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RISING UNEMPLOYMENT RATE IN THE SOUTH AFRICAN ECONOMY CALLS FOR MORE INNOVATIVE SOLUTIONS FOR JOB CREATION AND RETENTION INITIATIVES, SAYS CHIEF ECONOMIST OF DCG.

JOHANNESBURG, 30th NOVEMBER 2021 – The Don Consultancy Group (DCG) Chief Economist Mr Chifi Mhango says the Quarterly Labour Force Survey (QLFS) data released today by Statistics South Africa (StatsSA) reflects rising unemployment rate in the South African economy which calls for more innovative solutions for job creation and retention initiatives, especially when the decline is across all major sectors of the economy.

South Africa's unemployment data as released by Statistics South Africa today reflects an increase in unemployment rate from 34.4% in the second quarter to 34.9% in the third quarter of 2021. During the same period, employment decreased by 660 000 in the third quarter of 2021 following a decrease of 54 000 in the previous quarter, and this is the fourth decrease in employment since the Covid-19 national lockdown. The number of employed persons decreased in all industries with the exception of finance where employment increased by 138 000. The largest decrease in employment was recorded in Trade (309 000), followed by Community and social services (210 000), Construction and Private households (65 000 each).

DCG Chief Economist Mr Chifi Mhango said: “The South African Government launched Economic Recovery Plans in April 2020 and October 2020, with the later taking an infrastructural led economic recovery approach to stimulate economic growth in a Covid-19 lockdown environment. However, Quarterly Labour Force Survey (QLFS) data suggests that there is still a challenge, hence a follow-up on the job creation and retention initiatives is required.”

“Jobs are created and sustained through investment in an economy, and this can be new investment, expanding on existing investment and sustaining current investment. To have that in an economy, the environment has to be conducive, hence Government playing the critical role.” said Mr Mhango

Mr Mhango elaborated that: “Unemployment level in South African economy is relatively high compared to most economies; and the damage on the economy from the July 2021 unrest, electricity load-shedding and industrial strikes coupled with challenges of rising costs of production attributed to logistical and energy costs; exert more pressure on South African Government’s job creation and retention initiatives.”

“It is deeply concerning that key sectors of the South African such as manufacturing, construction and the mining sector are not creating the much needed jobs despite Government incentives and supporting policy environment. This is clearly demonstrating that more innovative solutions are required to not only create jobs but also a longer term job retention approach. The rising costs of doing business in the South African economy from the energy and logistical perspective are also derailing both the creation and retention of jobs, as it is discouraging investment. The imposed travel ban on South Africa by key nations of tourism importance due to Omicron Coronavirus adds a further damage to the economy.” Mr Mhango added

Mr Mhango further said that: “To stimulate job creation and retention, South African should among other initiatives, embark on increasing its fixed investment share to GDP from the current low levels of below 20%, diversify its export basket towards value added products, expand the market footprint for its value added products across the African continent and beyond, sort out the energy supply and costs, deal with logistical costs and its railway inefficiencies, as well as diverting its energies from policy drafting to implementation at a faster pace.”

In advanced economies such as the USA, unemployment rate fell to 4.6% in October 2021, the lowest since March 2020 thus according to Bureau of Statistics. The labour market continued to gradually recover from the Covid-19 pandemic hit, helped by a surge in demand for labour, record levels of job openings, the expiration of enhanced unemployment benefits and the subsiding summer wave of COVID-19 infections. The number of unemployed people declined by 255 000 to 7.4 million in October, while employment levels rose by 359 000 to 154.0 million. Still, the unemployment rate remained well above the pre-crisis level of about 3.5%, amid reports of persistent worker shortages.

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In the Euro Area, seasonally-adjusted unemployment rate from EuroStat shows an edge down to 7.4% in September 2021, the lowest level since April 2020. The number of unemployed decreased further by 255 000 to 12.1 million, amid higher demand for labour following the easing of COVID restrictions. Amongst the largest Euro Area economies, the highest unemployment rates were recorded in Spain (14.6%), Italy (9.2%) and France (7.7%), while the lowest rates were recorded in the Netherlands (3.1%) and Germany (3.4%).

In China, data from National Bureau of Statistics shows unemployment at 4.9% in October 2021, unchanged from the previous month, which was the lowest level since December 2018. In the first ten months of the 2021, 11.33 million new jobs were created in cities and towns across the country, completing the annual target set of 11 million, ahead of schedule.

"In job creation and retention initiatives, most developed economies took both monetary and fiscal policy approaches that included reduced interest rates and tax incentives for employment retention as well as creation, lending and financial support to the most affected sectors of the economy, among others, to reduce the negative impact of Covid-19 lockdowns and in an environment of rising energy costs and reduced demand. However, the recent surge in Covid-19 cases globally with the Omicron Coronavirus mutation may undermine the efforts towards a sustained global economic recovery and job creation efforts." Mr Mhango concluded.

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