

Unemployment

"[The] time bomb which could seriously damage civilised society and the success of political democratisation in South Africa"

Reserve Bank of SA, Annual Report, August 1991.

"If people's basic needs are not satisfied we will be faced with a revolutionary climate, regardless of how well our political policies comply with the norms of a democratic society"

Managing Director, ISCOR, August 1991.

The problems of unemployment and poverty in South Africa are enormous. DOT KEET describes them, and some responses of government, employers and labour.

The magnitude of the statistics on unemployment in South Africa today are horrific - and getting worse by the day, as almost 1 000 new job seekers come onto the market daily and only 125 of them eventually find formal employment.

The national scale of the crisis is also becoming clearer with each new set of

figures. Totals of four to five million unemployed in South Africa are being mentioned in the press (see *The Star* 26/8/91). However, South Africa's central Reserve Bank's Annual Report, presented in August this year, gives a national total of up to six million unemployed.

Reliable independent estimates have been difficult to come by and the Labour Research Service (LRS) cautioned that its own 1990 "guesswork", suggesting more than seven million unemployed, "may be too high an estimate". This has been the figure generally quoted in COSATU until quite recently. However, as attention and careful analyses have begun to

focus in on the problem, even more horrifying statistics have begun to emerge.

In August this year a Senior Policy Analyst at the Development Bank of Southern Africa (DBSA), presented a figure for people outside formal employment of 8,4 million, representing 51,3% of people of employment age in South Africa!

This is a significant leap from the already high unemployment rates of 30-34% recorded under the more positive economic growth rates of the 1960s (5,8%) and 1970's (2,9%).

With a mere 1,4% economic growth rate during the 1980s, only half a million of the 3,9 million *new* entrants to the labour market were able to find employment in the formal sector. DBSA Chief Executive Simon Brand has pointed out that, in the 1960s, 73,6% of school leavers were absorbed into formal employment, whereas the figure has plummeted to a mere 12,5% during the past five years.

With 300 000 to 400 000 new workers coming onto the job market each year dur-

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ing the 1990s, South Africa will need phenomenal annual economic growth rates of 6 to 7% just to keep pace with the growth in the labour force, let alone tackle the backlog of years of accumulated unemployment.

This grave prognosis has been confirmed by a study just released by UNISA's Bureau of Market Research (BMR). This predicts an annual growth of 450 000 in the South African labour force from 1990 to the year 2000, and 510 000 each year from 2000 to 2005. With these rates, the BMR foresees as many as 11,5 million people, or 57% of the working-age population existing outside the 'formal' economy by the year 2005.

Poverty and deprivation

The term 'subsisting' would be more appropriate for the levels of poverty and deprivation that such a rate of unemployment and underemployment will entail. Already it is estimated that some 17 million people in South Africa are living below minimal subsistence levels!

The National Productivity Institute (NPI) calculates that, between 1980 and 1989, with an average annual population growth of 2,3% in South Africa, but a mere 1,8% economic growth rate, average per capita income has fallen by 5%. The DBSA puts this more concretely in pointing out that GDP per head of population in 1970 was R3 531, but fell to R3 285 by 1989 (which is al-



Strike-hit factory: unemployed workers wait for jobs

Photo: Morice/Labour Bulletin

most 7% down).

Even these figures mask the full proportions of the problem, because such national income averages are pulled upwards by the disproportionate incomes of the white population. As always in South Africa, statistics on every aspect of life for the African population alone are very different to the 'national averages'. Key social indicators of poverty such as South Africa's infant mortality rate of 70 per 1000, or its illiteracy rate of 66%, are considerably higher when statistics are analysed only for the African - and especially the rural African - population of South Africa. Even in the 'better off' urban areas, however, more than 7,5 million Africans are living in 'informal' housing - back rooms and outbuildings, basements of buildings, and temporary 'squatter' shacks, or on the streets.

Quantifying the impact of

unemployment on the African population alone is also revealing. According to the DBSA, 85% of the unemployed are African, although they are only 75% of the total population of South Africa. Of those 'employed' in the 'informal' sector, 80% earn less than R650 a month.

But some of the worst immediate and long-term effects of unemployment are simply not possible to quantify:

- What are the social and psychological effects upon young people of having no prospects of ever getting paid employment, having no hopes for the future?
- What are the economic and social implications for adult men of not being able to develop work skills and experience, or being thrown onto the scrap heap after years of hard work?
- What are the burdens of hidden under or unemployment amongst women:

and are all such women actually even included in the national statistics on unemployment?

Broader political implications

A recent survey by the Human Sciences Research Council (HSRC) revealed that "all four population groups" in South Africa identified unemployment - or the need for the improvement of job opportunities - as "the foremost problem field" in South Africa today. In the absence of any effective social security net for the great majority, unemployment means a rapid descent into extreme poverty.

Leading figures in the South African power establishment are, of course, less concerned about these effects of unemployment on people, and more preoccupied with the broader national - and international - economic and political effects.

The concern of big business is with the economic underpinnings to political stability. As Anglo-American Chairman Julian Ogilvie Thompson said recently, "No constitution, however sound and wide in its support, will enable South Africa to develop into a stable, tolerant and pluralistic democracy.... The key is not political [but] the problems of poverty and inequity..." The Managing Director of ISCOR is more forthright when he says that "If people's basic needs are not satisfied, we will be faced with a revolutionary climate, regardless of how

well our political policies comply with the norms of a democratic society."

Similarly, powerful directors of government financial policy, such as Bankorp's *Econovision* report for 1991, declares that unemployment is a "time bomb which could seriously damage civilised society and the success of political democratisation in South Africa." The Reserve Bank's further concern is that unemployment "can seriously destabilise society and thwart South Africa's return to international finance ... and considerably weaken the longer-term prospects of growing fixed investment and job creation."

There are important non-governmental initiatives being taken, especially by the trade unions [see p 42], but in the final analysis, the magnitude of the crisis of unemployment requires a national strategy, massive central government expenditure and well planned co-ordinated action. This will also begin to create better pre-conditions for all the other initiatives to have effect. How then is the De Klerk government responding to this national crisis?

Government responses to unemployment

The South African government's latest response to this grave situation was to announce, at the end of August this year, the expenditure over the next months of one billion rand - half the proceeds from the sale of strategic oil

reserves. This money is to go to 667 selected projects for "socio-economic upliftment". This was announced earlier by President De Klerk in his budget speech in February this year - with great propaganda effect, mainly for international consumption.

This insignificant sum of money for the scale of the problem - and against a total national budget for 1991 of R86 billion - is designed to "ease the plight of the poor", but will produce a mere 59 000 short term job opportunities. This stands in sharp contrast to the comprehensive package of measures introduced by the South African government in response to the crisis of white unemployment in this country in the 1930's [see box, p 40].

Welcomed in the press with great fanfare as a generous "donation to the poor", "a pay bonanza", "a bonsella", government's underlying intention is suggested in *The Star* editorial comment (28/8/91) that this programme will "give a caring face to a government not noted for its sympathy for the poor."

The further thinking behind the present government scheme is revealed in the press statement, on 27 August, from the Ministry of Economic Co-ordination and Public Enterprise: That the one billion rand expenditure will contribute to "economic growth, job creation and social stability". This was reinforced by press comments welcom-

GOVERNMENT RESPONSES TO WHITE UNEMPLOYMENT IN THE 1930's

"One of the most successful cases of a nation-wide public works programme was that in South Africa during the 'poor white' era."

The world-wide economic depression of the 1930's combined with factors within South Africa to produce an unprecedented rate of unemployment amongst the white population. By 1933, the number of whites subsisting outside 'formal' employment had reached some 336 000 (about 22% of the working-age white population).

The South African government's response was to introduce a comprehensive package of measures to alleviate the suffering of the so-called 'poor whites' and to provide them with employment or the means towards employment, such as vocational training. Some 59 000 were given direct pauper (poverty) relief, and whites in need were guaranteed education, health services and housing by the state. More importantly, preferential employment opportunities were provided for whites in municipalities, on the state-run railways, and in special army service. The government also introduced special public works programmes for drought relief, irrigation, afforestation, soil conservation and the elimination of noxious weeds. Between 1933 and 1949 some 234 000 whites were directly and indirectly supported by different forms of state employment.

The government also provided massive support to the gold mines, and assistance towards industrial expansion (including the setting up of ISCOR), and cheap transport and marketing facilities for agriculture, as well as direct loans to farmers. The combined effect of such state interventions was to reactivate the national economy and create employment for whites. The last was also guaranteed by the application of the notorious racial Job Reservation laws that kept specific types and levels of employment specifically for whites alone.

According to an analysis by the DBSA, the lessons for today from the successful special employment programmes (SEPs) for poor whites in the 1930's are that

- * training, education and vocational guidance must be provided to the unemployed to empower them to participate effectively in the economy;
- * priorities have to be set for the utilisation of scarce resources, by choosing projects with employment potential in view, and targetting the participants desired;
- * SEPs must be accompanied by measures aimed at structural changes in the economy for future improvement and a fundamental solution to unemployment;
- * such a comprehensive state programme to combat unemployment "benefits from efficiency and enthusiasm of the state institutions and personnel involved."

In brief, what the South African government and its employees were committed to do for unemployed whites in the 1930s must now be applied, with the same zeal, to dealing with the much greater unemployment now affecting many millions of blacks. During the 1930's, the government made substantial reallocations within the national budget from such sectors as Defense, the Police and the Post Office to a package of public works programmes. This amounted to almost 16% of the national annual budget of the time. Applied at an equivalent rate to the 86 billion rand national budget for 1991, the government should be allocating 13.5 billion rand to poverty alleviation, social upliftment and job creation rather than the paltry one billion rand it has just announced. ☆

ing the scheme aimed to "rescue South Africa from a further slide into violence and instability ... ensuring social stability and creating a climate for investment". (*Saturday Star* 31/8/91)

The *Business Day* editorial (29/8/91) reflected business concerns at "bureaucrats being in charge of the schemes", and doubts about their "ability to produce 'one off' projects with enduring benefits". It calls for the

schemes to be "co-ordinated, keenly monitored and popularly supported." The South African Chamber of Business (SACOB) criticised the government's "ad hoc" approach, arguing that the scheme "should have been strategised along the lines of a social accord [with] broad consultation." SACOB expressed the fear that the government approach of "throwing money" at the problem will raise amongst

the poor "expectations that are not going to be toned down, as they should be" (*The Star*, 28/8/91).

Reactions from the trade unions

The most comprehensive response from the trade unions came in a COSATU statement on 30 August. It called for "a comprehensive approach to a national economic reconstruction programme, not continued

unilateral and ad hoc measures by the government, based on narrow interests and political considerations." This last refers to government endeavours to "prop up discredited government structures such as [local government] apartheid councils, and buying votes in future elections."

The statement goes on to point out that COSATU has already placed the pressing problem of retrenchments and unemployment high on the agenda for its proposed national economic negotiations with SACCOLA and the government. However, it goes on "while one arm of the state drags its feet in agreeing to these negotiations, the other arm ... allocates money into a vacuum."

The COSATU statement argues that if public works programmes to create jobs are not developed "through negotiations with key political parties, trade unions and community organisations, they will fail, as they have failed in the past." This recalls the government Special Employment Creation Programmes that have been in operation since about 1983.

"Special Employment Creation Programmes"

In the years from 1985 to 1990, a sum of R719 million was spent by the government on "special employment training" for unemployed people not on UIF. Such training was done on-the-job

through private contractors who received R10,50 per day per worker, while the workers themselves received R7,00 each per day.

As a DBSA analysis of the schemes points out, "no permanent employment opportunities were generated and no physical assets or social infrastructure were created. Furthermore, the projects were inadequately planned, designed and co-ordinated; the governmental institutional capacities were inadequate to monitor the projects; and they were not integrated into an overall development programme. Finally, in many instances, permanent workers were actually replaced by contractors who took on what amounted to ultra-cheap labour subsidised by the government payments for so-called training on the job."

The government's formal "training schemes" for the unemployed in these years are also an object lesson on how such things should *not* be done. More than R422 million was spent, ostensibly to train 1 290 000 unemployed people. Of these, some 30% were later placed in employment, while the rest went into the 'informal' sector (often just a euphemism for semi-or under-employment). The greatest beneficiaries of these schemes were, in fact, the hundreds upon hundreds of private contractors who provided the 'training' in 'formal' and 'informal' sector skills, and

received R22 per day per worker 'trained' while the workers themselves each received R7 per day.

The training, the monitoring and the results of such schemes have been inadequate to the huge sums of public money being spent. At the same time, the amounts being spent have been totally inadequate to the scale of the problem. The effects of such schemes on the most serious sectors of unemployed in the population and geographical areas of the country, on the scale of unemployment in general and on the economy as a whole have been negligible.

Finally, the privatised, commercial approach is clearly open to waste, inefficiencies and abuse, and stands in marked contrast to COSATU's call for job creation schemes that are developed out of a process of full consultation, that are properly monitored by those most concerned, and that benefit those most in need.

This is where the fundamental differences lie between the trade unions' approach, and that of the government - which is more concerned with PR for consumption abroad and political vote-catching at home, and with patronising philanthropy to 'the poor' rather than national economic and social development that *trains, employs and empowers* people. ☆

* See Lolette Kritzing-Van Niekerk "Public Works Programmes in SA", August 1991.