

NATIONAL COUNCIL OF PROVINCES

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 270 [CW333E]

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Mr B L Mashile (ANC-Mpumalanga) to ask the Minister of Finance:

- (1) How does the unemployment rate in racial terms as released by Statistics South Africa compare since 2004 up to the latest specified date for which information is available;
- (2) whether there is any importance in the balance among racial groups; if not, what is the position in this regard; if so, (a) which racial groups continues to experience high levels of unemployment and (b) what is the Government doing to rectify the situation;

CW333E

REPLY:

(1) Latest data from Statistics South Africa's Quarterly Labour Force Survey shows that current unemployment rates by population group in the second quarter of 2011 are broadly similar to those from 2004. Overall, the unemployment rate was 25.7 per cent in the second quarter of this year compared with an average of 24.7 per cent in 2004.

(2.a) The unemployment rate for the Black/African population group was 30 per cent in June 2011 compared with 29.1 per cent in 2004. For Coloureds it was 23.1 per cent (22 per cent in 2004), Indian/Asians 10.8 per cent (14.3 per cent), and for Whites it was

4.9 per cent (5.4 per cent). A summary of unemployment rates by population group for the period 2004-2011 is provided below.

Unemployment rates by population group (per cent)

	2004	2005	2006	2007	2008	2009	2010	2011Q2
Overall	24.7	23.8	22.6	22.3	22.8	23.9	24.9	25.7
Black/African	29.1	27.7	26.3	25.8	27.0	28.1	29.2	30.0
Coloured	22.0	22.1	20.7	22.4	18.9	20.2	22.0	23.1
Indian/Asian	14.3	15.4	9.4	10.1	12.0	12.0	9.1	10.8
White	5.4	5.4	5.0	4.3	4.3	4.7	5.8	4.9

Source: Statistics South Africa

Comparing unemployment rates in 2004 with their current rates mask considerable dynamics in the labour market over the last seven years. The period can be broadly divided into two periods – the pre-crisis period (2004-2008) when the economy grew strongly, created 1.8 million jobs and unemployment fell, and the crisis and post-crisis period (2009 to present) during which times employment fell and unemployment rates have been rising.

During the pre-crisis period 2004-2008, as economic growth averaged 5 per cent per year, the economy achieved relatively fast job creation. Job creation was concentrated among the Black/African population group for whom employment increased by about 1.5 million facilitating a decline in the unemployment rate of 3.1 percentage points. The fall in the unemployment rate is lower than perhaps expected as a result of an rising labour force participation rate. Unemployment rates fell for all population groups over this period, declining by 3.1 percentage points for Coloureds, 2.3 percentage points for Indian/Asians, and by 0.9 percentage points for Whites.

Since 2008, the global economic crisis and domestic recession has had a significant impact on the South African labour market. Total employment is 900 000 below its peak in 2008 and this has contributed to a rise in unemployment rates over the past 2½ years.

There are half a million fewer Black/Africans working, 144 000 fewer Coloureds and 119 000 fewer Whites. Employment levels among Indians have actually increased over this period.

A table summarising employment by population group for the period 2004-2011 is shown below.

Employment by population group (thousands)

	2004	2005	2006	2007	2008	2009	2010	2011Q2
Overall	12 043	12 769	13 420	13 467	13 867	13 455	13 061	13 125
Black/African	8 160	8 839	9 426	9 490	9 719	9 365	9 054	9 215
Coloured	1 427	1 460	1 517	1 508	1 546	1 542	1 496	1 402
Indian/Asian	409	430	453	445	472	461	502	497
White	2 047	2 040	2 024	2 024	2 130	2 088	2 009	2 011

Source: Statistics South Africa

(2.b) Government's contribution to job creation operates on two levels. First, economic policies promote an environment that is conducive to private sector growth and investment, including appropriate regulation and microeconomic reform. Second, government makes a direct contribution through public-sector hiring and targeted job-creation programmes.

High levels of unemployment in South Africa reflect both demand- and supply-side constraints in the labour market. As a result, Government needs to provide a multi-faceted set of interventions that boost productivity, develop skills and competencies, and support jobseekers. These interventions do not adopt a race-based approach, but in targeting the unemployed, it will be the Black/African population group who benefit most from these policies.

At the time of Budget 2011, Government announced that R150 billion was allocated over the Medium Term Expenditure Framework (MTEF) to improve skills development

and accelerate job creation. Approximately half of this funding (R73 billion) was for the Expanded Public Works Programme (EPWP), which accounts for 2.2 per cent of total government expenditure over the MTEF. The EPWP has created more than a million short-term jobs since the beginning of its second phase in April 2009 and targets the creation of 800 000 short-term jobs (average duration of 104 days) in 201/12.

In addition, Cabinet has recently announced to upscale the Community Works Programme to a million participants in 2013/14 as part of the drive for short-term job creation.

To improve job matching, the Department of Labour has undertaken to extend the services offered at labour centres including the registration of job seekers and placement opportunities, matching services, referrals to training and career information.

The National Skills Fund and Sector Education and Training Authorities (SETAs) will receive an estimated R5.8 billion and R23.1 billion respectively over the next three years to support skills development, while Further Education and Training colleges were allocated R14 billion to improve the competencies of those leaving further education. Investment in labour intensive industries is being supported through R20 billion in the form of tax incentives to the manufacturing sector.

In addition to these interventions, two targeted job creation initiatives were announced at the time of the Budget 2011. These were the Jobs Fund (R9 billion) and the Youth Employment Incentive (R5 billion). The Jobs Fund aims to co-finance public and private sector projects that will significantly contribute to job creation and operates on challenge fund principles across four funding windows – enterprise development, infrastructure investment, support for work seekers, and institutional capacity building. The Youth Employment Incentive is a cost-sharing mechanism between Government

and the private sector to lower the initial cost of hiring (without affecting the wages the worker receives) for less skilled and inexperienced youths and therefore to accelerate job creation for young people. However, this proposal is under discussion in NEDLAC and government.

In context of the New Growth Path, there are a number of initiatives in agriculture, green economy and the Industrial Policy Action Plan, amongst others.