



BOHLABELA DISTRICT
ECONOMICS NOTES
TOPIC 12: UNEMPLOYMENT
GRADE 10
2022

UNIT 1: THE NATURE OF UNEMPLOYMENT

The numbers

Facts:

- Over 3 million people are unemployed.
- Half of these have never worked.
- It is difficult to know how many people are working in the informal sector, as figures are not available.
- If we can increase our economic growth, we could reduce our unemployment rate significantly.

In South Africa, we use two different definitions of the concept 'unemployed'.

The first is the official definition used by Statistics South Africa (StatsSA); the second is the expanded (or broader) definition.

According to the official definition, someone is unemployed if:

- the person did not work during the seven days prior to the survey
- the person wants to work and is available to start work within a week of the survey
- the person has taken active steps to look for work or to start a business in the four weeks prior to the survey.

According to the expanded definition, someone is unemployed if:

- the person did not work during the seven days prior to the survey
- the person wants to work and is available to start work within a week of the survey.

The unemployment rates

To calculate the unemployment rate:

Unemployment rate = $\frac{\text{number of unemployed}}{\text{total EAP}} \times 100/1$

The economically active population (EAP) consists of:

- People older than 16 who have jobs, as well as those who do not have a job but who are able to work and want to work.
- People older than 16 who are able to work, but who do not want to work because they are still at school or college, or are retired.

It does not include people younger than 16 and those who may not work because they are in prison.

TYPES OF UNEMPLOYMENT

Frictional unemployment

Frictional unemployment occurs when a person is between jobs, or is looking for a job for the first time (such as a school-leaver or student who has recently graduated). It is supposed to last for a short period.

Cyclical unemployment

Cyclical unemployment is the result of cyclical changes or fluctuations in the economy. During an economic recession, many workers lose their jobs. When the economy recovers and starts to expand, these workers may find jobs again.

Structural unemployment

Structural unemployment occurs when the nature of the economy changes and the skills of the labour force do not match the needs of the economy or the technology used in the workplace. For example, South Africa has a shortage of engineers.

Seasonal unemployment

Seasonal unemployment occurs when workers in a particular occupation are only needed for part of the year. For example, fruit farmers only use fruit-pickers and packers during the harvest. Seasonal unemployment is common in the agricultural and hospitality industries.

Characteristics of South Africa's unemployment

Unemployment in South Africa has specific characteristics that are partly due to our history.

Lack of skills

Much of South Africa's population cannot find employment because they do not have the necessary skills. We have mostly structural unemployment.

One of the reasons for the lack of skills of many older South Africans is the apartheid policies of the past.

The number of unemployed, unskilled workers in South Africa is increasing due to structural changes in our economy. For example:

- Technological development and mechanisation mean that machines now do much of the work previously done by unskilled or low-skilled workers.
- Globalisation means that South Africa has to compete with other economies to produce goods and services efficiently and cheaply.
- The primary sector of the economy is becoming less important.

Age

South Africans between the ages of 16 and 24 years of age have very high levels of unemployment. It is often difficult to find a first job, because you do not have any work experience. Knowledge learned at school quickly becomes outdated, especially computer skills, as information technology tends to change very quickly.

CAUSES OF UNEMPLOYMENT**Population increase**

- The population growth rate in South Africa is higher than the economic growth rate.
- The economy is not growing fast enough to provide jobs for all the young people being added to the job market each year.

Capital investment and mechanisation

- Competition within South Africa as well as from the global economy means that businesses are under ever-increasing pressure to produce more goods and services more efficiently.
- Businesses invest in machinery, which works faster, to keep up with the demand.
- Machines are less complicated to deal with than people: machines do not need leave, and they do not strike for higher wages.
- Mechanisation leads to workers becoming unemployed.

Historic reasons

- The policies of apartheid prevented a large section of the South African population from getting proper education and training.
- Many economically active people in our country do not have the right skills for jobs in today's sophisticated economy.

Economic cycles

- When the economy is in a recession, or in a downward (shrinking) phase, there is less demand for goods and services.
- Businesses decrease production as a result and workers lose their jobs.
- There are fewer opportunities to find casual work or to start new businesses.

EFFECTS OF UNEMPLOYMENT (Possible Essay)

High levels of unemployment have serious economic, social and political consequences.

Poverty

- Unemployment is the main reason for high levels of poverty in South Africa.
- Official figures put South Africa's unemployment at about 4,4 million, but the expanded definition estimates there are at least 7 million unemployed people.
- One employed person usually supports a large number of family members, so even one person being without work has a big ripple effect.
- Almost half of the total South African population lives in poverty.
- The Unemployment Insurance Fund (UIF) only provides money to people who have recently been in formal employment, and have contributed to the fund. It does not help the millions of people who have never been able to find a job, or who have been unemployed for many years.

Social problems

- Being unemployed affects people's pride and dignity.
- If you are unemployed, you cannot provide for your family and may become desperate enough to turn to crime for money.
- Families who cannot pay their rent or bond repayments become homeless or have to rely on relatives or friends who may already be struggling financially.
- High crime rates make people scared and uncertain.
- High levels of substance abuse and domestic violence are common in communities with high unemployment rates.
- Boredom, depression and lack of motivation are common problems for unemployed people.

Cost to the taxpayers

- Since 2001, the government has increased its spending on social welfare grants to the poor.
- The government taxes workers and businesses to get the money to pay these grants.
- The money raised from these taxes could have been used for infrastructure such as schools, hospitals, and roads.
- Many more people in South Africa receive grants than pay taxes.

UNIT 2: APPROACHES TO SOLVING THE PROBLEM OF UNEMPLOYMENT (Possible Essay)

The Government has implemented a number of programmes to solve the problem of unemployment in the country. If the economy grows, it can create more jobs. This will help to solve the problem of unemployment.

Government programmes to solve unemployment**GEAR**

The Growth, Employment and Redistribution policy (GEAR) was introduced after 1994 to create more economic growth.

ASGI-SA

The goal of ASGI-SA is to halve poverty and unemployment by 2014. We need the economy to grow at a rate of 6% per annum to achieve this.

JIPSA

The Joint Initiative on Priority Skills Acquisition (JIPSA) was created to identify scarce skills that we need to grow the economy.

Growth of production

If we increase the demand for goods and services, we have to increase production to satisfy this demand. This means more people have to be employed. This will reduce unemployment.

Local production

To solve local unemployment, we need to increase local production.

The Proudly South African programme encourages South Africans to 'buy South African'.

Local businesses

The government is trying to encourage SMMEs by passing laws to help these businesses with funding and to make their tax returns and other record-keeping easier.

Public works programmes

- The National Public Works Programme (NPWP) was started in 1994 to upgrade South Africa's infrastructure and provide job opportunities at the same time.
- The NPWP uses labour-intensive methods to improve roads, pipelines, water supply and sanitation, and to build houses, schools, and clinics.
- This employs many unskilled people.
- People have the opportunity to learn new skills and improve the infrastructure at the same time.

Unemployment Insurance Fund (UIF)

- The Unemployment Insurance Fund (UIF) is an insurance scheme that provides temporary income for people who have lost their jobs.
- It only pays out if you have previously been employed, and it only pays out for six months.
- It does not help people who have never been employed, or who have been unemployed for more than six months.

UNIT 3: ECONOMICALLY MARGINALISED GROUPS

Economically marginalised groups

- Economically marginalised groups are those people who have not been part of the economy in the past.
- Marginalised groups are the most vulnerable to unemployment.
- Marginalised groups include those who were previously disadvantaged as a result of apartheid policies.
- Marginalised groups received inferior education and so have few skills to offer.
- They form the majority of unemployed South Africans.

Government projects have been created to deal with the problem of unemployment among marginalised groups.

Skills development

- The government has introduced the Skills Development Act to improve the skills of marginalised South Africans.
- Employers have to contribute a small percentage of their turnover to the Skills Development Fund.
- Various Sectoral Education and Training Authorities (SETAs) represent the different sectors in the economy.
- These SETAs work with employers to offer learnerships to young people.
- Learnerships equip individuals with skills and knowledge specific to the industry, and can ultimately lead to employment opportunities.

Correcting past policies

The government has introduced a number of policies and laws to correct the old apartheid injustices.

It is government policy to buy products and services from Broad-based Black Economic Empowerment (BBBEE) companies, whenever possible.

The Employment Equity Act (EEA) and affirmative action

- The Employment Equity Act and policies of affirmative action have been introduced to address past policies that discriminated against certain population groups.
- Employers must give preference to black people (that is, people who are black, Coloured or Indian), women and people living with disabilities, when recruiting workers.
- This applies to all except very small businesses.
- If necessary, employers must prioritise employing people from specific groups, so that the workforce in their business becomes more representative of the general population.

Employers in both the private and public sectors have to implement Affirmative Action (AA) policies when they appoint people. Private companies that want to do business with the government must comply with the EEA.

Broad-based Black Economic Empowerment (BBBEE)

Broad-based Black Economic Empowerment (BBBEE) policies aim to increase the black ownership of businesses.