

The Paradox Continues

Recent political news was dominated by the Guptas at Waterkloof and the unemployment numbers. We leave the Guptas to bigger forces and focus on the (un)employment numbers.

A number of trends are confirmed by the numbers.

(Un)employment

It can all be summarised in one phrase: the paradox continues.

We have written previously that SA is characterised by both rising employment *AND* rising unemployment at the same time. This is a characteristic that has been with us for a while and will probably be with us for another generation or two. The table below illustrates the paradox.

	Working	% of 15 – 64 years group	Unemployed	% Unemployed
1995	9.5 mil	39%	1.9 mil	18%
2013	13.6 mil	41%	4.6 mil	25%

Clearly we had a case of more people being employed and more people being unemployed at the same time.

The latest numbers, for the year to the end of March, confirm that this is still the case. At the end of March 199 000 more people were employed than a year ago, and 75 000 more were unemployed. More employed, more unemployed.

Why do we have this paradox ?

Three factors can help us to get a handle on this: demography; urbanisation and a change in the role of women.

Demography

The working-age population is commonly defined as everybody between 15 and 64. In 1995 39% of that group was employed. Today it is 41%.

(Well, actually, we reached 45% in 2008. Then the recession of 2009 struck and nearly 900 000 people lost their jobs. But let's not go there now. Let's just compare 2013 with 1995. The absorption rate went up from 39% to 41%).

Looking at the twelve months to March 2013, the same trend emerged as for these 18 years – the 199 000 more people working, have increased the percentage of the working-age population employed from 40.9% to 41%.

The conclusion is unambiguous: job growth kept pace with the growth in the working-age population. In fact, job growth exceeded population growth, because the percentage employed increased from 39% to 41%. Clearly demography is not the problem.

So if demography is not the problem, why is there more unemployment?

The short answer is that more people want to work. The explanation lies in social change – particularly urbanisation and gender equality.

Urbanisation

When you are living in the rural areas with a subsistence existence you are not economically active and you do not show up in the labour market statistics. The same if you stay at home as a homemaker – you are neither employed nor unemployed – you are simply not economically active, as the economists would say. However, leave the home and the rural areas and start looking for a job – become economically active – and you will now be counted in the statistics as either unemployed or employed.

SA's population is now 62% urbanised. Massive urbanisation has taken place over the last two or three decades. The abolition of pass laws and over-crowding in the old homeland areas no doubt contributed to that. (That pesky history again, one just cannot get away from it!!). The movement to the cities increases the demand for jobs; more people do get jobs; but many do not. So both the employed and the unemployed go up.

Gender liberation

Likewise the social liberation of women. Go to any conference or meeting and it is common to see women present in large numbers. That was certainly not the case 20 or 30 years ago. Every woman that enters the labour market increases the demand for jobs. Men that used to have it all to themselves suddenly find competition from women!

All this is great for social change, but bad for our employment statistics.

So what needs to be done?

We cannot turn the clock back and hope to get people back into rural subsistence or women back into the kitchen. The only way out is to create more jobs. That 41% employed must, and will, be lifted to 65% or 70% - the levels where developed countries are today.

For perspective, if we increase the percentage employed with 0.1% per year, as we did over the 12 months to March 2013, it will take 290 years to reach 70% employment. That is a bit long. So we are in for the long haul, which is why I said the paradox will be with us for a generation or two ... at least.

Jobless growth is dead

The unemployment statistics also tell us that the old canard of “jobless growth” is as dead as a dodo. Here there is no paradox – growth brings jobs.

199 000 more people employed at the end of March is equal to 1.5% more jobs than 12 months earlier. Economic growth over the 12 months could not have been much more than 2.5% (I am guessing here, we do not have the latest numbers yet). That translates into an employment co-efficient of 0.6, meaning for every 1% GDP growth jobs grew by 0.6%. This is a respectable number. As we discussed last month, the 60 year average for SA is 0.5.

Government's role

That 0.6 being higher than 0.5 makes we wonder to what extent it is jobs created under the government's expanded public work programme (EPWP). The expanded public works programme

has gained considerable traction and one wonders to what extent such jobs are colouring the overall statistics. Frustratingly, it is not clear from the survey data.

As discussed before, these public works jobs are not jobs in the normal sense of the word. These are low-productivity jobs with low pay – more like poverty relief. As such it is to be welcomed. But they are not real jobs in the normal sense of the word.

What is very clear is that Government's big role is to increase economic growth and try and change the employment co-efficient.

Readers will know that our most likely scenario is a "muddle-through" one of 3% growth. If we want to keep up with the social change in society, that number will have to lift substantially.

Looking beyond growth to more labour absorption, i.e. if we want to see more jobs for every 1% growth, the employment co-efficient must be lifted from 0.6 to a number closer to 1. Three proposals are currently made in this regard: more labour intensive growth, more manufacturing and less labour regulation to absorb more people. For the immediate future I am sceptical of any of these being achieved.

So What?

- The long-term trend of having both more people employed and more unemployed at the same time persisted in these latest numbers; and will probably do so for a long time to come.
- The gratifying part of the numbers is that jobs are growing slightly quicker than the growth in the working age population. Jobs beat demography.
- However, the bad part of the numbers is that the social change in our society – more people wanting to work – is overwhelming the growth in jobs.
- There is no jobless growth. Even with the low growth we have had since 2010 (2.8% p.a.), growth does create jobs. For every 1% growth the jobs grow by 0.5% to 0.6%. The issue is not that the labour market does not create jobs (it does), but that growth is too slow to create sufficient numbers of jobs.
- Prepare yourself for many more employment data releases where we will see more unemployment as well as more employment. The paradox is here to stay.