

SARPN & Oxfam Seminar on
Poverty, HIV/AIDS and Inequality in Southern Africa

Seminar Paper

HIV/AIDS,
Poverty &
Inequality

Poverty and unemployment in South Africa.

Isobel Frye, NALEDI

SEMINAR

1. Introduction

Levels of poverty and unemployment in South Africa are critically high, despite the country's status as an upper middle income country. Poverty and unemployment are structural rather than cyclical in nature. Chronic structural manifestations of poverty and unemployment are far more difficult to address in terms of policy interventions than transient cyclical episodes.

The extent of the marginalisation of poor people from the formal mainstream economy and opportunities for income generation is of a level which demands that successful interventions must address issues of distribution of resources in this country. There can be no cheap and painless quick-fix. Effective policy solutions need to be informed by the historical causes of inequality, as well as the ongoing impact of intergenerational poverty and dispossession, and need to address class as well as racial inequalities.

23 January
2006

Of a population of 46 million people in South Africa, 48.5% of people were living in poverty in 2002 according to the national poverty line of R354 per month per adult equivalent (1995 value). In 2002, 23.8% of people were living on less than two US dollars a day, and 10.5% on less than one US dollar a day (UNDP, 2003). In 2004, 41% of working age people were unemployed according to the expanded definition of unemployment, and 26.2% according to the narrow definition (Labour Force Survey, 2004)¹.

Burgers Park
Hotel

Pretoria
South Africa

Chronic poverty is usually transferred across generations. A lack of access to assets prevents households from accumulating sufficient surpluses to move out of poverty over time. Living in precarious circumstances also of itself acts as a brake on people's ability to use their resources to move out of poverty. People often choose to use what assets they have in a cautious manner to prevent boom or bust situations, but low risk ventures result in low risk returns. Poor people also have limited access to insurance of any type. When crisis does strike, the most prevalent way of coping is to sell off what assets exist, to reduce levels of food intake, and to take children out of school both to save school fees and to provide for extra labour (Dercon, 2005).

The chronic nature of unemployment in South Africa is illustrated by the fact that many unemployed people have never before worked. In addition, many people who are unemployed and are still actively looking for work have been looking for work for an excess of 3 years. Social security in South Africa is based on European models developed after the Second World War, where unemployment was considered to be short term and cyclical. This is borne out by an examination of the terms and conditions of South Africa's Unemployment Insurance.

¹ See the discussion later on in the paper about the difference in the definitions.

This fund which is available only to formal economy employees provides relief for a maximum of 6 months. For the millions of chronically unemployed, there is no relief to be had. Likewise, non contributory social assistance, developed on the same principles, offers assistance only to children and pensioners, since according to our social policy, working age people should be able to access income through employment.

In this paper we shall examine briefly the historical/ political connections between poverty and employment in South Africa, before moving on to an examination of recent trends in employment, and we shall conclude with some challenges and opportunities.

The impact of HIV/ AIDS on individuals, households, communities and society in general needs to be kept in mind. This paper will not specifically address this, but the disaggregation of the workforce and the unemployed per sex and per age cohort will enable readers to use these figures with statistics that reflect the ravages of HIV/ AIDS on society per sex and age cohort.

2. Historical background on income, race, wages and poverty

Since the arrival of the Dutch in South Africa in 1652 to establish a refreshment station for Dutch sailors involved in global trade, the indigenous local economies of South Africans have been subjected to exploitation and extraction to support interests and economies foreign to the most South Africans.

The majority of people however continued to be sustained from the land. Bundy, in his book, The Rise and Fall of the South African Peasantry, describes how at the turn of the last century a strong African peasantry existed with accumulated surpluses which traded with white interests on equal terms.

At the end of the Nineteenth century, industrialisation of what was soon to be the Union of South Africa was in its infancy, financed and driven by the recent discovery of diamonds and gold. To finance the rapid expansion of the extraction processes, a limitless supply of cheap labour was seen as desirable by capital - the mine owners, and by the complicit governing powers. This led to the passing by Parliament of the nefarious 1913 Native Land Act. Under this Act, Black African South Africans were dispossessed of their lands and livelihoods and restricted to live on reserves that represented 13% of the total area of the country.

The black workforce that was deemed necessary for the mining and agriculture (the 2 largest economic sectors at the time) was employed under strict conditions which regulated their rights of movement and settlement in non-reserve areas. Employment contracts were generally short term in nature - usually only for one year. This underlined the temporary nature of a black person's existence beyond the reserves.

As a result of a number of deliberate policies, such as the imposition of high taxes payable only in cash on people living in reserves, a deliberate dependency was developed between households living on reserves and migrant labour.

According to Wolpe's (1972) analysis, the establishment of reserves served not only a racist purpose of dispossession and what basically amounted to conditions of internment, but it was also necessary economically to serve the development of racial capitalism through the subsidisation by reserves of the extremely low wages that were being paid to migrant workers in urban areas. Conditions of overcrowding and lack of services on the reserves have been well documented elsewhere. Needless to say, the deliberate restriction of the size of plot, the right of ownership and occupation of land was clearly designed to prevent the accumulation of surplus by black Africans to perpetuate this state of being.

The South African economy followed a trajectory similar to most colonies and latter day developing countries, namely one of dependency on the primary extraction of natural resources. This dependency on primary extraction, the means of production of which was owned by a few magnates (mining) and white farmers (agriculture), prevented black South Africans from pursuing their own livelihoods. It also frustrated or retarded the organic development and deepening of the economy in terms of value adding or beneficiation processes which would have created a new reservoir of jobs and income sources. Both of these effects are causes of today's high levels of poverty and unemployment.

Under Apartheid, the earlier colonial policies of segregation were legally entrenched. Few black people, especially black Africans, were allowed to acquire property. Jobs and the attendant skills were reserved according to colour, and the development of human capital amongst black Africans, in urban areas and in the later homelands, both in terms of health and education, was deliberately under invested by the state.

One of the ways of keeping wages low was to proscribe the building of worker strength through the prohibition of the recognition of trade unions for black people. This continued until the early nineteen eighties, after the Wiehahn Commission of Inquiry into Labour Legislation (1977 to 1981). Opportunities to demand better wages and fight for better working conditions through collective bargaining and the use of labour power was accordingly denied to the majority of South African workers for decades.

Wages for black workers continued to be calculated on a level that just provided for the subsistence of the worker and his or her family based on poverty lines that were in reality, subsistence levels.

"The Bureau of Market Research has for some years calculated a poverty datum line for Africans living in the main urban areas. There are two levels, the Minimum Living Level, and the Supplemented Living Level. The former denotes the minimum financial requirements of members of a household if they are to maintain their health and have acceptable standards of hygiene and sufficient clothing for their needs. The MLL is the lowest sum possible on which a specific size household can live ... The Supplemented Living Level (SLL) makes provision for more items than the Minimum Living Level ... it can be best described as an attempt at determining a modest low-level standard of living." (Budlender et al, 1984).

It is trite to say that low wages for unskilled and semi-skilled workers will have a dampener effect on wages for the rest of the workforce, white or black. This was however not appreciated by white workers to the detriment of the broader working class throughout recent South African history.

3. Employment trends²

As indicated above, levels of unemployment are central markers of levels of poverty in South Africa. Unfortunately over the last decade we have seen a steady increase in levels of unemployment in South Africa. Unemployment³ rose from 34.3% of the total working age population in September 2000 to 40.5 % in March 2005. The likelihood of being employed in South Africa is still heavily influenced by race, geographic location, sex and levels of skill.

² As indicated, most statistics in this paper come from the biannual Labour Force Surveys which are available on www.statssa.gov.za.

³ Unless indicated to the contrary, "unemployment" shall be used in this paper to refer to the expanded definition of unemployment, which includes the category of discouraged work seekers who are not included in the narrow or official definition of unemployment.

This section begins by disaggregating employment/ unemployment by sex and race. We shall then consider the category of “discouraged work seeker”, and thereafter examine the average duration of periods of unemployment for unemployed workers. We shall then consider the merits of the optimism surrounding the growth of employment opportunities in the informal economy, inter alia by looking at the average wage distinctions between the formal and the informal economies. We conclude by examining the levels of permanent, casual and temporary jobs.

3.1 Overview of the working age population

The number of working age people in March 2005 was estimated to be 29.5 million people (Labour Force Survey 2005). Of the total of 22.8 million black South Africans of working age, just over half (11.8 million) were economically active. 8 million of these people were working and 3.7 million people were unemployed. This must be compared to a total of 2.1 million economically active white South Africans out of a total of 3 million, 2 million were working, and 107 000 of these were unemployed.

Levels of employment and unemployment are contested in this country, as referred to above. The primary contestation concerns the use of the narrow, official measure, or the expanded measure of unemployment.

3.2 Definitions of unemployment and discouraged work seekers

The official definition of unemployment counts as unemployed only those workers who have actively sought work in the last 4 weeks. If (for instance, due to past frustrations or due to a lack of resources to travel to a town to look for a job) a worker has not actively sought work in the last 4 weeks, they are strictly and officially speaking deemed not to be unemployed. They are also not employed, but constitute “discouraged” work seekers.

The impact of this distinction on levels of unemployment is well illustrated by studying the following two tables that consider each definition as at September 2004.

Table 1: Number of unemployed people - official, strict definition, September 2004

Population group	Male						Female						Total					
	Total	Not economically active	Economically active				Total	Not economically active	Economically active				Total	Not economically active	Economically active			
			Total	Workers	Unemployed	Rate			Total	Workers	Unemployed	Rate			Total	Workers	Unemployed	Rate
	N (1 000)						N (1 000)						N (1 000)					
All population groups	14 194	5 394	8 800	6 772	2 029	23.1	15 097	8 128	6 969	4 868	2 109	30.2	29 305	13 527	15 779	11 643	4 135	26.2
Black African	10 952	4 566	6 385	4 610	1 755	27.6	11 708	6 610	5 093	3 261	1 833	36.0	22 645	11 179	11 466	7 874	3 592	31.3
Coloured	1 263	390	873	701	172	19.7	1 422	635	787	597	190	24.1	2 685	1 025	1 660	1 296	362	21.8
Indian/Asian	416	101	316	277	39	12.4	407	236	168	142	26	15.4	823	339	484	419	65	13.4
White	1 551	330	1 221	1 158	63	5.1	1 544	634	910	857	53	5.8	3 099	967	2 132	2 016	116	5.4

* For all values of 10 000 or lower the sample size is too small for reliable estimates.

Totals include other and unspecified population groups and sex.

Due to rounding, numbers do not necessarily add up to totals.

Source: Labour Force Survey, September 2004.

Table 2 Number of unemployed people, expanded definition, September 2004.

Population group	Male						Female						Total					
	Total	Not economically active	Economically active				Total	Not economically active	Economically active				Total	Not economically active	Economically active			
			Total	Workers	Unemployed	Rate			Total	Workers	Unemployed	Rate			Total	Workers	Unemployed	Rate
	N (1 000)						N (1 000)						N (1 000)					
All population groups	14 194	3 944	10 250	6 772	3 478	33.9	15 097	5 631	9 466	4 866	4 600	48.6	29 305	9 578	19 726	11 643	8 093	41.0
Black/African	10 932	3 232	7 700	4 610	3 090	40.1	11 703	4 315	7 388	3 261	4 128	55.9	22 645	7 549	15 096	7 874	7 222	47.8
Coloured	1 263	318	945	701	244	25.8	1 422	501	921	597	324	35.1	2 685	820	1 866	1 298	567	30.4
Indian/Asian	416	82	334	277	58	17.2	407	211	195	142	53	27.1	823	293	529	419	110	20.8
White	1 551	306	1 245	1 158	87	7.0	1 544	593	950	857	94	9.8	3 099	901	2 198	2 016	182	8.3

* For all values of 10 000 or lower the sample size is too small for reliable estimates.

Totals include other and unspecified population groups and sex.

Due to rounding, numbers do not necessarily add up to totals.

Source: Labour Force Survey, September 2004.

The difference in the figures (25.2% or 4.1 million unemployed workers compared to 41% or 8 million unemployed workers) is made up as indicated above of discouraged workers.

In Table 4 we can track the rise of discouraged workers from September 2000 to March 2005. The figure increased from 2,2 million workers to 3, 8 million over this period of time, reflecting an increase from 8% of working age people to 13% in just over 4 years.

3.3 Increase in size of the Economically Active Population

When tackled about rising levels of unemployment, government often refers to the fact that the economically active population has grown at a higher rate than the working age population. This is true, as can be seen from the following Table. There are a number of possible reasons for this - an increase in urbanisation, an increase in opportunities for women etc. The underlying question however must be asked - why is it that people who previously did not see themselves as economically active, now do? To hazard an answer based on international social policy studies, can be partly attributed to growing levels of poverty within households, and possibly due to increased levels of unemployment among the traditional breadwinners - males. These questions however should be more rigorously researched, both to understand the current trends, and to anticipate future developments.

Table 3. Labour supply, 1995 to 2002.

	1995	1997	1999		2002
Working age population (15 to 65) (million)	23.9	25.3	26.0	27.2	27.8
Economically active population (official) (million)	11.4	11.4	13.6	15.4	15.8
Economically active population (expanded) (million)	13.6	14.6	17.2	18.6	19.1
Unemployed (official) (million)	1.8	2.3	3.2	4.6	4.8
Discouraged work seekers (million)	2.1	3.2	3.6	3.1	3.3
Expanded unemployed (million)	4.0	5.5	6.8	7.7	8.1
Labour Force Participation	47.8	45.3	52.1	56.7	57.0

Rate (%) (official)					
LFPR(%) (expanded)	56.9	57.7	66.1	68.3	68.9

Source: DBSA, 2005.

This Table shows the very large increase in labour force participation, growing by 4.4 million people during the period 1995 to 2002. Over the same period however, the number of new jobs grew by only 1.4 million (DBSA, 2005).

Table 4. Disaggregation of unemployment by sex, September 2000 to March 2005.

Labour market indicator	Sep 2000	Mar 2001	Sep 2001	Mar 2002	Sep 2002	Mar 2003	Sep 2003	Mar 2004	Sep 2004	Mar 2005
	%									
Unemployment rate										
Male	28,5	32,3	34,0	34,3	34,6	35,7	34,9	34,4	33,9	33,0
Female	40,5	41,4	47,7	47,2	48,7	48,8	48,2	48,7	48,6	48,5
Total	34,3	36,7	40,8	40,6	41,8	42,5	41,8	41,8	41,0	40,6
Absorption rate										
Male	51,5	49,7	47,3	48,2	47,6	46,7	47,2	47,2	47,7	48,5
Female	37,0	38,0	32,7	34,2	32,0	32,4	32,2	31,6	32,2	32,7
Total	44,0	43,7	39,8	41,0	39,6	39,3	39,5	39,1	39,7	40,3
Participation rate										
Male	72,1	73,4	71,7	73,5	72,8	72,6	72,6	71,9	72,2	72,5
Female	62,1	64,8	62,5	64,9	63,7	64,4	63,4	62,8	62,7	63,4
Total	67,0	69,0	67,0	69,0	68,1	68,4	67,9	67,2	67,3	67,8
Discouraged work seekers (thousands)										
Male	788	1 030	1 084	1 125	1 185	1 182	1 387	1 405	1 449	1 414
Female	1 429	1 667	1 910	1 920	2 008	2 058	2 387	2 360	2 497	2 406
Total	2 218	2 698	2 994	3 045	3 194	3 241	3 773	3 764	3 948	3 820
Discouraged work seekers as % of working age										
Male	5,8	7,5	8,0	8,2	8,5	8,5	8,9	10,0	10,2	9,9
Female	10,0	11,5	13,2	13,1	13,7	13,9	16,0	15,7	16,5	15,8
Total	8,0	9,6	10,8	10,7	11,2	11,3	13,0	12,9	13,5	13,0

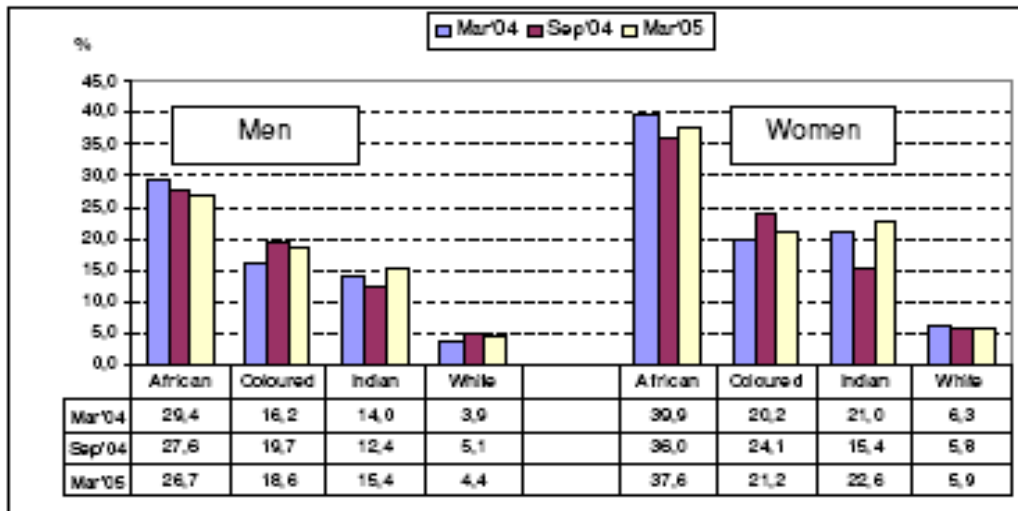
Totals include unspecified sex.

Due to rounding, numbers do not necessarily add up to totals.

Source: Labour Force Survey, September 2000 to March 2005 Comparison.

The category of discouraged work seekers is an important indicator of the effects of unemployment on unemployed workers. It would be valuable for government policy makers to discover the causes of the discouragement as a preliminary step to re-employment of unemployed people. Accordingly it is extremely troublesome to note that StatsSA, the official national statistical office in South Africa, has ceased to report on the category of discouraged work seeker. The effect of this is to render the 3.8 million discouraged work seekers neither unemployed, but certainly not employed, in other words, they are officially erased.

Table 5. Official unemployment by sex and population group, March 2004 to March 2005.



Source: LABOUR FORCE SURVEY, 2005.

3.4 Disaggregation of the officially unemployed

Of the 4,2 million unemployed workers in South Africa, 1, 6 million have been looking for a job for more than 3 years. 2.5 million of the officially unemployed people have never before worked. Of these, the largest single section (41.5%) has been looking for a job for at least 3 years (Labour Force Survey, March 2005).

In each of three age cohorts of unemployed people as presented by the Labour Force Survey who have worked before, namely 15 to 30 years, 31 to 46 years and 47 to 65 years of age, 17.2 %, 46.0 % and 61.4% respectively have been unemployed for in excess of 3 years.

Table 6. The unemployed (official definition) - 15 to 65 years by duration of job seeking, age and whether they have worked before.

Duration of job seeking**	15-30 years			31-46 years			47-65 years			Total		
	Total	Worked before	Never worked	Total	Worked before	Never worked	Total	Worked before	Never worked	Total	Worked before	Never worked
Total	2 686	766	1 919	1 301	763	538	295	216	80	4 283	1 744	2 537
Less than a month	194	76	118	95	67	28	19	16	*	308	159	149
1 month - < 2 months	134	50	84	66	40	25	*	*	*	209	98	111
2 months - < 3 months	168	65	104	54	39	14	*	*	*	233	112	121
3 months - < 4 months	143	47	97	43	32	11	*	*	*	194	84	109
4 months - < 6 months	112	52	60	42	26	16	*	*	*	162	83	78
6 months - < 1 year	293	95	198	88	67	21	21	17	*	402	179	223
1 year - < 3 years	754	198	556	253	164	90	43	34	*	1 051	396	655
3 years or more	849	175	675	647	322	325	174	120	54	1 671	617	1 053
Not applicable	13	*	*	*	*	*	*	*	*	19	*	*
Don't know/ unspecified	24	*	20	*	*	*	*	*	*	35	*	28

* For all values of 10 000 or lower the sample size is too small for reliable estimates. Due to rounding, numbers do not necessarily add up to totals.

Source: Labour Force Survey, March 2005.

Of the unemployed people who have worked before, 29.3% last worked in elementary occupations, 15.76 % worked in craft and related trades work, and 13.41% who were previously employed as domestic workers. Given that the structure of employment has

shifted significantly in favour of skilled employment (DSBA, 2005), un- and semi-skilled unemployed workers are finding it increasingly difficult to find new jobs.

3.5 Wage Income

Between 1993 and 2004, employment remuneration fell from 51% of GDP to 45%, while the share of profits increased from 25% to 30% (Business Report, 13 July 2005).

According to a recent study on wages in South Africa between 1995 and 2000, overall wages declined significantly (Leibbrandt et al, 2005). The most significant decline was however for the lowest earning workers, whose real income during this period halved. For workers in the 10 to the 75th percentile of workers, incomes fell by a third in real terms. Only for workers in the 90th percentile for women and the 95th percentile for men did real wages increase during this five year period.

Leibbrandt et al are at pains to admit that these findings do not correspond with the National Income figures which suggest real wages either remaining constant or increasing. In response they contend that the data used by them (the Income and Expenditure Survey and the Labour Force Survey) is transparent, while the state that the data used for the National Incomes is not.

As wages for women and for black workers were generally worse off in 1995, the sharp declines have affected their incomes more harshly.

One reason for this sharp erosion in value of wages is that real wages did not keep pace with inflation, a reason not dismissed by the authors (Leibbrandt et al, 2005). Strong unions are vital in demanding real increases for workers, especially for more vulnerable workers.

3.5.1 Incomes per sector

Table 7. Monthly income per Industry, September 2004.

3. Workers (employers, employees and self-employed)
3.9 By main industry and monthly income

1 000

Main industry	None	R2 500 or less	R2 501 - R8 000	R8 001 or more	Total
Total	347	6 361	2 859	938	11 643
Agriculture, hunting, forestry and fishing	242	712	48	27	1 063
Mining and quarrying	-	163	179	40	405
Manufacturing	*	945	419	170	1 714
Electricity, gas and water supply	*	27	37	17	99
Construction	16	595	121	25	824
Wholesale and retail trade	61	1 631	463	124	2 542
Transport, storage and communication	*	222	210	61	563
Financial intermediation, insurance, real estate and business services	*	434	332	189	1 147
Community, social and personal services	12	594	1 036	283	2 185
Private households with employed persons	*	1 032	*	-	1 075
Exterritorial organisations and foreign governments	-	*	*	-	*
Not adequately defined	*	*	*	*	11
Don't know/ unspecified	*	*	*	-	11

* For all values of 10 000 or lower the sample size is too small for reliable estimates.

Total includes don't know/ refused and unspecified income.

Due to rounding, numbers do not necessarily add up to totals.

Source: Labour Force Survey, September 2004.

These categories include both workers in the formal and informal economies as recorded by StatsSA (c.f. with Table 7 totals). We can see from this table that the majority of workers

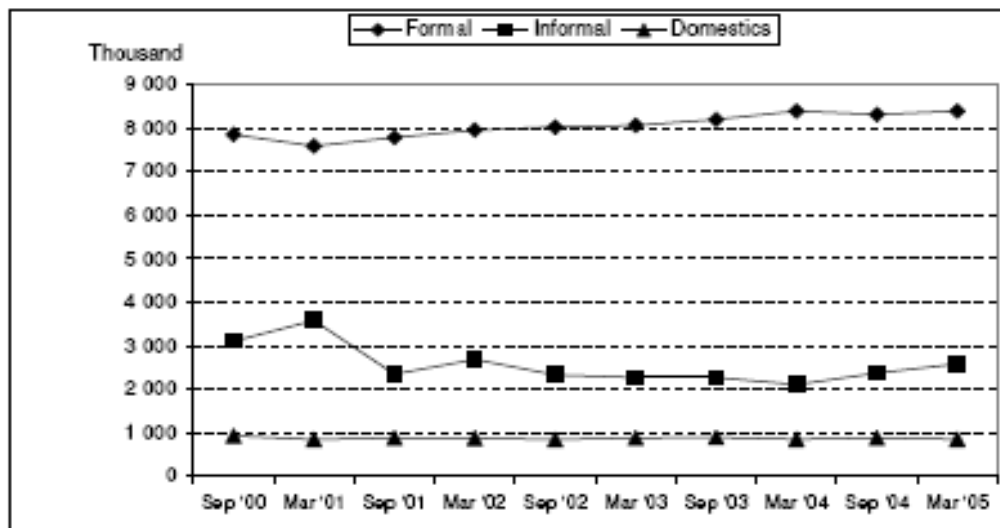
(6.3 million out of 11.6 million workers) earned R2 500 or less per month in September 2004. In Table 8 we shall see that while the largest concentration of formal economy workers earned between R2 501 and R8 000 per month, the largest concentration of earners in the informal economy earned between R1 and R500 per month in September 2004.

3.5.2 Formal/ Informal economies

With the realisation of the rate at which the formal economy was shedding jobs, people began to question whether the informal economy could in fact absorb the high levels of the unemployed. Levels of people who pursue their livelihoods in the informal economy in South Africa are very low compared to levels on other developing countries (in India for instance, 90% of working age people are involved in the informal economy). Hopes were high that unemployed persons could provide for themselves through starting small and micro enterprises, and from there “graduate” to medium enterprises in the formal economy.

If we examine Figure 1 however we see that the level of informal economy employment has actually fallen since March 2001, and remains at just over a quarter of employment levels in the formal economy.

Figure 1. Formal and informal employment, September 2000 to March 2005.



Source: Labour Force Survey, 2000 to 2005 Comparison.

According to the DBSA 2005 South Africa Development Report, not enough attention has been paid to the distinction between opportunity and necessity entrepreneurs. The needs of the two groups are extremely diverse. The majority of people fall not into the former category but to the latter, and struggle to make enough for a survivalist existence as can be seen from Table 8.

From Table 8 we can see that just under 70% of people in the informal economy earned R1000 a month or less in September 2004. We also see however that a total of 1,897 000 workers in both economies earn less than R500 per month.

Table 8. Monthly income in the formal and informal economies, September 2004

3. Workers (employers, employees and self-employed)
3.5 By monthly income and sector

1 000

Monthly income	Formal	Informal	Domestic	Total
Total	8 318	2 372	881	11 643
None	31	315	*	347
R1 - R500	358	817	363	1 550
R501 - R1 000	1 109	521	361	2 004
R1 001 - R2 500	2 269	404	117	2 807
R2 501 - R8 000	2 646	199	*	2 859
R8 001+	908	29	-	938
Don't know/refused	992	83	30	1 114
Unspecified	*	*	*	23

* For all values of 10 000 or lower the sample size is too small for reliable estimates.

Total includes don't know/ unspecified sector and payment period.

Due to rounding, numbers do not necessarily add up to totals.

Source: Labour Force Survey, September 2004.

3.6 Terms of employment

Finally we come to examine the trends around terms of employment - i.e. whether a worker is employed permanently, or is a casual or temporary worker by comparing information from September 2002 and March 2005 in order to answer the question as to whether there has been a significant downscaling in permanent jobs in favour of casualisation?

Table 9. Terms of employment, September 2002.

1 000

Main industry	Terms of employment						Total
	Permanent	A fixed period contract	Temporary	Casual	Seasonal	Don't know /Unspecified	
Total	8 738	385	1 116	687	82	62	8 889
Agriculture, hunting, forestry and fishing	585	39	159	44	51	*	884
Mining and quarrying	460	24	*	*	-	-	494
Manufacturing	1 178	65	110	64	*	*	1 425
Electricity, gas and water supply	67	*	*	*	-	-	80
Construction	180	45	108	71	*	*	410
Wholesale and retail trade	940	35	175	119	*	*	1 281
Transport, storage and communication	365	11	53	27	-	*	462
Financial intermediation, insurance, real estate and business services	740	63	50	26	*	*	884
Community, social and personal services	1 589	59	106	30	-	*	1 888
Private households with employed persons	500	15	334	174	*	15	1 040
Exterior organisations and foreign governments	*	*	-	-	-	-	*
Other	28	*	*	*	-	-	40
Unspecified	*	-	*	-	-	-	*

* For all values of 10 000 or lower the sample size is too small for reliable estimates

Table excludes employers, self-employed and those working without pay

Labour Force Survey, September 2002.

Table 10. Conditions of employment per sector, March 2005.

Main Industry	Terms of employment					Total
	Permanent	A fixed period contract	Temporary	Casual	Seasonal	
Total	6 848	500	1 228	747	92	9 546
Agriculture, hunting, forestry and fishing	455	27	99	63	68	715
Mining and quarrying	383	25	10	*	-	423
Manufacturing	1 150	64	128	81	*	1 434
Electricity, gas and water supply	86	22	12	*	-	123
Construction	270	91	182	112	*	662
Wholesale and retail trade	1 141	55	207	176	*	1 585
Transport, storage and communication	371	22	75	29	*	498
Financial intermediation, insurance, real estate and business services	790	87	60	24	*	965
Community, social and personal services	1 757	89	138	67	*	2 055
Private households with employed persons	535	19	317	188	*	1 074
Exterritorial organisations and foreign governments	*	-	-	-	*	*
Other	*	*	*	*	-	*
Unspecified	*	-	*	-	-	*

* For all values of 10 000 or lower the sample size is too small for reliable estimates.

Table excludes employers, self-employed and those working without pay.

Total includes don't know and unspecified terms of employment.

Due to rounding, numbers do not necessarily add up to totals.

Source: Labour Force Survey, March 2005.

According to these tables, the percentage of permanent jobs as a function of the total jobs in 2002 was 75%, and this dropped slightly to 72.7% in 2005. The majority of new jobs created however appears to have been in the category of fixed term contracts which rose from 4.1% to 5.2% of total jobs, representing 215 000 extra jobs.

The estimated real impact of the recent retrenchments and reduction in terms of employment is expected to show effect throughout the rest of 2005/ 06 in the mining and textile sectors.

A number of economists however (Bhorat and Hodge ,1999. Rama, 2001, both cited in DBSA, 2005) argue that there has been a trend towards outsourcing in the manufacturing sector (DBSA, 2005), with the result that vulnerable, unorganised and unprotected informal workers run the risk of increasingly paying the price for increased profitability in this sector.

In addition to offering more security, permanent jobs also in general provide access to benefits and social security, both private such as to pensions and medical aid, and to state social security, such as contributions to the Unemployment Insurance Fund and the Compensation for Occupational Injuries and Diseases Fund.

3.7 Impact of levels of Education

The final Table that we look at considers the unemployment rates amongst people according to different levels of education, namely no formal schooling; incomplete primary education; complete primary education; incomplete secondary education; complete secondary education; matric; diploma and degree. The Table uses the official narrow definition of unemployment, which has seen an increase from 15.8% in 1995 to 30.5% in 2002. Unemployment rates for people with a completed matric doubled, mirroring those of the general unemployment rate between 1995 and 2002 (namely an increase of 16.0% to 32.3%). However the unemployment rate for people with diplomas increased more than threefold, from 4.7% to 14.6%, and for people with degrees, a slightly lower rate of increase, from 2.4% to 6.6% (DBSA, 2005).

Table 11. Official unemployment rates per level of completed education, 1005 and 2002.

Percentage of unemployment per level of completed education	1995	2002
No schooling	12.6	19.3
Incomplete primary	17.4	29.9
Completed primary	18.7	31.4
Incomplete secondary	19.5	38.1
Matric	16.0	32.3
Diploma	4.7	14.6
Degree	2.4	6.6

Source: DBSA, 2005.

Altogether, a gloomy picture. Leibbrandt et al (2005) found that statistically, there was no increase in employment rates as a return to years of education between 1995 and 2000 - in other words, sticking it out to increase the number of years one spent in education did not increased your chance of finding education during this period, which questions to some degree the received wisdom that the reason that so many people are unemployed is due to their low levels of education.

4. Conclusion - Challenges and Opportunities.

Section 27 of the Constitution of South Africa guarantees to everybody living in the country the right to sufficient food, and the right to adequate social security or social assistance.

Constitutionally we need solutions to address the high levels of poverty that is the daily reality for so many South Africans.

Employment in South Africa is integral to people's livelihoods, both present and future. It is important to agree that job creation of the magnitude required for South Africa to meet the Millennium Development Goal and targets of halving the number of people living in poverty and unemployment by 2015, let alone to lift the majority of people out of poverty will be a long term project, requiring negotiation of factors within our control, and those external to our control, including global trade.

It is important to be realistic about what we can and cannot do and what is feasible. Certain projects have been adopted to a loud fanfare despite indications that they will fail to meet their required goal. One such expensive project is that of the Expanded Public Works Programme. Evaluations and assessments suggest that as a tool to firstly lift people out of poverty through access to income, and secondly to equip them with sufficient skills and experience to develop their own livelihoods, the programme cannot work. Yet, because of the expectations that have been created around the programme, and the ideological satisfaction that it provides for decision makers who wish to see the poor working themselves out of poverty, more and more money is allocated to the line item every year.

In a frank assessment of how government has gone wrong in trying to bring marginalised people into the folds of the formal economy, the DBSA concludes as follows:

1. There has been a failure to disaggregate and quantify what the nature of the problems are that we are dealing with and to appreciate that the poor and marginalised are not one homogenous group but instead require many different types of interventions and programmes.
2. There has been a disregard and neglect for people's existing skills and knowledge.
3. There has been a lack of proper consultation to understand what the real constraints are facing people struggling to move out of poverty.
4. There has been a failure of government to learn from past lessons.

The old adage of the need for a skilled workforce remains a constant, and is not encouraged by the poor level of teaching experienced by the majority of poor learners. Spatial dynamics are important in terms of trying to move employment opportunities closer to communities of unemployed people. Innovative studies of the impact of current and recent trade agreements need to inform the development of new skills to meet the requirements as they develop.

We also need to appreciate that the high levels of poverty act as a brake on addressing unemployment, as it affects domestic demand, and especially demand for cheaper, locally produced goods and services. South Africa is still importing at a higher rate than it is exporting which needs to be addressed.

The level of the crisis of poverty and unemployment needs to be recognised for what it is. Pursuing higher levels of economic growth in the absence of understanding how the current structure of society and the economy is still focused on obtaining maximum productivity at as low returns as possible, means that we will not break the current mould.

In the interim, there is an urgent need to expand the cover of social security as unemployment continues to rise. Social spending must also be appreciated as an investment and not as soft spending, which even the World Bank is advocating. An injection of cash into poor households is the one of the most liberating and empowering ways of assisting poor people to strengthen their own coping mechanisms, to address their immediate needs, and to begin to move out of such chronic levels of depressed economic activity. Adequate social security is a constitutional right. It is also the surest way of strengthening and supporting

people's livelihood strategies to assist them in moving to of poverty as has been shown by government commissioned studies.

A successful advocate will tell you never to ask a question to which you do not already know the answer. However, we do not need to win arguments here, but find real solutions. We need to move beyond ideologically entrenched notions inherited from liberal democracies and ask the bold question of what a developmental state facing these challenges needs to be doing.

References

- Budlender D, Pillay D and Young G (1984) [Wage determinations in South Africa : an analysis of the wage rates set by the Wage Board](#) Cape Town : SALDRU, 1985.
- Bundy, C. [The Rise and Fall of the South African Peasantry](#). Heinemann, London, 1979.
- Business Report, 13 July, 2005. ["Let's address the key problems in the formal economy"](#), Ntshanlintshali.
- Dercon, S. [Vulnerability: a micro perspective](#). Paper presented at the Annual Bank Conference on Development Economics, Amsterdam, May 2005.
- Development Bank of Southern Africa. [2005 Development Report, Overcoming Underdevelopment in South Africa's Second Economy](#), 2005.
- Leibbrandt, M, Levinsohn, J and McCrary J. [Incomes in South Africa since the fall of Apartheid](#). National Bureau of Economic Research Working Paper 11384, Cambridge, Massachusetts. 2005.
- Statistics South Africa. [Labour Force Survey, September 2002](#).
[Labour Force Survey, September 2004](#).
[Labour Force Survey, March 2005](#).
[Labour Force Survey, Labour Force Survey 2000 to 2005 Comparison](#)
- UNDP. [South Africa Human Development Report, 2003. The challenge of sustainable development: Unlocking people's creativity](#). UNDP, 2004.
- Wolpe, H. [Capitalism and cheap labour in South Africa](#). 1972.