The Mesebetsi labour force survey
Top line report
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The economic growth, welfare delivery and political stability that are so crucial for the consolidation and legitimacy of the South African democracy, depend to a large extent on the development and characteristics of the labour market. Will we be able to create enough jobs for the young people entering the labour market every year? Will we be able to narrow the apartheid wage and wealth gap? Will we be able to bridge the racial and class cleavages in the labour market? Will we be able to restructure our labour markets in order to strengthen our international competitiveness and attract more foreign capital investments into the country? Will we be able to spin off economic growth and redistribution in order to address poverty and inequality?

The need for reliable and updated labour market statistics has become critical for policy-making and monitoring in the new South Africa. With information from the Population Census of 1996, as well as new revised data collection systems, we have come quite far. However, there are still large unexplored territories in our knowledge concerning the labour market. Furthermore, academics and politicians alike regard some of the existing statistics, for example on unemployment and wages, as controversial. The aim of The Mesebetsi labour force survey is to help fill some of the existing knowledge gaps (Mesebetsi means “work” in seSotho).

The project was initiated in consultation with the Department of Labour in 1998. The Department is however not accountable for the opinions expressed in the report, which are the responsibility of the Fafo research team. The survey was conceived with the overall aim of shedding light on important aspects of the labour market relating to the mandate of the Department of Labour that are not normally addressed in surveys undertaken by StatsSA and others.

The survey was conducted with approximately 10 000 household interviews nationally at the end of 1999 and the beginning of 2000. The core section of the interviews focuses on employment, demographics, and wages and covers all household members, i.e. about 50 000 individuals. We then randomly selected one person of working age (15–65) in each household for more in-depth interviews. Among other things, we asked them about work status, time period in (or outside) the labour market as well as basic conditions of employment, labour relations, wages, occupation and organisation of work for
those in employment. The questionnaire is available on http://www.fabo.no/mesebetsi.

We would like to thank the Norwegian Development Agency NORAD and SA Department of Labour for funds provided for the project. The Norwegian embassy in Pretoria gave us substantial assistance. We would also like to thank the senior Department of Labour officials who initiated and provided backup for the project, and gave substantial comments to the analysis. Khomotso Ma-latjie and Dudu Molatedi deserve special thanks for their input in the project team. Finally, we thank MarkData Pty Ltd. for conducting the fieldwork.

We conducted in-depth consultations about the questionnaire, definitions and fieldwork strategy with academics, social partners in NEDLAC and the Department of Labour. We need to thank all the individuals and constituencies, as well as the reference group set up for the survey, who generously put aside their time in order to provide comments and suggestions to the project.

The report is the result of a joint exercise at Fafo. David Drury provided very capable statistical assistance to the whole team. Jon Pedersen assisted with sampling and technical assistance. Liv Tørres and Jocelyn Vass managed the project from Fafo’s side. Jon S. Lahlum prepared the manuscript for publication and Peta Marincowitz designed the cover and the Mesebetsi logo.

The picture that emerges from our survey is of a South African labour market that in some respects resembles those of our neighbouring countries and comparable transitional countries to a greater degree than what has previously been acknowledged. There are large numbers of people in underemployment, in informal sector activities and in subsistence activities. A large majority of the working age population is in the labour force, whether employed, or unemployed and available for work.

The extent to which the challenges and tensions in our labour markets, and the expectations of the large numbers of people inside the labour force, are addressed as a basis for collective bargaining and regulation will shape our growth and reconciliation. Our challenge is to jointly formulate a strategy that addresses the expectations and hopes of the millions who look to the labour market and the social partners for solutions to their needs. On that basis, we hope the following report, data set and upcoming results will contribute with useful information and perspectives for new debates and consensusmaking.
The labour force, or economically active population, is composed of those of working age (15 to 65) who are either employed (whether formal, informal, subsistence or self-employed) or unemployed. The economically inactive are those not available for work (students, full-time home-makers et.al.) the retired and those who do not want work. The International Labour Organisation (ILO) defines the unemployed as people without work, who are available and actively looking for work (strict definition). However, in countries where there are few jobs available or limited channels through which to look for work, people may have given up actively looking for work. In such cases, ILO accepts an unemployment definition that includes people who are without work and available for work, but have given up actively looking for work (expanded definition). South Africa, may have large problems of hidden unemployment since the official (strict) unemployment rate defines those who are without work, but available for work as economically inactive.
The Mesebetsi Survey estimates the South African labour force to be larger than initially estimated. Although the 1999 OHS estimates of labour force participation are much higher than in previous years, they are still 3 percent lower than the Mesebetsi estimates under the strict definition of unemployment, and 6.5 percent lower according to the expanded definition. International comparisons also suggest that OHS labour force participation rates are unusually low. Within the Southern African region labour force participation ranged from 82 percent (Zambia) to 99 percent (Tanzania) in 1997, and the average rate for upper-middle income countries world-wide was 69 percent. The World Bank estimate of South African LFPR for 1997 was 64 percent. In contrast, the OHS estimates for that same year are 57.5 percent under the expanded definition and 47 percent under the strict definition. As measured by the 1997 OHS South Africa's labour force participation rate is far lower than any of its neighbours, and lower than any country at the same level of development except for some Middle Eastern countries which have extremely low labour force participation rates for women. Few doubt that South Africa has a lower labour force participation rate than its neighbours. The international evidence points however to an under-estimation that may in part be due to the OHS data collection methods.
Men, people in urban areas, whites and people in their prime working years all have much higher rates of economic activity. Although these general patterns hold true whether we use the strict or expanded definition, participation rates are much higher for women, Africans and non-urban people when the expanded definition is used.

Africans, women, and non-urban people are far more likely to be marginal members of the labour force, available if suitable work presents itself, but not actively seeking it. To the extent that the official strict definition of unemployment is used as the basis for targeting employment and economic policy, one is likely to overlook these groups who have their own specific problems and requirements.
Unemployment remains a serious, and increasing problem in South Africa. There are furthermore large differences in the extent of unemployment among different groups of the population. Under the Mesebetsi’s strict definition of unemployment, the person must have not worked at all during the previous 7 days, must be available for work in the next four weeks, and must have taken some specific action to find work in the four weeks before the survey. In the expanded definition the work search requirement is dropped.

Total unemployment reaches nearly 32 percent under the strict definition and 45 percent if those who are not actively seeking jobs are included. Women, people in non-urban areas and Africans have unemployment rates much higher than the average. The most vulnerable of all are African women in the 15–30 age group who are living in non-urban areas.
It is worth noting that the percentage difference between the strict and the expanded definition of unemployment is largest for the labour force groups that are generally perceived to be most vulnerable in other respects. Women, rural people and Africans are far more likely to have given up actively looking for employment, or to be “passively unemployed” – available for work but not actively seeking it. Furthermore, when looking closer at the discouraged workers, i.e. those who say they are available for work, but have given up actively looking, we also find major differences between various population groups and among the various regions when it comes to the gender effect.

Of those in expanded unemployment, 37 percent report that they are homemakers, 12 percent are waiting for seasonal or contract work, and 30 percent were idle, believing that there is no suitable work available in the area. Not surprisingly, the same groups are over-represented among the long-term unemployed: 64 percent of Africans versus 42 percent of whites and 66 percent of women versus 56 percent of men have been unemployed for more than a year.
The relationship between unemployment and education is complex. Unemployment is lower at both the top and the bottom of the educational spectrum, with rates of 22 percent for those with no schooling at all and 11 percent for people with tertiary education. The highest rates are among those with lower secondary or upper secondary education (35 percent and 39 percent by the strict definition). Together they make up more than two-thirds of the nation’s unemployed. Particularly among young people, these secondary school graduates tend to have high reservation wages — that is, they expect wages which are higher than the market will pay for their skills and experience, which can pose especially difficult problems for employment programs and job development.

Only 6 percent of those who are available for work have no schooling. Only 4 percent of those who are unemployed, but actively looking for work have no schooling. Furthermore, only about 25 percent left school after their primary education. There seems to be limited difference between employed and unemployed when it comes to literacy skills, but their level of occupation is different. Vocational education makes a further difference. Unemployment rates are 35 percent (strict definition) among those with non-vocational education, 14.5 percent for those with a secondary-level certificate or diploma, and only 3.4 percent for those with a tertiary vocational degree.
Actively looking for work

About one quarter of the currently unemployed report that their last job ended due to retrenchment or business closures. Clerical workers, crafts and trade workers, machine operators/assemblers, and those in elementary occupations are among those most seriously affected by retrenchments. Half of those who are currently looking for work have never worked before. Another 19 percent last worked in an elementary (unskilled) occupation.

Only 1 percent of current job-seekers report that they are taking training as a means to find work. The unemployed consider income, working conditions and job security as the most important factors when searching for a job. Fringe benefits are less important. Women are also concerned with work that fits in with family responsibilities and location close to home.

Many find it difficult to access information about job opportunities. 40 percent of the unemployed in rural areas and 28 percent in urban areas say that this is one of their two greatest obstacles to finding work. Discrimination due to age, race, nationality, or gender is argued to be a major obstacle for 9 percent of the urban unemployed and 4 percent in rural areas.

Seasonal work is relatively uncommon in South Africa. Only ten percent of those who were not working at the time of the survey had worked one or more months in the past 12 months. However, 48 percent had been available for work during part of the last 12 months, and 36 percent had been available the entire time.
Employment

Work determines our welfare through the remuneration received (wages, benefits in kind, pensions and medical aid, etc.) and through its contribution to the aggregate production and dependency in society. The size of the employed population as well as profiles of the working population in terms of sector, status and occupation thereby become the focus of attention in a policy perspective.

The 1996 Census estimated that there were approximately 9.1 million working people in South Africa. The total number of jobs in South Africa seems to have increased since then. Along with the larger labour force as demonstrated earlier, comes both a higher unemployment rate as well as a higher number of jobs being created. Many of these jobs are to be found in informal sector and subsistence activities.
Employment

With two-thirds of the population inside the labour force and only about one third of the labour force in employment (expanded definition), the question as to where, in what sector and for what pay, the employed are working becomes an important question for the well-being of the individual and their households. With about 11.2 million people in total employment of the total population, each working man or woman has about 4.3 people to support on his or her wages.\(^3\)

The higher total numbers of jobs in formal sector employment in the Mesebetsi survey may be explained by part-time, casual work etc. in the formal sector, which has previously not been captured by official statistics. The higher population estimates captured by the survey will also contribute to expanding the estimates of the total numbers of people in employment.
Mesebetsi follows the ILO in classifying people as employed if they worked for at least one hour during the week before the interview. That helps to ensure that all kinds of productive activities are counted when calculating national accounts and making international comparisons. It says nothing however, about the quality or intensity of employment. A person can be employed by ILO definition and still not earn a living wage, have sufficient hours, or have a job to return to the following week.

The figure illustrates employment, underemployment and unemployment as a continuum of labour force attachment for men and women of different ages. At the core are the ‘fully’ employed, working as many hours as they desire. Next are the underemployed, 5 to 10 percent of the population who work, but are ready and available for more hours of work. For both men and women, underemployment is much higher in the rural areas and peaks in the later child-rearing years between age 35 and 50. Beyond them are the unemployed - the 10 to 30 percent of the population who actively seek work, and another 10 to 20 percent who are available for work, but have not looked for work recently. Passive unemployment is a far more serious problem in rural areas, for both men and women. Still further to the edge are the one to seven percent of the population - mostly rural women - who carry out marginal subsistence tasks such as fetchin wood and water. Lastly, at the beginning and end of the life span, are the third of the population who are out of the labour market entirely, such as students, home-makers and the retired. Taken together, the in-between statuses of unemployment and underemployment affect a very large proportion of the population, ranging from 25 to nearly 60 percent of the different age groups. Unfortunately, their combined peak levels occur during the prime career-building and skills-forming years from age 20 to age 35.
The informal sector is growing all over southern Africa as a result amongst others of retrenchments in the formal sector. This brings with it several challenges for the governments in the region such as lack of tax incomes as well as increasing “gaps” in the labour market where labour legislation and protection is not applied and labour institutions have limited legitimacy.

The South African informal sector has become a major contributtor to employment. According to Mesebetsi, about 2.2 million, or 20 percent of the working population, work in the informal sector (excluding agriculture and domestic services). Our, as well as the OHS estimates, indicate that there has been considerable growth in informal sector employment over the last years. In comparison to the 4 percent economic growth in agriculture from 1998 to 1999, both the OHS and Mesebetsi show considerable growth in agricultural employment. The formal sector share of employment has according to Stats SA been reduced from 73.2 percent in 1996 to 63 percent in 1999, while the Mesebetsi results indicates that only about 60 percent of employment in 1999/2000 is found in the formal sector.


Mesebetsi and OHS estimates of employment

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<tr>
<th>Year</th>
<th>Formal sector</th>
<th>Informal sector</th>
<th>Agricultural</th>
<th>Domestic service</th>
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<td>OHS 1996</td>
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Percent of total employment
Small-scale manufacturing has become a major informal sector activity in some southern African countries, such as in Zimbabwe. However, the informal sector in the region is generally characterised as being most dominant in trading type activities and in the service sector. In South Africa, this picture is reflected. Around 40 percent of total employment in construction and in retail can be defined as informal, and between 10 and 20 percent of the jobs in hotels, restaurant, manufacturing, social and personal services. The bulk of the jobs in the South African informal sector is wholesale, retail and trade (44%), construction (12%) and manufacturing (11%).
From 1998 to 1999, employment in the informal sector increased according to StatsSA with 35 percent – from about 2 000 000 people employed in 1998 to a total of 2 700 000 in 1999 including domestic services. The Mesebetsi estimate indicates an even larger growth in the informal sector when using comparable categories (i.e. including domestic services in the informal sector).

The percentage of people employed (as share of the labour force) is lower in Mesebetsi than in OHS 1999, while the absolute numbers are higher, due to larger estimates of the labour force in Mesebetsi. Comparing Mesebetsi estimates with OHS 1998 estimates, we find that in all industries a larger proportion of the employment is within the informal sector in 1999. This is also the case when comparisons are made between OHS 1999 and OHS 1998 estimates, although the tendency is not as strong. Looking at the absolute numbers in Mesebetsi, there has been growth both in formal and informal employment in wholesale, retail etc. Transport and finance are characterised by a stable number of jobs in formal sector, and growth in the informal sector. OHS 1999 indicates larger formal employment than Mesebetsi 1999 in all industries portrayed in the table, except in the wholesale etc. and transport etc. sectors.
Many countries have seen a strong growth in the service sectors contribution to GDP and to employment in the past decade, with a simultaneous decrease in the importance of “traditional” sectors such as mining and manufacturing.

Looking at total employment by industry in South Africa, there is a clear overall trend of growth in tertiary industries. There are some differences between the Mesebetsi-results and the OHS 1998 results. This may be due to actual changes in the labour force activities, but may also be due to differences in the survey methodology such as noted previously. The main changes between 1998 and 1999 are growth in employment in the wholesale, retail trade, catering and accommodation sectors, and decreased employment in the manufacturing sector and the mining sector.
Race and gender divided the labour market under apartheid, with white males in the most privileged, well-paid and protected positions and African women on the other unprivileged extreme of the scale. It may take decades to overcome this legacy in spite of Employment Equity Plans and affirmative action programmes. Segregation of the labour market must be seen on the background of both direct and indirect discrimination at work and as caused by different work opportunities and choices based on education, skills, resources and personal choices.

The large proportion of men works for the non-agricultural formal sector. In comparison, large numbers of women, and African women in particular work in the informal sector and as domestic workers. Looking at African women alone, more than 50 percent work in the informal sector labour market, domestic services or in agriculture, all characterised inter alia, by lower wages and benefits, less regulation and protection by labour legislation and institutions.

The gender segregation of the labour market is first and foremost found among Africans, while amongst whites the large majority of both men and women work in the formal sector. Simultaneously, the wage gap is relatively small between African men and women compared to the gender wage gap we find amongst whites as we will see later.
Women's participation in the workforce has increased over the last years, and we find women in all sectors and at all levels in the labour market. However, the labour market is still characterised by major gender imbalances in most industries.

Women dominate the domestic sector and health and educational work, and are scarce in sectors such as mining, transport and construction. Men are still in clear majority in traditional male dominated industries as mining, construction, electricity, gas and water supply. In manufacturing and the service sector we find a more even gender distribution looking at the sectors in total, but also within these sectors there are huge gender differences when it comes to occupations and positions, in general in favour of the male employees.
The labour market and race

There are major differences between population groups as to which sector is their main source of employment. In total, 60 percent of the jobs are in the formal sector. While only half of the Africans are in formal employment, the great majority of Indians and Whites are employed in the formal sector. The non-agricultural informal sector gives work to 4 of 10 Africans that are employed.
About 70 percent of all South Africans in employment (both formal and informal) are Africans, while 15 percent are Coloureds and Indians, and 16 percent Whites. Compared to their share of the population, and of the labour force, whites are over-represented in most industries and sectors, except for domestic work and own household subsistence activities. Africans are underrepresented in several sectors, for instance in public administration and defence, and in the financial sector.

Africans are relatively poorly represented in sectors such as financial and business services. Yet, these sectors have demonstrated job creation potential in the past few years as also indicated previously in this report. This trend may continue into the future service society and points out a need to address recruitment to these sectors. For the overall aim of addressing remuneration imbalances and inequalities in the labour market, it should of course also be noted that these sectors demonstrate relatively high salaries.
Only a few years back, Africans were either by law or through direct discrimination at the workplace effectively barred from management positions. It will be hard for the new government to level out inequalities between whites and blacks in income and wealth without a considerable levelling out of these racial differences in the occupational hierarchy. Furthermore, the job losses experienced in the past few years in South Africa have particularly affected the unskilled and semi-skilled jobs, while the numbers of skilled jobs seem to have increased.

Many companies have now implemented some sort of affirmative action programmes (SAIRR 1999, DOL Baseline figures). Africans are still clearly underrepresented within occupations such as professionals, technicians and associate professionals and managerial occupations – and over-represented in groups such as skilled agricultural and fishery workers and elementary occupations. About half of all managers and senior officials are white. While this remains a major challenge for employment equity programmes as well as the educational system, the analysis also indicates some progress in black advancement since 1994.
Urban and rural labour markets

About half of the population live in non-urban areas, a fact that has great importance for job opportunities on an individual level and job creation strategies in general. However, in almost all sectors except agriculture and subsistence household work, the bulk of the jobs are to be found in urban areas. 65 percent of all employed persons live in urban areas. Furthermore, most jobs within finance, real estate etc, public administration, transport, education, and manufacturing are in the urban areas.

Unemployment is higher in urban areas than in non-urban areas, when looking at those who are actively looking for work (19 versus 15 percent of the population 15 to 65). The limited opportunities in the rural areas are however reflected in more unemployed having given up actively searching for jobs (16 percent compared to 10 percent in urban areas). The proportion of the working age population outside the labour force is again much higher in non-urban areas than in urban areas, with 38 percent defining themselves as not available for work (compared to 29 percent in urban areas).
Wages and income

South Africa inherited a largely unequal society from apartheid in terms of distribution of income and wealth. After Brazil, South Africa demonstrates the largest inequality between rich and poor in the whole world. Some 60 percent of the employed were according to the Census 1996 reported to receive incomes of R1500 or less a month.

The Mesebetsi survey analyses gross monthly (prior month) income (before taxes and deductions) at both the household and individual levels.
The large unemployment problem in South Africa has raised many questions and controversies concerning what people actually do in order to find means for survival. The argument often pushed forward is that the poor majority in South Africa to a large extent survives on government grants and old age pensions in particular.

Most people do in fact rely on household members for their survival. More than 60 percent depend on remittances from household members. Only about 15 percent report government pensions to be the basis of their household income. Only one percent support themselves by means of unemployment benefits (UIF).
Individual living conditions are tightly intertwined with household incomes rather than based on individual incomes alone. Many poverty profiles are therefore based on household profiles, rather than on individual wages. In South Africa, many households have no employed at all to support the family, but rely instead on remittances and grants from distant family members. If on the other hand, there is one employed person in the household, there is a tendency that the spouse is also in employment. The figure below reflects the demographic profile of average (mean) household income distribution within the sample of 10 000 households. The intention is to measure what characterises those households at the lower and upper end of the income spectrum.

High earning households are predominantly white, where the highest education of a household member is at tertiary level. They also tend to be Indian, a couple with or without children and living in an urban area. Those in the middle income ranges tend to be Coloured, single person families with the highest education of a household member at upper secondary level. Low earning households tend to be African, an extended family, living in a non-urban area with lower secondary, no schooling or primary education as the highest level of education in the household.
South Africa has a highly skewed income distribution inherited from its highly unequal apartheid history. In those households where everyone is unemployed the average income is R1043. The inclusion of one employed person doubles this figure to about R2095, whilst, a second employed person increases average household income to R4594. There are further improvements to average household income with additional employed persons, but at diminishing rates of return. Those households with no unemployed person will on average have an income of R3619. One unemployed person in a household tends to reduce the average income by 45 percent to R1992.

In order to gain an understanding of the distribution of household income, overall household income is analysed by quintile. In the chart above, incomes within each population group are ranked separately. The chart shows the mean income of each quintile (20% share of households) for each population group. The table assesses income inequality across and within population groups. All groups experience some level of household income differentiation. However, amongst Africans, those in the highest income group receive 21 times more than those in the lowest income quintile. Of course, African earnings in all quintiles operate from a relatively low base. Amongst White households those receiving the highest income, receive only 12,7 times more than those in the lowest income quintile. This suggests that in terms of average income, African households are much more unequal than White households.
The household income gap

The Lorenz curve indicates the share of household income that accrues to a section of the sample population. About 10 per cent of households receive some 50 percent of overall household income, while approx. 50 percent of households receive only about 10 percent of total household income. Thus there is an inverse relationship between the overall income share and the percentage of households. A large proportion of the total households has access only to a small share of total household income, whereas a small proportion of the population has access to the overwhelming bulk of total household income.

The Gini index is a measure to assess the degree of inequality that exists amongst individuals or households in an economy. In a comparative analysis with other middle income countries, South Africa rates amongst the highest indices. Only Brazil measures at higher levels of inequality. In 1995, the richest 20 percent of households had 63 per cent of household income, whereas the poorest 20 percent had 3 percent only (CSS 1995, IES 1995). The total overall Gini (0.63) is similar to that of the most recent World Bank calculation. It is higher than Gini index for the period 1993–1994 at 0.59 (World Development Report 2000). With some insecurities due to sampling error et.al. there are indications that household income inequality may have increased since 1994.

Income inequality amongst Africans is much higher at 0.57 than amongst other groups, with the least levels of household income inequality amongst Whites at 0.47. Coloureds and Indian households have similar levels of income inequality at 0.49.
Sources of household income

There is a long-running debate in South Africa about the so-called labour aristocracy, arguing that workers need to show wage moderation in order to create jobs for more people. Parallel is another debate arguing that the poor to some extent survives on the basis of government transfers in the form of pensions, grants etc. On this background, we set out to explore the sources of household income for various income groups. In the poorest households, 49 percent rely upon remittances from household members and private child maintenance as a means of support. None of the other income groups rely on household members to the same extent. Given this, wage moderation amongst workers (senders of remittances) may in fact aggravate poverty amongst the poorest quintile.

Government old age pension is the main source of support for households with an average monthly income of R616 and R1142 respectively. Other government grants (child grants etc.) feature significantly for the three middle income group as their second largest source of income. So for nearly 60 percent of the sample, government related income features as the second most important source of household income. Employment income is on the other hand the most important source for the top two household income categories. Profits from non-agricultural self-employment feature significantly across all income groups, and is in fact the second highest source of income for the top income group. In other words, government transfers and grants help to move people out of poverty, but it is mostly remittances from family members that people can rely on to move out of extreme poverty. Furthermore, only employment manages to move people into a better life.
On average, for all employed, the overall individual income mean is R2419 per month, whilst the median is R1309 per month. This suggests that income differentiation based on population groups remain significant. Africans earn on average R1638 whereas Whites earn R6131 monthly. Indians earn an average of R3799 a month. There is a much smaller gap between Coloured (R1929) earnings and those of Africans. Men earn on average about R2892 whilst women earn R1900 per month.

An analysis of income quintiles helps to assess how employment income is shared across population groups from the poorest 20% to the wealthiest 20%. There are high levels of inter-racial income inequality across all income quintiles. Among the poorest 20% whites earn more than 5 times that of African and also significantly higher than other population groups. Furthermore the poorest white income earners still earn substantially more (R1176) than African in both the 2nd and 3rd quintiles (respectively at R525 and R1001). In the top income quintile, Africans earn slightly more than Coloureds do, but substantially less than whites (R14 443). There are also significant levels of intra-racial income inequality. Amongst Africans, the top income earners earn 21 times that of the lowest income earners. African earnings however start off from a very low base. Amongst whites, the top income earners earn 12 times that of the lowest income earner. There is thus a much narrower gap between the poorest and the richest Whites compared to that amongst Africans. The broader implication seems to be that whilst there might have been improvements in the income fortunes of higher earning Africans, most other African employees have not benefited to the same extent.
Levels of income inequality

Average monthly employment income, professionals with tertiary education

The determination and distribution of earnings are controversial in the South African labour market, given the long history of income inequality and low relative levels of earnings received by the majority of the labour force. The data shows that overall in terms of both household and employment income, there are persistent wage and income differentials across a wide range of characteristics.

Whilst the data suggest the highest returns to education is at tertiary education levels, it is clear that other factors such as population group and location play an equally important role.

The above figure shows that amongst those professionals with tertiary education, Whites consistently earn nearly double the average African income. Further, there is a large gap between White and Coloured income, but a much smaller one between Indians and Whites. Tertiary education, whilst giving the highest rates of return overall, does so according to population group.
The South African workplace is historically characterised as a hierarchical organisational structure. The wage differential between the income of managers and elementary occupations (labourers) is one way to illustrate this.

Managers and senior officials earn on average nearly 8 times more than those in elementary occupations. Further, when intra-racial inequalities are considered, the highest levels of inequality between the two occupations are found amongst Africans, where managers and senior officials earn at least 6 times more, compared to white managers who earn nearly 3 times. However, the African differentials operate from a much lower base than that of Whites. It is interesting to note that white labourers earn on average R3511 whereas African managers earn R4550. Thus, there are relatively higher levels of equality between African managers and white labourers, than between African managers (and professionals as demonstrated previously) and their White counterparts.
A regression analysis was conducted to test the determinants of hourly wage, controlling for the interference effects of location, gender, population group and education. Using elementary occupations as the control variable (benchmark), it establishes that there is a direct relationship between occupation and hourly wage.

It shows that elementary occupations are still the lowest paid sector of workers. Compared to elementary occupations, other occupations generally receive between 33 and 100 percent more. Those at the upper levels such as technicians and senior officials are respectively at 90 and 96 percent, whilst professionals earn hourly wages of at least a 103 percent higher.
The Basic Conditions of Employment Act (BCEA) 1997 was one of the key parts of the labour market reforms implemented by the new democratic government after 1994. It seeks to contribute to overall economic development and social equity through the establishment of “fair labour practices” in the workplace. Thus minimum standards in terms of working hours, leave arrangements etc. seek to provide a minimum level of employment protection for the workforce. In general the BCEA applies to all employees, except at senior management level, those working less than 24 hours per month and those employed in the state security services.
Annual (65%) and sick leave (68%) are the most common type of leave provision, whereas relatively fewer workers report receiving paid maternity leave (40%). It should be underlined however, that for all these leave arrangements, we measure people’s perceptions and knowledge of these benefits. Their argued lack of coverage may hence reflect either a real lack of these benefits and/or a lack of knowledge about rights that they actually have.

Annual leave is mainly provided in the formal sector, whilst in sectors such as agriculture and domestic workers it falls below 30 percent. More public (82%) than private (63%) sector employees say they have paid annual leave. Further, the majority of those who are union members (81%) report that they receive annual leave as opposed to non-union members (62%). Permanently employed workers (70%) are also more likely to receive paid annual leave as opposed to those in temporary employment (37%) or casual labourers (17%). The top three industries in terms of providing the highest proportion of paid annual leave in the formal sector are reported to be in public administration (84%), mining and quarrying (77%) and financial intermediation (74%). The worst performers include wholesale, retail and trade (53%) and construction (37%).
Two thirds of employees in the formal sector receive paid sick leave, in comparison to those in the informal sector where paid sick leave is virtually non-existent (3%). Less than 25 percent of those in both agriculture and the domestic sector report receiving paid sick leave. On the other hand, an overwhelming majority of public service employees and two thirds of private sector employees receive paid sick leave. Furthermore, more union members report that they receive sick leave than the non-union members. Permanently employed workers are also more likely to receive paid annual leave as opposed to those in non-permanent employment, reinforcing the perception of lesser conditions of employment for atypical employment.

The top industries in terms of providing the highest proportion of paid sick leave are reported to be in public administration (84%), education (83%), financial intermediation (80%), and mining and quarrying (84%). At the lower end are industries such as wholesale, retail and trade (54%), hotels and restaurants (50%) and construction (48%).
Maternity leave

The overwhelming majority of women in the public sector report having access to paid maternity leave, whilst less do so in the private sector. Given the lack of regulation amongst the self-employed, paid maternity leave is virtually non-existent. Union members tend to report higher positive rates than non-union members do, which is probably due to the existing regulations being implemented more vigorously in the unionised sector. There is furthermore a positive relationship between company size and paid maternity leave. Thus, coverage declines as company size decreases. And nearly 70 percent of those permanently employed receive paid maternity leave whilst only one third of their temporary counterparts do.

Provision of maternity leave is by far the best in the services sector and the public sector services in particular, such as public administration (92%), education (80%) and health and social work (77%). In manufacturing on the other hand, far less women report access to maternity leave (46%). The low provision in the wholesale and retail sector (41%) is especially significant given that women make up almost half the workforce in this sector. The best provider of paid maternity leave is on the other hand public administration, despite women only making up over one-third of the workforce.
Subjective perceptions of general health status may give a broader idea of the health of the population compared to that arrived at via official morbidity and mortality statistics.

In general, a relatively large proportion of people in the working age population (18–65) is happy with their own health. This picture must however be differentiated by age, gender and population group. 91 percent of 18–24 year olds report good or very good health, whereas “only” 52 percent of 45–65 year olds and 30 percent of those aged 66 and above do so. Women report lower average health status than men, with 69 percent of women reporting good or very good health compared to 76 percent of men. 82 percent of “White” respondents report very good or good health, compared to 73 percent of “Indians”, 67 percent of “Coloureds”, and 72 percent of “Africans”. There is however a significant difference between those reporting to be outside the labour force and those inside in terms of their own perceptions of health. 55 percent of those who are outside the labour force report to have good or very good health, compared with about 80 percent of those who are inside the labour force (with only minor differences between those who are employed and the unemployed).
Work and health

Is your bad health caused by work that you are doing now, or used to do?

Dangerous or unhealthy working environments, may cause personal suffering, and affect the worker’s job security and employability especially where unemployment is high and labour easy to replace. Men more frequently blame their bad health on work (37%) than women (22%). 11 percent of respondents argue that they have an injury or health condition that limits their ability to work. Amongst the employed, 7 percent of men and 5 percent of women report having had injuries or illness related to work in the previous 12 months. Occupational injuries or illnesses have a higher than average prevalence in public administration and defence, transport, storage and communications, construction, household subsistence activities, agriculture, fishing and forestry and other social and personal services.

17 percent of the employees reporting an occupational injury or illness in the past year said that the related medical expenses were covered by their employers directly, while the large majority (62%) said that they themselves or their families covered these expenses. The Compensation for Occupational Injuries and Diseases Act (COIDA) provides for payment for all medical costs arising from officially reported occupational injuries or illnesses. Although a large proportion of formal sector employees who reported an occupationally-related injury or illness in the past year (92%) said that medical costs were involved, uptake of COIDA entitlements (which normally involves documentation by employers) was limited. Only about 3 percent of them had their medical costs reimbursed by the COIDA Accident Fund. 37 percent said these costs were met directly by their employers, while 44 percent paid out of their own pocket or that of their family. 8 percent were covered by medical aid schemes.
Exposure to health and safety risks reflect serious problems experienced by South African employees at work, and goes a long way in explaining poor health, and injury rates. Given these results, questions on protection of employees are particularly important. Probing those who regularly experience immediate safety risks, only about half (54%) report to have protective equipment or clothing made available to them at work. About 70 percent of workers exposed to at least one immediate safety risk in manufacturing, electricity/gas/water, and mining have protective equipment or clothing available. A high proportion of workers in industries with high accident rates on the other hand, such as construction, agriculture and fishing report to not have protective equipment or clothing available, which suggests a high rate of non-compliance with the employer’s obligation in the Occupational Health and Safety Act 1993. This is all the more relevant as a high portion (77%) of the exposed people who have protective equipment or clothing available actually use it regularly.

More than half the workers (58%) report that they either do not have the “right to refuse dangerous work” or are unsure. If not sure, it is unlikely that they would attempt to exercise the right at any time. Mining is the only industry where workers have the statutory right to refuse “work in dangerous places”, but even here, 66 percent report that they do not have this right. This demonstrates either a lack of knowledge about the Mines Health and Safety Act, or a belief that its provisions for protection against victimisation would not be enforced.
Working hours in South Africa have traditionally been relatively long, and certainly compared to the industrialised countries internationally. Pockets of industries have been characterised by exceptionally long hours, such as certain occupational groups in for example mining and transportation. There are also industries, which have traditionally relied on large amounts of overtime working. The 1997 BCEA reduces the standard working week to 45 hours with a stated policy objective to move towards a 40-hour week, and an increase in overtime pay rates to 150 percent. At the same time, the Act promoted greater flexibility of working hours by permitting and regulating time averaging schemes, and allowing for variation of minimum standards (excluding the 45-hour week) by collective agreement.

There was little difference in the distribution of hours worked usually and actually (in the week prior to the survey). One quarter of working respondents worked actual hours over 45 (i.e. worked more than the statutory maximum ordinary working week), and 12 percent of respondents actually worked more than 55 hours (the statutory standard for ordinary hours plus overtime).
People working in construction, hotels and restaurants, transport, storage and communication, agriculture fishing and forestry, and mining and quarrying work the longest hours. It is perhaps significant that four of these groups feature relatively high also on the list of work-related injury and illness rates.

Mining and quarrying also features highest on the paid overtime scale (1.8 average hours of overtime work), together with manufacturing (1.4) and construction and health and social work (1.1 hour on average). The low average figures for paid overtime working by industry disguise the fact that there are still substantial pockets of high actual overtime working. Agriculture for example reported very low average paid overtime hours, but has the second highest mean usual weekly hours, which would suggest that unpaid overtime in this sector is high. 3 percent of working persons aged 18-64 work between 1 and 4 hours overtime in the previous week, representing about 350 000 people. A further 125 000 people work between 10 and 14 hours overtime.
Shift work

Average hours usually worked in main activity

Shift work is regulated through the provisions for averaging of the working week in the BCEA, the provisions for protection of night workers by giving them access to medical assessment and reallocation to daytime work in cases where workers cannot cope with the health effects of night work, the prohibition on night work for pregnant women (subject to “practicability” for the employer) and the BCEA “code of good practice on the arrangement of working time”, which lays down guidelines for employers and negotiators over health and safety and other aspects of shift schedule design. The table below shows that shift work or non-standard working time arrangements affect around 20% of all workers aged 18–65.

There is a large difference between mean weekly hours usually worked by night workers, and others. Permanent night workers reported usually working 48.1 hours a week, compared to 45.1 hours a week for rotating night workers, and only 42 hours for day workers. This situation is entirely contrary to the guidelines in the “code of practice on the arrangement of working time” under the BCEA, which recommends that overtime be minimised in shift schedules, and that shift schedules should be designed to minimise the length of night shifts, and to take account of health and safety.
Benefits other than those prescribed by law can make a substantial difference to the size of the overall wage and salary package. The table that follows, shows that employment in the private or public sector also makes a difference in terms of access to fringe benefits.

Access to retirement benefits is the most common fringe benefit in both the private and public sector. However, only 42 percent of those in the private sector report entitlement to a retirement benefit whereas the overwhelming majority in the public sector (88%) reports the same. The next most common fringe benefit is subsidised medical care where 73 percent in the public sector are beneficiaries compared to those in the private sector at 25 percent. In the public sector subsidised housing is granted to 60 percent compared to the private sector figure of 13 percent. It is clear that apart from retirement benefits, fringe benefits are very thinly spread in the private sector. Employees in the public sector seem to have far better access to fringe benefits.
The 1997 BCEA stipulates that all employees be provided with written particulars. The figure above shows that between the period 1990-1995 the trend of signing contracts was erratic with a dramatic rise in 1994 followed by a decline in 1995. Since then there has been a steady climb until 1999. Despite this though, the highest percentage recorded is still just more than 10%. This suggests that the overwhelming proportion of the employed population still does not have written work contracts or particulars, despite legislative requirements.

Written work contracts are not common in the private sector. Three out of four employees in the public sector report to have a written work contract, while only 39 percent of private sector employees report that this is the case.

Contracts more often cover issues such as wages (88%) and working hours (84%) than job security & protection against dismissal (57%).
Labour relations

On the backdrop of high rates of industrial conflict and a continuous demand for collective bargaining from the unions, the Ministry of Labour, unions and employers went through heavy rounds of negotiations after the 1994 elections in order to set a new standard for the operation of the labour market. The Labour Relations Act (LRA) 1996 was achieved on that basis.

The LRA provides a framework for collective bargaining on a national level. It seeks to entrench the constitutional rights of workers, employers and their representative organisation in terms of the right to organise and employ collective bargaining. All employees and employers are included except for those in the state security services.
Collective bargaining

The LRA puts in place a framework for bargaining as well as institutions for conflict resolution and mediation. Both aim at improving industrial relations and levelling out conflicts in the labour market in order to contribute to growth and redistribution in the longer term. The LRA promotes collective bargaining at the industry level. According to the 1999/2000 registers of accredited Bargaining Councils, about 840 000 employees are covered. Yet, these figures do not include the public sector or the mining sector where there is no Bargaining Council, etc.

One third of salaried employees (34%) report in our survey that they are covered by collective agreements. Coverage by collective agreements differs substantially by sector of employment as portrayed below. Public sector employees tend most often to report that they are covered by a collective bargaining agreement. Mine workers report to be well covered as well. All civil service employees are generally covered by collective agreements. However, the lower figure (approx. 62%) may to some extent be due to lack of knowledge about coverage. Furthermore, there are also groups of part-time or temporary employees who will not necessarily be covered by collective agreements in the existing public sector.
South Africa is one of few countries in the world where union density figures increased in the 90s. Union membership is also higher than in most other countries in southern Africa. About 28 percent of the salaried employees in our survey report to be organised. About 76 percent of the organised workers are organised by COSATU-affiliated unions, i.e. close to 1.65 million workers. Furthermore, in areas such as mining, the public service and manufacturing, union density is relatively high and corresponds to trends provided by the COSATU membership registers. Union density is on the other hand relatively low in the service and trade sectors outside the public sector and not surprisingly in agriculture.

The potential for organising may be even better for labour than is demonstrated by the figures above. When asked independently what they preferred, irrespective of current status, 42 percent argued that they would prefer to be organised in a trade union. Furthermore, amongst non-union members, half the salaried employees (49%) argued that the reason why they didn’t belong to a union, was that there was no union available at their workplace.
Union density and collective agreements

The coverage of collective agreements goes more or less parallel with trade union density in the various sectors. This may indicate the relative success of trade unions in promoting their struggle for collective bargaining, but may also to some extent reflect the better knowledge about coverage of collective agreements in the unionised workforce. 81 percent of union members report to be covered by collective agreements, while only 15 percent of non-union members report that this is the case.
People’s support for policy developments by governments, employers and unions will generally be determined by their own socio-economic resources, access to employment, wage levels, education etc. However, people’s attitudes are also determined by ideological factors and more short-term political debates. In order to provide a basis for policy-making, we also investigated people’s attitudes to job creation, wage settlements etc. in the Mesebetsi survey.

When it comes to ensuring health and safety at work, South Africans believe the main responsibility lies with the employers. However, almost half of all employees (48%) fear that they may lose their job, and believe that it is mainly up to the government to look after their interests in terms of job creation and job security. In consequence, a large group of employees (38%) believe that the most important role of the Department of Labour is to provide jobs, while 35 percent believe that the Department has the responsibility both for that, and for preventing and settling conflicts in the labour market. Further, expectations from the Department differ by industry. The most vulnerable workers such as in those in agriculture (53%) and private households (50%) believe the most important role of the Department is to create jobs. Amongst employees in financial intermediation (18%), real estate (34%) and public administration (29%), far less expect the Department to fill such a role.
Wages may be fixed unilaterally by employers, by employers and individual employees or by negotiation between employers and trade unions. Governments generally do not set wage levels, except for minimum wage levels in some countries. Yet, many South Africans (27%) want the government to become more directly involved in wage determinations. The support for government involvement differs however, by industry.

Agricultural workers (42%) and workers in private households (44%) tend to give most support to government set wages. It is reasonable to assume that they support the setting of minimum wages. Only about 20 percent of employees in financial intermediation and real estate support in contrast a direct involvement of the government in setting wages. Manufacturing workers (29%) and workers in mining (31%) show higher than average support for wages set through negotiations between employers and unions. Not surprisingly, a higher number of unionised workers (38%) than the unorganised workers (25%) believe wages should be set through negotiations. And finally, while Africans demonstrate large faith in the involvement of the government (38%), whites in contrast (7%) show limited support for government-set wages.
Job satisfaction

The average monthly wages for all agricultural workers (R1182)\(^{13}\) and domestic workers (573) are relatively low. Not surprisingly on the basis of reported wages, most agricultural workers (77%) and domestic workers (77%) are also unsatisfied with their wages. However, more surprisingly is the finding that also most employees in financial intermediation and real estates (58%) with reported average monthly incomes of R5027 and R4198 respectively report that they are also unsatisfied with their wages. Both union members and non-organised workers are equally dissatisfied with their wage levels (approx. 66%).

The variation is larger when it comes to satisfaction with job security. More than half of workers in agriculture (51%), and amongst domestic workers (55%), who have traditionally been outside the protection of the legal framework, fear losing their jobs. In construction (63%), and mining (59%), we expect the general restructuring of the sectors, and the push in particular in the former group towards casual labour and temporary employment to explain the employees dissatisfaction with their job security. Amongst employees in financial intermediation (36%), real estates (38%), and the public administration (31%), relatively few demonstrate dissatisfaction with own job security. And in spite of affirmative action programmes and government initiatives towards recruiting more blacks into secure, senior positions, only one quarter (24%) of whites show dissatisfaction with their job security or any fear of losing their jobs.
People's performance at work depends generally on factors such as education and training, health and nutrition, machinery and technological equipment, the general industrial relations climate etc. However, issues such as the way work is organised and the motivation of workers for better performance are often overlooked.

Most workers in fact argue that they could perform better if work was organised differently, or even better, they could get a higher pay. The motivation in higher wages, seems to crosscut all industries. In terms of occupational differences, there are less managers who link their performance to wage levels. While the large majority of elementary occupations (91%), machine operators (93%) and craft and trade workers (94%) argue they would work harder if they had a better pay, only 79 percent of managers and senior officials express such views.
Person-days lost as a result of strikes is reported to have increased from 1998 to 1999. Simultaneously, wage disputes triggered 97 percent of strikes in 1999, which is considerably higher than during the 80s and early 90s.

Yet, most employees believe that workers should only go on strike after negotiations have failed (49%) or they have tried mediation (28%). Not surprisingly, employees in financial intermediation, real estates etc. are less strike prone than other groups. While few Africans (13%) believe that workers should totally stay away from strikes, half the white workers (52%) believe that workers should never go on strike. Few union members believe that workers should stay totally away from strike activities (16%), but perhaps surprisingly, there are also few non-organised workers (22%) who support such a view.
Demographic characteristics

The structure and composition of the South African population, such as the sex, age and race distribution, as well as fertility, and dependency patterns will have a decided impact on economic growth through supplying the labour market with groups of different health and skills profiles. Furthermore, the age, rural/urban and gender composition of the population will affect the demand for educational resources, as well as the social services required at any point in time.
South Africa shows a classic high fertility and high mortality pattern, similar to many other countries in the region and developing countries around the world, but with some noteworthy features. The youngest age groups (0–4 and 5–9) are smaller than the higher age groups, which may indicate a drop in fertility rates. Furthermore, there is a quite noticeable difference in survival between women and men after age 60, with sex ratios well below 70. Most striking is the low sex ratio beginning at age 20–24, which may be due to higher mortality due to accidents, violence and AIDS, coupled with a probable undercount of men in the young adult age groups. Sex ratios (the number of men per 100 women) are generally lower in rural than in urban areas, due to temporary or long-term migration of men to the cities without their families. A further noteworthy feature is the demographic difference between urban and non-urban areas. Youth compose a larger proportion of the population in rural areas, which may be due to the working age population migrating into the cities, and children being returned to the rural areas for child-care and schooling. Furthermore, a much larger proportion of women stays behind in the rural areas while the men increasingly go into urban areas.
Rural and urban settlements

People’s settlement patterns will affect the availability of labour and opportunities for business development as well as the required national infrastructure in South Africa. The South African population during apartheid was traditionally settled according to population groupings and "homeland" policies. Considerable migration and labour mobility may have occurred since then with thousands of people in search of job opportunities and livelihood.

Not surprisingly Gauteng is the most urbanised province with the Northern Province at the other extreme. The provinces with the highest proportions of rural people are those which are struggling most with unemployment and under-employment. As we will see later, one of the major barriers they face is the lack of policy instruments designed to address the specific problems of unemployment and under-employment in rural areas. Far more than urban areas, rural areas are affected by the high numbers of discouraged workers, i.e. jobless people who are available for work but have given up searching. The Census 1996 determined that 54 percent of the population was urbanised. The Mesebetsi survey confirms this picture with 55 percent of people in South Africa living in urban areas.
The dependency ratio is a measure of the number of people (young children and people past normal working age) that the working age population carries responsibility for. It is calculated as the ratio of people defined as dependent — under 15 and aged 65 or more — to the working age population aged 15 to 64. Among other things lower dependency ratios may imply that a larger share of the household budget is available for savings and discretionary spending rather than for maintaining the family. A high dependency ratio indicates a more burdensome household budget, but also a heavier macro-economic burden for the country at large.

At 0.61, South Africa’s dependency ratio is typical of populations with high fertility and mortality. The typical household has roughly two children or retirement-age persons for every three working-age adults. Children make up over 80 percent of all dependants. In contrast, Japan and the OECD countries have much lower child dependency ratios and a greater share of the elderly. At the same time South Africa’s dependency burden is far less than its neighbours. This is probably due to our higher urbanisation rate and the influence of minority groups with quite different demographic profiles. The total dependency ratio for non-urban areas is 0.75, as opposed to 0.51 in urban areas. The total ratio for Africans stands at 0.65, as opposed to 0.52 for Coloureds, 0.37 for Asians, and 0.47 for Whites. The ageing White population has by far the highest elderly burden, at 0.16.
Human resources and educational achievements seem to become an increasingly important factor behind the competitive advantage of many nations. Both the total levels and the distribution of educational achievements thereby become a focus of attention. With sharp racial disparities in the allocation of resources, as well as in curriculum, characterising the apartheid education system, addressing its legacy is still a major issue on the political agenda.

There is a relatively small difference between men and women in terms of educational achievement, but a relatively large one between the urban and rural populations, with generally higher educational levels attained in the urban areas. When education level is plotted against age and population group, it also reveals some dramatic changes in educational opportunities over time in South Africa. Amongst the youth (15 to 24), we find very few who have no schooling whatsoever, compared with the 45 to 65 age group where about 20 percent have no education based on totals for all population groups. At the same time, upper secondary education has expanded rapidly among all population groups. The 1996 South African Census reported that about 19 percent of the population over 20 years had no education at all. The Mesebetsi survey indicates that only 12 percent of the population above 20 has no schooling, a reflection of the wider access to schooling amongst youth in the late 90s as mentioned above. Yet, despite the convergence seen in younger age groups, large differences in educational achievements still exist between the population groups, as we will see below.
Looking at the results from the Mesebetsi survey, the racial inequality seems to narrow when it comes to formal school qualifications in the younger age groups. However major differences remain in the educational achievements amongst Africans compared to whites.

While the proportion of highly educated people is considerably higher amongst the white population, there is also a strong trend towards strengthening educational achievements amongst Africans in the younger age groups. At the same time, even amongst those who entered the school system towards the end of the 80s, there are still relatively stark racial differences in school achievement. Close to half the 20–24 year old Africans only have lower secondary school or less, while less than 20 percent of their white peers have only achieved this education level.
Against the background of low and unevenly spread educational skills and resources, illiteracy is a major problem amongst certain groups. Furthermore, as formal school qualifications often mask large variations in curriculum content, resources and actual learning between various groups in South Africa, functional measures of literacy are a useful alternative as an indicator of basic workforce preparedness. The following figure presents results from our 1999 Mesebetsi survey analysing functional dimensions of literacy.

The different forms of illiteracy are highly correlated. The main determinant is age. Illiteracy rates for all rural/urban and sex groups converge at about 5 percent in the younger age groups but there are large differences between men/women and urban/rural for people over 30. Illiteracy is an especially serious handicap for women over 40.

Stats SA reports that 94.9 percent of the 15 to 24 year olds were literate in 1996 and in 1999 the proportion had increased to 95.8 percent (SAIRR 1999). Our survey indicates that 16 percent of the adult population (15 to 74) can’t read, 17 percent can’t write and 14 percent can’t do simple calculations. In the younger age group between 15 and 24, however, our survey results confirm the information from Stats SA.
Labour force and employment classifications

Unemployment is one of the most serious problem facing South Africa. Unlike corruption or financial reform, it is something that directly and immediately touches the lives of people and the family and friends around them. It has become one of the “hot spots” of public opinion with the potential for causing widespread unrest and loss of faith in the reforms.

In its grossest terms urban unemployment is a result of the serious imbalance between the rate of new job creation and the country’s inexhaustible labour supply. As we saw in Chapter 3, the demographics of the urban population create a tremendous demand for jobs. Three-quarters of the entire population are in their working-age years.

Labour Force Categories in the Mesebetsi

In this report we use the labour force categories developed by the International Labour Organisation (ILO, 1990). The working age population includes everyone age 15 or older, and in many analyses we focus on the pre-retirement age groups 15 to 65 years old.

A person is classified as employed if he or she worked for even one hour during the seven days preceding the survey. Under the ILO system many kinds of subsistence work qualify as employment. In order to capture the full range of subsistence and informal employment the survey asked seven questions about different kinds of economic activity:

- Working for a wage, salary or payment in kind (such as food or housing)
- Engaging in any kind of self-employment activity
- Doing unpaid work in any kind of family business
- Working on your own or the family’s farm, garden, cattle post or kraal
- Making anything from farm products or natural products, either for sale or for home use
- Catching or collecting fish or other food either for sale or family food
- Doing construction or major repair work on your own house, business or farm.
People who engaged in any of these activities for at least one hour during the reference week were classified as employed. The survey also asked whether the person spent time fetching wood or water during the reference week. Although these activities do contribute to the household economy, they were not classified as employment unless done for other households for pay.

**ILO Labour Force Classification**

```
Total population
  Above or below working age  Working age population
    | Labor force (economically active)  Not in labor force (inactive)
      | Employed  Unemployed
        | Working  Temporarily absent  Strict definition (Actively looking for work)  Expanded definition (Available but not currently looking)
```

The labour force, or economically active population, includes everyone in the working-aged population who is either employed (working or temporarily absent from a job at the time of the survey), or unemployed. All other working-aged people are classified as out of the labour force; those are persons who do not want to work or are not available for work. Common examples are non-working retired people, full-time students, homemakers, the disabled, and people of independent means who do not need to work. Others may refuse to work under the prevailing wages or working conditions.

The unemployed are those who did not work at all during the reference period but would be able to start working in the next four weeks if suitable work were available. For some purposes the unemployed are further divided into two groups. People who are available and who have taken active steps to find work in the past four weeks are said to be unemployed under the strict definition. This is the version South Africa uses for its official unemployment rates. The expanded definition of unemployment includes those who are actively looking, as well as those who are available for work but have not taken definite steps to find work during the reference period. This latter group is sometimes called ‘discouraged workers.’
Unemployment in the Mesebetsi and the OHS

Although the OHS 1999 and Mesebetsi estimates of employment are similar (39.5% versus 37.1% of the working aged population), unemployment rates calculated from the Mesebetsi are several percentage points higher than those found in the 1998 or 1999 OHS. Table 4 compares the Mesebetsi to Stats SA’s recently revised figures for the OHS, 1996-99. The Mesebetsi’s strict and expanded unemployment rates are about 8% higher than the 1999 OHS. The disparities between the OHS and Mesebetsi are larger for women than for men, especially among urban women. In general, Mesebetsi and OHS estimates are closer for non-urban areas for both men and women (differences of 4-6%) for both the strict and expanded definitions.

### Mesebetsi and OHS estimates of unemployment: Persons age 15–65

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<th>Unemployed Expanded definition (%) of Labour force</th>
<th>Unemployed Strict definition (%) of Labour force</th>
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<td></td>
<td>Total</td>
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The disparities between the surveys are due to differences in the questionnaire design, in the way questions are worded and ordered, and in the ways concepts are defined. Both surveys are based on the ILO labour force classification system, but there are several differences in the way questions were worded and ordered, and in the way reference periods are defined. One difference that has an effect on unemployment rates is the definition of work availability. In the OHS, respondents were classified as being economically inactive unless they were working during the reference week, or were available for work within one week of the survey date. That applies to both the strict and expanded unemployment rates. In the Mesebetsi the reference period for work availability was defined as four weeks, a much longer period. As such, Mesebetsi may be said to define unemployment as broader than the OHS. Another difference is that the OHS 1998 questionnaire design allows respondents to be classified as out of the labour force without being asked any explicit questions about work availability.
One effect of these questionnaire design features is to decrease the size of the economically active population. As we have seen in a previous section, there are grounds for believing that the OHS tends to under-estimate the size of the South African labour force. And to the extent that non-working people have been unintentionally shifted from unemployed to economically inactive status due to restricted work availability criteria or other features of the questionnaire, unemployment rates will fall. In contrast, the Mesebetsi used the more inclusive four-week criterion for defining a person as available for work, and all respondents were asked a series of direct questions about work availability and job-seeking activities. Compared to the OHS, a larger proportion of Mesebetsi respondents reported that they were able to start work within the reference period if suitable work were offered. That has the effect of raising both the labour force participation rate and the unemployment rate.

However, differences in questionnaire design probably account for no more than half of the 8% difference between the Mesebetsi and OHS unemployment estimates.\textsuperscript{19} The remaining 4% difference is likely due to sampling error in one or both surveys, to the slightly higher percentage of people employed according to the OHS, seasonal variation, and possibly to non-sampling error in the Mesebetsi. That is, it is possible that the Mesebetsi’s longer reference period led some respondents to overstate their availability for work, although we have found no evidence of such an effect in the data. The best overall explanation is that the OHS and Mesebetsi surveys capture slightly different visions of unemployment. The Mesebetsi appears to capture more people at the fringes of labour force participation — people who have become used to conditions of prolonged high unemployment, who may never have had ‘jobs’ in the conventional sense, but who would be drawn into the labour market in an expanding economy.

The Mesebetsi was not designed as an addition to the OHS data series. It is a wholly separate one-time survey based on an independent sample. Its main purpose is to provide in-depth information about patterns of employment and unemployment in relation to demographic and household characteristics, education and training, characteristics of the employer and similar factors. The Mesebetsi does paint a less optimistic picture of the South African labour market in some respects, but it is a picture that is internally consistent. As a tool for longer-range planning it provides honest insights about the complexities of our current situation and the challenges we will face in the near future.
Notes

1 Labour force participation is always higher under the expanded definition of unemployment, since those who are available for work but not actively looking for work — a large group in South Africa — are included in the ranks of the labour force. Under the strict definition they are classified as economically inactive.

2 Two aspects of the OHS design appear to depress labour force participation rates. The reference period for being available for work is short (one week), and some respondents were not asked direct questions about work availability due to skip patterns in the questionnaire. We will return to this issue below.

3 The total number of employed, is about 8 percent higher in the Mesebetsi 1999 estimate than in the OHS 1999 estimate. However, as proportion of the population, the figures are comparable (24 percent in the OHS and 23 percent in Mesebetsi).

4 We count people who are available for more work, not people who simply want more work. People who want different work, but not more hours are not counted as underemployed.

5 The informal sector includes employees, employers, self-employed people or family business workers who work for private sector enterprises with 20 or less employees and in enterprises that are not registered or incorporated and do not keep a set of accounts separate from the household budget. If respondents were uncertain about the enterprise’s record-keeping, it was classified as informal if it did not make Unemployment Insurance Fund (UIF) deductions and/or the business is located on a footpath street, open space or a market. Stats SA’s OHS 1998/99 estimates of the informal sector are based on direct questions to the respondents as to whether the enterprise was in the formal or informal sector, based on their knowledge of whether the enterprise was registered.

6 The differences in agricultural sector employment may be due to methodological differences between the various surveys. However, seeing that Mesebetsi goes to considerable length in probing on subsistence activities, we believe our estimates give good indication of the actual size of employment in the agricultural sector when including also small-scale independent farmers and subsistence farmers.

7 The reference line represents the symmetric distribution of total income across the number of households. So for instance, 10 percent of households receive 10% of household income on the reference line.

8 Some of the work-related injuries or illnesses reported above may have affected people working for their own account, or in a family business, or in an unpaid capacity, and therefore would not normally be covered by COIDA. We thus looked at people who are working for someone else for pay in enterprises above the size of 20 employees. This should however be treated with caution due to small numbers.
Immediate safety hazards were listed as follows: work above or below ground level; close contact with dangerous machines; close contact with chemically hazardous materials; close contact with inflammable or explosive materials; or working in front of a computer screen for more than 4 hours per day.

This finding should be treated with some caution as the number of night workers in the sample (n=98 night or evening shift workers: n=191 rotating shift workers with some evening or night work) was relatively small.

Only employers have to sign “written particulars” while contracts have to be signed by both employee and employer.

Be aware that there is some insecurity involved in this analysis. People may not be aware or know whether they are covered by collective agreements, and/or they may mistake local recognition agreements and individual agreements with collective agreements.

Be aware that this mean may also hide considerable differences and wage gaps inside these industries. In the agricultural sector, 75 percent of workers are African. Their average monthly wage in agriculture is R574, while whites in the same sector has an average wage of R6040.

The graphs are based on a relative weight so the total N equals the number of cases in the sample. When the expansion weight is used to project the total population from the sample, the estimated total population for South Africa has a lower limit of 43 million and an upper limit of 53 million with a 95% degree of confidence. In this respect the mid-point estimate of the total population is about 48 million. The lower bound estimate of the total population tallies with that of the Population Census undertaken by Statistics South Africa which estimates the total population to be about 43 million, while the mid-point and upper bound projections of the total population based on our sample are higher. Such differences should be expected since any sample survey is associated with a number of limitations and potential biases when it comes to using the sample for estimating the absolute size of the total population. The current sample has a margin of error of 10%.

The undercounting of young men is common to all large-scale surveys in South Africa and is due to a combination of issues. First, the survey sampled dwellings defined as living quarters (as opposed to business areas). There are however large numbers of people living in the streets or in closed business areas who will hence not be sampled and surveyed. Second, men may be living in the sampled dwellings but conceal themselves for a variety of reasons, or are classified as visitors because they do not live in the sample household — or any other household — on a regular basis.

The Mesebetsi literacy measures are functional measures: can the person read simple written material such as a newspaper, write a letter to a friend, do basic calculations such as adding a column of numbers. Respondents were not asked the literacy questions if they had
attended secondary school. So, to the extent that secondary school-leavers have not acquired basic literacy/numerical skills, these findings may overestimate literacy.

17 A Stats SA working paper recommends that a four-week availability period be used in its future surveys. See Statistics South Africa, *Concepts to be applied in Labour Force Surveys*. Pretoria: Stats SA June 1999, p. 11. In the OHS 1999 questionnaire does allow for the 4 weeks criteria, while only one week is used when the statistics is analysed.

18 If the person did not work in the past 7 days he or she is asked a complex multi-part question (item 3.2) which is responsible for establishing whether the person is in or out of the labour force. If category 9 is marked (not looking or available for work), no further questions are asked about labour force status except for an item on how the person supports him/herself (3.37). Note that this has been changed in OHS 1999 questionnaire, and is hence from 1999 a question of unemployment definition in the analysis and not of questionnaire design.

19 To get an idea of how much of the disparity was due to questionnaire design, we conducted some rough tests based on microdata from the 1998 OHS. Results of these tests suggest that the OHS one week availability criterion accounts for 1.35% to 2% of the 8% difference, for the strict and expanded rates respectively. That is in line with findings on the effects of availability periods from other countries. The effects of the skip pattern in OHS question 3.2 are harder to estimate, since no other relevant information was collected. However, if we assume that even 20% of respondents in question categories 7 and 9 (retired and not working/ not looking) would have been available for work if asked according to the Mesebetsi criteria, it would reduce the disparity by further 2%.
Labour market information in South Africa is critical to policy development, yet controversial and filled with large gaps in knowledge. On that background, the Mesebetsi labour force survey was conducted with 10,000 household interviews at the end of 1999 and early 2000 in order to shed new light on important aspects of the labour market. In this report, Fafo presents the first results from the survey. We look at employment, demographics, wages and distribution. We also focus on people’s work status: employment and underemployment; basic conditions of employment; labour relations; occupation and organisation of work.

Fafo was established in Norway in the 80’s with the objective to produce, interpret and publish research which is of strategic relevance to social and economic policy and policy-makers. The focal points of research at Fafo are labour markets, industrial relations and trade unionism as well as issues related to the welfare state, social security and living conditions.

In 1998 we opened an office in South Africa.