

# STRUCTURAL UNEMPLOYMENT IN SOUTHERN AFRICA

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Unemployment was not much of an election issue, despite its prominence in the news at times over the past year. In fact, lack of interest in unemployment amongst those who do not experience it directly, appears to be the norm in South Africa. Although the country has had chronic unemployment since the Second World War, it is, oddly enough, "labour shortages" that have usually been talked about. Only in the last year or two has unemployment attracted much attention from the press or, for that matter, from academic researchers.

One of the important results of some of this academic research is to show that unemployment is far greater and much more long-standing than had previously been recognised and that it is likely to get worse, not better, in the near future.

The interest in unemployment results from the fact that it has grown sharply since the late 1960s due to worsening economic conditions. According to Charles Simkins, the level of unemployment in South Africa nearly doubled between 1960 and 1977 and the rate of unemployment increased from 18,3 per cent to 22,4 per cent in the same period.<sup>1</sup> These estimates are admittedly open to fairly wide margins of error due to the limitations inherent in South African labour statistics. But there can be no doubt that they reflect a human plight of massive proportions.

How bad is unemployment in South Africa compared to other countries? It is not possible to make any comparisons with semi-developed or underdeveloped countries due to the absence of statistics. Of the countries which do record unemployment, only a few have estimates which are readily comparable with those that have been made available by researchers in South Africa. Even here it is necessary to be cautious in making comparisons, due to the tentative nature of South African estimates. Table 1 gives comparable rates of unemployment in a number of economically developed countries and Charles Simkins' estimate for South Africa.

TABLE 1 Unemployment as a Percentage of the Economically Active Labour Force, Various Countries, 1961 and 1976.<sup>2</sup>

Country	1961	1976
Australia	1,5	4,1
Canada	4,7	6,6
Italy	3,7	3,5
Japan	1,1	1,9
South Africa	19,0	21,4
U.S.A.	3,5	8,0

As the table suggests, few capitalist countries have escaped growing unemployment since the 1960s (exceptions are Denmark and Sweden) but nowhere amongst the major industrial countries for which comparable estimates are available is there a recorded rate of unemployment even half that estimated for South Africa. It must be remembered that these estimates are not indices of the material hardship accompanying unemployment. We can be sure that the hardships are far greater in South Africa, where the bulk of the population has little in the way of social security to fall back on, than in Western Europe and America, where the benefits of social security are widely dispersed.

Charles Simkins and Duncan Clarke's book **Structural Unemployment in Southern Africa** which has just been published by the Natal University Press is important because it presents the results of the most recent and carefully researched study of unemployment in South Africa and it provides an interesting analysis of labour movements in Southern Africa as a whole.

The two papers in the collection, "Measuring and Predicting Unemployment in South Africa, 1960-1977", by Charles Simkins, and 'Foreign Labour Inflows to South Africa and Unemployment in Southern Africa', by Duncan Clarke, are revised selections from the workshop on **Unemployment and Labour Re-allocation** held at the University of Natal, Pietermaritzburg, in March 1977. The papers are complementary: Charles Simkins' paper deals exclusively with unemployment within South Africa while Duncan Clarke's focuses on labour flows between South Africa and neighbouring countries and also presents provisional estimates of unemployment in a number of Southern African countries. I shall discuss Simkins' paper first.

The measurement of employment and unemployment in underdeveloped countries is complicated by the co-existence of and interrelationships between capitalist and non-capitalist sectors. This not only makes data collection difficult in practice but the concepts of 'employment' and 'unemployment' are more ambiguous than in the relatively homogenous economies of the advanced countries. What Simkins has managed to do is construct a coherent index of unemployment for the entire economy, capitalist and non-capitalist, on the basis of fragmentary data and various assumptions about conditions of employment in different parts of the economy. His painstaking research has taken us as far as we can fruitfully go with the existing statistics.

What I will do in this section of the review is discuss what employment means — some of the conceptual difficulties

— and show how, by using information about different aspects of employment, Simkins has constructed an overall index of unemployment.

Let us begin with the concept of an economically active labour force. This is fundamental to the measurement of unemployment. It is usually defined in such a way as to include people in a certain age category, say 16 to 65, who are willing and able to work. The economically active labour force is composed of those who are working, the employed, and those who are not working, but seeking work, the unemployed. An immediate difficulty is that the number of people seeking work may be influenced by the level of unemployment itself. If it becomes very difficult to get a job, people give up trying. They then fall out of the economically active population. Another problem is that some people, although they are unemployed in the sense that they are seeking work, may be prepared to accept only very specific types of work. An extreme example are the 'educated unemployed' in countries such as Sri Lanka. Their expectations effectively exclude them from the economically active labour force. The 'educated unemployed' can afford to be choosy because they are supported by other members of their families who are employed. This alternative is normally strictly limited for the mass of unskilled workers.

The size of the economically active labour force also depends on the levels of income being earned. Usually, within a certain range, the greater the level of income being earned the greater the supply of labour. It has often been argued that the opposite is true for African workers in South Africa but this is no more than a rationalization for paying low wages.

The South African censuses of 1960 and 1970 used a definition of the economically active labour force similar to that given above. With certain modifications this forms the basis of Simkins' estimates of labour supply. The estimates of **unemployed** in the censuses are entirely unreliable so that unemployment figures had to be obtained by subtracting employment from labour supply. Statistics on employment are better than those on unemployment, but by no means comprehensive.

In order to see how Simkins has constructed employment estimates for the different sectors we need to distinguish three aspects of the concept: production, income and recognition.<sup>3</sup> Economists dealing with the problem of 'surplus labour' in underdeveloped countries usually focus on the production aspect. For example in a subsistence sector, such as the Reserves in South Africa, where land and other resources are scarce in relation to the number of people available for work, a family may share its annual work load amongst all its members so that each works only part-time (or full-time, but at a low intensity). If one member leaves the family production unit, the rest may merely increase the number of hours they spend working and thereby make up the lost labour time. This would leave output unchanged. From the individual's point of view participation in family production is employment because he works, contributes to output and earns an income. From the point of view of the family or society he is unemployed (or **underemployed**) because his absence has no effect on family output, and actually raises that of society if he enters employment in a sector where productivity is higher.

Essentially, Simkins relies on the production approach to measure employment in the South African Reserves, since estimates of Reserve output are the only reasonably reliable statistics available. Following the Tomlinson Commission Report he assumes that an individual would be prepared to work full-time in agriculture only if he earned at least a minimum level of income, associated with a given level of output. By dividing this level of output into total recorded Reserve output an index or equivalent of full-time employment in the Reserves is obtained. Unemployment is

the difference between this equivalent and the economically active population in the Reserves. This method of estimation is probably the best available in the circumstances but it produces results which may considerably under- or over-estimate actual unemployment. The statistics themselves are collected under difficult conditions given the lack of records of output in the Reserves and the variation in agricultural conditions from one area to the next, which makes sample surveys complicated. Another problem is that changes in output from year to year often have little to do with employment and a lot to do with the weather. Finally, there are indications that concentration of land holding or access to land has taken place in the Reserves since 1955 when the Tomlinson Commission produced its report, which may mean that fewer people are producing the same levels of output as before. Less employment may be generated by agricultural production than Simkins' results indicate.

The production approach could also potentially be applied to the so-called 'informal urban sector', that is petty commodity production, small-scale trade, services and some wage-earning activities in the towns. But if little is known about the Reserves, even less is known about the urban informal sector. Theoretically, the industrial censuses include all establishments which operate as a separate entity and for which all elements of basic industrial statistics can be recorded. In practice most informal sector activities are excluded from the censuses due to their small size, lack of records and, in many cases, their illegality.

Studies of the informal sector in other African countries show that it provides employment for large numbers of people and incomes which are often well above those earned in the rural areas.<sup>4</sup> The informal sector in South Africa has been inhibited by influx controls and regulations governing productive activities in the urban areas, but there can be no doubt that many people are engaged in informal productive activities. Simkins' estimates make no allowance for this and insofar as such employment has gone unrecorded, he understates the level of employment.

It should not however be concluded from this that the problem is therefore substantially less serious than his results suggest. The informal sector provides employment in the sense that the individual produces an output and earns an income but typically it involves long hours of intensive work with relatively low output and/or low earnings. This phenomenon has been called the problem of 'the working poor' in an attempt to distinguish it from the case where low incomes are associated not with low productivity but enforced idleness. This leads us to the second aspect of employment which is that it provides an income.

Not all incomes are earned, and not all work yields an income. But few people would refer to work which did not yield an income as employment. Income and employment are closely linked, and this allows the one to be used as a proxy for the other in some circumstances. To use income as an index of employment it is necessary to assume that a certain level of income represents what a full-time worker would normally earn in a given period. This is how Simkins estimates employment amongst 'casual' workers on 'white' farms. The difficulty he found was that the agricultural and population censuses count the total number of 'casual' workers but do not give the number of days they work in a year. In order to calculate a full-time equivalent he takes the wage rate per annum of 'regular' farm workers, who are assumed to work full-time, and divides this into the total annual wages of casual workers. As in the case of the measurement of employment in the Reserves, the results only approximate the actual level of employment.

The third aspect of employment is 'recognition'. Some people who are 'employed' in terms of output and income criteria may nevertheless feel that they are unemployed and register themselves as such. This often happens when a

person's work does not meet up to his or her expectation either in terms of income, output, status or job satisfaction. It is the exact opposite of the case of the 'educated unemployed' mentioned earlier. Most employment statistics, including those of the Department of Statistics in South Africa, are based on recognition. This does not mean that they are therefore necessarily unreliable. In countries where non-wage employment occupies a small fraction of the labour force and where there is general acceptance of a 'normal' working day, statistics collected on the basis of recognition may be reliable. These conditions are in fact approximated in the capitalist sector of the South African economy, but by no means in the non-capitalist sector. Here, non-wage labour still plays the dominant role and the concept of a 'working day' is different from that known in the capitalist sector, varying in intensity and duration according to the seasons. Little is known about the 'working day' in the informal sector. All this means that when a person is asked whether he is employed, his answer may or may not tell one what one wants to know.

A further ambiguity relates to the concept of unemployment when applied specifically to a sector or a geographical area. Simkins attempts to measure the extent of agricultural and non-agricultural unemployment. The difficulty with this is that neither a person's geographical locality or last occupation at the time of the census necessarily determines whether he or she is unemployed 'in' one area or sector. In South Africa the legal restrictions on the movement of African workers between regions and economic sectors means that unemployment may be officially attributed to one or the other but, with the possible exception of workers in 'white' agriculture, local African workers are still sufficiently mobile to make these categories questionable.

Almost exactly the same issue can be raised about foreign African workers. Should South Africa's potential supply of workers from neighbouring countries (those able and willing to work in South Africa – many of whom might have previously been employed here) be included as part of the economically active labour force? Simkins has included only those actually resident in South Africa. This is arguably a necessary expedient but underestimates the true impact of changes in South African economic conditions on a section of the Southern African labour force traditionally dependent on South Africa for employment.

These are some of the major conceptual and practical difficulties confronted by Simkins. There are many more and it is an outstanding achievement that he has been able to construct a single, coherent measure of unemployment from the existing official statistics and to show within limits the range within which actual unemployment is likely to lie.

Now let us turn to the question of the explanation of unemployment. Simkins' paper does not explicitly attempt an explanation of the causes of unemployment in South Africa, but his analysis of changes in the structure of the economically active labour force and in employment patterns provides some interesting clues.

He found that the economically active labour force as a whole grew at a rate of 2,47% per annum between 1960 and 1970. Surprisingly, the share of the white labour force in the total actually grew from 16% in 1960 to 17,8% in 1976, whereas the share of African workers dropped from 73,1% to 71,2%. The reason for this was that the proportion of White males under 20 years fell, while the proportion of African workers under 20 years rose over this period. In addition a greater proportion of white than African women joined the labour force. This pattern is likely to reverse itself as the present African male population under 20 years of age begins to enter the labour force.

Between 1960 and 1969 employment increased at an average rate of 2,34% per annum and between 1969 and 1976 at 2,06% per annum. This is explained in terms of two opposing tendencies: the economy as a whole grew less rapidly thereby reducing the increase in employment and the sectors which grew fastest, manufacturing and government, were relatively labour-using which helped counteract the first tendency. The increase in the economically active labour force and decrease in the rate of employment growth together account for growing unemployment, especially in the second period.

Simkins distinguishes between two forms of this unemployment – cyclical and structural. The first term refers to unemployment which occurs during economic depressions. In these circumstances, although an economy's productive equipment is potentially capable of providing more employment, it is under-utilized due to insufficient demand for commodities. The second term refers to unemployment which persists even when productive capacity is fully utilized, and may be defined as the difference between the trend level of employment and the economically active labour force at any point in time. One of Simkins' most important findings was that cyclical unemployment has been relatively unimportant in comparison with structural unemployment, except since 1974. The point is that a very substantial section of the work force remains unemployed even at the peak of the business cycle. Simkins' estimates only go back as far as 1960, but there is evidence to suggest that structural unemployment has been a chronic feature at least since the war and probably throughout most of this century.<sup>5</sup> It is important that this point should be emphasised, particularly in view of the impression often given in the press and in some academic writing that unemployment is a recent phenomenon. Cyclical unemployment is merely the tip of an iceberg most of which is hidden from sight in the South African Reserves and in the rural areas of neighbouring countries.

I now turn to Duncan Clarke's paper. The basic objective of his paper is to explain the impact of unemployment in South Africa on the use of foreign workers and, indirectly, on levels of unemployment in countries supplying labour to South Africa.

His explanation is framed in terms of two basic concepts – 'labour displacement' and 'marginalization'. Displacement refers to exclusion from employment. It can result from the substitution of capital for labour in productive processes, from depressed economic conditions or the substitution of one part of the labour force for another. Although it can affect all workers, Clarke focusses primarily on the displacement of **foreign workers** in South Africa. He distinguishes two forms: 'relative displacement', which refers to a fall in numbers of foreign workers relative to total employment, and 'absolute displacement', which refers to a fall in the absolute number of foreign workers employed in a sector or in the economy as a whole.

Clarke argues that displacement has occurred virtually throughout this century, in distinct phases. At first the sections of the economically active labour force excluded from employment on the South African mines were women, and men unable to meet the mines' selection criteria. But in recent times even able-bodied workers meeting these criteria have been increasingly excluded; foreign workers more so than locals. Since about 1950 relative displacement of foreign workers began to take place and after 1972, with the increase in unemployment in South Africa, this changed to absolute displacement.

A question that has often been raised about foreign workers in South Africa is why they continue to be employed here at all, despite the existence of surplus labour amongst South African workers. Clarke suggests a number of reasons for this. One is that the Chamber of Mines has followed a

deliberate policy of drawing labour from diverse sources in order to reduce the possibility of workers combining to push for higher wages and to reduce dependence on any one source. A second reason is that the use of foreign workers lowers labour costs by doing away with certain reproduction costs such as unemployment insurance and social security for the workers during retirement. In addition, certain costs such as family housing, schooling and family subsistence are avoided. This applies, if to a somewhat lesser extent, to South African migrant workers as well. Other reasons are the scarce skills supplied by some foreign workers, regional shortages of labour in certain agricultural areas in South Africa and the political leverage which South Africa maintains over countries which are dependent on South Africa for earnings and employment for their workers.

All these factors help explain the continued use of foreign workers and make it unlikely that they will ever be excluded entirely from the South African economy. However, the recent increase in cyclical unemployment within South Africa and the uncertainty about future supplies of foreign workers from countries such as Mozambique, Rhodesia and Malawi have provoked an unprecedented degree of substitution of local for foreign workers, especially on the mines. Clarke estimates that in 1970 the number of employed foreign African male workers in South Africa was 443 000 or 15,3% of permanent ('non-casual') employment in the country. By early 1977 the number had fallen to 290 000 and the rate to 8,7%.

Displacement of foreign workers has been advocated by some writers as a means of coping with local unemployment.<sup>6</sup> Indeed, one writer, P. J. van der Merwe, goes as far as to suggest that such a measure should be applied to certain categories of local workers. In his view, Africans with residential rights in the white urban areas should be given priority over those from the Reserves.<sup>7</sup> In fact this view merely endorses existing government policy. Not only are workers with urban rights favoured in relation to migrant or contract workers from the rural areas but the minister is empowered to close off a rural district to all recruitment or restrict recruitment to particular categories of work — mining or agriculture for example — or to particular employment regions. This means that a district may be effectively cut off from employment opportunities outside its own bounds. There is evidence to show that these measures have already been implemented in some areas.<sup>8</sup> Very recently legislation has been passed which makes it possible to evict from urban areas even those with rights of residence, if they become unemployed.

Academic writers advocating such measures, whether applied to local or foreign workers, contribute directly to the ideology which presents African employment and residence in parts of the country called 'white' as a privilege which can be withdrawn when a worker becomes unemployed or too old or sick to continue working for his employer.

A distinctive contribution of Clarke's paper is that it shows that the problem of unemployment cannot be meaningfully understood within the context of the South African economy alone. (Nor can the problem correctly be seen as one of particular sectors or regions within South Africa). The effects of capitalist production based within the major industrial centres of South Africa have permeated the entire sub-continent for over a century, producing employment but also displacement and marginalization of sections of the population. The process of marginalization has been speeded up since the early 1970s and its impact has been greater on foreign than local workers due both to deliberate policy on the part of the Chamber of Mines and to stricter enforcement of laws relating to the movement, employment and residence of foreign workers in South Africa. Removal of these workers reduces the impact of cyclical unemployment in South Africa but increases it in neighbouring countries.

Clarke estimates that between 1969 and 1976 countries supplying South Africa with labour have experienced rates of growth of employment which are less than the growth in prospective new entrants to their labour markets. To these numbers must be added workers displaced directly from employment within South Africa, who make up some 35-37% of the growth of the wage labour force in the supplier states. In other words, structural dependence on South Africa has made these countries doubly vulnerable to economic depressions.

What conclusions can be drawn from these papers? First, unemployment is not the recent phenomenon it is sometimes made out to be. Substantial and possibly growing structural unemployment is a chronic feature of South and Southern African experience. The indications are that it is likely to get worse in the foreseeable future.

Secondly, employment and unemployment take different forms. We know least about conditions of employment in the subsistence sector and about structural unemployment. This calls for detailed research into the structure and dynamics of the subsistence sector and its relation to the capitalist sector. There is also an urgent need for theoretical work to explain the process of capital accumulation and its relation to both cyclical and structural unemployment in its historical context.

Finally, Simkins and Clarke's book raises a fundamental question. Is unemployment an inherent result of the existing political and economic systems of Southern Africa? It is important how this question is answered because this determines what strategies are appropriate, whether radical or reformist, in dealing with this pernicious feature of life in Southern Africa. □

#### FOOTNOTES

1. C. E. W. Simkins and D. G. Clarke, *Structural Unemployment in Southern Africa*, Pietermaritzburg, Natal University Press, 1978, table 20.
2. Sources: (i) United Nations, *Statistical Yearbook, 1970*, New York, Statistical Office of the United Nations, Department of Economic and Social Affairs, 1971, table 22.  
(ii) International Labour Office, *Yearbook of Labour Statistics, 1976*, Geneva, ILO, 1971, table 22.  
(iii) C. E. W. Simkins and D. G. Clarke, *op. cit.*, table 20.  
**Notes:** The estimates of unemployment in the countries other than South Africa are based on sample surveys of each country's active labour force. The 'unemployed' include persons 14-16 years and above in age who had not been working and were looking for work during the week of the survey. Given the widespread acceptance of a standard working day in these countries (with the possible exception of Italy which has a large subsistence sector) these estimates correspond closely to Simkins' concept of 'man-years'.
3. A. K. Sen, *Employment, Technology and Development*, Oxford, Clarendon Press, 1975.
4. International Labour Office, *Employment, Incomes and Equality: A Strategy for Increasing Productive Employment in Kenya*, Geneva, ILO, 1972.
5. J. B. Knight, 'Labour Supply in the South African Economy and its Implications for Agriculture', *Saldru Farm Labour Conference*, University of Cape Town, Saldru, September 1976.
6. P. J. van der Merwe, 'Black Employment Problems in South Africa', *Workshop on Unemployment and Labour Re-allocation*, University of Natal, Pietermaritzburg, Development Studies Research Group, March 1977; J. B. Knight, *op. cit.*
7. P. J. van der Merwe, *op. cit.*, pp. 28-29.
8. S. Duncan, 'The Central Institutions of South African Labour Exploitation', *N.U.S.A.S. Labour Week*, 23rd to 27th May 1977, Johannesburg, Durban, Pietermaritzburg and Cape Town.