

Unemployment patchwork.

And missing the two critical patches of expectations and flexibility.

Swellendam: - Employment statistics are becoming a recurring nightmare. The latest figures ([see STATS SA report here](#)) have again recorded a decline in employment in the non-agricultural formal sector of some 15 000 jobs., Forbes Magazine has [listed South Africa's](#) official unemployment rate of 25.5% at the end of last year, as the highest in the world.

All of this is not intended to remind you of the bad dream, nor can it serve as soothing platitudes that things will be fine once we emerge from all of the events that have disturbed our serene slumber – such as the global recession, the collapse of commodity markets and demand for our primary exports, job cutting technology and a host of other developments out of our control. Not so helpful either are the constant flagellations by a number of experts and their media bullhorns on what can be done specifically, or “holistically” to stop the nightmare.

The latter is a much overused word implying that there is indeed some or other magic potion that can give us a restful night. Unemployment, and with it the other triplet siblings of poverty and inequality, is such a multi-faceted phenomenon that it does need many treatments aimed at both symptoms and causes. To be sure it is a patchwork approach, but short of an “unemployment state of emergency” [mooted by Ryk van Niekerk](#) amongst others recently, is perhaps the only option available.




In that approach, one has to try and ensure that the eventual quilt has some coherent and attractive whole, not from an original rigid design but from a careful selection and fitting of individual patches. This should be the underpinning of the current growth and employment dialog between the key role-players of government, labour and the private sector under [Nedlac auspices](#). They will achieve little if they do not have some consistent quilt in mind – a task that will require much more than simple trade-offs and compromises between conflicting interests that create clashing patches.

But a good quilt always has one attention drawing centre piece: a large patch that draws and connects all the other pieces together to a coherent whole. And, with a corny mixing of analogies, that centre piece may have to address the question whether our nightmare has not been induced primarily by a polluted economic environment, nor by a very toxic diet of laws, restrictions, bad government, corruption, maladministration, belligerent unions and other lumps of sugar; but by simply sleeping on the wrong bed!

That is the inconvenient truth of our parlous state. It is the absence of a centre-piece that not only catches everyone's attention, but that everyone can, without huge sacrifice and disruption to their lives, align with and support in their daily lives. Of course, some event organiser or passionate crusader may jump on this idea and set about planning another grand hoop-la-la parade, or dedicated day or week. They seldom work, and are even less effective than the intense institutional soul searching we have been having for some time now.

I have on many occasions argued that the centre piece has to be a firm focus on wealth creation itself and a shift away from the obsession with wealth distribution, let alone the expedient populist calls for redistribution. Remember [Boetcker's](#) "You cannot help the poor by destroying the rich"?

This becomes starkly clear when you examine the dynamic of maximum wealth creation and optimal distribution at a company level. It is a good place to start and perhaps even follow because the biggest challenge in unemployment is not the creation of new jobs but the retention of those that exist. Without that emphasis we are simply trying to balance a see-saw where the fulcrum post constantly shifts.

MAXIMUM CREATION	COMPANY STRATEGY	OPTIMAL DISTRIBUTION	
SELL THE MOST YOU CAN	<p>CONTRIBUTION ACCOUNT</p> <p>SALES = R200 </p> <p>OUTSIDE SUPPLIES = R100 </p> <hr/> <p>WEALTH = R100 </p> <hr/> <p>EMPLOYEES = R 55 </p> <p>SAVINGS = R 20 </p> <p>OWNERS = R 10 </p> <p>STATE = R 15 </p>	(CREATING CAPABILITY)	
GET THE BEST PRICE			MEET LEGITIMATE EXPECTATIONS
CONTAIN OUTSIDE COSTS			ENCOURAGE CONTINUED CONTRIBUTION
		(CREATING CAPABILITY)	

Graphic: Author

The three pillars of maximum wealth creation are an inevitable condensation of any strategic exercise, and a highly effective mantra to get a common purpose support by all stakeholders. One simply has to unpack the contributory actions, behaviours, metrics, remits and accountabilities (including all of the "sustainability" prescriptions), at a corporate, team, and individual level as individual patches to a value-adding/wealth creation quilt.

Wealth distribution has become the real impairment – not only because of our narrow obsession with it and illogically prioritising it over wealth creation itself, but because the two pillars of "meeting legitimate expectations" and "encouraging continued contribution" have become highly subjective, often arbitrary and delinked from valid market informed criteria. These are:

- For the state: international norms of prudent government expenditure to GDP;
- For labour: the supply and demand for skills and qualifications;
- And for shareholders or owners: the cost of capital.

Instead, each tries to maximise benefit to the point of open conflict and where trade-offs overwhelm the agenda in soul searching at an institutional level.

The two greatest threats to optimal wealth distribution, which in turn threaten wealth creation itself and therefore economic growth, job retention and job creation are unrealistic expectations and inflexibility. They are inextricably linked and mutually encouraging. The lower your expectations are, the more flexible you become and vice versa. These spill over into the national arena where battle lines are drawn at a societal, political and institutional level, often resulting in laws and prescriptions that inhibit flexibility.

For a company, strategy has to address in a tangible way the tempering of expectations through enhancing awareness and understanding of the business, and regularly communicating its performance and the company figures. The steps will also encourage flexibility through involving staff in the destiny of the enterprise, especially if they are then linked to rewards through some fortune sharing mechanism. But owners too are not innocent of inflexibility in the manner in which they drive profit maximisation, also often to the point of threatening longer term sustainable wealth creation. A simple shift to pegging profit expectations to a cost of capital criterion and viewing anything over that as discretionary surpluses that can even involve staff in determining its disbursement, will enhance overall flexibility.

At an individual, societal, national and political level, the toxic behaviour traits of unrealistic expectations and inflexibility have gripped the nation for decades, from parenting to politicking and electioneering. They may have been tempered by the bad times we are going through, but most likely not nearly enough or permanent enough to have a lasting positive impact on our economic destiny. For that we need a permanent shift in the national psyche to one where aspirations exceed by far our expectations.

Until then it will be the same bed and the same nightmares.