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Strategies for Reducing Unemployment in South Africa and the Role of Organised Labour.

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Abstract

One of the most serious challenges facing the post-apartheid regime in South Africa is unemployment and the urgent need for massive and sustainable job creation over a long period of time. Unemployment is one of the major causes of poverty and crime in the country. A drastic reduction in unemployment would therefore contribute significantly to the reduction of both poverty and crime.

This paper looks at the options that are available for job creation on a large enough scale to reduce unemployment significantly. It identifies six major strategies that can be adopted and examines particular features of each strategy. The six strategies are:

1. Macro-economic policy to achieve sustainable economic growth at a rapid enough rate to reduce unemployment levels significantly;
 2. Industrial restructuring in order to ensure the competitiveness of the country's major industries in the light of neo-liberal globalization;
 3. Skills development to provide the necessary skilled labour to ensure that the economy is not strangled by a skills shortage;
 4. Encouraging the flourishing of the informal economy;
 5. Removing redundant regulation in the formal economy for emerging small enterprises;
- and
6. Public works projects that can simultaneously create employment and provide the infrastructure required for economic development.

The paper spells out the constructive and developmental role that trade unions can play in two of these strategies, namely industrial restructuring and skills development. It does so by focusing on the role of the National Union of Metalworkers of South Africa, NUMSA, in the motor assembly industry. The paper contends that these are two developmental strategies by unions that can really help to empower workers.

1. Introduction

Development entails the process of helping people, organisations, and countries achieve their full potential within the constraints placed by the availability of resources at their disposal. Following this line of argument, human development thus involves helping people attain their full creative potential. One of the key ways in which this can be achieved is through work. Work, in its ideal form, enables human beings to develop themselves to their full productive and creative potential. (Standing, 1999:3)

There are two major social forces that prevent the achievement of full human potential in contemporary capitalist society. The first is that most work, especially that of the working class, has been turned into labour, or toil. (Standing, 1999:4) The processes of deskilling and control that took place during the phases of machinofacture, Taylorism and Fordism, turned creative work into tedious and unfulfilling labour. The second social force that prevents human development is unemployment. Unemployment has become a global phenomenon, but in South Africa it has reached particularly high levels. The strict unemployment rate hovered around 28% and the broad rate in the vicinity of 40% over the past five years.¹ (Statistics SA, 2006: iii-iv) This means that 4 out of 10 workers in South Africa do not have the opportunity to develop at all through work. In addition, unemployment brings poverty and crime in its wake, adding further to the suffering and social dislocation of society.

There is thus an urgent need for job creation in South Africa on a sufficiently large scale to reduce unemployment levels drastically and rapidly. The government, through ASGISA and JIPSA², has committed itself in 2006 to halving the unemployment level by 2015. Although this does not seem radical enough, it is nonetheless a formidable target that will be very difficult to achieve. That is, the extended unemployment rate should be down to about 20% and the strict unemployment rate down to 13% by 2014.

2. Strategies to Create Employment

This paper identifies six major ways in which employment can be created in significant numbers in order to contribute significantly to the decline of unemployment in South Africa. They are:

1. Macro-economic policy to achieve sustainable economic growth at a rapid enough rate to reduce unemployment levels significantly;
2. Industrial restructuring in order to ensure the competitiveness of the country's major industries in the light of neo-liberal globalization;

¹ According to the strict definition of unemployment an economically active person is unemployed provided she or he has not been working for the past week, wants to work and has actively been looking for work. This is the official ILO definition. The broad definition includes adults who have given up actively looking for work, i.e. it includes discouraged workers in the measure of unemployment.

² ASGISA – Accelerated and Shared Growth Initiative for South Africa; JIPSA – Joint Initiative for Priority Skills Acquisition.

3. Skills development to provide the necessary skilled labour to ensure that the economy is not strangled by a skills shortage;
4. Encouraging the flourishing of the informal economy;
5. Removing redundant regulation in the formal economy for emerging small enterprises; and
6. Public works projects that can simultaneously create employment and provide the infrastructure required for economic development.

The issue of where and how the labour movement can facilitate job-creating economic growth and development will be discussed as and where it can do so most effectively.

3. Macro-Economic Policy to Create Economic and Employment Growth

Since coming to power in 1994, the ANC government has adopted two distinct strategies to achieve a sufficiently high economic growth rate that would reduce the level of unemployment significantly over a decade or so. The first is known as GEAR and the second as ASGISA.

According to Alan Hirsch, the ANC government developed a new macro-economic policy aimed at delivering rapid economic growth once it had gained sufficient confidence about steering the country's economy. (Hirsch, 2005:93-102) The Minister of Finance took on the responsibility, but he did so without properly consulting the Tripartite Alliance partners. As a result the ANC government switched in 1996 to a new and controversial macro-economic policy called the Growth, Employment and Redistribution (GEAR) policy.

The government's aim with GEAR was to seek 'a competitive fast-growing economy which creates sufficient jobs for all workseekers' and 'a redistribution of income and opportunities in favour of the poor'. To this end it developed an 'integrated strategy' which was designed to attain 'a growth rate of 6 per cent per annum and job creation of 400 000 per annum by the year 2000'. (Department of Finance, 1996:1-2) It is generally accepted that a sustained growth rate of 6% per annum over a long period would reduce the level of unemployment significantly.

Although GEAR helped to place many of the macro-economic fundamentals on a sound footing, it failed miserably in its principal objective to achieve a high employment-creating economic growth rate. The state over-achieved on some of its targets: it reduced deficit expenditure on the budget faster than intended and kept inflation at a lower rate than targeted. However, these were achieved by keeping the real bank rate high, therefore making financial borrowing for investment expensive. Hence it discouraged investment and economic growth.

In addition Nattrass (2001:4) argued that it was 'consistent with the warnings of economists across the ideological spectrum that GEAR would reduce demand, and that private investment would follow demand downwards, rather than compensating for it.'

Pieter le Roux (2001:221) concurred with Natrass: ‘The policies government was following after it adopted GEAR were clearly deflationary, and this in all probability undermined investor confidence, rather than strengthened it as the proponents of GEAR claimed it would.’

According to Streak (2004:276) and Natrass (2001:4) formal employment declined every year over the GEAR period. However, their measures are somewhat suspect. A more reliable picture of the employment trend over the period is supplied by Altman (2005:433) She disaggregates changes in formal employment over the period into three components: private non-agricultural sector, commercial agriculture and public sector. The outcome is shown in Table 1.

Table 1. Change in Formal Employment

	1996	1997	1998	1999	2000	1996-2000 Net change
Private Sector (non-agricultrl)	-206 000	-595 000	89 000	320 000	299 000	-93 000
Commrci Agri	-489 467	-171 950	218 258	72 765	-85 882	-456 276
Public Sector	86 000	-16 000	-23 000	-63 000	-7 000	-23 000
Total	-609 467	-782 950	284 258	329 765	206 118	-572 276

Source: Altman, 2005:433, Figure 16.9.

The most important component in Table 1 is the private non-agricultural sector as GEAR targeted it most directly for growth. The trend displayed a significant turn-around from heavy employment contraction to high employment growth. This could signify that the downsizing necessitated by the opening up of the South African economy after 1994 had reached a turning point during this period. Be that as it may, GEAR still fell short of its goal of achieving a 6% per annum growth rate with an annual employment increase of 400 000 by the year 2000.

During the GEAR period unemployment kept on increasing. Table 2 shows that the rate of unemployment (strict definition) increased from 19.3% to 25.8% over the period 1996 to 2000.³ GEAR therefore failed to reduce the mismatch between the supply and demand for labour in South Africa. In fact, the imbalance became worse over the period. According to the Development Policy Research Unit the total number of unemployed people (using the broad definition) went up by 2 million from 3.9 million in 1995 to 5.9 million in 1999. (Poswell, 2002:2)

Table 2 Unemployment trends (percentages)

	1996	1997	1998	1999	2000
Strict definition	19.3	21.0	25.2	23.3	25.8
Broad definition	34.9	38.9	37.5	36.2	35.9

Source: Altman, 2005:425, Table 16.2

³ See footnote 1 above for definitions of strict and broad unemployment.

Employment in the formal non-agricultural economy continued growing consistently after 2000 as Table 3 indicates. It shows that formal employment outside the agricultural sector grew by 1,2 million from 2001 to 2006. The growth rate was sufficient to bring the number of unemployed (strict) down slightly over the same period (Table 3). However, the number of discouraged workers (unemployed workers who had given up looking for work) went up from 2,7 million to 3,7 million from 2001 to 2006. (Statistics SA, 2006:iii)

Table 3 Employment in Formal Economy (non-agricultural) Mar 2001 – Mar 2006

Date	Mar '01	Mar '02	Mar '03	Mar '04	Mar '05	Mar '06
Employment (1000) (non-agricultural)	6 808	7 097	7 228	7 483	7 750	8 059
Unemployed (1000) (strict)	4 413	4 897	5 116	4 415	4 283	4 275

Source: Statistics South Africa, 2006:iii, Fig.2, and x, Table I.

Hence the severe imbalance in the supply and demand for labour still existed in 2006. As a result the ANC government resolved at the 2006 opening of parliament to place particular emphasis on tackling the mismatch between the supply and demand of labour. It intends to deal with the vast surplus of low- and intermediate-skilled people by accelerating the rate of economic growth up to 6 per cent per annum. To this end it has launched the Accelerated and Shared Growth Initiative of South Africa (ASGISA). However, it expects that this accelerated growth will create shortages of highly skilled labour. In order to prevent these shortages from slowing down the economic growth the government has launched the Joint Initiative on Priority Skills Acquisition (JIPSA). (City Press, 2006) At the launch of ASGISA on 27 March 2006 the Deputy President of South Africa, Phumzile Mlambo-Ngcuka, said 'the most fatal constraint to shared growth was the lack of skills.' (Business Report, 2006) The initiative includes using retirees and importing the required skilled labour if necessary in order to ensure that shortages of skills do not impede economic and employment growth. Whether this goal will be achieved or not time alone will tell.

4. Industrial Restructuring and the Motor Industry

Industrial restructuring involves the process of extensive changes in the structures and practices of industrial production of goods and services in order to improve the performance and the competitiveness of the industry. As South Africa re-entered the global economy after political transition it became imperative for South African industries to restructure. The need for restructuring became all the greater as tariff reductions were negotiated globally, first through GATT and then the WTO.⁴ The outcome was written into the Marrakesh agreement in 1994, following the Uruguay Round of negotiations. The core of the agreement 'was a 33% cut in industrial tariffs' and 'a 36% cut in agricultural tariffs' over a period of 5 to 6 years. (Hirsh, 2005:130)

⁴ GATT – General Agreement on Tariffs and Trade; WTO – World Trade Organisation.

However, the South African government tended to lower tariffs even faster and further than it had undertaken.

The aim of the government in using such neo-liberal policies was to force South African manufacturers to drive down their cost of production to competitive international levels. However, some of the tariff reductions were insensitive and ill-considered and had devastating effects on certain industries. Instead of giving them sufficient time and support to become internationally competitive, the government exposed them to brutal international competition, especially from East, South-East and South Asia. The South African shoe industry collapsed down to one-third of its previous labour force and the textile and clothing industries had to shed tens of thousands of jobs in the face of cheap imports.

The one industry that has managed to stand its ground against international competition – and even strengthen its position – has been the motor vehicle industry. There are a number of reasons for the success of the industry. The most important are, firstly, that the motor industry in South Africa is a globalised industry. All the vehicles that are produced in South Africa belong to one or other multi-national corporation (MNC). This has created two advantages for South African producers: firstly, the South African plants fit into the MNCs' corporate strategies. These strategies included the export of many vehicles and motor components manufactured in South Africa to a wide range of countries all over the world. Secondly, the MNCs invested millions of Rand in the upgrading of South African plants in order to make them world class.

The other important reason is the strategy that the dominant trade union in the motor industry, the National Union of Metalworkers of South Africa (NUMSA), adopted towards the industry from the late 1980s onwards. The policy can best be described as strategic unionism by which is meant a critical yet constructive engagement with the industry. The engagement entailed a strategic engagement whereby the union would commit itself to enhance the quality and output of production in return for workers receiving training, the opportunity to advance their careers, and non-discriminatory and improved wages linked to the skill level and grade of the worker.

As this entails the core argument of the role trade unions can play in industrial development, the action taken by NUMSA and the outcome is considered below in detail.

4.1 NUMSA's shift towards Strategic Unionism

NUMSA was founded in 1987 as a result of mergers between unions in the metal, automobile assembly, and motor components manufacturers. It was a large union with 131 000 members. (Forrest, 2005:134) During the 1980s the unions had experienced extensive retrenchments of their members. The unions thought that a new strategy was required to stop the haemorrhaging of its members. It also realised towards the late 1980s that a 'new democratic dispensation' could dawn on South Africa and wanted to move 'from resistance to reconstruction' in order to 'restructure the faltering economy'. (Forrest, 2005:315 and 316) The union leadership 'desired to engage employers in

fruitful and creative discussions around restructuring the industry’, but their rank and file members were not ready for it as they were still fighting bitter struggles for improved wages. (Forrest, 2005:341)

In 1988 NUMSA had established Research Development Groups (RDGs) that could assist in the task of restructuring the South African economy. (Forrest, 2005:366) The RDGs covered a range of topics including housing, health, political economy and industrial restructuring. (Forrest, 2005:370-371) The union was fortunate to have a number of superb intellectuals and the union ‘consciously sought to integrate research, education and organisation’. In spite of that, the intellectuals some times went too far ahead of the rank and file who were left behind. (Forrest, 2005:372)

4.2 Union Initiatives in Motor Assembly

After the merger in 1987 NUMSA continued to operate in three distinct areas: metals, motor assembly, and motor components and services. It was particularly in motor assembly that NUMSA made its most telling interventions and contributed towards the restructuring of the industry. But the contributions were not made without a struggle. In 1989 ‘the union fought for and won industry-wide centralised bargaining in the National Bargaining Forum.’⁵ (Bethlehem and von Holdt, 1991:26). All but one of the eight motor assembly corporations were party to the NBF. Hence the union established centralised bargaining in motor assembly.

In August 1991, during a 13 day strike, employers and the unions managed to craft a new agreement. They agreed to set up an Industry Education and Training Board which was to be jointly controlled by employers and the unions, but funded by the employers. Training was to be standardised and recognised across the industry so that skills could be “portable” and provide workers with career paths within the industry. (Bethlehem & von Holdt, 1991:25-6; von Holdt, 1995:34) Hence the Automobile Manufacturing Industry Education and Training Board (AMIETB) was established.

The 1991 settlement included a moratorium on retrenchments for a year and the union effectively agreed to control unprocedural action in the plants so that production targets could be achieved. It was hailed by an employer as a breakthrough that signalled “‘a form of co-determination and co-operation between employers and workers in the industry.’” (Brian Smith from VW, as quoted in Bethlehem & von Holdt, 1991:26) ‘The major new element was that the employers agreed to a moratorium on retrenchment, while the union agreed in effect to control unprocedural action in the plants.’ (Bethlehem & von Holdt, 1991:27)

Almost four years later, at the end of June 1995, a remarkable ‘post-apartheid’ agreement was signed between NUMSA and the Automobile Manufacturing Employers’ Association, the AMEA. It was a three-year agreement that put in place ‘virtually the entire union-designed package of pay, skill, training’ and workplace restructuring policies. (von Holdt, 1995:33) It was agreed to reduce the number of grades from

⁵ see *SA Labour Bulletin* Vol 14 No 3, p.11

labourer to artisan to five, and to close differentials between grades to 10% so that the labourers' wage would be equal to 60% of the artisan rate. (von Holdt, 1995:33)

4.3 State Initiative to deal with Structural Problems of the SA Motor Industry

While NUMSA was implementing its policy of reconstruction in automobile assembly another restructuring process was launched by the state. It was a tripartite process that involved the whole motor industry and its stakeholders. In order to see why the state launched the process it is necessary to understand the structural problems the motor industry was facing at the time.

The SA motor industry has a relatively low annual output, a large number of assemblers that produce a wide range of models. During the mid-1980s there were eight motor assembly companies producing about 40 models of passenger and light commercial vehicles for a South African market of around 300 000 vehicles per year. The average number of vehicles produced per model was therefore 7500 per year which is small compared to 195000 in Europe and USA and 100 000 in Japan. This fragmentation raises costs by adding to complexity and shortening production runs. (Black, 1995:2) The problem with such small runs is that the industry could not make effective use of economies of scale, particularly in the component sector. (Black, 1995:1-2)

Another structural problem that faced the motor industry was that it had a chronic balance of trade deficit. Year after year it imported far more vehicles and motor components than it exported. Especially vehicle exports was extremely low up to 1996. (Black, 2001: Fig.2, and Fig.4)

The motor industry landed in this situation mainly due to high tariffs that provided a protected market. This enabled many motor companies to set themselves up fairly easily and obtain a share of the market in what they hope would eventually be a large African market. The industry however became a net foreign exchange loser as cars were assembled mainly from imported components and exports remained low. In order to try to overcome these problems the government introduced a local content programme requiring local car assemblers to have an increasing proportion of local content in the vehicles they assemble. At first the local content was measured by weight (mass), but in phase 6 of the programme (introduced in 1989) local content was measured by value rather than mass. This however did not address the problem of the proliferation of vehicle models. (Black, 1998:6)

In the early 1990s the General Agreement on Trade and Tariffs (GATT) was being renegotiated on a global scale (the Uruguay Round). In keeping with neo-liberal trends tariffs were being lowered globally by countries accounting for 90% of the world's trade. South Africa ended up proposing a lowering of tariffs. This was to have a major impact on South Africa's manufacturing industry.

4.4 The Motor Industry Task Group (MITG) and Motor Industry Development Programme (MIDP)

In order to deal with these problems the government appointed a Motor Industry Task Group (MITG) in October 1992 to examine the existing policy and to make recommendations on how the industry could achieve certain goals. The MITG was a trilateral body which consisted of the major stakeholders in the industry: employers' associations of motor assemblers and component manufacturers, organised labour, the state, as well as distributors and consumers. (Black, 1995:2) It put forward its recommendations in March 1994 which focussed on tariff reductions and a system of incentives and penalties 'which would encourage assemblers to produce higher volumes of a narrower range of models'. (Black, 1995:2) The incentives consisted of duty free allowances on imported components if assemblers achieved certain volumes of production. The proposals were strongly supported by the component suppliers where economies of scale are greater than for assembly, but the assemblers felt seriously threatened for some reason. 'Furious lobbying followed.' (Black, 1995:2)

The eventual outcome was the Motor Industry Development Programme (MIDP) formulated by the government in 1995. The main elements of the MIDP were the following:

- There was no longer a minimum local content requirement.
- The local content system had been changed to a tariff driven programme.
- Tariffs on light vehicles were being phased down from its peak of 115% to 40% for light vehicles and to 30% for components by 2002.
- Manufacturers of light vehicles were entitled to a duty free allowance (27% of the wholesale value of the vehicle) for the importation of original equipment components.
- Import duty on components and vehicles could be offset by import rebate credits derived from the export of vehicles and components. (Black, 1998:6-7)

Tariffs had already been reduced in August 1994 from 115% to 80% in the middle of an industrial strike. A year later it was reduced from 80% to 65% with a planned phase down to 40% by 2002.

4.5 Interaction between NUMSA's Restructuring and Training Drive and the MITG

In the meanwhile the motor assembly firms were finding it extremely difficult to implement the workplace regrading and skills training that had been negotiated with NUMSA in 1995. The need for a unified system of training that would ensure worker portability confounded employers as each company was used to providing its own system of training. At that stage the companies lacked both the ability and the willpower to resolve the impasse. (Hirschsohn, 1998:50-51)

The solution was provided by the Motor Industry Task Group. After a visit overseas to Australia, Germany and England to investigate the motor industry restructuring processes the Task Group decided to invite Australian employers and trade unionists to South

Africa to indicate how they had dealt with similar problems. The visit by the Australian delegation helped to resolve the deadlock by demonstrating the trust and cooperation between employers and unionists. Their detailed training manuals also provided the AMIETB with a template that could be adapted to the South African situation. 'The exposure to the Australian experience enabled AMIETB to develop the new training system within a very short time frame.' (Hirschsohn, 1998:53)

4.6 Impact of the MIDP

The most successful aspect since the introduction of the MIDP in 1995 has been the growth in exports of motor components as well as extensive investments by MNCs in the car industry in order to export particular models or engines from South Africa as part of their global strategies. The German-based firms - BMW, VW and Daimler Chrysler (Mercedes Benz) – were the pioneering firms, but Toyota has started following suit. BMW cut down on the range of models it produced in South Africa. In 2000 it produced only the 3 Series E46 in South Africa. In the same year production reached 42 000 units with 70% of output exported to markets in the UK, USA, Australia and Japan. Volkswagen (South Africa) received a large contract to export 60 000 Golf 4 vehicles a year to Europe. Daimler Chrysler modernised its outdated plant in East London and started exporting C Class Mercedes vehicles to Australia and some Asian countries. (Black, 2001:15)

Toyota did not delay too long. In 2002 it announced a R3.5 billion investment programme over 5 years in its Durban plant in order to more than double its production. (Business Report, 2002) The company aimed to sell 150 000 vehicles in the domestic market and to export 100 000 vehicles annually by 2010. (Business Report, 2005)

Capital expenditure on new vehicle manufacturing witnessed a strong increase from 2000 to 2006. It increased from R1.3 billion in 2000, to R2.0 billion in 2003, to no less than R5.1 billion in 2006. (NAAMSA, 2007) This demonstrated strong confidence in the future of the motor industry in South Africa.

Exports of motor components had also shown remarkable increases for certain products since 1995. Most outstanding has been the performance of catalytic converters. The value of its exports from 1995 to 2004 went up sixteen-fold from R388 million to R6 371 million.⁶ (Black, 2001:19 and NAACAM 2007) Other high-performing component exports have been stitched leather covers, tyres, silencers/exhaust pipes, and engine parts.

In spite of these impressive performances the trade balance of the motor industry has not managed to improve its balance of payments. At first glance it appears to have been very successful. Exports increased almost twentyfold over the decade from 1988 to 1997 (R315 million to R6194 million). (Black 1998:10)

However, the overall trade deficit has widened dramatically from under R5 billion in 1992, to R14 billion in 1996, to almost R28 billion in 2005. (Black 1998:9; Financial

⁶ As measured in constant Rand at 2000 prices.

Mail, 2006:44) The opening up of the economy and the phasing down of tariffs have led to an increased level of vehicle imports from 2% of the market in 1990 to 13% in 1997. (Black 1998:8) By 2006 half of new vehicle sales were imports. (Financial Mail, 2006:44) The growing trade deficit has been due to three main factors. The first is the lowering of import tariffs; the second has been the strengthening of the Rand that made imports cheaper. The third, and apparently the most important reason, has been the MIDP that ‘allows vehicle manufacturers to convert export earnings into import-duty rebates.’ (Financial Mail, 2006:44)

Finally, in terms of preserving or creating jobs, the motor industry managed to restore employment levels in 2006 back to its 1988 levels. In 1988 employment in the assembly industry was 35 000 and in the component industry it was 60 000. (Damoense and Simon, 2004:261) In 2006 the industry managed to employ exactly the same number of people after the industry suffered a steady decline in employment from 1988 to 2000. (Damoense and Simon, 2004:262, Fig.3, and NAACAM, 2007)

The motor industry has therefore not been an unqualified success since the union and the MIDP imposed restructuring on the industry. Its trade deficit is a matter of great concern, but it has at least managed to maintain its employment levels. The industry has therefore not created additional employment, but unlike other manufacturing industries, it has not been decreased in size or decimated like the shoe industry.

5. Skills Shortages and Bottlenecks in South Africa

The emphasis placed by NUMSA on skills training in the motor industry was well founded. This is because there is an endemic shortage of skills in the South Africa economy that appears to have a detrimental effect on job creation in the country.

There has been a severe imbalance in the South African labour market for a very long time. It manifests itself in two ways. Firstly, there is an enormous over-supply of unskilled and semi-skilled labour in South Africa. Out of a labour force of 16.8 million in September 2005 no less than 4.5 million (27%) were unemployed according to the strict definition.⁷ (Statistics South Africa, 2005:iii) Thus the great majority of unemployed people are in the lower skills level. (McCord and Borat, 2003:127-28)

The second major imbalance in the South African labour market is that there is a shortage of skilled labour in South Africa in particular sectors and professions. Woolard et al (2003:470-472) found that South Africa would, in future, experience shortages of highly skilled information technology professionals, natural sciences technologists and technicians due to ‘a legacy of inadequate attention to mathematics and science education’, electronic chemical and industrial engineers, teachers and academics.

Kraak (2003:670-672) is adamant that South Africa was not experiencing a “skills crisis” ‘in terms of a severe shortage of high skills in key professions.’ However, from time to time there are sudden announcements that South Africa is in dire need of large numbers

⁷ No less than 7.8 million adults wanting to work were unemployed in 2005.

of experts in this or that occupation and industry. For instance, in December 2005 Alec Erwin, Minister of Public Enterprises announced that the public electricity generation corporation, Eskom, had to recruit 400 engineers mainly to assist it with its expansion programme building new power stations. There is thus a mismatch between the supply and demand for labour in South Africa with an enormous excess of unskilled and semi-skilled labour combined with shortages of skilled labour. At times these shortages are acute and critical.

The Commission of Enquiry into Labour Legislation (Wiehahn Commission), did an extensive survey on skills shortages in South Africa. They found a number of occupations for which the vacancy ratio⁸ did not fall below 6% for any year between 1969 and 1977. The Commission commented that their research revealed ‘persistent shortages in a number of important occupations during the years 1969 to 1977, despite a decline in economic activity.’ (Wiehahn Commission, 1980:12)

The economy slowed down quite drastically during the 1980s, but in spite thereof, shortages still persisted in certain skilled occupations. There were a number of occupations between the years 1988 to 1995 for which vacancies either increased to more than 700 or the vacancy ratio rose above 16% in more than one year. The occupations included apprentices in the leather trade, apprentice shop fitters, electricians, radiotricians, engineers and technicians in agriculture, technical assistants, operators in metal products machinery and transport equipment, heavy vehicle truck drivers, and factory inspectors. (Central Statistical Services, 1988 to 1995).

More recently, a 2006 National Scarce Skills List aligned with ASGISA has been compiled. It lists scarcities in no less than 54 generic occupations containing 195 specialisations ranging across managers, professionals, technicians and skilled trades workers.⁹

It seems reasonable to conclude that the shortage of skilled workers across such a wide range of skills would act as bottlenecks on the growth of the economy, and hence of job creation.

6. Encouraging the Informal Economy in South Africa

The informal economy in South Africa is remarkably small – not only in comparison to countries in the rest of Sub-Saharan Africa, but also in relation to the high levels of unemployment in South Africa.

⁸ The vacancy ratio consists of vacant posts as a percentage of all posts for a particular occupation.

⁹ See www.labour.gov.za/useful_docs/doc_display.jsp?id=11696

Table 4 presents an overview of trends in formal and informal employment from 1997 to 2006. Informal employment displays considerable growth over the nine year period by almost doubling from 1.16 million in 1997 to 2.19 million in 2006. However, as a proportion of the total labour force (including the unemployed) it remained relatively small, only increasing from 9.8% to 13.1% of the (strictly defined) labour force over the period 1997 to 2006.

Table 4 Formal and Informal Employment in South Africa: 1997-2006

Employment (000s, rounded to nearest 1000)									
	OHS 1997	OHS 1999	LFS 2000	LFS 2001	LFS 2002	LFS 2003	LFS 2004	LFS 2005	LFS 2006
Formal excluding agriclt & domstc	6839	7003	6777	6808	7097	7228	7483	7750	8059
Informal excluding agriclt & domstc	1161	1604	1831	1847	1824	1830	1766	2071	2190
Informal as % of strict lab force	9.8	11.4	11.5	11.9	11.0	11.1	11.2	12.8	13.1

Source up to 2000: Casale, Muller and Posel, 2005:4,9, Tables 1 and 2. The Tables are based on Statistics South Africa's October Household Survey (OHS) and Labour Force Surveys (LFS).

Source from 2001 on for formal employment and from 2002 on for informal employment: Labour Force Survey, 2006:x, Table 1.

It is important to note that informal employment in South Africa is much less significant than informal employment in the rest of Sub-Saharan Africa. According to one estimate no less than 75% of non-agricultural employment in Sub-Saharan countries (excluding South Africa) was in the informal economy in 1997. By way of comparison, the employment rate in the informal economy as a share of total non-agricultural employment was 57% in Latin America and 63% in Asia. (Kingdon and Knight, 2004:392, Table 1)

In order to grow the informal economy obstacles standing in the way of its growth need to be removed and resources need to be made available to facilitate its expansion. There is considerable writing that identifies some concrete obstacles and facilities. Rogerson (1996:23, 30-31) argues that there must be improved loan facilities to informal enterprises complemented by training in managerial skills, provision of infrastructure and access to wider markets. Informal enterprises need to gain access to central viable business locations and there should be public investment in conveniently situated market facilities. In addition he argues that local authorities must meet the needs of female entrepreneurs through the provision of child-care facilities and protection of women against violence and crime. He also makes the point that policy-makers should have a 'sensitive and flexible approach aimed at multiple policy formulation' in view of the 'highly diverse nature' of the informal economy. (Rogerson, 1996:29)

7. Remove Obstacles to Start-up Enterprises in the Formal Economy

But it is not only the informal economy that requires to grow. Start-up enterprises in the formal economy are another very important source of employment creation. This points to what may be one of the most fundamental requirements for employment growth and economic development, not only in South Africa, but in the whole of Sub-Saharan Africa, namely the removal of unnecessary restrictions on starting formal enterprises. A study by the World Bank and others, *Doing Business in 2005*, has argued that 'red tape is one of the chief obstacles to growth in almost all poor countries'. (Economist, 2004:77) The relevance of this to Sub-Saharan Africa is underlined by the fact that, of the 20 poor countries where the most difficult business conditions exist, no less than four-fifths are located in Sub-Saharan Africa. (World Bank et al, 2005:2)

Doing Business in 2005 argues that enticing enterprises into the formal economy has two economic benefits. First, because formally registered enterprises have less need to hide from government inspectors and the police, they grow to more efficient sizes. Second, formally registered enterprises pay taxes thereby increasing the tax base for government revenues and reducing the statutory tax rates on companies. (World Bank et al, 2005:23-24)

In a survey spanning 145 countries *Doing Business in 2005* found that businesses in poor countries faced much larger regulatory burdens than those in rich countries. On average they faced three times the administrative costs, and nearly twice as many bureaucratic procedures and delays. (World Bank et al, 2005:3) African countries tended to be amongst the worst performers. For instance, in Australia and Canada it required only two procedures to start a business: notification of existence, and registration for tax and social security. In contrast to this, in two of the most regulated countries, Uganda and Chad, starting a new business required 17 and 19 procedures respectively. Business start-up took only 2 days in Australia, but in Sub-Saharan Africa it took 63 days on average. In Mozambique it took 153 days and in the Democratic Republic of Congo 155 days. (World Bank et al, 2005:19)

A very effective way of assisting job creation would thus be to make it much easier for informal businesses to become formal. The benefits are wide-ranging and it removes obstacles that facilitate faster economic growth.

8. Public Works

But not everybody has the enterprise, initiative or resources to start up small businesses. This points to the final way in which jobs can be created that is considered in this paper, namely public works. Public works, if used imaginatively and effectively, have the capacity to create an immense number of jobs.

One of the best examples of public works that really created employment is the New Deal of President Franklin Roosevelt during the 1930s in the United States of America. Roosevelt implemented a range of diverse policies to restore confidence in the American banking system, to provide social security, to boost agricultural production, and to create jobs. Among the largest job creation project were the following.

The Civil Works Administration was a public work programme that gave the unemployed jobs building or repairing roads, parks, airports, and so on. It provided work for 4 million workers. The Civilian Conservation Corps was an environmental programme that put 2.5 million unmarried men to work maintaining and restoring forests, beaches, and parks. 'Workers earned only \$1 a day but received free board and job training.' The Works Progress Administration was an agency that provided work for 8 million Americans from 1935 to 1943. It constructed or repaired schools, hospitals, airfields, and so on.¹⁰

Unfortunately, public works in South Africa has not been implemented with the same degree of imagination or verve. The Community Based Public Works Programme (CBPWP) has been considered to be 'the primary national mechanism for job creation'. (McCord, 2003:9) Table 5 below indicates its achievements over the period 1996/97 to 2001/02.

Table 5 Employment generated by the CBPWP 1996/97 – 2001/02

<i>Year</i>	<i>Total number of jobs created</i>	<i>Total number of sustainable jobs created</i>	<i>Total number of workdays created (million)</i>	<i>Workdays created as % of total official (strict) unemployment</i>
96/97	n.a.	n.a.	1.4	0.24
97/98	13 000	n.a.	1.6	0.24
98/99	29 194	4 154	4.0	0.48
99/00	15 665	352	1,9	0.23
00/01	33 505	918	4.4	0.41
01/02	25 124	527	3.1	0.26

Source: McCord, 2003:10 and 12, Tables 1 and 3.

The Table shows that the CBPWP created between 13 000 and 34 000 jobs annually, but only a very small proportion of these were sustainable. In addition, the total number of workdays created was an extremely small proportion of the total unemployment in existence. It ranged from about one quarter to one half of a percentage point of total unemployment over the period.

Although CBPWP is not the only public works programme, it provides an indication of the very limited scale on which the public works programme in South Africa is being

¹⁰ <http://www.bergen.org/AAST/Project/depression/pp-1-3>

implemented. It has hardly had any impact on the level of unemployment – a far cry from the bold and imaginative New Deal of President Roosevelt.

9. Conclusion

This paper has argued that employment creation is one of the key ways in which trade unions could contribute towards economic, social and human development in South Africa. It then proceeded to consider six ways in which employment creation could be achieved. These are macro-economic growth, industrial restructuring, skills development, facilitating the informal economy, removing unnecessary constraints on small enterprises to become formal, and public works.

Out of these six employment creation strategies the role that trade unions could and did play in two of them were highlighted. This was done by means of a case study, namely the role that NUMSA played in workplace restructuring and skills training in the motor industry from the late 1980s onwards. The role was constructive, critical and even combative at times. It was one that empowered the union and workers to play meaningful roles within their enterprises and in the industry. It can be characterised as strategic unionism in which the union, along with management, ensures the sustainability of the industry.

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