



Are the unemployed a homogenous group? Evidence from panel data in KwaZulu-Natal

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In order to devise effective policies for addressing unemployment, it is essential to understand the characteristics of the unemployed. In work done for the *South African Poverty and Inequality Report*, Klasen and Woolard¹ argue that it would be useful to distinguish between six categories of the unemployed, namely the poorly educated rural unemployed; the poorly educated urban unemployed; the young unemployed; the long-term unemployed with no labour market experience; the educated unemployed with labour market experience; and the highly educated unemployed. They hypothesise that certain of these groups will be absorbed into the labour market more easily than others. For example, they suggest that the long-term unemployed will find it especially difficult to break into the job market, and that the highly educated are likely to be the most easily absorbed.

This article sets out to investigate whether this categorisation is sufficiently nuanced to assist with policy formulation. The article makes use of panel data for KwaZulu-Natal to investigate the labour market outcomes in 1998 and 2004 of the same individuals that were surveyed in 1993. By observing the same individuals at three points in time, it is possible to see which groups of unemployed individuals have been more likely to make the transition into paid employment. Similarly, it is possible to identify which groups are most likely to have dropped out of the labour force altogether.

Box 1: The data

The data for this paper come from the KwaZulu-Natal Income Dynamics Study (KIDS). In 1993, a national living standards survey called the Project for Statistics on Living Standards and Development (PSLSD) was conducted by the Southern Africa Labour and Development Unit at the University of Cape Town in collaboration with the World Bank. In 1998 and 2004, the same African and Indian households in KwaZulu-Natal that had originally been part of the PSLSD survey were interviewed again. Data of this sort are referred to as “panel data” because the same individuals are interviewed in each round (or “wave”). The 2004 data used here are provisional, as the final data set will only be released early in 2005. Nevertheless, the data should be broadly indicative of the trends.

The sample used in the analysis for this article consists of a little over 2 000 individuals aged 15 to 54 in 1993 that were subse-

quently tracked and re-interviewed in 1998 and 2004. Throughout the analysis the broad definition of unemployment is used.

The PSLSD/KIDS unemployment estimates differ from the official labour statistics – derived from the Labour Force Surveys (LFS) – for two important reasons. Firstly, the PSLSD/KIDS questionnaires rely largely on self-reported employment status, whereas the LFS elicits a large amount of information from which employment status is objectively inferred. Secondly, KIDS is a panel study of a particular cohort of individuals – it is not necessarily representative of even African and Indian households in KwaZulu-Natal, let alone the country as a whole.

Creating a typology of the unemployed

In their analysis, Klasen and Woolard distinguish between those with and without labour market experience. This was not possible in the 1993 KIDS data because not all of the unemployed were asked if they had ever worked before². Consequently, the Klasen and Woolard typology is adapted slightly here.

Using the 1993 data for KwaZulu-Natal, the following six categories were created:

- Group a:* Poorly educated rural unemployed (38 per cent of the unemployed sample fell into this category);
- Group b:* Poorly educated urban unemployed (6 per cent);
- Group c:* Young unemployed with some/completed high school and no labour market experience (44 per cent);
- Group d:* Older unemployed with more than primary schooling who have given up searching (8 per cent);
- Group e:* Older searching unemployed with more than primary schooling (4 per cent); and
- Group f:* Highly educated unemployed (1 per cent).

It should be noted that 41 per cent of the sample reside in urban areas, thus the small size of group *b* relative to group *a* is not explained simply by a rural bias in the sample. It is, however, the case that the Indian sub-sample (which represents individuals with a higher average level of education than the African sub-sample) is concentrated in urban areas.

1 Klasen, S. and Woolard, I. 1998. Who are the unemployed poor? *Input paper for Poverty and Inequality in South Africa prepared for the Office of the Executive Deputy President and the Inter-Ministerial Committee for Poverty and Inequality*, 13 May. Available: <http://www.info.gov.za/reports/1998/poverty/poor.pdf>

2 Only “discouraged” work seekers were asked about their work experience. The question was not posed to those unemployed persons who were actively searching for employment.

Klasen and Woolard conjecture that groups *a* and *d* would be the two groups that would have the greatest difficulties in entering formal-sector employment. These two groups make up 46 per cent of the unemployed, with the vast majority consisting of the rural poorly educated unemployed. Groups *b* and *c*, the urban poorly educated and the young unemployed make up half of the broadly unemployed. Finally, groups *e* and *f*, that Klasen and Woolard theorise to be the most likely to be placed when labour market opportunities increase, make up only one-tenth of the unemployed.

Findings

The sample is restricted to those individuals who were aged 15 to 54 at the time of the 1993 survey, since people who were older than 54 in 1993 would be too old to be part of the labour force in 2004.

Table 1.1 shows the proportion of each unemployed category that was employed in 1998 and/or 2004. It also shows the results for the not economically active and the employed from 1993 for purposes of comparison.

Overall, 43 per cent of the unemployed in 1993 were working at the time of the 1998 and/or the 2004 survey and only 20 per cent were working in both time periods. Individuals in group *e* – the older, searching unemployed with at least eight years of schooling – were the most likely to make a successful transition to employment. The educated young were moderately successful – half of this group (as defined in 1993) was working by the time of the 2004 survey. Contrary to Klasen and

Table 1.1 Individuals employed in 1998 and/or 2004 survey by labour market status

Group (defined in 1993)*	Period employed			
	1998		2004	
	1998	2004	1998 and/or 2004	1998 and 2004
Unemployed (combined)...	29	35	43	20
(a) Low education, rural	17	27	35	10
(b) Low education, urban ..	19	13	19	13
(c) Young, educated.....	35	43	50	29
(d) Older, educated, discouraged	38	43	48	33
(e) Older, educated, searching	70	40	80	30
Not economically active....	21	30	40	11
Employed	67	55	77	45

* Group (f) is omitted as the sample size is too small

Source: Own calculations on PSLSD/KIDS data

Woolard's predictions, the least successful group consisted of urban dwellers with low levels of education. As the unemployment crisis deepened, this group found it increasingly difficult to compete for scarce jobs against the better educated unemployed.

While being employed in 1993 substantially increased an individual's chances of being employed in later periods, less than half of those individuals that were employed in 1993 were also working in both 1998 and 2004. This is an important result, as it suggests a significant amount of labour market churning.

Table 1.1 suggests a high degree of movement into and out of employment. For example, 43 per cent of the unemployed in 1993 were employed in either 1998 or 2004 and only 20 per cent of those employed in 1993 were also working in both 1998 and 2004. In Table 1.2 this is disaggregated further. Three-quarters (75 per cent) of the men and more than half (54 per cent) of the women in the sample had worked in at least one of the three time periods, while only 23 per cent of the men and 10 per cent of the women were working at the time of all three surveys. Many of those in the youngest cohort (15 to 24) would still have been enrolled in education at the time of the first survey, hence only a very small proportion of this group were working in all three time periods. Nevertheless, it is disheartening to note that almost one-third of the men and more than half of the women in this age cohort were not working in *any* of the time periods.

Table 1.2 Individuals that had worked during the survey reference periods, by age and gender

Age in 1993	Per cent							
	Number of time periods worked							
	None	1	2	3	None	1	2	3
	Male				Female			
15 – 24	32	34	25	9	57	30	12	2
25 – 34	26	20	24	30	41	20	22	17
35 – 44	22	15	26	37	36	31	16	17
45 – 54	12	21	38	29	46	28	15	11
All.....	25	24	27	24	47	27	16	11

Source: Own calculations on PSLSD/KIDS data

It would be expected that the likelihood of being employed should be positively correlated with educational attainment. Table 1.3 shows a disaggregation of the number of time periods worked by educational status. Because the younger individuals in the sample may still have been studying at the time of the first survey round, this table is

broken down by educational attainment in 1998. The probability of not having worked in any of the reference periods falls steeply with higher levels of education. Only 4 per cent of males and 11 per cent of females with post-secondary education were not working at the time of all three surveys. By contrast, 29 per cent of men and 50 per cent of women with primary schooling or less were not working in any of the three reference periods.

Table 1.3 suggests that it is important to draw a distinction between those individuals with some secondary schooling and those with *completed* secondary schooling. This is in keeping with the findings of other researchers³ and would seem to be a refinement that could be incorporated usefully into the Klasen and Woolard typology. Whereas 30 per cent of males with incomplete secondary schooling were not working in any of the three time periods, this was only true for 18 per cent of those who completed high school.

Table 1.3 Individuals that had worked during the survey reference periods, by educational attainment and gender

Per cent

Educational attainment in 1998	Number of time periods worked							
	None				1			
	None	1	2	3	None	1	2	3
	Male				Female			
No schooling or primary only.....	29	26	29	16	50	27	12	11
Incomplete secondary ...	30	23	21	26	48	26	16	10
Completed high school (matric).....	18	24	36	22	43	30	20	6
Diploma or degree.....	4	26	19	51	11	26	26	37
All	25	24	27	24	47	27	16	11

Source: Own calculations on PSLSD/KIDS data

Table 1.4 considers the proportion of each group that was economically inactive in 1998 and/or 2004. Interestingly, for almost every group there is little intersection between the individuals that were inactive in 1998 and the individuals that were inactive in 2004. For example, among the individuals that were not economically active in 1993, 48 per cent were also inactive in 1998 and 40 per cent were inactive in 2004 – but only 24 per cent of the original group were inactive in both subsequent periods. The probability of withdrawal from the labour market (i.e. transition to economically inactive status) was most likely among the

poorly educated urban unemployed. Among the young unemployed, one-third of the original group was classified as economically inactive in 2004, yet only 4 per cent

Table 1.4 Individuals not economically active at the time of the 1998 and/or 2004 survey, by labour market status in 1993

Per cent

Group (defined in 1993)*	Period economically inactive		
	1998	2004	1998 and 2004
Not economically active.....	48	40	24
Employed.....	18	30	11
Unemployed (combined).....	30	35	15
(a) Low education, rural	42	30	17
(b) Low education, urban	75	75	75
(c) Young educated	14	33	4
(d) Older, educated, discouraged, unemployed	38	57	29
(e) Older, educated, unemployed who are actively searching	30	10	10

* Group (f) is omitted as the sample size is too small

Source: Own calculations on PSLSD/KIDS data

were inactive in both 1998 and 2004. This again suggests a high degree of movement into and out of the labour force.

Conclusion

The above analysis suggests that there is considerable movement into and out of the (broadly defined) labour market and into and out of employment. Employment prospects for some groups are, however, particularly bleak. People with low levels of education – especially in urban areas – seem to have a particularly low likelihood of finding work and are the most likely to drop out of the labour force completely.

Each of the identified categories of unemployed individuals requires specific kinds of interventions. While skills training and assistance in job search are likely to benefit the young and better educated, these types of interventions are unlikely to be of much assistance to the older unemployed with only primary school education. For these groups, targeted public works programmes and social assistance are probably the only answer.

3 For example, see Borat, H. 2004. *Labour Market Challenges in the Post-Apartheid South Africa*. Available: <http://www.sarprn.org.za/documents/d0000747/index.php>