

ENDNOTES

- ¹ Coudouel A, Ezemenari K, Grosh M, and Sherburne-Benz L, in the chapter on Social Protection, World Bank Poverty reduction Sourcebook, 2001 World Bank, Washington.
- ² Rama, M 2001:23, Globalisation, Inequality and Labour Market Policies, presented at the DPRU/FES Conference, November 2001, Johannesburg.
- ³ The report was prepared for the Office of the Executive Deputy President and the Inter-Ministerial Committee for Poverty and Inequality in 1998.
- ⁴ This was said to be: "... particularly evident in what is probably the most pressing challenge facing us, namely employment creation." (p.2)
- ⁵ In summary, the report is not strong on how to tackle the unemployment crisis. This may be the responsibility of specific departments, and particularly the Department of Labour in the run-up to the Job Summit, but a concise set of pointers should have emerged from the report itself." (pp.4-5)
- ⁶ The Committee uses poverty trap to mean a structural condition from which people cannot rescue themselves despite their best efforts. A welfare trap by contrast refers to the barrier created by means tested social grants that have in built perverse incentives.
- ⁷ National Treasury, "Medium Term Budget Policy Statement 2000", chapter 2, page 16.
- ⁸ Human Resource Development Strategy for South Africa (2001).
- ⁹ About half of South Africa's population (21, 5 million people) lived in households with total spending of less than R800 per month, of which 15, 2 million people lived in households with no access to formal sector employment, and 10, 3 million in households with no one employed at all. (Calculations in Samson et. al. 2001b, based on 1999 October Household Survey data).
- ¹⁰ Leibbrandt, M and I. Woolard, 2001. "The Labour Market and Household Income Inequality in South Africa" forthcoming in *The Journal of International Development*. See also McGrath and Whiteford (1994), Leibbrandt and Woolard (2000) and Whiteford and van Seventer (2000).
- ¹¹ The results in Sections 2 and 3 of this chapter are drawn from a research paper by Meth (2001).
- ¹² Survey coverage of the sector is incomplete (the surveys miss many employers, especially in the service sector). In the resulting void, estimates of the level of employment among the non-surveyed formal-sector employers are obtained by subtracting from the total number of formal sector workers obtained from household surveys, the numbers of formal-sector workers found in surveys of formal-sector employers. The discontinuity arises because of slight differences between the October Household Survey, abandoned in 1999, and replaced by the LFS in February 2000.
- ¹³ 'Trends' cannot be confirmed because the statistical series on which the conclusion of 'rapid growth' is based, apart from being too short to permit reliable conclusions to be drawn, has behaved so erratically that the figures for job creation that it has thrown up arouse great suspicion.
- ¹⁴ The first LFS (February 2001) contained the results of a reconciliation exercise to make comparability with the 1999 OHS possible. See Statistics South Africa, Discussion Paper 1, 27 March 2001 (LFS 1).
- ¹⁵ These were households in which there were people of working age, who were either unemployed or not economically active, i.e., they are not pensioner households.
- ¹⁶ The argument that measuring the number of unemployed using the 'expanded' definition is the appropriate way to gauge the extent of the problem in South Africa, has considerable force.
- ¹⁷ According to Statistical Release No. 0210 of 25 September 2001, formal sector employment rose from 6 678 000 in February 2000 to 6 842 000 in September 2000, only to fall back to 6 678 000 in February 2001. See Table C on page iv.
- ¹⁸ Without digging into the dataset for precise information it is not possible to get to the bottom of informal sector earnings. Table 3.5 in the LFS presents the distribution of earnings in the sector, but it includes unpaid subsistence agricultural producers and small-scale (paid) agricultural producers as well. This matter will be dealt with at greater length below—suffice it to note here that the income class R1-500 contained 944 000 people in September 2000, and 1 392 000 in February 2001.
- ¹⁹ *Pers comm*, Dorrit Posel, September 2001.
- ²⁰ Meager and Evans, 1999:15.
- ²¹ Julian May and his colleagues are moving in this direction as a result of their pioneering work with the KIDS panel study (see, for example, May *et al*, 1999). *pers comm*, September 2001.

- ²² It is clear that if the intention of policymakers were to identify those deserving of social assistance, the distinction would be spurious as well—there is no reasonable method of separating those ‘incapable’ of being employed (in given economic circumstances) from those ‘capable’ of being employed, but unable to find jobs.
- ²³ The focus is on the African population group because apartheid disadvantaged them most. Depending on the policy goal, such analysis, as noted above, raises important ethical questions. Meager and Evans note that experiments at identifying the vulnerable explicitly excluded characteristics such as age, sex or ethnic origin (1999, p.15).
- ²⁴ These results are from Meth (2001), Table 9.
- ²⁵ See SNR P0210, 25 September 2001, Tables 2.6.1.2 and 2.6.2.2.
- ²⁶ See Meth and Casale, 2001.
- ²⁷ Unemployment, of course, cannot exist, except as a frictional phenomenon, in a neo-classical world. In developed economies, if some substantial number does claim to be unemployed, this, it is argued, is mainly because the social security system raises the reservation wage.
- ²⁸ (In practice, the lowest paid, and in terms of the argument offered above, frequently most onerous).
- ²⁹ In a footnote he observes that “[R]eaders may note a more than passing similarity between those arguments and more ... recent debates [in the UK]. Some commentators argue that part of the Poor Law spirit persists—e.g. the decline in unemployment benefits relative to other benefits in the UK in the 1980s can be interpreted as a case of less eligibility.” (Barr, 1998, p.17n)
- ³⁰ This condition was used in South Africa in the bad old days to sluice the unemployed (especially the African unemployed) out of the Unemployment Insurance system, into employment in agriculture and mining, both of which suffered perennial labour shortages (Meth and Piper, 1984). Given the appalling conditions in both sectors, these shortages are little to be wondered at.
- ³¹ De Kiewiet used this or something like it as title for a book.
- ³² The concept of ‘household’ is used as that it had a (relatively) simple and agreed meaning. This is fairly far from the truth. Hosegood (2001), of the Africa Centre for Population Studies, has some quite trenchant things to say on this question—the result of monitoring household developments using a large-scale panel study.
- ³³ Bhorat and Leibbrandt (2001a; 2001b) have made a significant contribution to our understanding of vulnerability in the labour market in South Africa. The two works referred to here identify the correlates of vulnerability then combine the covariates into an econometric model. The approach suggested above differs in that it starts from an *a priori* specification of vulnerable households. It then proposes a comparative analysis with less vulnerable households, as a way of understanding poverty.
- ³⁴ The exploratory analysis conducted here did not take into account the questions in the OHS relating to migrant workers (see Section 5 of the 1999 OHS questionnaire). Question 5.1 defines a migrant worker as someone who is absent from the home for more than a month each year to work or seek work. This will be tackled in subsequent analyses. The low number of remittances reported below, and the very low levels of total monthly expenditures in the receiving households suggest that the absence of these contributions will not greatly affect the results presented here.
- ³⁵ The information on which the results that appear below are based was extracted from the linked 1999 OHS database by Michael Samson of the Economic Policy Research Institute in Cape Town. Grateful (extremely grateful) thanks are in order.
- ³⁶ Bhorat and Leibbrandt used a per capita adult equivalent value of R293 per month in 1995, noting that this represented an “... extremely low labour market income ...an adult earning such an income would be poverty-neutral in the sense that they pay their own way but make no additional contribution to lifting the household out of poverty.” (2001a, pp.98-99)
- ³⁷ These numbers were obtained by a somewhat roundabout method. The Stats SA publication *Unemployment and Employment in South Africa* (Orkin, 1998, p58) states that 32 per cent of African households contained no employed people. The total number of African households (5 950 992) comes from Leibbrandt, Woolard and Bhorat (2000, p.49). These authors used the 1995 OHS. The total number of households in the Leibbrandt et al piece (8 801 993) accords well with the 1996 population census number of 9 060 000 (Report No. 03-01-12 [1996], p.86. Note that this excludes institutions and hostels. A proposal for a research project to tackle the question of conditions in 1995 more thoroughly has been submitted to Treasury. The number of workerless African households in 1999 comes from a file generated from data extracted from the OHS by Michael Samson of the Economic Policy Research Institute in Cape Town (file NoWorkerHhData.xls, worksheet A-NoOfHh). There were 3 069 897 such households, 2 859 167 of them containing working adults, 210 730 containing either pensioners only or pensioners and children (skip-generation households). The total number of African households in 1999 (7 985 000) is taken from the 1999 OHS (SNR P0317, 31 July 2000, p.40). It appears that ‘institutions and hostels’ are excluded from this total as well. The listing of ‘Dwelling types’ contains no reference to either, and has only 29 000 households in the category

‘unspecified’. The publication does, however, note that the sample frame was extended to include workers in mining hostels. This issue will be pursued with Stats SA.

³⁸ These totals include the ‘skip generation’ households..

³⁹ It is important to bear in mind when reading the rough estimates of the costs of benefits yielded by the calculations below, that the figures are based on very small sub-samples raised to population totals. The standard errors on such figures are high—so too, must be the errors on benefit costs.

⁴⁰ If the 600 000 new wholesale and retail trade workers had appeared between LFS1 and LFS2, the difference (the error?) could possibly have been attributed to the fact that LFS1 was a pilot survey, covering ‘only’ 10 000 households, whereas LFS2 went into 30 000 households (the standard panel for the survey). The fact that the difference crops up between two surveys, each covering 30 000 households, removes this possibility.

⁴¹ See Statistical Release P0317, 31 July 2000, p.vii.

⁴² An international comparison of the relative sizes of the urban informal sector in a wide range of developing countries appears in Easterly (2000, Table 8). The table, which expresses the size of the urban informal sector as a percentage of urban employment, gives a figure for South Africa of 19 per cent in 1995. This compared with an average of about 65 per cent for West African countries, 55 per cent for other countries in sub-Saharan Africa, about 47 per cent for Latin America, and about 42 per cent for Central America. A crude guess at the 2001 level for South Africa, made by assuming that proportions of (non-agricultural) informal sector workers were similar in urban and non-urban settings, suggests that even with the (dubious?) addition of the several hundred thousand workers between September 2000 and February 2001, that proportion had only risen to about 22. This will be refined once digging into the database commences.

⁴³ The results of the first LFS were plagued by what would have become a major problem, had it persisted, namely that of missing responses. Most visible in the results for formal employment, the problem, although somewhat less significant in the informal than in the formal sector, the numbers involved was still large enough to be a matter of some concern. In the formal sector, 769 000 did not know, or refused to disclose their incomes (the former being more likely). The corresponding figure in the informal sector was 135 000, more than 7 per cent of those who reported an income. In the formal sector, a further 155 000 had ‘unspecified’ incomes. Some 37 000 in the informal sector were similarly classified. The LFS 2 results are much better—in the formal sector the number reported under ‘Don’t know/Refused’ fell to 149 000, while that for the informal sector fell 29 000. ‘Unspecifieds’ were below 10 000 for the formals, and zero for the informals. See LFS 1 and 2, Table 3.5 in each case. In LFS 3, the numbers creep up again—there 539 000 ‘don’t knows/refuseds’, and 78 000 unspecifieds in the formal sector, while the informal sector contained 60 000 of the former, and 58 000 of the latter. This high rate of non-response may be a problem.

⁴⁴ One part that cannot be done is that of attempting to estimate, as was done for the workerless households, however crudely, the magnitudes of remittances. This is because the noise generated by the estimates of worker earnings drowns out income from other sources—a key ingredient in the workerless household exercise.

⁴⁵ The problem of non-response among domestic workers loomed quite large in LFS 1, but disappeared from LFS2. It reappeared, but with less severity, in LFS3. A possibly important omission from domestic worker incomes is payments in kind. Though their value is the subject of some contention, such payments ought not to be ignored.

⁴⁶ Obviously, a proper attempt to estimate the relationship between the two would need to be a lot more sophisticated than the crude (back-of-envelope) correlation attempted above.

⁴⁷ These results (based on small numbers of responses), are highly unstable.

⁴⁸ By including ‘commercial farms’ in the category of “Working on his/her own or with a partner in any type of business” the classification used by Statistics South Africa (possibly) locates some of the 650 000 informal agricultural workers within the category of (genuinely) self-employed people, reducing somewhat the numbers engaged in economic activity other than farming.

⁴⁹ The figures in the table for workers are for all races. At the time of writing, it had not been possible to extract figures for African workers only. Because of the sheer numerical preponderance of Africans, the errors involved in using the figures for all races rather than for Africans only will be trivial at this level of household expenditure. It becomes somewhat less so as expenditure rises, but not to a degree that need concern us here.

⁵⁰ This conclusion is also drawn by Bhorat, 2001.

⁵¹ Meth, 2001, pp.68ff.

⁵² Carter and May, 2001.

⁵³ See, for example, Ravallion, 2000, p.17.

⁵⁴ See Dagdeviran et al, 2000.

- ⁵⁵ See Rama, 2001, p.21. The World Bank's view of social protection is a limited one, containing only public works and social insurance. Two aspects of their position are worth noting, however. In the first place, the World Bank sees social protection interventions as either 'one-time', or permanent. In the second, public works programmes are redistributive because they must ultimately be financed by taxation. Few developing countries could extract these taxes from the poorest of the poor.
- ⁵⁶ Standing, 1999.
- ⁵⁷ This estimate comes from the latest LFS (September 2000)—see Table 3, p.60.
- ⁵⁸ The latest year for which we have information on benefit durations.
- ⁵⁹ Of the sort that makes Standing argue against an employment-based social security system.
- ⁶⁰ Standing, 1999, p.313.
- ⁶¹ The World Bank equates workfare with the public works programmes that it promotes as an alternative to social protection, in particular, unemployment insurance. World Bank, 2001, p.155.
- ⁶² World Bank. Coudouel, A *et al*, 2001 April in Social Protection Draft.
- ⁶³ Opcit.
- ⁶⁴ Opcit.
- ⁶⁵ Research undertaken by Charles Meth and the Economic Policy Research Institute (EPRI).
- ⁶⁶ What constitutes 'too' high or low is not easy to specify. Advanced economies in which close linking of employment and welfare policies has taken place have done so under conditions in which unemployment rates ranged between roughly 5-15 per cent. Economic activity rates were generally in excess of 70 per cent. Corresponding figures for South Africa are unemployment rates in the upper 30s (approximately 36 per cent at present), and economic activity rates for the African population not much above 50 per cent in non-urban areas (depending on which figures one uses).
- ⁶⁷ A youth training and placement scheme in Cape Town funded by the Department of Social Development as part of its Poverty Relief Spending.
- ⁶⁸ The most recent LFS results (those for September 2000) based this time on 30 000-household sample, confirm the results for the first LFS. The income estimates are probably also credible—630 000 of the 999 000 domestic workers earn between R1-500 per month, while a further 277 000 are paid between R501-1000. A small number (65 000) have salaries in the R1001-2500 range. See LFS, Table 3.10, p.43.
- ⁶⁹ The 'Chronic Poverty Study' mooted by Aliber (2001), the longitudinal survey suggested by Asher (2001), the various studies undertaken by May in the Centre for Social and Development Studies spring immediately to mind. Doubtless there are several other initiatives deserving of support.