

The South African Employment Report - Vol. 2



2nd November 2005

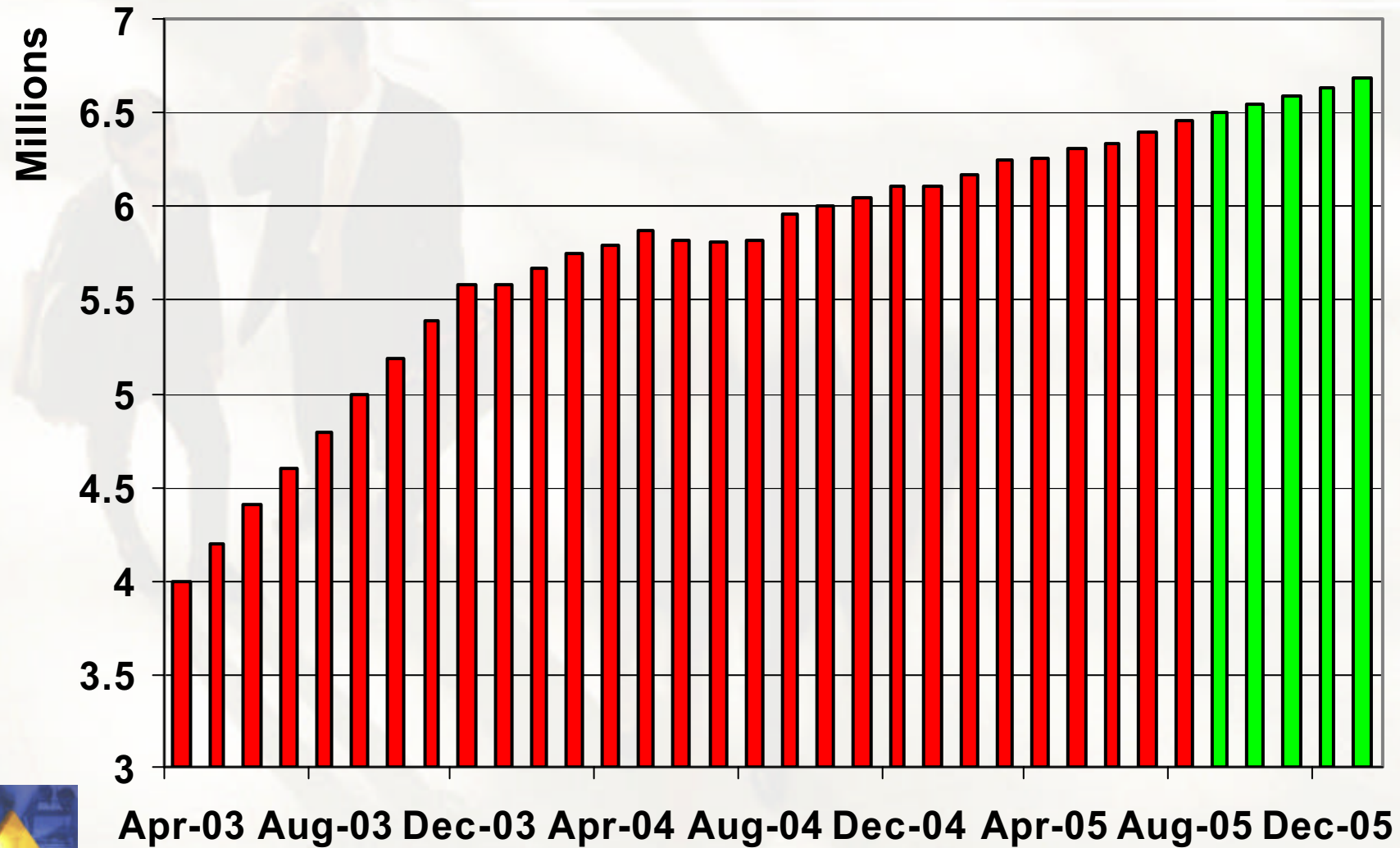
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SA Employment Report – Vol. 2

- SA Employment trends
 - How much employment growth?
 - A VERY BIG SURPRISE!
 - New big picture evidence.
- Salaries and something strange.
- How workers spend their money.
 - I owe I owe so off to work I go.



Number of commercial employees according to the UIF.



Commercial employees show amazing growth.

- From January 2004 to August 2005 the number of commercial registered employees for whom UIF is paid, rose with 871 011. (46 000 per month –last 20 months)
- Moreover this excludes quite a few types of employees.....
- But there is some “catch up”

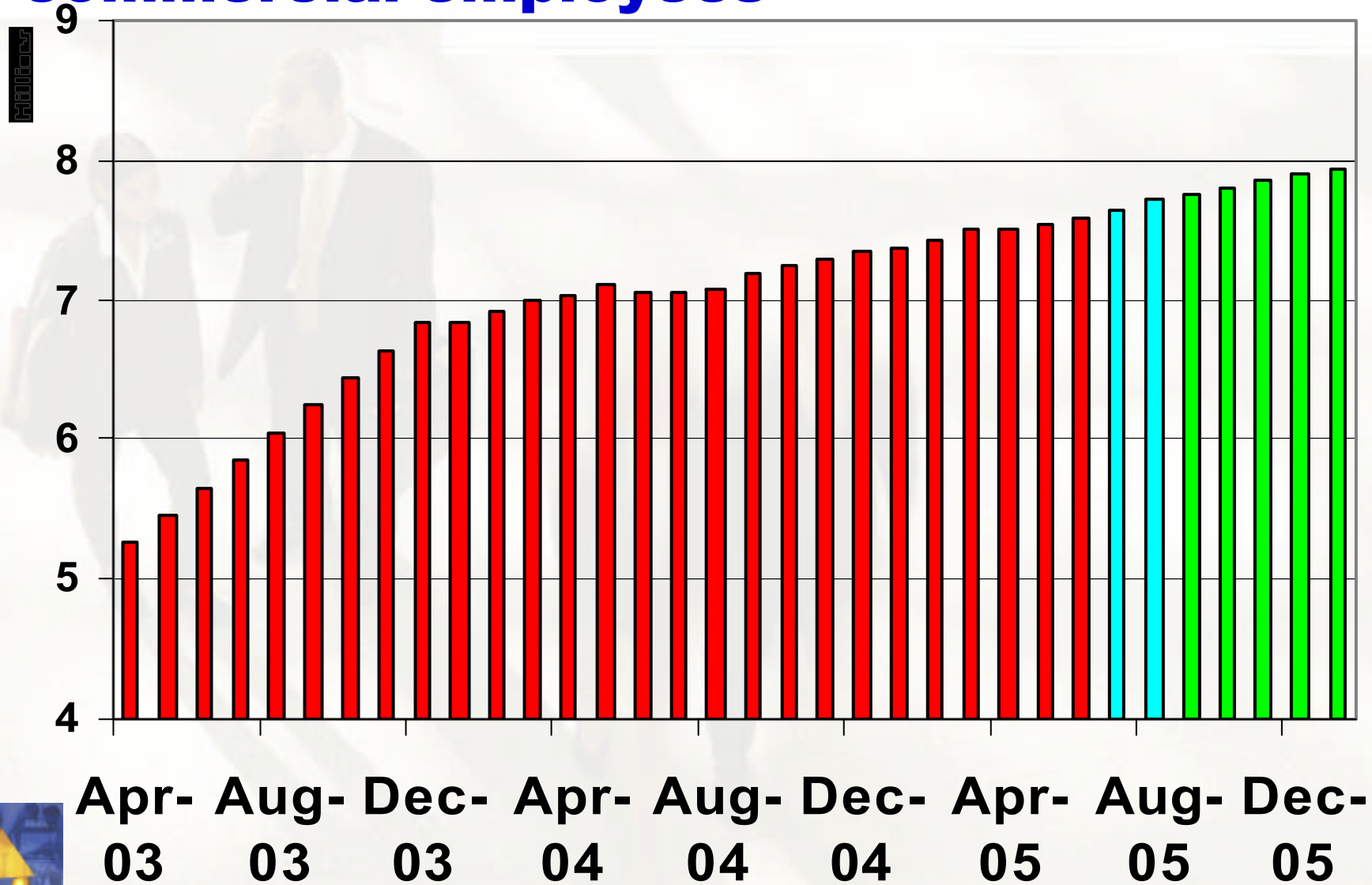


UIF Contributions Act apply to all employees, but not to

- **public servants;**
- **foreigners** working on contract;
- Pensioners;
- Employees who **only earn commission;**
- **Learners;**
- People who **work for themselves.**
- Commercial employees **exclude domestic workers** who are on a different database.



Adding public servants to UIF commercial employees



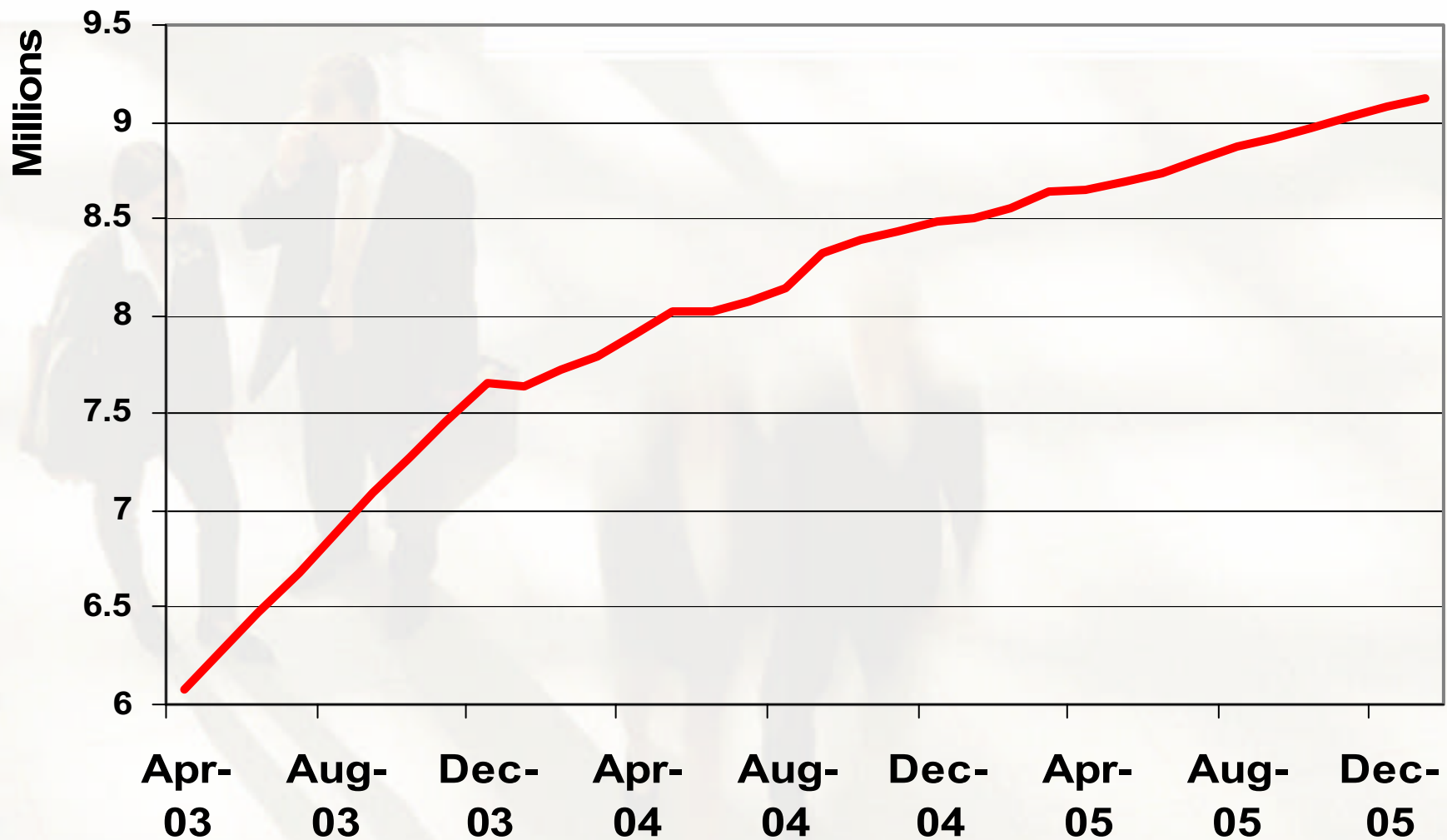
Commercial UIF and Public servants are easy to prove.

- Adding only the Public servants and Commercial employees SA had 7,7 million formal sector employees – (inclusive of agriculture).
- We estimate that SA has 288 thousand people who earn only commission.
- Between 300 000 and over 3,5 million people employ themselves in SA (Source SMME development agency,)
- Best estimate using both Tax data and STATSSA 2001 Census data we estimate “formal” small businesses at 1,6 million.

Formal means licensed or paying some sort of tax.



South African: Non Farm Payroll



Sources: UIF, PSC, RAIN

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Employment growth Rates for year to August 2005.

- UIF (Known)
 - UIF + Government.
 - Commercial Agriculture
 - Commission plus owners
 - Big Companies
 - “Catch up”
 - **Non Farm Payrolls**
- 10.8%
 - 9%
 - -29% (LFS estimates.)
 - 3.1% (Estimate)
 - 1.5%
 - ?
 - **8.8% (part estimate)**



Sources: UIF, PSC, RAIN survey

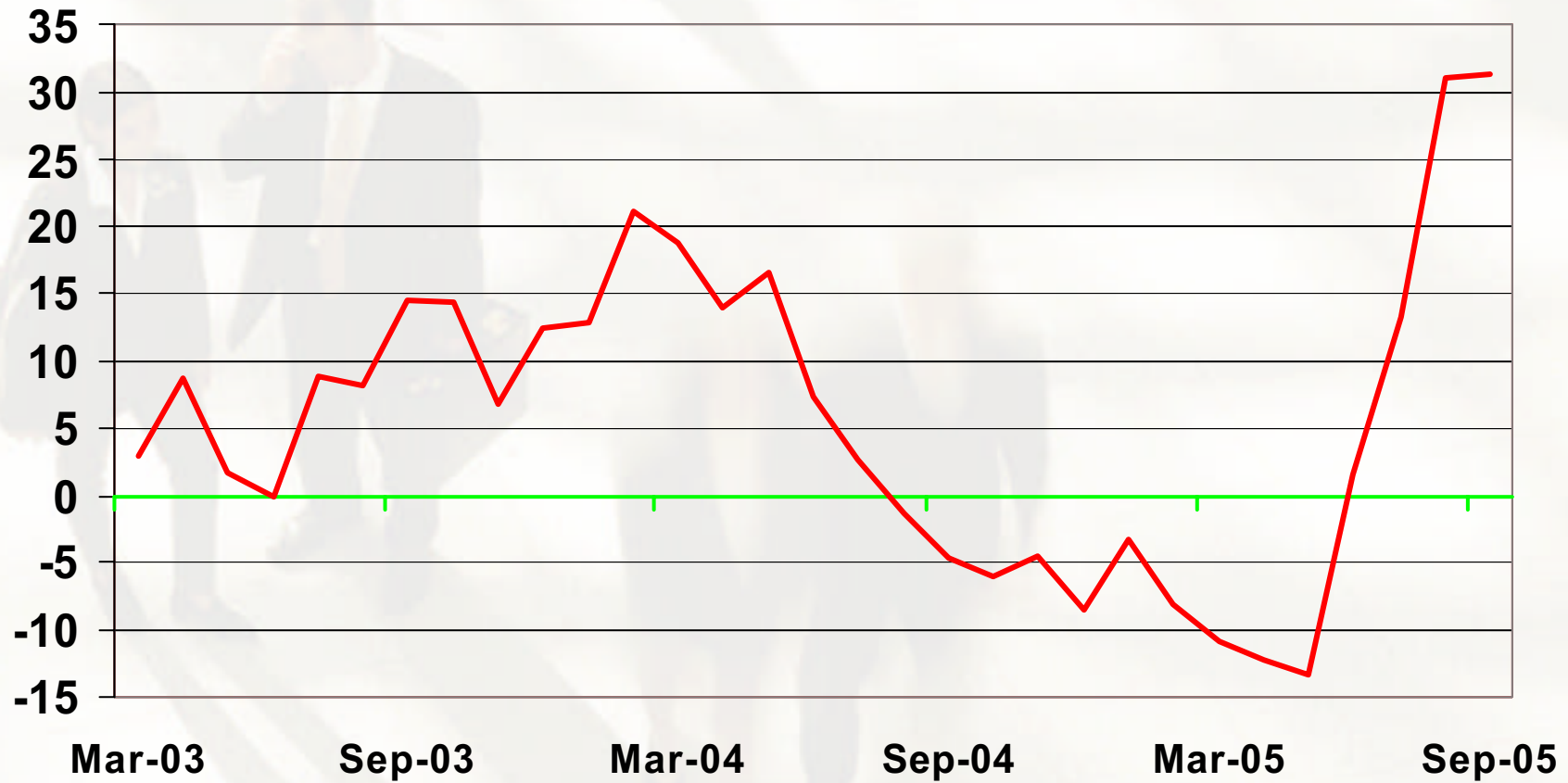
Some things we need to discuss.

- SA Economy certainly much bigger than previously thought.
- More people employed in some form as UIF numbers indicate massive “catch up” since SARS took over collections in April 2002.
- Non Farm UIF plus government is 7.1 million equals QES even leaving out commission based employees and some “catch up”.
- In real estate alone some 50 000 employees earn commission and Motor industry has at least another 40 000! Many in retail and restaurants and insurance industries too.



Sources: UIF, PSC, Property 24 real estate survey, IDF and RAIN survey.

Growth in Job Ad centimeters.



Source: Sunday Times, Beeld, Business Day, Star, PTA news, Citizen, Daily Sun. 2 November 2005

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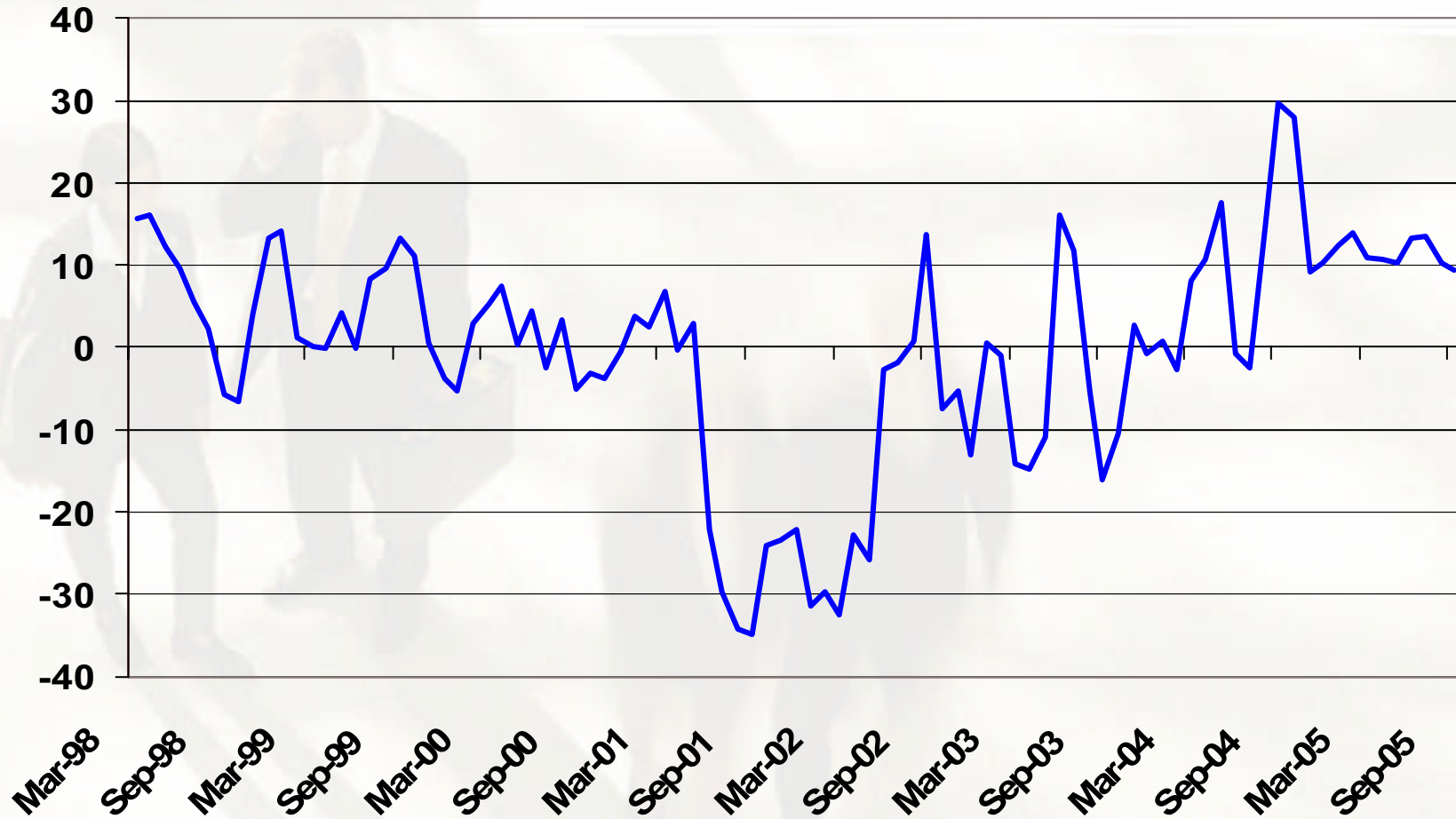
Jobs ads.

- Decline in parts of last year may have been as a result of high base effects.
- Internet Jobs ads are also growing at a double digit rate from our observations.
- Sunday Times Job Ads for September 2005 growing at fastest rate since March 1996 at 28%.
- Sunday Times has had only one negative growth month since August 2003!



Sources: Sunday Times, Beeld, Star, Citizen, PTA News etc.

Individual Taxes collected growth rate after inflation.



Source: National Treasury, StatsSA and RAIN calculations.

Some interesting tax facts.

- Nominal Tax collection grew 14% over last 12 months despite tax cuts of nearly 8%. (Otherwise nominal tax collections may have increased 22%).
- Employees paid a total of R107 billion in Tax in 2004 and R52 billion in Medical Aid, and R151 billion for retirement.
- Retirement and medical funds combined received nearly twice as much money from employees as the Taxman!



Sources: SARS, SARB, Council for Medical Schemes and National Treasury.

The Big Question.

- SA needs to create 360 000 new Jobs a year to absorb all new entrants in Market.
- Plus we have 4,25 million unemployed on narrow definition, to half this by 2014 we would have to create another 240 000 jobs a year. (About 50 000 per month)
- Broader unemployment means South Africa needs to create 60 000 jobs per month.



The employment answer

- Currently we estimate that total formal sector is creating 30 000 jobs a months – (leaving out estimated UIF “catch up”) – enough to absorb new entrants.
- But if the informal sector is also creating jobs in line with formal sector then together the economy is creating around 40 000 jobs per month.
- So SA unemployment will drop but not fast enough and certainly we are not getting to broader unemployment yet.



I Know last time we estimated less job growth but the UIF and TAX figures are changing the picture.

South African Salaries



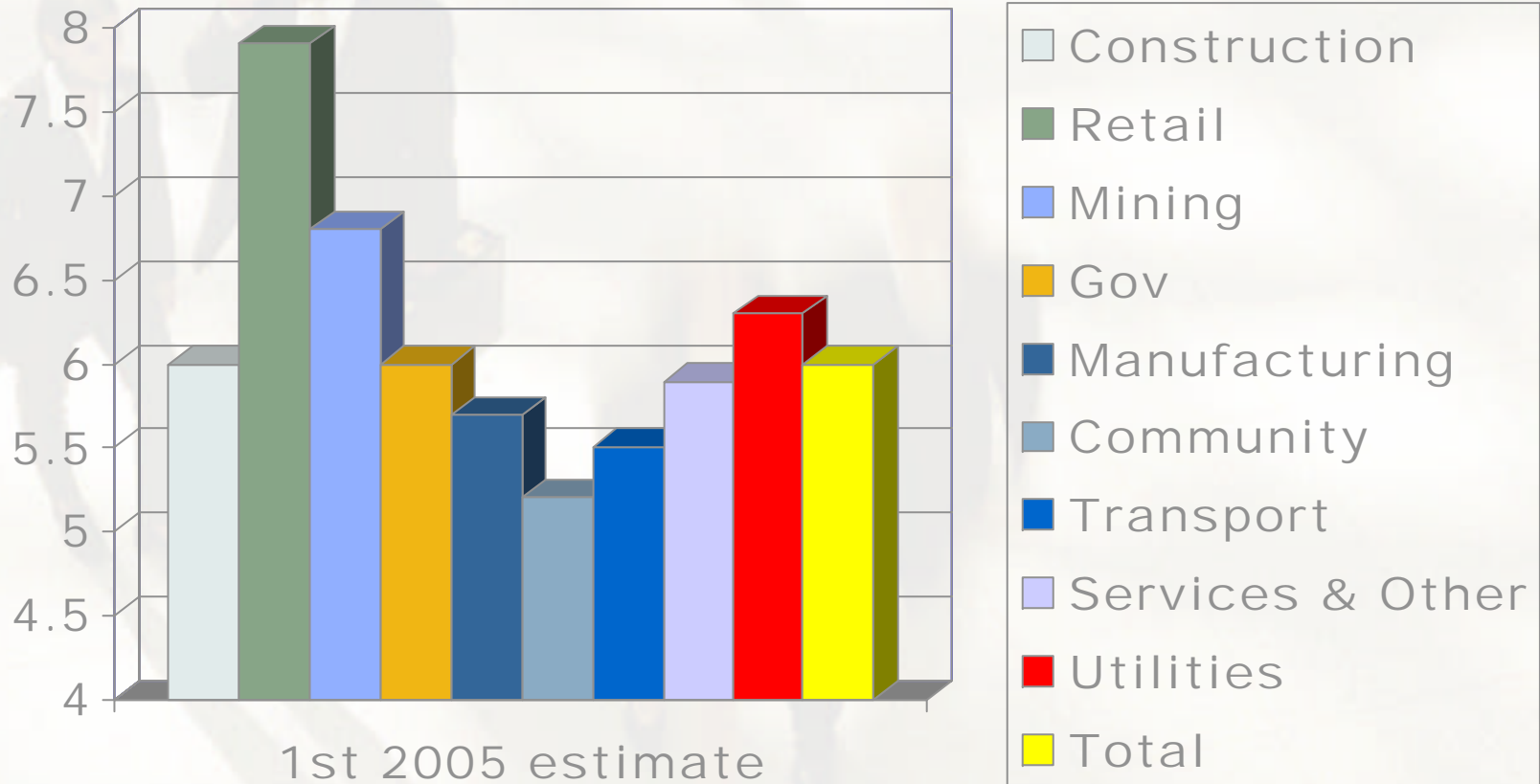
No Big increases.

Salary increases

- Big Company survey includes a million people so far.
 - Still a problem with small companies.
- Unionized workers pay settlements monitored.
- Tax Data monitored.
- UIF and SDL data monitored.



Estimated salary increases for 2005.

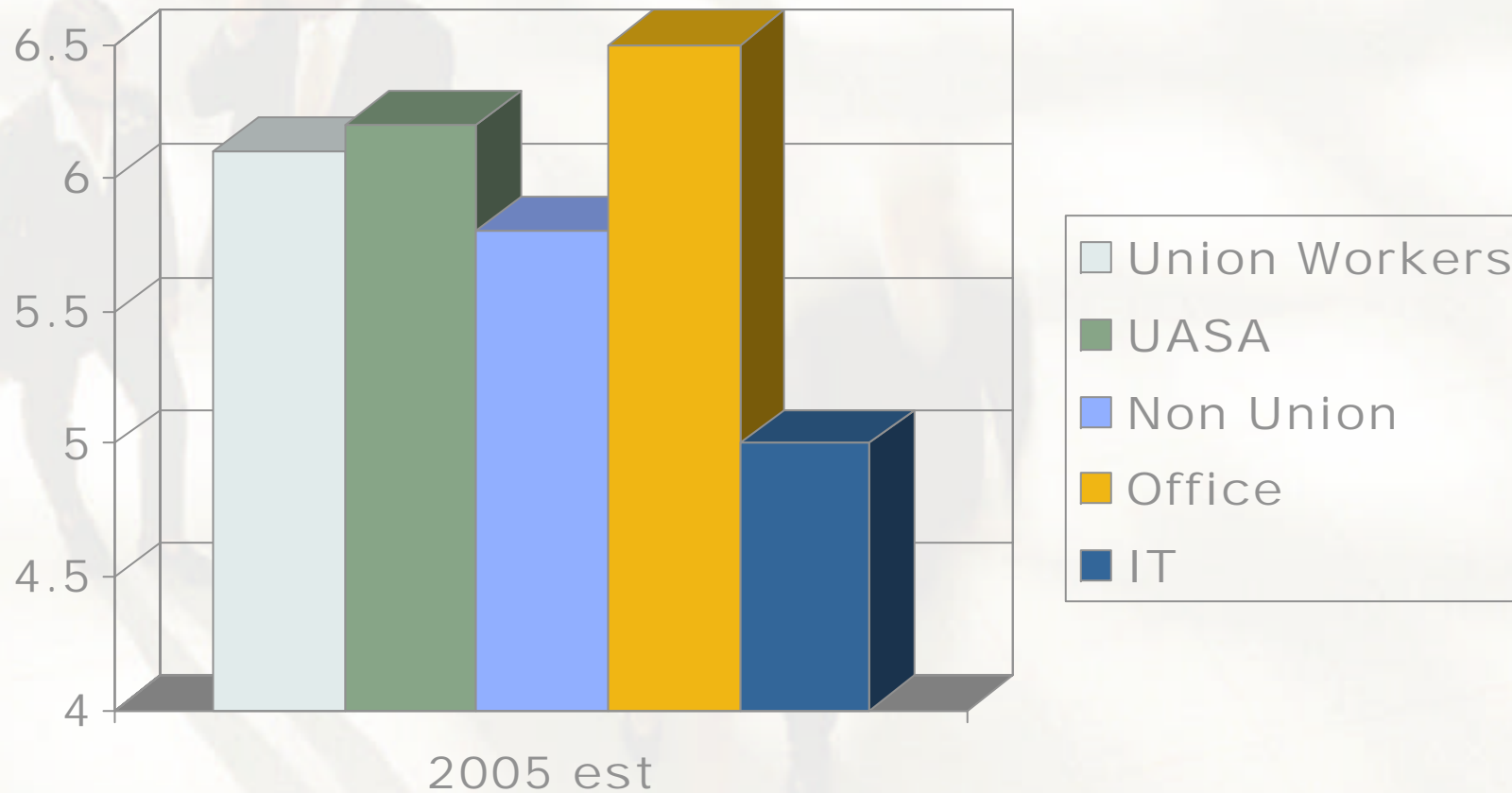


Average total benefit to SA employees

- 2004 adjusted from R9314pm to around R9400pm after final pension data and more small companies reported.
- 2005 total income estimated close to R9960
- Average increase 6%.
 - Highest increase in retail at 7,9%
 - Lowest increase in private community services at 5%



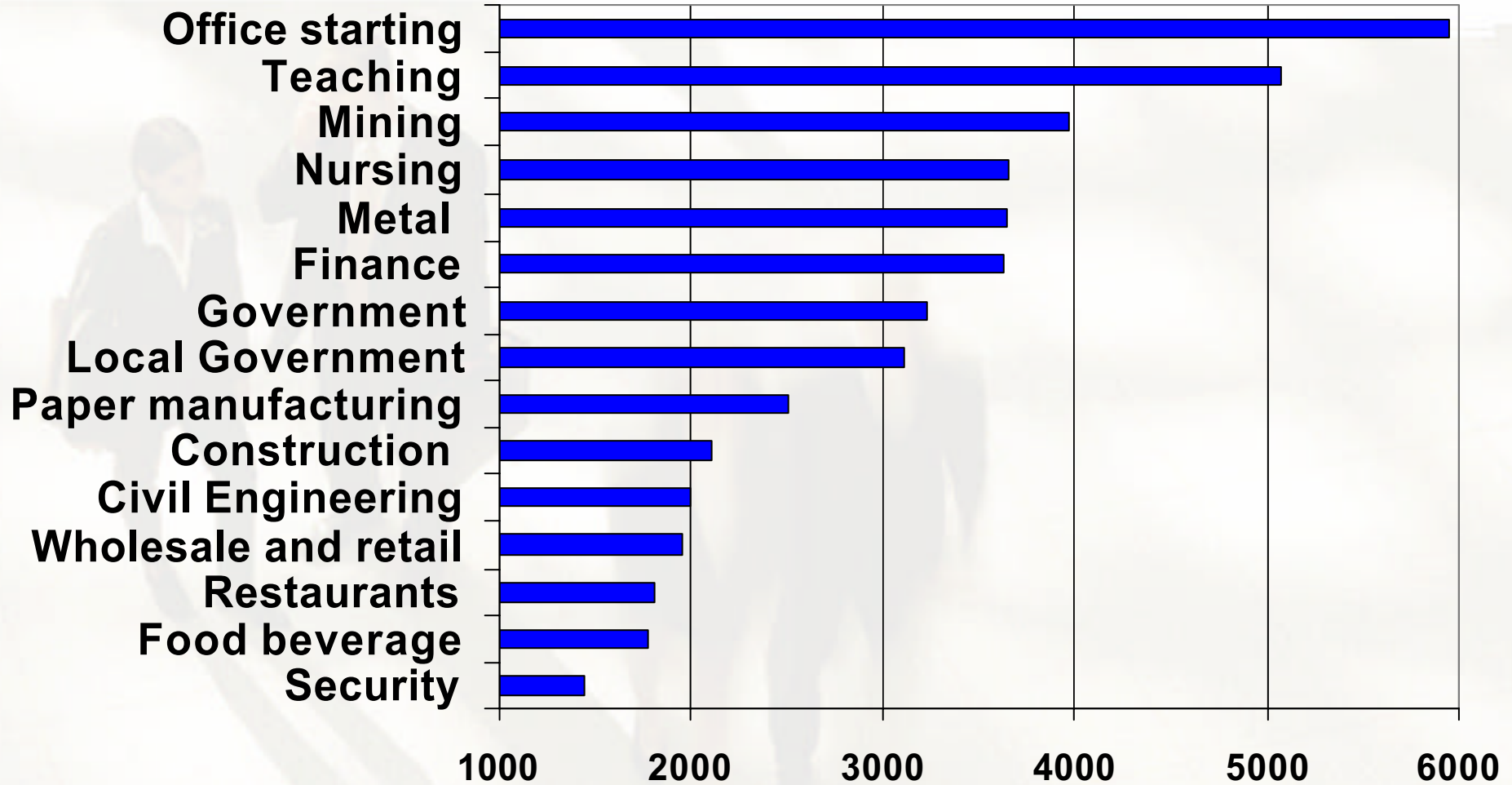
Selected salary increases



Source: RAIN cc, Kelly, UASA, ITweb.



Minimum or starting salaries.



Sources: DOL, Kelly, ITweb, PSC, Andrew Levy, Office starting is for sectary, bookkeeper, accounts clerk.



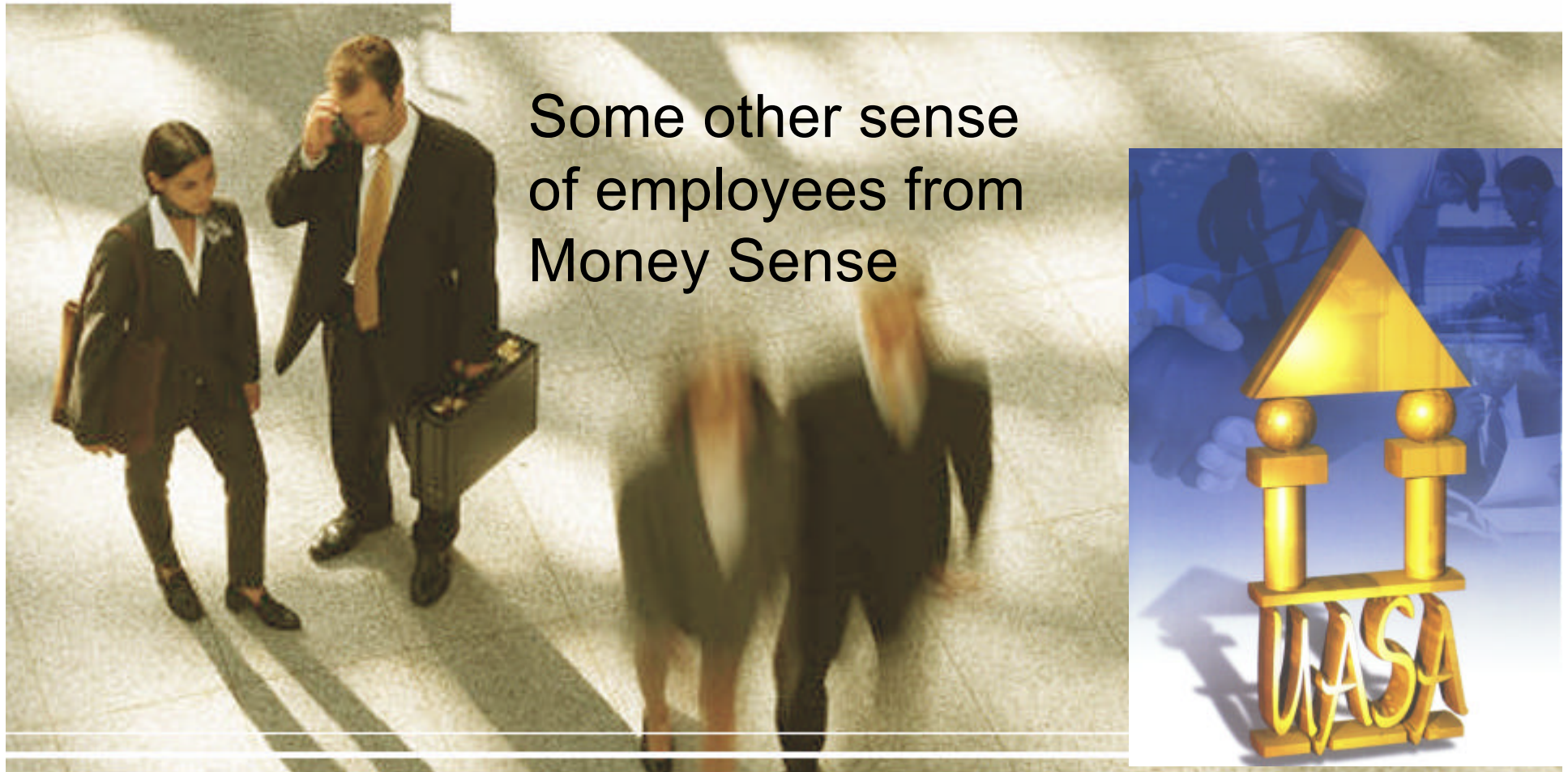
Another feature is that SA has BIG salary gaps.

- Salaries in South Africa have a very big range from average minimum wages of just over R1000 in some sectors to average wages over R20 000 in others!
- Monopoly pricing and management salary contribute to these salary differentials.
- Across firms in a single sector wages can be very different as well.



This is another area we still do not fully understand.

How Employees spend their money.



Some other sense
of employees from
Money Sense

What we measured on Spending.

General Expenditure	Debt	Financial Services
Domestic	Credit Card	Assurance
Groceries	Bond	Insurance
Water And Lights	Car Finance	Medical Aid
Telephone	Hire Purchase	Pension And Benefits
Security	In store Accounts	Other
Entertainment	Other	
Petrol		
Rates And Taxes		
School Fees		
Family Expenses		
Other General		

Remember however while wide spread across the country and around 2000 employees participating, the employees come mainly from big firms.

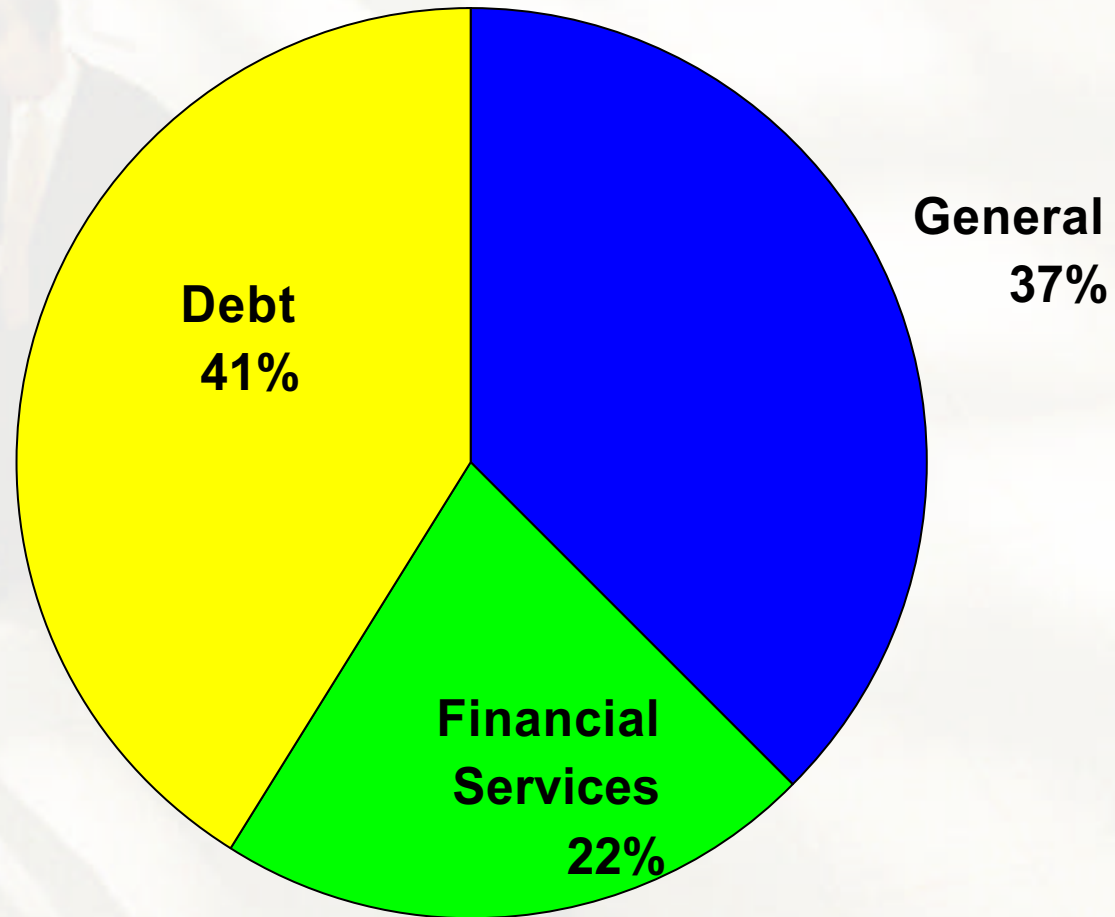


Source: Money Sense

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What employees spend on, after tax.



Source: Money Sense



Change in expenditure categories.

Family Expenses	-15.1	Medical Aid	9.6
Instore Accounts	-6.4	Bond	11.3
Petrol	-4.3	Rates And Taxes	11.7
Security	-3.8	Entertainment	15.2
Pension And Benefits	-3.4	<u>Debt</u>	<u>16.9</u>
Telephone	0.3	Car Finance	17.0
Water And Lights	1.1	Domestic	18.1
Groceries	1.4	Other Financial	18.2
Insurance	3.0	Credit Card	24.0
<u>General</u>	<u>4.3</u>	School Fees	26.2
Assurance	4.8	Other General	42.1
Hire Purchase	5.8	Other Debt	43.5
		Source: Money	
<u>Financial Services</u>	<u>9.1</u>	Sense	

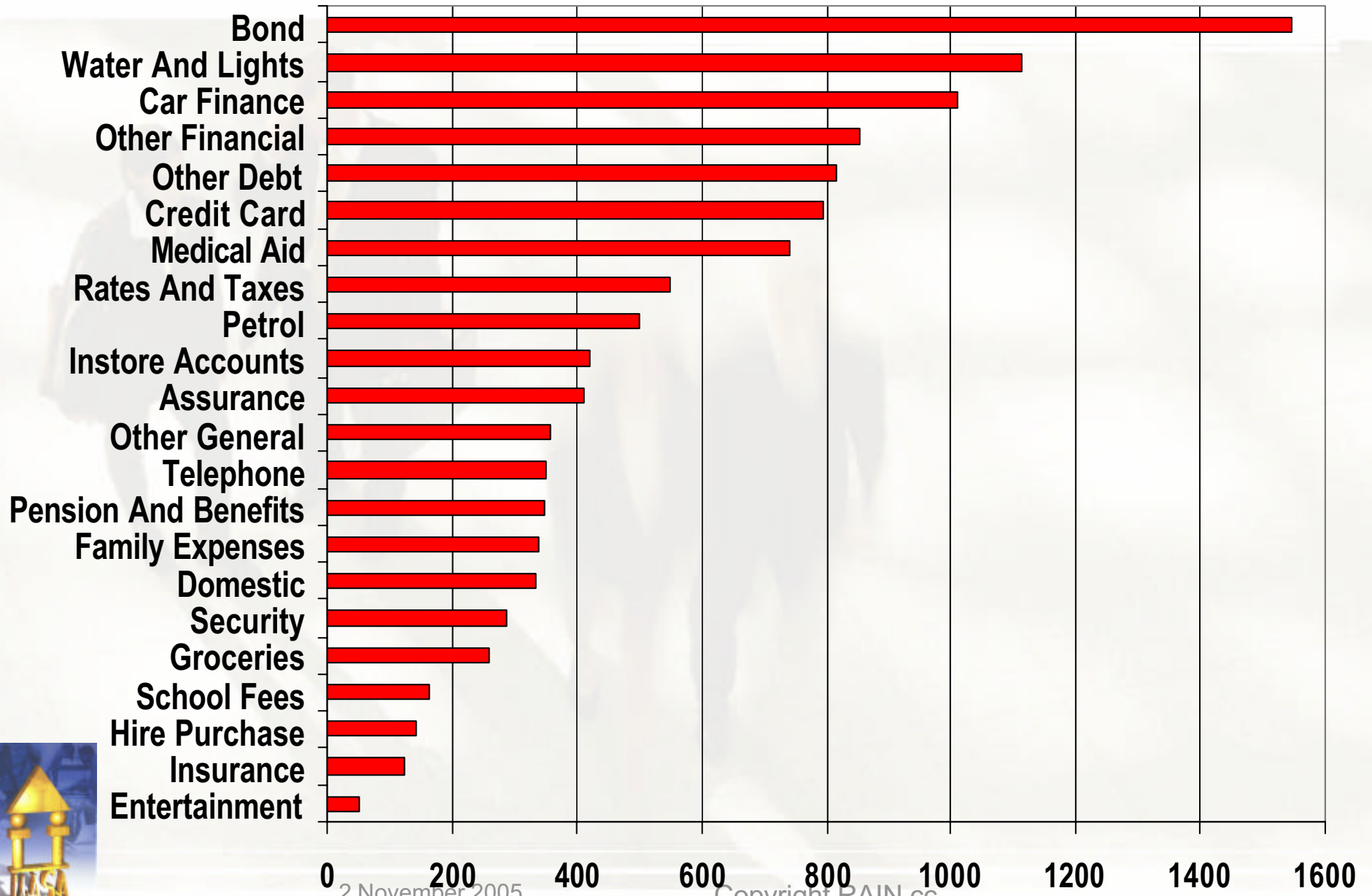


After Tax expenditure up!

- Total after tax expenditure is up 10,2%.
- Tax cuts of around 8% in nominal terms may have helped.
- Salary increases of around 6% also helped.
- Petrol expenditure down!
- More borrowing probably leads to higher expenditure on debt.
- Compares badly with USA at debt expenditure of around 16%.



How SA employees spend.



How SA employees spend.

- The Bond repayments make up 13,4% of all expenditure followed by water and lights which makes up 9,7% and car repayments which make up 8,8%.
- Assuming that Pension and Medical Aid are only actual employee contributions then these contributions are under estimated.
 - Combined they make up 9.4% only from the employee side of things.
- This data also suggests that employees are thinking in a short-term nature.



Spending data reveals some tax facts

- Part of the reason for the huge increase in Tax revenue could be car tax changes as a typical employee of a big company spends around 8,8% on his car.
 - This may explain around 10% to 20% of revenue increase.
- Around 88% of employees pay their local rates and taxes and 41% pay school fees which combined make up an average of 6,2% of expenditure.



“Taxes” make up a fairly large chunk of spending

- Security, school fees, local rates and property, medical insurance and pension can in a sense be considered tax spending. This makes up 18.2% combined.
 - Perhaps a part of water and lights can too....
- Add the average actual tax rate of 10,8%.
- Then actual “tax” expenditure is going to be about 28,2%.



After debt repayments, “all in” taxes and water and lights a SA employee.....

Only has 31% expenditure left of which only 25% is choice.



Thank you

