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**Is employment a panacea to poverty?
A mixed-methods investigation of employment decisions in
South Africa**

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- **Objective:** Investigate effects that volatility in labour market has on well-being, **specifically those (paradoxical) cases in which disadvantaged workers turn down or quit wage jobs & what these cases reveal about hidden "costs" to wage employment**
- **Approach:** Combine quantitative findings from the dynamic analysis of panel data, with findings from a qualitative case study integrating focus groups discussions and life history interviews conducted from July to September 2017 in the township of Khayelitsha, Cape Town

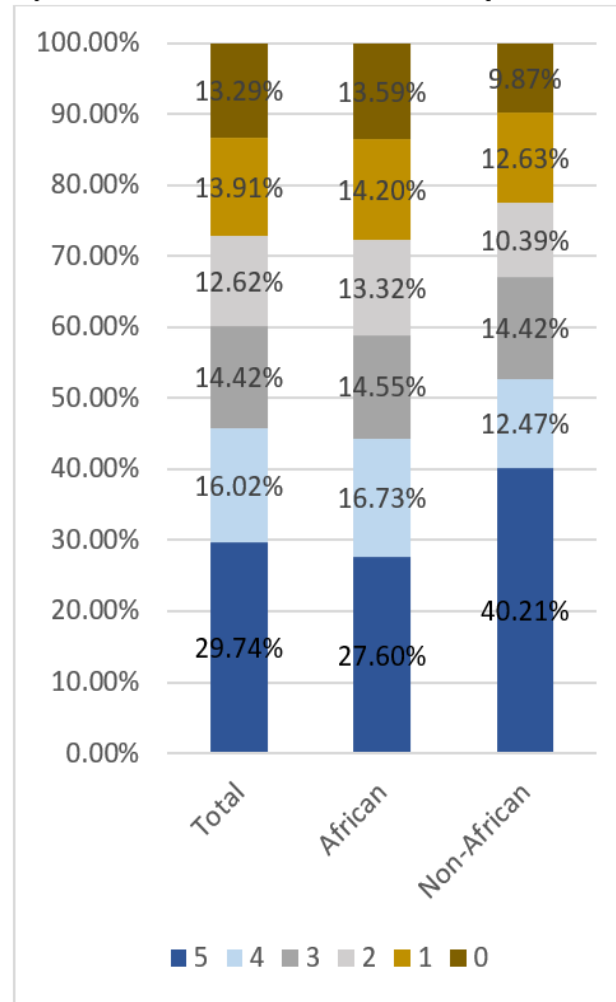
Three stylised facts

- Unemployment: 29% (Q2, 2019)
- Poverty: 55.5% (2015)
- Inequality: Top 10% captures two-thirds of national income (WIR, 2018)

Employment dynamics

Number of periods employed

a) African vs Non-African sample

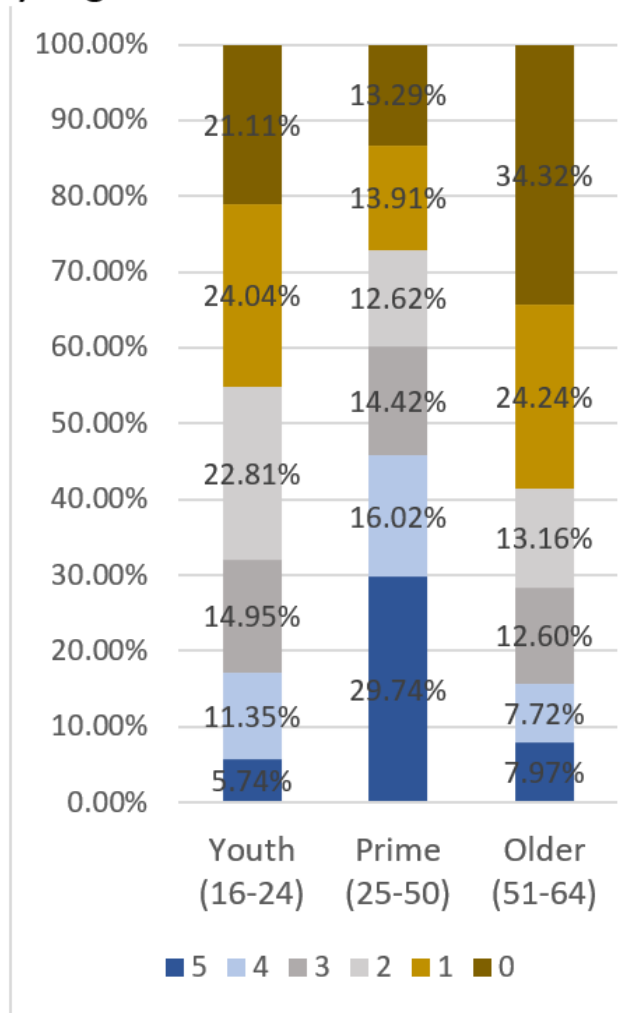


Source: Author's calculations using NIDS waves 1 to 4 pooled panel of wave-to-wave transitions.

Employment dynamics

Number of periods employed

d) Age



Source: Author's calculations using NIDS waves 1 to 4 pooled panel of wave-to-wave transitions.

Qualitative case study: Khayelitsha

- Large
- Growing quickly
- Microcosm of many of South Africa's social ills

Focus groups



Focus groups: Social stratification schema



1	<ul style="list-style-type: none">• Successful entrepreneurs• Permanent white collar job in public or private sector
2	<ul style="list-style-type: none">• Employed, usually in lower-level white collar occupations• Need to support a large number of dependents (extended family)
3	<ul style="list-style-type: none">• Low-skilled jobs with low pay, limited duration, high volatility• Most elementary needs satisfied• No financial cushion
4	<ul style="list-style-type: none">• No access to labour income• Survive on child support grants and/or support from others• Go to bed on an empty stomach

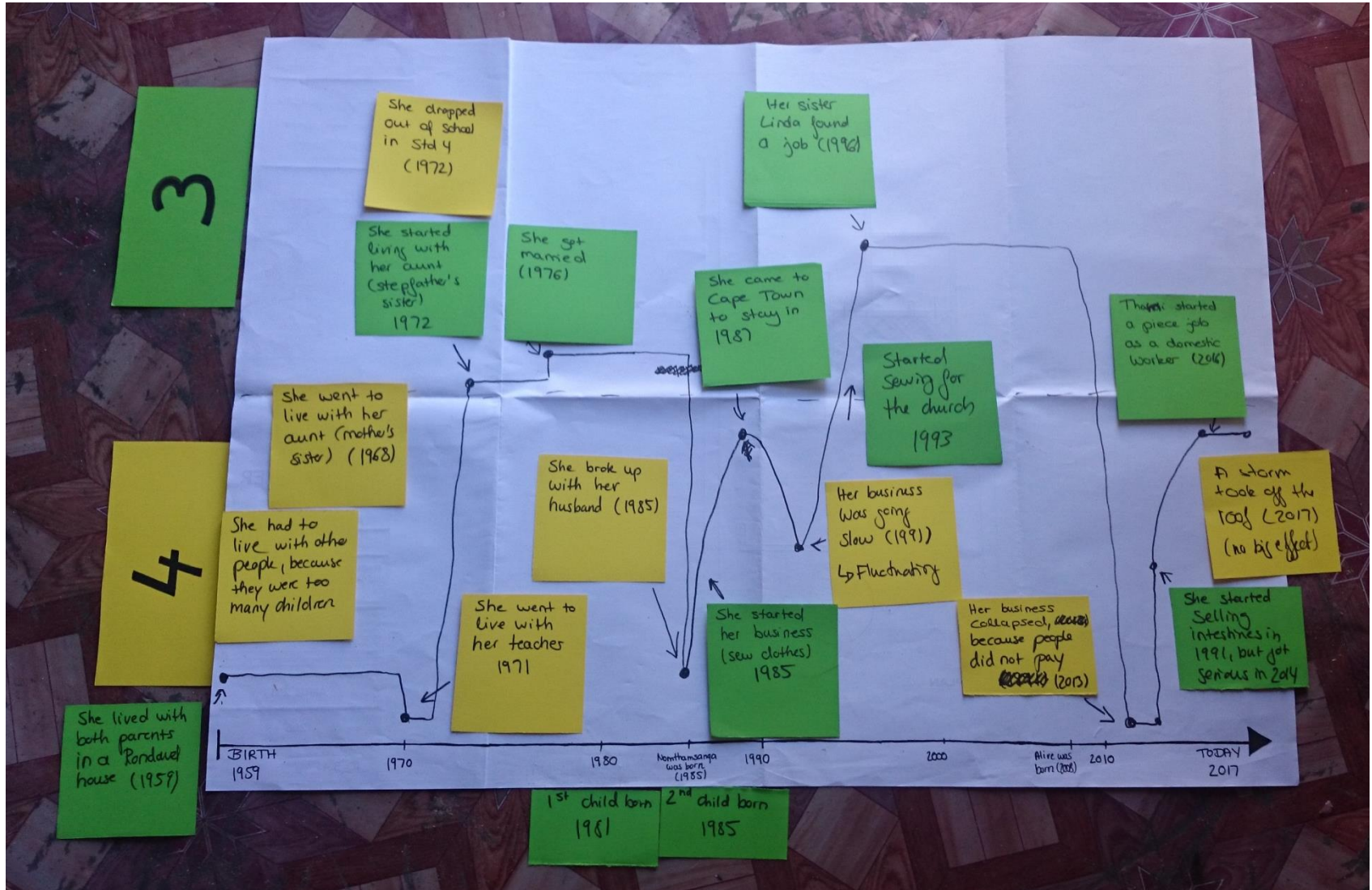
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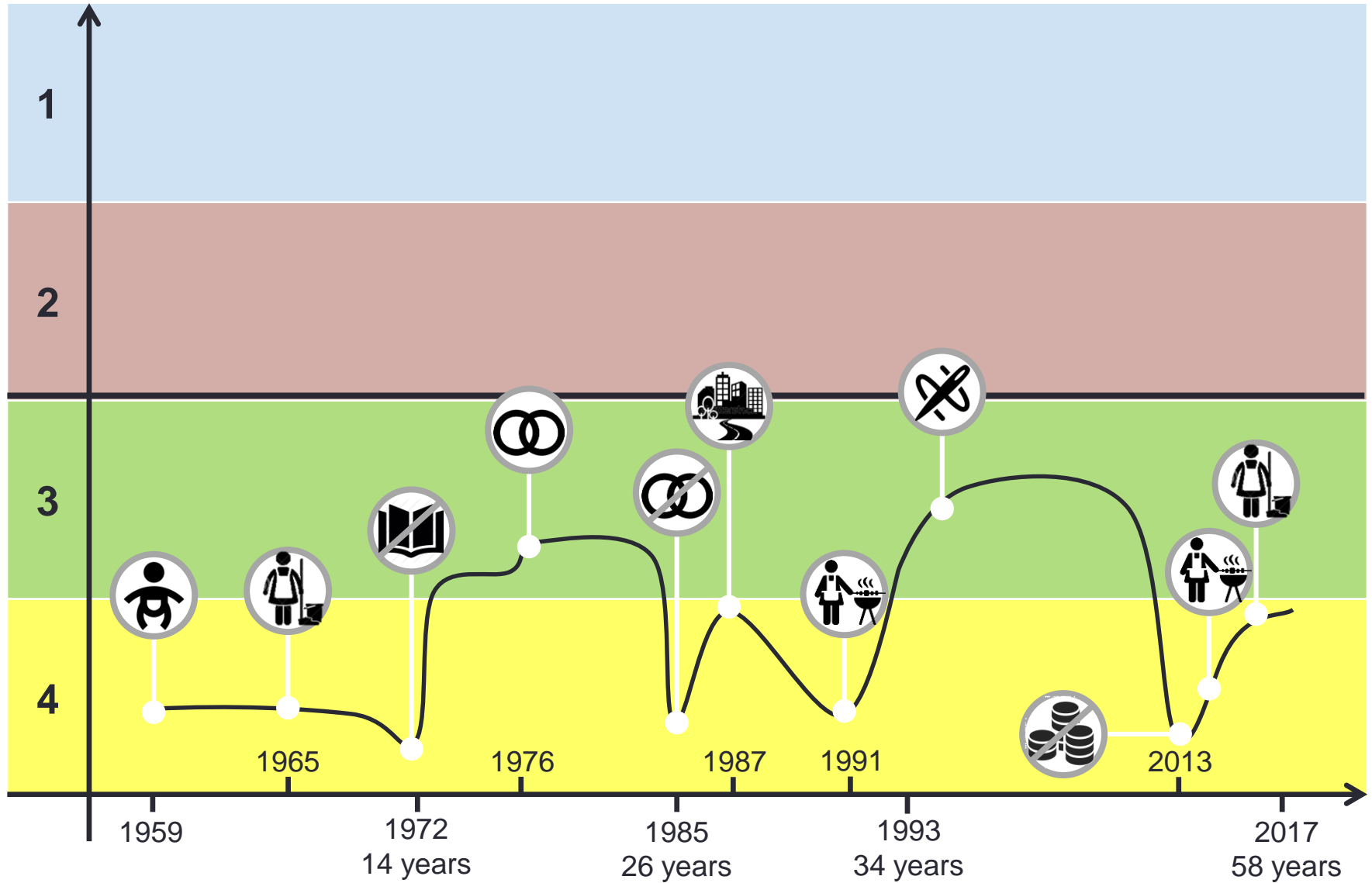
Welfare definition

- “Fuzzy” definition of wellbeing
- More subjectively meaningful than money-metric proxies
 - space to express materially unobservable determinants of wellbeing (such as psychological wellbeing and social standing)
- Still fundamentally based on material well-being
 - By anchoring the definition in a four-tier schema of social stratification, facilitates a degree of comparability between cases

Life history interviews



Example: Lindelwa's life history



The role of contextual factors in determining welfare effects of job loss

- **Puzzle:** Frequent voluntary quits in qualitative interviews do not square with quantitative finding that job loss is a predictor of poverty entry
- Perhaps work is not always a “good thing”?
- Blattman and Dercon (2016):
 - “workers with the poorest outside options remain [employed]”, while those with stronger outside options “use industrial jobs as temporary employment to cope with adverse shocks and unemployment spells”
- Teal (2017):
 - “There is no reason to think firm wage employment is the preferred outcome for most workers”

The welfare effects of job loss – types of workers

- On average, gaining a job = route out of poverty, losing a job = route into poverty
 - **BUT**
- Hypothesise two categories of workers (*assumptions?*)
 - Weak outside options = depend heavily on wage employment when they have access to it.
 - Stronger outside options = less likely to rely heavily on wage labour (except temporarily)

The welfare effects of job loss – types of workers

- Employment **volatility**?
 - Weak outside options:
Jobs available to these workers are inherently precarious
 - Strong outside options:
Transition *into* unfavourable forms of wage labour if they suffer a shock (temporary)
- Workers in both states are observed to transition frequently into and out of employment – but with different welfare consequences

The welfare effects of job loss – types of jobs

- Relaxing job quality assumption - reintroducing heterogeneity
- Welfare effects of job loss is determined by the margin by which benefits outweigh costs of employment,
 - jointly determined by **outside options** and **job quality**
- Motivates a focus on the “costs” of involved in low-skill service, retail and construction sector work

Costs of work - wages

- Mean of R2,963.
- 1/3 of those in the life-history sample reported having left jobs because they considered their pay to be “too low”.
- Mostly **young men**: few dependants & strong sources of support within own households.
- “Unfair” wages/working conditions = “getting even” (Akerlof and Yellen, 1990)
- **Examples**: “S”, Masande, Zoyisile

Costs of work – commuting expenditure

- An effective income “tax” (time and money) on black workers (Kerr, 2017)
 - Hourly wage reduction of 26% for taxis, 39% for “mixed” transportation
- Exacerbated for those working variable hours
 - Reliance on “mixed” transportation, psychological stress, sunk cost of monthly tickets, variable wages
- **Examples:** Zandiswa, Unathi

Costs of work – perception of exclusion

- *Paradox*: Labour market “**inclusion**” experienced as an affirmation of structural exclusion. “**Exclusion**” experienced as inclusion in a township economy
 - “complex hybrid livelihood portfolios”/”hustling”
 - Exercise agency, feel included, aspire to upward mobility (“zero to hero” stories)
- (*Dawson, 2018*)
- FGD/LHI paradox:
- Mobility through labour market vs aspirational preference for an entrepreneurial route out of poverty
- Wage jobs perceived as a “second best” option

Costs of work – perception of exclusion

- A caveat:
- “When you are a man and you are not responsible, people look at you funny, even your family. They treat you funny, look at you funny, look at you as a no-body. Even your mother will say things that she wouldn’t say to you if you were working” – Masande, Sept. 2017

Consequences for thinking about work

- Material and psychological burdens of low-skill employment lead many poor workers to consider wage employment as a “second best” livelihood option
- Wage work is often little more than a survival strategy for the poor, where the benefits are often only marginally greater than the costs.
- What does this reveal about the challenges of creating employment for SA’s youth?
- And what does it say about the millions of South African workers who settle for low-skill wage work?