

Measuring South Africa's Informal Sector: An Analysis of National Household Surveys

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Abstract

This study uses three key South African national household survey instruments – the 1993 Project Statistics for Statistics of Living Standards and Development, the 1995, 1997 and 1999 October Household Surveys, and the September 2000 Labour Force Survey – to identify the problems involved in capturing information on who works in the informal sector and the kind of work they do. These problems are discussed in reference to the difficulties that arise in determining whether or not people are working and in capturing this work as either formal or informal sector employment. The surveys are also examined to determine how survey design has contributed to improving the capture of informal sector work. The resulting data sets are used to chart the expansion in the estimated size of the informal sector. One of the implications of continually improving measures of informal sector employment, however, is that it is difficult to evaluate how much of the recorded expansion in this employment reflects a real increase, and how much derives from the improved capture of this work.

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1. Introduction

South Africa's climbing unemployment rates are often associated with the phenomenon of jobless growth i.e. when economic growth occurs without a corresponding rise in employment (cf. Barker, 1999). However, using the October Household Survey data, Casale and Posel (2001:10) show that South Africa has experienced a (small) net growth in employment over the period 1995-1999. A large portion of this rise in employment may be ascribed to an increase in the number of self-employed workers, most of whom are in the informal sector.

While there is an extensive body of empirical work examining the state of South Africa's formal sector, empirical research that comprehensively examines the size and nature of the informal sector in South Africa has been limited due to deficiencies in the data available to researchers. In this regard South Africa's official statistical agency, Statistics South Africa (SSA), has committed itself to improving data collection on informal sector work. The questionnaires used in various national household surveys have been continually revised and modified to improve the capture of informal sector workers. Better guidelines have been provided for both interviewers and respondents regarding what constitutes informal sector employment; existing questions have been improved; and new questions, which attempt to ensure the correct classification of individuals as employed, unemployed or economically inactive, have been introduced.

Despite these revisions, which seek to improve the quality of information collected, problems remain with the data, particularly regarding the measurement of the informal sector and the identification of informal sector workers. Researchers have expressed concern that the size of South Africa's informal sector continues to be underestimated in the collection of national employment data (see for example Schlemmer and Levitz, 1998).

This paper identifies the potential problems that exist when capturing information on who works in the informal sector and on the kinds of work they do, and evaluates how effective survey instruments in South Africa are in addressing these problems. Five national household survey questionnaires are examined the 1993 Project for Statistics on Living Standards and Development, the 1995, 1997 and 1999 October Household Surveys, and the September 2000 Labour Force Survey.

The first section of this paper examines why these data sets were chosen for analysis. In the second section, problems with measuring informal sector employment are discussed in terms of the difficulties that arise both in identifying whether or not people are working, and in classifying this work as either formal or informal sector employment. Several potential sources of underestimation are identified.

First, respondents who do not view what they do as work for example those involved in low-paying survivalist activities or who work very few hours a week, as well as those involved in illegal activities may provide inaccurate information about their activities and so be coded as unemployed (or as economically inactive). Second, some informal sector work may not be picked up at all by national household surveys, for example illegal work and children's work, and in some instances the surveys only capture information on main work activities, making it impossible to identify the number of people holding informal, or even formal, secondary jobs.

Another potential source of informal sector underestimation is linked to the "rapid expansion of casual, temporary and contract labour in many sectors of the South African economy" (Rees, 1997:30) as well as the growing incidence of outsourcing. According to a 1996 International Labour Organisation (ILO) country review of South Africa, 43 percent of the companies that were sampled employed contract labour (Ray, 1997:25). Contract and outsourced workers may be reported as employed in household surveys, however it is unclear whether their work should be considered formal or informal sector employment. Workers who are outsourced or contracted out to formal

sector employers through the intervention of a labour broker, for example, are not likely to receive non-wage benefits (e.g. medical aid, health insurance, pension fund contributions) usually associated with formal sector employment.

SSA uses a registration of enterprise criterion, discussed in detail in section 3.2, to differentiate between formal and informal sector workers. The concerns pointed out above raise the issue of whether or not this criterion is sufficient to identify informal sector employees, such as those involved in outsourcing or contract work. Classification of informal sector workers based purely on the narrow registration of enterprise criterion ignores the wider conception of the informal economy, where both the characteristics of workers², as well as the characteristics of the enterprises in which they work, are important (Budlender et al., 2002).

This paper investigates how these problems with measuring the informal sector employment have been addressed in national household surveys, the ways in which the questionnaires have been improved over time, and the potential sources of underestimation that remain. In the final section of the paper estimates of informal sector employment, and employment more generally, are compared across the five data sets, together with data from the more recent February 2001 and September 2001 Labour Force Surveys. There has clearly been a considerable expansion in reported informal sector employment in recent years. However, it is not clear how much of this increase reflects the better capture of this kind of work and how much is the result of real growth over the years.

2. National Household Surveys in South Africa

A number of difficulties arise when trying to measure employment in South Africa over time. Four main sources of national individual and household data may be used, none of which is without fault. The first possible source of data, the population census, samples most of the population, but is unsuitable for a study of labour market activity. Only a few questions on labour force participation are asked, and as a result the measurement of employment status is likely to be crude (Casale and Posel, 2002). Furthermore (and most importantly for the aims of this paper), there is no way of distinguishing between formal and informal sector employment using available census data. The most recent census, Census 2001, does make it possible to differentiate between formal and informal sector workers³, however the results of this census have yet to be released.

A second possible data source is the Project for Statistics on Living Standards and Development (PSLSD), carried out in 1993 by the Southern Africa Labour Development Research Unit in cooperation with the World Bank. Approximately 9000 households were sampled and the survey was stratified to be representative by race as well as former provincial/homeland location (since the new provinces had not yet been demarcated). Although the ILO has criticised the PSLSD for undersampling poor rural inhabitants, omitting an indeterminate number of farmworkers, as well as undercounting rural employment in certain provinces (c.f. Klasen and Woolard, 1999), the PSLSD is the first data set that will be reviewed in this study as the employment estimates it presents appear to be consistent with those provided by other sources of labour market data⁴.

The October Household Survey (OHS), undertaken annually from 1993 to 1999, provides a third source of labour market data. The key objective of the OHS, which was subsequently broadened, was to assemble data that could be used to estimate the size of South Africa's informal sector (Klasen and Woolard, 1999:6). However, these surveys failed to remain consistent over the years, and in certain cases the resulting data sets are not comparable over time due to changes in the questionnaire, coverage of the population and sample size.

² Characteristics of workers include whether or not workers have a written contract with their employer and whether or not they receive medical aid and/or pension fund contributions.

³ Respondents are asked whether they worked for pay, profit or family gain for one hour or more in the seven days prior to 10 October 2001 (question P-18, page A7). Respondents are able to indicate that they performed a formal sector activity (i.e. a non-farming activity in a registered enterprise), performed an informal activity (i.e. a non-farming activity in an unregistered enterprise), worked in a farming activity, had work but were temporarily absent, or were without work. Whether or not this question would be sufficient to capture the employment activities of all respondents, particularly informal sector employment is unclear, since a description of the activities that respondents should view as employment is not included, and a definition of registration is not provided.

⁴ This is not to suggest that underestimation of employment and unemployment is not a concern, but rather that any underestimation would not be unique to the PSLSD.

The TBVC⁵ states were only included in the OHSs from 1994 onwards, making the 1993 OHS unsuitable for comparison with subsequent OHSs. Furthermore, the sampling methodologies used in the 1993 and 1994 surveys differ from those used in ensuing years. Population weights based on the 1996 Census are not available prior to 1995, therefore only the 1995 to 1999 OHSs are comparable. Of these, the 1996 OHS is based on a sample of just 16000 households, while the 1998 OHS sampled 20000 households. Klasen and Woolard (2000) have also expressed concern about whether the results from these two surveys are consistent with those provided by the other OHSs. This study analyses the 1995, 1997 and 1999 OHSs, which appear to be similar in terms of their sampling methodologies and scope.

In February 2000, SSA introduced the new Labour Force Survey (LFS) to replace the OHSs. The pilot survey sampled 10000 households, while successive LFSs, which take place biannually, survey a larger sample of approximately 30000 households. These new surveys aim to improve measures of employment and unemployment, and to provide more comprehensive information on the informal sector. To date, data from the first four LFSs have been made available to the public. The reliability of the third LFS is questionable, however, due to reports of interviewee fatigue experienced in the field. In this study the LFS 2000:2, the first full-sample LFS, undertaken in September of 2000, will be examined.

3. Potential Sources of Informal Sector Underestimation

3.1 What Counts, and is Recorded, as Work?

There has been considerable debate about the appropriate definition of unemployment that should be used in South Africa, together with discussion on how information on unemployment has been captured in national household surveys (see for example Borat, 1999; Kingdon and Knight, 2000; Klasen and Woolard, 1999; 2000). Less consideration, perhaps, has been given to the question 'what counts as work?' and how employment information is captured.

The meaning of employment is open to interpretation. As Posel and Casale (2001:83) indicate, it is evident that individuals involved in contract or tenured work should be considered employed. It is less clear, however, whether or not individuals who work few hours a week or do occasional odd jobs (such as collecting and carrying of water or firewood in exchange for food or a meagre wage), and who would rather be engaged in full-time employment, should actually be regarded as employed, particularly if the majority of their time is spent without work. For the purposes of this discussion the primary concern is whether or not respondents are likely to report activities that are undertaken as employment, and if sufficient information is obtained about these activities that would allow researchers to distinguish this work from other more stable employment. In this section, five key problems that exist in terms of capturing information on the work activities of those interviewed in household surveys are discussed.

3.1.1 Survivalist Activities

Individuals involved in survivalist activities, (e.g. certain informal sector activities and/or subsistence farming) where job security is poor and very little (if any) income is generated, may not regard these activities as employment. Therefore, in the household surveys, they may report that they are unemployed (or economically inactive) unless specific prompts (e.g. descriptions of work and examples of work activities) and 'hurdle' questions that attempt to capture this work are included in the labour market sections of the questionnaires.

Individuals are likely to be more forthcoming with information about their work activities if a description of what constitutes work (employment) is included in household surveys, or if examples

of the kinds of activities that should be seen as work are given. Neither a definition of work nor a description of the types of activities constituting work is provided by the PSLSD or the 1995 OHS in the initial employment status (activity) questions (questions 8.1.3 and 3.1 respectively). Individuals involved in low paying, survivalist activities may well be coded as unemployed (or as economically inactive) in these initial questions. In the 1997 and 1999 OHSs, the activity questions (question 3.1 in both) are clearer. Respondents are asked to report all activities undertaken for “pay, profit or family gain”, such as formal work, informal work and casual work. Formal work is described as “work for a salary, wage or profit” and examples of informal work are given, such as “making things for sale; selling things or providing a service; work on a farm or land, whether for a wage or as part of the household’s farming activities”. In these two surveys, all individuals who are working, in whatever capacity, should be recorded as employed in the activity questions, unless they were absent from work during the last 7 days. The activity question (question 2.1) in the LFS 2000:2 is the most comprehensive. A detailed list of the different kinds of activities that should be considered work is supplied, including activities such as guarding cars, brewing beer, regular work, contract work, domestic work, unpaid work in a family business, farming work (ploughing, harvesting), and catching fish/wild animals for food or sale. Provided that these examples are read out to respondents, this question should be able to pick up the majority of workers involved in most types of employment, including those involved in survivalist activities.

All the surveys under review provide opportunities for workers, coded as unemployed (or as economically inactive) in the initial activity questions, to be reclassified as employed on the basis of responses to ‘hurdle’ questions.

In the PSLSD, all respondents were required to answer section 8.2, which captures information on regular employment. Sixteen people (amounting to 15769 individuals when weighted⁶) who had been coded without work in the initial employment status question (question 8.1.3) can be reclassified as employed based on responses to question 8.2.1, where it was reported that they had regular employment for which they earned a salary in the week preceding the interview. Using section 8.3, 37 people (44045 when weighted) may be recoded as employed based on responses to question 8.3.1, where it was reported that they received payment for casual/temporary work done in the past month. A further 184 people (180020 weighted) may be recoded as employed due to affirmative responses to question 8.6.1 of section 8.6 where information on other forms of self-employment was captured. In total, 237 people (239834 weighted) who would have otherwise been coded as unemployed (or as economically inactive) may be recoded as employed based on their responses to the hurdle questions provided by the PSLSD⁷. It is likely that respondents were more forthcoming with information about employment in these ‘hurdle’ questions, particularly those in sections 8.3 and 8.6, because examples of the kinds of activities that should be seen as work were provided⁸ (examples were not provided in the initial employment status question). These sections also instructed interviewers to prompt respondents for information on all paid work done, as well as to “probe for other forms of employment, no matter how small or temporary”.

In both the OHSs and the LFS 2000:2, SSA included a question asking all those classified as unemployed (or as economically inactive)—as determined by responses elsewhere in these surveys—how they support themselves⁹. The first option allowed respondents to indicate that odd jobs were performed during the past week as a means of support. If a respondent named this category, they were asked to return to the beginning of the labour market section of the survey and to provide details of the work done. Individuals who performed odd jobs should therefore be coded as employed in household surveys. Three hundred and ninety-nine individuals (122676 weighted) in the 1995 OHS¹⁰, and 145 people (63659 weighted) in the LFS 2000:2 were recorded as doing odd jobs as a means of support. However, no employment information is captured about these workers in either survey, suggesting that respondents were not directed back to the labour market sections and asked to provide information on the work done. Employment (particularly informal sector

⁶ All weighted values reported are based on 1996 population census weights.

⁷ Thirteen individuals who were not coded as employed in the initial employment status question are younger than 16 years and were not required to answer this section (section 8.1). However, sections 8.3 (casual/temporary work) and 8.6 (other forms of self-employment) specified that children be allowed to answer, therefore employment information on these individuals was captured.

⁸ Some examples of the kinds of work that should be seen as casual/temporary in section 8.3 included gardening and cleaning, and in section 8.6 a list of the work activities that should be seen as self-employment, such as selling goods on the street, childcare, operating a shebeen, and food processing, was specified.

⁹ See question 3.34 (p. 35) in the 1995 OHS, question 3.37 (p. 31) in the 1997 OHS, question 3.38 (p. 27) in the 1999 OHS and question 3.12(p. 15) in the LFS 2000:2.

¹⁰ Bhorat (1999:323) indicates that the 1995 OHS recoded 53575 individuals using the ‘odd jobs’ question, however it is not made clear how this estimate was obtained.

employment) is therefore likely to be underestimated in these two surveys, while unemployment (or the size of the economically inactive population) may be overestimated. Neither the 1997 OHS nor the 1999 OHS indicate how many people, reported as doing odd jobs, were recoded as employed (presumably because employment information was captured for these people).

Finally, some of the surveys make explicit efforts to identify those individuals involved specifically in subsistence farming¹¹. In the 1997 and 1999 OHSs, the activity questions in the labour market section specify that "work on a farm or land, whether for a wage or as part of the household's farming activities" be reported as employment, and as respondents proceed through the labour market status questions in the 1999 OHS, it is restated where applicable that subsistence farming should be treated as employment. Furthermore, the PSLSD, the 1999 OHS and the LFS 2000:2 all include separate sections that capture information on the farming activities of the household. Of these sections, those in the 1999 OHS and the LFS 2000:2 are the most useful, since it is possible to use the questions directed to individual household members to reclassify 'unemployed' or 'economically inactive' people as employed. In the PSLSD, however, the section on agricultural production and farming activities (section 8.5) was only asked at a household level, and it is impossible to identify which household members were involved in subsistence farming.

There are 1875 individuals (787753 weighted) in the LFS 2000:2 and 1187 individuals (492659 weighted) in the 1999 OHS who are reported as being without employment and who can be identified as involved in farming activities, either as a main source of food or income.

3.1.2 Hours of Work

Any income earning activities are typically classified as work, on condition that the individuals concerned were engaged in these activities for 5 hours or more per week (Natrass, 2000:78). However, consider a person who loses their permanent 45-hour a week job and finds casual employment for 5 hours a week. If the person spends the remaining 40 hours searching for full-time employment (or doing nothing) they are likely to be reported as unemployed (or as economically inactive) in surveys. Yet, for official purposes, the fact that they worked 5 hours or more a week would indicate that they are employed. Unless respondents are made aware of the minimum number of hours of work that should be reported as employment, they may fail to supply information about work activities.

Neither the PSLSD, nor the 1997 and 1999 OHSs specify the minimum number of hours that individuals needed to be involved in work activities for these to be reported as employment. People who work just a few hours a week may therefore be reported as unemployed (or as economically inactive). In the 1995 OHS the activity question emphasises that respondents should report those activities performed *most* during the last 7 days. Despite being slightly more specific than the other surveys, individuals involved in informal work for only a few hours a week may still be coded as unemployed (or as economically inactive)¹². The activity question of the LFS 2000:2 is the clearest in terms of identifying the minimum working hours required to be classified in employment. Respondents are asked to report all activities undertaken even for only one hour. Those who work for just a few hours a week are now likely to report their activities and are required to answer Section 4 of the LFS 2000:2 questionnaire, which obtains detailed information about main work activities undertaken in the last 7 days¹³.

3.1.3 Children's Work

A major source of underestimation of employment, particularly informal sector employment, relates to the capture of information on the work activities of children. The 1999 household-focused Survey of Activities of Young People (SAYP), undertaken by SSA, examined the activities of children aged between 5 and 17 years. The results suggest that approximately 26 percent of South Africa's 13.4

¹¹ Estimates of the extent of subsistence farming are generally 'confusing' across household surveys. For example, Posel and Casale (2001:85) indicate that 237 000 people were captured as informally employed in agriculture in the 1999 OHS. Using the pilot LFS, this number increases to over 1.4 million, suggesting that "if nothing else had changed between October 1999 and February 2000, we could conclude that more than a million people working in agriculture were 'missing' in the 1999 estimates" (Posel and Casale, 2001:85). By the LFS 2000:2 the number of informal agricultural workers had fallen by roughly 1 million.

¹² In all the surveys, the employment of those who work just a few hours a week may be 'caught' in the hurdle questions discussed in section 3.1.1 above. However, it is still possible that much of this work will go unreported, especially if the odd job that a person is involved in is not his/her main means of support.

¹³ Individuals who work only a few hours a week (e.g. less than 5 hours) and who otherwise are unemployed, are not required to answer Section 3 of the LFS 2000:2 questionnaire, which asks detailed questions on unemployment and non-economic activities. This section is only asked to those individuals who did not work at all during the last 7 days and who do not have a job to return to, and makes it possible to differentiate between the economically inactive, people who are officially unemployed, and those who are unemployed according to the expanded definition of unemployment. Information on the duration of unemployment, the type of unemployment (seasonal, cyclical, structural or frictional), whether or not the person has ever worked before and how he/she is supported financially is also obtained. Therefore, if a researcher does decide that an individual who works fewer than 5 hours per week should be classified as unemployed, a detailed analysis of their unemployment situation is not possible.

million children are involved in economic activities, such as running a business, helping unpaid in a family business, and doing work for a wage, salary or payment in kind (SSA, 2000).

The results of the SAYP should be treated with caution, however. In most household surveys people are classified as employed if they worked in the week prior to the interview. The reference period, used by the SAYP to determine whether or not a child was involved in activities that could be regarded as child labour, was the 12 months prior to the interview¹⁴. Respondents were also only asked to report information about economic activities usually performed for pay, profit, or family gain. Nonetheless, these results certainly suggest that a large portion of children in South Africa are involved in economic work.

Because the working age population is defined to include only those persons aged between 15 and 65 years, most national household surveys do not collect any employment information on anyone younger than 15 years. The PSLSD and the 1995 OHS are the only household surveys that make it possible to identify some portion (albeit a seemingly very small portion) of South Africa's working children. In the PSLSD, both sections 8.3 and 8.6 (capturing information on casual/temporary work and self-employment respectively) specify that information about children involved in these activities should be reported. Six children (6354 when weighted) aged 14 and younger are reported to be involved in casual/temporary employment and 4 children aged 14 and younger (3459 when weighted) are reported to be involved in other forms of self-employment. In the 1995 OHS, the labour market section specifies that employment information about persons aged 10 and older should be captured. Nine children (3244 when weighted), aged between 10 and 14 years, are coded as employed.

While capturing data on the work activities of children would not affect measures of employment and unemployment of the working age population, it is likely that this data could affect estimates of the size of the informal sector considerably. Furthermore, information on the extent of child labour is important for labour market policies as well as for social and educational policies. Unemployment and widespread poverty, together with the increasing incidence of child-headed households, result in many children working to help support their families and efforts should be made to improve the collection of data on this work.

3.1.4 Secondary Employment

A further problem relating to the capture of employment information, which may result in an underestimation of informal sector size, arises when household surveys fail to capture information on an individual's secondary employment. Many workers in South Africa, particularly those involved in casual or temporary work, may hold more than one job simultaneously. If surveys fail to capture information on an individual's secondary work activities, then it is possible that the size of the informal sector (and the formal sector) could be underestimated.

In all three OHSs it is possible to identify those workers who worked both for themselves and someone else (i.e. individuals coded as both self-employed and employees). The sectors in which this work occurred can only be distinguished in the 1997 and 1999 OHSs because it is not possible to identify informal sector employees in the 1995 OHS (see section 3.2.2 below). Employees working for more than one employer can be identified in the 1997 and 1999 OHSs, but because these questionnaires only capture detailed information on the main employment activities of employees, the sector in which the secondary job was performed cannot be established.

In the LFS 2000:2 respondents are able to report involvement in more than one activity in the initial activity/employment status question. The survey fails to obtain any further information about peoples' secondary employment, however, and it is impossible to determine in which sector this employment occurs or how much income it generates.

¹⁴ SSA indicates that the 12-month reference period was used because children in South Africa may work seasonally or irregularly (SSA, 2000).

The PSLSD identifies most comprehensively those individuals holding more than one job. Individuals involved in regular employment are able to indicate whether or not they are also involved in casual or temporary wage work, or in other forms of self-employment. Individuals involved in more than one casual or temporary job are asked to provide detailed information on up to two jobs.

Two hundred and sixteen people (237200 weighted) in the PSLSD, 405 people (140329 weighted) in the 1995 OHS, 71 people (30059 weighted) in the 1997 OHS and 280 people (106748 weighted) in the 1999 OHS report holding more than one job. In the LFS 2000:2, 1329 people (561344 weighted) can be identified as holding more than one job.

3.1.5 Illegal Activities

Employment in South Africa is likely to be underestimated because individuals involved in illegal work may not be reported as gainfully employed in national household surveys. Instead, these workers may be captured as economically inactive or even as unemployed. At present, it is also impossible to determine how much of reported employment constitutes legal work and how much constitutes illegal work. Even if the surveys did include a question asking respondents about the legality of reported employment, it is unlikely that any reliable information would be collected. This makes it impossible to identify illegal work as a separate category when presenting disaggregated employment statistics.

Illegal work should arguably form part of the informal sector. Individuals involved in illegal activities are unlikely to have their businesses registered for tax purposes and therefore cannot be regarded as formal sector workers in terms of SSAs registration of enterprise criterion¹⁵. It is also inaccurate to classify some illegal workers as unemployed, since they may not accept a 'legal' job if it were offered (unless the potential earnings from 'legal' employment equalled or bettered their current income). It also seems irrational to classify individuals involved in illegal activities as economically inactive, because their earnings¹⁶ are injected into the circular flow of income in the economy at some point and contribute to the country's total revenue. Therefore, the most appropriate classification of illegal work would be as informal sector work, and any undercount of illegal work in national household surveys is likely to result in an underestimation of informal sector size.

In terms of improving the capture of information on individuals involved in informal work in South Africa, there are certain concerns (e.g. how information on survivalist activities, working children and secondary employment is captured; together with the specification of a minimum hours of work requirement) that may be more readily addressed than others. Unfortunately, there is no easy solution that could redress the underestimation of employment (and in turn of the informal sector) that arises from undercounting individuals involved in illegal work. This underestimation may be reduced, however, by repeatedly assuring respondents of the confidentiality of their responses, and by making them aware that any income-earning activity (legal or illegal) counts as work and should be reported as employment.

3.2 The Identification of Informal Sector Workers

As in the formal sector, the informal sector comprises two main categories of workers: self-employed workers and employees (those who work for the self-employed). Each category poses specific difficulties for identifying whether employment is formal or informal. These difficulties are discussed with reference to the resolution on informal sector statistics adopted by the 15th International Conference of Labour Statisticians (15th ICLS).

¹⁵ An individual who works for a business that is registered for tax purposes, but which is involved in illegal activities (e.g. money laundering, commercial sex work, etc.) would still be classified as a formal sector worker in terms of SSAs definition.

¹⁶ In some cases these earnings may even be higher than what would be made in formal sector employment.

3.2.1 The 1993 Resolution on Informal Sector Statistics

In January 1993 at the 15th ICLS a resolution regarding informal sector employment statistics was adopted. The resolution defines the informal sector in terms of the characteristics of the enterprises in which the activities take place, rather than the characteristics of the persons concerned or the characteristics of their jobs. The informal sector is defined as “comprising all persons who, during a given reference period, were employed in at least one production unit¹⁷ of the informal sector, irrespective of their status in employment and whether it was their main or secondary job” (Husmanns and Mehran, 1999).

The resolution recommends that informal sector enterprises be identified in terms of one or more of the following criteria:

- i) **Non-registration of the enterprise** in terms of registration under national legislation, e.g. factories or commercial acts, tax or social security laws and professional groups regulatory acts.
- ii) **Non-registration of employees** i.e. the absence of an employee or apprenticeship contract that commits the employer to pay relevant taxes and social security contributions on the behalf of the employee or which makes the employment relationship subject to standard labour legislation.
- iii) **Small size of the enterprise** in terms of the number of people employed in the enterprise- preferably those employed on a continuous basis.

It is also specified that household enterprises engaged exclusively in non-market production (i.e. the production of goods and services for own final consumption or own fixed capital formation) be excluded from the scope of the informal sector and that agricultural activities also be excluded for “practical reasons”¹⁸.

3.2.2 Identifying Informal Sector Workers in National Household Surveys

In the PSLSD it is possible to identify those workers who work in regular employment, those who are involved in casual or temporary jobs, as well as those who are involved in other forms of self-employment. The formal and informal sectors are not explicitly identified in the PSLSD as separate categories, and as such neither the formal nor the informal sector is defined. This makes it difficult to discern which workers have formal sector employment, and which have informal sector employment. By classifying all individuals involved in casual/temporary work or other forms of self-employment as informal sector workers, a crude distinction between formal and informal employees and the self-employed may be made. However, this classification risks overestimating informal sector size, since it is possible that some of the individuals involved in these activities are actually participants in the formal sector.

Both the OHSs and the LFS 2000:2¹⁹ distinguish between the formal and informal sector using a registration status question, which addresses criterion i) identified by the 15th ICLS. In the 1995 OHS, specifically, it is impossible to identify which employees are formal sector workers and which are informal sector workers, as respondents are not asked about the registration status of their employer. The informal sector in the 1995 OHS therefore includes only the non-registered self-employed and is clearly underestimated²⁰.

From 1997 onwards, the OHSs asked two separate registration questions, one addressed to employees and one addressed to the self-employed, that can be used to determine if the enterprise

¹⁹ To differentiate between formal and informal sector workers, the LFS 2000:2 asks both employees and the self-employed the same registration question. This single question is identical to the registration questions asked to employees in the 1997 and 1999 OHSs and will therefore not be discussed here to avoid repetition. However, the concerns regarding how the 1997 and 1999 OHSs identify informal sector employees are also applicable to the LFS 2000:2.

²⁰ Bhorat (1999:324) suggests that the size of the informal sector may be imputed from another question in the survey, but does not specify what question(s) should be used.

where the individual works is in the formal or the informal sector. In the case of employees, respondents are advised to classify their employment as formal if their employer is registered, and informal if their employer is unregistered. However, four concerns relating to these questions remain that could result in employees being classified incorrectly.

First, the questionnaires fail to instruct interviewers to read out the note included in the question, which explains the difference between formal and informal sector employment to respondents. If this note is not read out, individuals who are unaware of the distinction between formal and informal employment may respond incorrectly. Second, where respondents are read the note, it is possible that the concept of registration could be misunderstood, since important information explaining exactly what registration entails is omitted from the question (this is in contrast to the registration questions for the self-employed examined further on). Third, the registration question assumes that respondents know whether or not their employer is registered. In reality, it is likely that many employees are unaware of their employer's registration status, and as a result they may respond incorrectly in surveys. Fourth, not all employees who work for a registered business/enterprise receive benefits, such as medical aid, paid leave, pension etc., or protection offered by labour legislation, which are usually associated with formal sector work.

These concerns raise the issue of whether the registration of enterprise criterion is sufficient to identify informal sector employees. Since employees may be unaware of their employer's registration status, it may be necessary to complement information obtained using criterion i) with that obtained using some of the other criteria identified by the 15th ICLS. Both the 1999 OHS and the LFS 2000:2²¹ include questions that address criteria ii). Employees are asked if they have a written contract with their employer, who pays their salaries (e.g. a labour broker, contractor or agency), whether or not their employer contributes to a pension/retirement fund, and whether or not their employer contributes to medical aid or health insurance. In addition to complementing information captured by the usual registration of enterprise questions, these questions represent specific attempts by SSA to pick up those workers involved in the broader informal economy, particularly in outsourcing and sub-contracting activities that are becoming more frequent in South Africa. It may be inappropriate, for example, to classify workers who are contracted out through the intervention of a labour broker, as formal sector workers, even if the labour broker is registered. These workers are often paid less and may receive fewer benefits (if any) than permanent workers (Rees, 1997:31). The LFS 2000:2 also asks employees questions about the size of the business where the individual works (which addresses criterion iii) of the 15th ICLS) and its location. All of these questions could be used to corroborate the data captured using the registration of enterprise criterion to identify formal and informal sector workers.

Table 1 shows the number of informal and formal sector employees from the 1999 OHS and the LFS 2000:2 (defined using the registration of enterprise criterion), who exhibit additional criteria of informality and formality. The estimates show that there are many 'formal' sector workers who do display characteristics of informality, i.e. who do not have a written contract with their employer, who are paid by labour brokers and contractors/agencies, and whose company does not contribute towards a pension fund or a medical aid scheme/health plan. In both 1999 and 2000 for example, approximately 30 percent of all workers captured as having 'formal' sector employment are reported not to have a written contract with their employers or to receive pension contributions.

Some 'informal' workers (although proportionately fewer) also exhibit characteristics of formality i.e. the possession of a written contract and benefits such as medical aid and pension contributions. For example, in both 1999 and 2000, nearly 20 percent of 'informal' workers are reported to have a written contract with their employer, while approximately 6 percent report receiving medical aid contributions. Estimates from the LFS 2000:2 also suggest that 74 percent of 'informal' workers work in enterprises with fewer than 10 workers, while 73 percent of 'formal' sector workers work in

²¹ The surveys prior to 1999 do not include any questions that would enable one to complement the information obtained using the registration of enterprise criterion with that obtained using some of the other criteria identified by the 15th ICLS.

larger enterprises with more than 10 workers. In addition, the LFS 2000:2 suggests that 75 percent of 'informal' enterprises operate out of the owner's home or farm, someone else's home, or have no fixed location, while 86 percent of 'informal' businesses operate out of formal business premises,

Table 1
Employees who display additional characteristics of informality: Estimates from the 1999 OHS and the LFS 2000:2 (Weighted estimates in thousands)

	1999 OHS		LFS 2000:2	
	Informal	Formal	Informal	Formal
Written Contract?				
Yes	132	4050	119	4406
No	533	2066	558	1766
Don't know	45	500	18	183
Missing	1	13	12	19
Total	711	6629	707	6374
Who Pays?				
Establishment	639	6255	634	6068
Labour Broker	30	112	8	40
Contractor/Agency	25	138	28	175
Other	9	50	25	62
Don't know	7	60	1	16
Missing	1	14	11	13
Total	711	6629	707	6374
Pension/Retirement Contribution?				
Yes	81	4031	70	3784
No	594	2145	620	2377
Don't know	35	444	6	197
Missing	1	9	11	16
Total	711	6629	707	6374
Medical Aid Contribution?				
Yes	45	2705	35	2226
No	644	3650	663	4019
Don't know	21	255	7	109
Missing	1	19	2	20
Total	711	6629	707	6374
Number of Regular workers?				
1			193	115
2-4			22	484
5-9	No question asked	No question asked	107	786
10-19			68	999
20-49			48	1135
50+			50	2490
Don't know			15	353
Missing			1	12
Total			707	6374
Location of Business?				
Owner's Home/Farm			243	277
Someone Else's home			133	48
Formal Business Premises			82	4422
Service Outlet			43	1029
Market	No question asked	No question asked	15	224
Footpath/Street Corner			30	94
No Fixed Location			153	180
Other			7	77
Missing			1	23
Total			707	6374

Note:

- This table shows estimates for workers aged 16 years and older.
- The estimates presented for the LFS 2000:2 differ from those shown in Budlender *et al.* (2002), where domestic workers, agricultural workers, and workers with more than one job were included in the analysis.

such as factories or offices, together with service outlets like shops and schools.

In the OHSs the self-employed are asked an enterprise registration question, similar to that asked of employees, to determine whether the individual's self-employment is in the formal or informal sector. This question is likely to yield more accurate information than the employee enterprise registration question because the interviewer is instructed to read out the following description, which attempts to clarify what is meant by the registration concept:

There are several ways of registering a business such as registration at Registrar of Companies, Commissioner of Unemployment South African Medical and Dental Council or Commissioner of Workmen's Compensation. Many small businesses do not register at any of the above offices.

The OHSs also make it possible to identify the informally self-employed using a VAT registration question. Individuals/businesses with either registration or a VAT number may be considered formally self-employed, while individuals/businesses without a registration or VAT number would be informally self-employed.

It is a concern that respondents could be tempted to render inaccurate information about their registration status (or refuse to give any information at all). Individuals and small businesses may not register to avoid paying taxes, or to avoid labour and other governmental and institutional regulations. Employees, who know that their employer is unregistered, and the self-employed who have failed to register, may refuse to answer the question, indicate that they do not know, or even claim to be registered for fear that the authorities will be notified.

The fact that some respondents may refuse to provide information about their registration status could account for some of the non-responses and 'Don't know' responses to the registration questions in the 1997 and 1999 OHSs and in the LFS 2000:2²². In the 1997 OHS, 226 individuals (75187 weighted) are reported as employed, but no information on their occupation, industry of work or sector of employment was reported. In the 1999 OHS, there are 230 individuals (90086 weighted) and in the LFS 2000:2, 571 individuals (249612 weighted) who are reported as employed also have no information on occupation, industry of work, or sector of employment.

(In Appendix 1, a summary of the potential sources of underestimation of the informal sector is presented for all the household surveys reviewed.)

4. Tracking Changes in Informal Sector Size and Employment

Using data from the five national household surveys reviewed, estimates of employment, disaggregated by sector where possible, have been calculated and are presented in Table 2. The table also includes disaggregated employment estimates calculated using the third and fourth LFSs, undertaken in February 2001 (LFS 2001:1) and September 2001 (LFS 2001:2) respectively. The definitions used to identify employed individuals and the methods used to classify workers into the different sectors are provided in Appendix 2.

Disaggregated employment estimates from the PSLSD are not easily compared with those from the other household surveys. The format of the questionnaire is completely different to that of the subsequent surveys, and the wording of the questions used to capture employment information in the PSLSD also differs markedly from that used in the other surveys. Bearing this in mind, there appears to be only a negligible increase in the number of self-employed informal sector workers from 1993 to September 2001. The OHSs and LFSs are more easily compared over time because

²² In both the PSLSD and the 1995 OHS it is possible to classify all employed workers as formal sector, informal sector, domestic workers or agricultural workers.

of the similarities in the formats of their questionnaires, and in the questions used to identify self-employed informal sector workers.

Table 2
Estimates of Employment: 1993-2001
 (Individuals aged 16 years and older, irrespective of hours worked or income earned)

	1993 PSLSD	1995 OHS	1997 OHS	1999 OHS	LFS 2000:2	LFS 2001:1	LFS 2001:2
Self-employed							
Formal	138 900	263 600	372 000	453 600	444 100	437 600	457 800
Informal	1 005 400	459 400	565 200	923 200	1 157 900	1 959 800	1 262 900
Employees							
Formal	Cannot be determined	Cannot be determined	6 509 200	6 629 000	6 373 600	6 189 100	6 488 200
Informal	Cannot be determined	Cannot be determined	615 800	711 400	706 700	718 900	628 900
Total	7 121 400	7 173 100	7 125 000	7 340 400	7 080 300	6 908 000	7 117 100
Domestic work	576 000	714 100	593 900	798 200	961 900	872 700	912 200
Agricultural work							
Skilled	361 500	36 300	110 600	313 600	894 800	637 300	311 000
Unskilled	541 400	915 000	305 300	536 600	607 200	543 900	564 200
Individuals who hold more than one job	229 900 (136 400 workers hold at least one informal job)	140 300 (123 700 workers hold at least one informal job)	30 100 (22 100 workers hold at least one informal job)	106 700 (91 100 workers hold at least one informal job)	560 200 (260 200 workers hold at least one informal job)	588 500 (252 600 workers hold at least one informal job)	262 000 (92 600 workers hold at least one informal job)
Unspecified	0	0	75 000	89 800	248 700	185 700	126 800
Total employed	9 974 500	9 701 800	9 177 100	10 562 100	11 955 200	12 133 500	11 014 000
Additional agricultural work	Cannot be determined	Cannot be determined	Cannot be determined	491 800	744 800	568 900	596 900
Informal sector workers (% share of total employed)	Cannot be determined	Cannot be determined	12.9	15.5	15.6	22	17.2
Informal, domestic, unskilled agriculture and informal workers with more than one job (% share of total employed)	Cannot be determined	Cannot be determined	22.9	30	30.9	35.8	31.4

Note:

- 'Unspecified' workers are those employed persons who cannot be classified into any of the categories: informal (self-employed or employees), formal (self-employed or employees), domestic workers, agricultural sector workers, or workers holding more than one job.
- The category 'additional agricultural work' refers to those individuals who are not reported as employed in the labour market section of the questionnaires, but who are reported elsewhere as involved in farming activities, either as a main source of food or a main source of income.
- Because this table excludes workers younger than 16 years of age, estimates of the number of people holding more than one job, the number of unspecified workers, and the number of people involved in additional agricultural work may differ from those presented in the text.

From 1995 to September 2001, there has been a rapid expansion in informal sector self-employment of more than 170 percent. Some (unknown) portion of this recorded growth will reflect improvements made by SSA to the questionnaires over this period. As explained in section 3.1.1, in the 1995 OHS no description of employment or examples of the kinds of work that should be seen as employment were provided, and many informal sector workers, who did not view their activities as work, may have been reported as unemployed or economically inactive. From the 1999 OHS onwards, respondents were specifically instructed to report all activities undertaken for "pay, profit or family gain" as employment, and examples of the kinds of activities that respondents should view as work were also provided. As a result, more informal sector workers are likely to have been captured in the latter surveys.

In the 6 months between the September 2000 LFS and the February 2001 LFS, there was a 69 percent increase in the number of self-employed informal sector workers. SSA indicates that this increase may be due to more individuals than usual classifying themselves as employed in a follow-on survey to the February 2001 LFS, where more probing questions on self-employment and small business were asked. Following a complete sample replacement in the September 2001 LFS, it appears that the estimates have become more stable, with the number of informal sector self-employed workers increasing by just over 9 percent from September 2000 to September 2001.

As explained in section 3.2.2 it is not possible to examine the growth in the number of informal sector employees from 1993 to September 2001, because the PSLSD and 1995 OHS surveys fail to differentiate between formal and informal sector employees. Between 1997 and 1999, the estimated number of informal sector employees increased by approximately 16 percent, an increase that may partly reflect improved data collection by SSA. However, the estimated number of people employed by others in the informal sector declined between 1999 and September 2001 (but the number of people whose sector of employment was unspecified increased by more than 40 percent).

It is unlikely that all of the growth in informal sector employment is the result of improvements in data collection alone. Some of the recorded growth may also be a consequence of the inability of the South African economy to create formal sector jobs for an ever-increasing supply of labour. This argument is supported by the fact that from 1997 to September 2001 formal sector employment growth appears to be stagnant – the number of formal sector employees fell by approximately 141 thousand workers, while the number of self-employed formal sector workers only increased by 86 thousand over the same period.

Measures of total employment across the surveys should perhaps only be compared from 1995 to 2001, rather than from 1993 (for the reasons mentioned above). From 1995 to 1997 total employment decreased, due to mainly to the decline in the number of agricultural and domestic workers. Neither the 1995 nor the 1997 OHSs made any visible changes to the questionnaire that could account for these recorded decreases. From 1997 to September 2001, however, total employment grew by roughly 20 percent. This is due mostly to an increase in informal sector employment coupled with increasing numbers of individuals being employed in domestic services and agriculture.

As a proportion of total employment, informal sector work has also been increasing. In 1997 informal sector work only accounted for about 12 percent of total employment, while in September 2001 the share of informal sector work in total employment had risen to 17 percent. There has also been a notable increase in the share of non-regular work in total employment. In 1997, non-regular workers accounted for approximately 23 percent of total employment, increasing to more than 31 percent in September 2001.

In many respects, the 1999 OHS and the subsequent LFSs provide the most comprehensive questioning of informal sector employment. However, it is probable that even in these years, the

size of the informal sector continues to be underestimated. The reported number of informal sector employees and the informal sector self-employed excludes the number of workers holding secondary jobs in the informal sector, because it is not possible to differentiate between main and secondary employment for these workers. These estimates also exclude the number of employed children (who would presumably form part of the informal sector), information on whom was not collected in the later surveys. It is also likely that much illegal work continues to be undercounted in national household surveys.

5. Conclusion

Over the past ten years, considerable improvements have been made to national household surveys to improve the quantity and the quality of information collected on informal sector employment in South Africa. The most notable improvements include the provision of definitions of work; the inclusion of examples of the kinds of activities constituting work in initial employment status questions; the specification of a minimum hours of work requirement (only in the LFSs); and the inclusion of hurdle questions, which attempt to identify any employed individuals inadvertently captured as unemployed (or as economically active). Measures have also been undertaken to improve the capture of information on 'survivalist' activities such as agriculture. Both the 1999 OHS and the LFSs include specific sections on agricultural and farming activities that attempt to identify all household members (employed, unemployed or economically inactive) who are involved in agricultural production.

An examination of the LFS 2000:2, one of the most recent national household surveys undertaken, reveals that there are still improvements to be made that could enhance the collection of data on employment. Data collection on employment, and particularly informal sector employment, could be improved through the inclusion of questions that capture information on working children, as well as questions that identify more clearly whether workers hold more than one job and obtain more comprehensive information on this work. Despite these improvements, however, it is likely that measures of employment, and especially informal sector employment, will continue to be underestimated no matter how carefully surveys are constructed, at the least because of the difficulties involved in capturing information on illegal work.

Given that 'employment' is likely to reflect a wide range of work, ranging from full-time employment, to temporary and casual work, to low-paying survivalist jobs, it is important that researchers are able to distinguish between workers who are employed in these different categories. To do this, it is necessary that surveys aim to capture as much information as possible about the work that people do and that restrictions inhibiting the capture of this information (for example definitions of employment that exclude individuals involved in survivalist activities from the employed or restrictions on the number of hours worked) be removed. The responsibility of identifying the unemployed, the underemployed, and the employed is then left to analysts, who would need to ensure that disaggregated measures reflecting the varying 'degrees' of employment are provided. There is, of course, some trade-off involved in making survey questionnaires more comprehensive. As the questionnaire is lengthened, the quality of individual responses may be compromised. The inclusion of additional questions to surveys, and continuing amendments to existing questions, also makes it difficult for analysts to compare the data obtained in various surveys over time.

Although it is likely that employment continues to be undercounted in national household surveys, from 1993 to 2001 South Africa experienced growth in total recorded employment of about 20 percent. Most of this growth may be attributed to an increase in the number of workers in domestic services, the agricultural sector and the informal sector, while the formal sector continues to contribute little to job creation in South Africa. However, given the improvements made in the collection of information on informal sector employment and other non-regular employment in the more recent household surveys, it is impossible to identify how much of the recorded increase in this employment is as a result of real increases and how much is attributable to better data capture on this type of work.

Appendix 1

Table 3
Potential Sources of Informal Sector Underestimation: A Summary of Findings
What Counts, and is Recorded, as Work?

	1993 PSLSD	1995 OHS	1997 OHS	1999 OHS	LFS 2000:2
	Survivalist activities				
Description of work or examples of the activities constituting work given in the initial employment status question?	No	No	Yes	Yes	Yes
Hurdle questions?	Yes 239934 reclassified	Yes 122676 reported affirmative, none reclassified.	Yes No estimate	Yes No estimate	Yes 63659 reported affirmative, none reclassified
Specific capture of agricultural activities	Yes Cannot use to reclassify, question asked at household level only	No	No	Yes 492659 individuals are involved in additional agricultural work.	Yes 492659 individuals are involved in additional agricultural work.
Clear specification of minimum hours of work requirement?	No	No	No	No	Yes Activities undertaken for even one hour should be reported
Attempts made to capture information on working children?	Yes In sections 8.3 and 8.6 only 9813 children under the age of 15 are captured	Yes Labour market section is asked to all persons aged 10 years and older 3244 children under the age of 15 are captured	No	No	No
Ability to identify workers holding more than one job?	Yes 237200 people hold more than one job.	Yes 140329 people hold more than one job.	Yes 30059 people hold more than one job.	Yes 106748 people hold more than one job.	Yes 561344 people hold more than one job.
Direct capture of information on illegal work?	No	No	No	No	No
	The Identification of Informal Sector Workers				
Definition of informal sector used?	PSLSD No	1995 OHS Yes Registration of enterprise criterion	1997 OHS Yes Registration of enterprise criterion	1999 OHS Yes Registration of enterprise criterion	LFS 2000:2 Yes Registration of enterprise criterion
Ability to distinguish between formal and informal self-employed?	Not applicable	Yes	Yes	Yes	Yes
Ability to distinguish between formal and informal employees?	Not applicable	No	Yes	Yes	Yes
Explanation of registration given?	Not applicable	Yes To the self-employed only	Yes To the self-employed only	Yes To the self-employed only	No
Ability to use additional criteria to complement registration classification?	Not applicable	No	No	Yes	Yes

Note: All reported values are based on the authors' own calculations from the respective surveys and are weighted values based on 1996 population census weights

Appendix 2

In an attempt to make employment estimates comparable across the household surveys, it was necessary to redefine employment variables for the surveys. It was also important to make the classification of domestic workers, agricultural workers, formal sector workers, informal sector workers as well as individuals who hold more than one job as comparable as possible across the surveys.

1. The Employed

In the PSLSD, individuals aged 16 years and older²³ who were employed in regular employment in the week preceding the interview (section 8.2), or in casual/temporary wage work in the month preceding the interview (section 8.3) or in other forms of self-employment in the month preceding the interview (section 8.6) were classified as employed²⁴. In the 1995, 1997 and 1999 OHSs, the employed are those individuals aged 16 years and older who claimed that they had a full-time, part time, or casual/seasonal job in the seven days prior to the interview. Those who did not work in the past seven days due to illness/injury, strike, bad weather, transport problems, vacation, leave, study/training leave, maternity/paternity leave, unrest and other; but who did have a full-time, part time or casual/seasonal job to return to, were also classified as employed. In all three LFSs, individuals aged 16 years and older who reported in the affirmative to any one of the activities specified in the activity question (question 2.1) were coded as employed (with the exception of those persons involved solely in begging). Individuals who did not work in the seven days prior to the interview, due to illness/injury, strike, bad weather, transport problems, vacation, leave, study/training leave, maternity/paternity leave, unrest and other, but who did have jobs to return to, were also classified as employed.

2. Individuals holding more than one Job

Employed individuals who reported that they were working in more than one of the employment sections in the PSLSD (i.e. section 8.2 on regular employment, section 8.3 on secondary/casual employment, and section 8.6 on other forms of self-employment) were classified as having more than one job. In the OHSs, individuals employed in both the formal and the informal sectors, as well as those individuals who reported being both self-employed and employees in either the formal or the informal sectors were coded as having more than one job. Individuals in the LFSs who reported being involved in more than one type of work in the initial employment status question (question 2.1) were classified as having more than one job.

3. Domestic Workers

In the PSLSD, employed persons, with only one job, who are involved in the domestic services sector and who are employed by a householder, are classified as domestic workers. In the OHSs and the LFSs, domestic workers are identified as employed persons, with only one job, who are occupied in the domestic services as domestic and related helpers, cleaners or launderers, and who are employed by private households.

4. Agricultural Workers²⁵

In the PSLSD, employed individuals with only one job, who are involved in the agriculture, fishing or forestry sector, and who work either in farming and related occupations are classified as skilled agricultural workers. Unskilled agricultural workers are those employed individuals with only one job, who are involved in the agriculture fishing or forestry sector, and who work as operators,

²³ It was necessary to restrict the analysis of the employed to individuals aged 16 years and older, because section 8.2 of the PSLSD (which asks whether or not individuals were involved in regular employment) was not asked of anyone younger than 16 years of age.

²⁴ Due to the irregular nature of casual/temporary work and other forms of self-employment, it is possible that some of these workers may not have worked in the week preceding the interview. As such those people who reported being involved in casual/temporary wage work or other forms of self-employment in the past month were classified as employed.

²⁵ Following the recommendations of the 15th ICLS, discussed in section 3.2.1, individuals involved in agricultural activities have been excluded from both the informal and the formal sector and are identified as a separate category. Unfortunately, because the survey questionnaires do not make it possible to identify household enterprises engaged exclusively in non-market production, it is not possible to make use of the recommendation that these households be excluded from the scope of the informal sector.

production workers/related semi-skilled occupations, or as labourers. In the OHSs and the LFSs, workers with only one job who are involved in skilled agriculture/fishery occupations and who are involved in the agriculture, hunting, forestry or fishery industry, are classified as skilled agricultural workers. Workers with only one job, involved in subsistence agriculture/fishery occupations or agricultural, fishery and related labourer occupations, and who are involved in the agriculture, hunting, forestry and fishery industry are classified as unskilled agricultural workers.

5. Informal and Formal Sector Employment

As mentioned in section 3.2.2, neither the formal nor the informal sector is identified in the PSLSD, which makes it difficult to determine which employed individuals work in the formal sector and which individuals work in the informal sector. To make estimates of employment from the PSLSD comparable with those from subsequent surveys, a crude distinction between formal and informal sector workers was made. Formal sector self-employed workers were defined as those employed workers who reported being self-employed in regular employment, or in casual/temporary work. Persons involved in other forms of self-employment were classified as self-employed in the informal sector. Individuals with only one job who are not classified as domestic workers, agricultural workers or self-employed are classified as employees (it is not possible to make even a crude distinction between formal and informal sector employees).

In the OHSs and the LFSs, employed persons with only one job, who are not classified as domestic workers or agricultural workers and who work in an unregistered (registered) enterprise are classified as informally (formally) employed. Self-employed workers are those persons who report working only for themselves, while employees are those who work for someone else. In the 1995 OHS, however, it was not possible to distinguish between formal and informal sector employees for reasons mentioned in section 3.2.2.

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