

Exploding some myths

There are a number of enduring myths that seem to have a stranglehold on our public conversation, which diverts our attention from the real problems. Here are three myths articulated in some media during the past two weeks.

Myth 1: “Jobs meltdown”

This was the poster of a Johannesburg newspaper the morning after the June employment numbers were released. “Meltdown” implies that there are fewer jobs, that somehow the labour market was damaged and there is now less of what there was.

The employment report (called the Labour Force Survey) revealed two things. The first, and this made all the news headlines, was that the number of unemployed people increased by 254 000 from a year earlier to a new total of 4.7 million people, or an unemployment rate of 25.6%.

But the report also revealed that 274 000 more people were employed than a year earlier.

The great paradox of the SA labour market is that BOTH the number of employed and the number of unemployed are increasing. This has been going on for nearly two decades and we have often written about this in the newsletter.

Partly the paradox has to do with demography. The working age population grows, inter alia through migration; South Africans urbanize and move to cities and towns where they look for work; and more women enter the labour market. It is very important to distinguish between more work seekers and fewer jobs in the economy.

That is why the “meltdown” inaccuracy is so irritating. While we are creating more jobs and employing more people, we are strengthening the base of society (more people employed, more consumers, more taxpayers). The very opposite of what “meltdown” suggests. This bigger base generates money that helps us to run public employment programmes and pay social grants, which in turn help to stabilise society. Anything but meltdown.

SA has a serious unemployment problem, no question about that. But it helps to understand the details of the problem, it makes for better problem solving.

Myth 2: Confusing public employment and government employees

An op-ed in Business Day quotes the SA Chamber of Commerce and Industry (SACCI) that “...this year the government became the single biggest employer (in the country)”. The op-ed then bewails what they call “a tipping point if ever there was one”. The suggestion, and context of the article, is one of danger and looming collapse.

So I went to look at the original SACCI statement.

The SACCI conclusion is based on the category “community and social services” in the Labour Force Survey. That category has over time become accepted by economists and analysts as meaning “government” (an assumption that clearly needs to be re-visited). It currently runs at 3 million people, the biggest single category in the Labour Force Survey.

Yet we know from various sources that all three levels of government, parastatals like SARS and SANRAL as well as universities add up to about 1.8 million employees. So where does the other 1.2 million in the 3 million “Community and social services” category come from?

Some would come from private sector employers like nurses in an old-age home or the many paid people working for NGOs and churches (the not-for-profit private sector).

But the bigger issue, I would suggest, is what is known as public employment.

Public employment

SA is running one of the largest public works programmes in the world. 3 million people were employed during the 4 years between April 2009 and March 2013. It is planned/budgeted that by 2014 1.4 million people would be in these programmes at any given time.

Public works programmes have been used before to help curb excessive unemployment; famously by Roosevelt in the US, also in SA during the 1930s depression. People work in jobs that pay as little as R60 a day – less than what farm workers now earn. Many of these jobs are only available for two or three days a week. We are talking poverty relief rather than jobs in the normal sense of the word. In the jargon these public works jobs are called “public employment”.

Could these public employment people have been included in the Labour Force Survey under “Community and Social service sector” which SACCI was referring to? Certainly in respect of non-infrastructure public employment, which was more than half of all such employment. It is a household survey, not a workplace one. If a person working in a public works job is asked “who do you work for” and he/she answers “Work for Water” or “I look after aids patients” or “I pick up litter in the street” the answer could crop up as a number in the category “community and social services”. These workers are certainly not civil servants in the way that SACCI meant it.

It would be a grave mistake to equate these workers with civil servants earning, at the very least, a few thousand rand a month and getting a 13th cheque, pension and medical aid benefits.

Not a threat, but part of a solution

These public employment programmes have no doubt helped to alleviate the worst poverty in some households; helped to stabilise the country and brought 3 million people into the world of work (where they may very well now be counted as unemployed, once their public works job has expired). I struggle to see how this is a tipping point towards collapse and decline.

Yet we are asked to believe that this constitutes a “tipping point” for the worse?!

By the way

In an OECD report the proportion of employees who work for the government varies between 6% and 30% with an average for the 32 OECD countries of 15%. SA is not a member of the OECD but the comparable number is about 12%. Makes you think...!

Myth 3: Social grants

There is a standard narrative and myth that social grants are not sustainable. Two numbers explode that myth.

From 2006 to 2012/13 the number of beneficiaries increased by some 35%, rising from 11.9 million people to 16.2 million. The criteria for the grants were relaxed and more people could thus qualify. Yet the money needed to pay for all that increased only from 3.2% of GDP in 2006 to 3.5% in 2012/13.

The 35% expansion of the beneficiaries as well as annual increases in the grants was paid for by economic growth. And the growth was not even that great – only about 2.6% a year. In one year, 2009, there was a recession and the economy actually contracted. Yet the increase in cost was limited.

Growth “covers a multitude of sins” is the old saying. Social grants in SA certainly prove that. So much for the fear/myth of unsustainability.

So What?

- The way we discuss issues in public often leave people with a sense of hopelessness or feeling disempowered. Better understanding of the issues brings empowerment.
- As consumers of media, we need to take care with what we read/hear and cannot just take it at face value. Seek context, dig deeper.
- Headlines are written to elicit emotion. Good and fine. But it does not always accurately reflect what is going on. Often one reads an article to see what is behind the headline, only to be left frustrated.
- Headlines versus trendlines. Better to look beyond the headlines.
- Seek context. As Helen Zille likes to say, “As usual, things are not as simple as they seem”.