

# Productivity and employment

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Improvements in productivity can result in a reduction in employment in one part of the production chain. But improved productivity is necessary if real wages and profits are to be increased.

Higher wages and profit lead to the creation of employment in the firm itself, in its suppliers, by increasing demand and by creating wealth to pay for employment-intensive services, which are needed in the future in health, education, leisure and care for the sick and elderly. (*Green Paper of the European Commission Partnership for a New Organisation of Work.*)

According to the Productivity Committee of the European Productivity Agency, mind-set is the most fundamental factor in achieving productivity growth. Productivity is defined as an attitude of mind that strives for and achieves the habit for improvement as well as the systems and the sets of practices that translate that attitude into action. This should be done

- in and by ourselves, constantly upgrading our knowledge, skills, discipline and individual efforts and team work; and
- in our work through better management and work methods, cost reduction, timeliness, better systems and better technology in order to achieve high-quality products and services, a bigger market share and a higher standard of living.

Productivity management involves the management of change in attitudes,

values, knowledge, skills and technology. Growth in employment opportunities is positively correlated with GDP per capita and sustained economic growth.

In 1997, the lowest unemployment rates were in eight East Asian economies. Unemployment declined slightly in 1997 in the Organisation for Economic Co-operation and Development (OECD) area, to an average 7.2% of the labour force.

## Employment and output

Countries with high employment growth were the ones where output grew strongly. The total productivity of a country may rise even when there is unemployment by eliminating low-productivity jobs.

Labour-intensive low-skilled sectors do not improve productivity and income. Computer software and data processing seem to be the job-generating sectors of the future (as India has shown). Youth face a higher risk of unemployment than the mature labour force.

Compared to an economy that is able to adapt quickly to changing circumstances, an inflexible one could display higher unemployment for a longer time. As long as real wages fully adjust to changes in labour productivity, employers may not want to employ more workers.

## South Africa

According to the 'expanded definition' (which includes discouraged workers),

unemployment in South Africa stands at 29,3% (4 204 million), and according to the strict definition (people 15 years and older who are not employed but are available for work, and who have taken specific steps to seek employment in the four weeks prior to a given point in time) unemployment stands at 16,5% (1 999 million).

Whatever the definition of unemployment, the long-term labour absorption capacity of the economy has to be improved by expanding formal sector employment through the promotion of higher value added and improving access for small businesses to economic opportunities.

The demands for labour may be increased through special employment programmes such as the Municipal Infrastructure Programme, Working for Water, the Clean Cities campaign, community-based public works programmes, and the Land Care campaign.

More competitive methods in the private sector will also preserve jobs. This involves a shift to higher value added, more competitive product niches and more competitive methods of work organisation.

South Africa's employment strategy will focus on strengthening the employability of labour through:

- education, training and skills strategies;
- geographic and occupational mobility;
- greater adaptability to changing circumstances;
- reduced occupational discrimination;
- reducing direct and indirect discrimination against women in the labour market;
- promoting youth employment and skills development;
- development of the disabled;

- improved public service delivery;
- improving the investment environment by reducing uncertainty due to crime;
- community-based public works programmes in rural areas;
- promoting tourism, which has a great potential to create jobs;
- promoting the information technology sector;
- expanding SMMEs;
- active labour market policies and a social plan.

Productivity is a crucial factor in measuring competitiveness. A skilled labour force, the attitude of the workforce, and expectations of the quality of life affect the competitiveness of a country.

The Human Development Index combines economic, social and educational indicators. The South African economy is ranked 45th in terms of social values that do not support competitiveness. Compared to 174 countries, South Africa ranked 90th in terms of human development.

The labour market in South Africa is characterised by high unemployment, a drop in the labour absorption rate and a growing informal sector. As far as labour productivity is concerned, the problems are not merely lack of training and handling the first generation of workers. They also arise from poor worker motivation, work ethics, and inadequate managerial leadership.

Special efforts must be devoted to those with insufficient skills and poor learning capabilities.

People value their work for many reasons beyond income. Work allows them to make a productive contribution to society and to exercise their skills and creativity. It brings recognition that fosters self-respect and dignity (*Human Development Report 1996*).