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### **Action now: What is required to reduce unemployment, raise education levels**

The Commission for Employment Equity (CEE) handed over the 18th Annual Report and the public register to the Minister of Labour, Mildred Oliphant, on 28 June 2018, some 20 years after the inception of the Employment Equity Act (EEA). The Indaba that followed the report was titled: 20 Years Later – Where to from here? Deon Oberholzer, CEO of strategy-consulting organisation Gestalt, maps it out...

One of the major findings of the CEE report was that in the 20 years since the promulgation of the EEA, the level of transformation has been unacceptable. Since the publication of the first report, the reduction in White representation in top and senior management has been 20% and 25%, respectively.

So, the question that must be asked is: "Where did the positions go?" Turns out, just under half of these positions went to the African population, about 11% to Coloured people and Indian people number 25%.

This means Indian representation in Top and Senior Management (TSM) sits at 10.4%, or nearly four times their population size of 2.8%; with African business people at 20% or one quarter of their portion of the economically active population.

The Chairperson of the CEE, Ms Tabea Kabinde, is clear that the above is "insufficient transformation to even consider a sunset clause", and I agree. However, I'd like to suggest that we may be fighting the wrong battle.

#### **Codes, targets and fairness...**

The B-BBEE Codes set clear targets for Black participation in TSM at 60%, so another 20% shift in this category would bring this spot-on with the BEE targets for White participation in TSM.

If we just about double this rate of transformation and immediately remove 20% of the TSM positions from White people, following the same distribution, we have 41k fewer white managers; 21k more African managers, 4k Coloured and 10k Indian managers - hardly a drop in the ocean of the 9.5-million unemployed, in terms of the expanded definition of unemployment. This expanded definition is critical because it includes discouraged work seekers who really should have a job.

The focus on transformation in TSM positions is important and the lack of transformation is concerning, but it pales by comparison to the overall employment statistics.

If we match the numbers of the CEE Report and the Quarterly Labour Force Survey (QLFS), there are a total of 16.4-million people employed, of which only 7.3-million are from the designated employers and government that submitted their reports - so we do not, in fact, have the accurate Employment Equity breakdown for the full number.

What we do have, however, is an unemployment crisis, an unemployability crisis and an unpromotability crisis.

There are 3-million African semi-skilled and unskilled workers in formal employment according to the CEE Report. This number is probably close to 7-million if we extrapolate the CEE report to align with the QLFS national statistics. According to the QLFS for Q1 2018, there are a further 8.5-million unemployed African people who need jobs.

The report states that, between 2008 and the first quarter of 2018, the working age population grew with more than 6-million. Of this number, 95% or 5.8-million fall into the African demographic.



During the same period, the economy created 3.5-million jobs - which may seem impressive, but is still not nearly enough for the population growth. Expanded unemployment among African people went from 36% to 41%, meaning another 2.7-million more unemployed people in this demographic.

#### **Does the 'White unemployment crisis' exist?**

Let's have a look at what has been termed the "White unemployment crisis". Briefly, there is no real crisis. White expanded unemployment went from 6.9% to 9.8%, but with the reduction in total numbers, this means we now have just more than 40 000 new unemployed White people for a total of 205 000 - just 2.2% of the unemployed population.

So what is the problem? In my view, there are two serious problems. In the first instance, the economy is not growing and we are not creating jobs fast enough. In the second instance, we are not providing quality education to our youth, especially our African youth. If they do find a job, they are stuck at the bottom of the employment chain in unskilled and semiskilled positions.

The numbers are stark and shocking: The national unemployment rate of high school dropouts is 43% higher than the average of everyone else combined, and they make up 46% of the unemployed. So the future is especially bleak for youth who do not finish secondary school.

We have to find working solutions to the hard questions, and take the action required to change the dynamic. Here are two controversial suggestions for consideration:

#### **Replace BEE with employment creation incentives**

Imagine if we stop transformation altogether; put the BEE Codes on a sunset cruise and incentivise everyone, Black and White, to create new jobs. Even if in the absurd and extreme case, this causes the entire unemployed White population to get absorbed first. There are only 205 000 unemployed White people and 118 000 unemployed Indian people in the economy - the rest already have jobs. More importantly, most of the job opportunities can be harvested for African people via targeted job creation incentives.

#### **Privatise basic education**

Subsidised public transport has been around forever. Imagine if we have subsidised private education? If government engages with private schools and subsidises private education with the exact quantum that we spend per child in public education, we will see private schools take over most basic education in a short space of time. This subsidy can be directly linked to the parent's ability to pay, with higher subsidies in poorer communities. The problem of poor basic education in public schools will have solved itself entirely in less than a decade.

#### **The future of the unemployed**

At the current rate of expansion of the population, if 6-million new job seekers in 10 years translates into 600 000 per year, we need to create at least 3-million new jobs in the next five years just to stay at the same spot. We're treading water. In order to bring the 9.5-million unemployed figure down we need more - much more.

The recently released draft amendments to the Amended BEE Codes propose the exemption of all Black-owned business from compliance with the BEE Codes. We all know what this will bring: Increased narrow based empowerment, increased



fronting or “Black facing” of the economy with more companies outside of the net of legislative or compliance pressure to promote and develop Black employees.

If it easier for business to create a 51% Black ownership structure to avoid compliance with the BEE Codes, many will do it, fronting or not. Unfortunately, this “smoke and mirrors” non-compliance will do absolutely nothing to the unemployment numbers.

I know somewhere in this there is a high road and a low road scenario – and there may even be one where we win at everything. However, as a start it would be great to get out of the “let’s shoot ourselves in the foot” scenarios.

[Statistics from CEE18 and QLFSL Q1 2018]

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