



FACULTY/COLLEGE	College of Business and Economics
SCHOOL	School of Economics
CAMPUS(ES)	APK
MODULE NAME	Labour Market Issues
MODULE CODE	LMI9X01
SEMESTER	Second
ASSESSMENT OPPORTUNITY, MONTH AND YEAR	Final Continuous Assessment Opportunity 30 October 2020

ASSESSMENT DATE	30 October 2020	SESSION	
ASSESSOR(S)	Prof JMM Viljoen		
MODERATOR(S)	Prof EPJ Kleynhans – North-West University		
DURATION	3 hours	TOTAL MARKS	100
NUMBER OF PAGES OF QUESTION PAPER (Including cover page)			3

INFORMATION/INSTRUCTIONS:

- This is an open-book assessment.
 - There are 3 questions.
 - **Choose any 2 questions to answer**
 - Answer the questions in MSWord.
 - Number your answers clearly and correctly as per the question paper.
 - Fully utilise your acquired knowledge during the module in answering each question. The assessment will be judged on your ability to present the answers in a clear, logical and well-structured format.
 - You need to submit your electronic submission to me kotiev@uj.ac.za using **your UJ email address**.
 - Please retain a copy of your answers until the results are finalised
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QUESTION 1

[50 MARKS]

The 'OECD's Better Policies Series' refers to South Africa as having the highest youth unemployment rates among OECD and G20 countries.

Matschke, wrote in an article 'Youth unemployment is a ticking time bomb in South Africa: around half of the country's 18- to 34-year-olds have no job. Without work, they have no income and without income, they have no chance to build a future'.

A report by the Centre for Development and Enterprise (CDE), is titled: NO COUNTRY FOR YOUNG PEOPLE: The crisis of youth unemployment and what to do about it'.

Another media heading reads: 'NEET's crisis is emerging as SA's most urgent challenge'

Speaking at the Department of Trade and Industry's inaugural economic dialogue, the World Bank's lead private sector development specialist for several Southern African countries, Dr Chunlin Zhang, compared South Africa's youth unemployment problem to a 'bleeding', which required decisive intervention'. He further stressed that there is a '...pressing need to find and implement near-term strategies to deal with the 'NEET crisis'.

The above extracts point to an urgent need to address the youth crisis in South Africa's labour market.

- a) Write a report on the current youth crises in South Africa. Also pay special attention to the scarring effects that unemployment has on the youth, and the importance and advantages of using the NEET rate rather than the youth unemployment rate to analyse the youth crisis.
- b) Discuss possible remedies for the youth labour market crises and critically evaluate each one in the South African context.

QUESTION 2

[50 MARKS]

Bhorat, H. and Khan, S. (2018:2) state that '... the **global financial crisis**, resulted in a significant contraction in output levels...the economy remains vulnerable to external shocks, and is **driven largely by international demand**' '... growth over the last decade is disproportionately attributable to the **expansion in capital intensive industries**, retail trade, and financial services'. 'High levels of **growth in labour-intensive industries** such as Agriculture and Manufacturing **are ... absent in the South African context**' 'South Africa has become a services-dominant economy, which in turn has inextricably impacted on the nature and levels of labour demand in the economy'.

The Department of Labour further noted: 'One of the key issues facing the South African labour market is an **excess of unskilled labour**'. A better educated and highly skilled workforce is a pressing long-term priority for the SA economy'.

- a) Critically evaluate the above concerns. In your answer refer to different structural changes that occurred in the labour market over the past few decades as well as the effect thereof on employment outcomes in general and specifically for the unskilled.
- b) Discuss the predictions of the future labour market and suggest possible solutions for the future, especially in the light of the 4th Industrial Revolution.

QUESTION 3

[50 MARKS]

The findings of a study by the National Minimum Wage Research Initiative at the University of the Witwatersrand states that 'A national minimum wage, set at an appropriate level, can achieve the central objectives of reducing working poverty and inequality in South Africa. It can also lead to increased economic growth without significant negative economic consequences.

In a recent study, Piek & von Fintel (2020), measured the impact of South African minimum wages on small and large firms' employment in a sector that is exposed to international competition (agriculture) and one that is not (retail). The results show that small farm employment is most vulnerable to minimum wage legislation..." while "... large farm employment was shielded from employment losses' and ...'it may intensify the long-run movement towards fewer, larger, and more capital-intensive farms'. 'Retail employment experienced no changes in employment, regardless of firm size'. Thus '...firms exposed to international markets cannot easily increase prices when their employees' wages increase while non-tradable sectors can more readily shift the burden of higher labour costs onto consumers by increasing prices'. 'Implementation of a uniform national minimum wage ignores this type of heterogeneity and could lead to intra-industry changes in concentration and inequality'.

Taking the above into consideration:

- i) Briefly outline the Keynesian Paradigm around minimum wages and specifically the effect of minimum wages on income distribution, poverty, inflation and employment.
- ii) Provide main findings on the impact of the sectoral minimum wage laws on **any two** the following sectors (retail, domestic workers, agriculture, forestry, taxi workers, and private security).
- iii) In your opinion, is it more important to have a national minimum wage for South Africa or should there rather be sectoral minimum wages? Give reasons for your answer.