

How high is unemployment?

In 1998 the Norwegian-based Fafo, Institute for Applied Social Science, agreed in consultation with the Department of Labour to embark on a survey to update the country's labour market statistics.

The survey was supposed to assist the department, who were keen at the time to find out how their new labour laws were impacting on the labour market. Today the scenario appears slightly different with the department adopting a rather hands-off approach to the survey. The aim of the survey was not to challenge existing statistics but rather to 'help fill some of the existing knowledge gaps'. At the time, Statistics SA had not yet started its own labour force survey.

Survey findings

Aside from the politics around the collection of statistics, the key findings of the survey include the following:

- ❑ The labour force or economically active population (EAP) – those who already work or are available for work – is higher than initially estimated.
- ❑ It is estimated that 11,2 million people are employed and they generally support about 4,3 people on their wages.
- ❑ The informal sector has become a major contributor to employment with about 20% or 2,2 million of the EAP relying on this sector for work. The formal sector only accounts for 60% of

A long awaited survey on labour market statistics has finally seen the light of day. The results, which could be contested in some quarters, have important policy implications nevertheless for interventions to reduce poverty and unemployment.

employment.

- ❑ The growth of the informal sector can to some extent be attributed to the growth of subsistence agriculture. Other informal sector activities relate to wholesale, retail trade (44%), construction (12%) and manufacturing (11%).
- ❑ This trend is very much in line with the decline in employment in manufacturing and an increase in the service sector.
- ❑ The increased size of the labour force can have a ripple effect on other figures with the result that unemployment figures too are higher than currently calculated. The survey estimates that unemployment ranges between 32% and 45%, depending on the definition used. This is compared to the 1999 October Household Survey (OHS) whose estimates range from 23% to 36%.

- ❑ Unemployment is as expected higher in urban areas when looking at those who are actively looking for work. The limited opportunities in the rural areas has meant that more people have given up looking for work. This is borne out by the fact that 65% of jobs are found in urban areas.
- ❑ It is generally accepted that the most vulnerable or marginalised workers such as women, rural people and Africans are most likely to give up actively looking for employment.
- ❑ There is a direct relationship between employment and education. Unemployment is lower for those with higher education while highest amongst those with lower secondary or upper secondary education. This group makes up two-thirds of the country's unemployed.
- ❑ 50% of those looking for work have never worked before while one-quarter of those currently unemployed lost their jobs through retrenchments or closures. Only 10% of those who were not working at the time of the survey had worked one or more months in the past year.
- ❑ It is interesting to note that only 1% of current job seekers are taking training courses as a means to find work.
- ❑ Access to information about job opportunities is possibly the most important obstacle to finding work.
- ❑ More than 60% of the unemployed depend on remittances from household members who are employed for their survival while about 15% rely on pensions and 1% on unemployment insurance benefits.
- ❑ The distribution of income in households very much depends on the number of people employed. Where everyone is unemployed the average income is R1 043, but if one person is employed this figure is doubled. The average income for households with no unemployed will average around R3 619, but one unemployed will reduce the average by 45% to R1 992.
- ❑ Sources for household income include wages, old age pension, remittances, child support and other government grants and self-employment.
- ❑ In the poorest households (where the average income is R286 a month), 49% rely on remittances from family members and private child maintenance to survive. In the second poorest households (income of R616), old age pensions account for more than 35% of income. In the third poorest households (income of R1 142), government pensions and other government grants account for more than 50% of their income.
- ❑ The granting of fringe benefits such as annual and sick leave seems to be well entrenched in the formal sector but is either sporadic or not granted in the informal sector. The most compliant sectors in terms of granting paid annual leave are the public sector, mining and the financial sector, while the worst are construction and retail.
- ❑ In terms of other fringe benefits, the majority of public sector workers get retirement benefits as compared to 40% in the private sector. A similar trend is evident for the provision of medical care and housing.
- ❑ Employees in construction, retail, hotels, transport, agriculture, mining and forestry work the longest hours. However, close to 50% of the workforce work between 31 and 45 hours a week. 12% work more than 55 hours and 25% work less than 45 hours.
- ❑ It is estimated that 34% of salaried employees are covered by collective agreements.
- ❑ Union density is relatively high in South Africa and especially so in the public sector, mining and manufacturing, but

low in the service sector.

- ❑ There is a direct correlation between union density and collective agreements. Close to 81% of union members are covered by collective agreements.
- ❑ More than 50% of workers believe that the responsibility for health and safety lies with employers. However, 48% who fear losing their jobs feel that it is government's responsibility to look after their interests in terms of job security. More than 70% believe it is government's responsibility to create jobs. Large numbers believe creating jobs is the Department of Labour's most important role.
- ❑ There is a high level of support for government to set wages especially amongst agricultural and domestic workers. The remainder believe wages should be set through collective bargaining.
- ❑ The majority of agricultural and domestic workers are not satisfied with their wages.
- ❑ The majority of workers would work harder if they were paid more while more than 70% indicated that if they had more freedom to decide on tasks they would work harder.
- ❑ The majority of workers would only go on strike after negotiations had failed.

Policy implications

Whether unemployment is calculated using the strict or narrow definition of either this survey or the OHS figures, the picture remains unchanged.

Unemployment is unusually high in South Africa. As government, labour and business begin to prepare for the growth summit, Liv Tørres (one of the drafters of the report) says discussion should focus on how the unemployed survives and how people can be kept out of poverty. The survey reveals that government transfers

and grants help to move people out of poverty and it is remittances from family members who are employed that people can rely on to move out of extreme poverty. The latter has some implications for possible calls for wage moderation. The report says: 'it is only through employment that people can move into a better life'.

These results have to be taken into account when considering the future of social security in the country and how to increase cash transfers to poor households.

What is interesting, however, is the limited impact unemployment insurance has on the households surveyed.

Tørres says a growth strategy cannot be separate from a programme to alleviate poverty. The same is true for developing an investment strategy, Fafo representatives argue. Tørres says government needs to consider policies that emphasise job creation. It is not only the business sector that can create jobs. The state, she says, needs to facilitate job creation and make it easier for small, micro and medium size enterprises to access the market. The survey showed clearly that the unemployed see government integrally involved in spearheading job creation initiatives.

Finally, the report does shed light on how the various labour laws are affecting the labour market. It is clear that these laws are not being implemented or even considered in the informal sector.

The report has come under some criticism from economists in terms of statistical design. During a presentation, UCT economist Haroon Borat questioned whether the unemployment rates had been captured properly. This relates to the importance of statistical methodology and design in household surveys. Other issues under scrutiny include the population estimates (which could impact on budget allocations); the timing of the survey and design of the questionnaire.