

Introduction

[Economics](#), [Macroeconomics](#)



Introduction Unemployment is a huge challenge facing South Africa. There are many people who are looking for jobs but cannot find them mostly because of the slow economic growth rate in the country. South Africa faces structural unemployment where people lose their jobs due to introduction of new technology or relocation of the company, these economic disruptions have resulted in high crime rates, low production and income as well as lost human capital. The NDP has been put in place to solve the problem of unemployment, and if supported well there can be job creation because they promise on expanding work programme, reduce costs of doing business and support entrepreneurship. Body South Africa faces the greatest challenge of a very high unemployment rate, which is highly influenced by the slow growth of the country hence resulting in slow employment growth as well (Parkin et al, 2010: 449). Unemployment has been defined in two forms: a narrow definition and a broad definition. The narrow definition of unemployment is the official definition of unemployment and it states that an unemployed person is a person who is willing to work and is making an effort to find a job, Parkin et al, states that “ To be counted as unemployed, a person must be available to work...must want to work and have made specific efforts to find a job or taken steps to start a business” (Parkin et al, 2010: 495), but the broad definition of unemployment also includes the discouraged workers because they are people who are willing to work but have not been making an effort to find a job in the previous month mostly because they cannot find the jobs (Parkin et al, 2010: 495). The business cycle of a country also influences the employment and unemployment rates, for example during a recession period there are high unemployment rate and

during expansion there are lower unemployment rates (Lipsey et al, 1999: 726). Unemployment is classified into three types; i) Frictional, ii) Structural, iii) Cyclical. Frictional unemployment has been explained as “ The unemployment that arises from normal labour turnover — from people entering and leaving the labour force and from the ongoing creation and destruction of jobs” (Parkin et al, 2010: 501). The structural unemployment refers to the more crucial and enduring restrictions on worker mobility, Parkin et al, explains it as “ The unemployment that arises when changes in the technology or international competition change the skills needed to perform jobs or change in locations of jobs” (Parkin et al, 2010: 502). Cyclical unemployment is influenced by the business cycle where a recession will increase unemployment and an expansion will decrease unemployment (Lipsey et al, 1999: 726). South Africa suffers from Structural unemployment to a greater extent because it affects the economic structure of the whole economy especially due to introduction of new technologies and skills needed to cope with competition from the other countries, South Africa has gone global in the business sector therefore it needs to be upgrading its technology and skills to match its competitors. Unemployment is calculated as the number of unemployed people expressed as a percentage of the labour force, where labour force is the number of unemployed people plus number of employed people (Parkin et al, 2010: 502). Number of people unemployed
$$\text{Unemployment} = \frac{\text{Number of unemployed people}}{\text{Labour Force}} \times 100$$
 Labour Force Statistics in South Africa show that “ In Q4: 2008, there were approximately 3. 9 million people unemployed in South Africa and during the financial and economic crisis, the level of unemployment climbed rapidly, reaching a peak of 4. 4 million in Q1:

2010" (Labour Force Survey 2012), this can be best explained as fluctuation of job creation because, during a recession when the country is facing economic hardships the number of jobs shrinks and this influences a spike in the unemployment rate (Parkin et al, 2010: 449). The unemployment rate in South Africa will never drop to zero because it is a developing country and does not have a very high Gross Domestic Product which is "...the market value of all final goods and services produced within a country in a given time period" (Parkin et al, 2010: 468), when GDP is low, there is an increase in unemployment because there are few goods produced there for a limited labour force is needed to produce the few goods. " The number of unemployed people rose to 4.5 million in Q2: 2011, but declined during the second half of 2011, In Q1: 2012, the number of unemployed people rose by 282 000, reaching 4.5 million, which is the same level observed in Q2: 2011" (Labour Force Survey 2012). Unemployment is a major issue in South Africa and the only way to manage it is by increasing our entrepreneurial strategy, supporting Small and Medium Enterprises as well as being united as a nation (Ramaphosa 2012). Job creation is not just a strategy to deal with unemployment but it is also going to eradicate poverty and this will increase the living conditions of every South African citizen. Mr Ramaphosa notes that unemployment is hindering our endeavor to eradicate poverty and also reduce the inequality gap (Ramaphosa 2012). The National Development Plan (NDP) which was produced in 2011 by the National Planning Commission has been put in place as strategy to deal with unemployment and Mr Ramaphosa explains that " It envisages the creation of 11 million jobs by 2030, and a reduction in levels of unemployment from about 25% to

6%" (Ramaphosa 2012). The NDP plans on involving the government as well as the labour sector to play a role, an expansion of the public works programme is going to help reduce unemployment because it will be offering work experiences and skills to those people who are unemployed. Minimizing the cost of doing business helps small companies to get into business and also employ people to work; the NDP also states that tax subsidy will be granted to businesses to minimize the cost of recruiting young people (NDP Summary 2011), this will result in job creation and hence unemployment is reduced. Unemployment affects the whole country because due to unemployment there will be low standard of living Mr Ramaphosa explains that employment is the core of humanity (Ramaphosa 2012), when unemployment is high crime rates tend to increase as well because need to earn a living, so since they cannot find jobs they resort to robbery, drug trafficking and prostitution, this helps explain the high crime rates and HIV Aids rate in South Africa. Economically unemployment leads to loss of production therefore low GDP because there are no people who can work to help make more products; there is also lack and underutilization of human capital when there are high rates of unemployment (Parkin et al, 2010: 468).

Conclusion The NDP has been put in place to help manage unemployment in South Africa and if it gets support from everyone 11 million jobs will be created by 2030. Unemployment increases crime rates and hence need to be managed properly. The government plans on reducing the costs of doing business and that way there can be creation of employment, the works programme is also going to be used to provide skills to people who do not have jobs, and above all education for all has to be achieved so as to

eradicate unemployment and hence poverty. REFERENCE LIST LIPSEY, RG and CHRYSAL, KA, 1995. Positive Economics (8e). New York: Oxford University Press. NDP Summary 2011. National Development Plan - South Africa 2030. South African National Government. [Online] Available <http://www.info.gov.za/issues/national-development-plan/nat-dev-plan-summary.pdf> [Accessed 6 August 2012]. PARKIN, M, KOHLER, M, LAKAY, L, RHODES, B, SAAYMAN, A, SCHOER, V, SCHOLTZ, F and THOMPSON, K, 2010. Economics: Global and Southern African Perspective. Cape Town: Pearson.