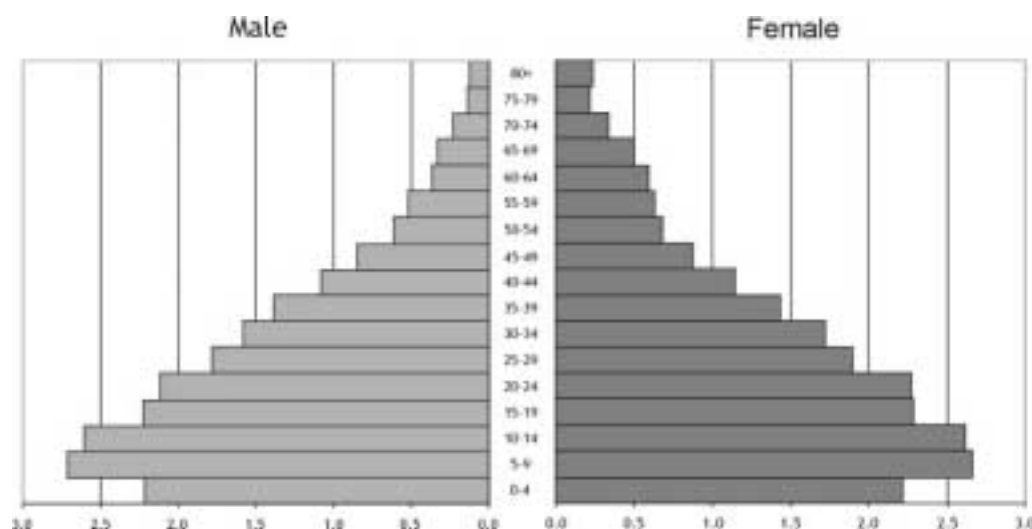


Figure 2
Estimate of the South African population
by age and gender (millions of people).



economic active proportion of the population. This, in turn, means that the dependency rate will increase substantially during the coming years, and that there will be proportionally fewer people to care for children and elderly people.

In short, HIV/AIDS will continue to challenge the capability of existing social security programmes to address the increased impoverishment and vulnerability of people.

An important consideration in the design of comprehensive social security for South Africa is the extent to which social security can promote prevention and mitigate the impacts of HIV/AIDS and other chronic illnesses. Critical in this is the increased vulnerability and risk experienced by many because of poverty.

2.4 The structure of the labour force and the employment challenge

2.4.1 The extent of the problem

Unemployment levels have risen almost without pause for the past decade. Apparently accompanying this, at least until fairly recent times, has been a steady loss in formal sector jobs. This latter finding has given rise to an energetic debate, one whose weight can scarcely be borne by the statistics. The September 2000 LFS results record a statistically insignificant increase in

formal sector employment over the February 2000 figures – the February 2001 figures, in turn, record a statistically insignificant decline over the September 2000 figures. It seems that at best, formal sector employment is now roughly static, with gains in those industries where employment is growing being counterbalanced by losses in those where it is shrinking.

In the absence of significant formal sector employment growth, the burden of absorbing the country's expanding labour force falls on the informal sector. It is difficult to construct a coherent time series for informal sector employment. Apart from anything else, the survey instruments used to capture the desired information changed in the middle of the period with which we are concerned (the 1999 October Household Survey [OHS] gave way to the February 2000 LFS). As far as can be determined, once unpaid subsistence agricultural producers have been removed from the picture, employment in the informal sector was roughly constant at about 1,8-1,9 million in October 1999 and September 2000.

Official unemployment figures show that unemployment increased from 2,2 million (19,3 per cent) in 1996 to 4,2 million (26,4 per cent) by 2001. An expanded definition of unemployment increases the figure from 4,6 million (33 per cent) in 1996 to 6,96 million (37 per cent) by 2001 (table 2).

South Africa's employment creation record is presented in table 3. The SEE (a survey of earnings and employment) covers a sample of

formal sector firms. The non-SEE figures are drawn from household surveys, and are discounted by the SEE figures to give an estimate of employment in firms that are not covered by the SEE sample. The findings of these surveys have been controversial.

The areas of the economy covered and in which jobs are reportedly being lost were probably those containing “good” jobs (relatively secure and relatively well-paid). Expanding areas, by contrast, mainly in services, will be creating some “good” jobs (in areas such as financial services), but will also see the growth of many insecure and poorly-paid jobs.

According to table 3 formal sector employment declined from 6,8 million in 1996 to 6,7 million in 2001, a loss of around 100 000 jobs. Over the same period the informal sector grew from 1 million to 2,7 million.

With the economically active population growing by more than half-a-million each year, the outcome depicted in the tables – rising unemployment offset somewhat by rising informal sector employment (mainly in

survivalist activities) – seems inevitable. This, at first sight, and as far as can be ascertained from the official statistics, is the reality with which social security policies have to cope.

2.4.1.1 Youth unemployment

All told, there were some 2,5 million unemployed young people in 1999, 1,4 million women, and just fewer than 1,1 million men. Slightly more than 1,3 million of them are in urban areas; the remainder in non-urban areas face a reality in which economic opportunities are few and far between. The age category 15-19 years contained only about 8 or 9 per cent of the unemployed youth – the others were divided roughly evenly between the two age categories 20-24, and 25-29 years. About 600 000 of the young men, and 700 000 of the women had previously been employed. Those above the age of 25 years who had never previously been employed, more than 860 000, would have been starting to move into the “difficult to place” category – almost half of them (410 000) had already slipped into non-searching status. As may be expected, this tendency is more marked in the non-urban areas.

Table 2
Unemployment in South Africa (1996-2001)

| Period | Official unemployment | | Expanded unemployment | |
|----------|-----------------------|----------|-----------------------|----------|
| | Number (1000s) | Rate (%) | Number (1000s) | Rate (%) |
| 1996 | 2 224 | 19,3 | 4 566 | 33,0 |
| 1997 | 2 451 | 21,0 | 5 202 | 36,0 |
| 1998 | 3 163 | 25,2 | 5 634 | 37,5 |
| 1999 | 3 158 | 23,3 | 5 882 | 36,2 |
| Feb 2000 | 4 333 | 26,7 | 6 553 | 35,5 |
| Feb 2001 | 4 240 | 26,4 | 6 961 | 37,0 |

Table 3
Employment (1 000s) in South Africa (1996-2001)

| Period | Formal sector | | | Informal sector |
|----------|---------------|--------------|-------|-----------------|
| | SEE/STEE | Non SEE/STEE | Total | |
| 1996 | 5 242 | 1 550 | 6 792 | 996 |
| 1997 | 5 139 | 1 587 | 6 726 | 1 136 |
| 1998 | 4 945 | 1 445 | 6 390 | 1 316 |
| 1999 | 4 840 | 1 724 | 6 564 | 1 907 |
| Feb 2000 | 4 754 | 1 924 | 6 678 | 1 821 |
| Feb 2001 | 4 676 | 2 002 | 6 678 | 2 665 |

Note: The formal sector employment figures exclude agriculture.

2.4.1.2 The informal economy

Two sets of changes are driving trends in employment totals in the sector. The first of these, the massive decline in informal agricultural employment (mainly unpaid), has witnessed a decline of almost 850 000. The other big change, that in employment in wholesale and retail trade, has seen 600 000 new workers joining the industry between September 2000 and February 2001. This is difficult to verify. The sudden appearance of 600 000 workers in six months, not to mention the fact that so few observations exist at present, make it difficult to determine with any degree of certainty the trends in the sector.

The Committee notes that whereas almost one quarter of formal sector workers earn R1 000 or less per month, more than three quarters (76,3 per cent) of informal sector workers, and more than 90 per cent of domestic workers are to be found in this income category. Another striking result is the figure of 18 per cent for informal economy workers who receive no income (it was 30 per cent in September 2000). Their condition is relatively easily explained – they fall either into the category “helping without pay in a family business”, or that of subsistence agricultural workers.

Ignoring those working in subsistence agriculture, the earnings of domestic workers are even lower than those of informal economy workers in general – almost two thirds of domestic workers (64,3 per cent) were paid R500 per month or less. With a further 27 per cent being paid between R501–R1 000, that left only 7 per cent earning close to a living wage.

2.5 The apartheid labour-welfare nexus

2.5.1 Income distribution

Governments affect income distribution in indirect and direct ways.

- Indirect ways include labour market and economic policies that shape the growth path (and hence the level and pattern of incomes in society).
- Direct ways include taxation and the public provision of social services (understood broadly to include public education, health and housing programmes) as well as income support (such as old age pensions or unemployment benefits).

Personal income is particularly affected by the combination of labour market and welfare or social policies: the labour-welfare nexus.

The apartheid system discriminated along racial lines, with poor white people benefiting especially. Education, health and housing benefits were biased towards whites, and job reservation ensured that white wage earnings were protected. Labour policies were designed to protect the labour-market position of white workers. The industrial conciliation machinery provided wage protection, job reservation ensured that the least competitive white workers obtained employment, and unemployment insurance was provided on a temporary basis. In this respect, the apartheid state was a racially exclusive variant of the Australian “wage-earners” welfare state, i.e. a welfare state that sought to ensure a certain standard of living for Australians as wage earners rather than as citizens.¹²

By contrast, black South Africans were subjected to extensive labour-market discrimination and disadvantage. Inferior education, influx control, the Group Areas Act and a range of other instruments undermined black incomes and consequently their social development. Given the chronic labour shortages that plagued low-wage sectors (notably agriculture and mining) during the post-war period, the apartheid state was averse to providing any alternative means of subsistence for African job seekers. Instead, it relied on coercive labour legislation to channel (mostly unskilled) African labour where it was needed most.

In contrast to its limited welfare coverage of the working-age population, the Government provided a universal (albeit racially discriminatory) welfare net in the form of the old age pension. This proved to be an important lifeline for poor African families, particularly from the 1970s onwards, as unemployment rose and as the real value of the pension increased. The Committee calculates that limited redistribution from white to black South Africans probably occurred through patterns of Government taxation and expenditure (see table 4). In other words, even under apartheid, the final distribution of income was significantly more egalitarian than the market distribution of income.

The development of the labour-welfare policy nexus under apartheid reflected the changing

class interests of powerful white constituencies. The massive investment in public education for white children in the 1950s and 1960s resulted in white workers securing the skills that enabled them, in the 1970s and 1980s, to command high incomes in free labour markets. This largely removed their dependence on direct state interventions (such as job reservation through the “colour bar”). As labour market regulation was de-racialised, the wage-setting machinery was extended to the African working class. Essentially apartheid social welfare for whites was based on a combination of income (cash) measures through job reservation and other forms of assistance and in kind benefits through education, health and housing to name a few. This could be characterised as a state-driven or institutional approach to social policy for whites.

Despite the decline in discrimination, inequality remained stubbornly high. In the last year of apartheid (1993), the poorest four deciles (40 per cent) of households, equivalent to 52 per cent of the population, accounted for less than 10 per cent of total income. While the richest decile (10 per cent) of households, equivalent to just 6 per cent of the population, captured well over 40 per cent of total income.

High and persistent inequality is one of the enduring legacies of apartheid. But its determinants shifted over the apartheid period. Whereas inequality was initially driven by the gap in racial incomes, this situation changed over time as African workers advanced up the occupational ladder and as unemployment increased. By the end of apartheid, the gap between the incomes of the employed and the unemployed had become a significant driver of inequality.

A range of economic factors contributed to the rise in open unemployment from the mid-1970s onwards. These included:

- The slowdown in economic growth from just under 6 per cent per annum in the 1960s, to 1 per cent per year in the 1980s
- Capital-intensive strategic investment by the state
- Policies to replace labour with capital in agriculture
- Tax breaks for capital investment
- The coincidence of negative real interest rates and rising wages in the in the 1970s and early 1980s.

By the end of the apartheid period, the economic structure had shifted away from absorbing large quantities of unskilled labour, and open unemployment had become a permanent feature of the socio-economic landscape.

2.5.2 Inequality at the end of the apartheid era

At the dawn of South Africa’s new democracy, there was still a clear correlation between race and household income (see figure 3). Affirmative action policies are designed in part to address this legacy of apartheid.

However, by the end of apartheid, intra-racial (class) inequality was contributing more to overall inequality than inter-racial inequality. The contribution of “within-group” inequality to total inequality rose from 38 per cent in 1975 to 58 per cent in 1991 and to 67 per cent in 1996.

Figure 4 shows the composition of mean household income for each income decile – in other words, the sources from which the

Table 4
Racial income and population shares (1970–1996)

| | Share of total income | | | | Share of population | | | |
|----------|-----------------------|-------|-------|-------|---------------------|-------|-------|-------|
| | 1970 | 1980 | 1991 | 1996 | 1970 | 1980 | 1991 | 1996 |
| African | 19,8% | 24,9% | 29,9% | 35,7% | 70,7% | 72,4% | 75,2% | 76,2% |
| White | 71,2% | 65,0% | 59,5% | 51,9% | 17,0% | 15,5% | 13,5% | 12,6% |
| Coloured | 6,7% | 7,2% | 6,8% | 7,9% | 9,4% | 9,3% | 8,7% | 8,6% |
| Asian | 2,4% | 3,0% | 3,8% | 4,5% | 2,9% | 2,8% | 2,6% | 2,6% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Note: Totals may not add up to 100% due to rounding.