



- Question:** *Stats SA released two surveys on the labour market last week. The one surveyed households and measured the informal and formal sector; the other surveyed only VAT registered companies using banks to do salary transfers. What is the bottom line?*
- Answer:** The story from both surveys is the same: SA is now creating a minimum of about 21 000 jobs per month or about 251 000 p.a. The number could be higher, but let's interpret cautiously. And interestingly enough, it looks as if most of these jobs were created in the formal sector. Clearly, that long period since the mid-nineties where formal jobs were shed is over.
- Question:** *Where is the growth?*
- Answer:** Ten sectors were measured. Seven of these registered job growth and 3 (agriculture, mining and transport) had job losses. Mining lost a whopping 27,5% of its jobs. That would fit with all the headlines about mines suffering. On the other hand, and interestingly enough, manufacturing scored a net gain in jobs, about 7,5%. Clearly local demand compensated for export losses. Construction showed a massive 25% increase in employment. Even private households are showing an increase – is that a sign that more families can afford domestic servants? All in all, 251 000 more jobs.
- Question:** *Why then is Cosatu threatening a strike against the strong rand because of huge job losses?*
- Answer:** Because they are heavily exposed to two of the three sectors shedding jobs: mining and transport (they are not too strong in agriculture). While overall manufacturing is growing, some parts (such as textiles) are shrinking. Cosatu are exposed to the shrinking parts – a case of being in the wrong place at the wrong time.
- Question:** *So will they strike and will they achieve anything?*
- Answer:** They will probably strike, but they are unlikely to achieve much. President Mbeki made it clear last year (in November in Brussels) that market forces will determine the value of the rand and government is not going to intervene. The Reserve Bank Governor has said the same thing on numerous occasions. The President is clearly backing the governor. Remember, Cosatu also went out on national strikes to oppose the privatisation and listing of Telkom. They also opposed competition in the telecommunications sector and wanted to see Telkom enjoying a monopoly. Yet the opposite happened. The ANC will not budge to Cosatu pressure.
- Question:** *Back to employment. The unemployment rate has come down by 1,7% - from 27,9% to 26,2%. Does that mean, at 21 000 jobs per month, we are creating more jobs than we have new job seekers?*
- Answer:** Looks like it. But I would like to see a longer time series. If we are not at breakeven, we are pretty close to it.

Question: *But even at breakeven (new jobs = new job seekers) one still has the large pool of about 4,4 million unemployed people?*

Answer: Indeed. And because most of these people are either in the wrong place (rural areas) or have the wrong skills (do not have the 3 Rs, thanks to our education system), they will probably never work. That is why the public works programme and social allowances become so important.

Question: *Assume we achieve breakeven, where will the bulk of the unemployed be?*

Answer: One of the interesting pictures from last week's reports is that the age group from 25 to 45 is the one in which most of the labour force (more than 70%) are indeed working. From ages 45 years to 65 the non-working rises. This tells us where the bulges of the non-working are. As they get older and move out of the labour market, unemployment will reduce. There is also a high number of unemployed between 15 and 25, but more of half of them are still at school. If the labour market is now at breakeven, they will get absorbed as they enter it.

Question: *Too good to be true?*

Answer: Well, even the trade union Solidarity said in December last year that matriculants now have their best chance in years of getting a job, as long as they are not too choosy about the jobs.

Question: *Ok, what is the big picture then?*

Answer: The tide has turned on unemployment. SA now has 11,6 million people working and that number appears to be growing at about 2% p.a. Population growth is 1% and falling.

Question: *And this is happening in spite of the strong rand?!*

Answer: Indeed. Even manufacturing is growing. The mechanics are simple: stronger local demand is replacing export demand. Citizens are getting richer and that is stimulating growth and creating jobs.

Question: *Cosatu is on the wrong side then, politically speaking, with their protests against a strong rand?*

Answer: Yes. And all the more because household consumption now makes up 63% of GDP – up by 1,5% of GDP since 1994. That is a huge movement. In the same period Government consumption expenditure has fallen from 20% to 19,5% of GDP. The real significance is that this is in spite of the arms deal (which is counted as consumption expenditure) and the huge rise in welfare allowances.

Question: *And all these people contribute to taxes via VAT, the fuel levy and sin taxes, even if all do not pay income tax?*

Answer: Indeed. On Friday Minister Manuel announced that tax collections for the year was R10 billion more than he expected as recently as February (is he deliberately understating income in his budgets to fend off spending demands?) Between 10% and 15% of all taxes came from newly registered taxpayers. The tax base is truly expanding. It says something about compliance, but also about growth and employment.