

# Vision and strategies

**A**t the heart of an effective job creation strategy must be a conceptual framework, which addresses overall perspectives and strategic approaches. The overall aim of any job creation framework is to eliminate poverty, inequality and unemployment.

A comprehensive employment strategy involves the creation of new jobs, enhancing the quality of present jobs, and ensuring employment security. Emphasis must be placed on improving the conditions faced by the most vulnerable workers in South Africa, and strengthening employment opportunities for the most marginalised members of communities.

In order to arrest current trends, interventionist policies must be established which place South Africa on a fundamentally different growth and employment path from the present one. Present approaches, framed within conservative neo-liberal economic parameters, show little signs of working

The South African economy is a capitalist economy, divided by powerful class interests. Economic policy will be subject to substantial conflict. Introducing policies which would support a transformative approach to job creation could prompt vigorous opposition from the business sector. The result could be a withdrawal of investment, the introduction of labour-replacing equipment and

retrenchments – measures which will destroy jobs.

Particular job creation proposals therefore need to be measured against the degree of opposition they will encounter.

## **Key perspectives**

It is important to explore what a job actually is and why job creation is a particularly crucial issue for South Africa.

Jobs and work are currently largely defined by capitalist economic relationships. Workers exchange their labour for a wage under specific conditions of employment in order to sustain themselves and their families. Under this system, irregular work (such as casual and contract labour) is recognised as legitimate employment. Women's unpaid labour in their home is not recognised.

The first step in linking job creation to economic transformation involves challenging what actually constitutes work. This would mean that current employment trends that merely disguise unemployment through the erosion of well-paid, secure, meaningful work must be questioned. A job creation strategy must address the quality of jobs created, not simply the quantity.

At the moment, debate around job creation in South Africa seems to be dominated by the view that one can have

more jobs or one can have better jobs, but one cannot have both more and better jobs!

Is this a reasonable assumption? The history of many countries shows that employment growth, improved working conditions and higher real wages can be

### Why job creation?

A question that needs to be asked is why the focus should be on job creation, rather than on other types of social policies which could address this problem. This may seem like an obvious question, but currently employment creation is not central to economic policy.

There are a number of reasons why job creation should be the primary focus of economic policy in South Africa:

- ❑ The severity of the problem of unemployment and the inability of the economy to create new jobs makes employment creation a central issue.
- ❑ Job creation and job enhancement can form a solid foundation for redistribution and lowering poverty levels.
- ❑ Unemployment reflects an inefficient use of economic resources and can compromise economic growth.
- ❑ A variety of social problems arise when a substantial portion of the population cannot find work.
- ❑ Job creation can be an efficient way of extending economic opportunities to the population on a broad scale.
- ❑ Creating jobs in the formal sector provides a degree of regulation and protection for the previously unemployed.
- ❑ Job creation can encourage the building of trade unions, which allow workers to engage in collective action and bargaining to improve the welfare of a significant segment of the population.

Nonetheless, job creation cannot be seen as the only strategy for addressing South Africa's many socio-economic problems. Policy packages such as a social wage, a guaranteed income and basic social services should run alongside such a strategy.

mutually compatible. Existing socio-economic conditions in South Africa make this kind of job creation path a desirable target. Given the fact that many working households remain below the poverty line, any further erosion of conditions of employment is unacceptable. Moreover, with the decline in employment in the formal sector, more individuals could find themselves in subsistence positions in the informal sector. Our target should not only be job creation, but job enhancement, with an emphasis on improving the conditions faced by the most vulnerable workers in South Africa.

### The past

It is important to realise that the problem of unemployment in South Africa is primarily a structural problem, derived from the historical legacy of the apartheid economy. The racial segmentation of the workforce, the limited mobility of workers, the establishment of separate 'homelands' with marginal economies, the systematic underdevelopment of skills, the maintenance of out-dated, hierarchical management systems and the dependence on low-wage, exploited black labour have all contributed to current unemployment figures. Interventionist policies must be put in place to redress these legacies and to place South Africa on a fundamentally different growth and employment path.

### Time frames

If job creation and job enhancement are the goal, employment strategies with a longer time frame are needed than would be the case if the aim were to rapidly create short-term, poor quality jobs. It must also be borne in mind that while labour is central to economic growth and development, economic growth does not necessarily mean employment growth. This means that South Africa should focus



*Alliance march, June 1991.*

on a medium-term *employment* growth strategy rather than simply a medium-term growth policy (for example, GEAR) which presumes that growth will automatically lead to more jobs.

### **Distribution**

How economic resources are distributed to sustain a population is a critical social issue. Jobs, wages, and benefits are the most important instruments for distributing economic resources to the majority of the population. Employment therefore plays a central role in determining the level of inequality and poverty in a country.

There are three aspects of distribution which should be addressed in a job creation strategy: distribution of economic production between wages and profits, that is, wage-led versus profit-led employment growth strategies; distribution of wages amongst those currently employed, that is, the wage gap; and distribution of employment

opportunities within the labour force, that is, who gets the jobs and who remains unemployed.

The total GDP of South Africa is distributed in two broad ways – the amount which goes to workers in the form of wages, salaries and benefits, and the amount which is left over, often called the operating surplus, which is distributed to capital. A crucial question is whether a larger distribution towards wages will increase levels of employment, or whether a larger portion to the operating surplus will do so.

Increasing the share of GDP to labour can create jobs if workers use the extra income to increase domestic demand. Higher levels of demand can mean higher levels of production and growing employment. It is important to note that domestic demand must increase, not simply demand for imported goods.

This analysis ignores the reaction of the owners of capital to a changing distribution of resources. If a declining

share prompts capital flight or a reduction in investment, there could be a negative impact on job creation.

These effects could be minimised by active policies which challenge the right of business to be the only player in business decisions. Policies which limit the mobility of capital could be implemented. The institutional environment (such as labour organisations and laws) in which a distributive shift towards wages occurs, is of great importance. The capacity of these institutions to influence investment decisions and offer protection to workers is critical.

What is important to recognise in the debate around wage-led growth and profit-led growth is that the environment which would favour one path over the other might not entirely be under the control of South Africa. Increasing global integration of world economies poses a substantial challenge to labour in developing an employment growth strategy.

Job creation cannot depend on an economic strategy which only focuses on the distribution of production between wages and profits. Interventions which transform the way in which profits and wages are currently distributed must also be developed. Such interventions could include a broad programme of asset-based redistribution, worker/community ownership and control, worker-directed pension fund investment, prescribed assets and narrowing the wage gap.

### **The public sector**

It should not be assumed that the private sector is the only source of new jobs. With the international trend towards privatisation, the public sector is overlooked as a source of employment creation.

The government and the parastatals remain a major employer in South Africa,

although significant retrenchments are under way. To ignore the public sector as an instrument of job creation is to compromise the effectiveness of a comprehensive job strategy.

### **Principle components**

A number of core policy areas need to be addressed when formulating an integrated strategy.

To be successful a job creation strategy must aim to build the productive capacity of the economy. In other words, it must also embrace a vision for economic development.

Job creation is intimately tied to productive activity in the economy. When economic growth takes place, when government establishes public works programmes to expand infrastructure, and when the delivery of social services grows, the potential demand for more labour is created. This can then translate into more jobs and falling levels of unemployment.

The connection between greater production and more jobs is, however, far from direct. South Africa is currently experiencing the phenomenon of 'jobless growth'. How can this be the case? Labour is only one input into production. Physical capital (like machinery, equipment and computers) is another critical input. Depending on the technology involved, physical capital can be used instead of labour in production.

Economic growth can also change the nature of existing jobs instead of creating new jobs. Put in another way, it can increase the demand for labour, but fail to increase the number of jobs. For example, workers who are already working can work longer hours. No new jobs will be created. Or, workers can work harder (increased productivity). Again, no new jobs will be created, but production will increase.



*Job creation and job enhancement should be the aim.*

For production to increase, the capacity of the economy to produce must be increased. This occurs through investment and through demand for the goods and services produced. In South Africa, there is an extremely high demand for more goods and services. This is not, however, effective demand, because there is no purchasing power to back it up. In such a situation, there is a clear need for government to mobilise resources to deliver on basic needs. Redistributive policies and building a sustainable public service are key aspects of a job creation strategy.

Appropriate industrial and technology policies must also be put in place. Strategic trade policies must ensure that jobs are not destroyed through blind liberalisation and that the proper trade relationships are developed to support an employment growth path. Macroeconomic policies should not be overly restrictive, choking off investment and limiting the effectiveness of other critical transformations.

Labour market policies should aim to transform the apartheid-era structures to ensure equal access to jobs when they are

created, and to improve employment security. Apartheid policies have left South Africa with a highly segmented labour market. Highly-paid professional and managerial positions largely remain the domain of white men. Within this segment of the labour market, unemployment is low and job security high. Production and service workers face high levels of unemployment and far less job security. Wages are lower and benefits minimal. Workers in the informal sector face unsteady employment, little legal protection and poor conditions. Movement between these segments of the labour market is difficult, if not impossible.

Unemployment is also highly segmented. Women, youth and people living in the rural areas face a much higher probability of finding themselves unemployed. This has devastating implications for income distribution and the poverty rate. The informal sector should be brought into the formal regulatory arena. Gender, race, and age dynamics should be addressed. Labour market flexibility should be approached

extremely critically. Education and training should receive urgent attention. The dependency of the South African economy on substantial amounts of unpaid labour, primarily performed by women, must be factored into a jobs policy. Priority must be placed on job creation for marginalised groups, and rural communities in particular.

### **A vision for job creation**

What follows is a vision for job creation. While this vision might not be achievable in the near future, it should be used to guide policy decisions and political positions.

- To ultimately address the on-going crisis of unemployment, current economic power relationships must be challenged and transformed.
- The economy must be developed so as to sustain full employment. Where unemployment does occur, a guaranteed living income must be in place, but the principal objective must be full employment.
- Every job must pay a basic living wage. There would no longer be households classified as 'working poor'.
- Unpaid work must be explicitly recognised and appropriate measures created to support the performance of household and caring labour.
- Discrimination and structural barriers in the labour market must be eliminated.
- Standards of living and quality of work must improve over time. Jobs must not simply be created, but also enhanced.
- Employment creation must support the provision of public services and basic needs.
- Wage differentials between different employees, particularly management and production workers, must be limited and efforts to narrow the wage gap put in place.

### **Labour's role**

Both labour and government must play a central role in moving towards this vision. The articles which follow detail some of the policy approaches which could be adopted in order to create jobs. The implementation of many of these policies will require a strong, interventionist state, working with labour.

The trade union movement has a vital role to play in job creation. In order to fulfil this role, it will need to maintain and strengthen its traditions of collective discussion and action. It will need to consolidate and expand its membership base and be in a position to mobilise and take action.

Currently, there are global trends towards a process of bureaucratisation and diminishing internal democracy within the unions.

The ability to mobilise membership is reduced. In large part, this tendency is the result of the distortion of working-class interests by capital. Due to its dominant position, capital is able to exercise a large degree of control over the values that play a role in the identities and aspirations of workers (such as promoting individualism and competition). Organised labour needs to consciously guard against this tendency.

Above all, labour needs to vigorously debate changing economic and social conditions which might call for a shift in strategic focus. The terms of this debate should not be dictated by orthodox economic doctrine.

Labour movements have a responsibility to both maintain a collective identity and respond to shifting economic conditions in ways which address the concerns of their constituency - eliminating unemployment, creating gender equality, eradicating poverty and improving standards of living. ★