

Press Release

For immediate release

14 March 2018



South African Institute of Race Relations
The power of ideas

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What South Africa needs to do to beat unemployment

Data in the 2018 edition of the *South Africa Survey*, published by the South African Institute of Race Relations (IRR), underlines the urgent need for investment, economic growth and policy reforms, especially in education, if the country is to reduce its high unemployment figures.

The data show that, in a country in which only 21% of people with jobs have tertiary education, sectors that have traditionally absorbed low and semi-skilled labour account for a decreasing contribution to employment, in contrast to the growing dominance of high-skills sectors.

Most formally employed people in South Africa work in just three sectors – government, trade and finance – which each employ more than two million people and, together, account for some two thirds of people in formal employment.

The findings in the *Survey* show that:

- Government employment accounts for 2 042 759 jobs, or 21% of formal employment. This includes jobs in city councils, health commissions, parastatals and institutions of higher learning;
- Trade contributes 2 097 092 jobs or 22% of formal employment
- Finance accounts for 2 173 830 jobs or 23% of formal employment.

IRR analyst Gabriela Mackay notes that this trend is worrying since other sectors such as mining, manufacturing, and construction – which collectively accounted for close to 40% of formal employment in 2001— now account for only 23% of such people.

Says Mackay: “In a country where only 21% of people employed have tertiary education, the decreasing contribution of sectors that have traditionally absorbed low and semi-skilled labour is worsening the problem of unemployment. This is because many of those looking to enter the job market do not have the requisite abilities to perform high-skilled professions. Also, people without some form of tertiary education find it harder to find employment.”

The scale of the challenge is borne out by statistics showing that, by the official definition, South Africa has an unemployment rate of 27.7%, or over 6 million unemployed – a figure that climbs to over 9

million, and a rate of 36.6%, if the expanded definition (which includes discouraged job-seekers) is used.

Mackay adds that South Africa is likely to continue facing high levels of unemployment if it cannot find a way to both train and upskill jobseekers, while simultaneously promoting investment-driven growth.

“Reliance on the community, social, and personal services sector (which includes government) to create jobs is not a long-term solution as this cannot be sustained amid increasing debt levels,” Mackay says. “Instead, better education and training, renewed investment and economic growth should be the means by which South Africa seeks to combat unemployment.”

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