

DETERMINANT OF THE RELATIONSHIP BETWEEN LABOUR FORCE PARTICIPATION IN SOUTH AFRICA FOR BOTH MALE AND FEMALE

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INTRODUCTION

Reducing poverty and inequality are key challenges in South Africa. Access to the labour market and earnings differentials are the main drivers of poverty and inequality in South Africa (Leibbrandt et al., 2010). Educational attainment and quality of education play an important role in determining labour market success but remain strongly correlated with socioeconomic status (Spaull, 2010).

Labour force participation increased significantly in the late 1990s and early 2000s and employment, though growing, could not keep pace (Branson and Wittenberg, 2007). The increase in participation was primarily driven by an increase in African participation, especially among females, the youth and those with less education. Kingdon and Knight (2008) and Casale and Posel (2002) attribute the increase in female participation to the decrease in marriage rates, increase in single person households, improvements in educational attainment and the loss of male employment. The rise in young participants can also, in part, be attributed to the Department of Education discussion of a policy in 1995 to reduce the number of over-age learners in schools. While the plan was for learners two or more years older than the appropriate age for their grade to attend Further Education and Training colleges (FETs), evidence showed that the proposed policy primarily resulted in an increase of low-skilled workers (most with incomplete secondary education) entering the labour market, with no increase in FET enrolment (Burger and von Fintel, 2009).

The formulation and implementation of new legislations and policies played a part by changing the incentives and vulnerabilities of certain sectors of the labour market. The Basic Conditions of Employment Act of 1997 and the Employment Conditions Commission instituted basic employment conditions and minimum wages to protect some vulnerable sectors. Sectors covered by the commission include domestic work, agriculture, forestry, contract cleaning, private security, civil engineering, hospitality and tourism, the taxi sector and wholesale and retail trade (Leibbrandt et al., 2010). Many of the people affected by this legislation are those in elementary employment, often female, and hence these changes in policy provide another explanation for the increase in participation seen in the 1990s-2000s. Strict labour legislation has also led to a preference for contract and casual workers especially among the most vulnerable (Leibbrandt et al., 2010).

This together with the natural shift away from low-skilled work such as agriculture and the increase in demand for skills to support the financial and other service industries, means highly skilled workers are in demand and of short supply. Inequalities in the education system continue to feed divisions in labour market success by socioeconomic class. There has been a rapid increase in educational attainment in the past three decades, yet much of the increase is at the secondary, and often, incomplete secondary education level. Only marginal increases in the share of the population with tertiary education are evident in the data and the pool of matriculates furthering their education has in fact decreased. In addition, higher

educational achievement remains starkly delineated by socioeconomic class. These shifts in educational attainment reflect deep inequalities in access to quality education. While 25% of the population attend schools of acceptable standard and achieve at the appropriate level, the majority of the population receive very poor quality education and achieve well below the expected level on both national and international tests (Spaull, 2012).

Aggregate wages, once the data are made consistent, have been fairly stable over the period. The raw data shows a decline in real wages between 1995 and 2005, however Burger and Yu (2006) show that this apparent decline in real wages is in fact a function of changes in the sample design and questionnaire across the surveys. In particular, they note that the decline is a function of better capture of self-employment and informal sector earnings and that once these groups are excluded; aggregate real earnings are stable between 1995 and 2005.

Racial wage discrimination remains a characteristic of the South African labour market (Rospabe, 2002; Chamberlain and van der Berg, 2002; Burger and Jafta, 2006; Burger and van der Berg, 2011). However Rospabe (2002) finds a decline in white-African employment discrimination between 1993 and 1999, but a slight increase in wage and occupation discrimination. Burger and Jafta (2006) similarly find no decline in the unexplained part of the racial wage gap between 1995 and 2005. They note that Affirmative Action appears to have been ineffective except for a small group of top earners (Burger and Jafta, 2006). Chamberlain and van der Berg (2002) and Burger and van der Berg (2011) show that differences in educational quality explain a large portion of the racial wage gap observed between population groups in South Africa. These authors attribute close to 60% of the African-white wage gap to differences in education quality and find that up to 80% of the gap can be explained by observable characteristics. Each study concludes that improvements in the quality of schooling provided to the majority of the population would be the most effective means to reduce the racial gap.

Together these factors have adjusted the composition of the South African labour market over time. In this paper we investigate what this means for private employment and earnings premiums to education level. We use seventeen years of national household survey data to document the relationship between education level and employment and earnings between 1994 and 2010. Using a simple but consistent specification of this relationship enables us to assess trends and theorise over possible reasons for these changes. This paper therefore lays the foundation for more in-depth work, especially regarding choice of specification and the inclusion of measures of school quality, on the returns to education (Nicola Branson and Murray Leibbrandt).

DATA AND SAMPLE CHARACTERISTICS

Education is compulsory in South Africa from age seven (grade 1) to age 15 or the completion of grade 9 and enrolment in these grades is almost universal. Grades 10 through 12 are referred to as further education and training (FET) since learners can choose between a vocational training route or to continue their education in the basic education system. Those who choose the vocational route complete this with a National Certificate Vocational (NCV). The nationally administered National Senior Certificate (NSC) taken in grade 12 represents the completion of basic education and continues to be the preferred choice. Enrolment rates are high, but levels of grade repetition are also high in most grades and the majority of

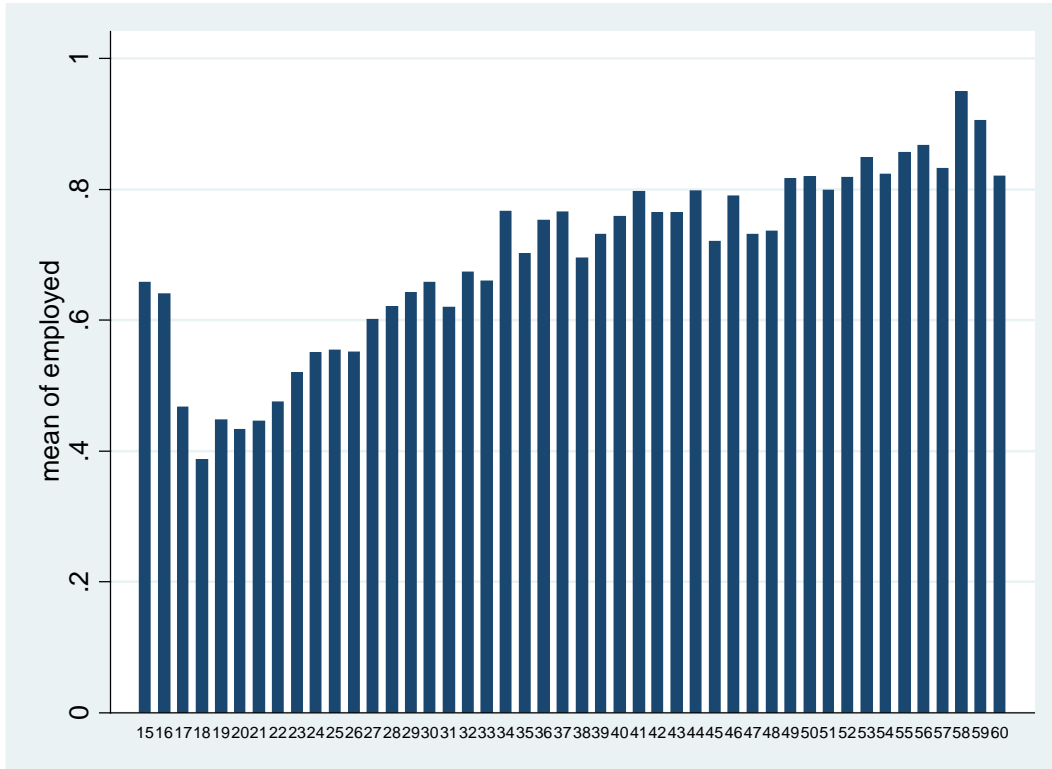
learners (58%⁴) still leave the schooling system without completing a national leaving certificate (NCV or NSC) commonly known as matric. This reflects the poor quality of schooling in most South African schools such that although educational attainment has increased over the past decades, completion of matric continues to represent a large and important hurdle to cross.

MALE

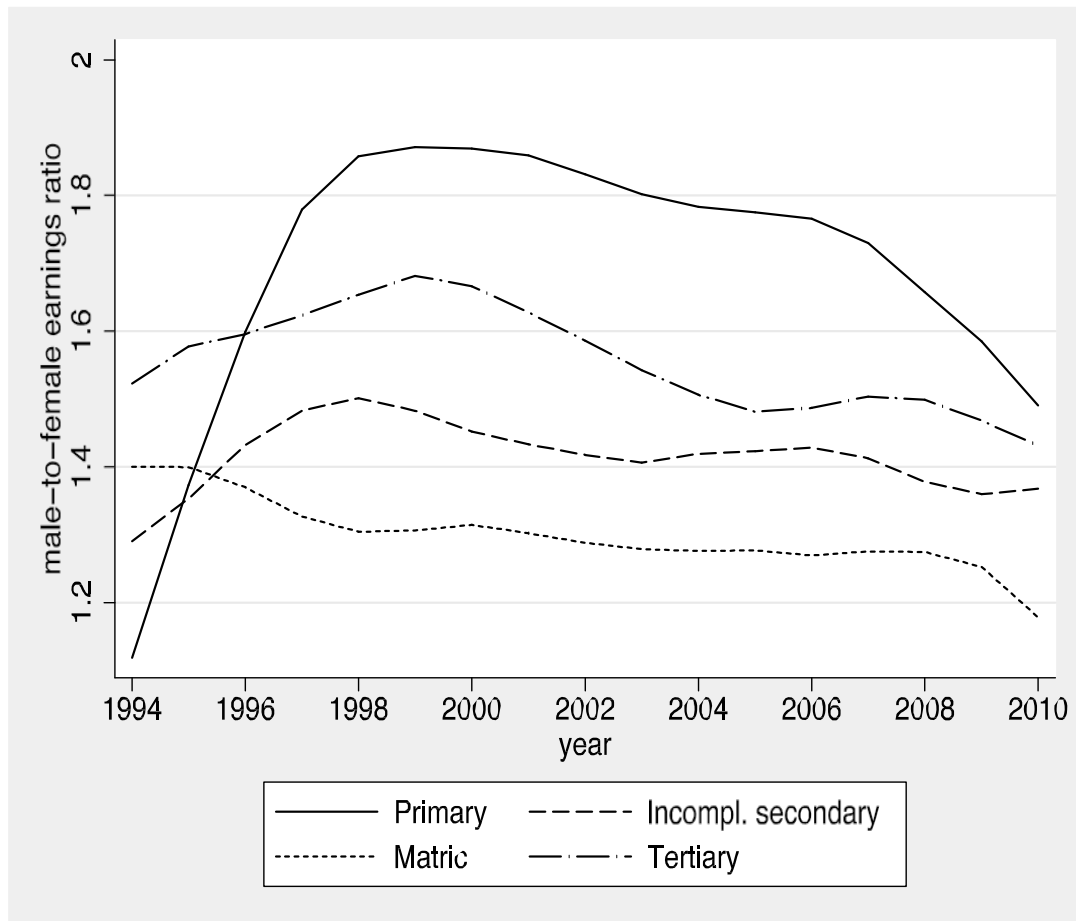
FEMALE

	OHS 1994	OHS 1998	LFS 2002	LFS 2006	GHS 2010	OHS 1994	OHS 1998	LFS 2002	LFS 2006	GHS 2010
Age	32.54	32.60	32.71	32.87	33.17	33.03	33.13	33.39	33.79	34.31
African	0.74	0.75	0.76	0.77	0.78	0.74	0.76	0.77	0.78	0.78
Coloured	0.10	0.09	0.09	0.09	0.10	0.10	0.09	0.09	0.09	0.10
Indian	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
White	0.14	0.12	0.11	0.11	0.10	0.13	0.12	0.11	0.10	0.10
Married	0.45	0.44	0.41	0.39	0.40	0.48	0.45	0.41	0.39	0.41
Years of education	8.19	8.29	8.74	9.15	9.55	7.97	8.11	8.60	8.99	9.46
Primary	0.28	0.27	0.26	0.21	0.18	0.28	0.26	0.24	0.20	0.17
Incomplete Secondary	0.41	0.39	0.40	0.42	0.44	0.42	0.40	0.41	0.42	0.43
Matric	0.16	0.18	0.21	0.23	0.25	0.15	0.17	0.19	0.23	0.25
Tertiary	0.07	0.07	0.08	0.09	0.10	0.06	0.06	0.08	0.08	0.10
Informal housing	0.24	0.25	0.25	N/A	N/A	0.26	0.27	0.25	N/A	N/A
Number of children in household	2.04	1.93	1.80	1.60	1.52	2.53	2.48	2.31	2.16	2.05
Number of working adults in household	1.29	1.17	1.16	1.20	1.23	1.19	1.07	1.07	1.12	1.12
Number of pension aged adults in household	0.26	0.27	0.25	0.23	0.24	0.30	0.30	0.29	0.27	0.27
Urban	0.56	0.62	0.62	N/A	N/A	0.53	0.58	0.59	N/A	N/A
Western Cape	0.11	0.11	0.11	0.12	0.12	0.10	0.10	0.11	0.11	0.11
Eastern Cape	0.13	0.12	0.12	0.12	0.13	0.15	0.15	0.14	0.13	0.13
Northern Cape	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Free State	0.07	0.07	0.06	0.06	0.06	0.07	0.06	0.06	0.06	0.06
KwaZulu-Natal	0.20	0.20	0.20	0.20	0.19	0.22	0.22	0.21	0.21	0.20
North West	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
Gauteng	0.22	0.24	0.24	0.24	0.23	0.19	0.19	0.21	0.21	0.21
Mpumalanga	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07
Limpopo	0.09	0.09	0.09	0.10	0.11	0.11	0.11	0.11	0.12	0.12
Real monthly earnings (1994 rands)	2753.75	2546.05	2120.50	2343.58	2604.45	1584.78	1647.70	1432.11	1683.20	2059.70
Real monthly earnings - wage earners only	1995.68	1994.89	1977.51	2223.11	2504.02	1733.29	1471.11	1517.16	1747.42	2122.91
Monthly earnings	2753.75	3461.69	3510.09	4547.45	6737.73	1584.78	2240.26	2372.53	3265.60	5328.46
Economically Active	0.69	0.68	0.74	0.74	0.78	0.51	0.52	0.65	0.65	0.70
Unemployed	0.17	0.20	0.25	0.23	0.24	0.21	0.23	0.31	0.30	0.33
Employed	0.51	0.48	0.49	0.51	0.53	0.30	0.28	0.34	0.36	0.37
Job Industry:										
Agriculture, hunting, forestry and fishing	0.19	0.12	0.14	0.10		0.08	0.07	0.11	0.09	
Mining and quarrying	0.05	0.09	0.08	0.06		0.00	0.00	0.00	0.00	
Manufacturing	0.19	0.16	0.17	0.16		0.14	0.13	0.12	0.11	
Utilities	0.01	0.02	0.01	0.01		0.00	0.01	0.00	0.00	
Construction	0.07	0.09	0.08	0.12		0.01	0.01	0.01	0.02	
Trade	0.16	0.17	0.18	0.22		0.20	0.22	0.23	0.27	
Transport	0.08	0.08	0.07	0.07		0.02	0.03	0.02	0.02	
Finance	0.05	0.09	0.10	0.10		0.07	0.08	0.09	0.10	
Services	0.21	0.15	0.14	0.14		0.48	0.27	0.23	0.23	





Graph bar (mean) employed if age ≥ 15 & age ≤ 60 , over(age)



Employment status - Adult only	b4 - Gender of household member		Total
	0	Male	
Not Economically Acti	4,348	2,315	6,663
Unemployed_Discourage	736	240	976
Unemployed_Strict	1,169	669	1,838
Employed	3,019	2,993	6,012
Total	9,272	6,217	15,489

Table of employment by gender

HUMAN CAPITAL THEORY

The human capital stock concept according to Pierce-Brown (1998) has been extensively used by labor economists since the 1960s. The individual's capital stock has an "innate ability," and can be extended to (i) prior participation in the labor force by education, (ii) during employment through on-the-job training, and (iii) experience. The theory postulates that those women with middle-school education or higher are more economically active than those without formal education (Nam, 1991). Furthermore an individual's lifetime earnings usually show a one-off return for formal education, and subsequent salary increases to reflect the individual's years of experience and job training on a specific area.

According to Pierce-Brown (1998), the first distinctive approach from economics to analysis of the male-female wage gap is based on HCT. The theory lays emphasis on the voluntary choices in the lifetime of participants in the workforce as determinants of differences in occupation and remuneration. An early proponent of the HCT, Becker (1975) presented an explanation that over their working life, women are on average less productive compared to men because they tend to take an employment break for maternity leave and childcare. Furthermore, women bear the prime responsibility of the unremunerated domestic chores. Thus, the HCT emphasizes the importance of education and training in the development of human capital. Governments' poverty eradication strategies are consistent with HCT, and according to Serumaga-Zake and Kotze (2004), in order to tackle the problem of poverty, the SA government has adopted an economic development strategy focusing on developing human resources, as reflected in the national budget of 2005 and in subsequent budgets.

RECOMMENDATIONS

In the light of the findings, we recommend that more effort, in addition to the existing constitutional provisions, be made to absorb females in the South African labor market. The education of women should also be enhanced, since it was found that education and training are strongly linked with Factors Influencing Female Labor Force Participation as a focal point of the Human Capital Theory.

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