

Overview of current economic and labour market conditions in South Africa¹

1. Introduction

The South African economy continues to grow slower than required, contributing to a substantial decline in formal sector employment. The unemployment rate (expended definition) is now 36,2% of the labour force, representing a national crisis. Further, the loss of formal sector jobs has exacerbated inequality, with incomes of the poorest 50% of the population falling by 21% between 1991 and 1996. While informal jobs are increasing, these are primarily survivalist activities with very low incomes. In short, low-income, insecure informal jobs are replacing better paid (though generally still low), more secure formal sector jobs. Trade union membership has grown strongly, though union membership in the private sector and, in particular, manufacturing has been under great pressure due to industrial and company restructuring.

Official employment data in South Africa is subject to considerable debate, and currently under review. Many of the official surveys providing figures for the 1990s cannot be compared due to constant changes in definitions. Nonetheless, where possible, trends are presented in this overview.

2. Key economic indicators

During the currency crisis of 1996, government introduced a controversial economic strategy to appease investors. The GEAR strategy (“Growth, Employment and Distribution strategy”) sought to introduce a market-driven process for reconstructing post-Apartheid South Africa. GEAR’s key elements are reducing government spending and the rate of inflation, with a view to encouraging private investment, economic growth, and thereby job creation and redistribution.

Table 1: GEAR’s actual versus projected results, 1996 - 2000

	1996	1997	1998	1999	2000	GEAR predicted average	Actual average
Inflation	7,4%	8,6%	6,9%	5,2%	5%*	8,2%	6,6%
Real interest rate	12,6%	10,4%	15,85%	10,3%	N/ a	4,4%	12,3%
Budget deficit (%GDP)	4,6%	3,8%	2,3%	2,4%	2,6%*	3,7%	3,1%
Govt investment growth	5,3%	4,4%	2,6%	-5,4%	N/ a	7,1%	1,8%
Pvt investment growth	7,4%	4,7%	-2,9%	-4,4%	N/ a	11,7%	1,2%
GDP growth	4,2%	2,5%	0,6%	1,0%	3,5%*	4,2%	2,4%

(Source: South African Reserve Bank Quarterly Bulletin, June 2000; Department of Finance Budget Review 2000) *=most recent predictions.

¹ A shorter version of this paper is a contribution to the Global Policy Network (globalpolicynetwork.org), comprising labour-linked research centres from around the world.

As can be seen from Table 1, government has succeeded in reducing government spending and inflation to below its own predictions. However, investment, economic growth, and jobs (see below) have not responded.

3. Employment, unemployment and types of jobs being created

Table 2: Employment (1000s) in the formal non-agricultural business sector

Industry	1994	1995	1996	1997	1998	1999
Mining	601	583	562	524	443	416
Manufacturing	1 432	1 418	1 452	1 374	1 321	1 291
Electricity	40	40	40	39	37	34
Construction	355	337	312	301	255	225
Trade	740	772	776	786	831	884
Transport	285	280	280	268	249	238
Finance	196	208	214	221	214	207
Comm/ social ser	1 607	1 548	1 589	1 577	1 563	1 497
TOTAL	5 255	5 187	5 225	5 091	4 914	4 792

(Source: Statistics South Africa, October Household Survey, 1999)

According to official figures, since 1994 almost one in ten formal non-agricultural jobs disappeared. Even when the economy grew, the formal sector continued to lose jobs.

Table 3: Employment (1000s) in agriculture, the informal “sector” and domestic service

	1996	1999	Change
Agriculture	759	1 059	340
Informal sector	996	1 907	911
Domestic service	740	799	50

(Source: Statistics South Africa, October Household Survey, 1999)

Official figures show a substantial increase in agricultural, informal and domestic employment. There are considerable doubts over these figures, as there have been, for example, massive retrenchments in agriculture over the past five years. However, much of the increase results from a methodology change introduced by the government statistics body (Stats SA). Stats SA now counts any income-earning activity, no matter how poverty stricken or unstable, as informal employment. Most of the jobs created will not sustain longer-term development, in the sense of providing and income high enough to support a family, the acquisition of skills or rising productivity. From this standpoint, much of the informal jobs created are a form of concealed unemployment.

Table 4: Firms using “atypical” employment, by industry, 1996

Sector	Temporary workers	Contract workers	Part-time workers	Home-workers
Metals, engineering	84%	43%	25%	8%
Textiles, garments	81%	39%	19%	22%
Chemicals	89%	50%	33%	2%
Food processing	100%	59%	34%	6%
Paper & printing	84%	33%	31%	2%
Other	77%	46%	8%	8%

(Source, Standing, G., 1997 “Labour market dynamics in South African industrial firms: The South African labour flexibility survey.” Unpublished ILO paper.)

An expansion of casual, temporary and contract labour is occurring in many sectors of the South African economy. Together with the expansion of the informal sector, these forms of new irregular employment are becoming the only options available to millions of unemployed.

Table 5: Unemployment rate (strict definition)

	1996	1999	Change
Population, 15 – 65 years old (1 000s)	24 657	26 279	1 622
Econ active (1 000s)	11 511	13 527	2 016
Participation rate (%)	46,7%	51,5%	4,8%
Unemployed (1 000s)	2 224	3 158	934
Unemployment rate (%)	19,3%	23,3%	4,0%

(Source: Statistics South Africa, October Household Survey, 1999)

Using the strict definition (requiring a job search in the past seven days), the unemployment rate is 23,3%. This reflects an increase from 19,3% in 1996.

The appropriateness of the strict definition is debatable, where unemployment is of a deeply structural nature, as is the case in South Africa. There is a high incidence of “discouraged job-seekers”, with 43% of unemployed persons having searched for formal sector jobs for at least three years.

Table 6: Unemployment rate (expanded definition)

	1996	1999	Change
Econ active (1 000s)	13 853	16 251	2 398
Participation rate (%)	56,2%	61,8%	5,6%
Unemployed (1 000s)	4 566	5 882	1 316
Discouraged (1 000s)	2 342	2 724	382
Unemployment rate (%)	33,0%	36,2%	3,2%

(Source: Statistics South Africa, October Household Survey, 1999)

Using an expanded definition (requiring that someone be willing to take a job were it available), the unemployment rate is 36,2%. This reflects a 3,2-percentage point increase over the 1996 figure.

Table 7: Racial², gender and regional burden of unemployment (%)

	Urban	Non-urban
African men	33,7%	40,8%
African women	48,9%	55,7%
White men	6,3%	N/ a
White women	7,5%	N/ a

(Source: Statistics South Africa, October Household Survey, 1999)

Unemployment has a strong racial, gender and regional basis. Africans and women, particularly in non-urban areas, are more likely to be unemployed.

Table 8: Labour absorption rates

	Absorption rates
African men	35%
White men	68%
African women	22%
White women	44%

(Source: UNDP Human Development Report, South Africa, 2000)

Despite government programmes to promote affirmative action, white men and women are far more likely to find jobs in the formal sector. A partial explanation is that the restructuring of the economy has led to a decrease in demand for unskilled employees and increased demand for highly skilled individuals. Between 1994 and 1997, management, professional and technical workers increased from 19% to 25% of all jobs. There was a decrease in the share of elementary occupations (unskilled workers) from 36,4% to 28,3%. In this regard, apartheid engineering has resulted in an overlap between skill and race. Forty nine percent of employed African women and 24% of employed African men are in elementary occupations.

4. Wage incomes, poverty and inequality

Table 9: Mean monthly incomes (Rand)

Sector	Men	Women
Formal (white)	7 514	4 774
<i>African workers</i>		
Formal (urban)	2 204	2 068
Informal (urban)	1 012	845
Informal (non-urban)	705	524
Domestic (urban)	903	537
Domestic (non-urban)	347	397
Agricultural (formal)	1 011	599
Agricultural (informal)	386	306

(Source: Statistics South Africa, October Household Survey, 1999)

Mean monthly incomes for African workers, both in formal and informal employment, are extremely low. Many workers are in poverty despite being in employment. For this reason, the

² Racial categories, unfortunately, need to be used to distinguish the very different conditions facing different groups of South Africans. "African" refers to people generally regarded as indigenous to Africa, whereas the term "black" refers collectively to African, "coloured" and "Indian".

major union federation, COSATU, is campaigning for the creation of “quality” jobs. Incomes in Table 9 should be compared to union demands for a living wage” (based on the income needed to secure a bank loan to purchase a low-cost home) of R3 500 per month.

Table 10: Percentage of the population living in poverty

Province	Percentage of population living in poverty
Northern Province	78%
Eastern Cape	74%
Mpumalanga	64%
KwaZulu-Natal	63%
North-West	61%
Northern Cape	58%
Free State	54%
Gauteng	32%
Western Cape	29%
National	45%

(Source: UNDP Human Development Report, South Africa, 2000)

Despite South Africa being an upper-middle-income country, its rate of poverty (a measure of the extent of absolute poverty) is 45%. This translates into 3 126 000 households or more than 18 million citizens. South Africa’s high poverty rate is primarily due to Apartheid’s legacy, where the majority of the population was deprived access to income-generating assets.

Table 11: Annual per household income (constant Rand): 1991 and 1996

	African		White	
	1991	1996	1991	1996
Poorest 50%	3 001	2 383	35 028	29 549
41-60%	9 519	9 120	96 444	83 506
61-80%	18 497	19 183	155 763	134 821
81-90%	33 843	37 093	228 018	207 243
Richest 10%	93 124	108 568	407 010	406 091
Total	19 500	21 180	127 955	116 818

(Source: UNDP Human Development Report, South Africa, 2000)

Measured by Gini coefficient, inequality in South Africa is among the highest in the world. South Africa is ranked as the third most unequal society, surpassed only by Brazil and Guatemala. Between 1991 and 1996 the incomes of the poorest 50% fell by 21%. The incomes of the richest 10% either held roughly constant or, in the case of the African top 10%, increased substantially.

Between 1975 and 1996, intra-racial inequality increased within all race groups in South Africa. This heralds the movement of society from one where the poor are defined by race, to one where they will be defined increasingly by class.

Table 12: Gini coefficient, 1975 – 1996 (1=total inequality/ 0=total equality)

	1975	1991	1996
African	0,47	0,62	0,66
White	0,36	0,46	0,50

Coloured	0,51	0,52	0,56
Asian	0,45	0,49	0,52
TOTAL	0,68	0,68	0,69

(Source: UNDP Human Development Report, South Africa, 2000)

4. Union membership and densities

Table 13: Union density, 1985 – 1998

	1985	1987	1989	1991	1993	1996	1998
Union density	18%	24%	26%	34%	43%	40%	51%

(Source: NALEDI, Unions in Transition: COSATU into the New Millennium, 1999. Figures based on various Department of Labour Annual Reports.)

Unions have grown in South Africa, contrary to union decline in many other parts of the world. In 1998, 3,8 million workers out of 4,9 million formal sector workers were in unions. COSATU membership has grown from 400 000 in 1985 (when it was established) to 1,8 million in 1999. COSATU figures are based on paid up membership.

However, apart from COSATU, these union density figures should be treated with some caution. A large proportion of the increase since 1996 reflects workers establishing unions for representation for dispute hearings rather than collective bargaining. Moreover, the official Department of Labour figures rely on self-reporting by unions.

Table 14: Union density by sex

	Men	Women
Share of union membership	71%	29%
Proportion of male and female workers in unions	37%	32%

(Source: NALEDI, Unions in Transition: COSATU into the New Millennium, 1999. Figures based on OHS, 1995 data.)

Men make up 71% of union membership, and women 29%. This is largely due to the fact that men hold most of the formal sector jobs, and women are most of the un-unionised, informal sector jobs. However, 32% of women compared to 37% of men in formal sector jobs belong to a trade union. So the chances of a woman joining a trade union are much the same as a man.

Table 15: Union density by race

	African	Indian	Coloured	White
Share of union membership	70%	3%	11%	16%
Proportion of workers of racial category in unions	40%	33%	31%	25%

(Source: NALEDI, Unions in Transition: COSATU into the New Millennium, 1999. Figures based on OHS data.)

African workers make up 70% of all union membership. White workers are second, making up 16% of union membership. Next are Coloured and Indian workers with 11% and 3% respectively. This follows the relative size of the different population groups.

Table 16: Union density by age

	15 – 24 yrs	25 - 34	35 - 44	45 - 54	55 - 64
Share of union membership	7%	35%	33%	18%	6%
Proportion of workers in age category in unions	22%	36%	39%	37%	34%

(Source: NALEDI, Unions in Transition: COSATU into the New Millennium, 1999. Figures based on OHS data.)

A key goal for any union is to attract young workers. This is especially the case in South Africa, which has a relatively young population. The core union membership, making up 68% of all union members, is between the ages of 25 and 44 years.