

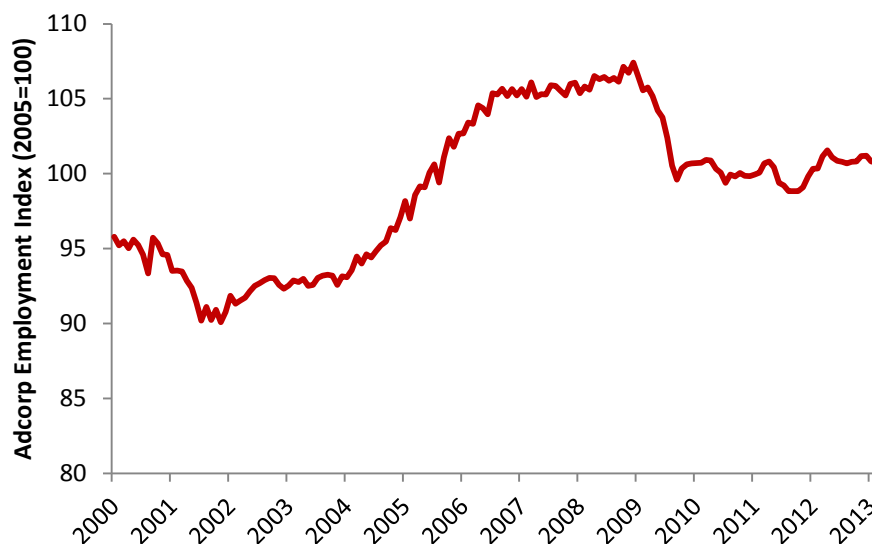
## Adcorp Employment Index, March 2013

Release date: Wednesday, 10 April 2013

### Salient features

- Employment fell sharply in March 2013, declining at an annualized rate of 2.1%. The economy shed 33,202 jobs during the month, mostly in the permanent, full-time work sector.
- The informal sector created 6,610 jobs during the month, whereas employment in the formal sector fell by 39,812.
- Job losses were focused in the retail and wholesale trade and manufacturing sectors, which lost 9,000 and 8,000 jobs respectively. These job losses were largely offset by job creation in the government sector. Government employment remained strong, with 4,000 jobs created during the month.
- For the first time in 15 years, the economy shed high-skilled jobs (12,000 during the month). The economy also shed low-skilled jobs (16,000 during the month). Mid-level skilled jobs were flat during the month.
- This month we take a closer look at South Africa's national skills development programme.

### Adcorp Employment Index



Source: Adcorp (2013)

## **Analysis: South Africa's national skills development programme**

South Africa's national skills development programme is at a crisis point. In 2012 there were more than 829,000 unfilled vacancies for skilled people in the private sector. Due to restrictive immigration laws, South Africa has no practical means of supplementing the limited availability of skills in the short term, which has a significant negative impact on the country's economic growth potential. Yet, at the same time that the private sector is beset by vacancies, the country possesses 580,000 unemployed graduates. These graduates, largely trained in the arts, humanities and social sciences, do not possess the financial, accounting and management qualifications that are in demand in the workplace. Clearly the tertiary education system (universities, former technikons, Further Education and Training colleges, and the like) do not interface with the nature and composition of the country's skills shortages.

It is natural to ask why this is so. The boldest official attempt to date to resolve the country's urgent skills shortage was contained in the National Skills Development framework initiated in the mid-1990s. Using a combination of payroll taxes and general budgetary appropriations, the National Skills Fund has, in 2013, failed to spend R6.5 billion of the contributions collected for skills development. There is now a significant political movement underway to sideline South Africa's 27 Sector Education and Training Authorities (SETAs) and divert funds to the country's 50 Further Education and Training (FET) colleges. Both institutions have been remarkable failures. The SETAs, at least, were based on a realistic philosophy of individual sectors having sector-specific training requirements, and of on-the-job training being the primary mode of relevant workplace learning. The FET colleges possess none of these advantages, yet they are fast-becoming the primary mode of skills development.

It is important to realize that all of these initiatives, and any others, will fail – and we predict that the strategy will stumble from one failed skills development initiative to another, for two main reasons. Firstly, no central bureaucratic authority possesses the fine-grained information needed about South Africa's 5.6 million business enterprises and 19.4 million workers to make better, or better-informed, decisions about their skills development goals than the firms and workers themselves. This naïve kind of central planning has been shown to be a failure in most initiatives at almost all times around the world. Certainly, in South Africa, it makes no sense to tax private sector employers, put those taxes in a central fund, not pay the funds out, and then expect skills development to occur.

Second, there is a political subtext to the "skills shortage" phenomenon that is not drawn attention to sufficiently or frequently. When it comes down to it, two things are needed to boost employment in South Africa: stimulating the economy, and relaxing labour laws and regulations. Our modelling suggests that, at an economic growth rate of 4%, the South African economy will absorb all new entrants into the labour market each year; and at an economic growth rate of 8%, the economy will reduce official unemployment to single digits by 2017. With a targeted relaxation of labour laws and regulations – related simply to dismissal protections and collective bargaining – all those who are willing to work will find it in the formal sector. Yet these prescriptions are politically unpalatable. So long as the tri-partite alliance exists, any significant labour market reforms will be impossible – and, in fact, labour laws are likely to become more restrictive, if anything, over time.

Therefore, while South Africa's skills shortage is no doubt an extant and pressing problem, the phrase "skills development" in the South African context is complicated by the fact that it is, at root, a grand attempt to avoid the essential economic realities: employment can only grow if we have faster economic growth and a relaxation of labour laws, *not* bureaucratic micro-interference in the rational training and development behaviour of firms.

## REPORT

### Additional Data

#### Employment by Type

Occupation	Employment Mar 2013	Percentage change vs. Feb 2013*
Unofficial sector	6,423,971	1.24
Official sector	12,938,681	-3.68
Typical (permanent, full-time)	8,972,366	-4.51
Atypical (temporary, part-time)	3,966,315	-1.81
- of which agencies	1,004,817	-5.23
Total	19,362,652	-2.05

\* Annualized

#### Employment by Sector

Sector	Employment Mar 2013 (000s)	Percentage change vs. Feb 2013*
Mining	264	-9.02
Manufacturing	1,293	-7.38
Electricity, gas and water supply	95	0.00
Construction	506	-2.37
Wholesale and retail trade	1,754	-6.13
Transport, storage and communication	577	-4.15
Financial intermediation, insurance, real estate and business services	1,668	-0.72
Community, social and personal services	2,719	1.77

\* Annualized

#### Employment by Occupation

Occupation	Employment Mar 2013 (000s)	Percentage change vs. Feb 2013*
Legislators, senior officials and managers	1,119	-5.34
Professionals	749	-4.79
Technical and associate professionals	1,644	-2.91
Clerks	1,532	0.78
Service workers and shop and market sales workers	1,875	-1.92
Skilled agricultural and fishery workers	93	0.00
Craft and related trades workers	1,384	2.61
Plant and machine operators and assemblers	994	-3.61
Elementary occupation	2,347	-3.57
Domestic workers	846	-8.45

\* Annualized

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