Unleash the private sector to create jobs

By Michael Cardo MP – DA Shadow Minister of Employment and Labour

Honourable Chairperson

The Department of Employment and Labour isn't working.

The Unemployment Insurance Fund (UIF) has a backlog of unpaid claims longer than Ace Magashule's charge sheet.

The Compensation Fund is about as functional as Bathabile Dlamini at an ANC National Executive Committee meeting, and just as efficacious.

Almost half of Nedlac's budget is spent on salaries, a figure that must be the envy of the unpaid occupants of Luthuli House.

Just about the only departmental entity that amounts to more than a row of beans is the Commission for Conciliation, Mediation and Arbitration. And it has had a scythe taken to its budget just as workers are being retrenched hand over fist.

This budget fails the workers. It fails the employers. And it fails the unemployed.

Meanwhile, the private sector in South Africa remains shackled by the state – stifled by policies, laws, and regulations that choke job creation and worsen unemployment.

From policies like expropriation-without-compensation (EWC) that deter investors and sap economic growth, to ever-more onerous racial diktats like the Employment Equity Amendment Bill, to the extension of collective bargaining agreements to small businesses, private sector firms are disincentivised to create jobs.

The Department of Employment and Labour's R3.5 billion budget does nothing to help oil the wheels of job creation in the private sector. Instead, it puts sand in the engine of growth.

All the while, with every passing year, our unemployment numbers go up. According to the Quarterly Labour Force Survey for the 4th Quarter of 2020, the official unemployment rate increased from 30.8% to 32.5% between the third and fourth quarter last year. This is the highest unemployment rate on record since the start of the survey in 2008.

The expanded definition of unemployment, which includes discouraged job-seekers, stands at an unprecedented 42.6%.

Over 11 million people don't have a job.

The unemployment rate for those aged between 25 and 34 is 50.7%.

This constitutes a national disaster. To stall our unemployment crisis, we need urgent reforms to make the labour market more flexible. We need to absorb vastly greater numbers of young and low-skilled people into employment.

President Ramaphosa has promised us a programme of economic policy reform, but there is little evidence of it. Budgets are where you land policy. The President's pledges have landed nowhere; certainly not in the Department of Employment and Labour's budget.

Much like the South African Airways fleet, his promises do not take off and they do not land. Instead, conjured purely in his imagination, they waft and float in the ether. All that is solid melts into air.

In 2021/2022, the Department's Programme 4: Labour Policy and Industrial Relations will receive R1.26 billion (or 36%) of the Department's R3.5 billion budget.

We should be channeling these funds into an overhaul of labour market policy.

We need to support value-adding, export-led growth sectors to recover from the pandemic and lockdown. We must free them from over-regulation by the state so that they can grow and expand their workforces.

A study published by the African Growth Initiative at the Brookings Institution earlier this year found that the so-called "industries without smokestacks" – especially tourism, horticulture, agro-processing and logistics – could produce both the number and type of jobs required in South Africa. These sectors are tradable; they have relatively high value-added per worker; and they show a capacity for technological change and productivity growth. Above all, they have the potential to absorb low- and semi-skilled workers.

Only the private sector can create jobs at scale and rapidly absorb predominantly low-skilled workers into the economy. This means we need to unleash the private sector. Yet, the trends are not good.

The extension of collective bargaining council agreements to those who didn't sign them in the first place cripples small businesses and leads to job losses.

Recent double-digit, above-inflation hikes to minimum wages in the agricultural- and domestic service sectors are going to lead to another jobs bloodbath.

And the Employment Equity Amendment Bill will tighten the noose on employers. It empowers the Minister of Employment and Labour to set sector-specific employment equity targets. It introduces harsher punitive measures for non-compliance. The bill enables the Minister to engage in a kind of social engineering based on race that is completely incompatible with the principles of a market-based economy.

The ultimate result will be slower economic growth and rapidly rising unemployment.

It is all very well for President Ramaphosa to blow the trumpet of reform. But until his government actually frees up the labour market, the unemployment crisis is only going to get worse.

That is why the DA will be submitting amendments to the Labour Relations Act in Parliament, to help create an environment more conducive to job creation.

We want to exempt small and newly established firms from extended collective bargaining agreements.

We want to make it easier for firms to hire workers and to tackle youth unemployment with a real Youth Wage Subsidy.

We want to empower individual economic sectors to set their own minimum wages, and we want to offer tax exemptions to small businesses to help them absorb the cost of minimum wages.

If President Ramaphosa and the ruling party are serious about job creation, they will support these measures.