

The Post-Apartheid Labour Market 1995-2004

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Analysing the Post-Apartheid Labour Market

Employment growth, coupled with the reduction of poverty and inequality, has been a major focus area for South Africa's post-apartheid government. Now, a decade into South Africa's democracy, we have indeed seen an improvement in job creation along with substantial economic growth, but despite this, unemployment levels have continued to escalate.

Naturally a number of questions now arise as to the nature and cause of unemployment in South Africa, and these are the questions this survey aims to answer, by analysing:

- Whether or not the country has experienced "jobless growth".
- The characteristics of the labour force.
- The current levels of unemployment and the employment growth rate that would be required to absorb the unemployed in the labour force.
- Labour force participation.
- The characteristics of the employed.
- The sectoral, occupational and skills breakdown of the employed.
- The characteristics of the unemployed.
- Household attachment of the unemployed
- Characteristics that increase or decrease the likelihood of unemployment

Exploring the Concept of "jobless growth" in South Africa

It is frequently put forward that South Africa experienced "jobless growth" in the first decade of post-apartheid, and the starting point of this survey is to question this statement.

Economic growth is most commonly said to be jobless when the general economy is growing, but the absolute employment level is stagnant or falling. In the South African context, employment levels are in fact increasing, with employment growth lagging only slightly behind economic growth: we enjoyed a

3.0 per cent total economic growth between 1995 and 2004, and an increase of 2.3 per cent in total employment over the same period.

Growth in South Africa has therefore definitely not been jobless. This of course leads us to ask the crucial question: “If employment levels have risen, why has unemployment also risen?” The answer to this question is answered in the sections which follow.

Characterising the Labour Force

The ideal place to begin formulating an understanding of the post-apartheid labour market is by developing an overview of the characteristics of the labour force and of the broad shifts that have occurred between 1995 and 2005, as presented in Table 1.

Table 1: Snapshot of the South African Labour Force (Broadly Defined), 1995 and 2004

		1995		2004		Change	
		'000s	Share	'000s	Share	'000s	Share
TOTAL		13 754	100.0	19 726	100.0	5 972	100.0
By Race...	African	9 875	71.8	15 096	76.5	5 221	87.4
	Coloured	1 485	10.8	1 866	9.5	380	6.4
	Asian	417	3.0	529	2.7	113	1.9
	White	1 976	14.4	2 198	11.1	221	3.7
By Gender...	Male	7 598	55.2	10 250	52.0	2 651	44.4
	Female	6 155	44.8	9 466	48.0	3 310	55.4
By Age...	15-24 years	2 403	17.5	4 060	20.6	1 657	27.7
	25-34 years	4 977	36.2	7 064	35.8	2 086	34.9
	35-44 years	3 670	26.7	4 498	22.8	828	13.9
	45-54 years	1 941	14.1	2 916	14.8	975	16.3
	55-65 years	762	5.5	1 188	6.0	426	7.1
By Education Level...	No education	1 182	8.6	1 062	5.4	-120	-2.0
	Incomplete Primary	2 441	17.8	2 876	14.6	435	7.3
	Complete Primary	1 017	7.4	1 342	6.8	325	5.4
	Incomplete Secondary	4 573	33.2	7 019	35.6	2 446	41.0
	Complete Secondary	2 873	20.9	5 159	26.2	2 286	38.3
	Tertiary	1 430	10.4	1 959	9.9	529	8.9
	Other/Unknown	237	1.7	308	1.6	71	1.2

Source: OHS 1995, LFS 2004:2 (Statistics SA).

Based on the data above, we observe that:

- **6.0 million individuals entered the labour force** between 1995 and 2004.
- **Africans account for the largest proportion** (76.5 per cent) of the total labour force, followed by Whites, Coloureds and then Asians. African individuals also have a faster rate of entry, meaning that they account for over 87 per cent of the total labour force growth experienced over this period.
- **There is an even split between males and females**, although the overall share held by women has increased and the overall share held by men has dropped, indicating the increased “feminisation” of the labour force.
- **Age wise, the two youngest age groups accounted for the largest share of growth.** It is interesting to note that in contrast with this, the bulk of net White labour force growth occurred in the older age groups, which may be due to a declining birth rate among Whites or an increase in the length of time they continue their education.
- **The labour force is slowly becoming more educated** as can be seen by the increase in the proportion of individuals with complete secondary and tertiary education. This is especially apparent in the White labour force, with tertiary educated individuals accounting for 85 per cent of net White labour force growth. In contrast though, African labour force growth was derived largely from individuals with incomplete or complete secondary education.
- **The majority of the labour force is located in urban areas** with only 36 per cent in rural areas in 2003.

This increase in the labour force has translated into an increase in unemployment because the growth in the labour force has far outstripped the growth of employment.

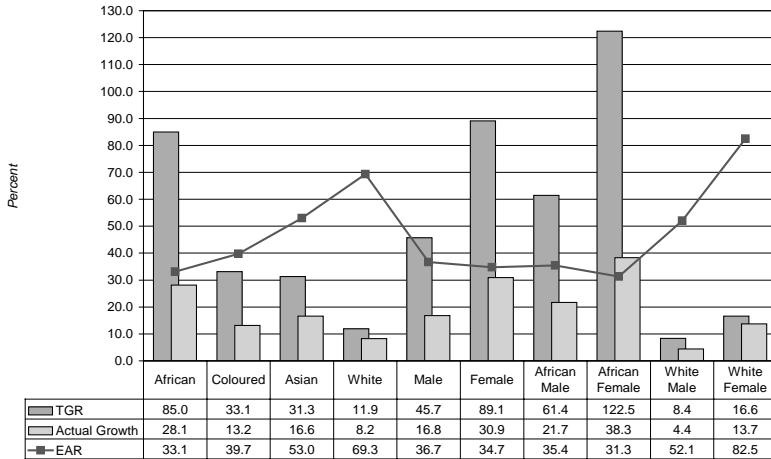
Setting Target Growth Rates

Having sketched a picture of the labour force, we can now establish what levels of employment growth would be necessary to secure employment for all new participants.

Overall we see that **employment would have to increase by almost two thirds** to absorb new labour force participants. In reality employment has grown by about one third.

Figure 1 illustrates both the Target Growth Rates (TGR) broken down by race and gender, and the actual growth enjoyed by these groups. As we see, **White Females are the closest to reaching their TGR**, followed by White Males, indicating that Whites are continuing to reap more benefits from post-apartheid employment growth, with **African job seekers continuing to be marginalised**.

Figure 1: Target and Actual Employment Growth, 1995-2004



Source: OHS 1995, LFS 2004:2 (Statistics SA).

Notes: 1. Labour force figures used here are based on the broad definition of unemployment.

Analysing Labour Force Participation

As we have now seen, an important root of unemployment is the fact that the labour force is growing at a rate **in excess of both the working age population and total employment**. However, the creation of policies to adequately address unemployment requires a deeper understanding of Labour Force Participation Rates (LFPRs), that is, the percentage of working-age individuals in different groups who are labour force members.

When looking at broad Labour Force participation rates we see that:

- **LFPRs are highest for White and Coloured adults** generally speaking, sitting at 70.9 per cent and 69.5 per cent respectively in 2004.
- **Women have lower LFPRs**, with just under 63 per cent of females being labour force members compared to 72.2 per cent of males.

- **More urbanised provinces have higher LFPRs** than more rural provinces.
- **LFPRs are lower among youngest and oldest age groups.**
- **African females have had a massive LFPR growth** to 63.1 per cent (up from 47.0 per cent). This is a key group that accounts for 54 per cent of all rural adults, thereby contributing hugely to the LFPR rise within rural groups, from 47.6 per cent to 61.5 per cent.

Breaking down the Employed by Demographics, Location and Sector

Employment growth has not occurred evenly across demographic groups or job sectors. In this section we analyse where growth has been most concentrated and where it lags.

When looking at growth across age, gender, racial, provincial and educational groups:

- **Four fifths of new jobs were filled by Africans**, accounting for 1.7 million of the 2.1 million new jobs generated over this period. This is of course in line with the fact that 77 per cent of South Africans are African.
- **Females experienced a 1.2 million net increase** in jobs, thereby increasing their share of employment from 39.1 per cent in 1995 to 41.8 in 2004.
- **Age wise, 25-34 and 45-54 year olds experienced the bulk of the growth**, accounting for employment gains in excess of 650 000 jobs. Conversely, labour force members under 25 years of age experienced the highest loss in percentage shares, indicating an aging of the South African work force.
- **Growth was concentrated in Gauteng, KwaZulu-Natal, Western Cape and Eastern Cape** which are the provinces with the largest economies. Collectively these provinces enjoyed a net increase of 1.5 million jobs. It is encouraging to note that much of the employment growth has been

concentrated in the country's poorest provinces!

- **Employment of people with no skills has declined**, with the majority of new jobs (1.0 million) being created for people with complete secondary education. This, along with the increasing share of tertiary educated individuals in employment confirms the structural shift towards higher skilled labour.

When looking at growth across sectoral, occupational and skills groups:

- **The tertiary sector is primarily responsible** for the real GDP average growth of 3.0 per cent average annually.
- **The tertiary sector experienced the greatest growth** (3.7 per cent annually) followed by the secondary sector (2.2 per cent) and then the primary sector (1.3 per cent). In terms of actual jobs, tertiary employment increased by 1.8 million jobs! Conversely, the primary sector has lost over 360 000 jobs.
- **Transport and Communication and Finance and Internal Trade** were the best performers within the tertiary industry, accounting for a massive 70 per cent of the total output expansion.
- **The Construction sector created the most new jobs** in the secondary sector, where employment almost doubled from 446 000 to 824 000 jobs. Employment in Manufacturing also expanded by around 277 000 jobs.
- **The Internal Trade sector created the most jobs overall while employment in Finance grew most rapidly overall.**
- **Employment in private households also increased rapidly.** (i.e. the employment of domestic workers.)
- **Formal sector employment is gradually displacing non-formal sector employment.**
- **Most sectors experienced growth** both in terms of Gross Value Added (GVA) and employment, with only three sectors (namely Agriculture, Forestry and Fishing; Mining and Quarrying and CSP Services) seeing declining employment levels.
- **The GVA per worker has risen in 5 sectors** while it has fallen (despite

the increase in employment) in the Finance, Wholesale and Retail Trade, Construction and Utilities sectors. Conversely the GVA has grown the fastest in and Quarrying, CSP Services and Transport and Communication, despite these sectors having lost jobs.

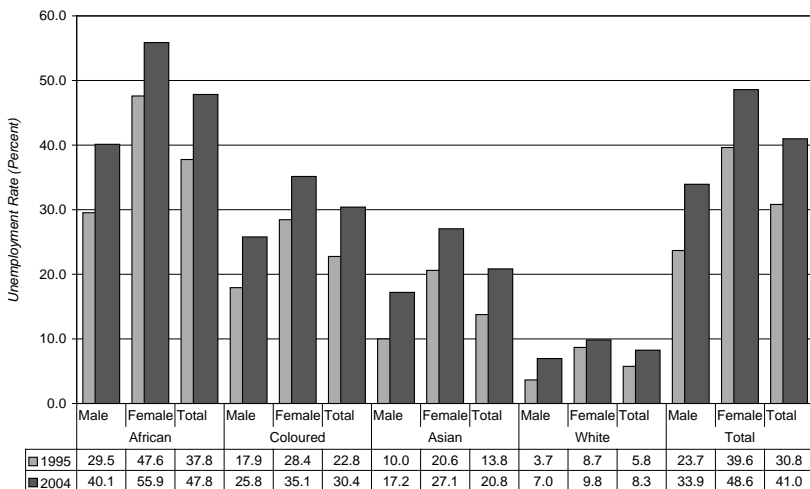
- **Overall there is a tendency to substitute lower skilled workers** with higher skilled workers. (Although the reverse of this is seen in some sectors.)
- **White workers tend to be much better educated**, with more than 31 per cent having a tertiary education and 46 per cent having completed matric. Overall, the pattern for Asian workers is similar.
- **African and Coloured workers tend to be less educated**, with large proportions of individuals (70 per cent and 63 per cent respectively) having no education or incomplete education.

With the trend towards skills-biased employment likely to continue, there is a great need to upgrade the levels of skills of labour force members.

Characterising the Unemployed

A complete understanding of the labour market requires knowledge not only of employed individuals, but also of the unemployed individuals, as characterised in this section.

Figure 2: Unemployment Rates by Race and Gender, 1995 and 2004



Source: OHS 1995, LFS 2004:2 (Statistics SA).

Note: 1. Standard errors may be found in Appendix C.

The data in Figure 2 illustrates unemployment levels in relation to gender, race, location and education, and indicates that:

- **Unemployment may be stabilising** as the rate of broad unemployment in 2004 was slightly off its highest peak. This despite the dramatic increase in unemployment from 30.8 per cent in 1995 to 41.0 per cent in 2004.

- **Females experience higher unemployment rates** than males, across all racial groups. Of these unemployed females, African females account for the largest number.
- **White Males and Females enjoy the lowest unemployment rates.**
- **Africans have the highest unemployment rates** followed by Coloureds, Asians and Whites in that order.
- **Unemployment rates are generally lower in urban areas** than in rural areas.
- **Provincially the Western Cape has the lowest unemployment rates**, followed by Gauteng, whereas there have been significant rises in unemployment rates in the Northern Cape, Free State, KwaZulu-Natal, North-West Province and Limpopo. In addition, provinces that incorporate areas previously designated as “homelands” or “self-governing territories” experience higher levels of unemployment.
- **There is a growing appetite for highly skilled labour** with poorly educated and unskilled workers bearing the brunt of unemployment.
- **Whites with completed secondary and tertiary education are more likely to find employment** than similarly educated individuals in other racial groups. This may be because the qualifications of individuals from previously disadvantaged educational institutions are not seen as having the same levels of value.
- **There has been significant growth in unemployment of tertiary educated individuals** despite the fact that individuals in this group are least likely to be unemployed.
- **Absorption of young labour market participants is low**, with the total number of unemployed individuals between 18 and 25 years of age accounting for 41 per cent of all unemployed individuals.
- **Almost two thirds of all unemployed individuals have never had a job.** In addition, with growing numbers of unemployed having been unemployed for three years or longer, long-term unemployment is likely to characterise the market.

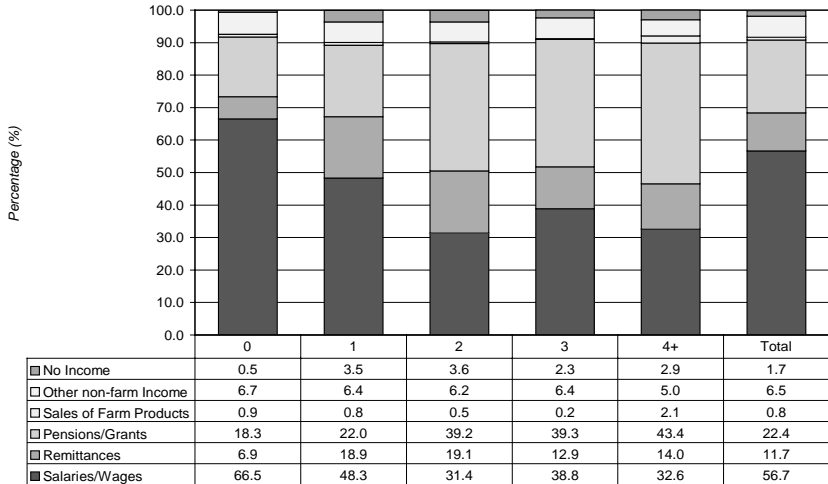
Examining Household Attachment and the Unemployed

In the absence of a fully-developed social welfare system, unemployed individuals rely heavily on the support of the households in which they find themselves. This, of course, raises important questions as to the ability of these households to provide support to these unemployed individuals, hence the focus in this section on the characteristics of the households in which unemployed individuals find themselves.

- **The number of unemployed adults in households with no wage earners increased** from 1.8 million (42 per cent) to 4.0 million. (49.4 per cent). In contrast, the number of unemployed adults in households with two or more wage earners dropped from 16.6 per cent in 1995 to just 12 per cent in 2004.
- **Unemployed individuals often cluster around family members with access to old age pensions.** Although access to old-age pensions has risen regardless of the amount of unemployed individuals, it is evident that access rates rise as the number of unemployed household members rise. This last observation, however, is purely descriptive and does not point to any causal relationships.

In figure 3 we look at main income sources for households based on the number of unemployed individuals in those households.

Figure 3: Households’ Main Income Source by Number of Broad Unemployed Household Members, 2004



Source: LFS 2004:2 (Statistics SA)

Here we see that:

- **Wage or salaries are the main sources of income** for households with zero or one unemployed member.
- **Pensions and grants are the main sources of income** for households with four or more unemployed individuals. This number is lower for households with less unemployed individuals.
- **Remittances form the main source of income** for around 19 per cent of households with one or two broadly unemployed members, but this figure drops households with three or four unemployed members.

The findings above point to the need for a well developed social security system in supporting destitute households and in helping households cope with the current context of rising joblessness.

Forming a View of who is most likely to be Unemployed

Since a wide variety of variables will influence whether an individual is employed or not, in the final section of this paper we calculate labour force participation and employment equations to form an overview of who is most likely to be employed or unemployed.

- **Individuals aged 15 to 24 are least likely** to be employed.
- **Africans are most likely to be unemployed** in 2004.
- **Higher levels of education coincide with higher levels of labour force participation, although the relationship with employment is less clear.** Degreed individuals, however, are no more likely than those with diplomas to be part of the labour force.
- **The greater the number of young children in a household,** the lower the probability that an individual will be part of the labour force.
- **The greater the number of pensionable individuals,** the lower the participation rates of working age adults in the household.

Concluding on the Post-Apartheid Labour Market 1995-2004

- Although employment levels have increased, there has been a massive increase in individuals entering the labour force, and this has contributed to rising levels of unemployment.
- The government is therefore faced with the dual problem of creating jobs for the current unemployed members of the labour force, and of ensuring that employment growth keeps pace with the number of individuals entering the labour force.
- This said, the broad unemployment rate may well be stabilising, which is an encouraging development.
- Equality in the labour force is still a far way off, with unemployment being concentrated in specific demographically and geographically defined groups.

- There is a growing number of unemployed individuals with tertiary education. This problem is particularly acute amongst Africans, possibly due to the misconception that that previously disadvantaged groups possess inferior education. It is therefore essential that higher education facilities are carefully monitored.

DPRU Working Paper 06/103 is the full version of this Brief and it may be accessed at:

http://www.commerce.uct.ac.za/research_units/dpru/WorkingPapers/PDF_Files/WP_06-103.PDF

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