

Notes prepared for the chair of the portfolio  
committee dealing with the Employment Equity  
Amendment Bill, 15/04/2021



South African Institute of Race Relations

*The power of ideas*

1. Employment
2. Education
3. Economic Empowerment for the Disadvantaged

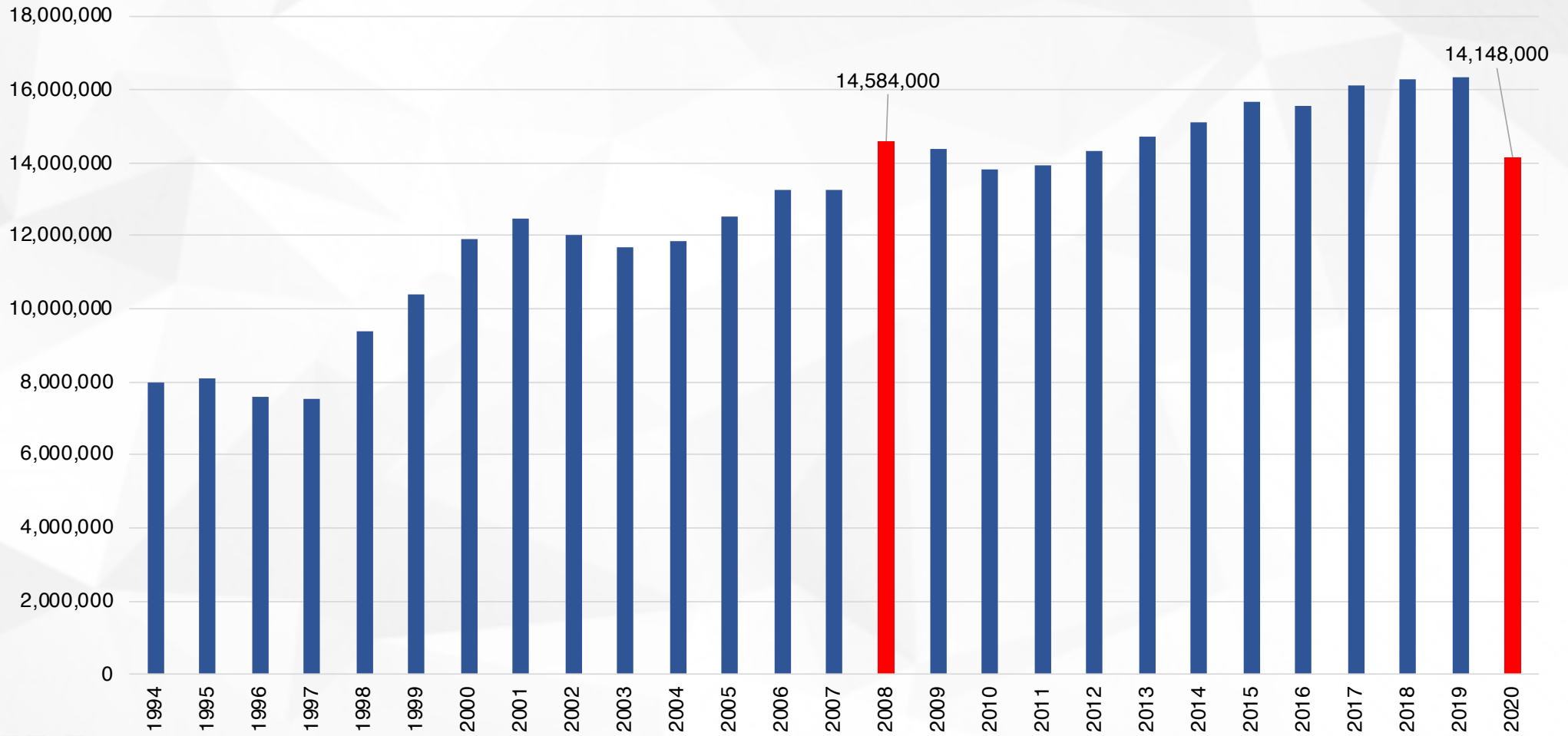
Information we wish to highlight is marked in **red**

## Employment: number of people employed



- Today, incredible as it seems, fewer people have jobs than in 2008 – Covid-19 wiped out the modest gains we made over the past decade.

## Number of people employed, Q2 1994 - Q2 2020

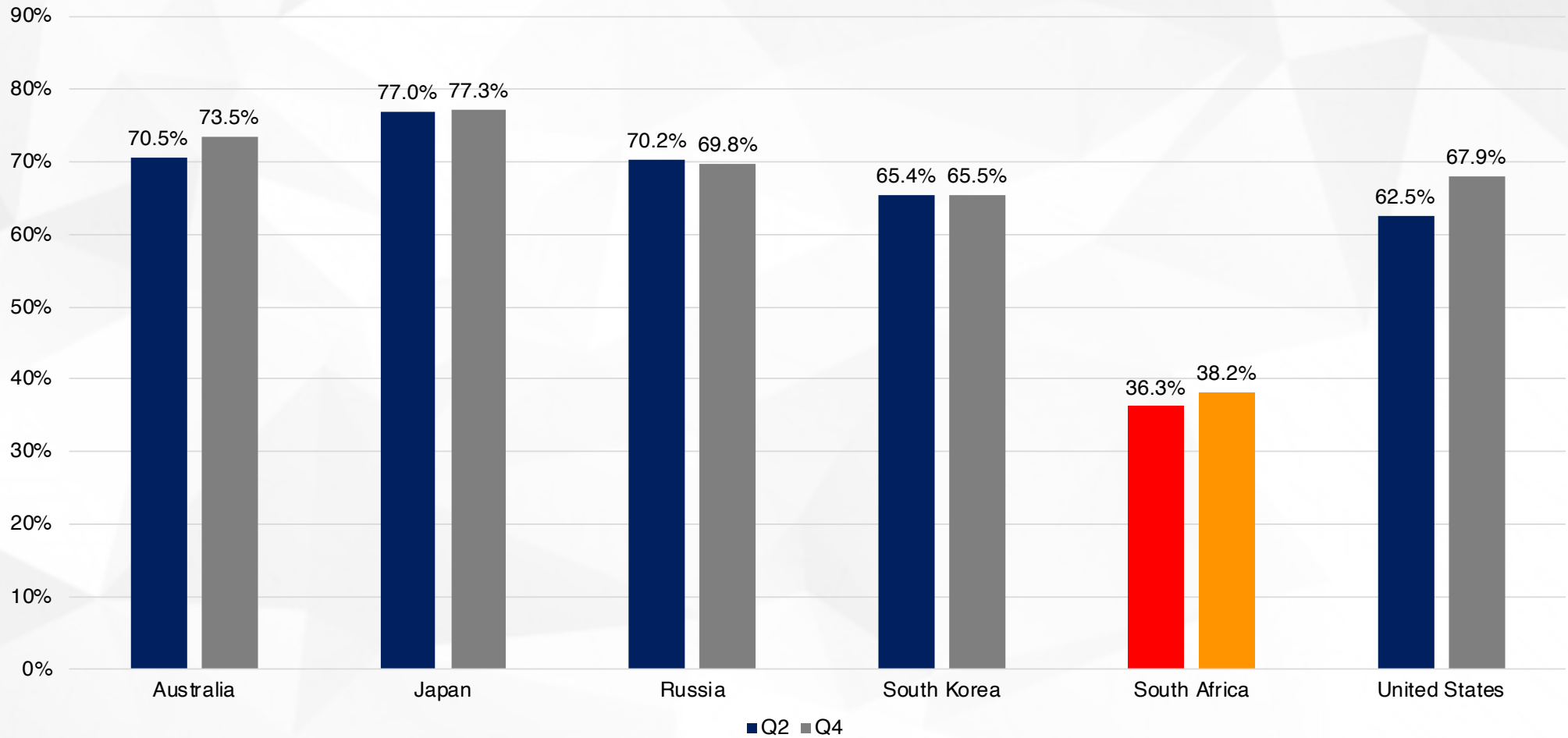


## Employment: labour absorption rate



- Less than 40% of all the people who could be working actually have a job (this is the labour absorption rate) – that figure should be around 70%. South Africa isn't producing enough jobs.
- Our absorption rate is uniquely bad. Globally, only failed states and countries which deny women the opportunity to work have comparably low rates.

## Absorption rate/employment rate for selected countries, Q2-Q4 2020

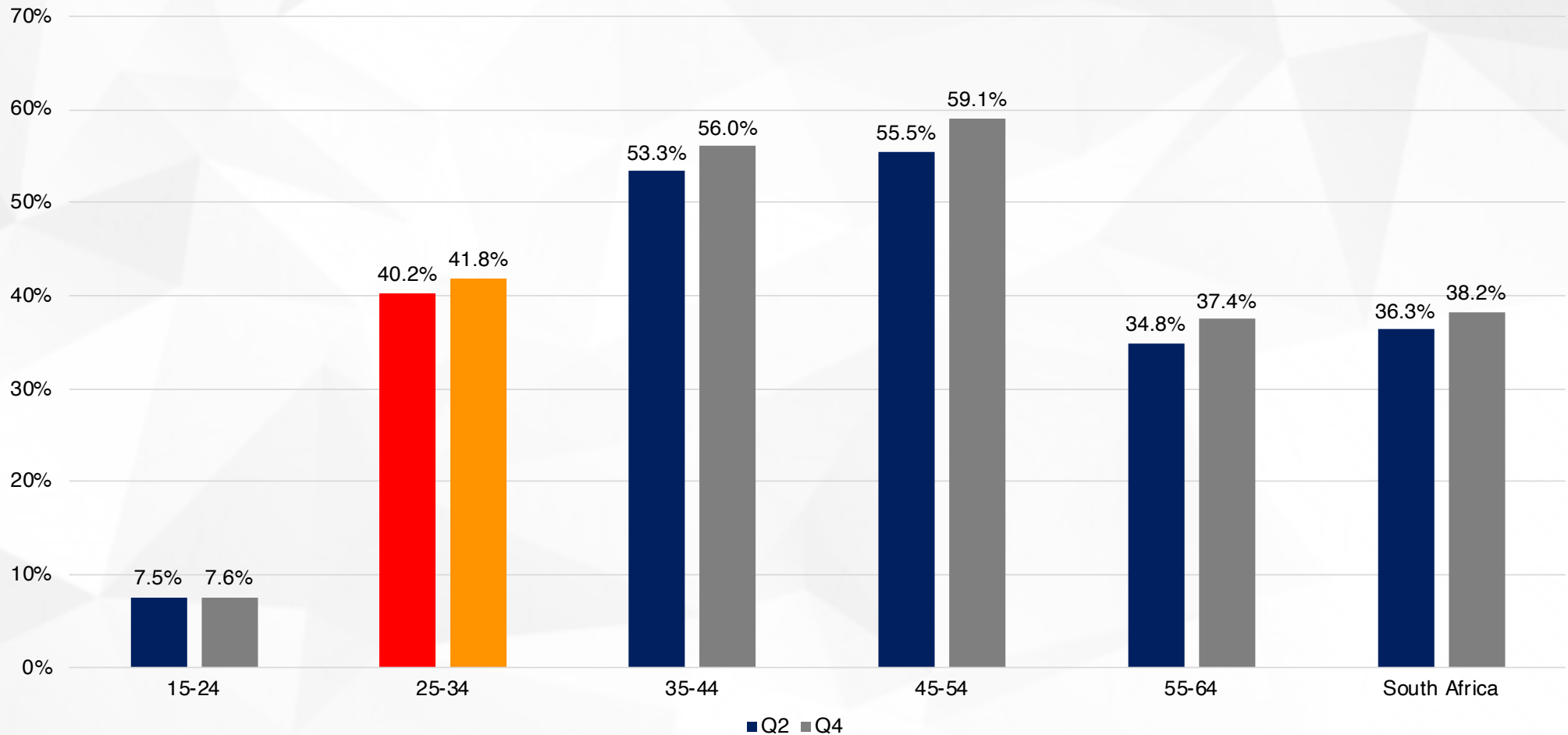


## Employment: labour absorption by age



- South Africans younger than 35 and older than 54 have very low labour absorption rates. Youth unemployment in particular is of grave concern.
- The age profile differs markedly by race: 67.2% of the Black population are under the age of 35. For the other race groups, the percentages are: Coloured 59.9%; Indian/Asian 50.1%; White 39.2%.
- The black population is by far the youngest in the country.

## Absorption rate/employment rate by age group, Q2-Q4 2020



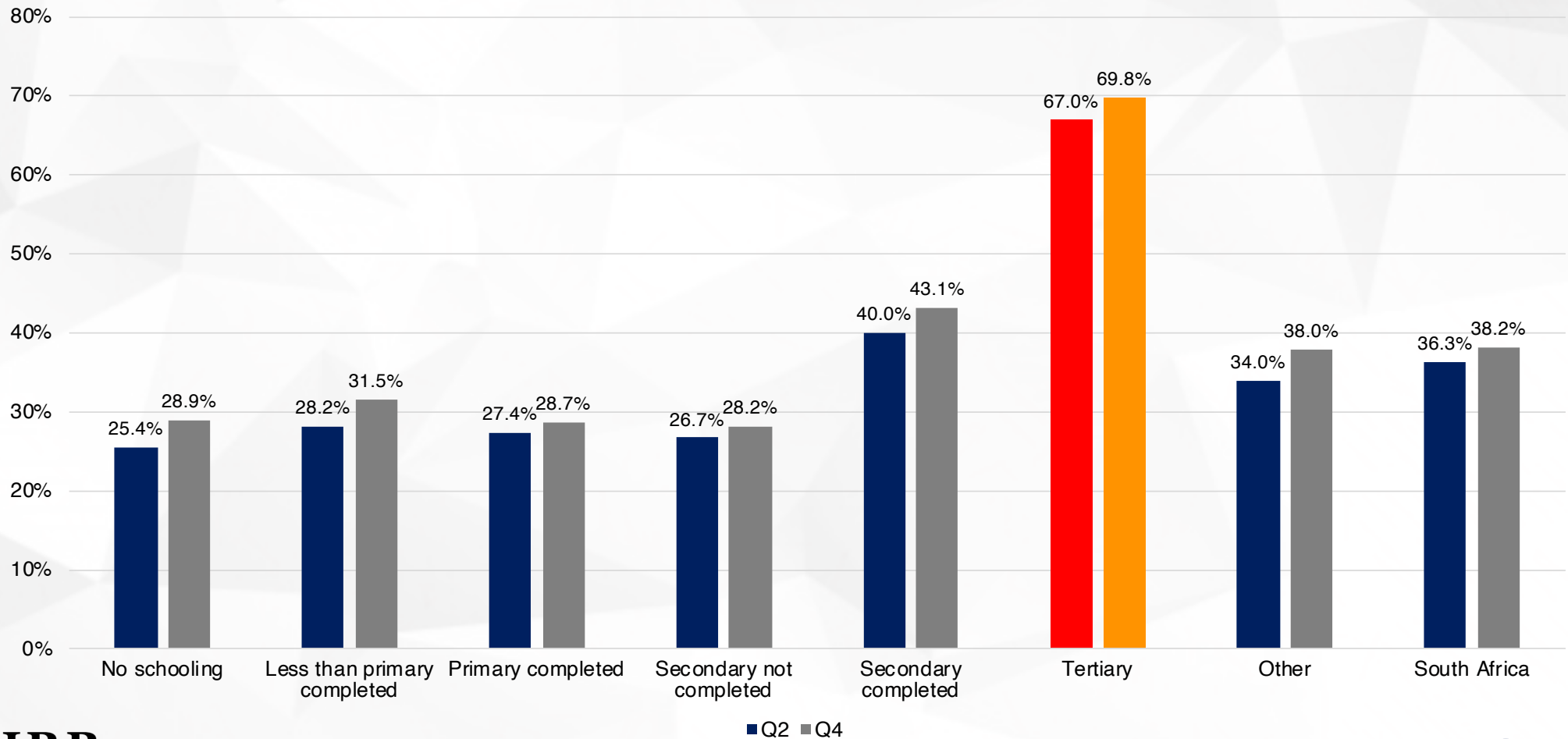
## Education: highest level attained



- Not having a good education makes it a lot harder to get a job.
- Only amongst those with a tertiary education is the absorption rate internationally competitive.
- However, this group is small: people with a diploma, degree or certificate represent only 14.1% of the population aged 25 years and above.



## Absorption rate by level of education, Q2-Q4 2020

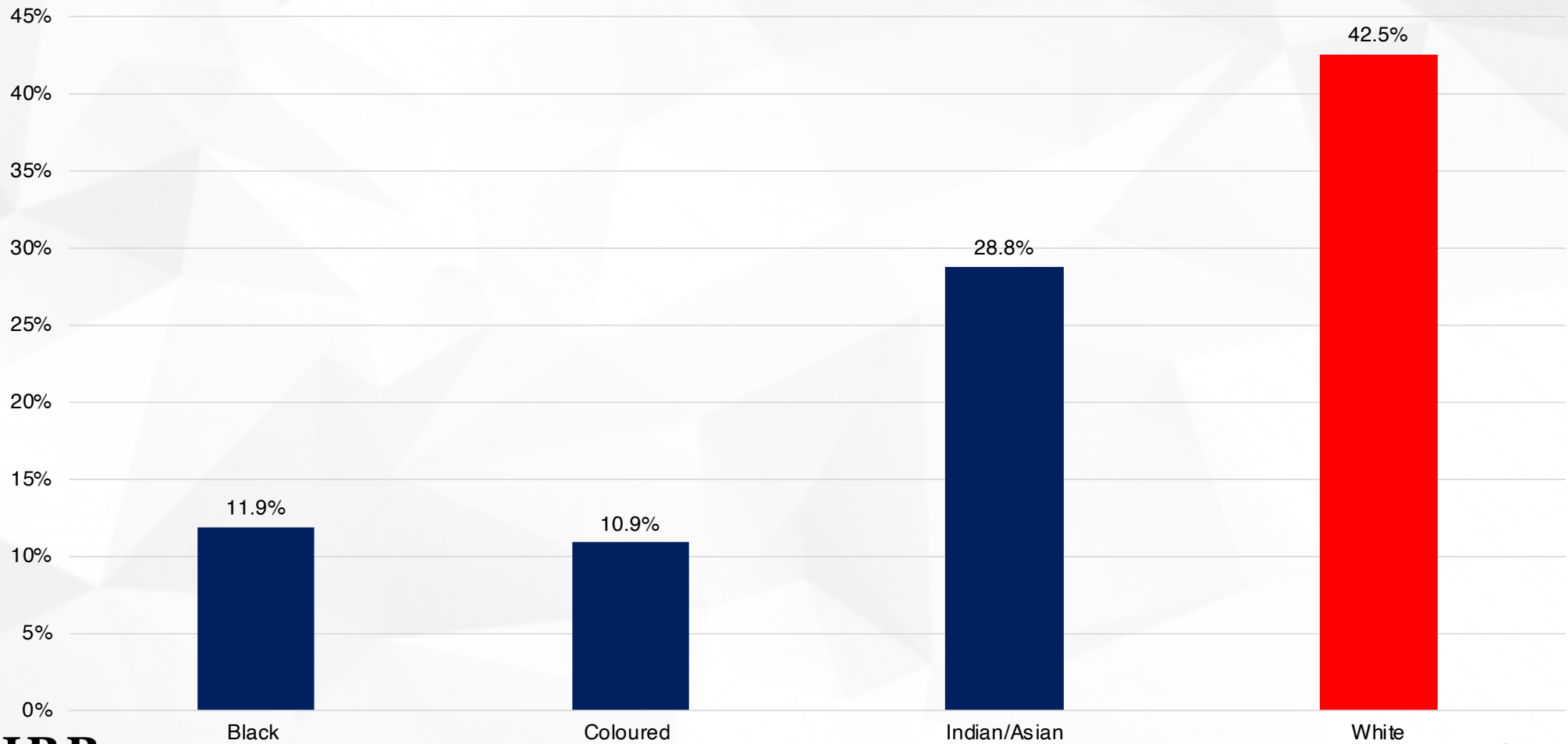


## Education: population with a tertiary qualification, by race



- People with a diploma, degree or certificate by race: Black 11.9%; Coloured 10.9%; Indian/Asian 28.8%; White 42.5%

## Population with a tertiary qualification (diploma, degree or certificate), by race

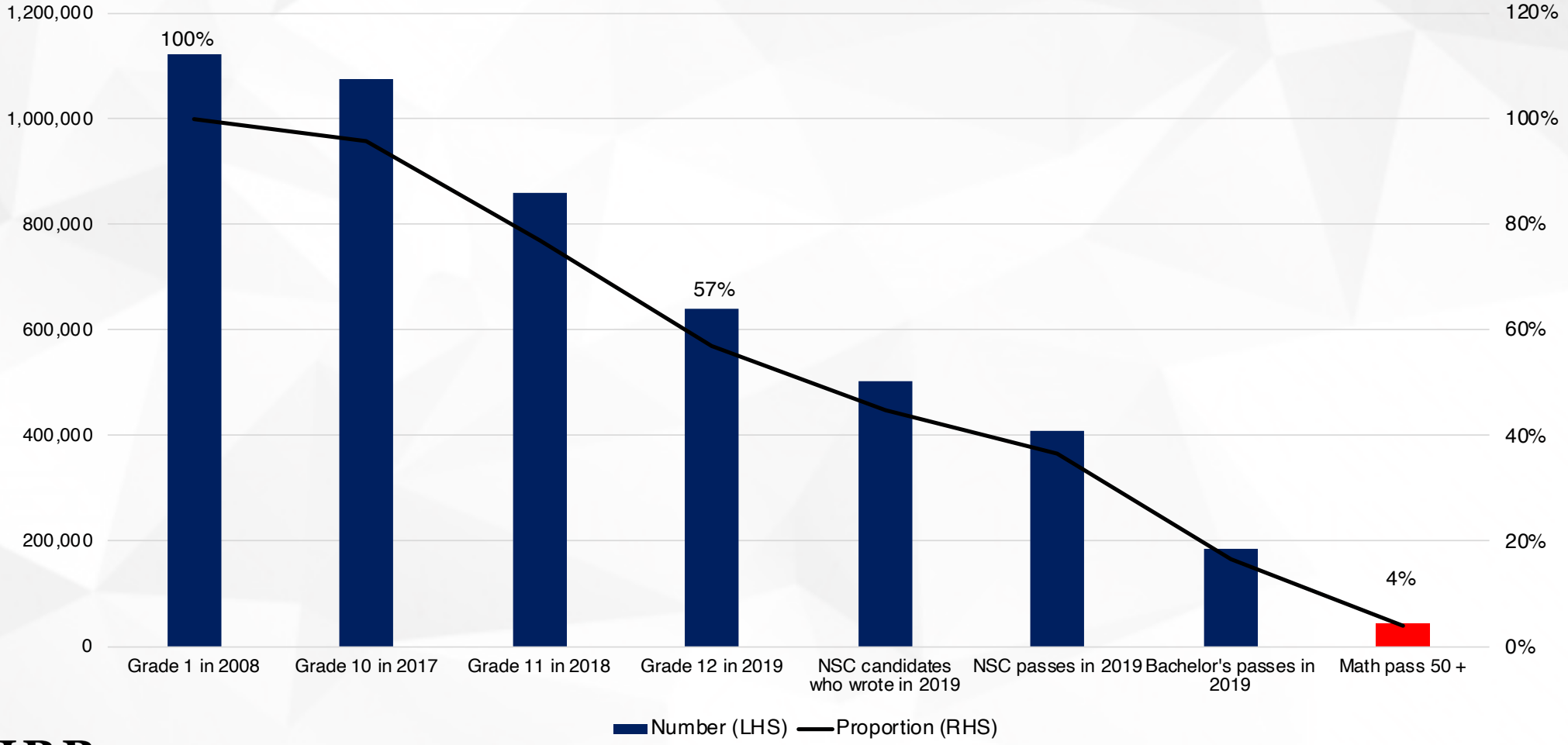


## Education: school throughput



- In approximate numbers, over a million children started school in 2008, but only 500,000 sat for their matric exams 12 years later, in 2019. Of those original one million children, about 400,000 passed their matric; only 200,000 got a bachelor's pass allowing them to enrol at university; and only 50,000 passed maths with a mark of 50% or higher.
- This means that out of every one million children, 500,000 do not sit for matric exams; 600,000 do not pass their matric exams; 800,000 cannot pursue a tertiary education; and 950,000 do not achieve good marks in maths.

# Basic education throughput



## Summary 1/4: representivity is the wrong goal



- Employers are not allowed to discriminate on the basis of race. Nor should they be.
- But non-discrimination does not result in demographic representivity. Why not? Because people are diverse in many other ways apart from race – age, interests, education, experience, location etc.

## Summary 2/4: creating jobs should be the goal



- The goal should be to generate as many productive jobs as possible and to bring people into the labour market who are currently excluded.
- SA's experience of low growth, high joblessness and the weak performance of state-owned enterprises and government departments suggests that current employment equity policies are counterproductive: a constraint on economic growth and job creation.
- In a growing economy, companies will hire more people. As their earnings improve and they have to compete for skilled workers, they will offer higher salaries to attract the best people.

## Summary 3/4: how many new jobs do we need?



- A useful rule of thumb: South Africa adds approximately 100,000 jobs per 1% point of economic growth.
- Looking at the black population in rough numbers, in 2019 there were 31 million black people of working age (15-64 years old), of whom 12 million had a job, giving a labour absorption rate of around 38%.
- To reach an absorption rate of 65%, 20 million black people would need to be in employment – meaning we would have to add 8 million jobs.
- Using the rule of thumb, we could achieve this by growing the economy at the emerging market average of 5%, adding roughly 500,000 jobs per year, for 16 years.



## Summary 4/4: how to create jobs



- The IRR proposes a non-racial, means-based policy called Economic Empowerment for the Disadvantaged (EED)
- The goal is to incentivise companies to create jobs: by rewarding them for investing in their business, for attracting overseas investment, for training their employees, for employing more people, for paying taxes etc.
- But you also have to fix the education problem. The IRR proposes that parents should be given state-funded education vouchers. They should be allowed to choose at which school to enrol their children. Schools should compete to attract learners.



# IRR

South African Institute of Race Relations

*The power of ideas*