The new *OECD Jobs Strategy*

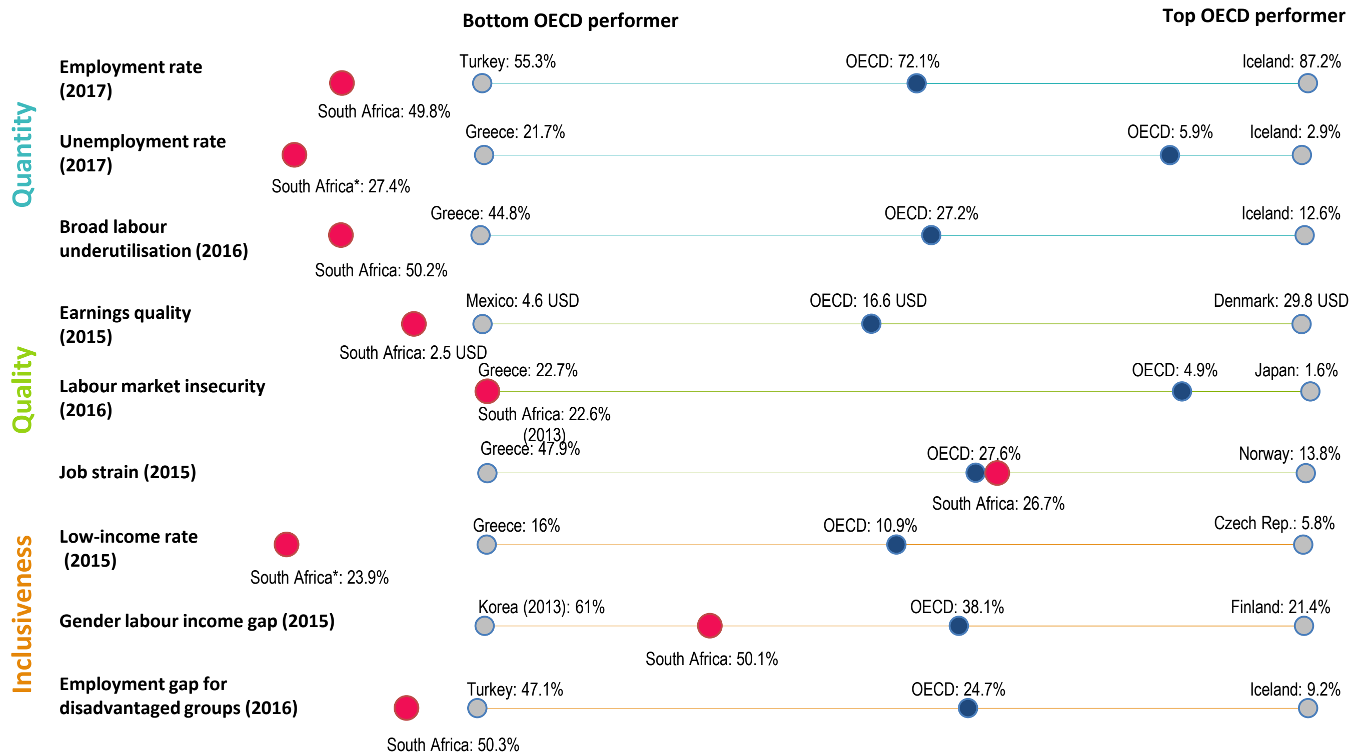
Good jobs for all in a changing world of work

OECD

How does South Africa compare?

The digital revolution, globalisation and demographic changes are transforming labour markets at a time when policy makers are also struggling with slow productivity and wage growth and high levels of income inequality. The new ***OECD Jobs Strategy*** provides a comprehensive framework and policy recommendations to help countries address these challenges. It goes well beyond job quantity and considers job quality and inclusiveness as central policy priorities, while emphasising the importance of resilience and adaptability for good economic and labour market performance in a rapidly changing world of work.

Dashboard of labour market performance for South Africa



Notes: * The position on the figure does not reflect the exact scale. Employment rate: share of working age population (20-64 years) in employment (%). Broad labour underutilisation: Share of inactive, unemployed or involuntary part-timers (15-64) in population (%), excluding youth (15-29) in education and not in employment (%). Earnings quality: Gross hourly earnings in PPP-adjusted USD adjusted for inequality. Labour market insecurity: Expected monetary loss associated with the risk of becoming unemployed as a share of previous earnings. Job strain: Percentage of workers in jobs with a combination of high job demands and few job resources to meet those demands. Low income rate: Share of working-age persons living with less than 50% of median equivalised household disposable income. Gender labour income gap: Difference between per capita annual earnings of men and women (% of per capita earnings of men). Employment gap for disadvantaged groups: Average difference in the prime-age men's employment rate and the rates for five disadvantaged groups (mothers with children, youth who are not in full-time education or training, workers aged 55-64, non-natives, and persons with disabilities; % of the prime-age men's rate).

ASSESSING JOB QUANTITY, QUALITY AND LABOUR MARKET INCLUSIVENESS

The new *OECD Jobs Strategy* presents a dashboard of labour market performance that provides a comprehensive overview of the strengths and weaknesses of different national labour markets, going well beyond the standard measures of employment and unemployment rates. These include measures of job quantity (employment, unemployment and broad underemployment), job quality (pay, labour market security, working environment) and labour market inclusiveness (income equality, gender equality, employment access for potentially disadvantaged groups). Some countries score well on most or all indicators, implying that there are no hard trade-offs that prevent countries from performing well in all areas.

- South Africa scores below OECD countries on all three indicators of job quantity due to deep structural problems and a long period of low growth: only half of the working age population is in employment and unemployment is five times the OECD average.

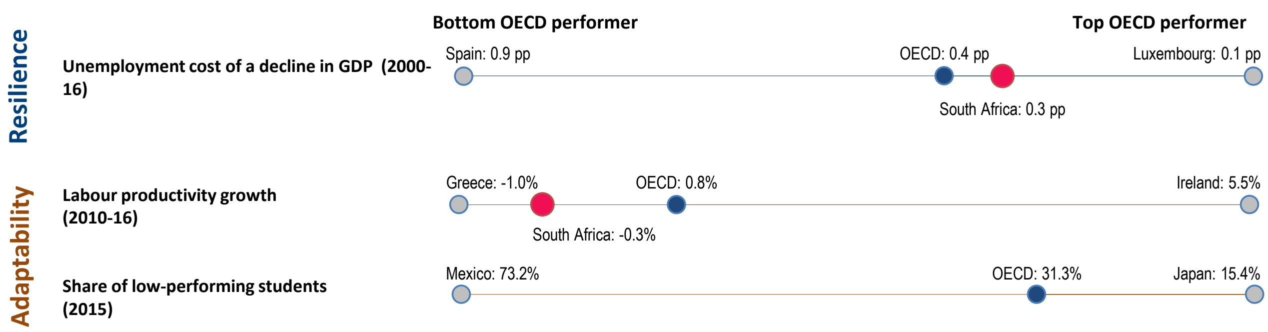
- Labour market quality is low compared to OECD standards, both in terms of insecurity in the labour market and job strain. Earnings quality reveals the highly unequal distribution of wages and income.
- Labour market inclusiveness is relatively weak. However, the introduction of the national minimum wage at around the level of the median wage, affecting almost half of the workers, will reduce poverty. The employment gap for disadvantaged groups is higher than for OECD countries. It reflects the high level of inequality in education performance and labour market participation and universal social transfers for child support and old-aged people. These transfers are decisive in fighting poverty. The gender labour income gap in South Africa is on a par with many OECD countries and below Korea for instance.

FRAMEWORK CONDITIONS FOR RESILIENCE AND ADAPTABILITY

Labour market resilience and adaptability are important to absorb and adjust to economic shocks and make the most of new opportunities. Resilience is crucial to limit the short-term costs of economic downturns. Labour productivity is a key pre-condition for high growth of output, employment and wages and central to long-term growth in living standards. Finally, skills are key to improving workers' productivity and wages and provide an indication of the readiness to respond to future challenges.

- Framework conditions are weak in South Africa contributing to underperformance on job quantity, job quality and inclusiveness.
- Labour market resilience measured in terms of the unemployment response to economic downturns is above the OECD average. This partly reflects the fact that the long spell of low growth has brought some moderation in wage growth demands from unions.
- Labour productivity growth is particularly low. South Africa has the lowest productivity growth rate among emerging economies and with Brazil and Argentina the only negative rates. Low productivity performance in South Africa reflects the skills shortage, high cost of doing business and lack of competition in many markets. Student skills are below the OECD average, with the education system being characterised by high inequality as a small share of students excel but many others do very poorly.

Framework conditions for South Africa



Notes: Resilience: average increase in the unemployment rate over 3 years after a negative shock to GDP of 1% (2000-16); Labour productivity growth: annual average productivity growth (2010-16), measured in per worker terms. Share of low-performing students: Share of 15-year-olds not in secondary school or scoring below Level 2 in PISA (%) (2015).