

3rd South African Employment Report for UASA. (3rd SAER).

Where we are and where we could be in 2014.



The long and the short of employment

Part 1: Employment and salary trends in the short term – over the last year

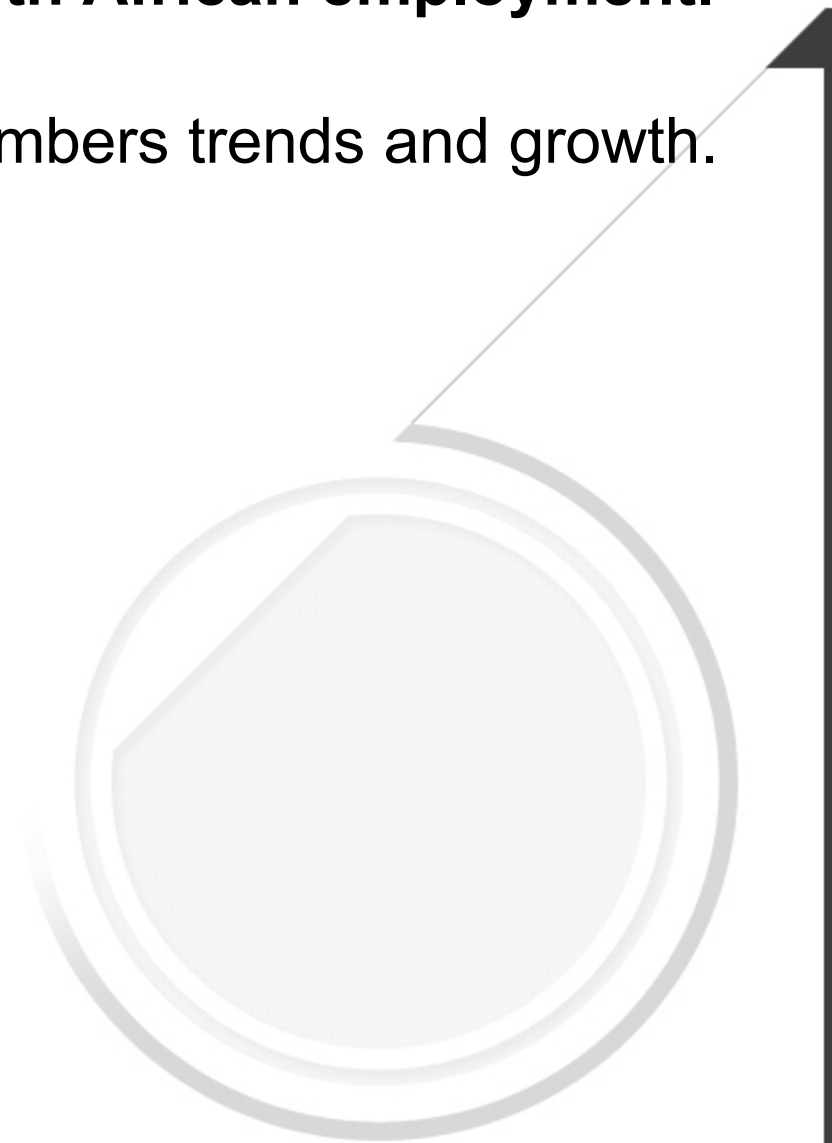
Part 2: Long term employment growth – History and prospects.

The Short term trends in South African employment.

Difference in various labour numbers trends and growth.

SAER Employment trends.

SAER Salary Trends



Introduction to different Employment numbers in SA.

South Africa has both a formal economy and an informal economy. Generally most countries measure the formal non-agricultural economy when measuring labour market trends such as salaries, employment growth and making policy decisions. (Many countries have these figure available monthly.)

When measuring the informal economy which provides work for one out of every 6 employees as well as domestic workers who account for about one of every 15 workers then one needs to survey the actual working population.

Moreover, most countries use the labour force surveys to measure **unemployment** rather than just employment trends.

The difference between formal and informal employees.

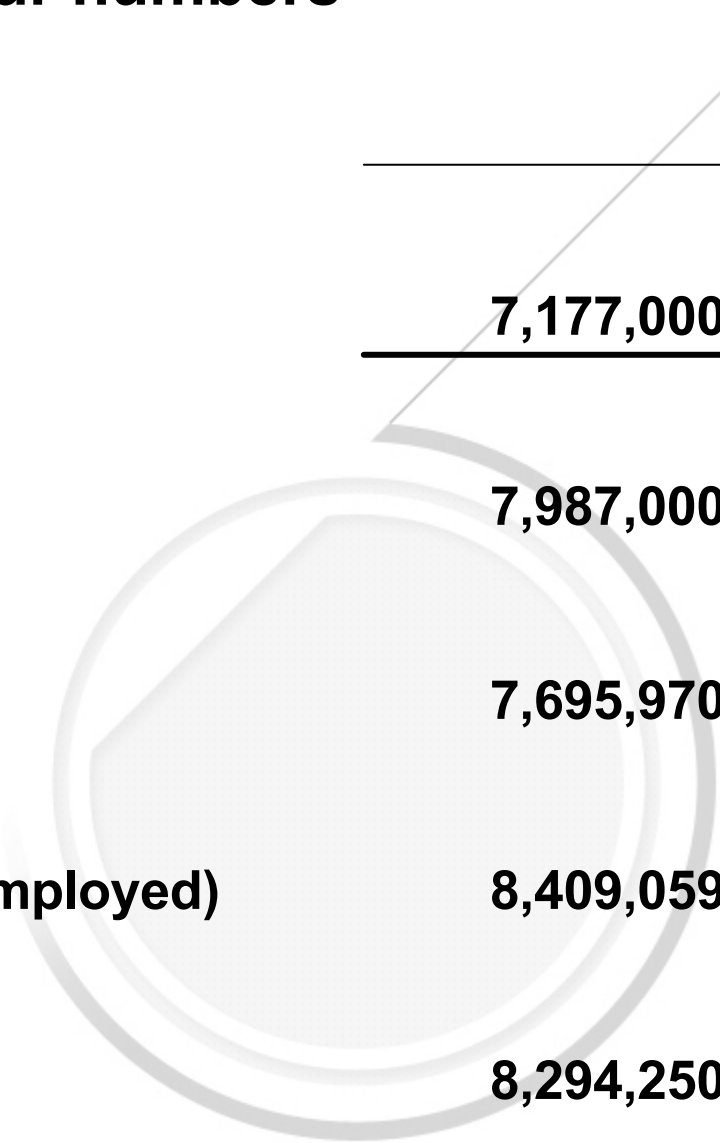
The Formal employee or worker or self employed person is anyone working ***who is registered in any way***. (i.e. They are registered for UIF, Income Tax, the company or cc that they operate is registered. Financial brokers registered for FAIS, etc)

President Mbeki calls the formal economy the “first economy” and the informal economy the “second economy”.

The Informal economy would be unregistered street vendors, casual workers in say a micro-construction company, etc.

Typically the informal economy is harder to measure and is more insecure to those employed in it.

Formal Non-Agriculture Labour numbers



Sept STATSSA QES	<u>7,177,000</u>
Sept STATSSA LFS	7,987,000
Sept SAER (Employees only)	7,695,970
Sept SAER (including formal self-employed)	8,409,059
BMR 2005 estimate	8,294,250

**Formal non-agricultural Employment Growth.
Actual number of jobs created and % growth.**

Growth in 2005

	Number	Growth
Dec QES	158000	2.2
Sept LFS	295000	3.8
Dec SAER (Employees only)	357000	4.5
Dec SAER (including formal self employed)	464000	6
Trevor Manuel	350000	N/A
Membathisi Mdladlana (includes domestic workers)	500000	7.6

Two views on total employment between 2004 and 2005.

Total employment Formal + informal	Number	Growth
AMPS	891720	8.5
LFS Total	658000	5.7

Both surveys above have 30 000 people that they question but the answers are different as the definitions of employment and the population numbers are different.

No matter which source one uses the fact is that SA employment figures do not make good reading and certainly do not show high levels on participation in the economy.

Short-term employment growth.

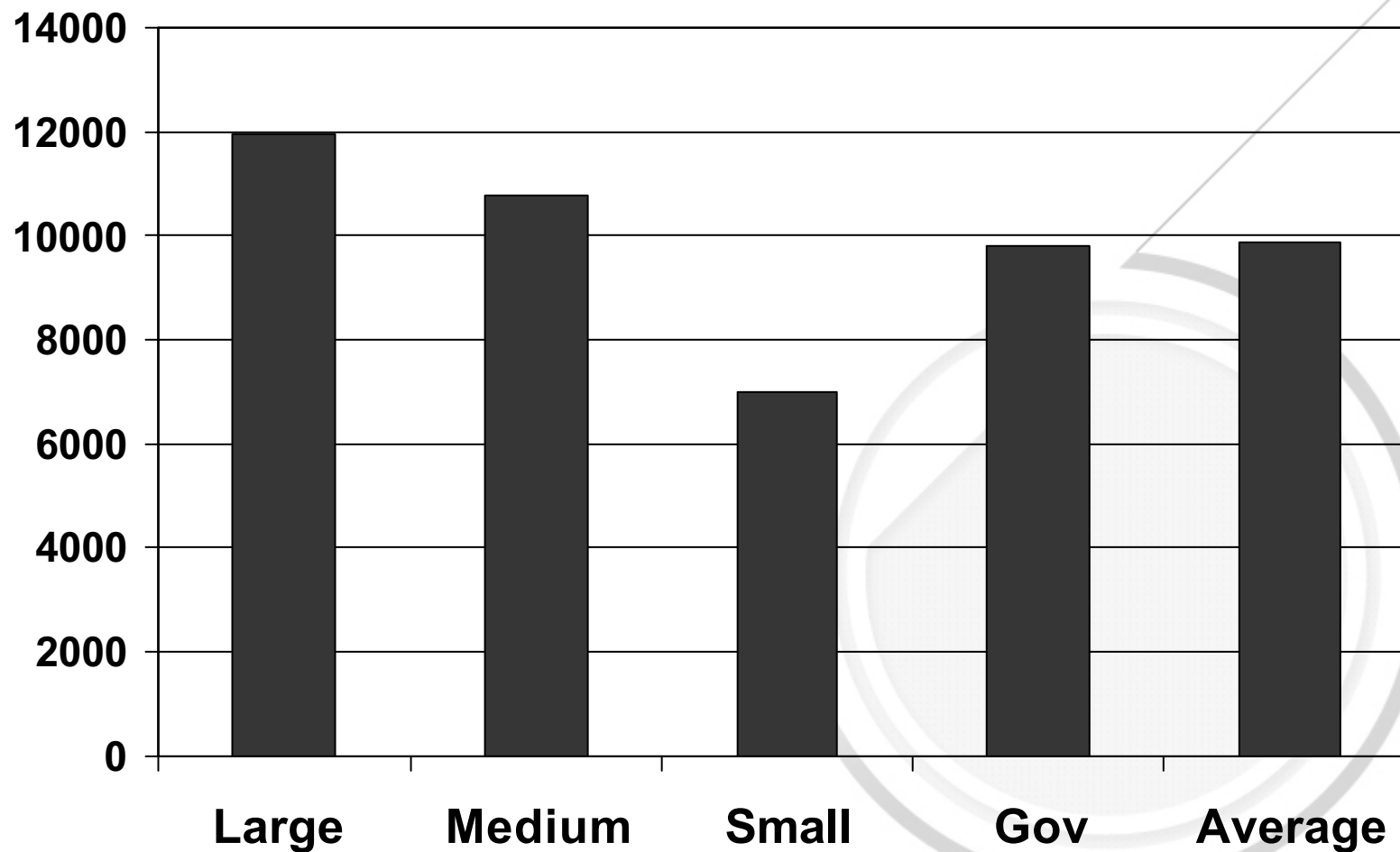
Last year had the highest employment growth in at least a decade. Both the AMPS and LFS survey indicate that SA had the fastest employment growth in years.

No employment time series had growth of less than 2,2% while the highest indicates employment growth of 8,5%

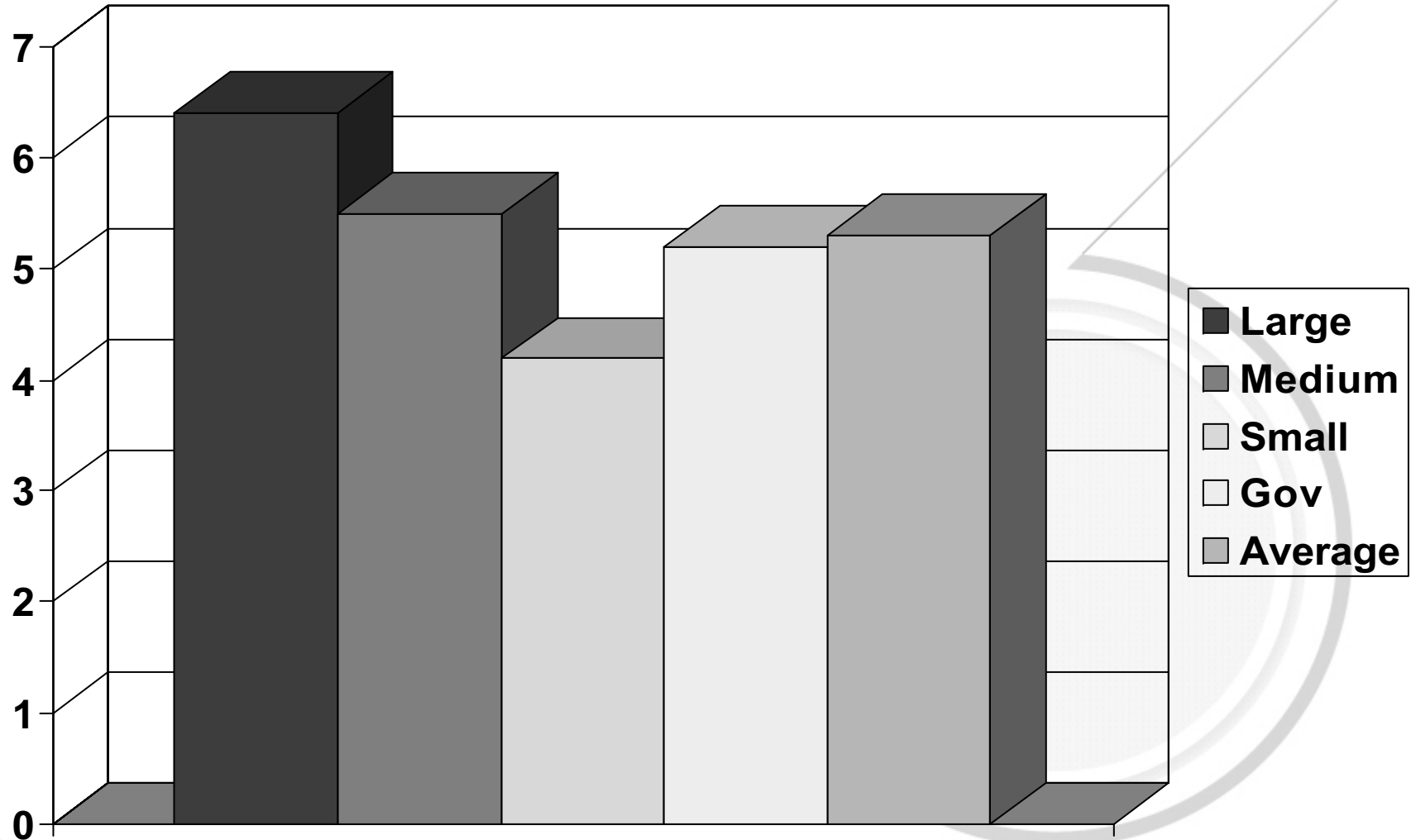
The SAER statistics also underpin this trend with an estimated worker growth rate of 4,5%.

However, this growth spurt comes after years of negative and later low growth in employment. South Africa still has a very low employment to population ratio. (More on this later).

2005 SAER: Average monthly salary by firm type.



2005 SAER: Percentage salary growth



The overall Short term picture.

Certainly SA had employment growth last year. The overall evidence is that the growth in the number of adults employed was much better in the last two years than at any time in the last decade.

In 2005 the average salary growth of formally employed South Africans was 5,3% which was slightly lower than the 5,5% in 2004.

In real (after taking inflation into account) terms salaries grew by 1,9% which was much lower than the 4,1% real growth in salaries achieved in 2004.

Nonetheless those in employment have in the last three years had a total real increase in salaries of around 7,5%.

The long term prospects of employment growth in South Africa.

A view into the probability of achieving the ASIGSA goals of halving unemployment by 2014.



Long-term employment growth in South Africa.

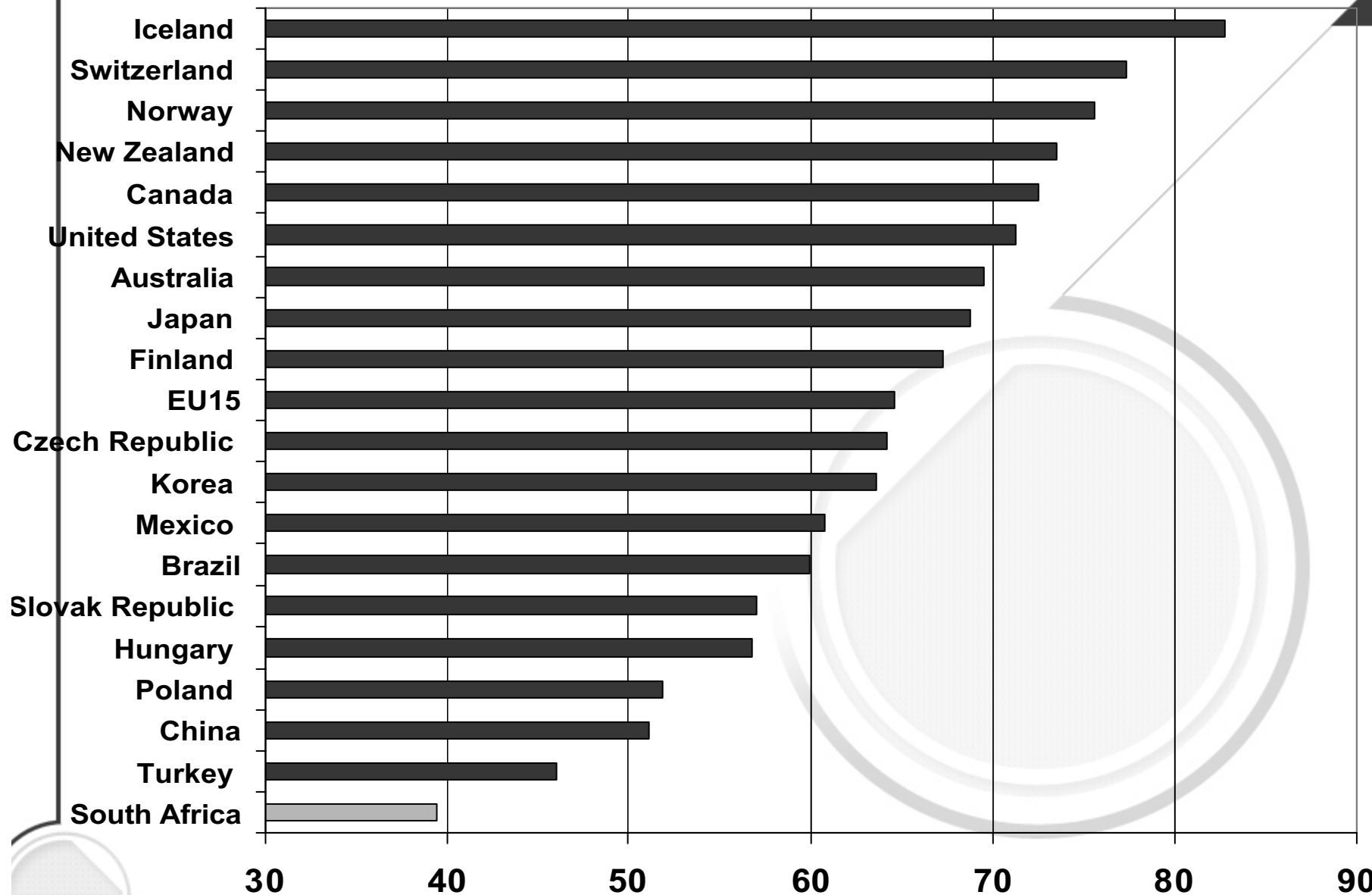
South Africa has changed the way it collected employment and earning statistics quite a few times over the last two decades, making continuous comparisons difficult.

However, when one uses statistical techniques one can reconstruct a long-term time series for employment.

This data comes from the older Survey of Employment and Earnings (SEE) as well as the newer one and the new Quarterly Employment Survey. (QES) We have checked the data with SARS numbers, UIF numbers etc to reconstruct the time series.

This data can be used to check longer term employment trends.

Share of persons of working age (15 to 64 years) in employment 2004.



Share of persons in employment of working age.

South Africa had the lowest number of people in employment of all the countries in this survey.

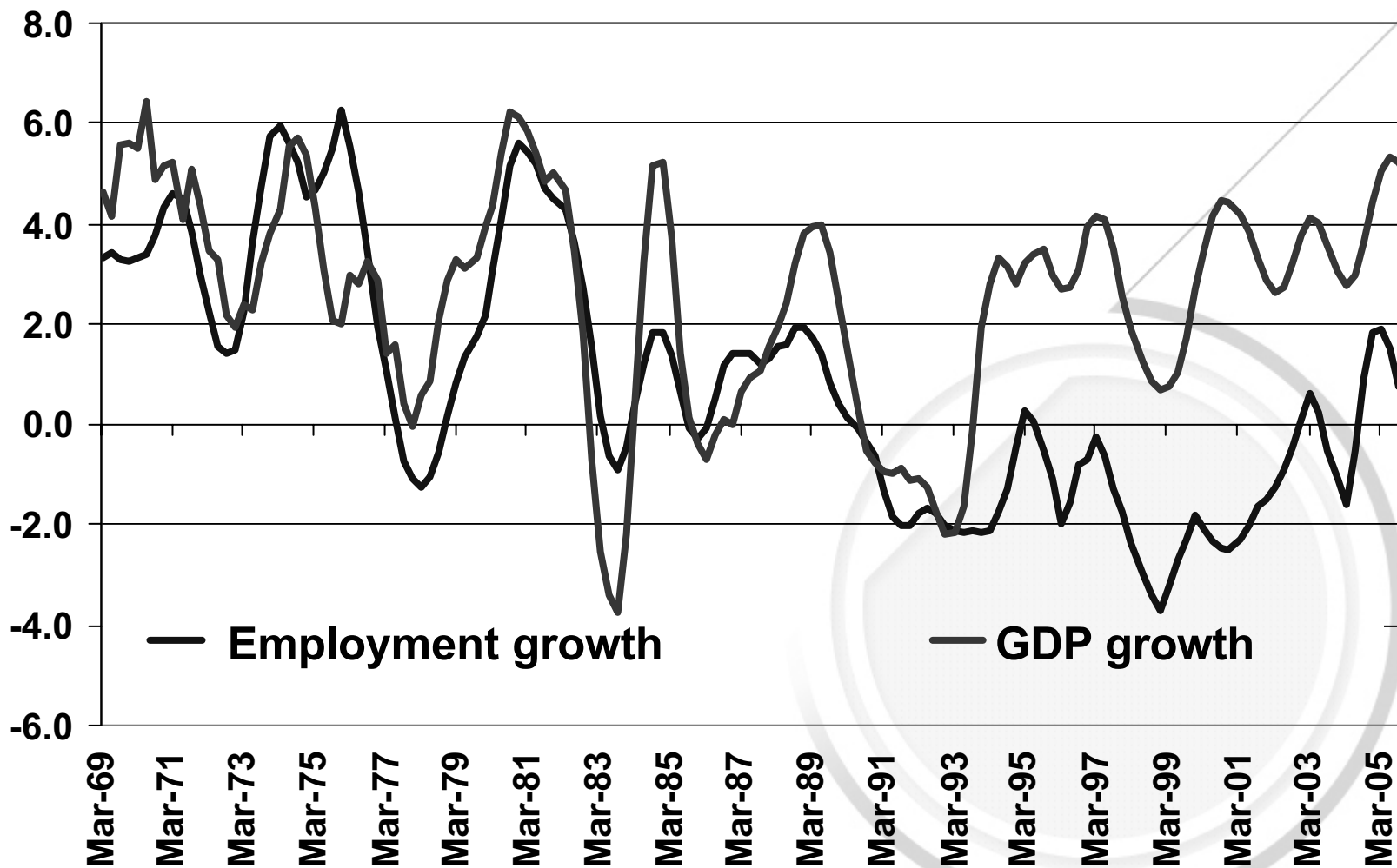
While only ten emerging markets are included due to a lack in data for other countries in 2003/4, these countries managed an average of 55,1% of employed persons as a percentage of the working age population.

The developed country average for the above ratio is 65,1% and is 67.9% for the G7 countries.

The second lowest number of persons in employment as a percentage of the working age population is Turkey which was 46,1%, and is more than 6% higher than South Africa.

This is the fairest way to compared employment across countries.

Annual moving average of GDP and employment growth - %



Employment and GDP Growth: Disconnect and reconnect.

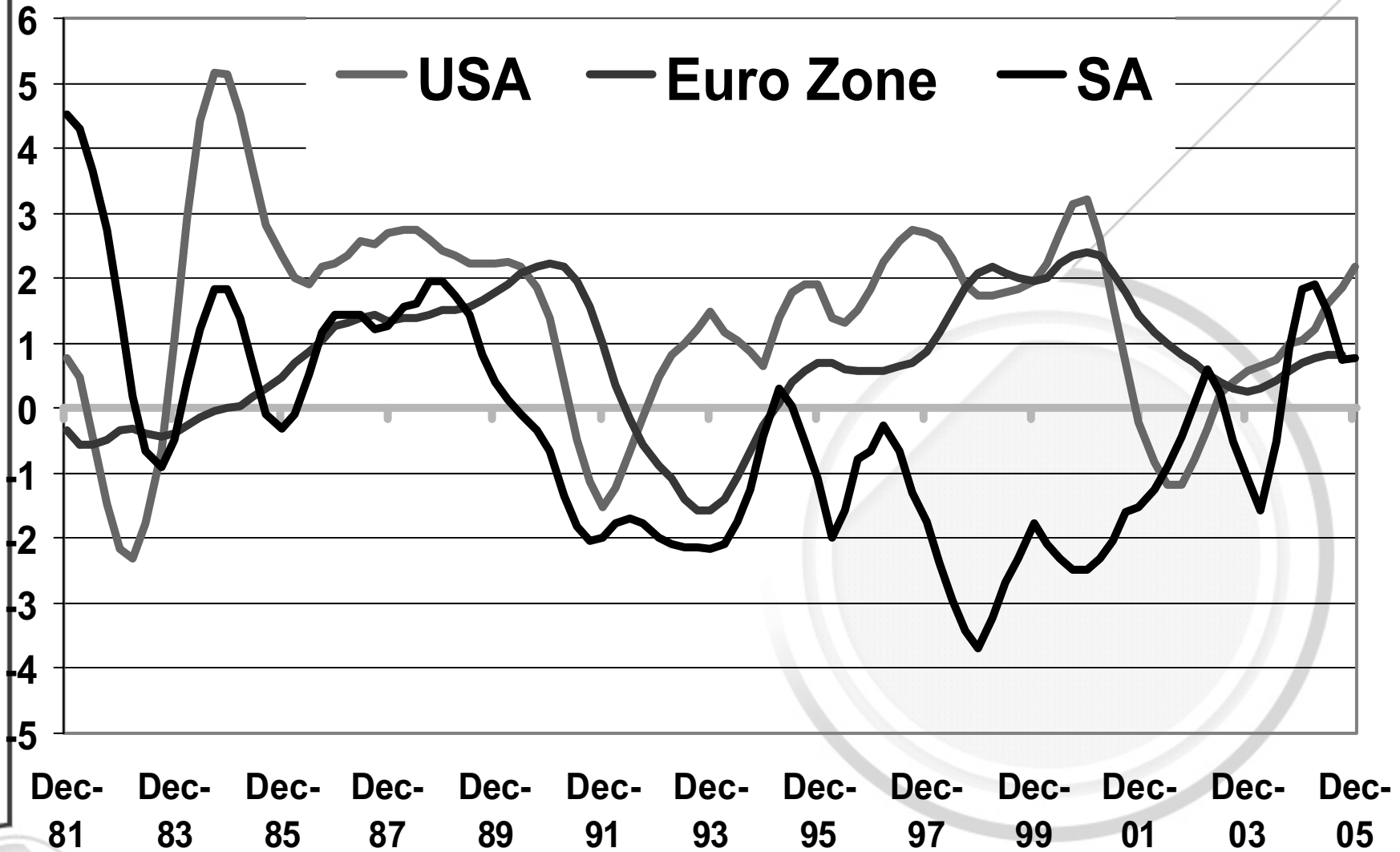
While South Africa GDP growth in the late-sixties until the mid-eighties was generally in line with each other, a disconnect occurred from the mid-eighties.

Slowly from around 1985 employment no longer matched GDP growth and from 1989 actual employment declined.

When the economy picked up in the early nineties employment still declined and only in the last three years has employment growth been positive.

However, the ratio of every unit of GDP growth needed to create a unit of employment changed from 1,6 for the first 20 years from 1969, to a new ratio of 2,3 for the last few years, after being negative in the nineties to 2001.

**Employment growth compared: 1980 – 2005.
Smoothed moving averages.**



Employment Growth: Disconnect and reconnect.

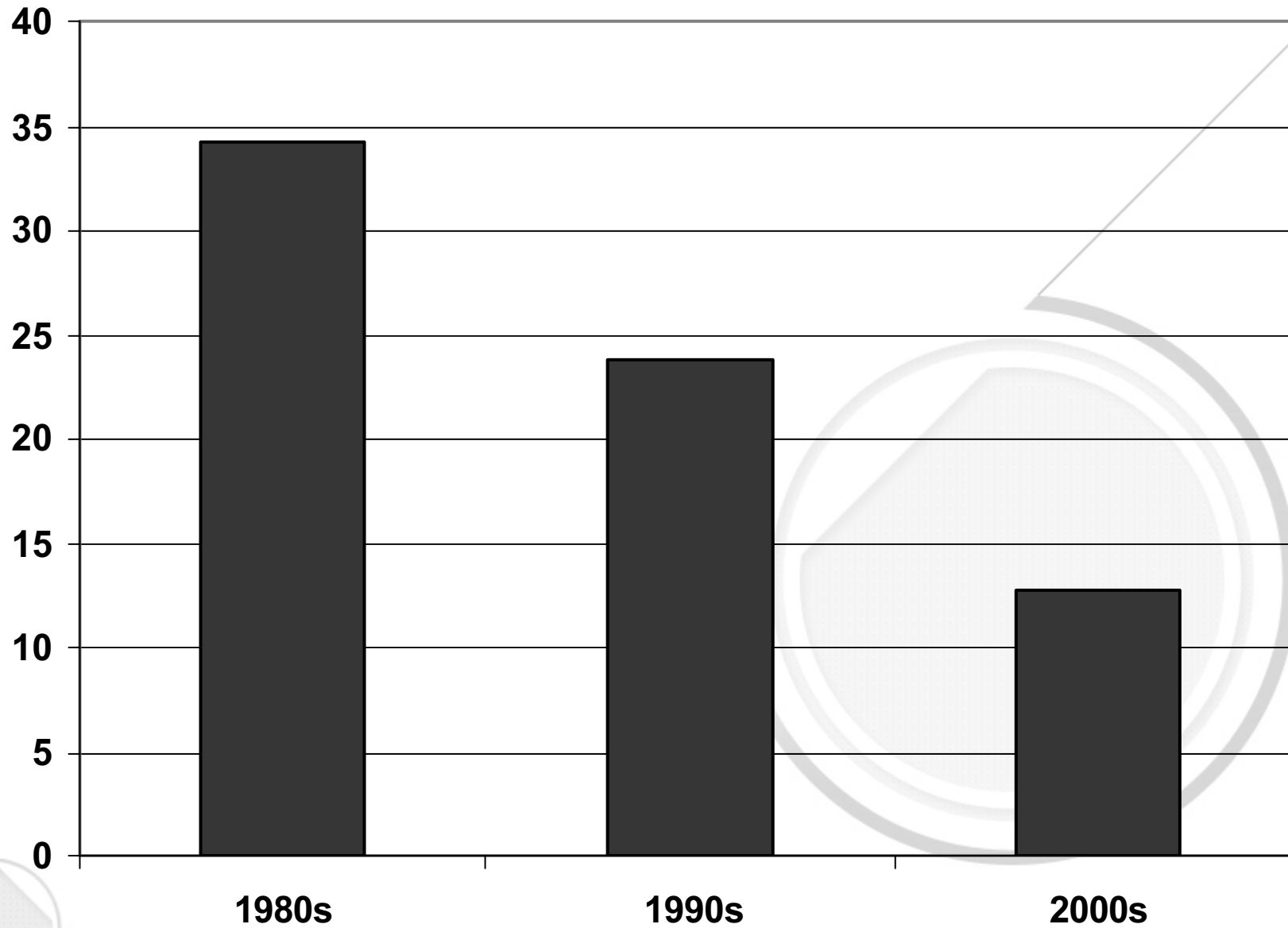
The same picture of employment growth patterns in South Africa emerges when compared to our major trading partners, the USA and the Euro zone.

SA employment growth was generally stronger than either Europe and the USA in the seventies and early eighties although more volatile. By the mid eighties SA growth was similar to these countries.

By the end of the eighties SA employment declined and did not pick up as did the EU and the USA until the last few years.

South Africa therefore had a disconnect and we are now possibly in a reconnect situation.

Average numbers of employees in SA firms.



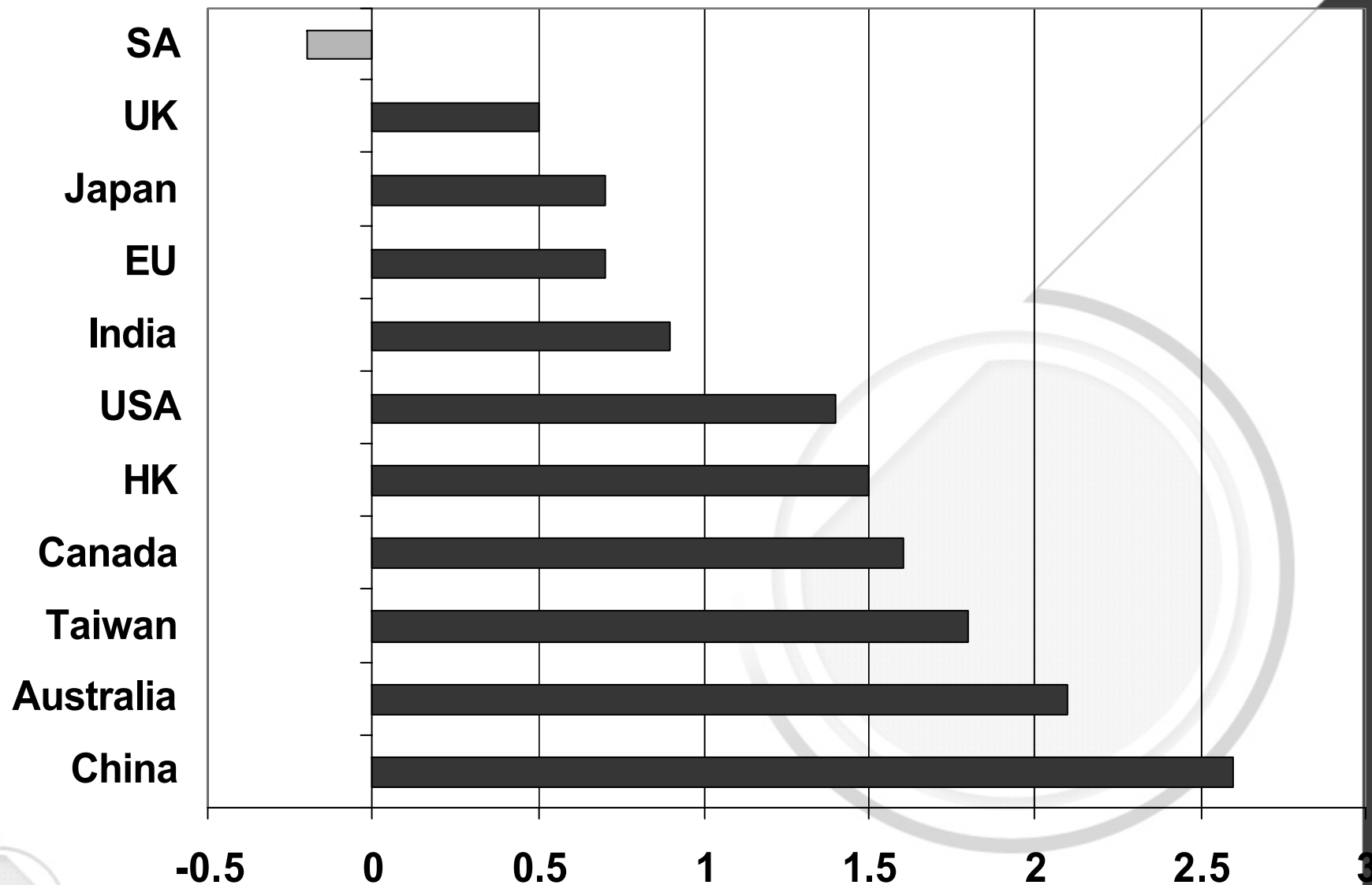
Employment structural changes.

While the average firm size was 35 people per firm in the 1980's this declined to 24 in the nineties and to 13 persons in an average firm in the first five years in this decade.

The average number of firms has increased significantly in the last few years. Last year alone more than 206000 companies and Close corporations were registered with CIPRO, while SARS data indicates that over 155 000 firms registered for income tax purposes between 2003/4 and 2004/5!

In 1982 Transnet was the biggest employer in SA with over 282 000 employees, Today Bidvest is the biggest employer with nearly 90 000 employees fully 18000 more than Transnet!

Average annual employment growth over 25 years.



The last 25 years of employment changes.

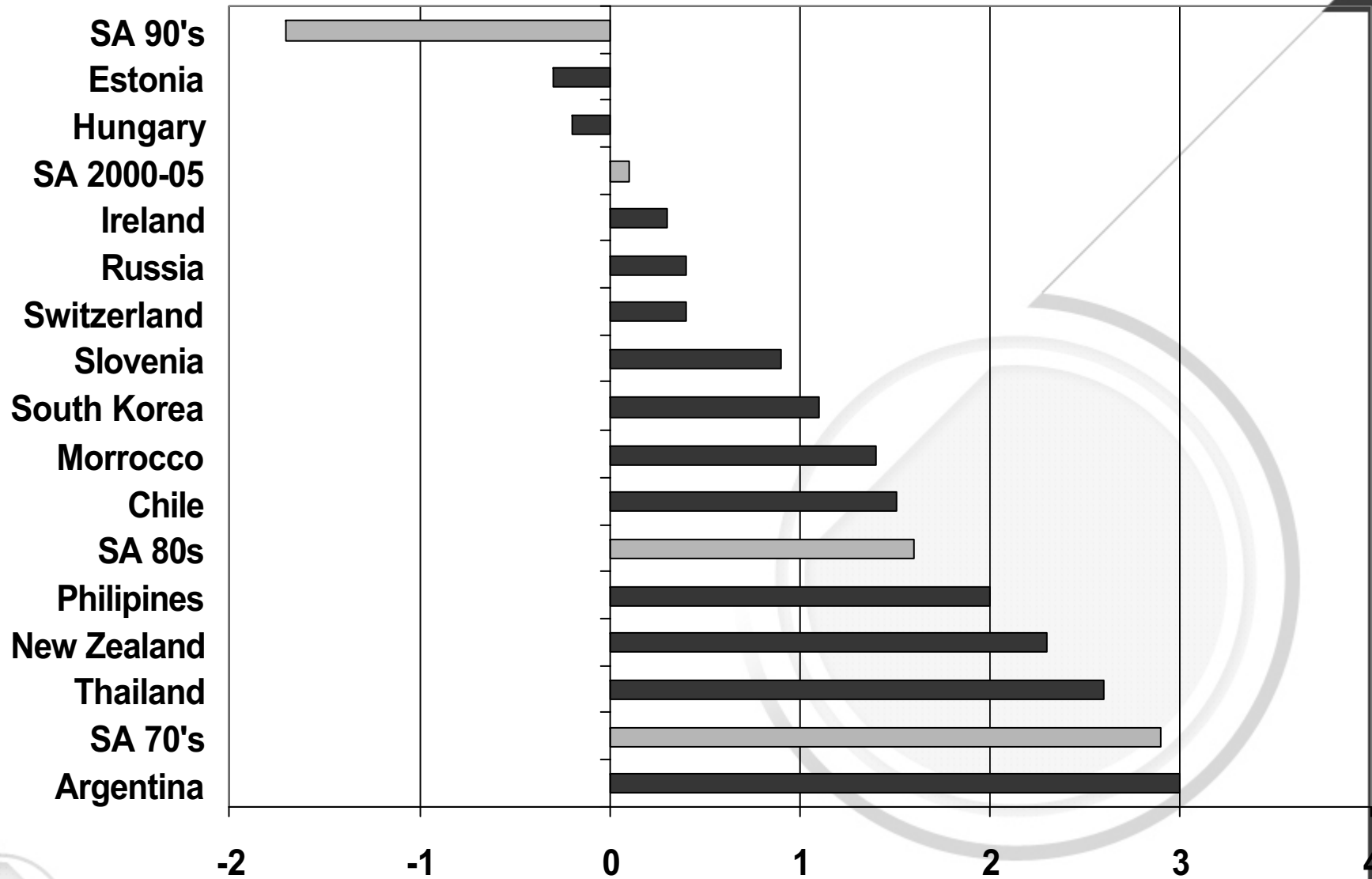
Of all the countries for which data is available over the last 25 years South Africa is the only country to have had an annual negative compounded decline.

China not only had the highest GDP growth rate of all these countries but also had an annual employment growth rate of 2,6% over this time period.

The bottom four countries all had large transitions in their economies that negatively affected employment although the UK has lately seen better growth rates.

The top two countries have also had transitions in their economies over the last 25 years.

Decade growth annual averages (latest unless stated.)



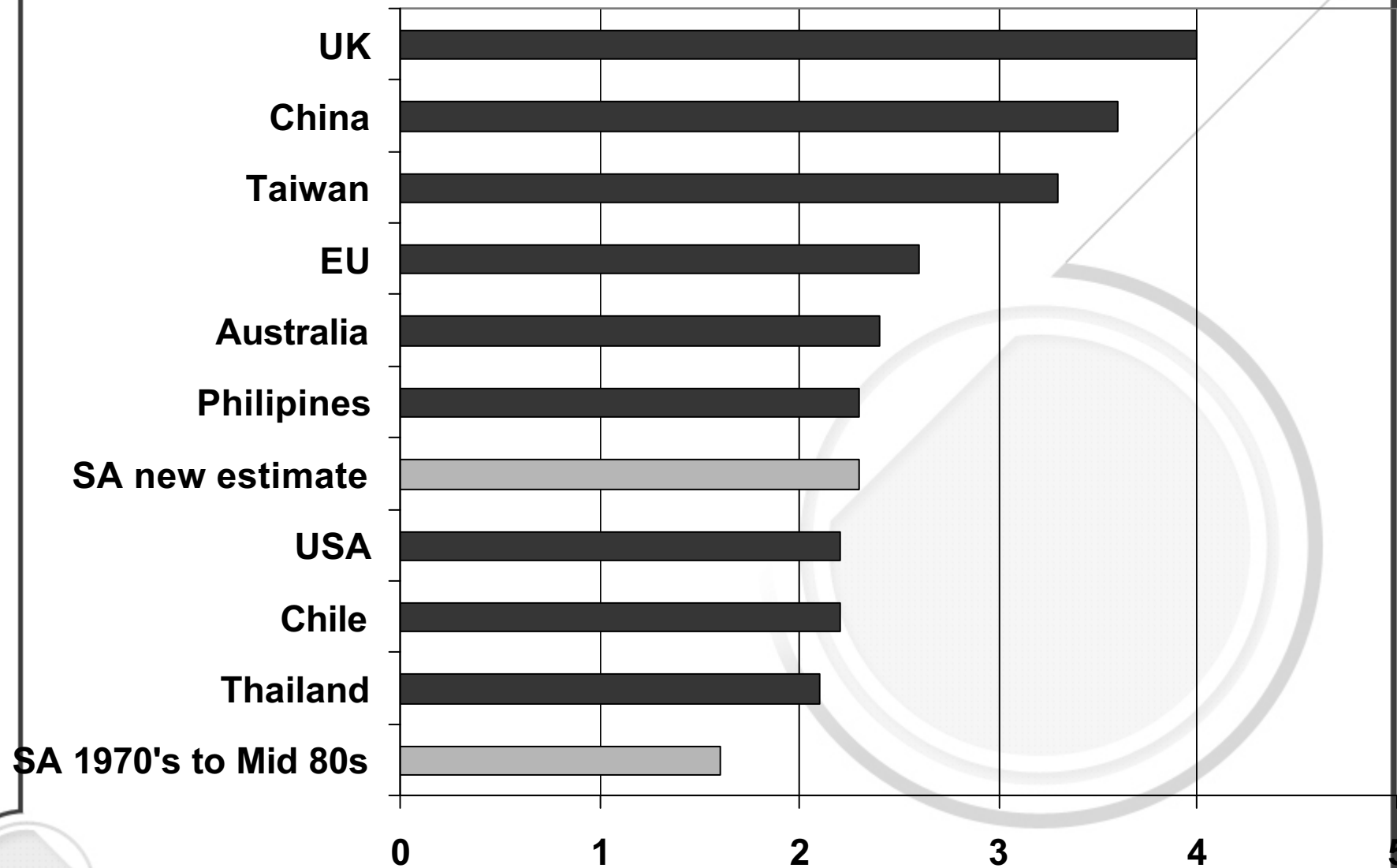
Employment over ten year periods.

South Africa had the biggest decline in employment in the 1990's where employment decline with more than 1,7% on a annual compounded rate.

In the seventies South African employment grew with more 2,9% compounded per year, slightly below the fastest growth in employment for countries with decade long data – Argentina which grew 3% on the same basis.

In the last five years SA saw employment growth of 0,1% which while still low is likely to show better growth in the coming years as the start of this period still saw a decline in employment.

**% GDP growth rate needed for every 1% Employment growth.
Latest long-term averages.**



GDP growth needed to create employment.

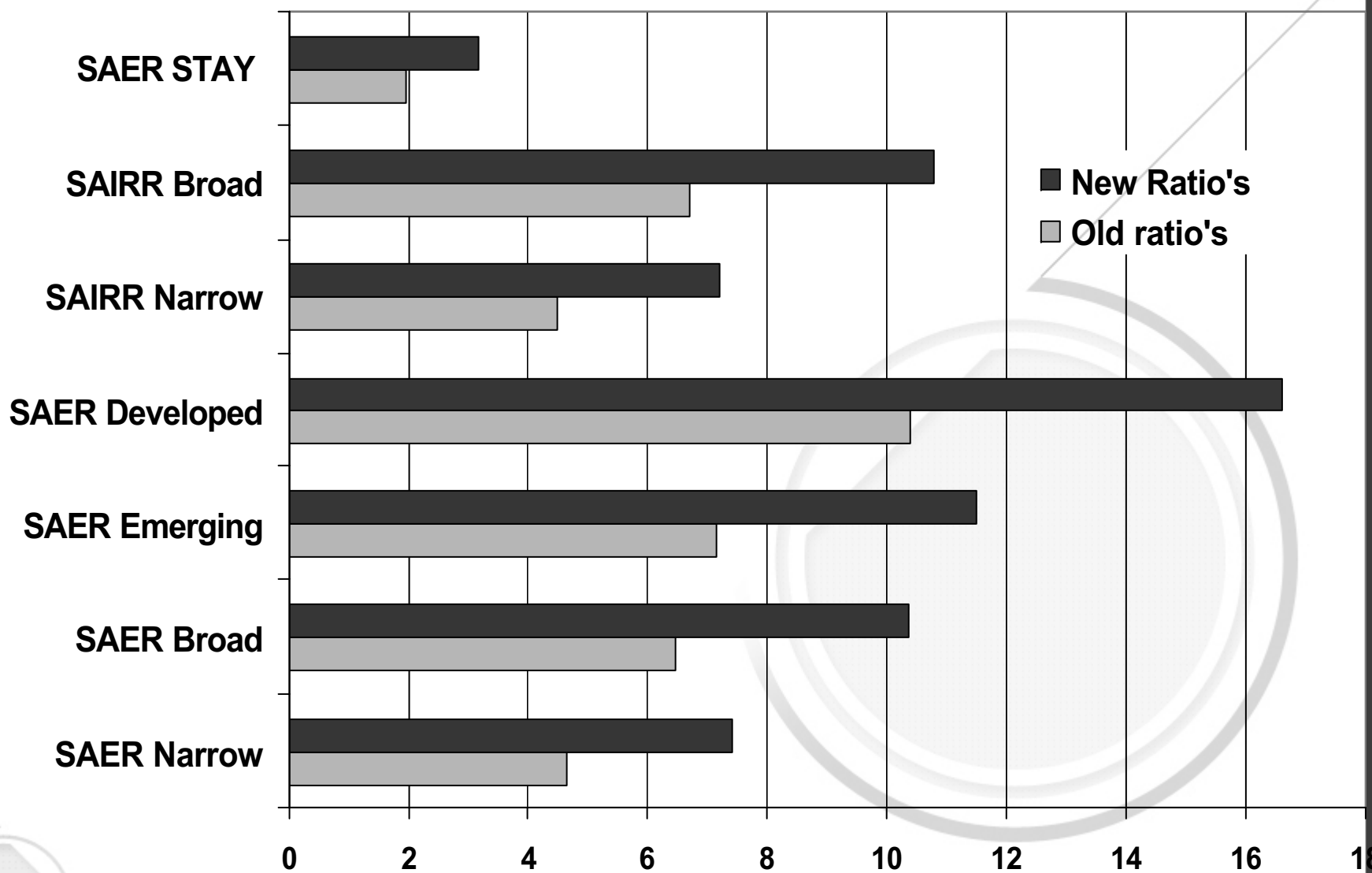
While no ratio is constant the fact is that South Africa today needs around 2,3% of GDP growth to create 1% of employment growth, which is still slightly below the average of 20 major economies which is 2,4% GDP growth for every 1% employment growth.

Note, this is higher than the 1,6% of GDP growth needed to the end of 1980's.

South Africa therefore needs higher GDP growth to create the same growth rate of employment today than it did in the 20 years to the end of the 1980's.

South Africa is however not out of line with the majority of international countries who all have to grow GDP at least twice as fast as employment growth.

Annual GDP growth rates needed to halve unemployment by 2014. Different scenarios.



What SA needs to grow employment and to achieve the ASGISA goals.

For SA to just keep the unemployment rate the same SA needs to grow at an annual compounded growth rate of 3%.

For SA to halve only the narrow (or official definition) by September 2014 the country would have to grow by at least 6,5% per year if not closer to 7% on a compounded annual growth rate.

For SA to halve the broader unemployment rate by September 2014 SA would have to grow at least 9,3% on a compounded basis and perhaps closer to 10%. (This includes people who want to work but have not looked for a job – “discouraged population”).

What SA needs to grow employment to achieve respectable international ratios.

For SA to achieve the average employed to working age of developing countries by September 2014, SA would have growth at 10,3% per year.

To achieve the developed country average ratio of employed to working age population SA would have to grow 14,9% per year to 2014.

To achieve the same emerging market target by September 2035 SA would have to have compounded growth of 4,6%. This means South African compounded annual growth has to average 4,7% for 30 years!

To achieve the developed country average would have to achieve a GDP growth of in excess of 6,4% for 30 years!

While 2010 offers some hope, sustainable policies have to followed

Were SA GDP grow only 2,5% for 3 years the rest of the period would have to have even faster GDP growth.

Then to reach the target of halving even just the narrow (official) unemployment rate SA would have to growth its GDP with more than 7,3%!

So South Africa can not afford half measures and more talk shops, it needs to start acting to get GDP growth higher and increase employment.

Innovative thinking is needed and we will perhaps achieve the target.

With growth of 4% we may achieve the halving of official unemployment (narrow definition) by 2023.

Thank you from UASA.

Questions to Mike Schüssler

