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Creating jobs in tough times

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THE global economic downturn poses serious challenges to SA's hopes of halving unemployment between 2004 and 2014, a target most recently reaffirmed in the election manifesto of the African National Congress. Just as the South African economy seemed to be getting on track, the global economy imploded.

But the prospects are not as bleak as they might seem. Growth between 2004 and 2014 could still average 4% a year, and the Human Sciences Research Council (HSRC) Employment Scenarios show that halving unemployment could still happen, with special interventions that would be generated through public works, community works and special employment programmes. How might this picture be improved?

It had started to look like the economy's response to the existing suite of policies could be enough to achieve the target of the Accelerated and Shared Growth Initiative for SA (Asgi-SA). But not all believed the growth and employment path was sufficiently sustainable. While the formal sector has increasingly been the main source of new employment, this has mostly been in low-paid, relatively precarious service jobs. Many of these sectors, such as retail or personal services, rely substantially on the expansion of other more dynamic, globally traded sectors such as mining, manufacturing, tourism, information technology or finance. The growth of nontraded services in SA might have indicated that this source of employment would have soon played out, even with no global meltdown. So, were we edging up from 5% to 6% growth, or perhaps just having a good few years, with the prospect of growth falling back from 5% to 4%?

In the next couple of years, jobs will be lost in mining, manufacturing and services, especially retail and hospitality. Most new employment will be found in government-generated construction projects and the public sector. These opportunities may generate fewer than 150000 net new jobs in 2008-09 and in 2009-10, with more substantial recovery from 2010-11.

What might raise the rate of market-based job creation? If there is a major shortfall, the government should be committed to stepping in. But public works jobs are not sustainable and require continuous state funding. It is imperative that dynamic, growth-inducing sectors be stimulated. Such sectors are globally integrated, have deep supply chains, retail networks, and enable substantial employment linkages. Examples are transport, capital equipment, high-value agriculture and mining-related industries. There should also be substantial potential in many globally traded service sectors where SA has demonstrated capability, such as civil construction, mining services, finance or business services.

The Asgi-SA agenda had already identified some of the key interventions needed, and it is imperative that these are fully implemented over the next period of government. A higher path that improves the growth and employment-generating capability of the economy could be created by improving the quality and competitiveness of network infrastructure. New industries rely on world-class network infrastructure such as telecommunications, transport, energy and water. This requires greater commitment to delivery, shareholder investment and effective regulation.

These interventions would not necessarily help create jobs over the next two or three years, but would certainly set the economy on a more labour-absorbing path. SA would be better prepared for the global recovery period so that economic and employment growth rates are higher than they would otherwise be from 2010.

What can be done now? Ways of protecting unnecessary job losses in viable businesses are certainly worth investigating. The government's continued commitment to its construction projects will be essential. Within these projects, there will be substantial opportunity to stimulate local private-sector investments.

There is another angle to these challenges. Each year about 500000 -700000 school-leavers enter the labour market. They have a 50% chance of finding a job before the age of 24. This is surely one of SA's greatest social and economic challenges.

SA began its democratic life with unacceptably high unemployment, poverty and inequality. This severely affects the ability of the majority to participate meaningfully. By all means, we need to stick to ambitious targets on the path to full employment.

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