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Highlights of Current Labor Market Conditions in South Africa

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Overview of current labour market conditions in South Africa

Introduction

This brief review of the South African economy is for the year 2003, but will cover approximately the period 2000 to 2003, in order to provide context to the 2003 report. The principal challenges of the economy during this period remained broad based economic development, creating jobs and improving incomes. The government's response to these challenges likewise remained the Growth, Employment and Redistribution Strategy (Gear), adopted in 1996. During the phase 1994 to 2000 Gear was implemented as restrictive fiscal policy with a commitment to free market principles through deregulation and privatisation and a focus on improving the 'global competitiveness' of South African corporations. These policies were expected to produce growth and economic expansion sufficient to address South Africa's socio-economic backlogs at the same time as mopping up unemployment and providing employment for new entrants to the labour market. However, the developmental goals around employment and poverty relief have not been realised. Since 2000 government has made a commitment to an expansionary phase, although many critics have noted that this expansion is insufficient to address the challenges facing the country.

The reality from 1996 to 2003 has been that while certain of Gear's technocratic targets were met, and a measure of economic stabilisation was achieved, the end result remained stubbornly sluggish growth and only slight poverty reduction. Although government spending has been brought under control, debt levels reduced, inflation significantly reduced, the currency stabilised, and exports boosted, South Africa's GDP growth has remained around just under 3%, and as the 1996 Gear strategy document itself noted, a growth trajectory of about 3% per annum would "fail to reverse the unemployment crisis in the labour market; or provide inadequate resources for the necessary expansion in social service delivery; or yield sufficient progress toward an equitable distribution of income and wealth". (Gear:1996) .

Although incomes and economic competitiveness have grown and development has occurred, it has been in the context of severe, ongoing job losses, as the economy has been restructured through increased liberalisation and a focus on exports. This rising unemployment has led to increasing poverty and a further entrenchment of the 'dualistic' society inherited form apartheid. A larger, more multi-racial middle class has developed, but a significant part of the population has remained in poverty. Increased unemployment has led to a growing informal sector, ironically at the same time as unprecedented macro-economic financial stability has been achieved. Campaigns by civil society, including unions, for a revision of the Gear macro-economic strategy, in order to seek innovative solutions to the problem of serious unemployment and the attendant poverty levels have been waged since Gear's inception and these are seen to have borne fruit.[1]

Gear has essentially been very successful in the areas of fiscal restraint, tariff reductions, and inflation control in order to correct the more obvious monetary and fiscal policy imbalances of the Apartheid era and yet weak in the real economy (growth and employment). In a country facing lesser challenges than South Africa, this may have been satisfactory - after all, South Africa's growth rate during a period of protracted weakness in the global economy since 1998 has been stronger than most other developing nations. However, the uniqueness of the challenges bequeathed by Apartheid to the new democratic state means that unique and innovative solutions and policy options are called for.

Key economic indicators

The South African economy grew slowly over the 2001 and 2002 period, and growth rates are expected to remain within a range of 2-4% over the 2003-2004 period as shown in Table 1 below.

Table 1: Key indicators of SA economy 2000/01 to 2005/6(R billion)

Indicator	**2000/01**	**2001/02**	**2002/03**	**2003/4[2]**	**2004/5**	**2005/6**
GDP	3,4%	2,2%	3,0%	2,2%	3,3%	4,0%
Main budget revenue	213,4	248,4	275,7	299,9	325,7	357,8
Main budget Expenditure	235,0	262,6	291,8	331,5	367,5	403,1
Main budget deficit	-18,3	-14,6	-16,1	-31,6	-41,8	-45,4
Deficit as % of GDP	2,0%	1.5%	1,4%	2,6%	3,2%	3,1%
State debt costs	46,3	47,5	47,3	47,2	51,3	54,6
State debt costs as % of expenditure	19,7%	18,0%	16,2%	14,2%	13,9%	13,5%
State debt costs as % of GDP	5,1%	4,7%	4,2%	3,9%	3,9%	3,8%
CPIX average	7.6%	6.6%	10%	6,9%	4,9%	5,4%

Source: National Treasury Budget Review, 2001-2003; Medium Term Budget Policy Statement 2003

[1] The People's Budget Campaign has successfully outlined alternative budgetary allocations focused on reducing poverty and stimulating domestic growth. These recommendations may have influenced the recent policy shift to a more expansionary spending focus by the National Department of Finance.

[2] Projected figures for coming reporting periods of 2003/04 to 2005/6 under the MTEF

As can be seen from the above figures, the government has succeeded in its stated goal of fiscal stabilisation and consolidation within the Gear macro-economic framework. However, the cost of a targeted debt reduction strategy under Gear has been deferred poverty alleviation, with spending on services and delivery taking second place to fiscal austerity. The 2000/01 budget however marked the start of a supposedly more expansionary budget process. This stance has been carried through the 2001/02 and 2002/03 budgets. It has been characterised by a commitment in principle to improved spending, increases in infrastructure allocations and ongoing tax reform. This is funded by an increased deficit and ongoing improvements in revenue collection. The latest Medium Term Budget sees a move away from this approach with an increase in the deficit to 3,2 % of GDP in the next financial year to accommodate additional spending. Non-interest spending will be increased to 4,4% in real terms over the medium term. This signals a seemingly major shift in Government's economic policy.

Revised estimates published by Statistics SA last year show that the economy has grown by about 3,1% a year since 1999, with particularly robust growth in manufacturing, construction and services sectors. Output growth appears to be contributing to slight employment creation in some formal sectors of the economy, while average productivity continues to improve steadily. The revised estimate is GDP growth of 2,2% in 2003, rising to 3,3% in 2004 and 4% by 2006.

Gross fixed capital formation increased by 6,3 per cent in 2002, giving further impetus to the economic recovery. Buoyant consumption spending, on the strength of the improved household debt position, should also underpin continued growth. Domestic demand in the economy is growing due to lower interest rates, expansionary fiscal policy and the relative stability of the currency. Investment spending is at its highest level in almost a decade.

The Reserve Bank has set a target of 3-6% for inflation and uses interest rates to manage inflation. **Consumer price inflation** as measured by CPIX (consumer price inflation minus bond rates) averaged 10,0 per cent in 2002 and peaked at 12,7 per cent in November 2002. Much of the increase was attributable to the depreciation of the rand in 2001, reinforced by rising food prices, housing and medical costs. The exchange rates however recovered completely in 2002 and 2003, to the point where exporters are now being negatively affected and responding by retrenching workers. As a further consequence, 2003 inflation levels are at their lowest since the 1980's, with a predicted average of 6,9% in 2003, and current CPIX in October 2003 sitting at 4,4%. Producer price inflation has also fallen remarkably, from a 2002 average of 14,2% to a predicted average of around 2,5% in 2003.

In response to the 2002 inflation trend, the Reserve Bank raised its **Repurchase Rate** by four percentage points during the 2002 year, this led to increases in Bank interest rates, contributing to a steady moderation in private sector credit extension during the course of the year. The recovery in the exchange rate during 2002 has resulted in less pressure on inflation and Bank interest rates have been lowered five times in 2003 due to further decreases in the Repurchase Rate, to a level of 12,5% by November 2003, its lowest level since 1986.

Foreign Direct Investment has remained steady but slow, averaging only 1% of GDP between 1996 and 2002, whereas Gear sought to achieve a level of 4-5% of GDP. Domestic savings have been unable to fill the resulting gap, averaging only 16% from 1996 to 2002 instead of the 25% called for by Gear. After withdrawing from the local investment market after 1994, government has now reconsidered and is increasing Gross Fixed Capital Investment levels in order to stimulate the economy and fill the investment gap. Government fixed capital formation has increased, with 4,6% growth in 2002 and 5,1% predicted for 2003, reversing a long term government investment decline tolerated by the Apartheid government.

The rate of **HIV/Aids infections** has apparently started to stabilise, but the disease may still be killing as many as 600 people a day. Government has been severely criticised for moving very slowly in its treatment of the crisis. 2003 has however seen a breakthrough, with government responding to legal challenges and other pressure by civil society and adopting a national treatment plan, which for the first time includes treatment through anti-retro-viral drug regimes. This will save millions of lives if it is rolled out effectively. Total expenditure in response to HIV and Aids, including amounts directly spent by provincial health departments, could exceed R3 billion next year, R4 billion in 2005/06 and R4,8 billion in 2006/07. As the costs of drugs come down and capacity improves, the ability to treat an even larger group of people will be possible. Drug prices are currently falling rapidly due to ongoing legal and human rights challenges raised against international drug companies locally and globally.

Employment, unemployment, and types of jobs created

The 2003 Growth and Development Summit held between labour, business and government to chart a path forward in terms of growth and job creation has set a target of halving unemployment by 2014. This is essential for the further success of the financial achievements noted above. The stabilisation and restructuring of the economy have come at a high price, in terms of job losses. Capital intensive production methods, retrenchments, outsourcing and casualisation have been used to increase productivity and raise competitiveness. The summit agreed on the following employment creation measures: enhancing public infrastructure capacity and reinforcing investment in support of employment creation, creation of an expanded public works programme thus extending job creation initiatives across a broad development front, and expanding education and training and accelerating enrolment in learnerships (competency-based training programmes) to underpin long-term job creation.

Employment

The total number of South African workers in March 2003 was estimated at 11,6 million people. The majority of these people were employed in the formal sector (63,6%). The share of employment of the informal sector (excluding subsistence or small-scale agriculture and domestic service) was estimated at 16,0%, commercial agriculture at 7,5% and subsistence or small-scale agriculture at 3,6%, while domestic workers constituted 8,7% of the employed, and 0,6% did not specify their sector.

South Africa's statistics reflect the country's Apartheid legacy: Africans had the smallest percentage of people employed in the formal sector (62,3%). More than 90% of the Indian/Asian and white population groups (90,5% and 93,6% respectively) were employed in the formal sector. On the other hand, the African population had the highest percentage (25,6%) employed in the informal sector compared to the other population groups (8,6%, 8,5% and 5,6% of the coloured, Indian/Asian and white groups respectively). A similar picture is found with domestic workers. The percentage of African workers employed as domestic workers (11,4%) was higher than in the other population groups (7,7 of employed coloureds, but only 0,3% of employed Indians/Asians and 0,2% of employed whites). These figures reflect the overlap between race and skills in employment in an economy that increasingly favours skilled and professional workers, who are largely comprised of whites and Asians.

Table 2: Employment by sector 2000 –2003 (000's)

Sector	**Sept 2000**	**Sept 2001**	**Sept 2002**	**Mar 2003**
Formal Sector (excluding commercial agriculture	6 842	6 873	7 034	7 358
Commercial agriculture	667	666	811	865
Informal Sector (excluding subsistence or small scale agriculture)	1 933	1 873	1 703	1 845
Subsistence and small scale agriculture	965	359	520	420
Domestic workers	999	916	875	1 005
Unspecified	306	146	86	75
All	**11 712**	**10 833**	**11 029**	**11 565**

Source: Statistics SA, LFS 2003, March, SA Labour Review May 2003

As can be see from Table 2 above, the number of jobs created has varied since 2000, with 2003 figures only now returning to 2000 levels. However, although just over 500 000 jobs were created since 2002, the breakdown shows that around 200 000 of these were non-formal sector jobs, i.e. jobs that are often temporary in nature and are paid at a much lower rate than formal sector employment, often without any significant non-wage benefits. Informal sector jobs have increased from around 250 000 in 1995 to current levels, as retrenched workers have turned to survivalist and micro-enterprise activities in order to sustain themselves.

In addition, the rate of job creation over the last two years as shown above has been outstripped by the rate at which new entrants have entered the labour market. The rise in unemployment has thus been exacerbated by population growth, with new entrants coming into the marketplace faster than retrenched workers are being reabsorbed. The Labour Force Survey of September 2002 estimated that between February 2000 and September 2002 the number of those potentially economically active rose from 26,5 million to 28 million, a 5,7% increase. Job creation was in the negative for most of this overall period. As a result the number of workers in informal employment has grown steadily, from 1.2 million in 1995 to 2.410 million in 1999 to 2.578 million in 2003.[3]

Table 3: Employment in the Formal and Informal Sectors by Industry, March 2003

Industry	Formal	Informal	Domestic	Total
Agriculture	865	420		1 288
Mining	509	3		514
Manufacturing	1 462	196		1 668
Electricity	83	5		88
Construction	369	202		583
Trade	1 489	869		2 373
Transport	464	127		598
Business Services	940	78		1 027
Community Services	2 006	165		2 183
Private Households	1	196	1 005	1 202
Other / Unspecified Industry	34	3		42
Total	**8 223**	**2 265**	**1 005**	**11565**

Source: Stats SA LFS, March 2003

As noted above, firms have responded to tougher market conditions, brought on by increasing liberalisation of the economy, by resorting to casualisation, outsourcing and temporary employment contracts. This has allowed them to cut labour costs by avoiding responsibility for most benefits such as medical aid and pensions. Costs are also cut in that firms can easily hire and release such 'atypical' labour on short-term contractual basis without incurring retrenchment costs or strikes. A study of the

[3] Informal sector statistics have proved hard to measure consistently, the sector may be larger than indicated.

Metal and Engineering sector[4] in which NALEDI participated in early 2003 provided a snapshot of the growth of such atypical labour practices. Most new employment in the formal sector is now comprised of this type of employment. The trends are evidenced in the table below.

Table 4:Trends in atypical labour in metal and engineering sector, 1999-2002

Typical and atypical labour categories	Percentage of overall sector's employment 1999	Percentage of overall sector's employment 2002
Permanent employees (Full Time and Part Time)	97%	90%
Casual labour	0%	1%
Temporary labour	1%	1%
Sub contracted labour	2%	7%

Source: Naledi: 2003

Unions have responded by starting to organise and recruit casual workers. A recent retail sector supermarket strike was supported by casual workers and secured more consistent working hours.

Unemployment

A revised system of official statistics was introduced following the advent of democracy in South Africa in 1994. Using the narrow definition of unemployment, the aggregate unemployment rate rose from 20% to 26% between 1994 and 1999. However, according to the broad or expanded definition of unemployment, whereby a person is also unemployed if he or she has not actively sought work in the past four weeks, the increase between 1994 and 1999 was 33% to 36.2%. The expanded definition of unemployment is useful because it captures discouraged work seekers, and is therefore a more accurate reflection of long-term, structural unemployment. In 2000 the method of collection was amended[5], and statistics for narrowly defined unemployment from that point onward are reflected in the table below.

Table 5: Unemployment rate (strict/official definition), Feb 2000 – September 2002

Category	Feb 2000	Sept 2002	Change +/-
Total employed	11,880,000	11,029,000	-851,000
Total unemployed	4,333,000	4,837,000	-504,000
Total economically active	16,213,000	15,866,000	-347,000
Total not economically active	10,242,000	12,118,000	1,876,000
Population, 15 – 65 years old	26,454,000	27,984,000	1,530,000

[4] According to official statistics, in 2002, the Metals and Engineering sector constituted 29.3% of formal manufacturing employment – a total of 371 000 jobs (Source: IDC 2002).

[5] **Please note:** due to a change in statistical methods and survey implementation utilised in the national statistics post 1999, the figures for the 1990's are not strictly comparable to those commencing 2000. Therefore where necessary the post 2000 figures are reflected as a separate table. The two sets may be integrated in the future.

Participation rate (%)	61,3%	56,7%	-4,6%
Labour absorption rate (%)	44,9%	39,4%	- 5,5%
Unemployment rate (%)	**26,7%**	**30,5%**	**3,8%**

Source: Statistics South Africa, Labour Force Survey, September 2002

The current official unemployment figures for 2003 are listed separately below as the 2003 population figures are based on the 2001 Population Census, whereas the 2000-2002 figures were based on the 1996 Census. Statistics SA is in the process of benchmarking the 2000-2002 figures to the 2003 data.

Table 6: Official labour market trends, March 2003

Key	Category	March 2003
a	Total employed	11,565,000
b	Total unemployed	5,250,000
c	Total economically active (a+b)	16,815,000
d	Total not economically active	12,740,000
e	Population, 15 – 65 years old (c+d)	29,555,000
	Participation rate (%) (c*100/e)	56,9%
	Labour absorption rate (%) (a*100/e)	39,1%
	Unemployment rate (%) (b*100/c)	**31,2%**

Source: Statistics South Africa, Labour Force Survey, March 2003

Between September 2001 and September 2002 employment increased in the mining, manufacturing and public sectors (formal sector) for the first time since 1996. Additional increases were noted overall across the informal sector. However much of the increase results from a methodology change introduced by the government statistics body (Stats SA) in 2000. Stats SA now counts any income-earning activity, no matter how poverty stricken or unstable, as informal employment. Most of the jobs created will probably not sustain longer-term development in the traditional sense: jobs that would provide an income high enough to support a family, promote the acquisition of skills, or increase productivity. From this standpoint, most of the informal jobs created are a form of concealed unemployment, yet are usually the only options available to millions of unemployed. A similar scenario applies to the biggest employment drive yet announced by government, in November 2003. It comprises a massive public works programme which will provide up to 1 million mainly unskilled jobs over the next five years in infrastructural repair and community service sector projects. However the longest of these jobs will be only of 18 months duration. Most will comprise 6 month contracts.

Within the official definition of 'unemployed, the statistics of those hunting for work are sobering. Of the jobless total of 5,25 million, about 59% have never worked; among jobless people between the ages of 15 and 30, about 75% have never worked; and of the jobless total of 5,25-million, about 26% have been job hunting for one to three years and 41% for more than three years.

The broad or expanded definition of employment reveals a far higher picture of joblessness. The expanded numbers essentially reveal that many workers are available, but unable to find anything, as noted above, and so have given up looking.

Table 7: Unemployment rate (expanded definition), Feb 2000 – September 2002

Category	Feb 2000	Sept 2002	Change +/-
Total employed	11,880,000	11,029,000	-851,000
Total unemployed	6,553,000	7,925,000	1,372,000
Total economically active	18,432,000	18,954,000	522,000
Total not economically active	8,022,000	9,031,000	1,009,000
Population, 15 – 65 years old	26,454,000	27,984,000	1,530,000
Participation rate (%)	69,7%	67,7%	-2%
Labour absorption rate (%)	44,9%	39,4%	-5,5%
Unemployment rate (%)	**35,5%**	**41,8%**	**6,3%**

Source: Statistics South Africa, Labour Force Survey, September 2002

As can be seen from the above, the broad definition increases the unemployment rate to above 40% for the first time since the collection of standardised employment data. It is an unfortunate paradox that although the ANC government has succeeded in bringing stability and competitiveness to the macro-economy, this has resulted in even lower levels of employment, thus concentrating the benefits of liberalisation and stability in the hands of a small number of South Africans. The current broad or expanded unemployment figures for 2003 are once again listed separately below.

Table 8: Official labour market trends, March 2003

Key	Category	March 2003
a	Total employed	11,565,000
b	Total unemployed	8,421,000
c	Total economically active (a+b)	19,986,000
d	Total not economically active	9,569,000
e	Population, 15 – 65 years old (c+d)	29,555,000
	Participation rate (%) (c*100/e)	67,6%
	Labour absorption rate (%) (a*100/e)	39,1%
	Unemployment rate (%) (b*100/c)	**42,1%**

Source: Statistics South Africa, Labour Force Survey, March 2003

The gendered and racial nature of unemployment is clearly still entrenched in the economy, with present breakdowns still reflecting the economic patterns of the country's colonial and apartheid forms of capitalism.

Table 9: Official unemployment by race and gender as at March 2003

Racial group	Unemployment totals by group	Percentage of overall total	Gender analysis of percentage	
Black African	4,592,000	87,5%	47% male	53% female
Coloured	392,000	7,5%	47% male	53% female
Indian/Asian	123,000	2,3%	48% male	52% female
White	142,000	2,7%	50% male	50% female
Total	5,250,000	100%	48% ave	52% ave

Source: Statistics South Africa, Labour Force Survey, March 2003

Unemployment rates, particularly for rural African women, are in fact higher. The September 2000 and September 2002 Labour Force Surveys show that unemployment rose more for African women than for any other group (by 9% in just two years). Unemployment amongst African men rose by 6% between 2000 and 2002. These changes increased the number of unemployed by 757 122 amongst African women and by 528 474 amongst African men.

Table 10: Expanded unemployment rate by race, gender and location

	African	Coloured	Indian/Asian	White	Total
Urban Men	41%	28%	19%	8%	32%
Urban Women	53%	34%	33%	11%	43%
Rural Men	45%	12%	10%	1%	41%
Rural Women	58%	34%	4%	13%	56%

Source: StatsSA, Labour Force Survey CD ROM, September 2002

Wage incomes, poverty, and inequality

The average level of wage settlements rose over the last two years as inflation rose. A recent survey placed them at 7,4% in 2001, followed by 8,0% in 2002 and 8,9% in the first half of 2003. Statistics South Africa places the 2002 increase at closer to 10,2%. Most commentators expect that with the rapid decline on inflation in 2003, wage demands will moderate accordingly in 2004.

The average annual rate of productivity growth from 1995 to June 2002 was 4,8%. Over the same period, real wages grew at an average year-on-year rate of 2,5%, contributing to declining unit labour costs. These figures are a reflection of the form that restructuring has taken place, with increasing capital intensivity and a concentration of job losses amongst lower skilled (mostly Black) employees. Economy wide productivity growth fell during 2002 from a year on year rate of 3,7% in the first quarter to 1,8 % in the fourth quarter.

Average monthly wages in the industrial sector were as follows:

Table 11: Average monthly salaries and wages (including bonuses and overtime payments), at current prices for industry, as at February 2003

Industry sector	Ave monthly wage (Rands)[6]
Mining and quarrying	R5 604
Manufacturing	R5 488
Electricity, gas and water supply	R16 277
Construction	R3 987
Wholesale trade, retail trade, motor trade and hotels	R4 483
Transport, storage and communication	R7 156
Governmental institutions	R8 729
Non-governmental institutions	R4 303
Financial institutions	R11 770
Community, social and personal services	R7 681
National departments	R8 428
Provincial administrations	R7 697
Local governments	R5 933
Other government institutions	R10 136
Total government sector	R7 724
Laundries and dry-cleaning services	R2 010

Source: Stats SA, Survey of Average Monthly earnings, Feb 2003

However, the picture for monthly earnings by workers across a wider range of sectors, and analysed according to broad salary levels, shows us that a large number of workers are earning very low salaries. From the table below we can see that a significant percentage of workers still earn R2500 or less a month across all the sectors. At a salary of R2500 or less, it is unlikely that the worker will be able to access a bank loan to purchase a house or vehicle, and in many sectors, these salaries would be largely those for unskilled work.

Table 12: Workers (employers, employees and self-employed) by monthly income and sector (000's)

Monthly income	Formal	Informal	Domestic	Unspecified	Total
Total number of workers*	8 223	2 265	1 005	73	11 565
None	33	317	*	-	351
R1 - R500	693	899	578	11	2 182
R501 - R1 000	1 187	486	308	*	1 991
R1 001 - R2 500	2 361	320	96	13	2 789
R2 501 - R8 000	2 526	131	*	14	2 674
R8 001+	726	32	-	*	764
Don't know/Refused	679	76	16	*	780

[6] Figures in dollars for some of these tables is given in the accompanying dataset. The exchange rate as at 25 November 2003 was R6.65 to a US dollar.

* For all values of 10 000 or lower the sample size is too small for reliable estimates. Due to rounding numbers do not necessarily add up to totals.
Source: Statistics South Africa, Labour Force Survey, March 2003

Once again, black African workers comprise the largest group of those earning low salaries. Out of a total of 7,8 million black workers, 72% fell within the R1-2500 bracket in September 2002. This is illustrated in further detail below.

Table 13: Median Monthly Wage Rates Amongst Working Class Black Households (September 2002 Rands)[7]

	Formal Unionised		Formal Non-unionised		Informal	
	Male	Female	Male	Female	Male	Female
Agriculture etc.	R900	R652	R500	R448	R375	R326
Mining & quarrying	R2,000	R1,700	R1,640	R1,000	R350	R350
Manufacturing	R2,174	R1,652	R1,739	R1,225	R870	R400
Electricity etc.	R3,000	R1,937	R1,937	R1,937		
Construction	R2,000	R1,937	R1,225	R800	R800	R350
Wholesale & retail	R1,937	R1,600	R1,225	R1,000	R652	R350
Transport etc.	R2,958	R2,958	R1,500	R1,937	R1,225	R500
Financial etc.	R1,800	R2,000	R1,600	R1,800	R750	R500
Community etc.	R3,500	R3,969	R1,937	R1,500	R707	R522
Private households*	R1,000	R665	R470	R250	R400**	R400**

Source: StatsSA, Labour Force Survey CD ROM, September 2002 (from a paper by E. Watkinson and L. Orr, Naledi, June 2003)
Notes: Excludes missing values, extremes and outliers. Includes African, Indian/Asian and Coloured workers in households spending less than R5000 per month * Refers to gardeners. ** The same median values apply to domestic workers.

It is also evident from this table that unionised workers earn consistently higher wages than non-unionised workers. It also reveals that gender disparities still exist regarding wage levels, with female workers paid much less than male workers.

Minimum wages

Minimum wages vary across sectors according to the agreements reached with respective unions, within respective bargaining councils.

[7] Median values, as opposed to averages, give a better indication of the centre of the dataset in skewed (non-normal) distributions.

Table 14: Minimum wages in Rands, various sectors, 2003

Industry	Monthly Minimum Wage (Rands)	Occupation
Accommodation	535	Cooks General assistant
Business Equipment Industry	731.2	Assembler
Catering Trade	731.2	Watchman/Assembler
Cement Products Industry, Certain Areas	415.2	General Worker Grade
Commercial Distribution Trade	564	General Assistant
Funeral Undertaker	661	General Worker
Glass and Glassware Industry	484	Packer
Goods transportation and Storage Trade	563.04	General Workers/Packer/Loader
Hotel Trade, Certain Areas	249	General Assistant
Laundry, Dry Cleaning and Dyeing trade	460.13	Boiler Assistant/Watchman
Letting of flats and rooms	644	Bedroom Attendant
Meat Cold Storage , Bacon Curing and Small goods industry	341.2	Slaughter Assistant
Metal Containers	N/a	N/a
Road Passenger, Transportation Trade	342.4	General Worker
Stone Crushing Industry	340	General Worker
Sweets Industry	441.6	Any other employee not listed

Source:www.irnetwork.co.za

In addition to minimum wages, sectoral determinations, setting a minimum wage for an entire sector, are in place in a number of sectors where labour has been deemed vulnerable by the national Department of Labour. The most high profile of these has been the recent agriculture and domestic workers determinations, with analysts concerned that employers would retrench workers. No data is currently available to support or reject this claim.

Table 15: Sectoral determinations, wages and occupations, 2003

Industry	**Monthly Minimum Wages in Rands**	**Occupation**
Civil Engineering Sector	N/A	N/A
Clothing and Knitting Sector	R595.52	General Employees not classified
Contract Cleaning Sector	R969.90	Cleaner
Domestic Worker	R702.00	Domestic Worker
Farm Worker	R650.00	Farm Worker
Learnership	R480.00	Learner
Private Security Sector	N/A	N/A
Wholesale and Retail Sector	R1 234.77	Security Guard

Source:www.irnetwork.co.za

Poverty and inequality

Despite South Africa being an upper-middle-income country, its rate of poverty (a measure of the extent of absolute poverty) stood at 45% in 2000. This translated into 3,126,000 households or more than 18 million citizens. South Africa's high poverty rate is primarily due to apartheid's legacy, where the majority of the population was deprived access to income-generating assets. In 1995 the poorest 20 per cent of households received a mere 1,9 per cent of the total income in South Africa. By 2000, this share had dropped still further to 1,6 per cent of total income. The poorest 50% of the country's households also slipped backwards in these five years relative to the richer 50%. The poverty divide remained racial - in 1995 the average white household earned four times as much as its average African counterpart. In 2000 the average white household was earning six times the average African household.

Poverty lowers the productivity of the labour force by making skills acquisition harder and increasing social fragmentation. This reduces household incomes, which limits domestic markets. South Africa has been described by the World Bank as amongst the world's most unequal economies, with a Gini co-efficient measuring 0.58. More recent analysis using the 1996 Population Census data put the Gini co-efficient as high as 0.68[8]. Approximately 6% of South Africa's population captures over 40% of income earned.

As the table below shows, rates of unemployment rise according to monthly household expenditure category. High rates of unemployment in urban and rural areas also coincide with low quality impermanent jobs and serious problems in accessing minimum basic needs like water, food and energy.

[8] Although the National Government disputes this figure.

Table 16: Key indicators of household poverty and unemployment - September 2002

Monthly household expenditure category	No. of households	% With problems meeting food needs sometimes, often or always	% Where children below 15 years collect water and/or fuel	% With person/s in permanent employment	% With member/s of a trade union	% With person/s in informal or domestic work	Expanded unemployment rate
R 0 – R 399	3,205,927	54%	13%	22%	6%	32%	55%
R 400 – R 799	2,890,267	42%	15%	34%	13%	26%	51%
R 800 – R 1 199	1,329,752	28%	9%	56%	28%	25%	41%
R 1 200 – R 1 799	831,533	19%	5%	63%	36%	17%	37%
R 1 800 – R 2 499	654,841	12%	2%	73%	46%	13%	24%
R 2 500 – R 4 999	826,267	8%	1%	74%	42%	10%	20%
R 5 000 – R 9 999	554,766	4%	0%	78%	34%	9%	10%
R 10 000 or more	224,252	3%	0%	78%	28%	6%	7%

Source: StatsSA, Labour Force Survey CD ROM, September 2002

Key social indicators

Table 17: Key social indicators for South Africa in 2002

Indicator	Rating
Human development index rating:	0.695 (107 out of 173)
Gini coefficient:	59.3
Life expectancy at birth:	52 years
Infant mortality of under fives:	65% (2000)
Adult literacy:	85.3%
Population with access to safe water:	86%
Population growth rate:	2.1%

Source: Human Development Report 2002 (UNDP)

As can be seen in the table above, the Gini coefficient reveals ongoing inequality and poverty, 10 years after the democratic transition. However, the rates for access to water and literacy show that progress has been made.

Unionisation rates

Unionisation rates have been dropping slowly since 1997, but with a faster drop in the last year due to ongoing layoffs.

Table 18: Unionisation rate

Category	1997	2002	2003
Total formal sector excluding agriculture	36%	35%	32%
Total formal sector	30%	28%	26%
Total public sector	43%	61%	60%

Note: Figures for employment by sector generally do not include the informal sector, which is estimated to have a unionization rate of 5%.
Source: COSATU 8th Congress Organisational Review. Original source for private sector figures: StatsSA Survey of Employment and Earnings

Table 19: Union membership

Category	1997	2002	2003
Total formal sector excluding agriculture	1,218,600	1,106,500	1,011,000
Total formal sector	1,247,600	1,128,700	1,033,000
Total public sector	543,400	739,900	734,100

Note: Figures for union membership derived from reports to COSATU, and may not be accurate due to poor membership systems.
Source: Cosatu 8th Congress Organisational Review

As with unionization rates, membership has declined in the last year. This was a matter of debate in the labour movement congress that occurred this year. Unions have pledged themselves to stabilising and growing their membership base. The largest labour federation remains the Congress of South African Trade Unions (COSATU), with almost 2 million members. Generally, where COSATU affiliates have low membership relative to their scope, the reasons are:

- their scope includes a lot of vulnerable workers, as in agriculture and retail.
- some unions have not managed to penetrate small employers, remaining in historic strongholds in large companies. Meanwhile, some big employers, especially the parastatals, have seen huge job losses. In part, this reflects casualisation and outsourcing.

Cosatu membership has dropped as workers who are union member have been retrenched, and where new jobs are then created they are largely 'atypical', i.e. casual, outsourced, temporary. Cosatu aims to recruit members from these employment sub-sectors, but at the same time each union is encouraged to grow their membership by 10% per year from 2003 to counteract declining membership. In most cases there is room for increased unionisation in sectors.