

Understanding the root causes of unemployment

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Introduction

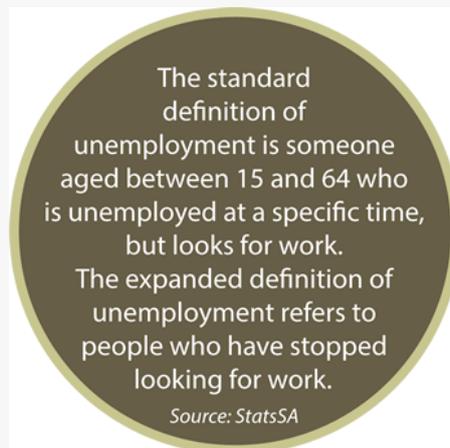
This newsletter tackles the vexing issue of unemployment by exploring various myths and misconceptions. It captures the perceptions of South Africans and teases out a better understanding of the real issues around unemployment.

It is common cause that everybody has an opinion on unemployment in the country as one of the root causes of all our social problems.

To get to the bottom of these issues two central questions must be answered. What are the real factors that drive unemployment? And what are the solutions?

Unemployment in context

There are those who mistakenly believe that unemployment only became an issue after democracy in 1994. The reality is very different as this issue has been with us for a very long time.



In 1994 the unemployment rate stood at 20.5 per cent for the standard definition and 31.5 per cent for the expanded definition. In the first quarter of 2014 the standard rate of unemployment stood at 25.2 per cent and the expanded rate was 35.1 per cent.

South Africa experiences a situation where there is **asurplus of especially unskilled and low-skilled job seekers** - caused largely by historically low levels of investment in African education.

Twenty years ago **unfair job reservation for a small minority of the population** was the norm. At the time, the majority of our people was largely excluded from the mainstream economy and was seen as a source of cheap labour.

This system artificially created skews in the employment patterns – a legacy we are still trying to undo.

In the past 20 years all South Africans have enjoyed the fruits of our democracy, including free and unrestricted access to the economy and job opportunities. The effects of the **global recession** that commenced in 2008/2009 however also affected the South African economy, with a resulting impact on job creation and opportunities.

Since 1994 government **has prioritised education** and our interventions are beginning to bear fruit. Technical, Vocational Education and Training (TVET) Colleges will deliver the skills and training that are essential to addressing the skills gap in the economy.

The changing face of our population has also had an impact on employment patterns in the country. The population stood at 40.5 million during the first all-race census in 1996 and by 2011 it had grown to 51.7 million.

Possible root causes of unemployment

There are various arguments about the causes of unemployment in South Africa, some of which are:

- **Legacy of apartheid and poor education and training**

Some research shows that the deliberate exclusion of black people from the educational system and from skilled occupations under apartheid contributed to high rates of unemployment today.

Inadequate education and lack of productivity is costing jobs. Unemployment increases progressively with decreased educational levels; and the education system is not producing the skills for the labour market.

- **Labour demand - supply mismatch**

Labour supply is affected by the increase in the number of job seekers over the years. The rate of entry of women - especially African women - into the labour market has risen sharply. Furthermore, the South African population is a young population – more people enter the working age as compared to the number of jobs that become available in the labour market.

- **The effects of the 2008/2009 global recession**

During the recession, many workers lost their jobs, the largest number in manufacturing. This meant that companies could no longer afford to employ more people and had to reduce the workforce, therefore contributing to the unemployment rate in the country.

- **Role of trade union federations in government:**

Higher wage demands may lead to decline in new employment. Some argue that labour demands make South Africa's labour regime inflexible while others point to it as important to improve the quality of life through a living wage.

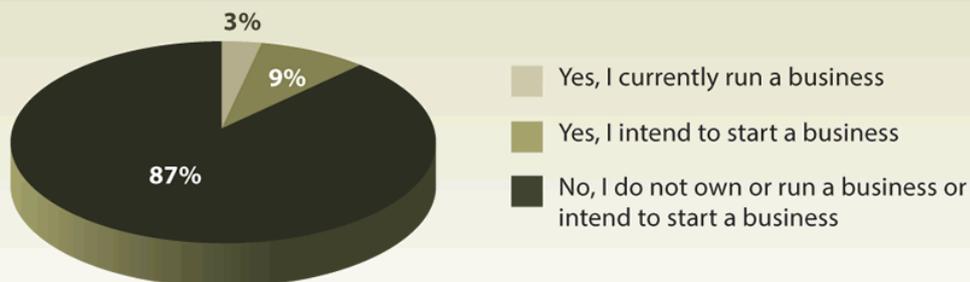
• **General lack of interest for entrepreneurship**

Irrespective of various government initiatives to enhance entrepreneurship, entrepreneurial activity in South Africa is low. For example, the number of young people involved in entrepreneurial activity remains extremely low at 6 per cent of the total youth (18-34 years) population (DoC Tracker, 2014). This low level of interest is borne out by DoC research results as illustrated in Figure 1.

Figure 1: Owning, running or intending to start a business

In response to a question whether respondents currently own, run or intend starting a business, DoC research results pointed to the following:

- Only a few (3%) of the respondents own or run a business.
- About one in ten intend to start their own business.



Source: DoC Tracker and DoC National Qualitative Research

• **Slow economic growth**

The South African economy has been growing slowly with a relatively small employment growth over the years (Department of Labour, 2013). Economic growth has been too slow to create job opportunities (the dti, 2012).

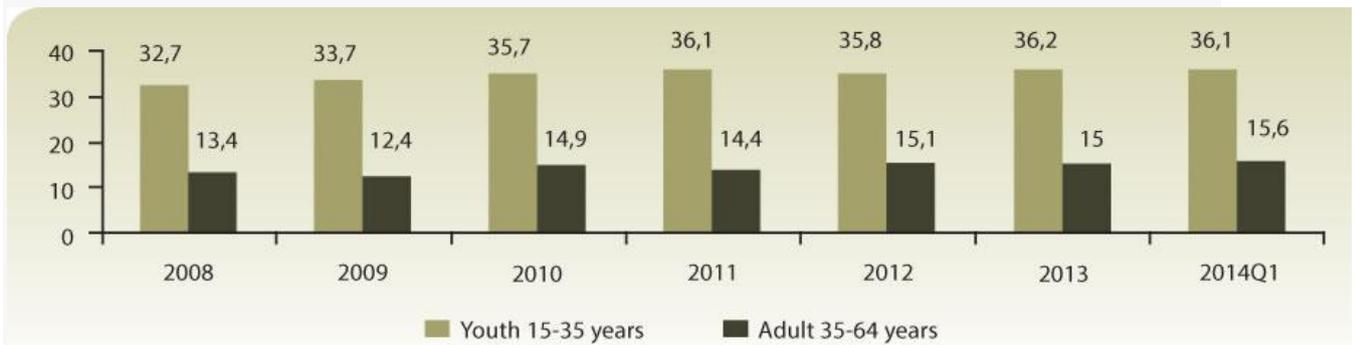
Employment trends

Unemployment is a major issue for South Africa's youth. However, this is also a global phenomenon given the sluggish world economy. International youth unemployment in certain Eurozone countries is also extremely high (Greece and Spain in particular).

At 36.1 per cent South Africa's unemployment rate amongst the youth (15 to 34 years) is significantly higher compared to that of those aged 35-64 years. Unemployment is especially high (53.2 per cent) amongst those aged 15-24 years.

The slide below shows unemployment trends for youth aged 15-34 in comparison with adults aged 35-64.

Figure 2: Unemployment Trends



Source: StatsSA Quarterly Labour Force Survey, 2008-2014Q1

Working towards beating unemployment

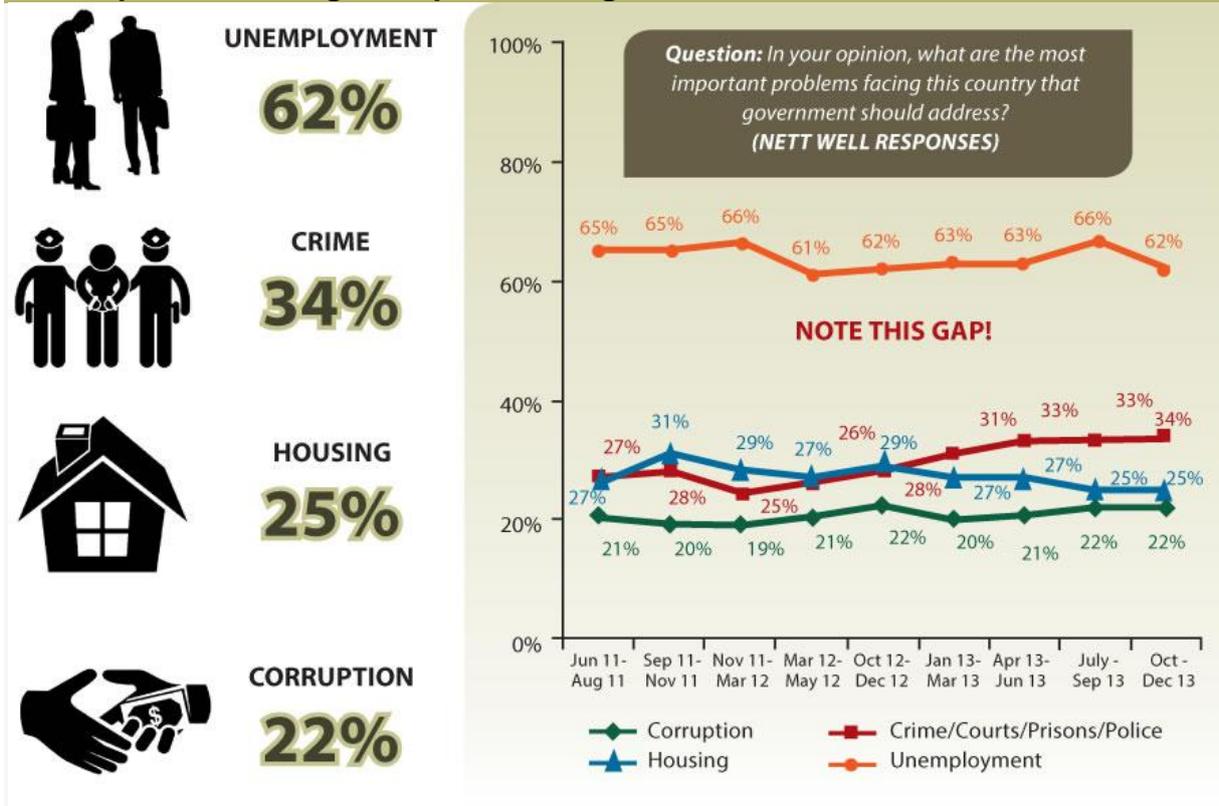
The current situation in South Africa is far from being desirable and government working with social partners is hard at work to find sustainable solutions. The National Development Plan (NDP) calls for all South Africans to work together to realise the goal of reducing the unemployment rate to 14 per cent by 2020 and 6 per cent by 2030. Reducing unemployment is also one of the key priorities of government.

Reaching the goals of the NDP will require a change of mind-set from all role players, be it government, business or labour. We must find ways to tackle this issue decisively. This sentiment is confirmed by public perceptions of unemployment which are explored below.

Public perception on unemployment

Extensive scientific public opinion research indicates that, for quite some time now, South Africans perceive unemployment as the most important challenge facing the country.

Figure 3: Challenges the Public Want Government to Address
Most important challenges the public want government to address



Source: DoC Tracker

Information on how to find a job and how to get job training/skills development are the topics which are top of mind for most South Africans.

Figure 4: Public Sentiment on the Causes of Unemployment

Drivers of perception

Challenges faced in starting up a business



"Yes I think that small businesses can help create employment but in our country there is also a lot of crime and the small businesses are not safe because they are being robbed and victimised by these criminals" (FS, Black, 25-35, LSM 4-6).

The closure of factories that used to employ and train thousands of unskilled people



"... so you have to go and look for a job in Johannesburg. You don't even have money for taxi fare, so at least if they were to build firms for us here around" 9GP, Black, 35+, LSM 5-7).

Lack of formal skills and experience



"We do need jobs, but experience shouldn't count, or at least if they train us first" (EC, Black, 18-24, LSM 1-4).

"Companies should give people jobs so that they can get experience" (GP, Mixed race, 35+, LSM, 8-10).

Nepotism was regarded as a problem at local government level



"The problem with government is that you will not find a job if you're not connected to someone inside" (FS, Black, 25-34, LSM 4-6).

"If I know someone who is involved in hiring people, I just go to them and ask them to hire my brother. Then if he gets the job, he has to pay them something because they are the ones who found him the job" (Limpopo, Black, 25-34, LSM 1-3).

Source: DoC National Qualitative Research

Research clearly points to the fact that the labour supply outstrips demand, which means that there will never be enough jobs created in the formal economy to absorb the unemployed.

It is also clear that more people should be encouraged to start their own businesses, to be entrepreneurs and ultimately self-employed.

A successful communication campaign hinges on the use of all government communication platforms on an ongoing basis to provide relevant information to the public.

However, what is also evident is that there are perceptions about the causes of unemployment, and in particular perceived stumbling blocks that have to be dispelled if we want to entrench a spirit of entrepreneurship in the country.

This is where communication has a big role and a big responsibility.

Communication is key

As pointed out earlier, South Africans seem to be reluctant to start their own business. Any communication campaign will not succeed unless it simultaneously tackles such reluctance. To address this, an integrated campaign is crucial which should ideally focus on the following elements:

- Firstly a campaign at addressing the negative perceptions is needed which would encourage entrepreneurial spirit amongst South Africans and address feelings of hopelessness and perceptions regarding nepotism etc.
- Secondly there is an information/education gap where communication has a big role to play. The need for information on how to grow a business is extensive – e.g. where and how to find finance; how to market your business; how to attract new customers; how to run a business, the kind of skills needed; training opportunities; opportunities to gain experience.
- Lastly when job seekers make the decision to be self-employed, government should provide an effective and friendly service that helps them persevere.