

JOB CREATION GATHERS STEAM IN THE 2ND QUARTER

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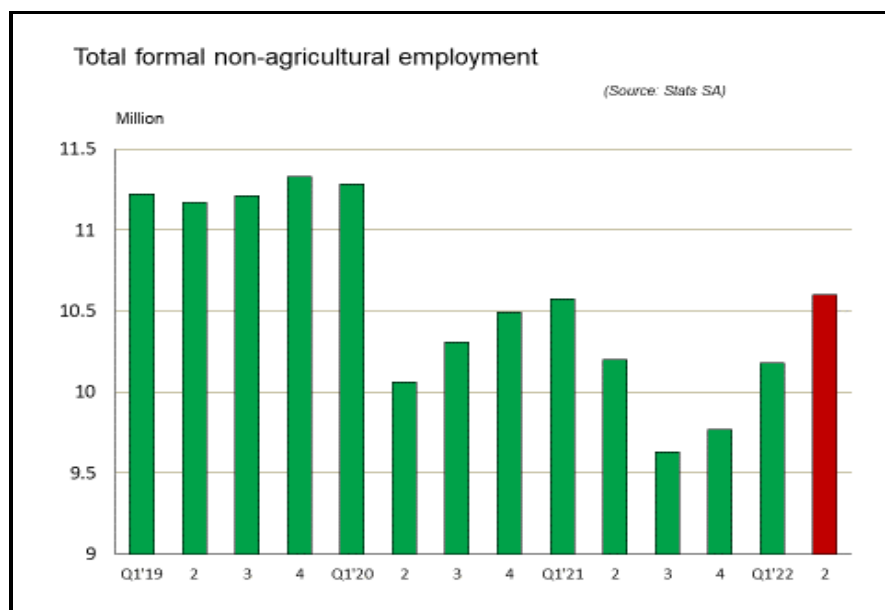
(25 August 2022)

The 2nd quarter of 2022 managed to replicate the first quarter's impressive job creation performance by adding another 400,000 new formal sector jobs.

Total employment in the economy jumped from just below 15 million to above 15.5 million, with the following sectors as the best performers (new quarter-on-quarter jobs in parentheses):

- Community & social services (276,000)
- Wholesale & retail trade (169,000)
- Finance & business services (128,000)
- Construction (104,000)
- Private households (52,000)
- Agriculture (29,000)

The increase in employment in construction and agriculture should warm the hearts of the country's policy makers, as these two sectors are the most labour intensive of all and have been battling to retain their respective workforces in recent years.



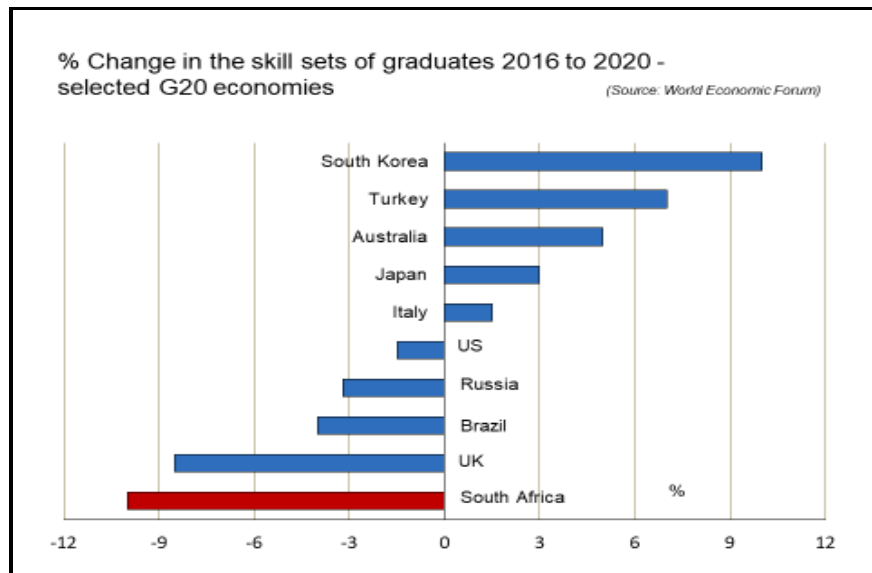
The welcome and pronounced recovery of job creation is still not complete, but should be sufficient to silence the band of cynics that have been predicting the start of a recession in the 2nd quarter of 2022. The official GDP figures for the 2nd quarter are due to be released early in September and, with a bit of luck, South Africa's economic growth rate would have stayed on a positive track.

Dearth of skills

Should the current employment trend continue, the country may soon be faced with a problem that will require urgent remedial policy intervention, namely a shortage of skilled workers.

According to the latest comprehensive World Competitiveness Report, published by the World Economic Forum, South Africa ranks second last out of the G-20 countries with regard to the key indicator for the adequacy of local secondary education systems to meet the needs of employment.

India is the only G-20 country to be ranked lower than South Africa, which is a matter of concern, due to the ongoing transition of the global economy towards the 4th industrial revolution. The latter has been described as a new chapter in human development, enabled by extraordinary technology advances that require high-level skills in every conceivable sub-sector of economic activity.



Due to the length of time required for thorough education and training in the highly specialised areas where most current and future skills sets are required, government will have to design an innovative strategy to address what may eventually become the single largest constraint to higher economic growth.

Such an approach could include much closer cooperation with the private sector, including some form of subsidisation of relevant in-house training programmes, as well as streamlining the regulatory procedures for attracting skills from other countries.

The latter may represent an interesting challenge to the newly created office in the Presidency that is tasked with removing unnecessary obstacles to growth. This will be a daunting task, as it will require a major overhaul of certain functions performed by the Department of Home Affairs, but may provide a unique opportunity to also demonstrate government's intention to improve the standards of public service delivery.

Tax bonanza

The tax implication of the most welcome increase in formal sector employment is huge. Taking BrandMapp's 2021 estimation of the number of individual taxpayers in South Africa as basis, this has now increased from 7.4 million to 8.2 million in the space of only six months.

The Commissioner of the SA Revenue Services is undoubtedly delighted, as a rough calculation, based on the average formal sector salary in South Africa and prevailing tax rates, points to additional taxation revenue of R5.4 billion per month as a result of the latest increase in employment.