

# SA must amend restrictive labour laws to curb unemployment

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27 Nov 2018

South Africa must create jobs for the many unskilled workers in the country and not the skilled workforce it wishes it had.



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It is shocking that only 43% of adult South Africans can be considered as the 'official working force'. In the majority of other countries, this figure is about 60%. Amongst the many factors contributing to our high unemployment rate are policy makers who are driven by a set of ideas about employment and the labour market that are unsuited to the current challenges we face as South Africans.

The insistent push for a "relatively high minimum wage, and considerable legal protection from dismissal" is at the core of creating South Africa's employment woes.

## No wage better than low wage?

Effectively, government policy argues that no wage is better than a low wage. South Africa's labour market policy has prevented the creation of the kinds of jobs that are the first point of entry for unskilled workers into modernising economies, whether in Europe, the United States or the industrialising countries of Asia.

Experts have projected that unemployment will continue to worsen until 2020 due to the failure of economic growth to keep up with population growth.

There are 37.8-million working-age adults in South Africa today. Of these, 11.9-million people (mostly students and school pupils) are not economically active. Of the remaining 25.9-million, 9.6-million (37%) cannot find work. That's almost two adults in every five. It has become very obvious that unless government relaxes labour relations laws to better support businesses, we will continue to face high levels of unemployment.

## Inefficient hiring and firing

The most recent Global Competitiveness Report shows that the country's labour market is hobbled by inefficient hiring and firing practices, little cooperation between employers and employees, as well as a poor relationship between pay and productivity. This often tempts employers to replace labour (particularly those less skilled and experienced) with capital and discourages them from hiring new workers, especially the youth, who are always the most vulnerable.

We all need to recognise that commercially viable companies are by far the most effective, sustainable and economically efficient job creators, and we should do everything in our power to help remove constraints on companies. The most critical of these are the rules that raise the costs of employment and those that make employers reluctant to employ more unskilled and inexperienced young people.

I have doubts that entrepreneurship will work either, unless supported by solid initiatives. Creating an environment in which companies are able and encouraged to create large numbers of low-skill jobs is the single most important step South Africa could take to make its growth path more inclusive. Unless core policies are revisited soon, yet another generation will grow

up in a world of mass unemployment and hopelessness.

## ABOUT THE AUTHOR

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