



Confronting the unemployment conundrum requires government, private sector and unions to work together

Mail & Guardian opinion article

26 May 2021

The British economist John Maynard Keynes taught us many things about unemployment and economics. He demonstrated that it is not true that markets work perfectly all the time. Put differently, we learn for the first time through his works in the 1930s that full employment cannot be achieved through the workings of the market. We get to appreciate the important role a government can play in an economy.

Prior to [*The General Theory of Employment, Interest and Money*](#) (1936), Keynes's timeless treatise in economics, it had been believed that through the market's invisible hands of demand and supply an equilibrium is reached and the economy would provide full employment.

This was the hallmark of Adam Smith's works, particularly *The Wealth of Nations* (1776). There are many, especially in the field of economics, who still believe this, even though evidence suggests otherwise. These are people who have probably never read the works of Karl Marx and other important Marxists. It is also related to how economists are trained; something the late [Thandika Mkandawire](#) lamented in some of his writings and talks.

It is very difficult to have faith in the market. History is littered with many disasters caused by the market.

It is indeed difficult, too, to take governments seriously. However, it cannot be that because some governments make mistakes, therefore all the faith goes to the market. The very same economists who put their faith in the market know about information asymmetry and market failure.

The trouble with governments is that politics interferes with what they ought to do. In some cases, governments forget what they are supposed to do. Or it might simply be that the requisite capacities are not sound in a particular government. So, problems faced by governments should be fixed instead of relying on the market to do important things such as ensuring that those who qualify to be employed are employed.

Many economists argue that the unemployment rate is so high in South Africa because the market is not working optimally. Some go further to say it is the government's interference in the economy that makes unemployment so high. There are those who argue that the government has no business in job creation, and it should mainly create conditions for job creation.

Of course, it is difficult to take our government seriously because of its many mishaps and challenges. We must, however, not forget that there was a time when the post-apartheid economy created jobs.

We can learn from mistakes, and we can leverage from successes. Speedy trade liberalisation and rapid reduction of exchange controls aimed at pleasing markets resulted in increased joblessness. The prolonged implementation of the macroeconomic stabilisation programme in the name of the [Growth, Employment and Redistribution](#) (Gear) framework is another mistake. There was a policy vacuum for many years after Gear had done what it was meant to do. There should have been another economic policy by the year 2000.

Unemployment in South Africa remains very high because of apartheid and colonialism; the 350 years of it. We are largely dealing with ramifications of apartheid today. The apartheid system ensured low-skill, cheap labour, a fractured education and training system, discriminatory job reservation policies and laws that limited movement of people.

Unemployment in South Africa increased substantially in the 1990s because of the increase in the participation of those who could not participate in the labour market freely under apartheid. Labour participation rates stabilised in the 2000s, hence we saw reductions in the unemployment rate until the recall of former president Thabo Mbeki.

It is worth highlighting that unemployment in South Africa is along racial, gender and age lines: mainly Africans endure high levels of joblessness, more women than men are unemployed and at least half of the youth cannot find jobs. This is the terrible legacy of the apartheid system and an indictment to the post-apartheid South African society.

Structural causes of unemployment such as weak aggregate demand and insufficient accumulation of fixed capital have not been addressed. They are structural causes in the sense that market prices are not adjusting to eliminate joblessness, as we learnt from the late French economist Edmond Malinvaud. The South African labour market is discriminatory rather than rigid, nor is it skills mismatch that accounts for very high levels of joblessness.

The private sector is not giving opportunities to Africans, especially if they are young and female. Why is it, for instance, that two graduates of different races with similar qualifications from the same institution do not both get jobs? An African graduate often goes jobless or takes a very long time to find work.

Because of the pandemic, not only has unemployment shot up but under-employment has also increased and those employed are getting lower incomes. The numbers of those who are not in employment and not in education have increased. Per capita incomes had been declining anyway even before Covid-19.

The inability to restructure the South African economy and the lack of a comprehensive social policy worsen the unemployment challenge.

Long-term solutions are needed. A social compact on the economy is overdue: government, private sector and unions should agree on the necessary interventions to get rid of unemployment and address inequalities. These stakeholders should have ensured that the wage subsidy programme was implemented given the research that confirmed that such a programme is well targeted and benefits young people.

The fundamental answer to unemployment in South Africa is changing the socio-economic development approach that is followed. It cannot be that our government has no role in job creation other than creating the so-called enabling environment.