



“Unemployment” and retail spending

Stats SA has released its latest Labour Force Survey. This is the ninth survey done and the accumulated data enables us to build a picture of what is going on in the labour market.

The total labour force in the economy is now estimated at about 12 million (11 984 000 is the precise number for the mid-range estimate). The formal sector and commercial agriculture employ about 73%; the informal sector about 15%; domestic service about 8%; subsistence agriculture about 3%; and unspecified about 1%. According to research by Haroon Bhorat from UCT, the labour market in 1995 consisted of about 9,6 million people. Compared with the 12 million jobs that now exist, that implies a growth of about 25% in jobs over the last nine years. GDP over the same period grew by about 33%.

This growth in the employment numbers may partly explain why retail sales are so strong. While we have been focusing on the unemployed and the jobs destroyed, we have forgotten about those who are employed; their numbers have steadily risen by about a quarter. The problem is that whilst the economy grew about a third and the number of jobs by about a quarter, the number of job seekers (the economically active population) also increased by about a quarter. And that is the reason why we saw no dent in the unemployment numbers. It is more of a demographic issue than an economic one. Can the growth in population numbers change significantly over the next few years?

As I have indicated in previous research notes on changing demographics, the omens look particularly good. The best-kept secret about SA is that fertility has halved from about 5,8 in the 1970s to 2,7 in 2004. The breakeven point, where the population neither grows nor shrinks, is 2,1 children per female. Thus the growth in the number of work seekers is set to decline sharply over the next ten years. According to my calculations it can come down to less than 2% per annum. Currently, employment growth is above 2%. That is with an economy growing at about 3% per annum. As long as that 3% economic growth is maintained, we can safely predict that unemployment will decline.

Whilst this process is unfolding (and it will be a long process) initiatives like the public works programme and the extensive social security net (there are now more than 8 million beneficiaries receiving monthly grants) will help to manage the structurally unemployed. That helps to alleviate some of the worst poverty.

Currently, about 40% of the working age population (those between the ages of 15 and 64) is working. In the EU the comparable figure is 66% and in the US 75%. With a steadily expanding labour force and an almost stagnating working age population, this percentage will keep on rising. That must mean a more stable society, more consumers, and more taxpayers. It is indeed as August Comte wrote in the 19th century: Demography is destiny.