

So how bad is unemployment really?

South Africa ranks amongst the countries with the worst unemployment and poverty, and the greatest inequalities, in the world. Massive unemployment and the loss of formal jobs have contributed to huge inequalities in income. According to the United Nations Development Programme (UNDP), only Brazil and Guatemala have a more unequal distribution of income than South Africa.

Despite these facts, which are affirmed by the experiences of millions of COSATU members every day, government ministers continue to argue that we do not have sufficient data to assess the extent of the unemployment problem. Too often, this debate on measurement of unemployment seems to pre-empt discussions on how to solve the problem.

A particular problem has arisen with the publication of the 1999 October Household Survey (OHS), which showed a million more employed people than the 1998 OHS. These data have been cited widely by government leaders – notably by the President when opening Parliament and in the Budget Review this year – to demonstrate that the economy is now creating jobs. Unfortunately, analysis of the data shows that the 1998 and 1999 OHS effectively define employment differently, making comparisons meaningless.

In this article, I will first look at the available data on job losses in the formal sector, and then at the impact of

Neva Makgetla analyses employment statistics and argues that the 1999 OHS figures do not show a growth in employment, but instead reflect a redefinition of employment to include very poorly paid jobs.

unemployment by race and gender. The last section analyses the 1999 OHS.

The formal sector

According to Statistics South Africa (SSA), since 1990 employment in the formal sector outside of agriculture has shrunk by over a million, with one in ten workers in the formal sector losing their jobs between 1997 and 2000 alone.

The biggest job losses took place in mining, construction and transport, with growth only in wholesale and retail trade. OHS data suggest some increase in informal-sector employment to compensate for the job losses, but obviously these activities are worse paid, less secure and more dangerous than formal work.

As Table 1 shows, since 1990 employment losses have gone through

three distinct phases, with substantial downsizing in the period 1990 to 1993, stabilisation in the next four years, and then renewed job losses in the past three years. As a result, almost 20% of formal jobs have disappeared since 1990. The stabilisation phase after 1994 may reflect a statistical anomaly, since until then national statistics did not include workers in the former TBVC states.

Since 1990, cuts in mining have consistently driven job losses, accounting for about a third of downsizing by the private sector. But after 1997, manufacturing shed over 100 000 jobs, or about a quarter of the vanished positions. In manufacturing, metal and machinery production outside auto suffered the

biggest losses, with employment contracting by a third (Table 2). In contrast, wholesale and retail trade gained 120 000 jobs. As a result, it rose from 11% of private formal employment to 16%.

In the public sector, cuts in the budget ultimately require cuts in employment. The public service lost 78 000 jobs in this period, with a total loss from 1995 to 2000 of around 170 000 or 13%. In real terms, since 1996, personnel spending in the public service has fallen almost as fast as the budget as a whole. State-owned enterprise and local government have also faced pressure to downsize in order to permit cuts in state subsidies.

Overall, the decline in employment went hand in hand with a fall in the share

Table 1. Changes in formal employment, 1990-2000

Sector	Employment in 2000	% of private forml empl in 2000	Change 1997-2000		Average annual change			Percentage of formal job employment	
			Number	%	'90-'93	'93-'97	'97-'00	Percentage of formal job employment	
								'93-'97	'97-'00
Mining & quarrying	421 000	7%	-138 000	-25%	-7%	0%	-9%	36%	33%
Manufacturing	1 278 000	23%	-117 000	-8%	-1%	0%	-3%	18%	28%
Construction	224 000	4%	-90 000	-29%	-4%	-4%	-11%	28%	21%
Transport, storage & communication	222 000	4%	-54 000	-19%	-6%	-2%	-7%	23%	13%
Financial institutions	196 000	3%	-21 000	-10%	1%	3%	-3%	-9%	5%
Electricity, gas, water	40 000	1%	1 000	1%	-6%	-2%	0%	3%	0%
Subtotal	2 382 000	42%	-419 000	-15%	-3%	-1%	-5%	100%	100%
Wholesale/retail trd	883 000	16%	119 000	16%	-2%	0%	5%	13%	-28% ^b
Public service	1 100 000	19%	-78 000	-7%	n a	-4% ^c	-2%	46%	19%

Notes

- a. excluding wholesale and retail trade, retail and the public service
 b. ie, the increase in jobs in this sector compensated for 28% of job losses in the rest of the private formal sector
 c. figures for 1995 to 1997 only

Sources

For the private sector, Labour Statistics, Survey of Total Employment and Earnings, March 2000 Statistical Release, P071, 27 June 2000; Labour Statistics: Employment and salaries and wages (Summary), Statistical Release P0200, for June of other years; agricultural employment from 1990 to 1996 provided by SSA on the basis of Agricultural Surveys, Report 11-01-01; for 1998, from OHS 1998, for the public service, PERSAL.

Table 2. Job losses within manufacturing, 1994-2000

Industry	Employment in March 2000	% of manuf employ Mar '00	Change '96-'00		Average annual % change		% of job losses '96-'00*
			numbers	%	'94-'96	'96-'00	
Basic metals, metal products and machinery	222 000	17%	-54 000	-19%	2%	-5%	35%
Textiles, clothing, leather	220 000	17%	-40 000	-15%	7%	-4%	26%
Electrical machinery	71 000	6%	-33 000	-31%	-3%	-9%	21%
Non-metallic mineral products	46 000	4%	-30 000	-39%	-2%	-12%	19%
Food, beverages, tobacco	196 000	15%	-12 000	-6%	-1%	-2%	8%
Transport equipment	84 000	7%	-11 000	-11%	5%	-3%	7%
Furniture, manufacturing and recycling	62 000	5%	-10 000	-14%	3%	-4%	7%
Coke oven products, petroleum refineries, etc	174 000	14%	-3 000	-2%	1%	0%	2%
Professional equipment	22 000	2%	15 000	190%	-7%	30%	-9%
Wood, paper, printing, publishing	181 000	14%	24 000	15%	-3%	4%	-15%
Total manufacturing	1 278 000	100%	-155 000	-11%	1%	-3%	100%
Machinery except auto**	316 000	25%	-72 000	-19%	0%	-5%	46%

Notes

* A negative figure means employment grew

** Includes basic metals, metal products and machinery; electrical machinery; professional equipment

Sources

For the private sector, Statistics South Africa, *Labour Statistics: Survey of Total Employment and Earnings, March 2000 Statistical Release, P071, 27 June 2000*; *Labour Statistics: Employment and salaries and wages (Summary), Statistical Research P0200, for June of other years*

of labour in the national income. By implication, in the aggregate the rise in employee incomes lagged behind the growth in productivity. Moreover, the loss of quality jobs increased income inequalities.

The relative drop in labour incomes continued a trend that lasted from 1992 until 1998. In 1992, labour received 57,1% of the national income. Its share dropped to 51,8% in 1997, then stabilised at 55,7% in 1998 and 1999

Province, race and gender

According to the OHS 1998, very large

differences in unemployment emerge by race and gender. Joblessness remains worst for Africans, especially women, although fewer women are 'economically active' - that is, fewer have paid employment or are looking for it. Unemployment for Africans - using the expanded definition, which includes those who are too discouraged to look for work - ran at 38%, compared to 14% for others. Only half of women are economically active, compared to two thirds for men. Nonetheless, unemployment for women was 45%, compared to 31% for men. Over half of African women in the labour force were unemployed



Large differences in unemployment emerge by race and gender.

After 1994, women and black people obtained more higher-level positions. Still, because of cuts in elementary jobs, their total employment fell

Employment levels also vary by province. In the provinces that incorporated substantial areas from the former homelands, unemployment runs as high as 50%. In contrast, in the relatively industrialised provinces of Gauteng and the Western Cape, unemployment lies at around 30%.

Unemployment crisis?

Government and business sometimes suggest that while unemployment is bad, it

is not the most important crisis facing the country They give two reasons for their position:

- Even if formal employment fell, informal employment grew
- The 1999 OHS shows a rise in employment.

Table 3. Employment and unemployment, 1998

	Total population aged 15 to 65 years	Not economically active	Unemployment rate*
Total population	25 710	42%	37%
Total women	13 397	49%	45%
Total men	12 312	34%	31%
Total African	19 427	44%	46%
African women	10 176	50%	55%
African men	9 252	36%	38%

Notes

* Expanded rate

Source

Statistics South Africa, October Household Survey, 1998.

Definitions

Formal jobs mean jobs that use modern technology, with employers who are mostly legally registered. Large-scale employers are all formal employers. While many formal workers face bad conditions, these jobs are more likely to be permanent, organised, with adequate pay and benefits like health insurance and provident funds.

Informal jobs mean self-employment or employment with small employers, generally without legal registration, and often using low-level technology. Most of these jobs are in retail sales and services, with relatively few producing goods. Generally, these jobs are insecure and poorly paid. Most of the workers are not organised and many cannot take advantage of their legal rights

include any income-generating activity, including parking cars on the street and hawking vegetables.¹ Often, these activities do not provide a livelihood or raise productivity. They are survival strategies, sometimes only disguised unemployment,² that do not address the economic and social consequences of job losses and poverty.

In the Budget Review 2001, the Department of Finance published results of a study of the informal sector, arguing that it showed a substantial real increase in incomes in the sector in the past ten years.

The published figures appear to reflect a miscalculation, exaggerating growth in incomes. In any case, the study showed that in 1998, unskilled workers and the self-employed in the informal sector earned, on average, less than R650 a month, while semi-skilled workers earned under R1 200 a month.

Overall, a shift to informal or casual work obviously reduces family incomes and security. In the Department of Finance study, even five years after they had left the formal sector, 55% of workers who ended up in the informal sector still had lower incomes than they had previously.

Informal employment grew

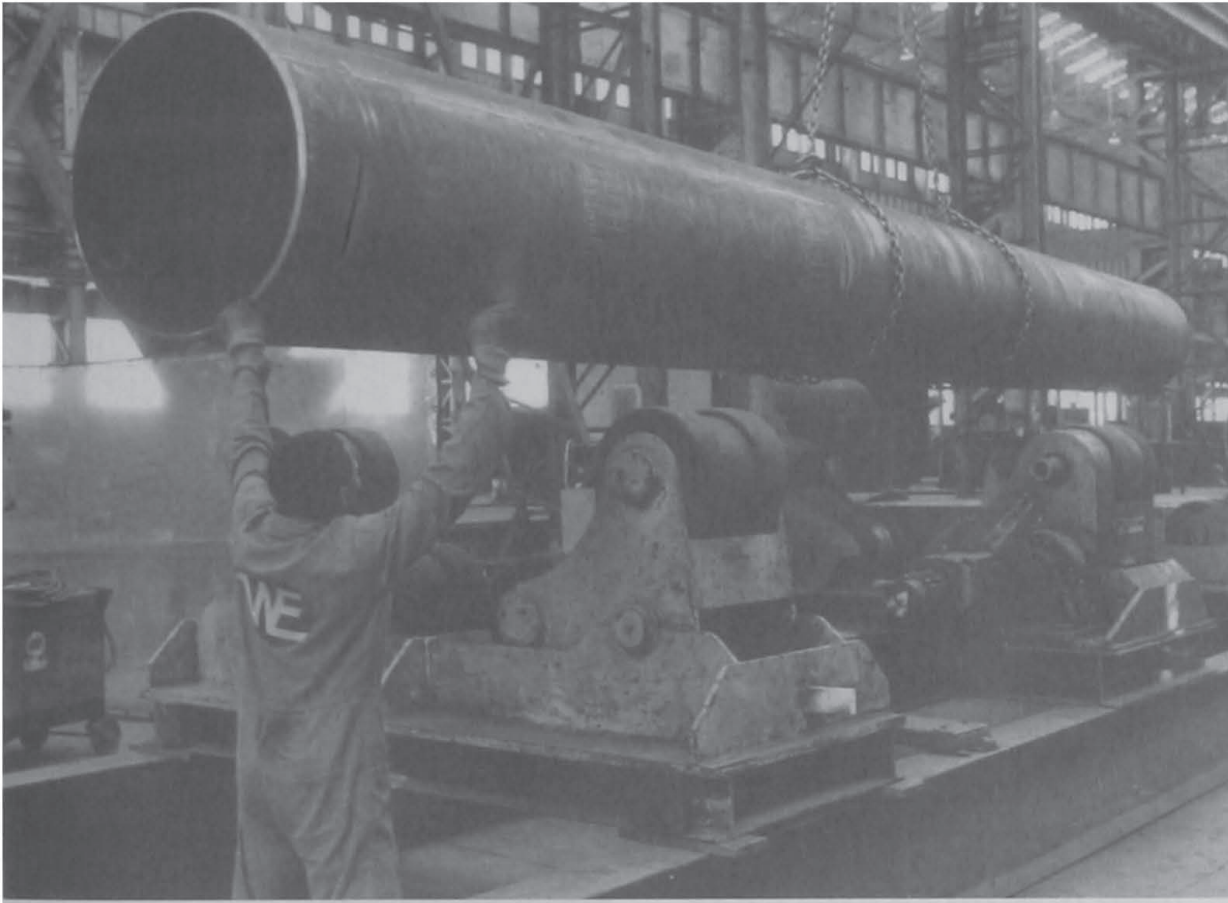
Government and business say that South Africa may have lost formal jobs, but has gained informal jobs. Therefore, South Africa has not lost jobs overall.

Data on informal, agricultural and domestic employment come from periodic surveys. They suggest that employment in these sectors grew in the past few years at least as rapidly as the formal sector shrank. But these figures

Table 4. Real mean earnings (in rand) by skill and education in the formal and informal sectors (prime working-aged individuals)

	1993	1998	Reported change	Calculated change
Unskilled	575	637	2,7%	2,1%
Semi-skilled	838	1 185	10,3%	7,2%
Skilled	1 699	1 955	3,7%	2,8%
Self-employed	314	634	25,5%	15,1%
No education	370	447	5,2%	3,9%
Primary education	527	634	5,1%	3,8%
Secondary education	846	1 234	11,5%	7,8%
Post-secondary	2 043	2 060	0,2%	0,2%

Often, workers who lose jobs have no choice but to take very poorly paid informal work. That means the loss of formal work almost necessarily creates informal jobs. But in this case, the growth in informal work really only hides the real problem: the loss of formal jobs.



Basic metals, metal products and machinery have lost jobs.

The 1999 OHS

The 1999 OHS showed a substantial rise in overall employment compared to the 1998 OHS, with a small decline in the unemployment rate - from 37,5 to 36,2% under the expanded definition, and from 25,2 to 23,3% under the narrow definition that counts only those actively seeking work.

These data, however, are hard to fit in with other trends in the economy. They suggest employment increased by 10% in the 1998-1999 period, even as the economy grew only 0,8%. That would mean a massive reverse in the trend toward declining labour absorption with economic growth over the past two decades.

Sectoral figures are even more problematic. The bulk of the jobs supposedly created - some 770 000 - are in the informal

sector. That would mean the sector grew at the extraordinary rate of 50% in 1998-1999. They survey found a 19% gain (or 280 000

Informal sector incomes in the Budget Review 2001

The following information on incomes in the informal sector comes from a box on p 31 of the Budget Review, reporting on a study for the Department of Finance. It gives the 'reported change' as the real average annual change in incomes over the period. It does not say whether the figures for 1993 were inflated or those for 1998 deflated for the calculation.

In any case, comparing the two figures using the standard formula for growth rates gives the average annual growth reported under 'calculated change'. It suggests that the 'reported change' growth rate is substantially exaggerated.



The number of insecure and poorly paid jobs has risen.

jobs) in parts of the tourist trade and the financial sector. Yet earlier surveys show these activities *lost* over 300 000 jobs in the previous three years, and the output of the financial, business services, trade and accommodation sectors as a whole grew only 3% last year.

Similarly, the data show growth of 17,5% in agricultural employment, while output rose only 4% in that year. The survey admits the change may reflect the fact that, for some undisclosed reason, subsistence and informal producers in the rural areas this year classified themselves as employed, where in the past they were classed as unemployed or economically inactive.

Overall, it seems that the 1999 survey shows higher employment mostly because it redefined employment to include very poorly paid jobs, especially in agriculture. In other words, employment did not grow; the survey in 1999 counted different kinds of work than the earlier surveys. ★

Update

Since the writing of the article, the Labour Force Survey of 10 000 households has been released. This survey placed unemployment at 25,2%. It is not just the higher unemployment figure represented here that is of significance but the subsequent downgrading of the Survey to the status of a 'discussion document' suggests interference in the gathering of official statistics. Perhaps it is necessary for the process of collecting such data to be overseen by a body such as Nedlac to ensure that stakeholders have an equal say in this important process.

Neva Makgella is COSATU's policy co-ordinator; fiscal, monetary and public sector

- 1. Statistics South Africa argues that the ILO definition of unemployment requires that it count any income-generating activity*
- 2. That is, activities that provide far too little to live on, adding virtually nothing to the economy or household incomes.*