:

1. Is the tide turning on employment?

- ✓ Formal private-sector employment increased during the last quarter of 2000 by about 7'000 jobs, the first increase since the second half of 1994. The significance is not in the number, but rather in the reversal of the prevailing trend.
- ✓ Figures for 2001 will show whether the upswing is sustainable.
- ✓ This information should be considered with Stats SA data, suggesting that more than 900'000 jobs were created in the informal sector between 1996 and 1999 (as reported in the SA Institute of Race Relations Survey for 2000/1).
- ✓ On current data we now have a declining public sector and an expanding private sector. That is a positive trend.
- ✓ Employment in *general government* (the national government, the nine provinces, 350 local councils and a range of statutory bodies) fell by 3,6% from 1999 to 2000, year on year. The four main parastatals (Transnet, Telkom, the Post Office and the SABC) saw their employment numbers decrease by 8.5%.
- ✓ As a result, total employment numbers in the economy declined by just under 3% in that time.

✓

2. No pressure from the labour market on inflation

- ✓ Unit labour cost (ULC) increased by a mere 2,3% in 2000. This was lower than the 2,8% of 1999, which in turn was lower than in any other year since 1995.

- ✓ Wage increases in 2000 were the lowest for the past 30 years.
- ✓ Unions are clearly no longer enjoying the level of success with collective bargaining that characterised their earlier triumphs.
- ✓ Recent press reports indicate that some big unions are settling at wage increases of around 6% -- provided the official inflation target is met. Inflation targeting is thus having a positive influence on wage negotiations.

3. More productivity increases

- ✓ Productivity increased by a whopping 6,2% in 2000. This is a continuation of the trend outlined in our note of February 2001.
- ✓ According to SARB data, productivity is now improving at a faster rate than at any time during the past three decades.

So what?

- ✓ The overall picture is one of good news on productivity and unit labour costs. That will contribute to lower inflation and create room for further decreases in interest rates.
- ✓ Private-sector jobs (formal and informal) are increasing whilst public-sector jobs are declining. Increases in the private sector are, however, still not sufficient to lift overall employment.
- ✓ Unions are clearly no longer in the powerful position they once were. It seems inflation targeting is tempering their behaviour.
- ✓ Most important: the SA economy is slowly working its way through a fundamental restructuring. The outcome is higher productivity, lower inflationary pressures and rising private-sector employment.

B. Land occupations – will Government act?

Significant developments during the past quarter include:

- 1) Over the Easter weekend Government deployed police and army units in the Mpumalanga province to prevent land occupations by landless people who reclaimed their ancestral land.
- 2) Recently about 20 people arriving on two trucks invaded the farm near Kuruman where they lived until 1966. The responsible minister, Thoko Msane-Didiza, ordered that the invaders should leave, and her department enforced that decision.
- 3) Some weeks earlier Land Affairs minister Msane-Didiza handed title deeds to black farmers in Warrenton and warned that Government would not tolerate land invasions.
- 4) Government withdrew its expropriation notice against farmer Pretorius in Mpumalanga and upped its offer from R840 000 odd to about R1.2 million. The matter was settled on a "willing buyer, willing seller" basis.

So what?

- ✓ There evidently is a clear political will to act against land invaders.
- ✓ Land restitution and redistribution is conducted by means of funds allocated in the budget and in line with the constitution.

First published by BoE Private Clients, on 29 June 2001.