

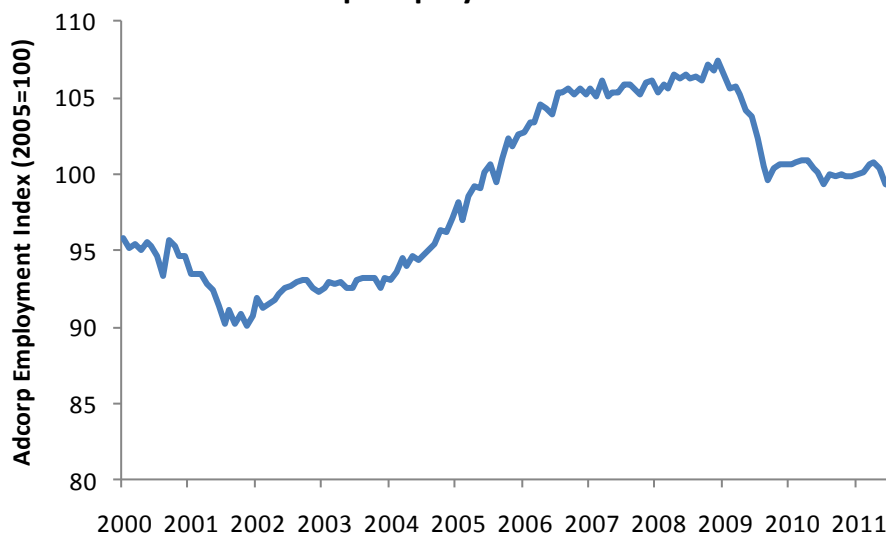
Adcorp Employment Index, September 2011

Release date: Monday, 17 October 2011

Salient features

- Employment grew by a slight 2.5% in September, mostly due to a 4.0% increase in employment by temporary employment agencies and a 7.7% increase in employment in the unofficial economy. All other categories of employment were essentially unchanged.
- Employment dropped sharply in the manufacturing (-16.7%), transportation and logistics (-9.0%) and construction (-4.6%) sectors – representing a loss of 25,000 jobs during the month. These losses were offset by employment gains in the government (+10.5%), finance (+8.2%) and wholesale and retail trade (+6.6%) sectors.
- Continuing a long-standing trend, employment of high-skilled and office workers grew by 8.8% (or 48,000 jobs) whereas employment of low- and semi-skilled workers fell by 6.4% (or 26,000 jobs).
- South Africa's informal sector – the unofficial part of the economy whereby many people are forced to eke out a meagre economic existence through lack of formal job opportunities, and which evades income taxes and circumvents labour laws – now represents 32.8% of SA'S potential workforce. During September the informal sector grew at an annual rate of 7.7% making it the fastest-growing segment of South African economic activity as it relates to individuals. More than 6.2 million people eke out a living in this sector, unprotected by labour laws and beneath the tax authorities' radar screens, making it the second-largest sector of the labour market after officially recorded employment.

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Source: Adcorp Analytics (2011)

Analysis

South Africa's informal sector – i.e. the unofficial part of the economy whereby many people are forced to eke out a meagre economic existence through lack of formal job opportunities. This sector of the economy which evades income taxes and circumvent labour laws, now represents 32.8% of SA'S potential workforce. During September the informal sector grew at an annual rate of 7.7% making it the fastest-growing segment of South African economic activity as it relates to individuals. More than 6.2 million people eke out a living in this sector, unprotected by labour laws and beneath the tax authorities' radar screens, making it the second-largest sector of the labour market after officially recorded employment, which numbers 12.7 million people. In other words, the informal sector is now almost half of the size of officially recorded employment. It is just 30.2% smaller than standard employment (i.e. permanent work) and 63.5% bigger than non-standard employment (i.e. temporary and agency work). There are thought to be 2.1 million employers, each employing on average 2.9 workers, in the informal sector.

The informal sector possesses several important characteristics:

- Contracts of employment, both written and verbal, are strictly speaking absent
- Employers do not make contributions to medical aids and/or pension funds
- Employers do not make statutory deductions (i.e. payroll taxes such as Unemployment Insurance and Skills Development Levies)
- Employers do not report or pay Pay-As-You-Earn (PAYE) to the South African Revenue Services
- Employees, such as they are, do not have recourse to formal labour dispute resolution mechanisms such as the CCMA and the Labour Courts.

The data suggest that South Africa's formal labour market is gradually disintegrating. The process of "informalization" – whereby formal jobs (i.e. where contracts of employment are present) are converted into informal jobs (where contracts of employment are absent) – has long been recognized in South Africa.

There are several causes of the formal labour market's disintegration. The most prominent is the influx of an estimated 1.5-3.5 million illegal migrants from neighbouring countries, notably Zimbabwe, Malawi and Mozambique, since the last population census conducted in 2001. According to the Statistician-General, whose estimates are based on the number of illegal Zimbabwean migrants who applied for official status under the Department of Home Affairs' amnesty programme in 2010, there are no more than 350,000 Zimbabweans working and residing illegally in South Africa, which probably undercounts the reality by between 75% and 90%.

REPORT

The population census currently underway in 2011 will doubtless underestimate the number of illegal foreign workers in South Africa, since there is a strong incentive for illegal aliens to avoid being counted, specifically to avoid arrest, confinement and deportation. The presence of a large number of illegal migrants in the South African labour market has led to large-scale evasion of laws relating to minimum wages and basic working conditions.

Another cause, more difficult to quantify, is the effect of labour laws and regulations. Employers complain about two specific regulations, namely dismissal protections (which allow poor-performing employees to hide behind the Labour Relations Act to avoid sanction or dismissal) and collective bargaining (which is mandated by the Labour Relations Act and has the effect of driving a wedge between wage escalations and labour productivity). The collective effect of these regulations is to make employees' unaccountable for their personal productivity and remunerated according to government strictures rather than business performance or productivity. It is predictable, in the circumstances, that a growing number of employers are opting out of the formal labour market in order to circumvent labour laws and regulations.

Additional Data

Employment by Type

Occupation	Employment Sep2011	Percentage change vs. Aug 2011*
Unofficial sector	6,228,907	7.69
Official sector	12,733,382	0.02
Typical (permanent, full-time)	8,922,545	0.04
Atypical (temporary, part-time)	3,810,837	-0.02
- of which agencies	998,032	4.02
Total	18,962,289	2.53

* Annualized

REPORT

Employment by Sector

Sector	Employment Sep 2011 (000s)	Percentage change vs. Aug 2011*
Mining	307	3.92
Manufacturing	1,343	-16.74
Electricity, gas and water supply	89	0.00
Construction	516	-4.63
Wholesale and retail trade	1,651	6.58
Transport, storage and communication	532	-8.96
Financial intermediation, insurance, real estate and business services	1,612	8.24
Community, social and personal services	2,655	10.49

* Annualized

Employment by Occupation

Occupation	Employment Sep 2011 (000s)	Percentage change vs. Aug 2011*
Legislators, senior officials and managers	1,066	7.93
Professionals	707	5.11
Technical and associate professionals	1,596	6.05
Clerks	1,455	10.82
Service workers and shop and market sales workers	1,790	11.51
Skilled agricultural and fishery workers	97	-24.24
Craft and related trades workers	1,407	-9.31
Plant and machine operators and assemblers	998	-7.17
Elementary occupation	2,353	-3.56
Domestic workers	825	5.85

* Annualized