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Foundational overview of the Eastern Cape labour market

John Reynolds

Neil Aggett Labour Studies Unit Research Report I

Institute of Social and Economic Research

September 2013

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The views expressed in this report are those of the author and do not necessarily reflect the views of our funders or supporting institutions.

Executive Summary¹

I Introduction

Any overview of the Eastern Cape labour market has to consider its national and historical context, which includes not only the location of the Eastern Cape within the development of the South African economy, but, tied to that, the location of such economic development itself within a larger social and historical context. Engaging in labour market analysis is not a theoretically or politically neutral exercise. Analyses undertaken in this report are generally positioned within the political economy tradition, in terms of which the economy is viewed not in the abstract, but as embedded within social and political systems with particular historical and geographic or spatial forms.

This report includes an outline of the legislative and policy framework through which formal organisation of the labour market is framed. Excluded from direct coverage by this framework are the people who are marginalised or excluded from active participation in the labour market by the ways in which South African economic and social relations are structured. Those who are excluded are variously counted as the unemployed, the underemployed and the informally employed, and are particularly well represented in the Eastern Cape Province of South Africa.

This foundational overview of the Eastern Cape labour market does not limit itself to the formal sector, or even to a quantification of unemployment, but also explores incomes and the distribution of incomes and income poverty.

At its core, this foundational overview of the Eastern Cape labour market is an account of employment, unemployment, incomes and education drawing on Census data and on administrative data provided by the Department of Labour and the Department of Public Works.

2 Institutional and legislative framework

From an international perspective, the International Labour Organisation (ILO) provides a key reference point to governance of the labour market. As part of the United Nations system, it is a key component of the international institutional architecture with which member states interact around issues of labour markets and labour. South Africa is one of those member states.

International efforts to develop a set of standards for labour and social rights did not leave South Africa unaffected, as is evidenced by the African National Congress's 1943 document, *Africans' Claims in South Africa*, and the Freedom Charter of 1955. The formal end of apartheid and the first democratic elections in South Africa in 1994 were followed by the adoption of the final Constitution in 1996. Section 23, which is part of the Bill of Rights in that Constitution, contained a number of guidelines for labour relations. These constitutional principles were given legislative and institutional content in the form of a number of Acts of Parliament and a range of labour market institutions.

In giving effect to the constitutional principles and South Africa's international commitments, the various pieces of labour legislation passed by Parliament since 1994 embedded the principle of *regulated flexibility*, in terms of which an acceptable balancing of efficiency and equity was to be sought in labour

¹ Source references and much detail are omitted from this Executive Summary, as its function is not to replace the text of the main report, but rather to interest the reader in that text.

relations. The national Department of Labour was allocated key responsibility for supporting the functioning of the institutional infrastructure established through the Labour Relations Act and for the setting and enforcement of minimum standards, amongst other things. Until November 2009, these responsibilities included management of the institutional infrastructure established for skills development, after which these responsibilities were moved to the Department of Higher Education and Training.

In general, labour market regulation in South Africa became increasingly corporatist from the early 1990s, which sat uneasily with the entrenchment of neo-liberalism in South African macro-economic policy, and, indeed, the history and structure of capitalism in South Africa, a situation that arguably undermined the functioning of the National Economic Development and Labour Council (NEDLAC) itself.

The legislative and institutional framework for regulation of the labour market has a significant effect on labour market outcomes, but is by no means definitive. This is not just because formal regulatory frameworks are imperfect or limited in the face of complex and changing conditions, but also because such frameworks are not uniquely constitutive of the realities faced by people who attempt to secure incomes and livelihoods. Formal regulatory frameworks emerge in complex social, economic and political contexts, animated by the dynamics of class relations.

3 The economy and policy interventions

Growth of the national economy, which had developed around a minerals-energy complex and had been built on cheap black labour, declined during the 1980s and early 1990s, contributing to the pressure towards a negotiated settlement to end apartheid. The new democratic state inherited an economy in decline, a spatially fractured territory, high levels of inequality and poverty, and low levels of education, strongly skewed towards the black population. The policies adopted since 1994 have not fundamentally altered the structure of the South African economy and have entrenched neo-liberalism in South Africa.

Historically, the Eastern Cape, which includes two of the largest former Bantustans in South Africa, served as a key site of labour reproduction in support of the development of the South African economy. Although attempts were made, pre-1994, to encourage decentralised economic development in the territory that became the Eastern Cape Province, the urban centres of East London and Port Elizabeth, and related hinterland, developed as the core of the economy.

Policy responses to poverty, unemployment and inequality included the Provincial Growth and Development Strategy of 1997, and the Provincial Growth and Development Plan 2004-2014 (PGDP). The PGDP argued for active state intervention in the economy, but acknowledged that many key instruments of economic policy and investment lay outside the control of the province. A Strategic Framework for Human Resource Development launched a process that led to the development of a Provincial Skills Development Plan in 2005 in support of the PGDP. This plan, however, was overtaken by the release of the Accelerated and Shared Growth Initiative – South Africa (ASGISA) and the establishment of the Joint Initiative for Priority Skills Acquisition (JIPSA) in 2006, which is also the year in which the provincial social partners signed the provincial Jobs Summit Agreement. A Provincial JIPSA Council was established and later replaced by the Provincial Human Resource Development Council, which still functions. In 2009, a Provincial Skills Indaba was held and a Provincial Industrial Development Strategy was released. The Eastern Cape Jobs Strategy was released in 2012.

At a policy level, the Eastern Cape Provincial Government has consistently committed itself to state intervention in the economy, but has had limited success in effecting such intervention, due in part to governance challenges, the constraints of national policy and practice, and the structure of the national economy.

4 Employment, unemployment, education and incomes in the Eastern Cape

4.1 Employment

The *Community, Social and Personal Services* (CSP) sector and the *Wholesale and Retail* sector dominated employment in the Eastern Cape in 2001 and 2011, and elementary occupations dominated employment in 2001 and 2007. Detailed analysis of employment by industrial sector and occupational category was not possible for 2011, as the Census 2011 data released by the time this report was written did not include that information.

According to the Department of Labour's Job Opportunities Index (JOI), vacancies in the Eastern Cape during the period 2009/10-2011-12 were dominated by the *Financial, Intermediation, Insurance, Real Estate and Business Service* sector, followed by the CSP sector. The following occupational categories dominated vacancies in the same period: professionals, managers, technicians and trade workers, and clerical and administrative workers – however, JOI reliance on vacancies advertised in the media might have excluded vacancies for elementary workers.

In 2011, the Eastern Cape broad labour force stood at 1,951,189 people, of whom 1,028,964 (53%) were employed. Amongst those classified as employed, however, are people in marginal employment positions – potentially a greater proportion than is indicated by the 28% who indicated that they were not employed in the formal sector, as more than 90,000 people employed in the formal sector indicated that they earned no income.

According to Statistics South Africa, the Eastern Cape experienced the highest net out-migration of all provinces in South Africa in 2007 and 2011, with only Limpopo coming close.

The majority of recorded complaints lodged with the Department of Labour over the period 2001/02-2011/12 related to the Basic Conditions of Employment Act.

The Expanded Public Works Programme (EPWP) in the Eastern Cape has managed to generate increasingly higher numbers of projects and work opportunities from its inception in 2004/05 to 2011/12. In 2011/12, the EPWP in the Eastern Cape generated the highest number of work opportunities of all provinces in South Africa, even though the number of EPWP projects was comparatively modest. The Eastern Cape Provincial Government dominated the number of work opportunities and person years of work (including training) created by any of the other spheres of government or the non-state sector. Work opportunities created per district in the province generally fit the distribution of employment need in 2011, but with the Chris Hani District being particularly well represented in relative terms.

4.2 Unemployment

The expanded definition of employment is used in preference to the official/narrow definition, as justified in the main report.

In 2011, 47% of the Eastern Cape population was unemployed – this amounted to 922,225 people. One's appreciation of the scale of this challenge deepens if one considers the low requirements for classification of a person as employed. This was the highest rate of unemployment of all provinces in South Africa. In general, districts in the Eastern Cape that contained parts of the former Bantustans had the highest rates of unemployment, with the rates for the Alfred Nzo, OR Tambo and Amathole districts all reaching 57% or higher. In general, people living in tribal or traditional areas experienced the highest level of unemployment, with 65% of them unemployed.

In 2011, 57% of people aged 15-34 years were unemployed – this figure rose to 69% for those aged 15-24 years. These figures exclude people who were not in the labour force, e.g. those who were in school or post-school education.

In 2011, 53% of people classified as Black African were unemployed – the corresponding figures for people classified as Coloured, Indian or Asian, and White were 35%, 14% and 8%, respectively. The unemployment rate for women was 50%.

Only a small proportion of the unemployed appear to register as work-seekers with the Department of Labour, based on comparison of the number of registered work-seekers in 2010/11 and 2011/12 and the number of unemployed people in the province. Very few of those who registered as work-seekers are placed. After a high in 2001/02, Unemployment Insurance Fund applications fluctuated until a spike to 72,226 in 2009/10, before dropping to above 60,000 in 2010/11 and 2011/12. Registration of retrenchments with the Department of Labour appears to be low, given the numbers of UIF applications and registered work-seekers.

4.3 Education

The largest proportion of the working age population in the Eastern Cape in 2011 had some high school education (Grade 8-11) as their highest level of education, followed by those with some primary education (Grade 0-7) – the percentages were 26% and 14%, respectively. The *No education*, *Grade 0-7* and *Grade 8-11* categories combined accounted for 43% of the working age population, confirming the generally low levels of skill in the province.

The working age populations of the two metropolitan municipalities had the highest proportions of people with Grade 12 as their highest level of education, and with post-school education. The district municipalities containing portions of the former Bantustans had the lowest proportions of their working age populations with Grade 12 as their highest level of education.

In 2011, 77% of those who were employed in the Eastern Cape had Grade 12 or lower as their highest level of education, and 39% had Grade 11 or lower as their highest level of education. The largest proportion of the employed (38%) had matric as their highest level of education, followed by those with some high school education (31%), some primary education (8%), and a Bachelor's degree or higher (8%).

Almost half of the unemployed in the Eastern Cape in 2011 had Grade 8-11 as their highest educational qualification, followed by those with Grade 7 or less, and then those with Grade 12 (the latter a higher proportion than those with no education). Together, those with educational levels of Grade 11 or less accounted for 75% of all of the discouraged work-seekers and 70% of the total number of unemployed (expanded definition). Those with educational levels higher than matric accounted for only 1% of all of the discouraged work-seekers and 3% of the total number of unemployed (expanded definition).

Graduate unemployment was low, with only 7% of those with university degrees being unemployed in 2011. The corresponding rate amongst diplomates (those with a certificate with Grade 12, a diploma with Grade 12, a Higher Diploma, a Post Higher Diploma, or a Masters or Doctoral Diploma) was 15%. The graduate unemployment rate was highest amongst people classified as Black African (9%).

4.4 Incomes

In 2011, the Eastern Cape had the second highest proportion of people earning R800 or less per month – 69% of the population, or 4,153,540 people. This proportion rose to above 70% for the district municipalities that include portions for the former Bantustans, with the levels in the Alfred Nzo and OR Tambo districts rising to 77%.

In 2011, just more than a quarter of employed people in the Eastern Cape earned R800 or less per month (264,182 people), with 46% (476,731 people) earning between R801 and R6400 per month. This means that 72% of employed people in the Eastern Cape earned R6400 or less per month – 45% earned R1600 or less per month. Employed people classified as Black African dominated the lower income categories, as did women, with the ratio of women to men becoming increasingly even as one moves up the income scale.

Almost a quarter of employed people living in tribal or traditional areas in 2011 earned no income, and 46% earned R800 or less per month, the latter compared to 20% of employed people living in urban areas and 20% of people living on farms. Seventy-four percent of employed people living in tribal or traditional areas earned R3200 or less per month. Higher proportions of employed people classified as White and living in urban areas were represented in the higher income categories than any of the other population groups. People working in the formal sector dominated all earnings categories. There appeared to be a strong link between education and incomes amongst employed people.

The EPWP, which targets mainly people in the elementary occupations, provides data on wages paid to people employed on its projects. The average EPWP daily wage rate for the Eastern Cape did not consistently increase from 2004/05-2011/12, reaching a high of R67.93 in 2011/12 (R1,358.60 a month, assuming 20 working days per month). When wage rates are disaggregated by sphere of government and the non-state sector, the highest average daily wage rate (R82.00) was recorded for district and metropolitan municipalities in 2011/12 – this translates into R1,640.00 per month, assuming 20 working days per month. The calculated wages paid out by provincial government departments exceeded those paid out by national government departments, municipalities and the non-state sector in all years except for the first two years of the EPWP.

Transforming the annual household income figures contained in the Census 2011 data into monthly household income reveals that, in 2011, 16% of Eastern Cape households had no income, 22% earned R400 or less per month, 31% earned R800 or less per month, 54% earned R1633 or less per month, and 74% earned R3183 or less per month. This means that more than half of households in the Eastern Cape had a monthly household income that was less than the minimum living level established for a household of four by both the National Planning Commission and the National Labour and Economic Development Institute (NALEDI), and almost three quarters of Eastern Cape households had a monthly income below the supplemented living level for a family of four calculated by NALEDI.

The district municipalities that contain parts of the former Bantustans had the lowest monthly household incomes – in the Amathole, Chris Hani, Joe Gqabi, OR Tambo and Alfred Nzo Districts, 80% or more of households had a monthly household income of R3183 or less (the proportion was 87% for people living in tribal or traditional areas in the province). In the Joe Gqabi, OR Tambo and

Alfred Nzo Districts, more than a third of households earned R800 or less per month. Generally, the best monthly household income figures were found in the two metros and the Cacadu District.

5 Conclusion

The overview of the Eastern Cape labour market provided in this report shows that the people of this province continue to be marginalised by economic development in the province and South Africa at large. Given its historical relation to the development of the minerals-energy complex, this is perhaps not surprising, but the persistence of the spatial legacy of apartheid, and low incomes and levels of education are causes for concern. Combined with the depth of unemployment in this province and the precariousness of employment for many, these findings raise fundamental questions about our economic trajectory and about the effects that changes have had to date on the people of this province. Fundamental questions are also raised about the scope of social policy required for the people of this province to share in the ideals that inspired the struggle against apartheid and the rights enshrined in the South African constitution, and about the kind of society and citizen that we wish to build.

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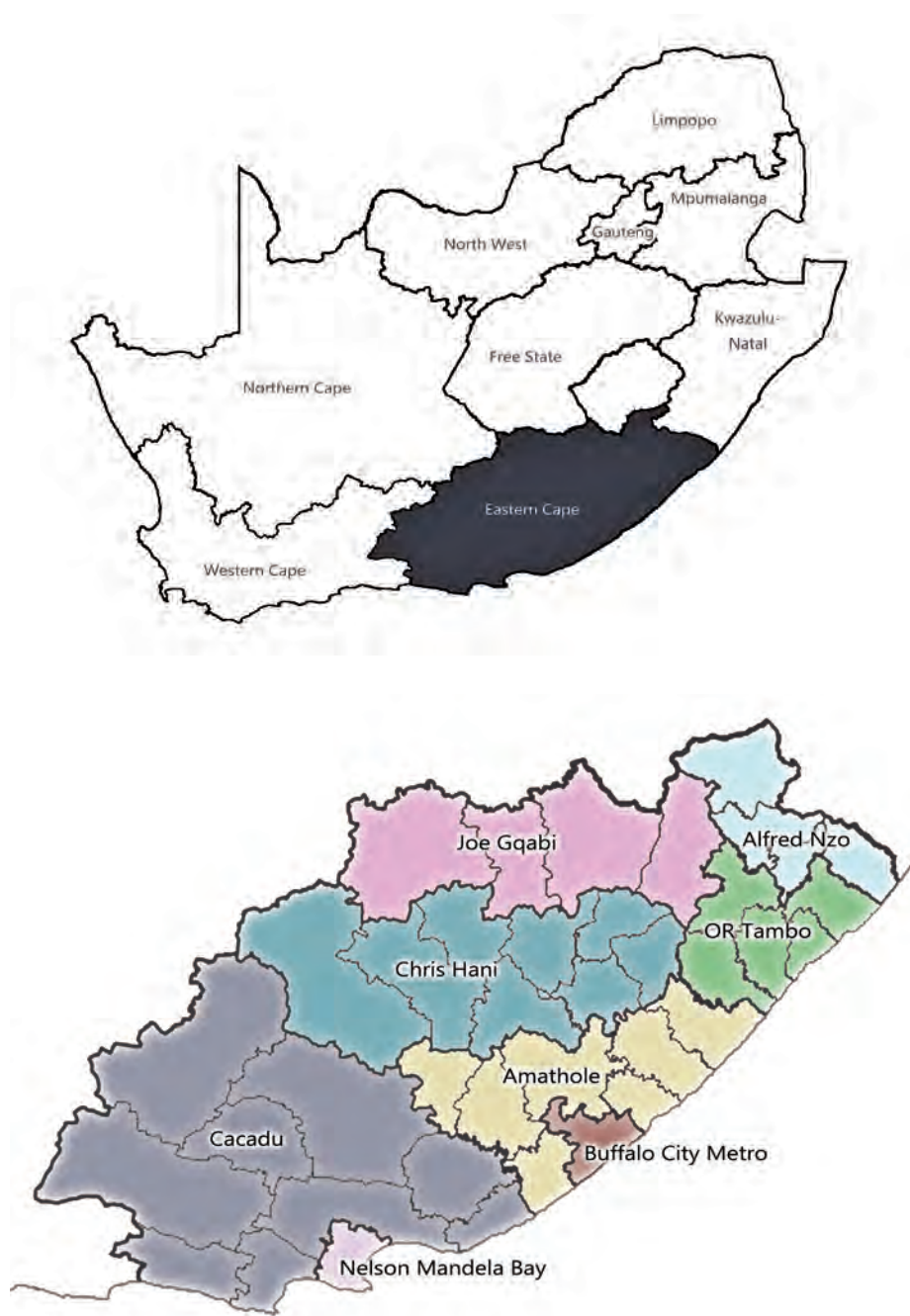
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Abbreviations

BCEA	Basic Conditions of Employment Act
CCMA	Council for Conciliation, Mediation and Arbitration
CME	Coordinated Market Economy
COSATU	Congress of South African Trade Unions
COIDA	Compensation for Occupational Injuries and Diseases Act
CSP	Community, Social and Personal Services
DEDEAT	Department of Economic Development, Environmental Affairs and Tourism, Eastern Cape Provincial Government
ECSECC	Eastern Cape Socio-Economic Consultative Council
EPWP	Expanded Public Works Programme
FET	Further Education and Training
GDP	Gross Domestic Product
HSRC	Human Sciences Research Council
IPAP	Industrial Policy Action Plan
ILO	International Labour Organisation
ISER	Institute of Social and Economic Research, Rhodes University
JOI	Job Opportunities Index
LME	Liberal Market Economy
LRA	Labour Relations Act
NALSU	Neil Aggett Labour Studies Unit
NALEDI	National Labour and Economic Development Institute
NEDLAC	National Economic Development and Labour Council
NSDS	National Skills Development Strategy
OHSA	Occupational Health and Safety Act
SETA	Sector Education and Training Authority
StatsSA	Statistics South Africa
UIA	Unemployment Insurance Act
UIF	Unemployment Insurance Fund

I Introduction

Any overview of the Eastern Cape labour market has to consider its national and historical context, which includes not only the location of the Eastern Cape within the development of the South African economy, but, tied to that, the location of such economic development itself within a larger social and historical context. Although these issues are not covered exhaustively in this report, some remarks are made to assist the reader in interpreting more specific contemporary quantitative analyses and the institutional and policy environment within which labour is reproduced and employed, and in which poverty and inequality arise.



Map 1: The Eastern Cape Province of South Africa

Engaging in labour market analysis is not a theoretically or politically neutral exercise. Analyses undertaken in this report are generally positioned within the political economy tradition, in terms of which the economy is not viewed in the abstract, but as embedded within social and political systems with particular historical and geographic or spatial forms. Work within this tradition includes consideration of social values, and is inspired by the deep humanism that characterised the work of the early social theorists and the rights-based frameworks that have shaped international commitments to minimum labour standards. Examples of the latter include the general principles adopted at the founding of the International Labour Organisation, the South African Freedom Charter, and the guidelines for labour relations provided in the South African Constitution.

Where reference is made to the rights-based perspective, this is done in full consciousness of the limitations of this approach, even while acknowledging the importance of codification and pursuit of rights. The rights-based approach does not necessarily consider how particular social relations of production are reproduced. It does not necessarily probe the relation of the state to the economy, or lead one to analysis of the class relations pertaining in the place and time of analysis. Although these critically important matters are not explored in any depth in this report, reference is made to them where appropriate.

This report includes an outline of the legislative and policy framework through which formal organisation of the labour market is framed, and in relation to which much of the current contestation regarding the organisation of the labour market occurs. This legislative and policy framework covers issues related to employment and places of employment, as well as education and skills development. Excluded from direct coverage by this framework are the people who are marginalised or excluded from active participation in the labour market by the ways in which South African economic and social relations are structured. Those who are excluded are variously counted as the unemployed, the underemployed and the informally employed, and are particularly well represented in the Eastern Cape Province of South Africa, as will be shown below.

This foundational overview of the Eastern Cape labour market does not limit itself to the formal sector, or even to a quantification of unemployment, but also explores incomes and distribution of income and income poverty. No account of the labour market is complete without consideration of income inequality, which is particularly acute in South Africa. Debates regarding wages, including the setting of minimum wage levels, cannot be resolved by looking at the quantum of unemployment only; critical to the finding of equitable and humane solutions that honour the conception of human rights enshrined in the South African constitution is consideration of the material requirements for human dignity and social citizenship, and the equity of the current distribution of income.

At its core, this foundational overview of the Eastern Cape labour market is an account of employment, unemployment, incomes and education levels drawing on Census data and on administrative data provided by the Department of Labour and the Department of Public Works. The analysis of Census data, in particular data gathered through Census 2011, shows not only that the Eastern Cape has the highest rate of unemployment of all provinces in South Africa, but that, within the province, unemployment is particularly acute in the district municipal areas that contain portions of the former Bantustans. This continuation of the apartheid spatial legacy illustrates some of the consequences of the structure of the South African economy, and the limitations of policy interventions made within the Eastern Cape.

Analysis of Census data also provides insights into the age, gender and population group structure of employment and unemployment, as well as the skills endowment of the employed and unemployed components of the Eastern Cape labour force. It provides evidence of the importance of job creation

for unskilled and semi-skilled people as a particular priority. Analysis of administrative data generated by the flagship government programme to create employment and training for unskilled and semi-skilled people, the Expanded Public Works Programme (EPWP), shows that although the Eastern Cape has performed admirably in terms of the generation of gross work opportunities and person years of work (including training), the EPWP remains at best a palliative intervention in the absence of articulation with a dynamic labour market that creates decent work at sufficient scale. This is in addition to its other benefit of delivering key public infrastructure and services cheaply.

There is also little evidence of counter-cyclical use of the EPWP to deal with economic downturns such as the 2008 recession. This might, partially, be due to the lead-in time required for the establishment of infrastructure projects in particular, which would result in a lag between planning of an initiative and the generation of jobs on the ground. Whichever the reason, the value of the EPWP as a creator of decent jobs is very limited.

Analysis of administrative data generated by the Department of Labour shows the limited take-up of active labour market interventions initiated by the department, including registration of work-seekers and retrenchments. Its analysis of vacancies based on advertisements in the press and electronic media could be viewed as missing key opportunities for unskilled or semi-skilled people. Analysis of complaints received by the department suggests that conditions of employment form an important component of worker concerns, but data limitations do not allow for the identification of any patterns over time.

Income poverty remains a significant challenge in the Eastern Cape. In addition to the fundamental issues of human dignity and social citizenship raised earlier, questions regarding models of delivery of social services also arise. These questions, which include questions regarding the applicability of cost-recovery models in a context such as the Eastern Cape, are not explored in this report. Questions of social policy more broadly, including the linkages between social grants and the labour market will be explored in subsequent work undertaken by us.

The next section of this report provides an overview of the institutional and legislative framework for organisation of the labour market. That section includes reference not only to South African legislation and the South African Constitution, but also to earlier formulations of labour rights, such as those included in the Freedom Charter and international conventions such as the Constitution of the International Labour Organisation and the Charter of the United Nations. It also includes reference to some of the theoretical approaches taken to labour market analysis and to education and skills development.

The second section that follows provides a brief historical and policy context for our overview of the Eastern Cape labour market, and leads to the section of the report that provides a quantitative description of the Eastern Cape labour market, interspersed with a number of analytical observations.

The concluding section of the report brings together the various strands of observation and analysis, and identifies the areas of research to be explored by the Labour Market Research Unit in the future. Work on some of those areas of research has already commenced.

2 Institutional and legislative framework

In this section, some international and historical examples of the framing of labour rights are reviewed, followed by a brief overview of the legislative and policy provisions governing the functioning of the South African labour market, including education and skills development.

2.1 International and historical reference points

From an international perspective, the International Labour Organisation (ILO) provides a key reference point to governance of the labour market. As part of the United Nations system, it is a key component of the international institutional architecture with which member states interact around issues of labour markets and labour. South Africa is one of those member states.

The ILO was established in 1919 through the Treaty of Versailles that ended the First World War (Bollé, 2012). Grounded in a recognition that lasting peace required social justice, Part XIII of the Treaty formed the constitution of the ILO, and contained the following General Principles (Bollé, 2012: 3):

1. The guiding principle above enunciated that labour should not be regarded merely as a commodity or article of commerce.
2. The right of association for all lawful purposes by the employed as well as by the employers.
3. The payment to the employed of a wage adequate to maintain a reasonable standard of life as this is understood in their time and country.
4. The adoption of an eight hours a day or forty-eight hours week as the standard to be aimed at where it has not already been attained.
5. The adoption of a weekly rest of at least twenty-four hours, which should include Sunday wherever practicable.
6. The abolition of child labour and the imposition of such limitations on the labour of young persons as shall permit the continuation of their education and assure their proper physical development.
7. The principle that men and women should receive equal remuneration for work of equal value.
8. The standard set by law in each country with respect to the conditions of labour should have due regard to the equitable economic treatment of all workers lawfully resident therein.
9. Each State should make provision for a system of inspection in which women should take part, in order to ensure the enforcement of the laws and regulations for the protection of the employed.

These General Principles were hard-won, and were aimed at ensuring that human beings engaged in wage labour were not subjected to exploitation such as had been witnessed during the industrial revolution, and in many countries around the world where interventions were not made to enforce treatment of labour as more than a commodity. Subsequent further development of the ILO constitution also drew on the experiences of economic development prior to and during the Second World War, including the success of Keynesian policies aimed at full employment.

The ILO was retained within the United Nations system that succeeded the League of Nations, and the principles and considerations that underpinned its formation found their way into the United Nations Charter and the ILO's new constitution. Amongst other things, the United Nations Charter,

in Article 5 of Chapter IX, committed the United Nations to the promotion of “higher standards of living, full employment, and conditions of economic and social progress and development”².

The ILO, which became the first specialised agency of the United Nations³, had the following preamble included in its new constitution:

Whereas universal and lasting peace can be established only if it is based upon social justice,

And whereas conditions of labour exist involving such injustice hardship and privation to large numbers of people as to produce unrest so great that the peace and harmony of the world are imperilled; and an improvement of those conditions is urgently required, as, for example, by the regulation of the hours of work including the establishment of a maximum working day and week, the regulation of the labour supply, the prevention of unemployment, the provision of an adequate living wage, the protection of the worker against sickness, disease and injury arising out of his employment the protection of children, young persons and women, provision for old age and injury, protection of the interests of workers when employed in countries other than their own, recognition of the principle of equal remuneration for work of equal value, recognition of the principle of freedom of association, the organization of vocational and technical education and other measures,

Whereas also the failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own countries,

The High Contracting Parties, moved by sentiments of justice and humanity as well as by the desire to secure the permanent peace of the world, and with a view to attaining the objectives set forth in this Preamble, agree to the following Constitution of the International Labour Organization.

The ILO constitution also included the Declaration of Philadelphia, which had been adopted in 1944, as Annex A. The following extracts make particular reference to principles of labour regulation⁴:

The Conference reaffirms the fundamental principles on which the Organization is based and, in particular, that:

- (a) labour is not a commodity,*
- (b) freedom of expression and of association are essential to sustained progress,*
- (c) poverty anywhere constitutes a danger to prosperity everywhere,*
- (d) the war against want requires to be carried on with unrelenting vigour within each nation, and by continuous and concerted international effort in which the representatives of workers and employers, enjoying equal status with those of governments, join with them in free discussion and democratic decision with a view to the promotion of the common welfare.*

[...]

The Conference recognizes the solemn obligation of the International Labour Organization to further among the nations of the world programmes which will achieve:

- (a) full employment and the raising of standards of living,*
- (b) the employment of workers in the occupations in which they can have the satisfaction of giving the fullest measure of their skill and attainments and make their greatest contribution to the common well-being,*
- (c) the provision, as a means to the attainment of this end and under adequate guarantees for all concerned, of facilities for training and the transfer of labour, including migration for employment and settlement,*
- (d) policies in regard to wages and earnings, hours and other conditions of work calculated to ensure a just share of the fruits of progress to all, and a minimum living wage to all employed and in need of such protection,*

2 <http://www.un.org/en/documents/charter/chapter9.shtml>

3 <http://www.ilo.org/global/about-the-ilo/lang--en/index.htm>

4 http://www.ilo.org/dyn/normlex/en/f?p=1000:62:0::NO:62:P62_LIST_ENTRIE_ID:2453907:NO

- (e) the effective recognition of the right of collective bargaining, the cooperation of management and labour in the continuous improvement of productive efficiency, and the collaboration of workers and employers in the preparation and application of social and economic measures;*
- (f) the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care;*
- (g) adequate protection for the life and health of workers in all occupations;*
- (h) provision for child welfare and maternity protection;*
- (i) the provision of adequate nutrition, housing and facilities for recreation and culture;*
- (j) the assurance of equality of educational and vocational opportunity.*

One of the striking features of this extract from the Philadelphia Declaration is the linkages drawn between labour markets and social policy. This linkage is grounded in a rights perspective, and a determination to minimise the conditions for social unrest and, ultimately, war, the costs of which were still fresh in the memories of those who had negotiated the Declaration.

These international developments did not leave South Africa unaffected. The African National Congress, under the Presidency of A.B. Xuma, drew on the emerging international support for civil, political and social rights to develop its 1943 document *Africans' Claims in South Africa* (Van Niekerk, 2011). This document articulated social democratic principles in organising a society that could rise above the privations of economic exploitation under colonialism and apartheid. Although a constructive attempt at leveraging the international moment in the interests of the people of South Africa, including the disenfranchised and exploited majority, it did not achieve the results in South Africa its authors had hoped for. The principles articulated therein, however, were not lost.

The Freedom Charter, which was adopted by the Congress of the People at Kliptown, Johannesburg in 1955, constitutes a key South African articulation of a rights-based approach to labour and social policy. It included the following under the heading "There shall be work and security":

All who work shall be free to form trade unions to elect their officers and to make wage agreements with their employers;
The state shall recognise the right and duty of all to work and to draw full unemployment benefits;
Men and women of all races shall receive equal pay for equal work;
There shall be a forty hour working week, a national minimum wage, paid annual leave and sick leave for all workers, and maternity leave on full pay for all working mothers;
Miners, domestic workers, farm workers and civil servants shall have the same rights as all others to work;
Child labour, compound labour, the tot system and contract labour shall be abolished.

There are clear parallels between this wording and the General Principles that underpinned the formation of the ILO, with the Philadelphia Declaration, and with the wording of the preamble to the ILO constitution, in addition to references to the particulars of the South African context. This should not be overly surprising, given the history of the tripartite alliance and South Africa's status as a member state of the ILO.

The formal end of apartheid and the first democratic elections in South Africa in 1994 (50 years after the Declaration of Philadelphia) was followed by the adoption of the final Constitution in 1996 (Constitution of the Republic of South Africa Act 108 of 1996). Section 23, which is part of the Bill of Rights in that Constitution, contained the following guidelines for labour relations (paraphrased here):

- Everyone has the right to fair labour practices.
- Every worker has the right to form and join a trade union, to participate in the activities and

- programmes of a trade union, and to strike.
- Every employer has the right to form and join an employers' organisation, and to participate in the activities and programmes of such an organisation.
- Every trade union and every employers' organisation has the right to determine its own administration, programmes and activities, to organise, and to form and join a federation.
- Every trade union, employers' organisation and employer has the right to engage in collective bargaining. National legislation may be enacted to regulate collective bargaining, without limiting it in ways that contravene Section 36(1) in the Bill of Rights.
- National legislation may recognise union security arrangements contained in collective agreements – again, any limitations on rights need to comply with Section 36(1).

These constitutional principles were given legislative and institutional content in the form of a number of Acts of Parliament and a range of labour market institutions, as described in the next sub-section.

2.2 Legislative and institutional arrangements to regulate the South African labour market

In giving effect to the constitutional principles and South Africa's international commitments, the various pieces of labour legislation passed by Parliament since 1994 embedded the principle of *regulated flexibility*, which reflected "the policy objective of finding a sustainable trade-off between efficiency and equity" (Klerck, 2013: 1). Regulated flexibility had two main aspects: (a) the protection and enforcement of basic employment standards; and (b) the establishment of rules and procedures for the variation of these standards (Department of Labour, 1996:19).

Key pieces of labour legislation passed in South Africa from the early 1990s to govern the labour market included the following (Klerck, 2013):

- The *Occupational Health and Safety Act 85 of 1993* and the *Compensation for Occupational Injuries and Diseases Act 130 of 1993*, both governing health and safety in the workplace.
- The *National Economic Development and Labour Council (NEDLAC) Act 35 of 1994*. This Act established NEDLAC as the preeminent body for social compacting, including input into legislation and policy by the social partners, and recognition of key labour market institutions.
- The *Labour Relations Act 66 of 1995*. The Labour Relations Act (LRA) established the core of the institutional infrastructure for regulation of the South African labour market. Key components of this institutional infrastructure are NEDLAC, the Labour Courts, the Commission for Conciliation, Mediation and Arbitration (CCMA), employers' organisations, trade unions, bargaining councils, statutory councils, collective agreements, and workplace forums. In the case of bargaining councils, the LRA describes their functions, the conditions for their establishment and functioning, and the requirements for extension of agreements and for granting of exemptions from extension of agreements. The LRA was aimed at allowing for the setting of minimum standards at a central level, with the setting of actual wage levels in relation to those standards at more decentralised levels.
- The *Basic Conditions of Employment Act 75 of 1997*. The Basic Conditions of Employment Act (BCEA) simplified previous laws regarding basic conditions of employment, including wages and working hours. It improved coverage of marginalised sections of the labour force, and brought South African minimum standards in line with international minimum standards. The BCEA sets a core of minimum standards to which all labour contracts must comply, and specifies the parameters for variation from minimum standards. In describing the latter, it defines roles for the various components of the institutional infrastructure established in

terms of the LRA, and further embeds the principle of regulated flexibility. The BCEA also establishes the Employment Conditions Commission as a key advisory and reporting body.

- The *Employment Equity Act 55 of 1998*. This Act was aimed at contributing to the undoing the legacy of apartheid discrimination in the labour market. It provides a framework for the progressive improvement of workplace equity. Achievement of its aims also requires effective implementation of other pieces of social policy, including legislation governing issues such as education and skills development.
- The *Skills Development Act 97 of 1998*. Together with the Skills Development Levies Act (see below), this piece of legislation emerged in a broader framework for education and skills development defined by laws such as the *South African Qualifications Authority Act 58 of 1995* and its replacement, the *National Qualifications Framework Act 67 of 2008*. The Skills Development Act, amongst other things, established the core institutional infrastructure for skills development in South Africa. This infrastructure includes the National Skills Authority and Sector Education and Training Authorities (SETAs), the latter responsible, amongst other things, for the development of sector skills plans, promoting learnerships, managing skills development levy funds allocated to it, supporting the development of workplace skills plans, and supporting the implementation of the National Skills Development Strategy (NSDS). In addition to learnerships, which combine workplace experience and formalised learning and caters for between 44,000 and 55,000 learners a year (Kruss, Wildschut, Janse van Rensburg, Visser, Haupt & Roodt, 2012: ix), skills programmes are also provided for, and are easier to develop and implement (cf. Kraak, 2004). After a period of decline, a resurgent apprenticeship system has emerged after being reprioritised in the second NSDS (cf. Kruss et al, 2012).
- The *Skills Development Levies Act 9 of 1999*. The Skills Development Levies Act replaced the voluntary training system that had emerged after 1990 following abuse of the previous system of tax concessions for companies who invested in training of their employees. The Skills Development Levies Act requires employers to pay a skills development levy to the South African Revenue Services, which would then pay 20% into the National Skills Fund and 80% into the SETA for the sector in which a contributing employer falls. The National Skills Fund is targeted at NSDS priorities that fall outside the jurisdiction of the SETAs.
- The *Unemployment Insurance Act 63 of 2001*. The Unemployment Insurance Act (UIA) provides minimal support to the unemployed, as it covers only people who had previously registered with the Unemployment Insurance Fund, and only for limited periods. As such, it has limited value in situations of chronic unemployment or high degrees of informality.

The national Department of Labour was allocated key responsibility for supporting the functioning of the institutional infrastructure established through the LRA and the implementation of the various labour laws. This department not only supports the Minister of Labour in the exercise of his/her statutory duties, but also undertakes inspections, processes complaints, administers unemployment benefits, enforces compliance, supports the development of good practice, and gathers and disseminates relevant labour market data. Until November 2009, the responsibilities of the Department of Labour included management of the skills development institutional infrastructure and funding established in terms of the Skills Development Act and the Skills Development Levies Act. Responsibility for these two Acts was then reallocated to the Department of Higher Education and Training. Amongst other things, this move consolidated the latter department's pre-existing responsibility for the development and implementation of a national human resource development strategy with its new responsibility for national skills development planning and the institutional and financial resources supporting skills development. It also, however, made more difficult the linkage of unemployed people to the skills development system, as the link between that system and the organisational infrastructure of the Department of Labour, particularly its labour offices in the various district municipal areas of South Africa, was effectively severed. The SETAs and the Department

of Higher Education and Training have not established a similarly decentralised system of access to information, training opportunities and funding to take its place, and the opportunities potentially associated with linkages between work-seeker registration, learnerships and training programmes are not being optimised.

In general, labour market regulation in South Africa became increasingly corporatist from the early 1990s (Klerck, 2013; Webster, 2013), a regulation model described by Crouch (1982:213, cited in Klerck, 2013: 2-3) as one in which “the government interposes itself between the unions and their normal bargaining partner, the employer, but in so doing becomes itself their bargaining partner; and the government is able to offer several things which cannot be achieved in bargaining ... such as social policy reforms, workers’ rights, changes in economic and fiscal policy”.

Institutions established through the LRA were aimed at giving effect to this approach, particularly NEDLAC, which was established as the key forum for social compacting between the social partners. The increasingly corporatist approach to labour market regulation sat uneasily with the entrenchment of neo-liberalism in South African macro-economic policy, and, indeed, the history and structure of capitalism in South Africa (see section 3 below), a situation that arguably undermined the functioning of NEDLAC itself. Webster (2013: 210) characterised the new labour regime within which NEDLAC is located as “a hybrid, caught between some of the characteristics of the CME [coordinated market economy] approach in-planted on a LME [liberal market economy] approach defined historically in racial terms”. Although conforming to a number of characteristics of CME examples of Germany, the Netherlands and the Nordic countries (with the notable exception of the role of finance, and limited employee representation at workplace level), the South African industrial relations system introduced in the 1990s remained contested by employers, who generally advocated greater labour market flexibility, and labour, who still struggled for decent work and the delivery of the socio-economic promises of democracy.

The economic theories underpinning corporatism, although varied, have more in common with Keynesian than with Neo-Classical Economics, and emphasise the importance of effective demand for growth and employment, and the role of the state in correcting market failures. The corporatist approach emphasises the need for labour markets to contribute to the achievement of four interrelated objectives, viz. efficiency, equity, growth, and social justice, and generally rejects the idealised construction of a “perfectly competitive” labour market (Klerck, 2013: 3-4).

Although a number of theoretical critiques of economic orthodoxy could be used to underpin corporatist approaches to labour market analysis and regulation, a significant contemporary source of such critique can be found in segmentation theories (Peck, 2000; Klerck, 2013). Segmentation theories hold the following (Klerck, 2013: 4):

The supply of labour is not governed simply by market forces, but also by demographic factors, social norms regarding participation in wage-labour transmitted by the family and schools, and government intervention in areas such as employment conditions, welfare provision and training. While it is influenced by these labour supply factors, labour demand is driven mainly by a different set of forces. These include struggles over control of the production process, technological change, patterns of competition in product markets, and government policies in areas such as taxation, monetary policy and public expenditure.

These factors result in segmentation of the labour market, with workers in different segments being treated differently and facing different prospects (Peck, 2000).

Segmentation theories emphasise the social nature of labour and its reproduction, i.e. that it is not a commodity that can be treated in similar ways to capital and raw materials (Klerck, 2013). Labour

markets do not neatly clear or temporarily move away from equilibrium; “[r]eal labour markets are either stuck in disequilibrium or actually moving away from equilibrium” (Klerck, 2013: 5), and require interventions by social institutions. A key institution in managing such interventions is the state, which acts both to support the social reproduction of labour and the reproduction of market relations. The fact that these interventions in highly complex domains are imperfect (Peck, 2000; Klerck, 2013), does not mean that there is a choice between imperfect state intervention and market forces. On the contrary, segmentation theorists argue that markets are fundamentally social constructs, and embedded within economic, social and political contexts (Klerck, 2013). It is within these complex contexts, which have to be understood in their historical and spatial specificity, that market segmentation emerges and is reproduced.

Following this logic, problems such as mass unemployment and low skills levels need to be understood as phenomena that are systemically reproduced and that can only be shifted through economic, political and social processes in particular historical and spatial contexts. These processes often involve some form of state intervention in the economy, labour market, and education and training systems.

The education and training (or skills development) system interfaces with both labour supply and labour demand. In addition to affecting the skills endowment of the supply of labour, it also shapes labour demand, e.g. through the requirements for skills development that it places on employers.

However, the education and training system should not be viewed narrowly in terms of the requirements of the labour market and/or its impact thereon. Education and training are not just about making people employable, as would be emphasised from a human capital perspective. In general, the human capital approach is narrowly utilitarian, viewing education as an investment in human capabilities that bring varying returns in the labour market (cf. Merrett, 1966; McGrath, 2012). It limits the value of education to its utility in securing employment, and does not consider larger issues such as the requirements for personal development or well-being, or for social citizenship, or whether existing market relations are in the best interests of those who are investing in skills for that (segmented) market.

Contrasting approaches include the human rights and capability approaches. The human rights approach, which informs declarations on rights to education, positions education as more than just a means to an end – it is a right to which all people are entitled. It has clear advantages over the human capital approach, but does not necessarily consider deeper structural issues that are not easily disciplined by charters, commitments and bills of rights (cf. Schick, 2006). The capability approach extends the human rights approach, and emphasises the intrinsic value of education as a way of expanding human capability, enhancing the value of a person’s life and the possibilities of human freedom (cf. Sen, 1999). Just like the human rights approach, however, the capability approach requires additional consideration of structural issues that limit the possibilities of expansion of capability by particular categories of people.

Although positive labour market outcomes can flow from the application of all three of these theoretical approaches, they have different implications for the content and organisation of education and training and for the kind of society we build. In South Africa, the influence of both the rights-based and capability approaches remains significant in the education and training sphere, but are under threat in the world of work, justified by the needs of the labour market. It is in debates around the labour market that pressure for employability as a required outcome of education and training emerges. The potential tension between the demands of the labour market and ideals of human education cannot simply be resolved in favour of the former – resolution requires engagement with the values at the core of our societal vision, including our concept of social citizenship.

The legislative and institutional framework for regulation of the labour market, as described above, has a significant effect on labour market outcomes, but it is by no means definitive. This is not just because formal regulatory frameworks are imperfect or limited in the face of complex and changing conditions, but also because such frameworks are not uniquely constitutive of the realities faced by people who attempt to secure incomes and livelihoods. Formal regulatory frameworks emerge in complex social, economic and political contexts, animated by the dynamics of class relations.

In the next section of this report, a brief overview of the larger economic context of the Eastern Cape labour market is provided, further extending previous observations regarding the conceptualisation of the labour market. This is followed by an outline of some of the key economic and skills development policy interventions that have been attempted in the Eastern Cape.

3 The economy and policy interventions

The economic and policy overviews given below are cursory. In addition to taking further the contextualisation of the South African labour market in general, and the Eastern Cape labour market in particular, these overviews lead directly to the quantitative description of the Eastern Cape labour market in section 4 of this report.

3.1 The economy and the labour market

I do not attempt to cover the history of the development of South African capitalism, short of some references to the history of its structure and the legacies of apartheid, particularly in the Eastern Cape. I also do not trace here the details of national economic and social policy immediately preceding, during and following the transition to democracy, including the relationships between the Reconstruction and Development Plan (base document and White Paper), GEAR (Growth, Employment and Redistribution – A Macroeconomic Strategy), and the growing engagement with active industrial policy, arguably starting with Accelerated and Shared Growth Initiative – South Africa (ASGISA), followed by the National Industrial Policy Framework and its associated Industrial Policy Action Plans, and the New Growth Path and its associated Accords. The emergence of the National Development Plan and its implications for the labour market (or labour markets) will be considered elsewhere.

Growth of the national economy, which had developed around a minerals-energy complex (Fine & Rustomjee, 1996; Fine & Padayachee, 2001) and had been built on cheap black labour (cf. Webster, 2013), declined during the 1980s and early 1990s, contributing to the pressure towards a negotiated settlement to end apartheid. The new democratic state inherited an economy in decline, a spatially fractured territory, high levels of inequality and poverty, and low levels of education, strongly skewed to the black population.

Following the 1994 democratic elections, the new South African government adopted a largely neo-liberal economic framework at the very time when active state expenditure was required to address the spatial and social legacies of apartheid, provide social services and diversify the economy (Macroeconomic Research Group, 1993; Fine & Rustomjee, 1996; Bond, 2000; Van Niekerk, 2013). Trade liberalisation had devastating consequences for labour-intensive sectors, such as the textile industry, and agricultural deregulation placed limits on growth of the agricultural sector at the very time when entry by historically disenfranchised people was to be supported and facilitated. The structure of the South African economy, which had developed around a minerals-energy complex with highly concentrated ownership, highly energy-intensive production processes, and a sophisticated financial system strongly linked to industrial conglomerates (cf. Fine & Rustomjee, 1996; Fine & Padayachee, 2001; Ashman & Fine, 2013; Padayachee, 2013.) was modified but not fundamentally restructured, with Black Economic Empowerment focusing mainly on ownership, particularly in the mining sector, and not linked to broadening of the productive base of the economy. Financialisation of the economy from the 1980s (linked to a global trend) manifested itself in a range of effects in South Africa – although the financial sector was restructured, it did not become less concentrated, and speculative investments increasingly took precedence over productive investment (Ashman & Fine, 2013). The process of financialisation not only saw the growth of the financial services sector into the largest sector of the economy by 2010 and characterised by the fastest growth of all sectors (Ashman & Fine, 2013: 164), but also contributed to the devastatingly limited job creation and deepened income inequality.

Although the labour movement had played a key role in the liberation struggle, and, through Congress of South African Trade Unions (COSATU) membership of the Tripartite Alliance, achieved direct participation in the state, its policy influence remained limited in spite of COSATU's ability to mobilise its membership and allied social formations in support of its policy positions (cf. Webster, 2013). COSATU itself became increasingly fractured, with conflicts over economic policy and political alliances dividing COSATU itself rather than being played out only within the larger Tripartite Alliance. The industrial relations system established in the 1990s, although providing the institutional mechanisms for social compacting, entrenching the principle of flexible regulation, and providing for combinations of centralised and workplace bargaining, could do little to alter the structure of the economy, or to stem the effects of the neo-liberal turn in economic policy and the increasing financialisation of the economy. Perhaps unsurprisingly, industrial conflict has increasingly been marked by violence, a fracturing of union organisation (including the emergence of new unions), concerns over union representation of members' interests, and a changing in the social composition of the union movement (Webster, 2013). With regard to the latter, Webster (2013:223-224) observes that the "workforce has become more educated, the membership more skilled, and the leadership more career oriented", with about "a third employed directly or indirectly by the state", and approximately a tenth employed as school teachers. This changing social composition of the union movement reflects a growing distance between the social conditions of union members and the majority of South Africans.

Von Holdt and Webster (Webster, 2013: 219) have characterised the South African labour market in terms of "three zones of work – a core of ... workers in a standard employment relationship with contracts and benefits, a non-core of casual and informal workers and a periphery of long-term unemployed". The rights of workers in the core are under increasing threat from those in the non-zone and the unemployed, workers in the non-core zone are in insecure, poorly paid and vulnerable positions, and the unemployed struggle even to access skills development programmes. Unions have been increasingly confined to the core zone of work, in spite of mobilisation against casualisation, unemployment and poverty – increasingly facing "a crisis of representation" (Webster, 2013: 219).

An alternative characterisation of the segmentation of the South African labour market was provided by Bhorat, Leibbrandt, Maziya, Van den Berg & Woolard (2001) in their analysis of the links between labour markets and inequality. Their categorisation was not based on the degree of coverage by labour market regulations and institutions, but rather on access to the modern consumer economy. They identified the following three groups: (i) those employed in the core consumer economy, which included the dominant high-wage manufacturing sectors, government services, and other industries and services, but excluded mining; (ii) those employed in the modern marginal sectors, which included commercial agriculture, domestic work and mining; and (iii) the peripheral labour force, which included people in subsistence agriculture and the informal sector, and the unemployed (Bhorat et al, 2001: 10). Linkage of labour market institutions to this categorisation is slightly more difficult than in the case of the Von Holdt and Webster schema, but it does constitute an alternative axis of vulnerability along which the labour force could be organised.

The labour relations legislative, policy and institutional framework established post-1994 has come under increasing pressure, with the emergence of strong voices for labour market flexibility, and signs of strain within the collective bargaining system (cf. Nattrass & Seekings, 2013; Webster, 2013). Although support for a national minimum wage has received renewed attention within COSATU, this has not gained much policy traction. Deterioration of labour relations, contestation between unions, and the increasingly desperate socio-economic conditions of workers have contributed to an increase in industrial action, coming to a head in 2012 with the Marikana tragedy and associated events (cf. Alexander, Lekgowa, Mmope, Sinwell & Xezwi, 2012; Webster 2013). This has occurred in a context where protests over state action in general have escalated, eliciting increasingly violent reactions from the police.

One of the many challenges that have faced the post-apartheid state has been the building of a strong education and human resource development system that breaks decisively with the racial inequalities that characterised the pre-1994 dispensation. This has included the building of a new inclusive basic educational system, early childhood development, adult basic education and training, vocational training, and higher education and training. A growing focus on lifelong learning, including modalities for recognition of prior learning and location of qualifications within a unified national qualification framework, was developed, with various challenges along the way. A number of reforms of the basic education system have been attempted since 1994, not all of which have yielded the anticipated results, and the system is still marred by infrastructure deficiencies, issues regarding quality and distribution of teachers, teacher remuneration, textbook deliveries, school nutrition, school results, and performance of South African learners against international benchmarks.

The higher education system has been through a restructuring exercise that saw the emergence of the Walter Sisulu University in the Eastern Cape, and the consolidation of the University of Fort Hare and Rhodes University (including the transfer of a city campus in East London from the latter to the former), and the transformation of the University of Port Elizabeth into the Nelson Mandela Metropolitan University. Policy and related institutional developments have seen the emergence of the Council for Higher Education and linkage of university qualifications into a national qualifications framework. Transformation of the further education and training (FET) sector in the Eastern Cape has seen its consolidation around the following institutions: Buffalo City FET College, East Cape Midlands FET College, King Hintsa FET College, King Sabata Dalindyebo FET College, Lovedale FET College, and Port Elizabeth FET College (Department of Higher Education and Learning, 2013).

From a narrow labour market perspective, the education and training system has had limited success in building skills for participation in the economy, even as the economy has failed to create jobs that fit the skills profile of South African workers. Until its move from the Department of Labour to the Department of Higher Education, the sector education and training authority (SETA) system was effectively delinked from the human resource development planning system. The integration of skills development and human resource development planning has, however, not yet changed the institutional weaknesses of the SETAs or effectively linked skills development and industrial policy, and the loss of the geographic footprint of the Department of Labour's offices (including labour centres) has created new challenges in accessing training through the SETA system. The Department of Higher Education and Training has invested in a more strategic look at the skills development system, including the establishment of the Labour Market Intelligence Partnership (LMIP), which is organised around the following themes: foundation for labour market information, skills forecasting, studies of selected priority sectors, reconfiguring the post-school sector, pathways through education into the workplace, artisanal milieus & identities⁵.

Historically, the Eastern Cape, which includes two of the largest former Bantustans in South Africa, served as a key site of labour reproduction in support of the development of the South African economy. Black people were violently relocated to the Bantustan areas, subjected to planning (under the rubric of betterment planning) that further dislocated people from their places of living and sites of agricultural production, and, simultaneously, notions of separate development, cultural and ethnic identity and self-rule were articulated through systems of traditional leadership in the administrative mechanisms of the apartheid state (cf. Bundy, 1979; Hendricks, 1990; Platsky & Walker, 1985). Livelihood options within the Bantustans were constrained and social service provision was poor. This legacy and the deepening of urban poverty are the most intractable challenges facing the post-1994

⁵ From presentation on the LMIP by the Human Sciences Research Council during a 22 February 2013 LMIP workshop on *Pathways through education and training into the workplace*.

democratic state, both in the Eastern Cape and nationally (cf. Marais, 2011). The analysis in section 4 of this report shows the extent to which the apartheid spatial legacy has persisted in the Eastern Cape.

Attempts were made by the apartheid state to encourage decentralised economic development nearer the labour reserves, but these efforts largely collapsed following the ending of incentives and the establishment of new government administrative systems. In the Eastern Cape, the urban centres of East London and Port Elizabeth, and related hinterland, developed as the core of the economy. A successful commercial agricultural sector, linked to export markets, developed in the west of the Eastern Cape, whereas agriculture in the east was constrained, even in Pondoland, once viewed as a regional breadbasket. Agriculture in the Bantustans was limited largely to maintenance of partial levels of subsistence, with remittances from migrant labour constituting an important component of household income. Agricultural workers working on commercial farms outside the Bantustan areas were placed in highly dependent and vulnerable relationships with employers, and were (and still are, in spite of land tenure legislation) rendered homeless and rudderless when they lost their jobs and their places of living on farms.

Infrastructure development was confined largely to the territory outside the former Bantustans, and included port, road and rail infrastructure. This infrastructure served the development of a number of sectors, including agricultural and manufactured exports, agricultural processing and manufacturing for the domestic market, a textile industry and a domestic tourism market. As elsewhere in South Africa, black people who lived in urban areas lived far from sites of employment, had limited access to basic and social services, low skills levels, and often limited bargaining power, particularly if not unionised.

It is this legacy that the new Eastern Cape Provincial Government faced after 1994, complicated by a range of factors, such as the challenges of fashioning a new state machinery out of remnants of the old Cape Provincial Administration and the bureaucracies of the former Bantustans of the Transkei and Ciskei, and the complex ways in which the post-apartheid state, in its various forms, interfaced with the economy and social policy. The key policy responses initiated by the Eastern Cape Government since 1994 with relevance to the Eastern Cape labour market are briefly described below.

3.2 Policy responses in the Eastern Cape

The first attempt to fashion an integrated government response to the legacy of apartheid in the new Eastern Cape Province came in the form of the Provincial Growth and Development Strategy (PGDS) of 1997 (Eastern Cape Socio-Economic Consultative Council, 1997). The PGDS, which consisted of a number of strategic pillars supported by an assortment of thrusts not necessarily linked by a clearly articulated logic, did not lead to more integrated and coordinated development in the province (Reynolds, 2003). A more comprehensive attempt to respond to the deep challenges of poverty and unemployment in the Eastern Cape came in the form of the Provincial Growth and Development Plan 2004-2014 (Government of the Province of the Eastern Cape, 2004). Supported by the United Nations Development Programme and Britain's Department for International Development, the Provincial Growth and Development Plan (PGDP) included thirteen targets into which the Millennium Development Goals had been mainstreamed. The targets included halving the unemployment rate, reducing the number of households living below the poverty line by 60-80%, reducing the proportion of people suffering from hunger by 60-80%, maintaining an economic growth rate of 5-8% pa, as well as targets relating to food self-sufficiency, universal primary education, literacy, gender disparities in education and employment, the under-five mortality rate, the maternal mortality rate, HIV/AIDS, tuberculosis (TB), access to clean water, and sanitation. At the 2006 Eastern Cape Jobs Summit, the provincial government and its social partners recommitted themselves to the achievement of the PGDP targets.

The PGDP argued for active state intervention in the economy, but acknowledged that many key instruments of economic policy and investment lay outside the control of the province. It described six strategic objectives that were translated into the following six programme areas: agrarian transformation and food security, fighting poverty, public sector transformation, infrastructure development, manufacturing diversification and tourism, and human resource development. The PGDP characterised the labour market in the province as fragmented, with a large peripheral labour force and decline in formal employment. The core labour market and human resource development challenges included a low skills base, underinvestment in skills development, rising unemployment, poor alignment of training programmes with social and economic development strategies, and a mismatch between training outputs and skills requirements. It was argued that human resource development needed to be both “supply leading” and “demand following”. An evaluation of PGDP in 2007 (Office of the Premier of the Eastern Cape, 2009) showed that the PGDP strategic objectives were still relevant, but that implementation had been poor. The evaluation showed a reduction in the narrow rate of unemployment between 2004 and 2007, but an increase in the expanded rate. It also found only a slight reduction in the percentage of people living below R800/m, and deterioration in the maternal mortality rate, HIV prevalence and TB incidence. The economic growth rate recorded was recorded as 5.3%, with a gap of -0.1% between the average annual rate for 2000-2007 and what would be required for 2007-2014.

Edwards (2011: 129) argued that achievement of the PGDP target of halving unemployment in the province by 2014 would mean that “total employment in the province would have to increase by at least 50 000 a year, whereas over the past ten years total employment has remained more or less static and unemployment has grown, in spite of the net outmigration from the province, which has been running at about 50 000 a year and is likely to continue at that rate for some time into the future”. Key to the required increase in employment being possible would be changes in national macroeconomic policy (particularly a more expansionary fiscal policy and shift in monetary policy to facilitate low interest rates and a stable and competitive currency), active industrial policy, increasing the development of the agricultural sector, dealing with monopoly pricing (affecting both the cost of infrastructure delivery and manufacturing), and reduction of South Africa’s extreme income inequality (Edwards, 2011).

A Strategic Framework for Human Resource Development was developed in 2004 (Reynolds, 2004), drawing on a Human Sciences Research Council analysis undertaken in the same year, and on the National Human Resource Development Strategy of 2001 and the draft National Skills Development Strategy of 2004. This was followed by the development of a Provincial Skills Development Plan in 2005 (Eastern Cape Socio-Economic Consultative Council, 2005) in support of the PGDP. It described the sectoral skills requirements for agriculture, tourism, manufacturing, infrastructure, social needs and local government, and identified the following skills development programmes: critical skills prioritisation and communication programme, workplace training promotion programme, skills for employability and sustainable livelihoods programme, new entrant and self-employment support programme, and strengthening of training provision support programme.

This plan was overtaken by the release of the Accelerated and Shared Growth Initiative – South Africa (ASGISA) and the establishment of the Joint Initiative for Priority Skills Acquisition (JIPSA) in 2006, which is also the year in which the provincial social partners signed the provincial Jobs Summit Agreement. A report on the development of human resource development and related processes was completed in 2007 (Mageza, 2007), including, amongst other things, details on the establishment of the Provincial JIPSA Council, which was later renamed the Eastern Cape Human Resource Development Council. The latter adopted a Provincial Skills Development Plan in 2012.

In 2009, a Provincial Skills Indaba was held and the Provincial Industrial Development Strategy (Government of the Eastern Cape, 2010) was released. The latter was the culmination of a process that had started in 2005, prior to the increasingly active and strategic engagement with industrial policy within the national sphere of government. The Provincial Industrial Development Strategy was generally aligned with national policy, including the National Industrial Policy Framework of 2007 and the first two Industrial policy Action Plans (IPAP and IPAP2), and positioned itself strongly in favour of state-led industrialisation. Sectors were prioritised based on the extent to which they created or protected jobs, enabled industrial diversification into non-commodity tradable sectors, enabled value-added linkages within and across sectors, and held out direct benefits for cooperatives, SMMEs (small, medium and micro enterprises) and enhanced regional and local comparative and competitive advantages. The following priority sectors were identified: automotive, agro-processing, capital goods, green economy, petrochemicals and tourism.

The Eastern Cape Provincial Jobs Strategy was released in 2012 (Government of the Province of the Eastern Cape, 2012). It identified a number of key factors that contributed to the deepening of the jobs crisis in the province, including persistence of a high rate of unemployment over time, a high number of discouraged job-seekers withdrawing from the provincial labour market, significant out-migration from the province, growing numbers of new entrants to the labour market, and a skills crisis. Unlike the situation in other developing countries faced with limited formal employment opportunities, not enough was seen to have been done to support the informal sector, particularly small-scale agriculture. Only 9% of those with informal sector employment were employed in the manufacturing sector and only 11% in the agricultural sector, but there was an estimated 711,000 subsistence farmers in the province.

In charting a way out of the crisis, the Jobs Strategy identified a number of sectors with potential comparative advantage and a number of key intervention programmes (KIPs). The key sectors to be targeted included agriculture and animal husbandry, fishing and aquaculture, minerals, energy, forestry, and tourism. The following KIPs were identified: (1) jobs retention programme, (2) agro-industrial value chains programme, (3) forestry programme, (4) industrial jobs stimulation programme, (5) green jobs programme, (6) service jobs programme, (7) social economy programme, (8) economic infrastructure programme, (9) skills development programme, (10) Wild Coast programme, (11) enterprise development programme, (12) local procurement programme, and (13) jobs data programme. The identification of agriculture amongst both the key sectors and as a foundation for agro-industry fits with the largely rural nature of the province and the distribution of its population, and continues a theme identified in the PGDP and emphasised by analysts such as Edwards (2011).

At a policy level, the Eastern Cape Provincial Government has consistently committed itself to state intervention in the economy, but has had limited success in effecting such intervention, due in part to governance challenges, the constraints of national policy and practice, and the structure of the national economy. Failure to facilitate job creation and skills development in ways that allow for broader labour market participation, combined with failures in social services delivery (in spite of progress), continue to leave the people of the Eastern Cape vulnerable.

The limitations of the national economic trajectory since 1994, the continued spatial legacy of apartheid, and the enduring effects of the minerals-energy complex, all inscribed within global processes, have had many negative impacts on the people of the Eastern Cape. The next section, the largest in this report, focuses specifically on what labour market statistics and administrative data tell us about some of those impacts.

4 Employment, unemployment, education and incomes in the Eastern Cape

This section draws on Census data released by Statistics South Africa⁶, as well as administrative data provided by the Department of Labour and the Department of Public Works, to describe the Eastern Cape labour market. Other sources of data, such as Statistics South Africa's Quarterly Labour Force surveys and The Presidency's National Income Dynamic Study, will be utilised in future research to analyse trends and focus on particular aspects of the labour market, such as informality. One of the advantages of using Census data rather than the most recent Quarterly Labour Force Survey in compiling this foundational overview is that Census data allows us to describe sub-provincial patterns with more confidence given that Census data are generated through a total population count rather than a sample. Future work using national surveys⁷ can then build on the broad picture described in this report, particularly by drawing on the broader range of data of relevance to the labour market generated by them, and despite their weaknesses in supporting sub-provincial analyses.

In this section, we examine data on the following four aspects of the labour market below: employment, unemployment, education levels, and incomes. The section on education levels includes information on the education levels of employed and unemployed people.

4.1 Employment

4.1.1 Employment by sector and occupational category

The services sectors dominate the Eastern Cape economy (DEDEAT, 2013) just as they do the national economy (Development Policy Research Unit, 2012). Particularly dominant in both cases is the community, social and personal services (CSP) sector and the wholesale and retail trade sector. The CSP services sector was the largest contributor to employment in the Eastern Cape in 2011 (DEDEAT, 2013) and in 2007 (derived from 2007 Community Survey data, Statistics South Africa)⁸, followed by the manufacturing sector and the wholesale and trade sector. This picture is similar to that recorded in 2001, but for the reversal of the positions of the manufacturing sector and the wholesale and trade sector (derived from 2001 Census, Statistics South Africa) – see figures 1 and 2 below (the sectoral breakdown is not available in the Census 2011 data released by Statistics South Africa to date).

6 Census data were accessed using the SuperWEB interactive tools on the Statistics South Africa website (www.statssa.gov.za), as the Census 2011 data had not yet been released in a form that could be processed for analysis using standard statistical software. This slowed the process of analysis considerably.

7 Unemployment figures calculated using Census data are often not the same as those calculated using Quarterly Labour Force Survey data, due to a number of considerations, including questionnaire differences.

8 The “unspecified” category is the largest category for 2007, followed by the CSP sector. It is not clear why such a large percentage of employed people could not be classified into any of the sectors.

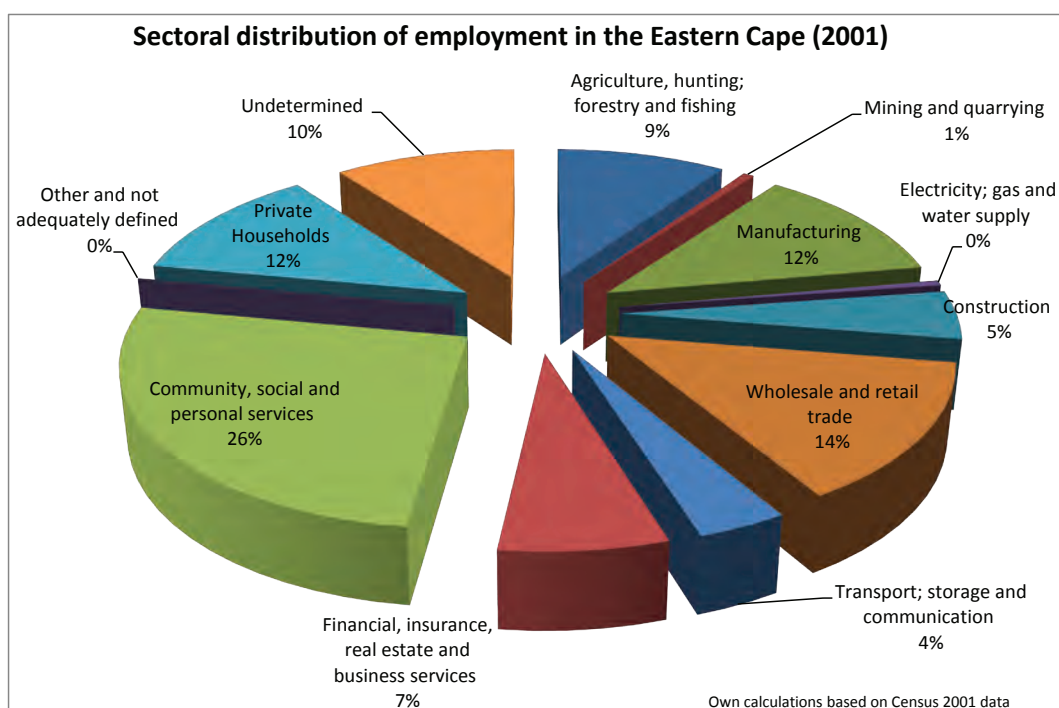


Figure 1

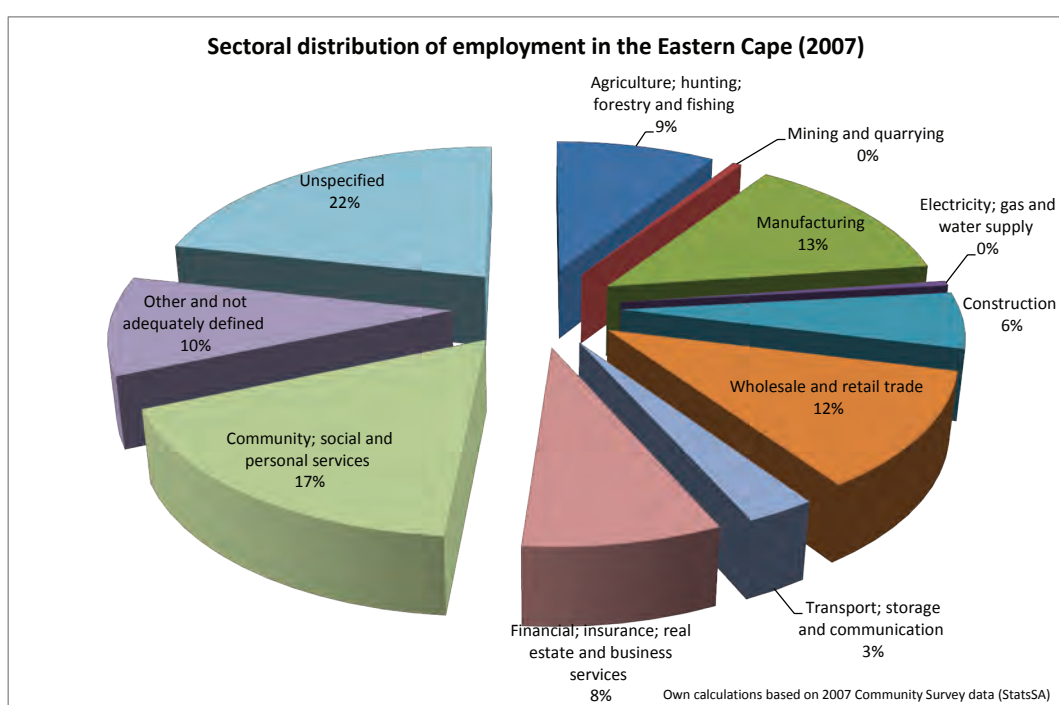


Figure 2

These figures show a decline in the contribution of mining and quarrying to employment of Eastern Cape people, and a very slight increase in the contribution of manufacturing, from 12% to 13%. Overall, what might be termed the productive sectors of the Eastern Cape economy (particularly Agriculture, hunting forestry and fishing; mining and quarrying; manufacturing; and construction) accounted for only 27% of employment in the Eastern Cape in 2001, and 28% in 2007. As indicated previously, the breakdown for 2011 cannot be calculated, as the relevant figures had not been released by the time this report was written.

The figure below shows the distribution of employed people per occupation category in 2001, based on Census 2001 data. Almost a third of all employed Eastern Cape people in 2001 were occupied in elementary occupations. Legislators, senior officials and managers, professionals, and technicians and associate professionals together accounted for just over a quarter of all people in the Eastern Cape who were employed in 2001.

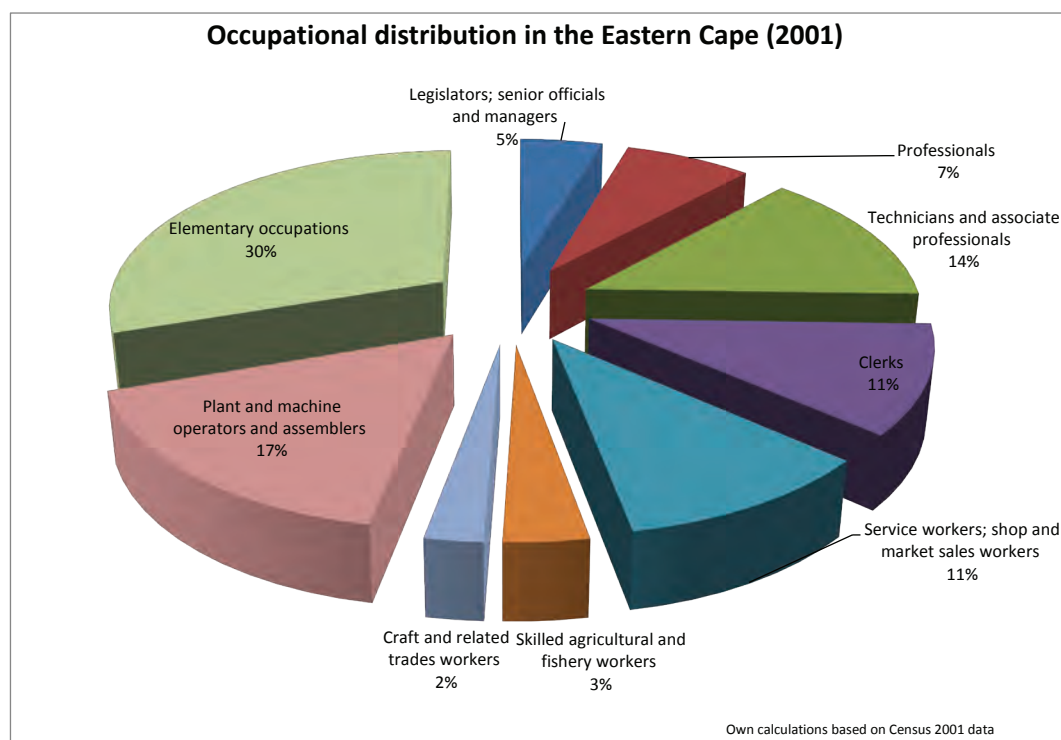


Figure 3

In 2007, the occupational contribution changed in a number of respects, as shown in the figure below, based on Statistics South Africa's 2007 Community Survey.

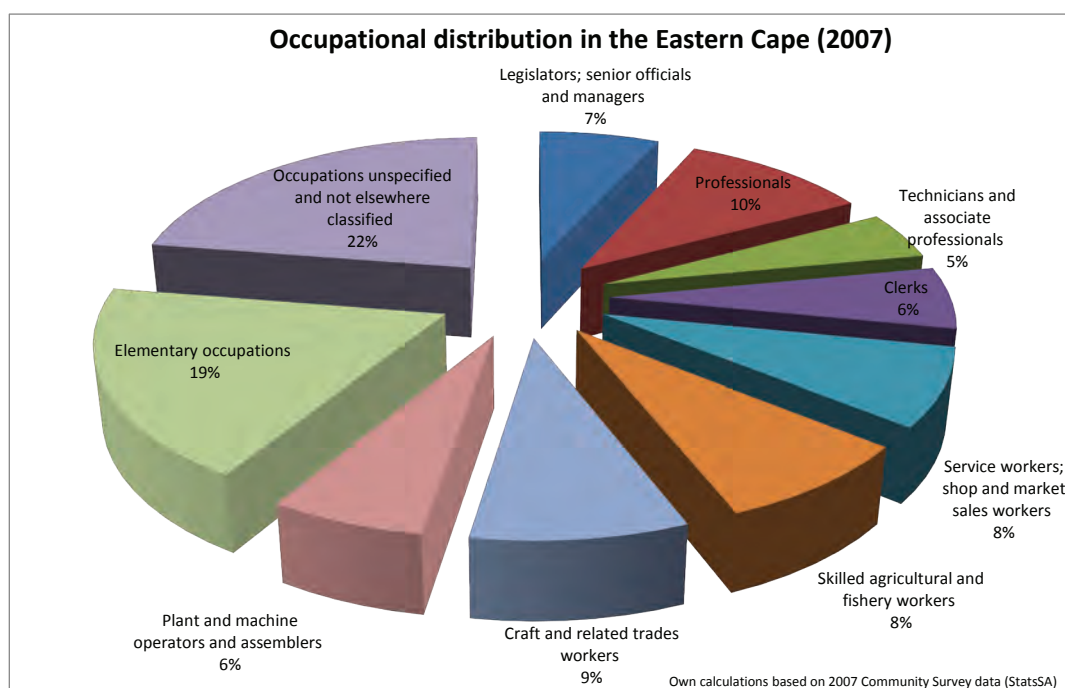


Figure 4

One striking feature is the appearance, in 2007, of the category “Occupations unspecified and not elsewhere noted”, which accounted for 22% of all people in the Eastern Cape people who were employed in that year. Another is the proportions accounted for by elementary occupations and by plant and machine operators and assemblers.

In 2007, the CSP sector, which includes government employees, accounted for the employment of a larger percentage of professionals (more than 40% of people employed in that sector) and of legislators, senior officials and managers than any other sector, many of which were dominated by craft and related trades workers, plant and machine operators and assemblers, or elementary occupations.

According to the Eastern Cape Provincial Jobs Strategy (Province of the Eastern Cape, 2012), although the Eastern Cape recorded generally positive Gross Domestic Product (GDP) figures during the early 2000s, formal sector employment generally declined between 1996 and 2011. An estimated 16,488 net new jobs were created in the manufacturing sector in the Eastern Cape between 1995 and 2010, with net losses recorded in the following sub-sectors: textiles, clothing and leather goods; petroleum products, chemicals, rubber and plastics; electrical machinery and apparatus; and radio, TV, instruments, watches and clocks. The net loss of jobs in the textiles, clothing and leather goods sector was the largest (at 6,758 jobs), and was linked to the effects of trade liberalisation.

Some insight into labour demand per sector and occupational category in the Eastern Cape is provided by administrative data collected by the Department of Labour. The Department, at a national level, started recording job vacancies as advertised in provincial newspapers in 2008/09, labelled as the Job Opportunities Index (JOI). Data from the Eastern Cape was not available in that year, however, Eastern Cape JOI figures became available for the first time in 2009/10. Although there are vacancies that might not end up being advertised in the newspapers, particularly in the elementary occupations, the JOI does provide insight into the demand for labour in the province. The figure below shows the numbers of vacancies by standard industrial classification registered by the Department of Labour in 2009/10, 2010/11 and 2011/12.

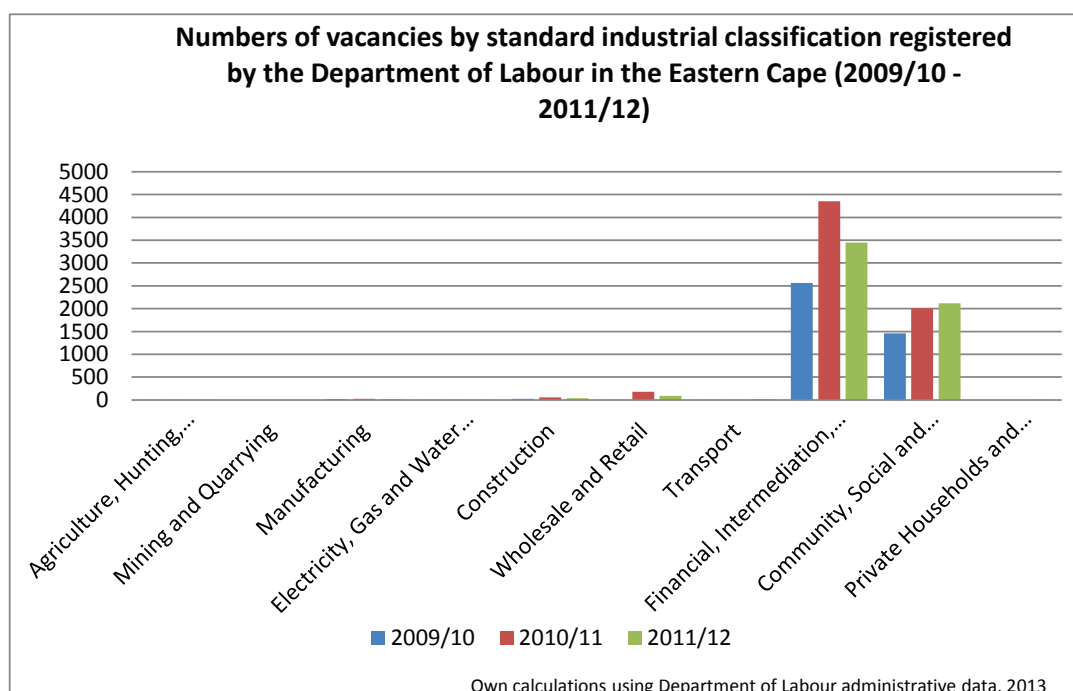


Figure 5

The dominant industrial sector in all three years was the *Financial, Intermediation, Insurance, Real Estate and Business Services* sector, followed by the CSP sector. In 2009/10, the financial and related services sector accounted for 63% of all advertised vacancies – the corresponding figures for 2010/11 and 2011/12 were 66% and 60%, respectively. The CSP sector accounted for 36% of all advertised vacancies in 2009/10, 30% in 2010/11 and 37% in 2011/12.

The JOI also records advertised vacancies in terms of the major occupational groups. The figure below shows the numbers of advertised vacancies for each of the major occupational groups for the period 2009/10-2011/12.

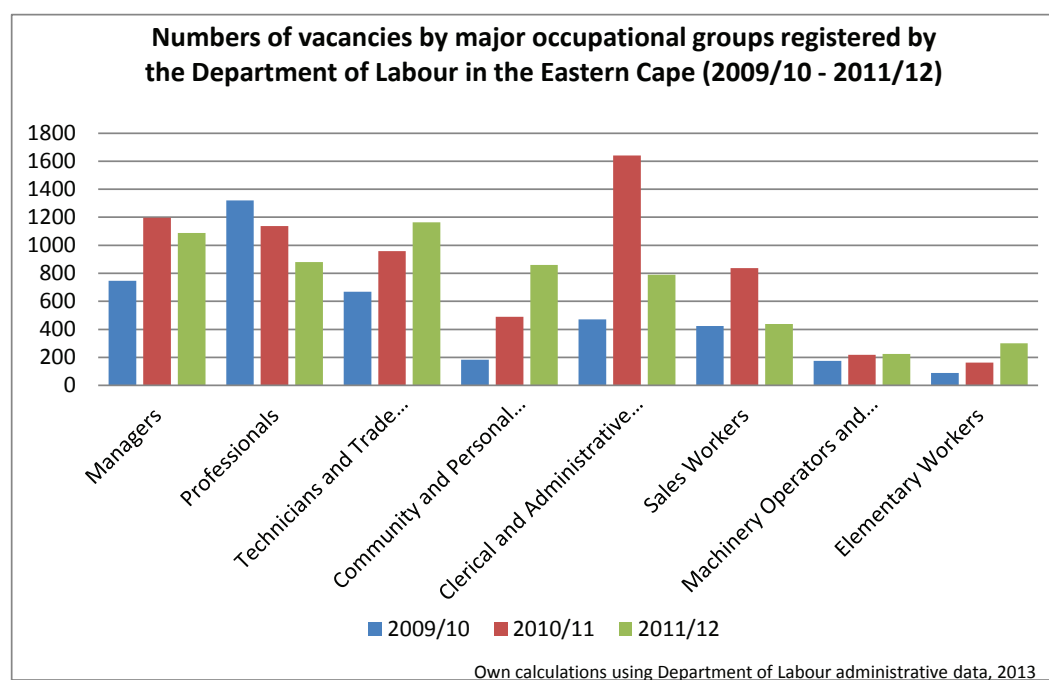


Figure 6

In 2009/10, the number of advertised vacancies for professionals was the highest (32% of the total number of vacancies for the year), followed by vacancies for managers (18% of the total number of vacancies for the year), and then by technicians and trade workers (16% of the total number of vacancies for the year) – together, these three occupational groups accounted for two thirds of all advertised vacancies in 2009/10. In 2010/11, most of the advertised vacancies were for clerical and administrative workers (25% of the total number of vacancies for the year), followed by vacancies for managers (18% of the total number of vacancies for the year), and then by vacancies for professionals (17% of the total number of vacancies for the year) – together, these three occupational groups accounted for 60% of all vacancies in 2010/11. In 2011/12, most of the advertised vacancies were for technicians and trade workers (20% of the total number of vacancies for the year), followed by vacancies for managers (19% of the total number of vacancies for the year), and then by vacancies for professionals (15% of the total number of vacancies for the year) – together, these three occupational groups accounted for 54% of all vacancies in 2011/12.

Vacancies for machinery operators and drivers and for elementary workers accounted for very low proportions of advertised vacancies in all three years, never rising above 5% for either of these two occupational categories. This might be a reflection of the low numbers of vacancies being created for semi-skilled and unskilled workers, and/or lower levels of use of newspapers to advertise vacancies for these occupational categories than for those that require higher levels of skill.

A comparative national picture is provided by the work of the Development Policy Research Unit as part of the Employment Promotion Programme (DPRU, 2012). Nationally, the wholesale and retail trade sector dominated employment in 2010 and 2011, trailed closely by CSP before being equalled by the latter in 2012 (based on quarterly Labour Force Survey Data analysed by the Development Policy Research Unit, 2012) – see figures 5 below. In the first quarter of 2012, these two sectors accounted for 22% each of South African employment, followed by financial and business services at 13%, manufacturing at 12%, and private households at 9%.

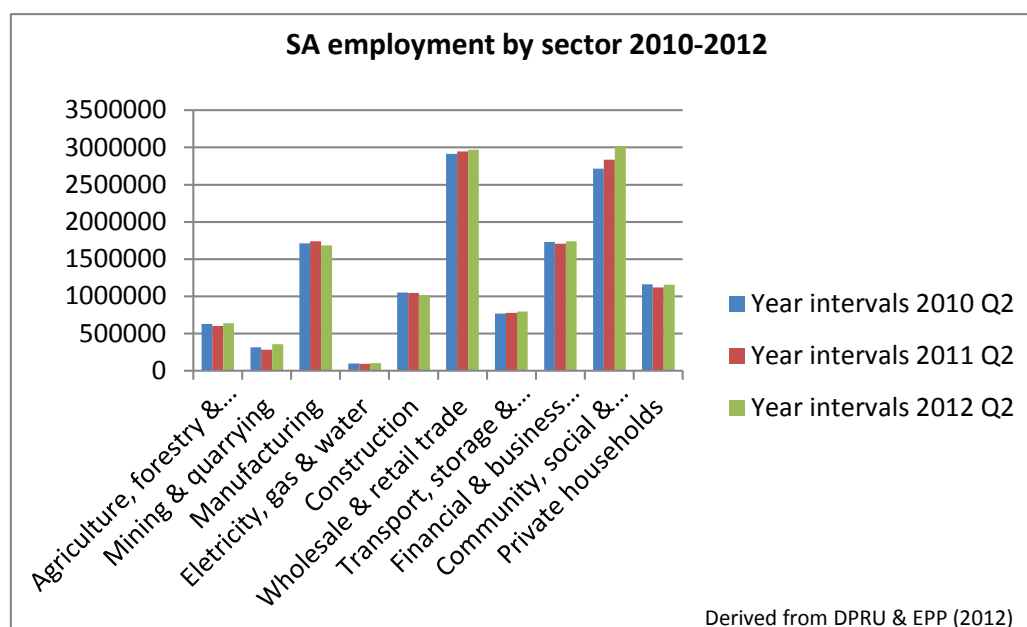
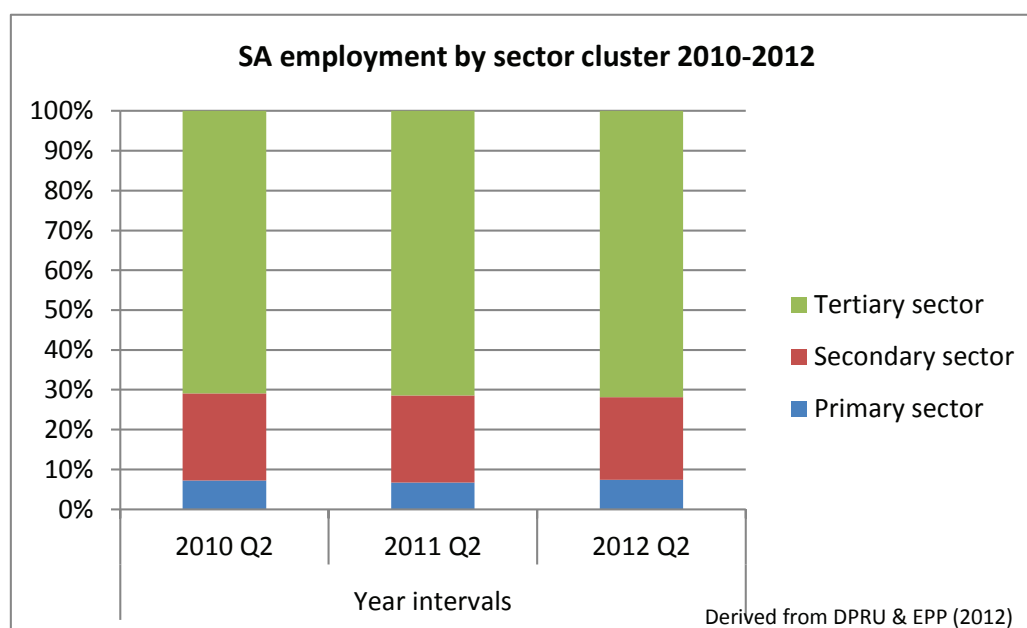


Figure 7

Figure 6 below shows the domination of employment by the tertiary sector cluster in general. The tertiary sector cluster includes the following sectors: wholesale and retail trade; transport, storage and communication; financial and business services; community, social and personal services; and private households. The secondary sector cluster includes the following sectors: manufacturing; electricity, gas and water; and construction. The primary sector cluster includes the following sectors: agriculture, forestry and fishing; and mining and quarrying.

**Figure 8**

4.1.2 Characteristics of employment and the employed

According to Census 2011 data, the Eastern Cape labour force, broadly defined (i.e. including discouraged work-seekers), stood at 1,951,189 people in 2011, of which 1,028,964 (53%) were employed. As indicated previously, distribution of these employed people by sector and occupational category cannot be shown from Census 2011 data released by Statistics South Africa to date, but will be investigated further using other sources of data, such as Quarterly Labour Force surveys.

A key point to note here is that not everyone counted as employed during Census 2011 was employed in what could be described as the formal sector. To be counted as employed, a person had to have performed at least one hour of work for pay, profit or family gain in the seven days prior to the Census interview or have been absent from work during these seven days, but with some form of paid work to return to (Statistics South Africa, 2012a: 10). Activities regarded as work for purposes of classification as employed included paid work, work in exchange for benefits such as groceries or housing, and work in spaza shops, renting rooms, fetching water or wood for sale, informal roadside trading, etc. for pay or without pay if in support of a business run by a member of a respondent's usual household – all very marginal activities in income terms. Work in small family farms or homestead gardens was not considered as employed work. Although consideration of such a range of activities does allow more informal economic activities to be included under the definition of employment, it does show the vulnerability of those classified as unemployed, and that further work is required to assess the extent of vulnerability of those classified as employed. Further insights on the latter can be found in the sections of this report dealing with skills and incomes below.

The Census 2011 data do show the numbers of people who were employed in the formal and informal sectors. The allocation of employed people to the formal sector was based on an assessment of whether their employers were one of the following (Statistics South Africa, 2012a: 77): "government, parastatals, registered non-governmental organisations and private businesses that are registered for either income tax or VAT". This enterprise approach, which is used by most official agencies, is one of three approaches to defining informal employment described by Yu (2012) – the others being the employment relationship approach and the worker characteristics approach.

In 2011, according to the enterprise approach definition used by Statistics South Africa for Census 2011, 73% of all employed people were employed in the formal sector, as shown in the pie chart below:

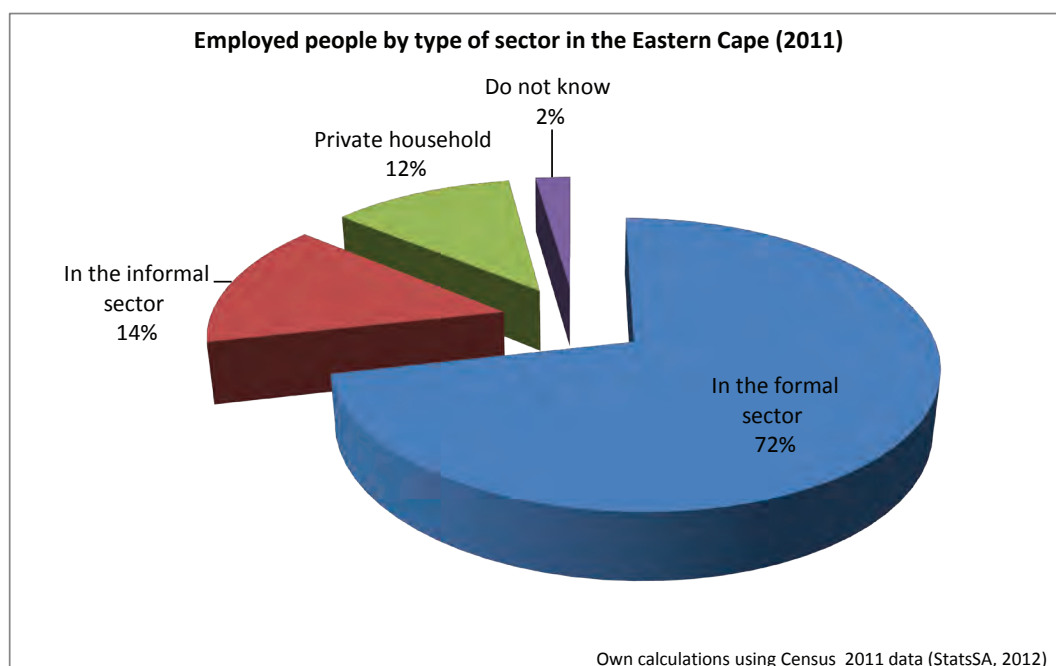


Figure 9

A total of 148,812 people were counted as being employed in the informal sector – 14% of those employed. A number of analysts (cf. Muller & Posel, 2004; Heintz & Posel, 2008; Heintz & Valodia, 2008; Yu, 2012; Alexander & Wale, 2013) have described the difficulties of measuring informal employment. According to Muller & Posel (2004: 16), “If the objective is to identify different conditions of work and employment relationships, then it may be more revealing to analyse degrees of informality rather than to impose a strict dualism on the labour market” – this type of approach allows one to consider work in private households and in what would be described as formal enterprises, where employees are placed in a range of employment relationships, as informal to varying degrees. Those in varying degrees of informal employment (excluding managers and professionals who list their employment as informal) are precisely those people in Von Holdt & Webster’s non-core zone of work (see section 3.1 above), and many can be viewed as even worse off than some of the unemployed, as they literally cannot afford to be unemployed and often engage in a succession of survivalist activities (cf. Alexander & Wale, 2013).

Further work on informal employment in the Eastern Cape is warranted, given these definitional complexities and the vulnerability of Eastern Cape people who are employed, as shown by the data on incomes reviewed in section 4.4 below.

In 2011, most of the people in the Eastern Cape who were employed were male (56%). Examination of the gender breakdown of the employed population shows that, in 2011, 52% were male and 48% female. This was almost the reverse of the gender breakdown for the Eastern Cape population as a whole, where 53% were female and 47% male.

Analysis of employment by population group shows that 72% of those employed were classified as Black African, 13% as Coloured, 1% as Indian or Asian, 13% as White and 1% as Other. Most of those employed fell into the 25-34 year age group (29%), with 27% falling into the 35-44 year age group,

and 21% into the 45-54 year age group. Further insight into labour market segmentation is provided by analyses of income by gender and population group in section 4.4 below.

The bulk of those employed (71%) lived in urban areas, with 46% of the total number of those employed residing in the two metropolitan municipalities of Nelson Mandela and Buffalo City. The Nelson Mandela Metro alone accounted for 28% of the total number of employed people in the Eastern Cape. These figures show that employment creation outside the historical centres of economic activity in the Eastern Cape has been very limited, in spite of a number of plans and initiatives to the contrary.

Analysis of the distribution of employed people classified within the various population groups across geo types shows a strong concentration of employed people in urban areas, particularly of employed people classified as Indian or Asian (91% of those employed), Coloured (88% of those employed), and White (88% of those employed). The corresponding figure for employed people classified as Black African is 64%. Thirty percent of employed people classified as Black African lived in tribal or traditional areas in 2011, and only 6% on farms. The largest proportion of employed people for any population group living on farms was 12% - this proportion applied to both employed people classified as Coloured and those classified as White.

4.1.3 Migration

The province has also lost many of its people to employment opportunities elsewhere. Statistics South Africa (2012b) calculated that the Eastern Cape had the highest net out-migration of all provinces in 2011, followed by Limpopo and the North West, both of which had had higher net out-migration rates than the Eastern Cape in 2001 – see the figure below, taken from the StatsSA report entitled *Census 2011: Provinces at a glance* (StatsSA, 2012b).

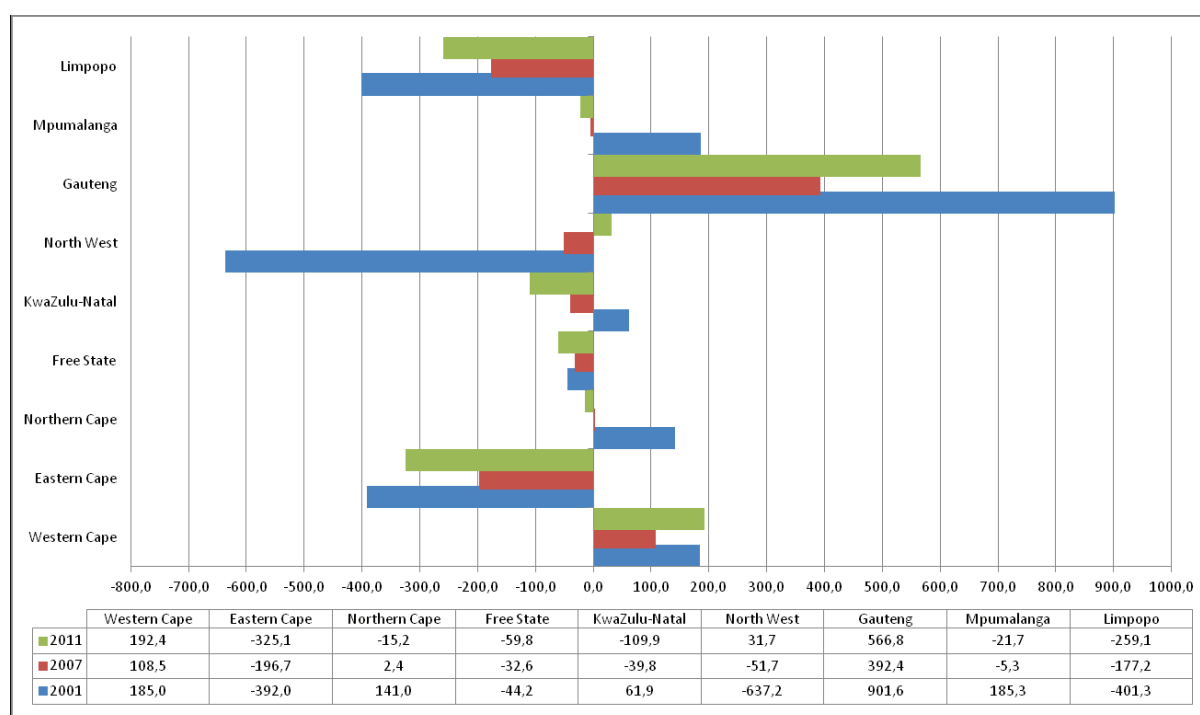


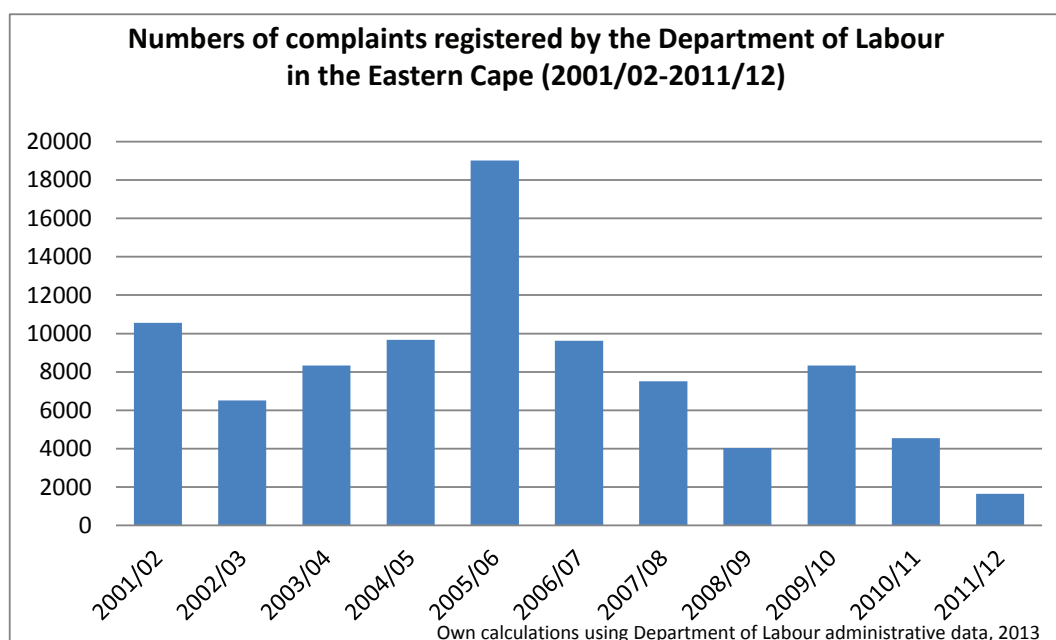
Figure 10: Net out-migration from provinces in South Africa in 2001, 2007 & 2011

A further perspective on migration into the province is provided by data on members of the Eastern Cape population that were born in this province. When the population of the Eastern Cape is divided in 5-year age categories, not a single category is found where less than 87% of people were born in the Eastern Cape – for the majority of categories, the figure is above 90%, further confirming the limited in-migration into the province. There is a need to understand migration out of the Eastern Cape better, particularly in relation to skills profiles, sites of employment and linkages to the migrant labour system.

There appears to be a high level of internal movement within the Eastern Cape. Census 2011 figures show that 65.7% of people in the province indicated that they had moved since 2001 (the figure rises to 67.1% if people who were born after 2001 and moved are included). The corresponding figures for tribal or traditional areas, urban areas and farms in the province are 70.2%, 61.2% and 56.8%, respectively (increasing to 70.8%, 63.5% and 59.4%, respectively, when people born after 2001 and moved are added). The corresponding figures for the district and metropolitan municipalities in the province are all above 60%. The Census 2011 data do not reveal the reasons for this internal movement or details on source and destination areas.

4.1.4 Complaints registered with the Department of Labour

Some indication of concerns that employees have had regarding their employers can be obtained from complaints registered with the Department of Labour. The figure below shows the total numbers of complaints received in the Eastern Cape for the period 2001/02 to 2011/12:



After an initial drop in 2002/03, the numbers of complaints climbed steadily to a spike in 2005/06 before a steady decline to their second lowest level for the period in 2008/09. After a doubling of the number of complaints from 2008/09 to 2009/10, followed by a 45% drop from 2009/10 to 2010/11, the numbers of complaints dropped to their lowest level for the entire period. Little is known about the reasons for these fluctuations, as the data we examined included little information on the nature of the complaints. In 2001/02 and 2002/03, numbers of complaints were disaggregated according to the following categories: Wage Act, Unfair dismissals, Domestic, Farm workers, Cleaning, Civil Engineering, Security, Small business, Unemployment Insurance Act (UIA), Labour Relations

Act (LRA), Bargaining Councils, Occupational Health and Safety Act (OHSA), Compensation for Occupational Injuries and Diseases Act (COIDA), Referred to the CCMA, Referred to the Labour Court, and Other (the latter including mainly complaints related to the Basic Conditions of Employment Act). In both years, the "Other" category was the largest, indicating that the bulk of complaints in those years related to the Basic Conditions of Employment Act. In 2001/02, the next largest categories, in diminishing order of size, were "Wage Act", "Domestic" and "UIA", and in 2002/03, only the "Domestic" category was close to the "Other" category for that year (but still less than half its size).

In 2004/05, 2010/11 and 2011/12, numbers of complaints relating to the UIA, LRA, OHSA, COIDA and Basic Conditions of Employment Act (BCEA) were reported. In all three years, the largest number of complaints related to the BCEA – in 2004/05, the BCEA complaints were more than the numbers for all the other categories combined, and in 2010/11 and 2011/12, the numbers of BCEA complaints were more than three times the numbers of all the other categories combined. In 2004/05, the second largest category was COIDA, followed by UIA⁹; for both 2010/11 and 2011/12, the second largest category was UIA, followed by COIDA. It is not possible to determine, from the data at our disposal, which aspects of conditions of employment formed the basis of complaints related to the BCEA.

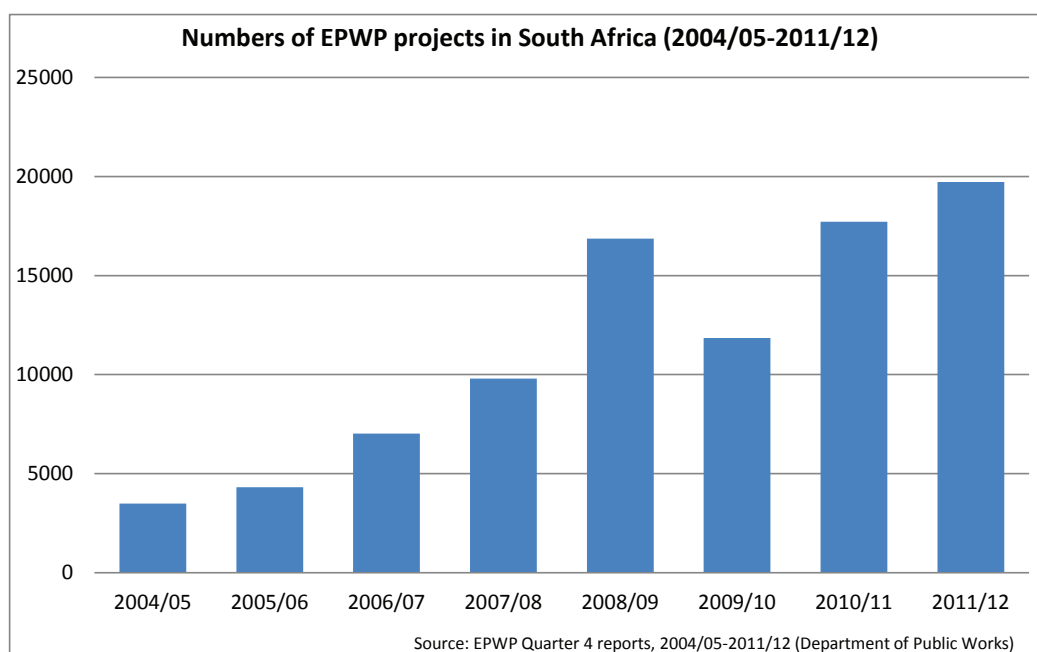
4.1.5 Employment created through the Expanded Public Works Programme

One of the initiatives targeted explicitly at the creation of employment, coupled with training, is the Expanded Public Works Programme (EPWP), launched in 2004 under the auspices of the national Department of Public Works working in collaboration with other spheres of government (Department of Public Works, 2005; Department of Public Works, 2008). When it was launched, the EPWP was intended to provide public infrastructure and services using labour-intensive methods and employing local labour, who would receive training and experience that might improve their chances of finding longer-term employment. Projects were planned in four sectors: infrastructure, environment and culture, economic and social. The economic sector never attracted a large number of projects, and in the first year of the EPWP's existence, most EPWP jobs were created in the infrastructure and the environment and culture sectors. Most people were employed as manual workers, and the average duration of their employment was 4 months (Department of Public Works, 2005: 5). People employed in the social sector were employed to support early childhood development and home community based care.

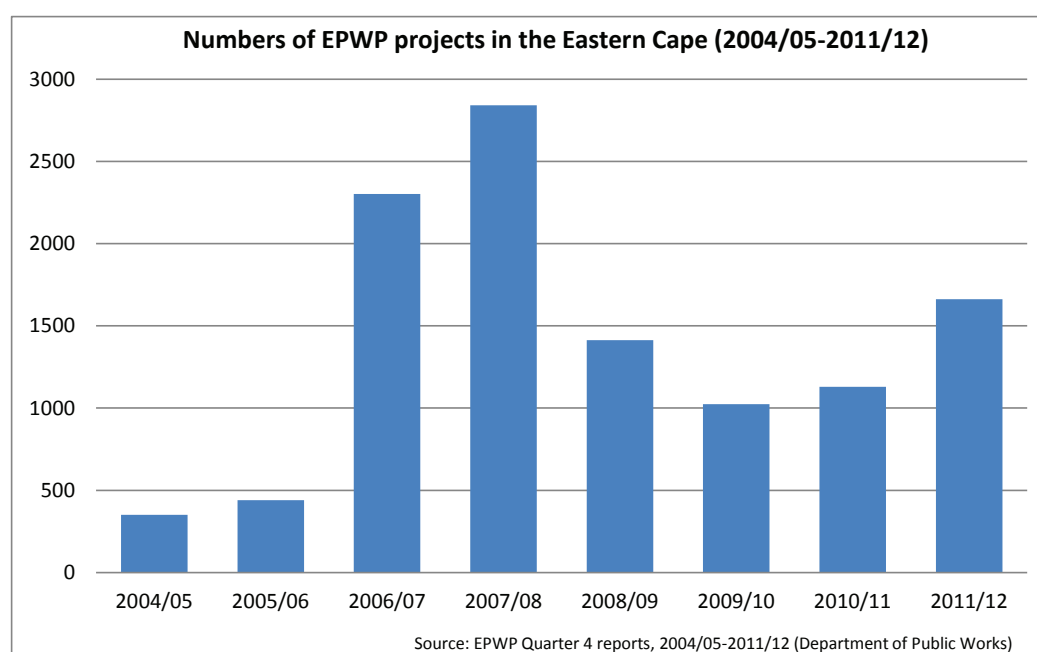
In general, the Expanded Public Works Programme (EPWP) has targeted mainly the elementary occupations, with a strong focus on women, the youth and disabled people. Examination of EPWP data from its inception in 2004/05 to 2011/12¹⁰ shows a steady increase in the numbers of projects created in South Africa as a whole (except for a dip in 2009/10), from 3,483 in 2004/05 to 19,720 in 2011/12, as is shown by the figure below:

9 The "SDA" (Skills Development Act) category was included in reports for the first time in 2010/11, and included 25 more complaints than were recorded in the "UIF" category. The number of SDA complaints dropped to 0 in 2011/12.

10 Data for this period used in our analyses were taken from Fourth Quarterly Reports published by the national Department of Public Works for each financial year during the period 2004/05 to 2011/12. Each of these reports contained cumulative data for the entire financial year.

**Figure 11**

The pattern in the Eastern Cape was a bit less steady, as is shown by the diagram below:

**Figure 12**

The greatest number of EPWP projects (2,842) was created in 2007/08, just before the recession, dropping in 2008/09 and 2009/10 to a low of 1,024, before climbing to exceed the 2008/09 level for the first time in 2011/12.

The proportions of the total number of EPWP projects created per province varies over the eight-year period under review, with the Limpopo Province accounting for more than a third in 2010/11 and in 2011/12. The figure below shows the proportion of the total number of EPWP projects created within each province in 2011/12:

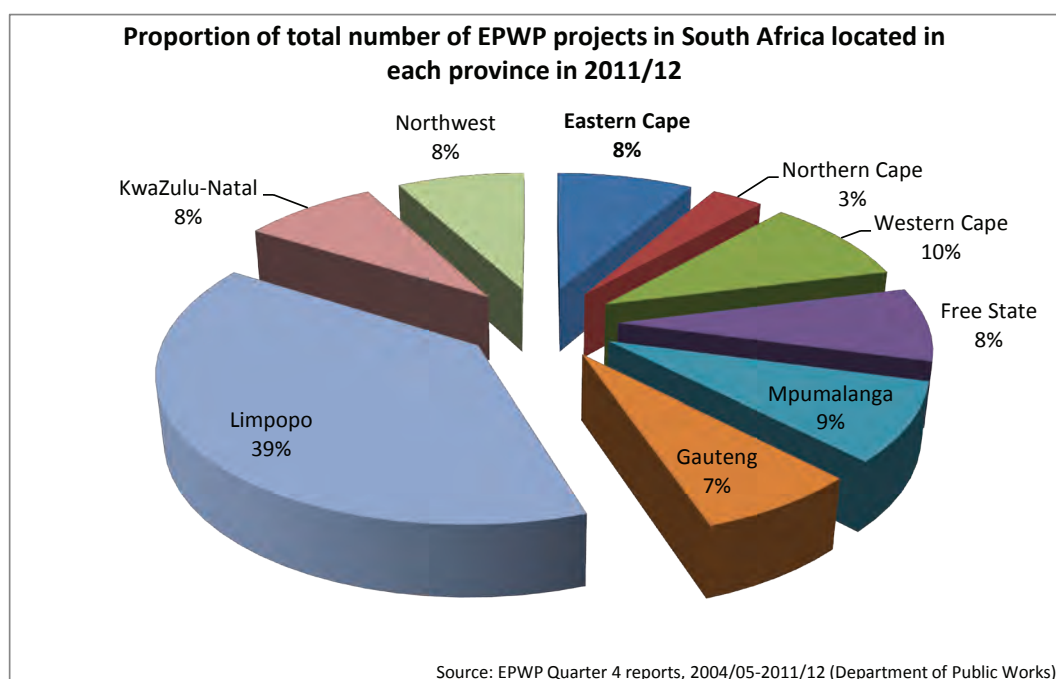


Figure 13

The smallest proportion was created in the Northern Cape, followed by Gauteng with 7% of the total, and then by the Eastern Cape, Northwest, KwaZulu-Natal and Free State, each with 8% of the total.

The numbers of gross work opportunities¹¹ created over this period do not correlate with the numbers of projects, with some projects clearly much more labour-intensive than others, even when considering the amounts of money invested. This is shown most clearly when looking at the proportion of gross work opportunities created in 2011/12 located in each province, as shown in the figure below:

¹¹ The EPWP distinguishes between gross and net work opportunities. Gross work opportunities are the number of work opportunities created, whereas net work opportunities are calculated by subtracting from the number of gross work opportunities the possible work opportunities if the projects were implemented machine intensively. In the Eastern Cape, the numbers of gross and net work opportunities were identical from 2005/06 onwards, and, in South Africa as a whole, the gross and net numbers were identical in all provinces from 2008/09 onwards. Given this, and our own purposes, we have used mainly the gross work opportunity numbers.

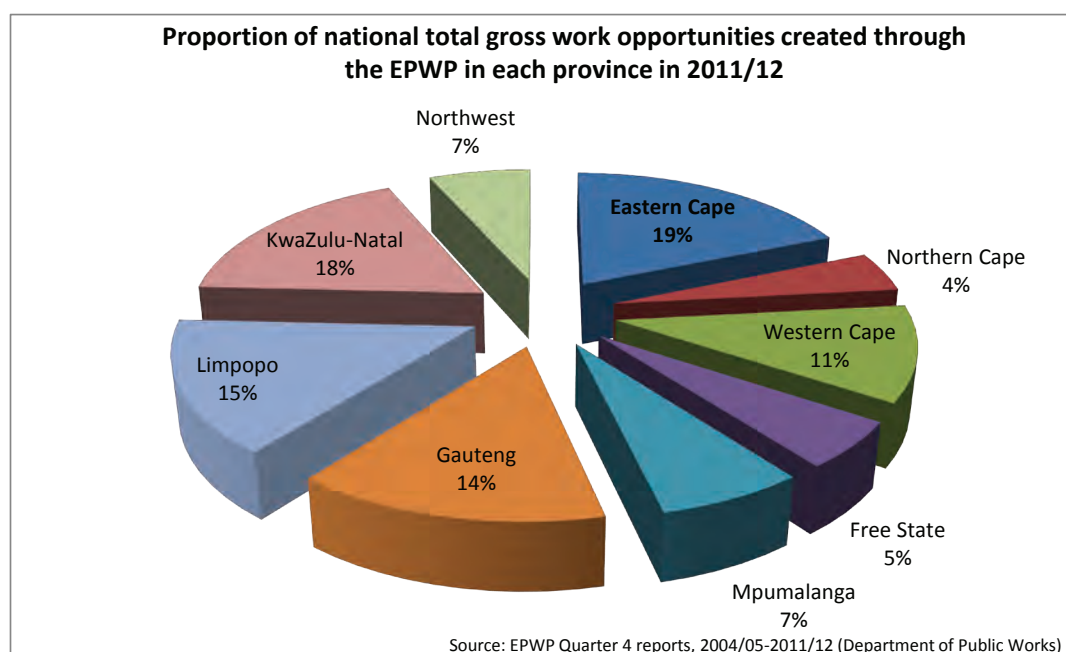


Figure 14

Although only accounting for 8% each of the total number of EPWP projects in 2011/12 (compared to Limpopo's 39%), the Eastern Cape and KwaZulu-Natal accounted for the largest proportions of gross work opportunities created in that year, at 19% and 18%, respectively (together, they accounted for 37% of all gross work opportunities in that year).

The graph below shows how the numbers of gross work opportunities, net work opportunities and person years of work (incl. training)¹² created in South Africa changed over the eight-year period:

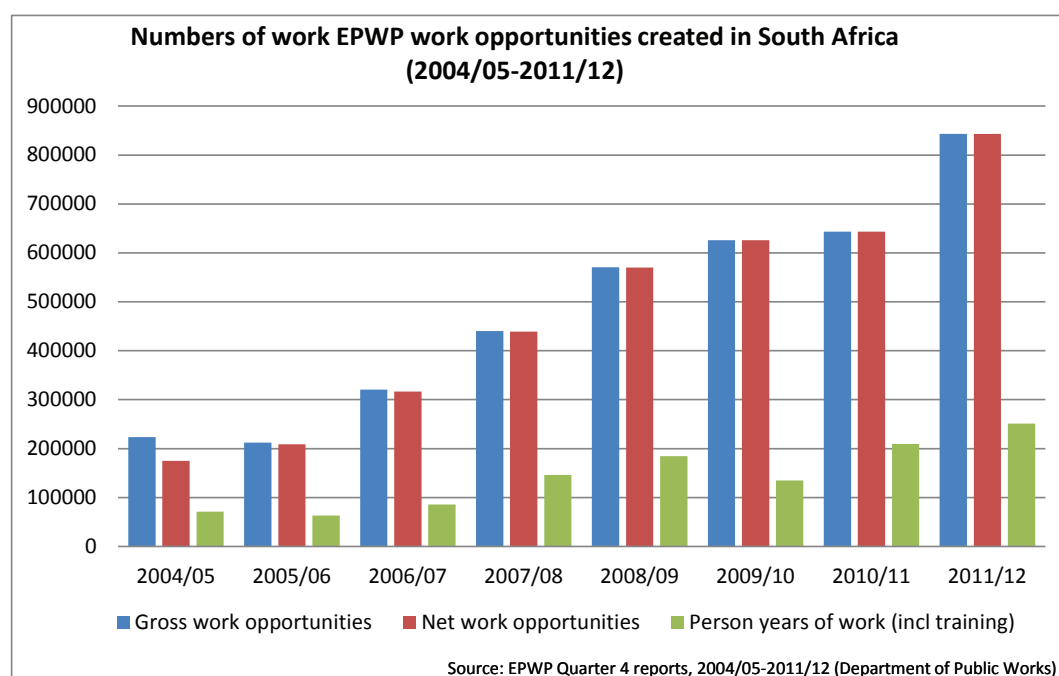


Figure 15

¹² One person year of work (incl. training) is equal to 230 paid working days including paid training days.

This pattern is very similar to that for the Eastern Cape Province on its own over the same period, as can be seen in the figure below:

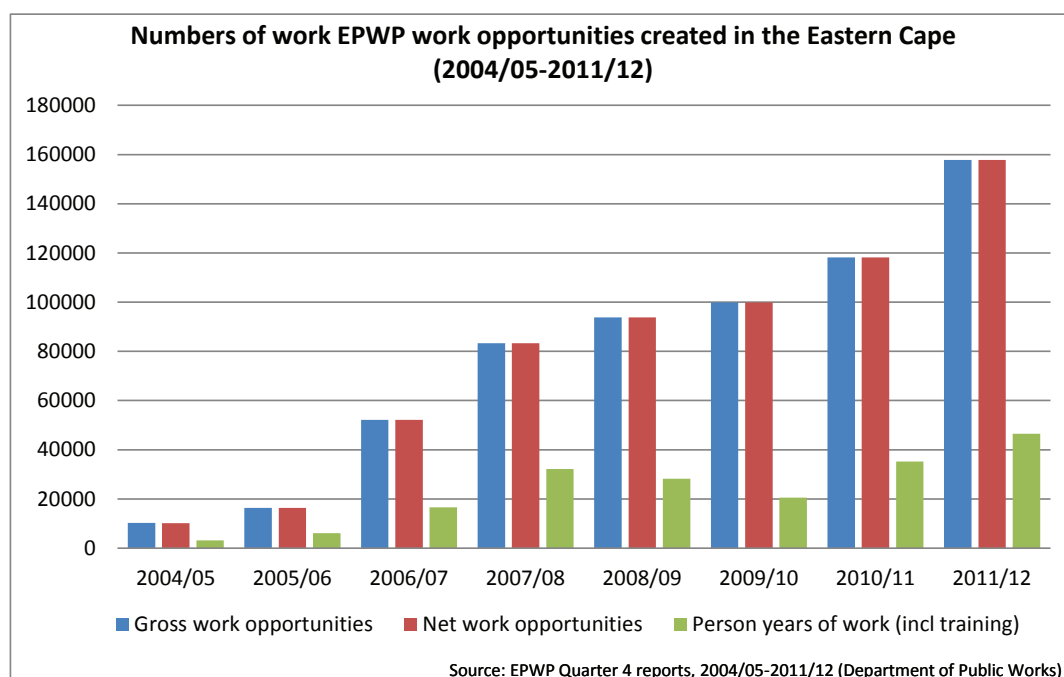
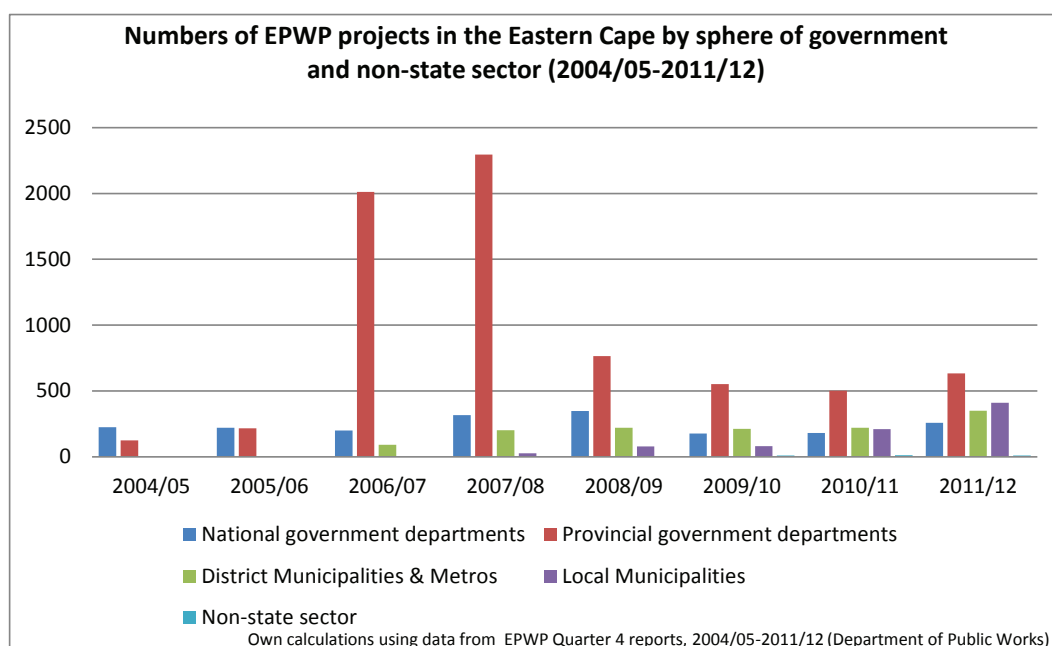


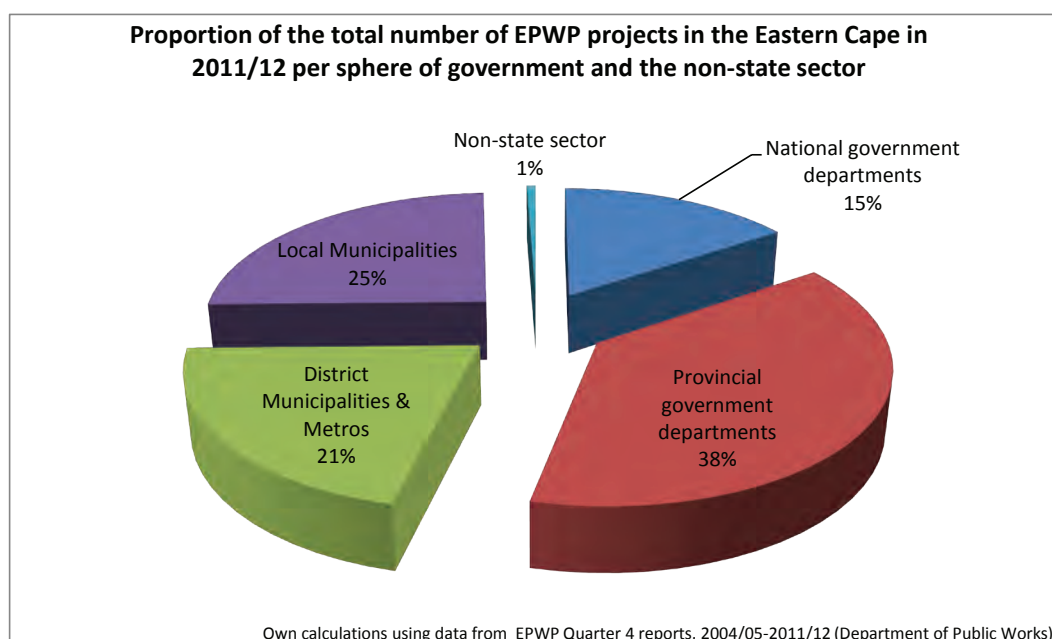
Figure 16

Examination of the person-years of work, in particular, for South Africa as a whole suggests that the EPWP was not used in a strongly counter-cyclical manner during the early stages of the 2008 recession, except for 2008/09, when there was a limited increase of 38,281 person years of work (incl. training) in 2008/09 before dropping to 11,510 person years of work (incl. training) below the 2007/08 level in 2009/10. This might be because the planning required for EPWP projects, particularly infrastructure projects, make them difficult to initiate or adapt with sufficient rapidity to act in counter-cyclical ways.

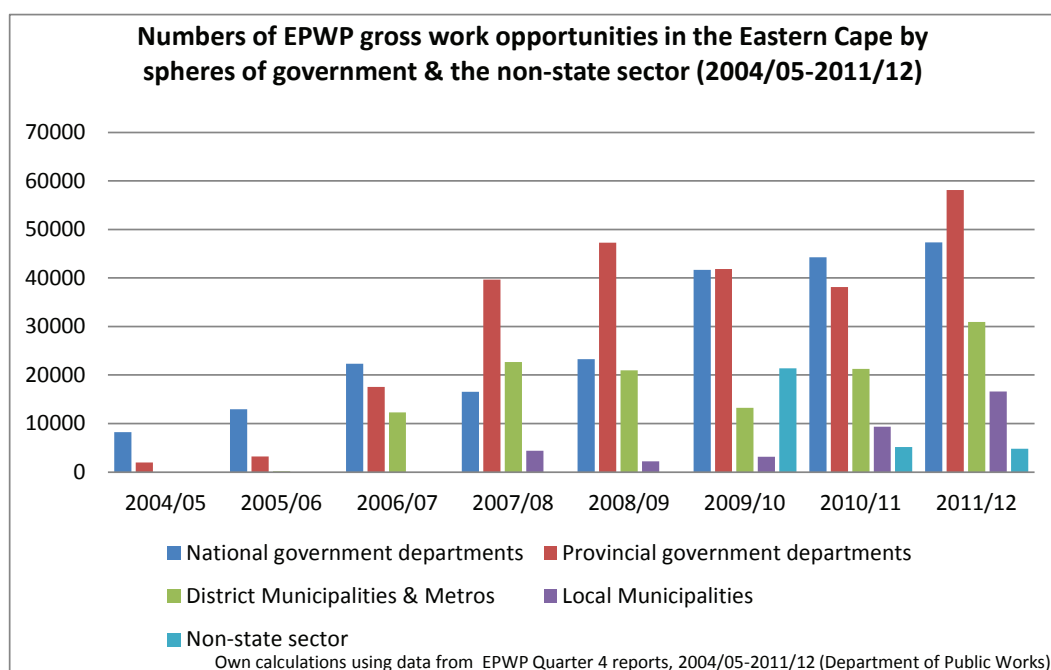
There is even less evidence of a counter-cyclical use of the EPWP in the Eastern Cape, where the number of person years (incl. training) actually fell in 2008/09 and even further in 2009/10, before climbing to just 3,019 person years of work (incl. training) above the 2007/08 level in 2010/11. EPWP projects are created by national and provincial government, district and local municipalities, and, from 2009/10, the non-state sector. The figure below shows that the Eastern Cape Provincial Government has consistently been responsible for the largest number of EPWP projects in the Eastern Cape over the eight-year period, particularly in 2006/07 and 2007/08, when it was responsible for 87% and 81%, respectively, of all EPWP projects located in the province:

**Figure 17**

The provincial government share of the total number of projects located in the Eastern Cape was still relatively large in 2011/12, although overtaken by the joint share of district and local municipalities (46%), as can be seen from the figure below:

**Figure 18**

Given that numbers of EPWP projects do not neatly correlate with numbers of gross work opportunities created, it is instructive to look at the work opportunities associated with EPWP projects in the Eastern Cape per sphere of government and the non-state sector. The figure below shows the numbers of gross work opportunities per sphere of government for the whole eight-year period:

**Figure 19**

National government departments dominated in terms of numbers of gross work opportunities created in the first three years of the EPWP in the Eastern Cape, with the numbers associated with the provincial government increasing strongly in 2006/07 before overtaking national government departments in 2007/08 and further extending its dominance in 2008/09 before being caught by national government departments in 2009/10 and overtaken by the latter in 2010/11, before reclaiming dominance in terms of gross work opportunities created in 2011/12. There is some evidence of a counter-cyclical increase in the numbers of gross work opportunities associated with national government departments (whether planned or not) in the first few years following the 2008 recession.

The Eastern Cape Provincial Government dominates all other spheres of government from 2006/07 onwards when one looks at person years of work (incl. training), as is shown in the figure below:

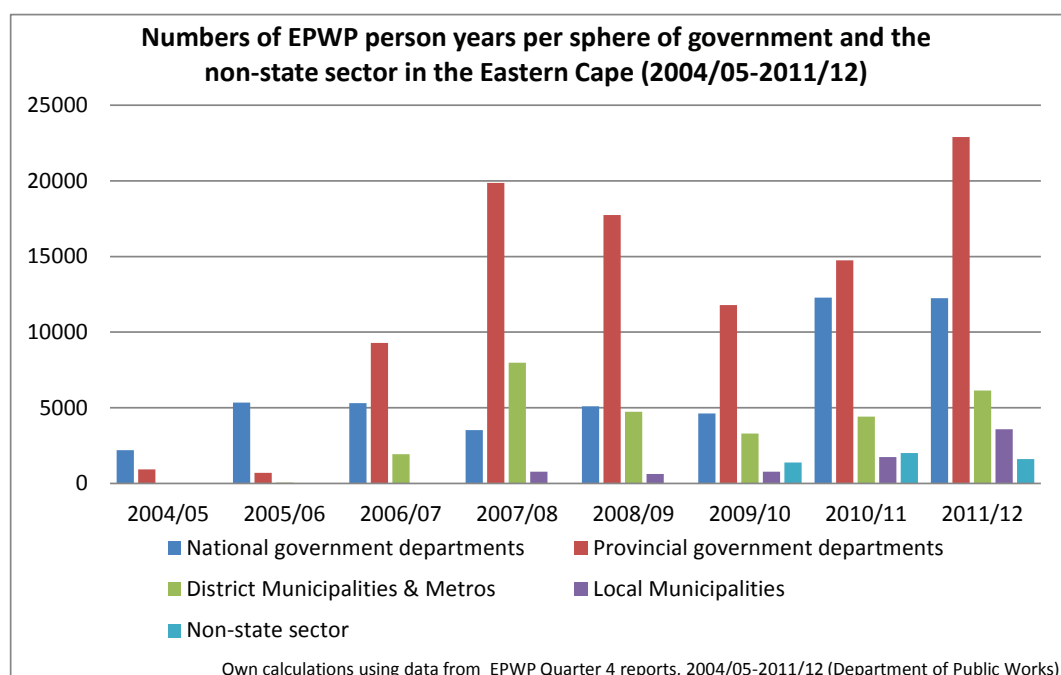


Figure 20

This diagram does not provide much evidence for counter-cyclical job creation through the EPWP in the first few years of the recession. The increase in the number of person years of work (incl. training) in 2010/11 and 2011/12 is encouraging, however.

The figure below shows the proportions of gross work opportunities created by the national and provincial departments, district and local municipalities, and the non-state sector in the Eastern Cape in 2011/12:

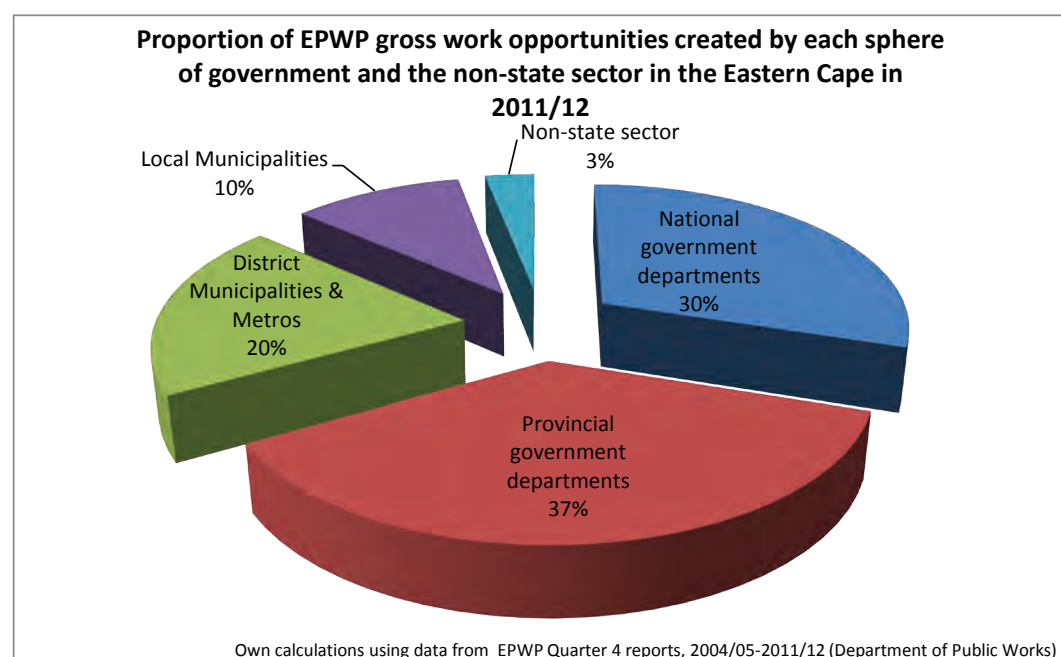


Figure 21

It can be seen that the Eastern Cape Provincial Government was responsible for 37% of all gross work opportunities associated with EPWP projects in the province in 2011/12, exceeding even the combined proportion associated with district and metropolitan municipalities and local municipalities.

The dominance of the Eastern Cape Provincial Government is even more pronounced when we look at the proportions of person years of work (incl. training) created in the Eastern Cape in 2011/12 (see figure below). Almost half of all person years of work (incl. training) in that year were associated with it, while the proportion associated with district, metropolitan and local municipalities combined was only 21%.

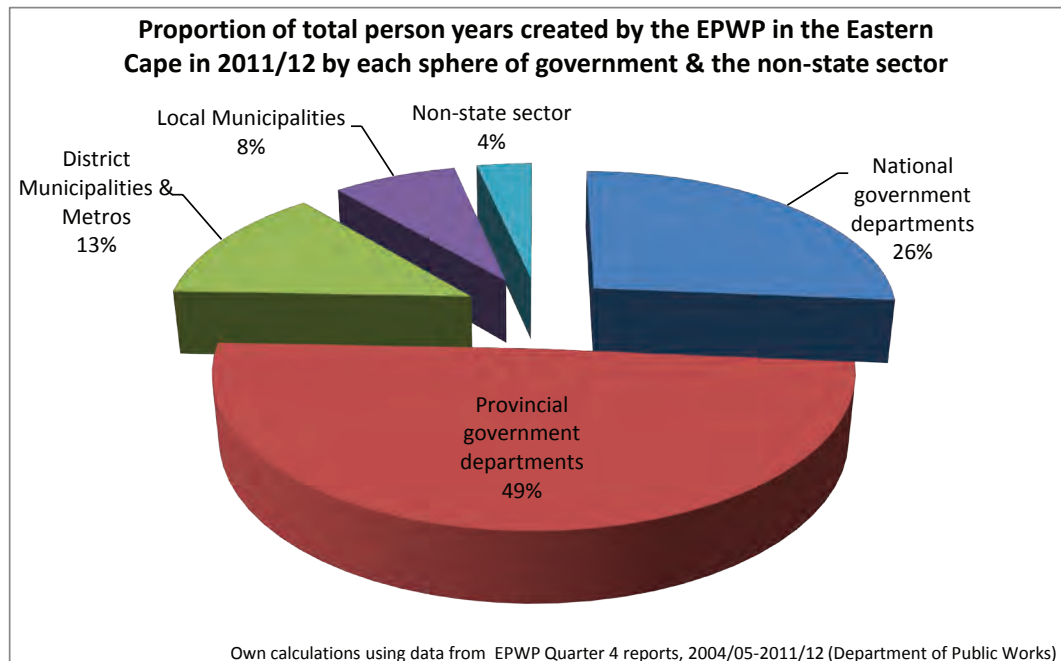


Figure 22

Analysis of expenditure by national and provincial government, municipalities and the non-state sector on EPWP projects over the eight-year period, suggests that the Eastern Cape Provincial Government might be particularly (and increasingly) effective in creating labour-intensive EPWP initiatives, as the numbers of gross work opportunities and person years of work (incl. training) rise when expenditure decreases, particularly in the last three years. The figure below shows the pattern of expenditure over the eight-year period:

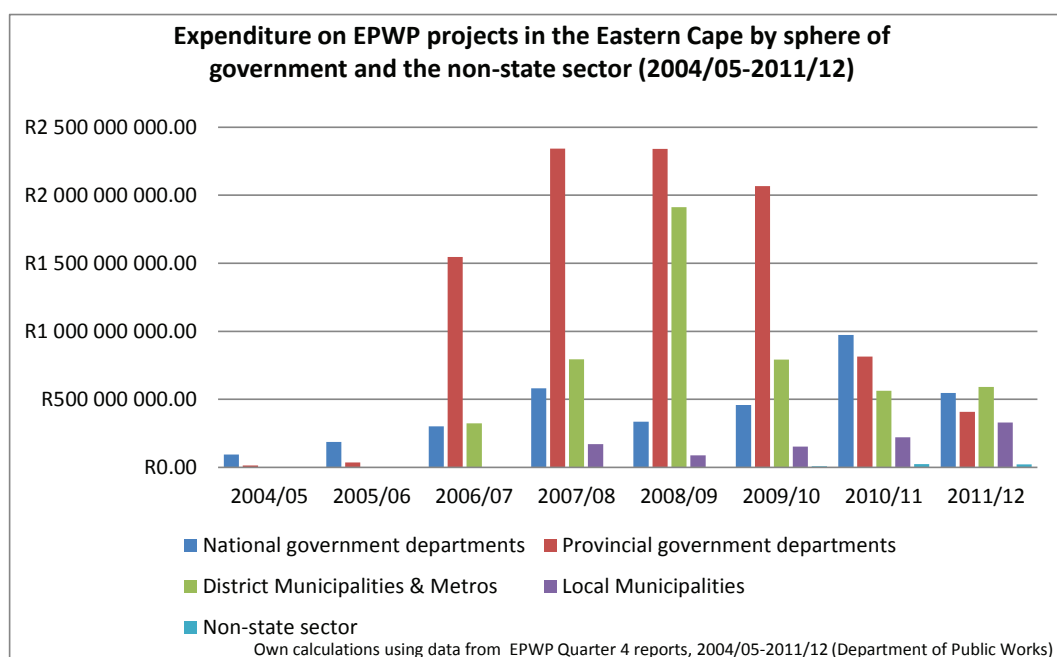


Figure 23

The observation applies not only in absolute terms, but also when examining the proportions of EPWP expenditure by national government, provincial government, municipalities and the non-state sector. For example, in 2011/12, although the Eastern Cape Provincial Government accounted for 37% of gross work opportunities and 49% of person years of work created in the province, it accounted for only 22% of the total EPWP expenditure in the province, as is shown by the figure below:

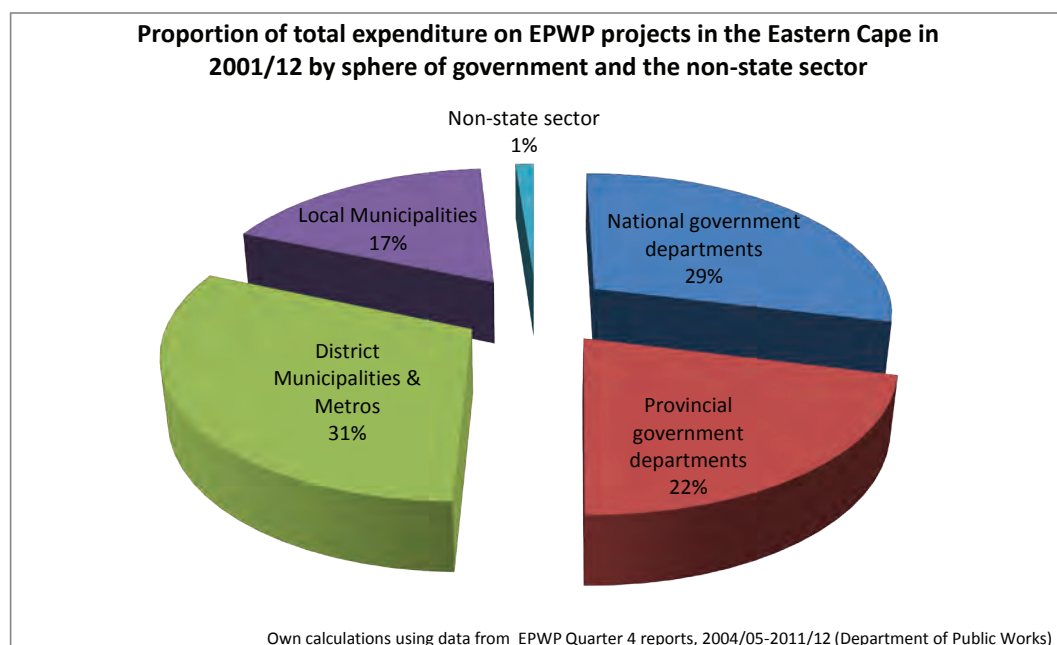


Figure 24

Analysis of the district and metropolitan¹³ municipal location of EPWP projects and gross work opportunities allow us to gain further insight into the extent to which these have been targeted at districts with the highest rates of unemployment. The figure below shows the numbers of EPWP projects per district and metropolitan municipality in the Eastern Cape for the eight-year period under review:

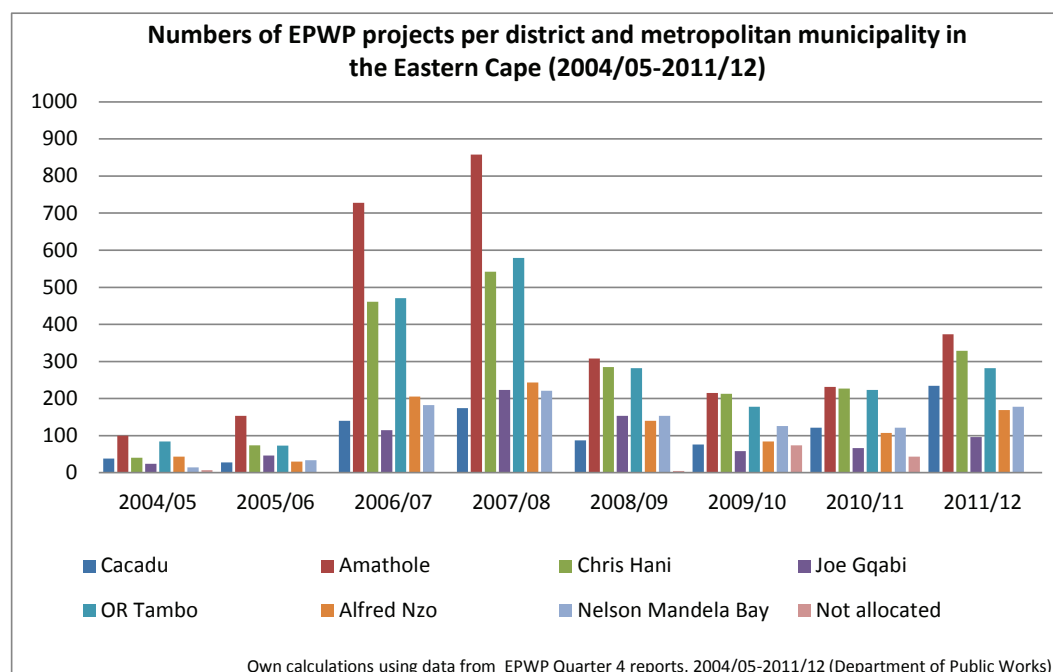


Figure 25

The dominance of the Amathole District Municipality is pronounced, possibly because the figures for Buffalo City have not been disaggregated from it. A consistently strong showing is also given by the Chris Hani District Municipality, followed by the OR Tambo District Municipality. Again, there is no evidence of counter-cyclical job creation through the EPWP in any of these geographical areas. In 2010/11, the largest number of projects was created in the Amathole District, followed by the Chris Hani District and the OR Tambo District, and with the Alfred Nzo District showing the third lowest number of EPWP projects. The proportional distribution of projects across these geographical areas in 2011/12 is shown in more detail in the figure below:

13 Figures for the Buffalo City Metropolitan Municipality are not shown, as it became a metropolitan municipality only 2 years ago. In future analyses, however, we might disaggregate Buffalo City figures from Amathole District Municipality figures for the entire period, as these might partially account for the dominance of the latter in terms of EPWP projects and gross work opportunities.

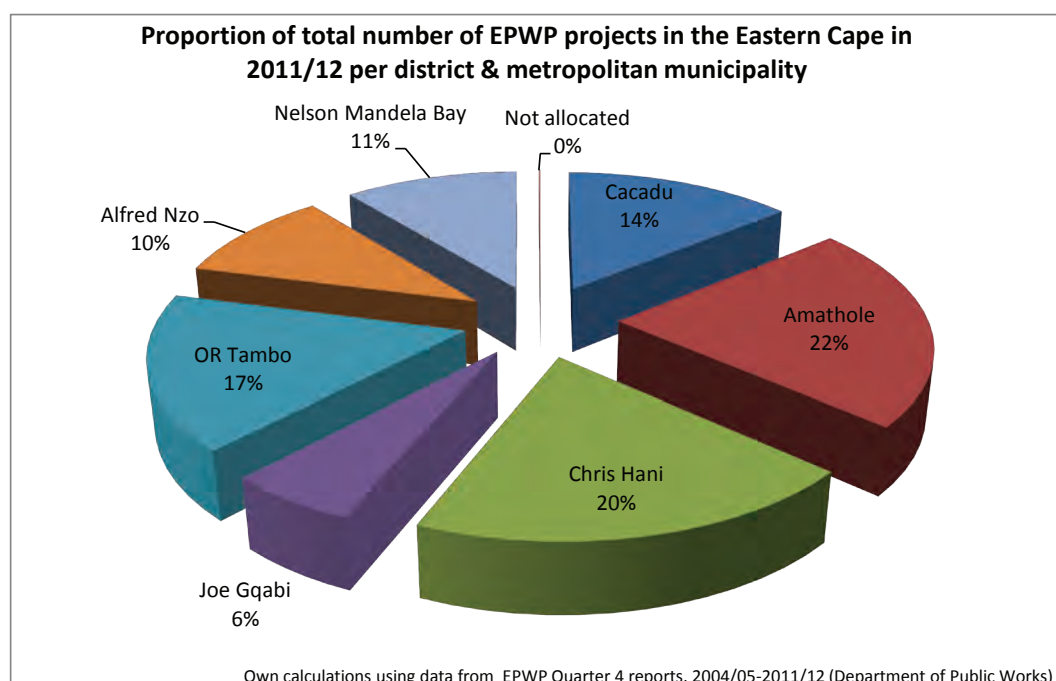


Figure 26

The OR Tambo and Alfred Nzo District are under-represented if one looks at the high unemployment rates calculated for them using Census 2011 data (see below).

However, we have seen previously how numbers of EPWP projects do not correlate neatly with numbers of work opportunities created. The figure below shows the numbers of gross work opportunities created per district and metropolitan municipality over the eight-year period under review:

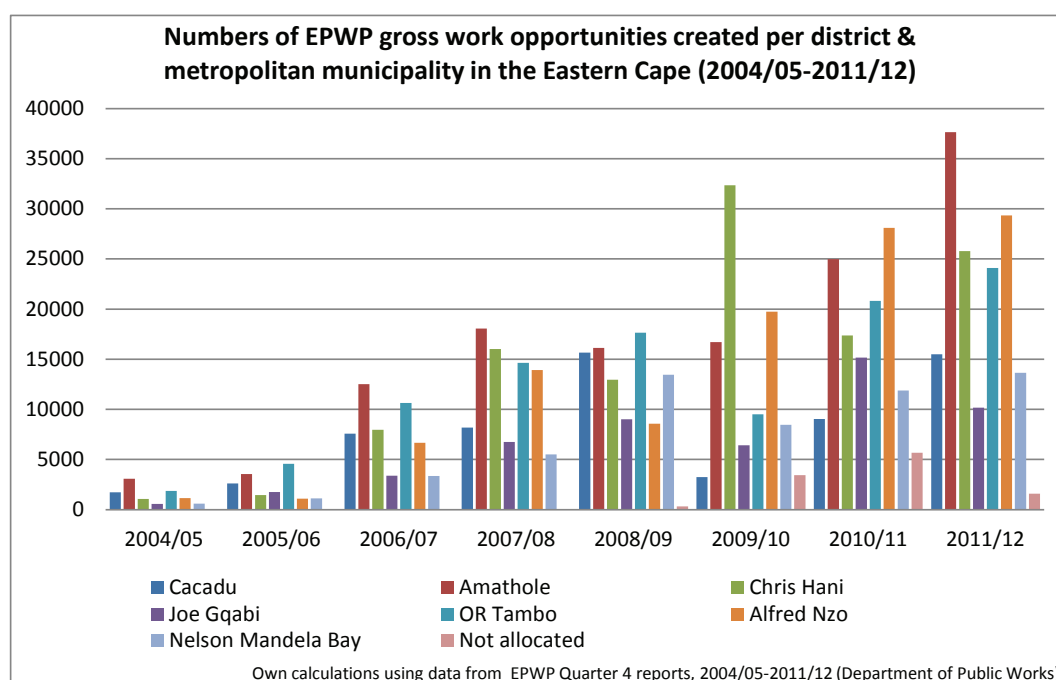


Figure 27

The Amathole District, which had the highest expanded rate of unemployment in the province in 2011 (58%, see below), dominates in all years but two. In 2009/10, both the Chris Hani and Alfred Nzo Districts (but particularly the former) experienced strong increases in the numbers of gross work opportunities created there – it is not clear whether this was in response to the recession or merely coincidental. For the Alfred Nzo District, this was the beginning of an upward pattern that continued to 2011/12. The figure below shows the proportional geographic distribution of gross work opportunities across district and metropolitan municipalities in 2011/12:

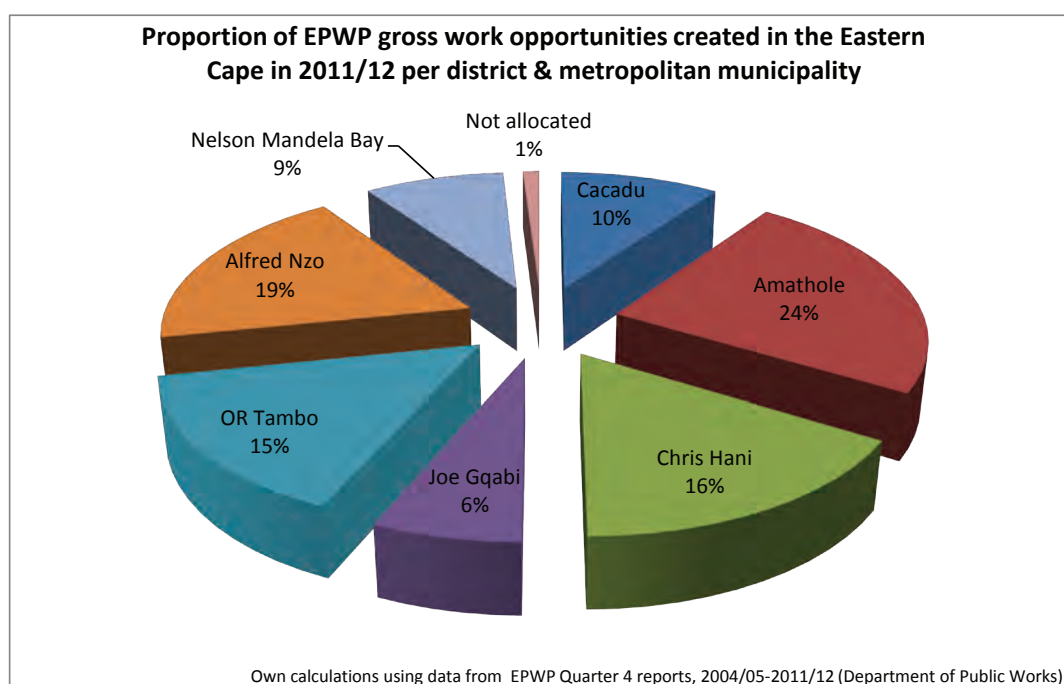


Figure 28

This distribution fits more closely with the pattern of employment need as shown by the unemployment figures calculated using Census 2011 figures (see below), but with the Chris Hani District still being well represented. Although the second lowest number of EPWP projects were located in the Alfred Nzo District in 2011/12, that district contained the second largest number of gross work opportunities in the same year.

Although the EPWP clearly makes contributions to the creation of work opportunities, including training, we also examined its contribution to incomes of individuals and households, particularly in the absence of employment opportunities into which people who have worked on EPWP projects can migrate. These rates are described in section 4.4 below.

4.2 Unemployment

In this report, the expanded definition of unemployment¹⁴ is predominantly used, unless comparative analyses across census/community survey years require use of the narrow definition. This is based on evidence that there are many similarities between people who report actively looking for work and the “discouraged work-seekers” (or non-searching unemployed), that there are differences between the non-searching unemployed and those that are not economically active, and that those who are

¹⁴ In the case of Census 2011 data, the calculation includes people classified as discouraged work-seekers.

unemployed and not actively looking for work are, in fact, involuntarily unemployed.

For example, Posel, Casale & Vermaak (2013: 3-4), using National Income Dynamic Study (NIDS) data, show that “the searching and non-searching unemployed have had a similar involvement in the labour market in the past – and that their previous labour market involvement contrasts considerably with that of not economically active people”. Also, the “probability of finding employment does not differ significantly between the searching and the non-searching unemployed” (Posel et al, 2013: 4). They also report evidence that people change from active to passive searching as appropriate (i.e. they might be temporarily passive at the time of a census or survey), and that social networks are important in finding employment, particularly where people face high relative costs of searching for a job and the probability of success is low – in this context passive waiting for word of employment opportunities is a valid search strategy and should not justify omission from the ranks of those who are classified as unemployed.

Lloyd & Leibbrandt (2013: 6), also using NIDS data, found that “there is a statistically significant difference between the life satisfaction of the non-searching unemployed and those who are not economically active” and those who are employed, that the non-searching unemployed were less satisfied with life than the searching unemployed, and that change of status to non-searching unemployed brought about the largest drop in life satisfaction of any change in labour market status. They conclude that “the non-searching unemployed in South Africa are involuntarily unemployed and should be seen and counted as being unemployed (and thus also be included in the definition of the labour force)” (Lloyd & Leibbrandt, 2013: 7).

Analysis of census data shows that although unemployment (using the official/narrow definition) decreased between 2001 and 2011¹⁵, the Eastern Cape Province still faces significant employment challenges. In 2011, 47% of the Eastern Cape population (922,225 people¹⁶) was **unemployed**, using the expanded definition of unemployment (derived from Census 2011 data, Statistics South Africa)¹⁷. One’s appreciation of the scale of this challenge deepens if one considers the low requirements for classification of a person as employed, as described in section 4.1 of this report.

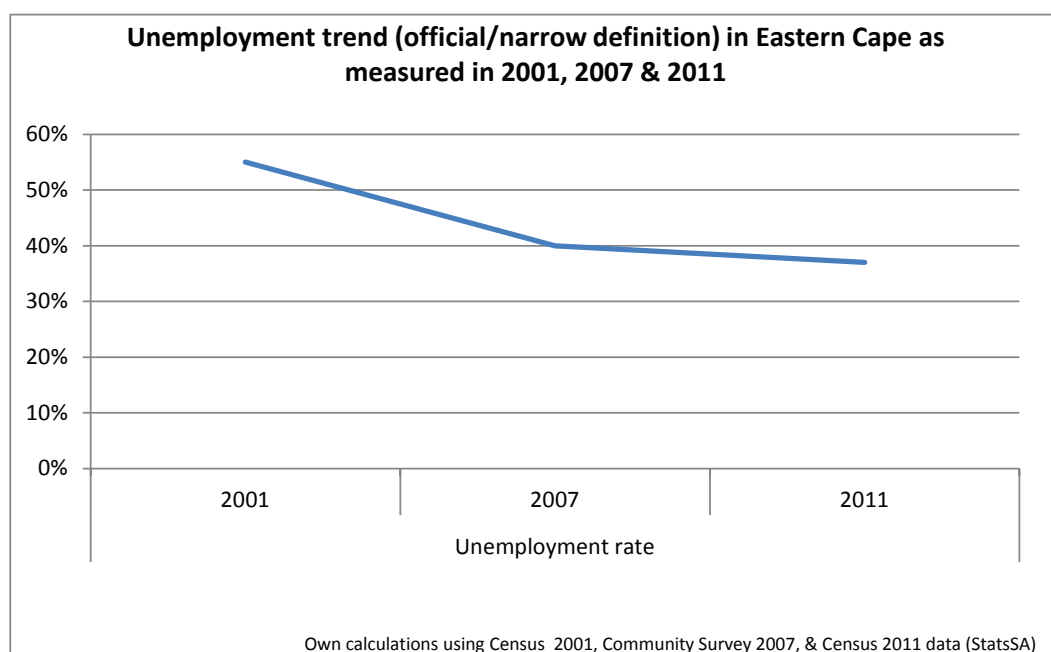
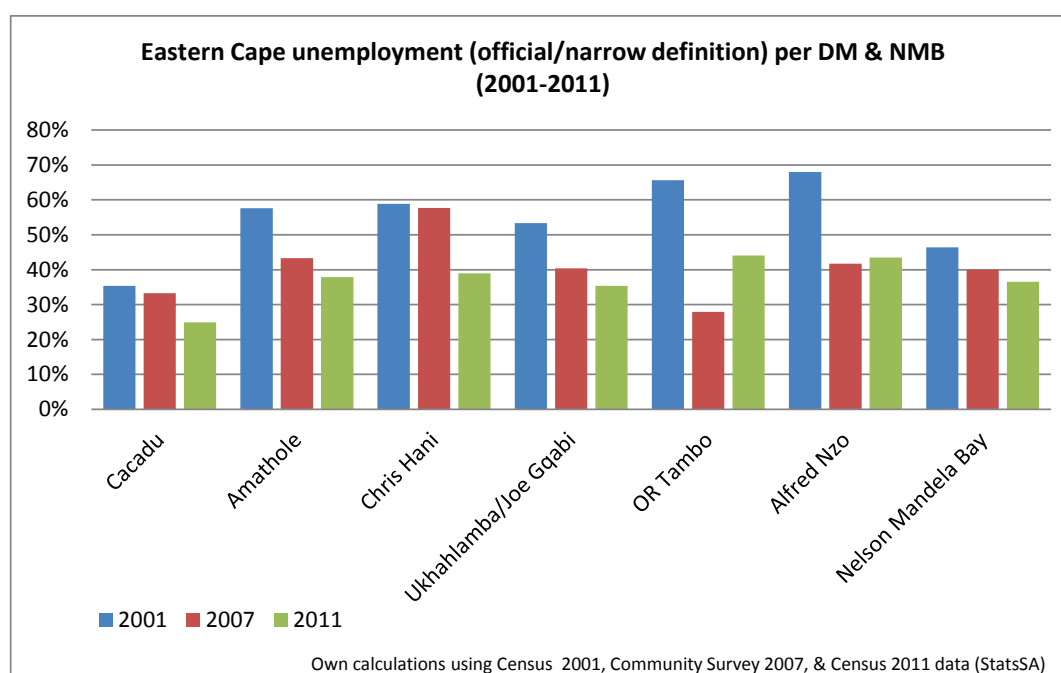
4.2.1 Unemployment per geographical area

The rates of unemployment (using the official/narrow definition of unemployment) declined steadily in all but two district municipalities over the period 2001-2011, as calculated from data gathered during Census 2001, the 2007 Community Survey, and Census 2011 (see figures 31 and 32 below). The latter were the OR Tambo and Alfred Nzo District Municipalities, which, although showing a clear reduction in official unemployment between 2001 and 2011, showed an increase in unemployment from 2007 to 2011. It is not clear whether this was related to the 2008 recession, and, if so, why these two districts were more affected than others. It is also not clear why unemployment dropped so steeply from 2001 to 2007, particularly in the case of the OR Tambo District, where the rate declined from more than 60% to less than 30%.

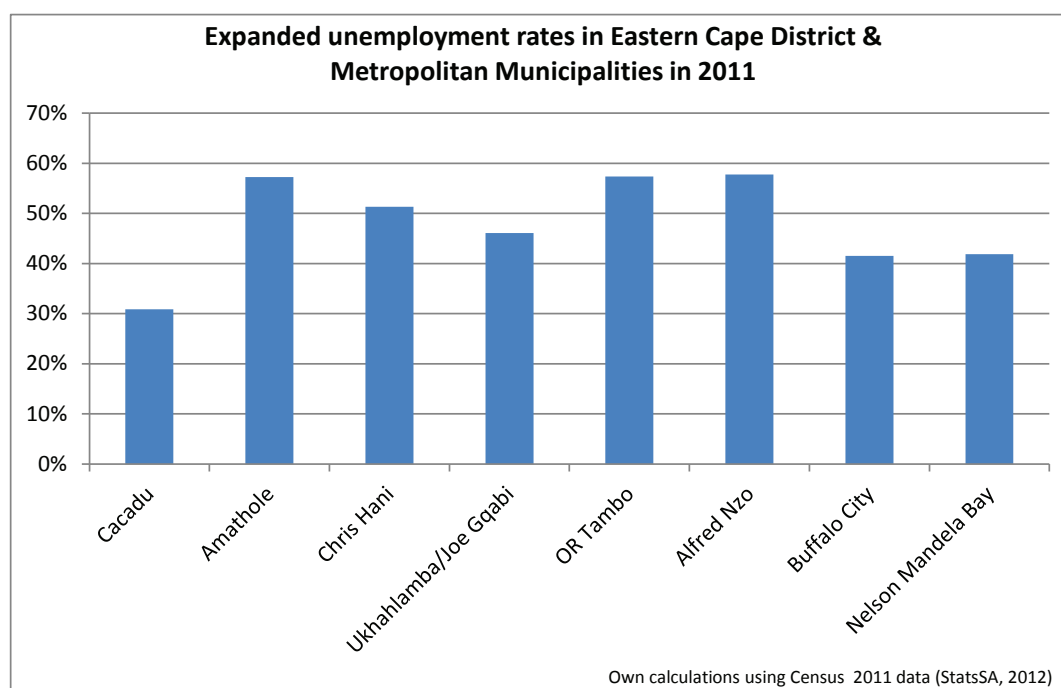
15 Comparison between the years was possible only when using the official/narrow definition, as the data did not allow for calculation of the expanded rate for all of the years in question.

16 In 2011, the expanded labour force (i.e. including discouraged work-seekers) consisted of 1,951,189 people, of whom 1,028,964 people were employed and 922,225 were unemployed (including discouraged work-seekers). The total Eastern Cape population in 2011 was 6,562,053 people in size.

17 The Eastern Cape Provincial Jobs Strategy put the expanded rate of unemployment in the Eastern Cape in the first quarter of 2012 at 43.1%, based on quarterly Labour Force Survey data.

**Figure 32****Figure 33**

In general, analysis of the Census 2011 data shows that districts that contained parts of the former Bantustans had the higher rates of unemployment (using the expanded definition) – see Figure 34 below. The highest rate (58%) was recorded in the Alfred Nzo District, followed by the OR Tambo and Amathole Districts (at 57% each) – all districts including significant proportions of the former Bantustan areas.

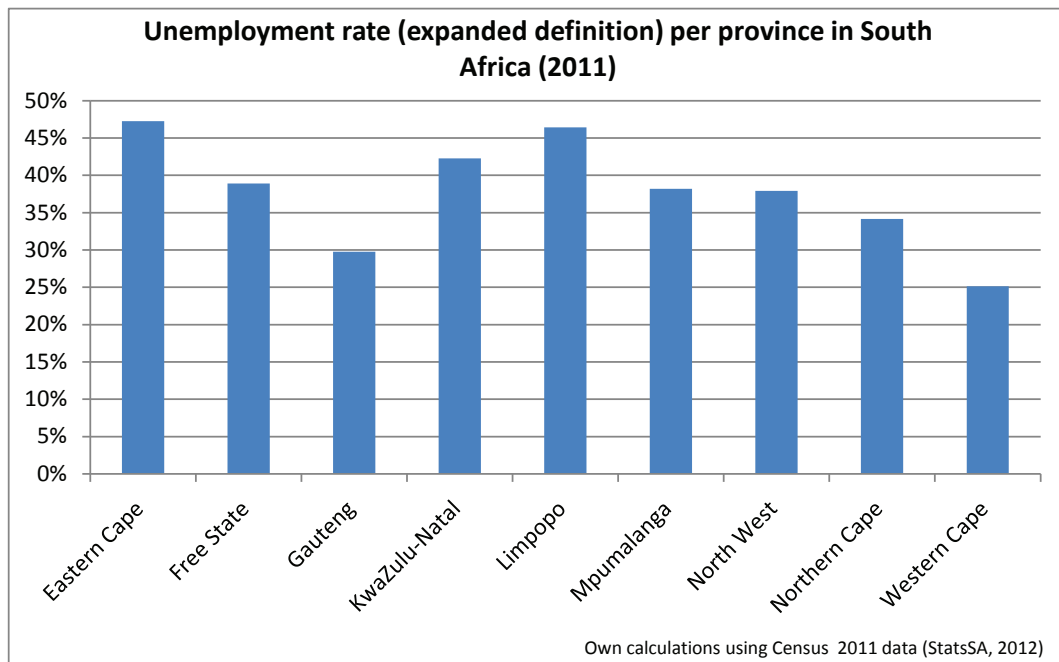
**Figure 34**

Analysis of labour force data by enumeration area type shows that traditional residential areas in the Eastern Cape had the highest rate of unemployment (expanded definition) in 2011, followed by informal residential areas, by vacant areas, and by formal residential areas. Examination of the distribution of the numbers of unemployed people (expanded definition), as opposed to unemployment rates, across enumeration area types in the Eastern Cape, however, shows similar concentrations in traditional residential areas and formal residential areas (45% and 46% respectively), followed by informal residential areas, farms, and vacant areas. Traditional residential areas had the lowest labour absorption rate, followed by collective living quarters, vacant areas and informal residential areas.

Analysis of unemployment by geographical area type shows the continued spatial legacy of apartheid, with an unemployment rate (expanded definition) of 64.9% in tribal or traditional areas, as opposed to 40.2% in urban areas and 18.2% on farms. Given that 51.6% of the population of the Eastern Cape were counted as living in tribal or traditional areas, this again confirms where the greatest burden of unemployment lies.

What is striking is how little has changed in the burden of deprivation in the Eastern Cape, a picture that is reinforced by a spatial analysis using the South African Index of Multiple Deprivation constructed from Census 2001 (Noble & Wright, 2012) – a similar analysis using the Census 2011 data is currently underway.

Within South Africa, analysis of the Census 2011 data shows that the Eastern Cape Province had the highest unemployment rate (expanded definition) of all of the provinces, followed by the Limpopo and KwaZulu-Natal provinces, the only other provinces with unemployment rates (expanded definition) of more than 40% - see figure 9 below.

**Figure 35**

4.2.2 Unemployment by age

Examination of unemployment (expanded definition) by age groups in 2011 reveals an unemployment rate of 69% for the 15-24 year age group – this was 10% higher than the figure for South Africa as a whole, almost 16% higher than the figure for the Gauteng Province, and just over 23% higher than the rate for the Western Cape. The unemployment rate (expanded definition) for the larger 15-34 year age group was lower, but still high at 57%. In general, the unemployment rate decreased for each subsequent 10 year category, as is shown by the graph below:

**Figure 36**

The rate of unemployment in the 15-24 year age category was even higher in the following district municipalities: Amathole (76.3%), Chris Hani (70.6%), OR Tambo (75.5%), Alfred Nzo (73.9%). All of these districts, which contain significant portions of the former Bantustans, also had higher rates of unemployment for the 25-34 year age category than for the Eastern Cape population as a whole – all had unemployment rates of above 50% for this age group, with the rates in the Amathole, OR Tambo and Alfred Nzo districts exceeding 58%. The two metropolitan municipalities in the Eastern Cape¹⁸, the Buffalo City Metro and the Nelson Mandela Bay Metro, had expanded unemployment rates of 66.5% and 67.1%, respectively, for the 15-24 year age category, and 43.3% and 44%, respectively, for the 25-34 year age category.

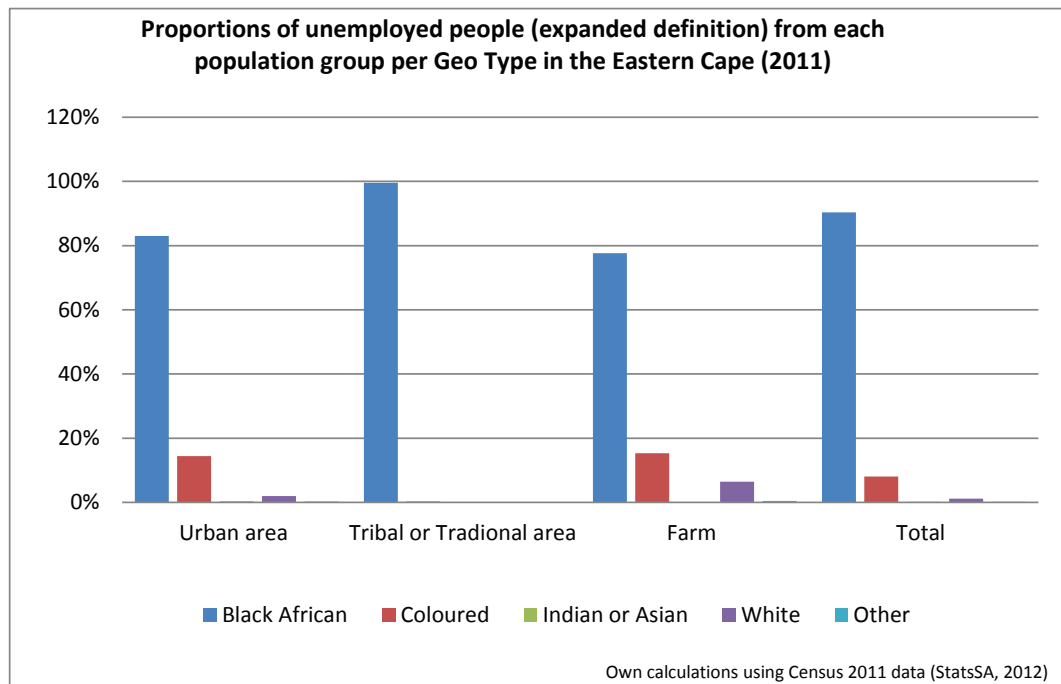
When looking at the distribution of the numbers of people who were counted as unemployed according to the official definition plus those who were counted as discouraged work-seekers, one finds that 30.7% fell in the 15-24 year age category and 31.1% in the 25-34 year age category, giving a total of 61.8% for both age category's combined. This total proportion for the two age categories combined was higher for the OR Tambo and Alfred Nzo districts and for the Nelson Mandela Bay Metro.

4.2.3 Unemployment by population group

In 2011, 86% of the Eastern Cape population were classified as Black African, 8% as Coloured, 5% as White and 1% as Indian. In urban areas of the Eastern Cape, the 73% of the population was classified as Black African, 17% as Coloured, 9% as White, and 1% as Indian or Asian. The population in tribal or traditional areas was almost exclusively Black African, whereas the proportion of Black Africans dropped to 62% in farm areas, where 20% of the population was classified as Coloured and 17% as White.

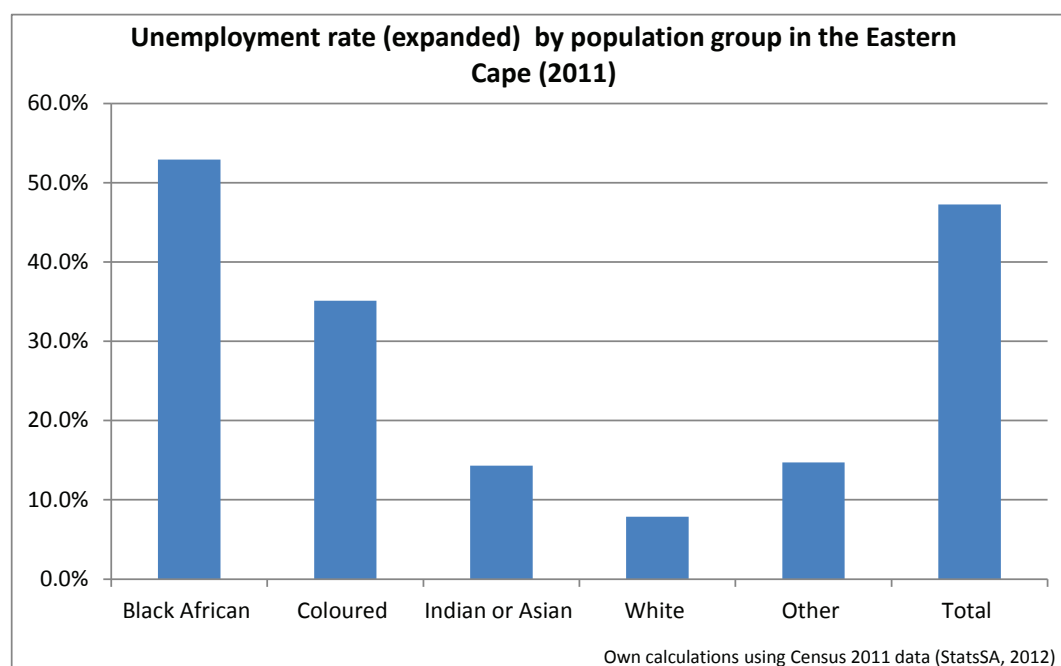
When examining the proportions of the unemployed (expanded definition) – as opposed to the total population – that were classified into each population group, one finds that people classified as Black African make up larger proportions of the unemployed (expanded definition) than they do of the population as a whole:

18 In 2011, the two metros combined accounted for 30% of the Eastern Cape population – the Nelson Mandela Metro accounted for 18% and the Buffalo City Metro accounted for 12%. The OR Tambo District accounted for 21% of the population, followed by the Amathole District at 14%, the Chris Hani and Alfred Nzo Districts at 12% each, the Cacadu District at 7% and the Joe Gqabi District at 5%.

**Figure 37**

In the province as a whole, 90% of the unemployed (expanded definition) were classified as Black African and only 1% as White – people classified as Coloured were represented amongst the unemployed (expanded definition) in the same proportion as in the population at large. In urban areas of the Eastern Cape, people classified as Black African made up 83% of the unemployed (expanded definition), compared to 14% of people classified as Coloured, 2% of people classified as White and 0% of people classified as Indian or Asian. In tribal or traditional areas, 100% of the unemployed (expanded definition) were classified as Black African. People classified as Black African constituted a smaller percentage of the unemployed (expanded definition) in farm areas than in either urban or tribal/traditional areas (at 78%), whereas the proportions of people classified as Coloured (15%) and White (6%) made up larger proportions of the unemployed (expanded definition) in farm areas than was the case in either urban or tribal/traditional areas.

The expanded unemployment rates for each of these population groups are given in the graph below:

**Figure 38**

Although 8% of people classified as White were unemployed, 53% of those classified as Black African were unemployed – the latter rate higher than the 47% for the Eastern Cape population as a whole. The corresponding rates for the South African population as a whole were 7% and 43%, respectively – this means the unemployment rate amongst people classified as Black African in the Eastern Cape was 10% higher than for the South African population as a whole. The unemployment rates for Coloureds and Indians in the Eastern Cape were 35% and 14%, respectively.

4.2.4 Unemployment by gender

Analysis of unemployment (expanded definition) by gender shows that women carry a greater burden of unemployment – the unemployment rate for women was 50% as opposed to 44% for men. The unemployment rate for women for South Africa as a whole was also larger than for men, but both rates were lower than the rates for the Eastern Cape – the unemployment rate amongst women in South Africa as a whole was 42%, as opposed to 31% for men.

Analysis of the proportions of the unemployed (expanded definition) who are male and female also shows that women carry a greater burden of unemployment. Although women constitute 51% of the expanded labour force, they account for 53% of the unemployed.

4.2.5 Administrative data on unemployment

Although not all unemployed people register with the Department of Labour, analysis of work-seeker registration figures over time does give an indication of relative levels of distress¹⁹. The figure

¹⁹ Work-seeker registrations are recorded in each of the sixteen Labour Centres in the Eastern Cape. These are the Graaff-Reinet and Grahamstown Labour Centres in the Cacadu District; the Port Elizabeth and Uitenhage Labour Centres in Nelson Mandela Bay; the Queenstown and Cradock Labour Centres in the Chris Hani District; the Aliwal North and Maclear Labour Centres in the Joe Gqabi District; the Mt Ayliff Labour Centre in the Alfred Nzo District; the Mthatha and Lusikisiki Labour Centres in the OR Tambo District; the Butterworth and Fort Beaufort Labour Centres in the Amathole District; and the East London, King William's Town and Mdantsane Labour Centres in Buffalo City. The Mt Ayliff Labour

below shows the numbers of work-seekers that registered with the Department of Labour during the period 2001/02 to 2011/12, as well as the numbers of registered work-seekers that were placed in employment.

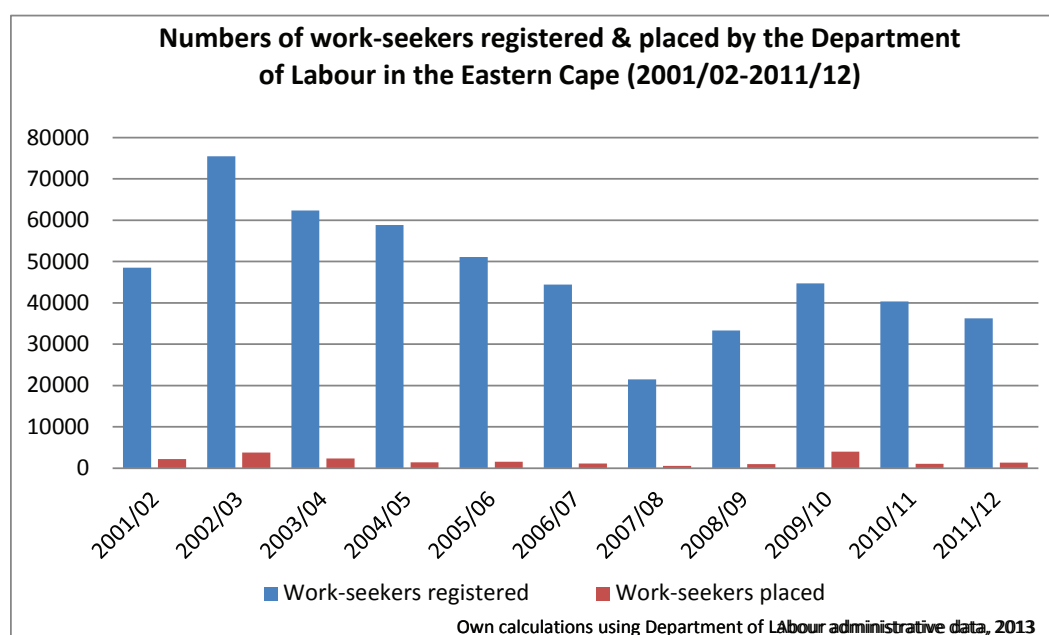


Figure 39

In general, very small proportions of work-seekers registering with the Department of Labour were placed each year, ranging from 2% to 5% except for 2009/10, when 9% of registered work-seekers were placed in employment. It is possible to view these rates as evidence of the low level of labour demand in the province (after discounting other potential factors, such as quality of support, etc.), particularly when viewed in relation to the very high unemployment rates calculated from the Census 2011 data.

In 2010/11, 40,319 people registered as work-seekers, dropping to 36,227 in 2011/12. This makes the 2010/11 figure 6.5% of the number of people counted as actively searching for work during Census 2011, with corresponding figure for 2011/12 being 5.9%. This demonstrates very limited uptake of the work-seeker support offered by the Department of Labour, which is not surprising given the very low proportion of registered work-seekers who are successfully placed.

There also appears to be little evidence that the numbers of work-seeker registrations would increase visibly following the onset of the 2008/09 recession. Numbers of work-seekers registered with the Department of Labour were the lowest for 2007/08 and 2008/09, with the number in 2009/10 rising to the 2006/07 level, before dropping again in 2010/11 and 2011/12.

Examination of numbers of work-seekers registered by district and metropolitan municipalities reveals some interesting patterns²⁰. There was a noticeable increase in the number of registered work-seekers in the Chris Hani District in 2006/07, from a previous high of 3,813 to 11,577, after which it

Centre reported data from 2005/06 onwards.

²⁰ Although provincial totals were captured for 2008/09 and 2011/12, no breakdown of numbers of registered work-seekers by district and metropolitan municipalities for those years was contained in the Department of Labour data to which we had access. The observations made regarding relative sizes of numbers of registrations across years should be read with this in mind.

dropped to 4,333 before dropping below 3,500 for subsequent years. The cause of this spike in the number of registered work-seekers warrants further investigation. Significant spikes in numbers of registered work-seekers were observed for 2009/10 and 2010/11 in the Alfred Nzo District, with less pronounced but noticeable spikes in these numbers for the Joe Gqabi District in 2009/10 and for the OR Tambo District in 2010/11 – these spikes could have been delayed effects of the recession that started in 2008/09, and also warrant further investigation.

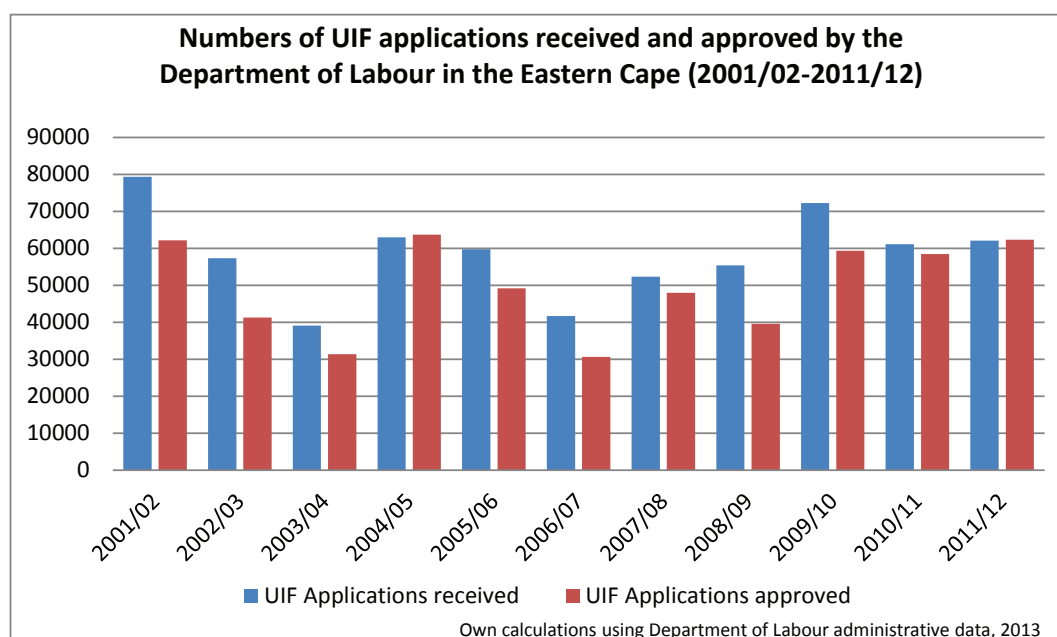
Unfortunately, a breakdown of work-seeker registrations according to education level is available only for the years 2001/02 to 2007/08, but analysis of the skills breakdown for those years could still give some insight into the skills profile of those who register as work-seekers with the Department of Labour. The proportion of registered work-seekers with matric as their highest qualification dropped below 30% only in 2007/08, when 27% of all registered work-seekers had matric as their highest qualification. In each year for the period for which data is available, a quarter or more of registered work-seekers had Grade 8-11 as their highest qualification – together, those with Grade 8-11 and Grade 12 as their highest qualifications never dropped below 57% of the total number of work-seekers registered with the Department of Labour until 2007/08, when 52% of registered work-seekers had Grade 8-11 or Grade 12 as their highest qualifications. Those with post-school qualifications ranged from 2%-8% of the total numbers of registered work-seekers for all years except for 2007/08, when they made up 11% of the total number of work-seekers.

The majority of work-seekers registered with the Department of Labour during the period for which such data is available (2001/02 to 2007/08) fell within the 21-34 year age category, except for 2003/04 – in all the other years, the proportion of registered work-seekers who were 21-34 years old never dropped below 54% of the total number of registered work-seekers. The second highest proportion of registered work-seekers fell within the 35-49 year age category – together, these two categories accounted for 86% or more of the total number of registered work-seekers for all years except 2003/04, when 77% of the registered work-seekers were less than 21 years of age. The distribution of placements was roughly proportional to the distribution of work-seeker registrations.

Although registered work-seekers were generally relatively evenly split between men and women, with the worst ratio of men:women being 54:45, the same was not true for placements of registered work-seekers from 2003/04 onwards, when significantly more men than women who had registered as work-seekers were placed. In 2003/04, 70% of registered work-seekers who were placed in employment were men; in 2004/05, 2005/06, 2006/07 and 2007/08, the proportions of registered work-seekers who had been placed who were men were 68%, 68%, 80% and 83%, respectively. The reasons for this skewing of placements towards men cannot be determined from the Department of Labour data, but the skewing of employment towards men fits with the skewing that is shown by analysis of Census 2011 data.

Numbers of applications for Unemployment Insurance Fund (UIF) benefits²¹ submitted and approved also constitute indicators of employment distress. The Department of Labour's UIF data is not disaggregated by district and metropolitan municipality, perhaps because UIF claims are processed in two processing centres, one in Port Elizabeth and one in East London. The numbers of claims submitted and approved for the period 2001/02 to 2011/12 are shown in the figure below:

21 The numbers of UIF payouts were reported for the following categories in 2002/03 and 2003/04 only: ordinary, illness, maternity, adoption, and death. Payouts within the "ordinary" category, which is the most relevant to our purposes, constituted 86% of the total number of payouts in both of those years.

**Figure 40**

The highest number of claims/applications was recorded in 2001/02, after which they dropped to their lowest level in 2003/04, before increasing in 2004/05 and 2005/06. A spike to 72,226 applications (82% of which were approved) was recorded in 2009/10, possibly related to the recession, after which applications remained at above 60,000 for 2010/11 and 2011/12.

Comparison of numbers of applications for UIF benefits and numbers of registered work-seekers shows that the former are higher than the latter for all years except 2002/03, 2003/04 and 2006/07. It is not clear from the data what degree of overlap there is between people who apply for UIF benefits and those who register as work-seekers – e.g. are those who register as work-seekers mainly people who are not emerging from employment (which is where UIF contributions are made). Analysis of the age distribution of those who registered as work-seekers (see above) shows that the great bulk of them are between 21 and 49 years old. This suggests that many are not first-time entrants into the labour market. Further investigation into these numbers would be required to fully explain the relationship between UIF applications and work-seeker registrations.

Data on retrenchments are patchy – figures could only be found for five of the eleven years under review. Registration of retrenchments requires employers who are retrenching employees to register numbers with the Department of Labour, and there appears to be difficulties in ensuring that such registration occurs. The numbers of retrenchments recorded by the Department of Labour for the five years for which data could be found are given in the table below:

Numbers of retrenchments recorded by the Department of Labour in the Eastern Cape during the period 2001/02-2011/12					
	2003/04	2004/05	2005/06	2009/10	2010/11
Numbers of retrenchments	1680	4470	1973	58	3933

Table 1

There appears to be some correlation between changes in numbers of applications for UIF benefits and numbers of retrenchments, except for 2009/10, when 61,124 applications for UIF benefits were received (58,459 of which were paid out), but only 58 retrenchments were registered. It is not clear whether this really meant that the great bulk of UIF applications in that year were from people who

had not been retrenched, and/or whether employers had been particularly remiss in registering retrenchments during that year.

Whatever the exact reasons for the differences and similarities between the Department of Labour figures for application for UIF benefits, work-seeker registrations and retrenchment registrations, it is clear that relatively few unemployed people have made use of the Department's services. For example, Census 2011 counted 922,225 people in the Eastern Cape who were unemployed in 2011 (using the expanded definition), but only 40,319 people registered as work-seekers in 2010/2011 and only 36,227 registered in 2011/12. Also, in 2010/11, only 61,124 applications for UIF benefits were received (58,459 of which were approved) and 3,993 retrenchments were registered; in 2011/12, only 36,227 work-seekers were registered and no retrenchments were recorded in the data that we have seen.

4.3 Education levels

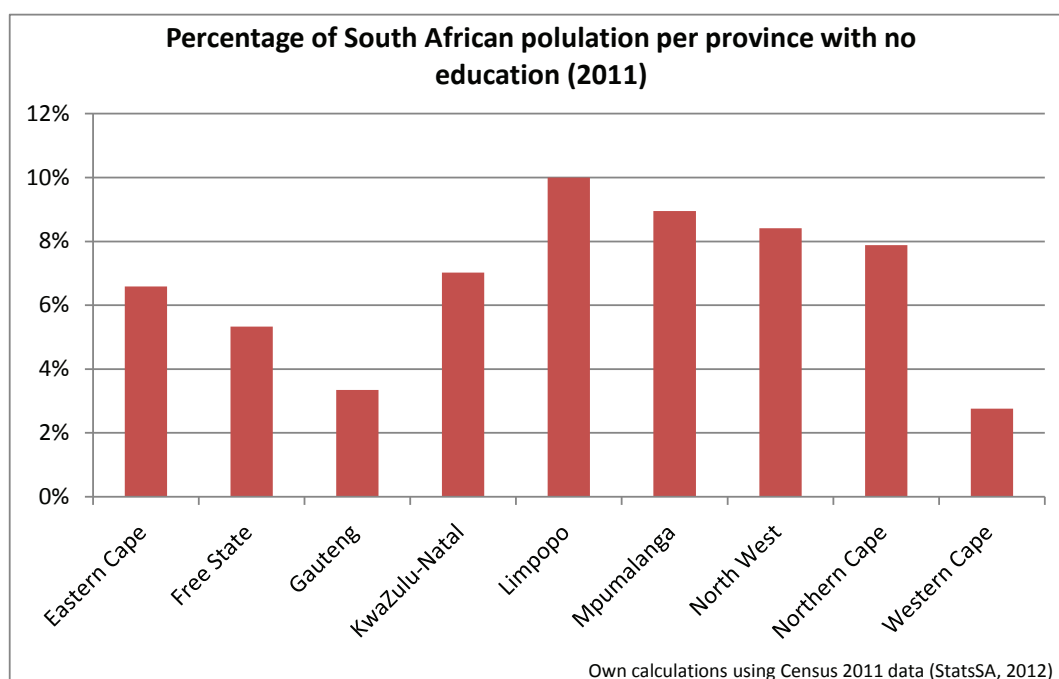
In 2004, a Human Sciences Research Council (HSRC) analysis ranked the Eastern Cape as the worst province in terms of early childhood education, learner enrolments in every grade between 1997 and 2000, dropout rate for every grade, and percentage of postgraduate qualifiers (Cosser et al, 2004). The Eastern Cape had also performed poorly with respect to education levels generally (20% of the population had no education, and 50% had a primary education or less), FET college pass rate and throughput rate, higher education participation, and workplace and learnership training.

Although analysis of Census 2011 shows an improved picture with regards to levels of education, significant challenges remain.

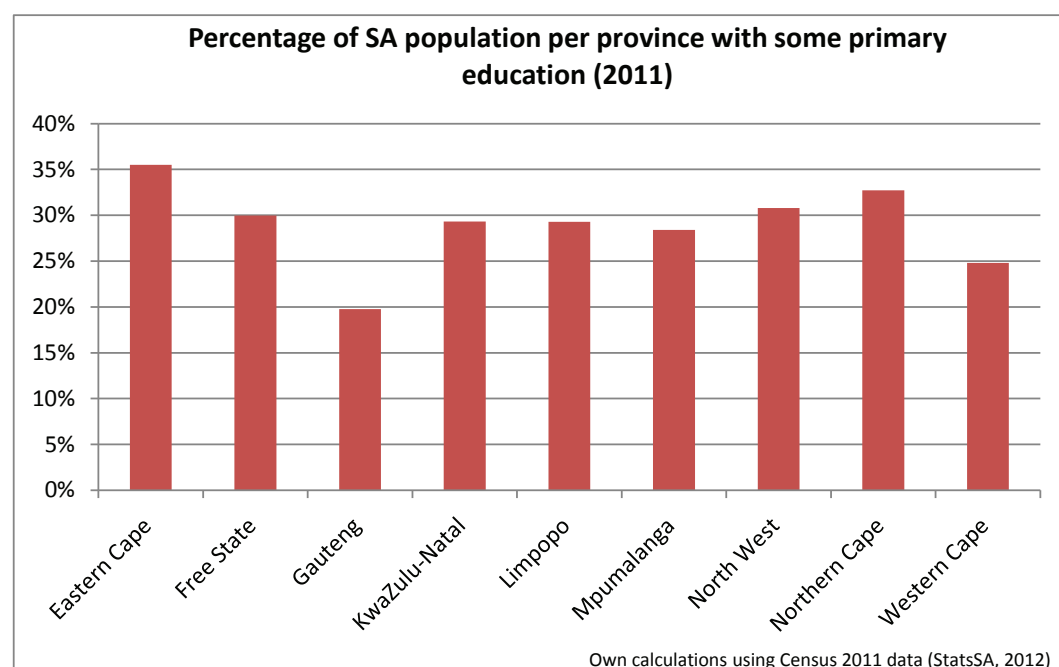
4.3.1 General education levels

Analysis of Census 2011 data²² shows that the proportions of the Eastern Cape population with no education and with a primary education or less had dropped (refer to figures 41 and 42) from the 2004 figure recorded by Cosser et al. In 2011, the Eastern Cape, at 7%, had the fourth lowest percentage of people with no education, following the Western Cape, Gauteng and the Free State (see figure below). The proportion of the total South African population with no education was 6%.

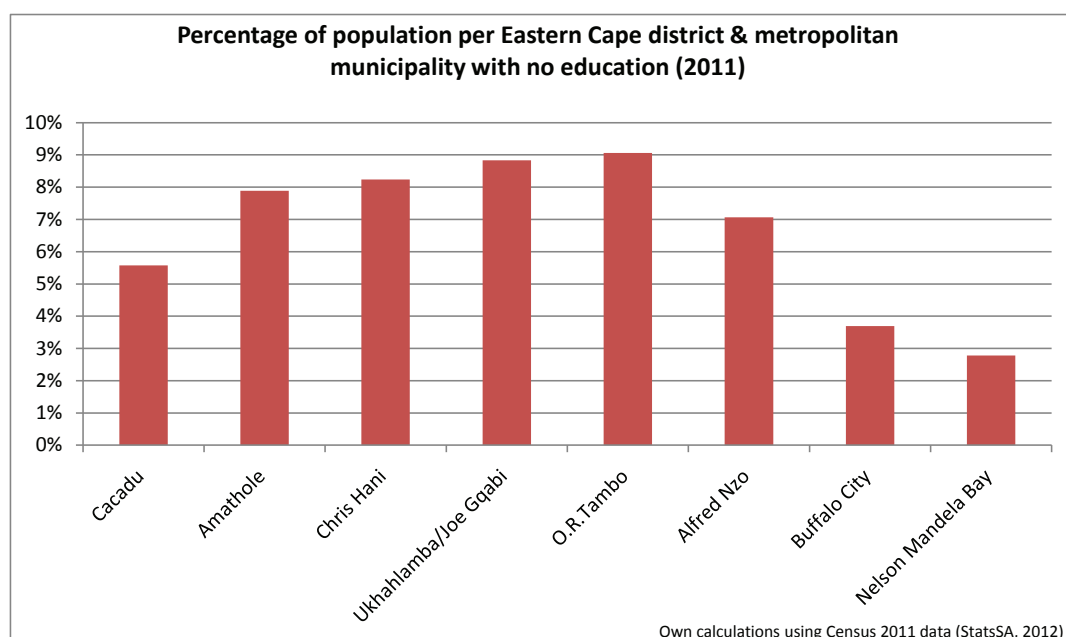
22 The Census 2011 data on education made available to date is limited to levels of education and educational institution, this even though information was gathered on literacy levels and field of education.

**Figure 41**

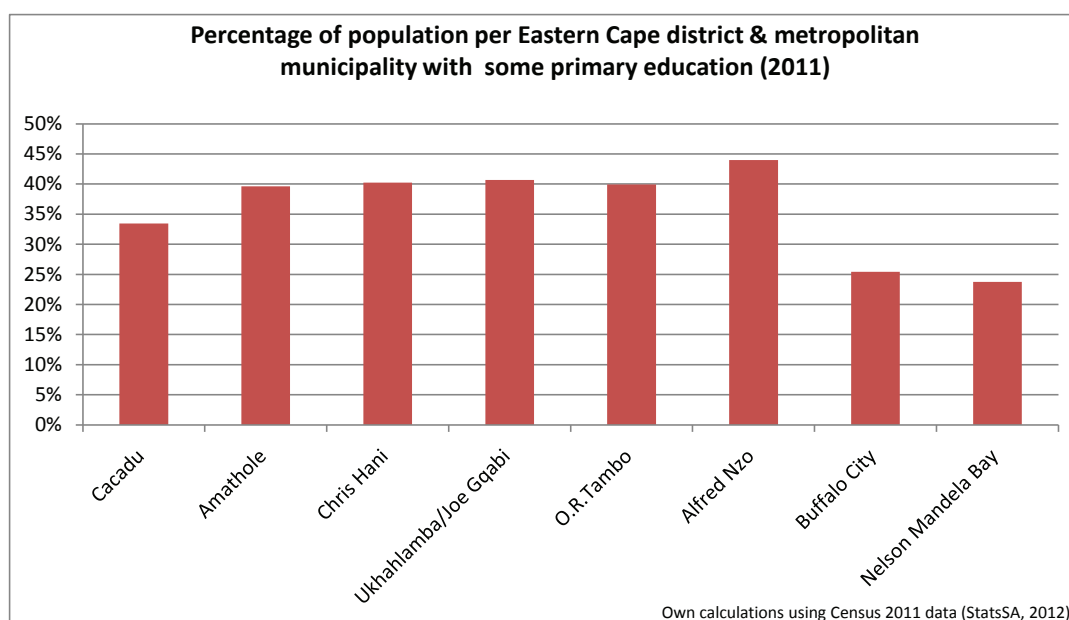
More than a third (36%) of the Eastern Cape population had some primary education (Grades 0-7), which was the highest of all the provinces in South Africa, followed by the Northern Cape at 33% and the Free State at 30% (see figure below). The proportion of the total South African population with primary education was 27%.

**Figure 42**

In the same year, the OR Tambo and Ukhahlamba/Joe Gqabi Districts had the highest percentages of people with no education (both at 9%), followed by Amathole and Chris Hani at 8% each, and Alfred Nzo at 7% (see figure below).

**Figure 43**

Forty percent or more of the populations of the following five Eastern Cape district municipalities had some primary education: Alfred Nzo (44%), Ukhahlamba/Joe Gqabi (41%), OR Tambo (40%), Amathole (40%), and Chris Hani (40%) – again districts that include significant portions of the former Bantustans (see figure below). This was in contradistinction to the two Eastern Cape metropolitan municipalities (Nelson Mandela Bay and Buffalo City), both of which had smaller proportions of their population with a primary education or less than the South African population as a whole.

**Figure 44**

In 2011, 12% of the Eastern Cape population had a matric as their highest qualification, and 16% had a matric or higher. Only 2% of the latter had a bachelor's degree or higher. The two metropolitan municipalities and the Cacadu District had the highest percentages of people with matric, or matric and higher, or a bachelor's degree or higher, as their highest qualification. Only Buffalo City and Nelson Mandela Bay did more than a quarter of the population have a matric or higher, and in none

of the metropolitan or district municipalities did more than 3% of the population have a bachelor's degree or higher (the latter dropped to 1% in the district municipalities that contain portions of the former Bantustans).

The graph below shows the distribution of the Eastern Cape population by highest level of education, based on Census 2011 data:

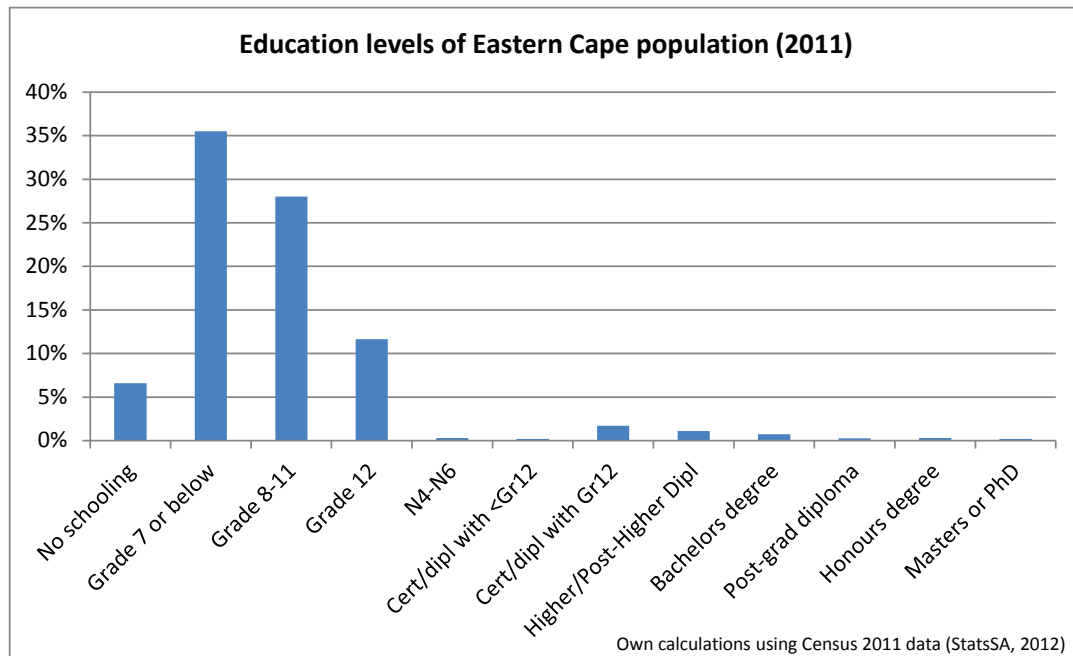
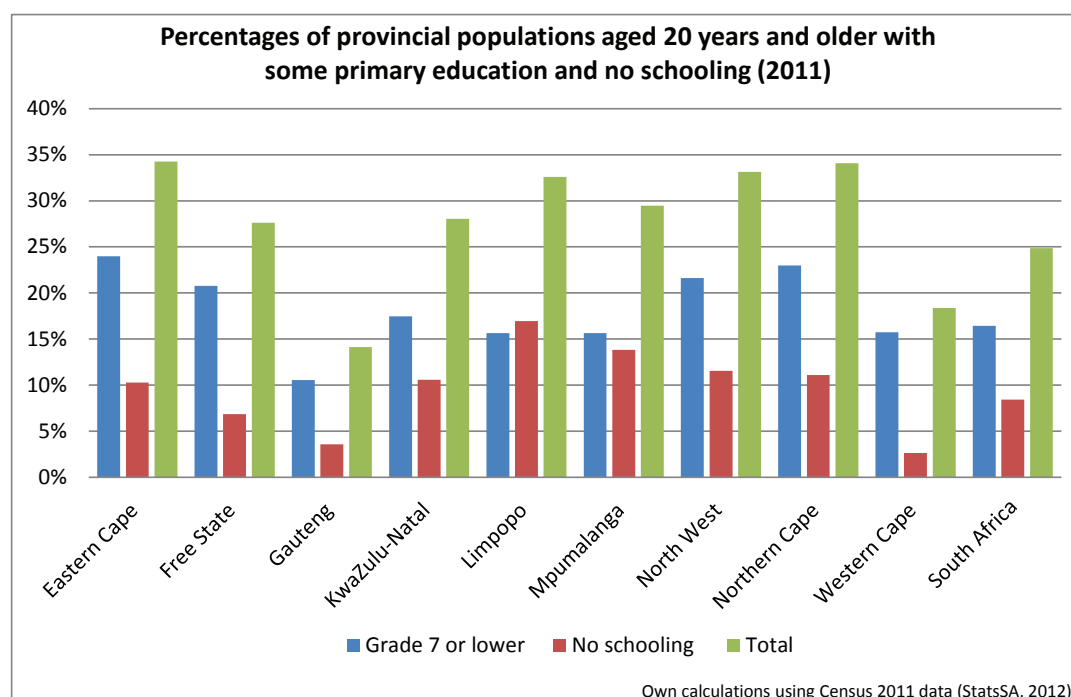


Figure 45

Statistics South Africa reported on education for the population aged 20 or older only in its report entitled *Census 2011: Provinces at a glance* (StatsSA, 2012b). Restricting our analysis similarly, changes the comparative pattern between provinces with regards to both percentage of the population who have no schooling and the percentage of the population with some primary education, as is shown by the figure below:

**Figure 46**

Restriction of our analysis to people aged 20 years and older leaves the Eastern Cape's comparative position with regard to the percentages of people with no education and with some primary education unchanged. Figure 46, above, places the Eastern Cape as the province with the fourth lowest percentage of people with no schooling (10%), the highest percentage of people with Grade 7 or lower (i.e. some primary schooling) as their highest level of education (24%, or almost a quarter), and the highest percentage of both of these groups combined (34%, or more than a third). In the case of percentage of the population aged 20 years and older who had no schooling, the Eastern Cape figure was lower only than the figures for Limpopo (17%), Mpumalanga (14%) and KwaZulu-Natal (11%).

The following two figures, taken from the Statistics South Africa report entitled *Census 2011: Provinces at a glance* (StatsSA, 2012b), compare provinces in terms of the percentages of their populations aged 20 years and older who have Grade 12 as their highest level of education (Figure 47) and who have some higher education (Figure 48).

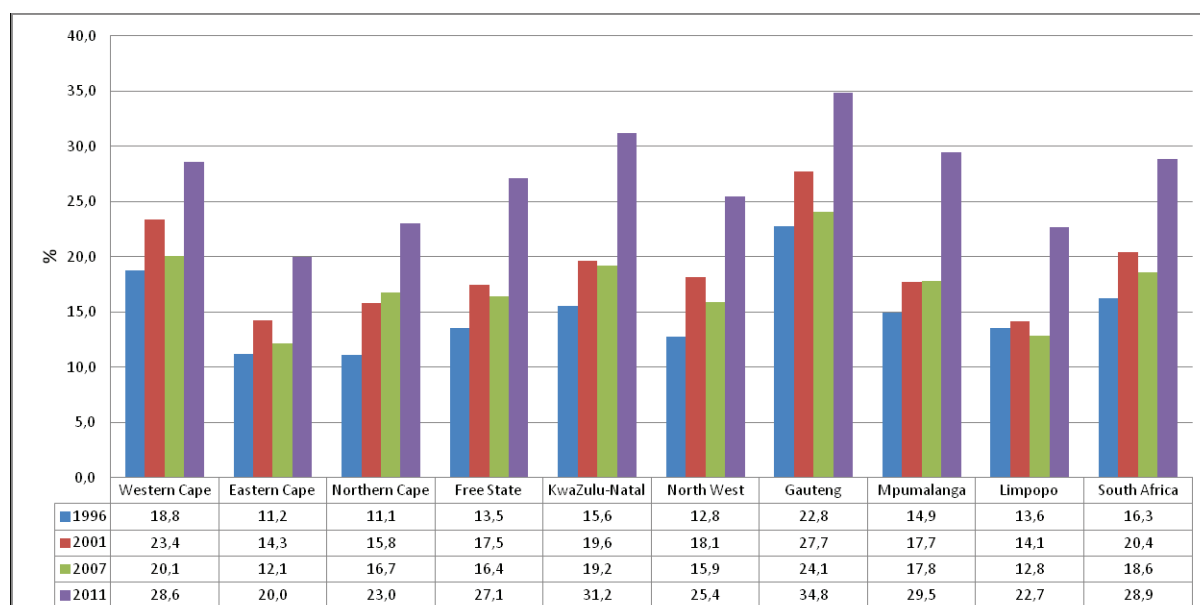


Figure 47: Level of education (Grade 12) for those aged 20 years and older by province: Census 1996, 2001, 2011 and Community Survey 2007

Source: Statistics South Africa. (2012b). Census 2011: *Provinces at a glance*. Report No. 03-01-43. Pretoria: Statistics South Africa.

Figure 47 shows that in the Eastern Cape and the larger South Africa, the percentage of the population aged 20 years and older with Grade 12 as their highest qualification increased steadily from 1996 to 2011, except for a dip in 2007, measured by the Community Survey 2007. In 2011, 20% of the population aged 20 or older in the Eastern Cape had Grade 12 as their highest qualification. This was the lowest percentage calculated for any of the provinces, and 8.9% less than the percentage calculated for South Africa as a whole.

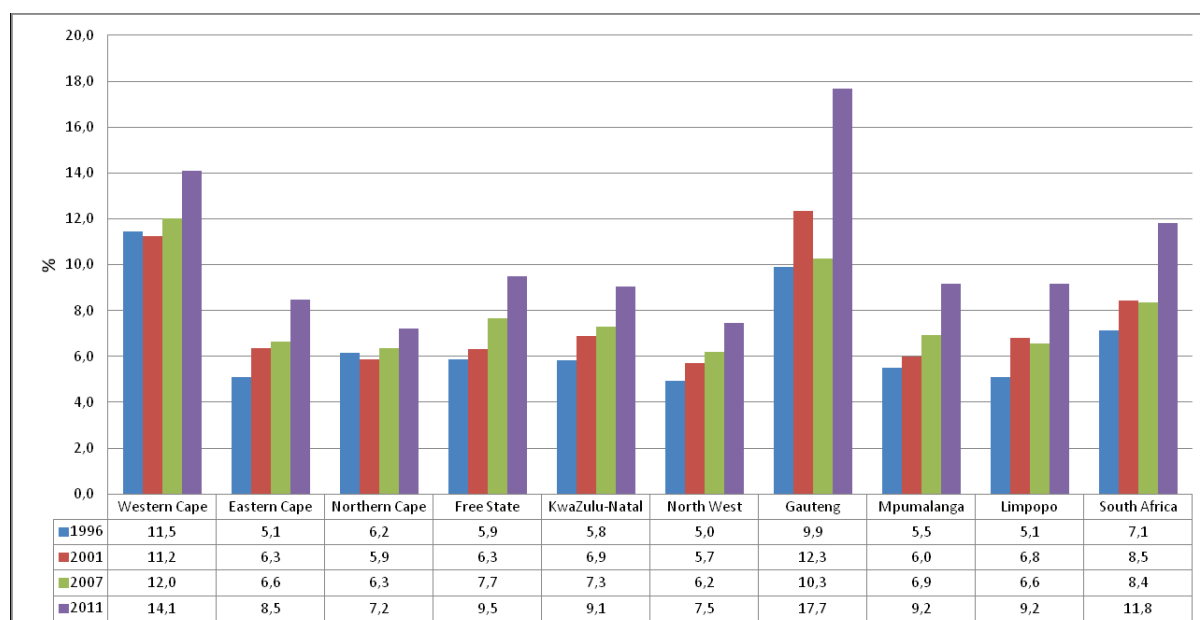


Figure 48: Level of education (Higher education) for those aged 20 years and older by province: Census 1996, 2001, 2011 and Community Survey 2007

Source: Statistics South Africa. (2012b). Census 2011: *Provinces at a glance*. Report No. 03-01-43. Pretoria: Statistics South Africa.

Figure 48 shows that in the Eastern Cape the percentage of the population aged 20 years and older with some higher education also increased steadily from 1996 to 2011, with no dip in 2007. The picture is similar for South Africa as a whole, but with a very slight dip in 2007. In 2011, 8.5% of the Eastern Cape population aged 20 years or older had some higher education. This was the third lowest figure of all the provinces, after the Northern Cape and Northwest provinces, and 3.3% less than the percentage calculated for South Africa as a whole.

Perhaps more useful from a labour market perspective than the education levels for the entire population and for the population aged 20 years and older are the figures for the **working age population** (those aged 15-65). The figure below shows the proportional distribution of the working population in the Eastern Cape in 2011 by highest level of education achieved:

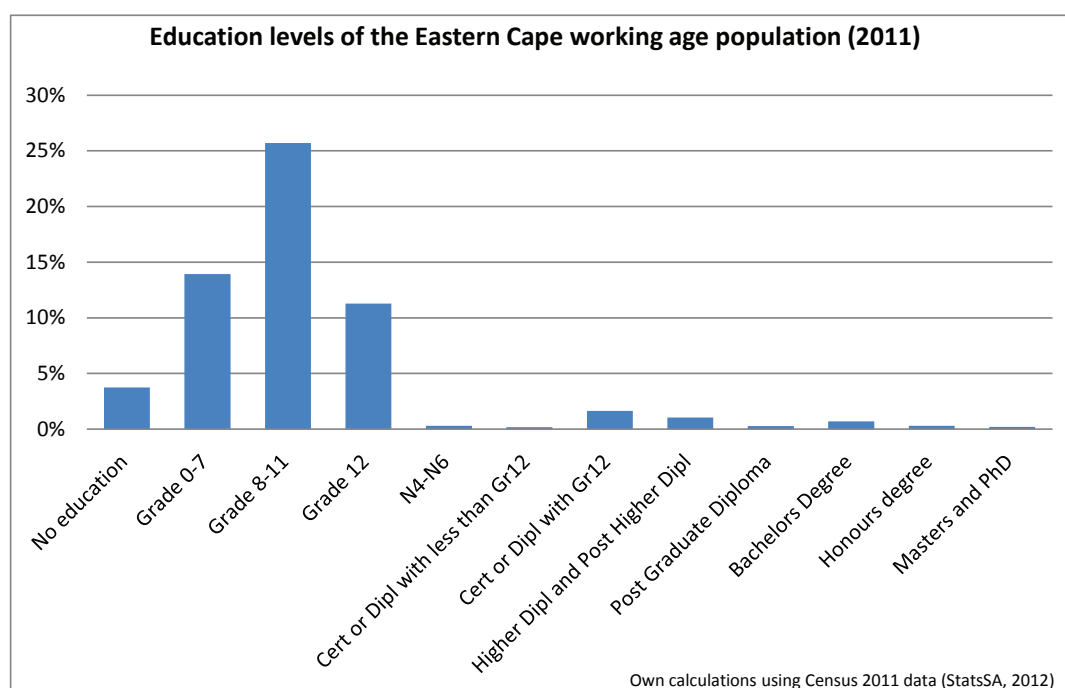
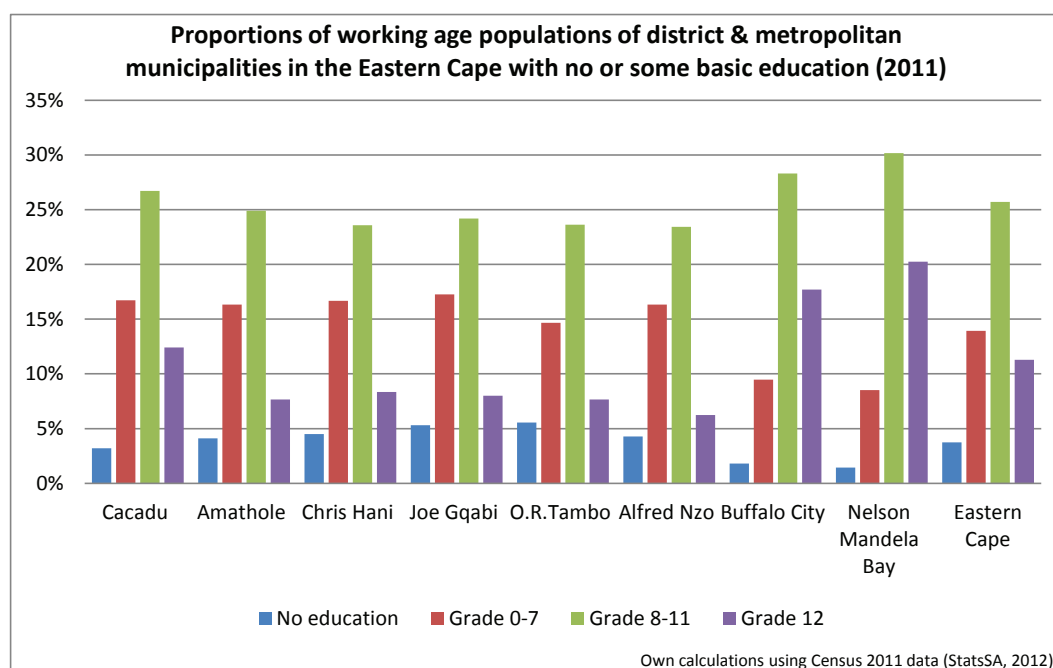


Figure 49

Comparing this figure with Figure 45, one notices the drop in the proportion for the *Grade 0-7* category, which is not surprising, as the working age population excludes all 0-14 year olds. There is also a slight drop in the proportion for the *No education* category.

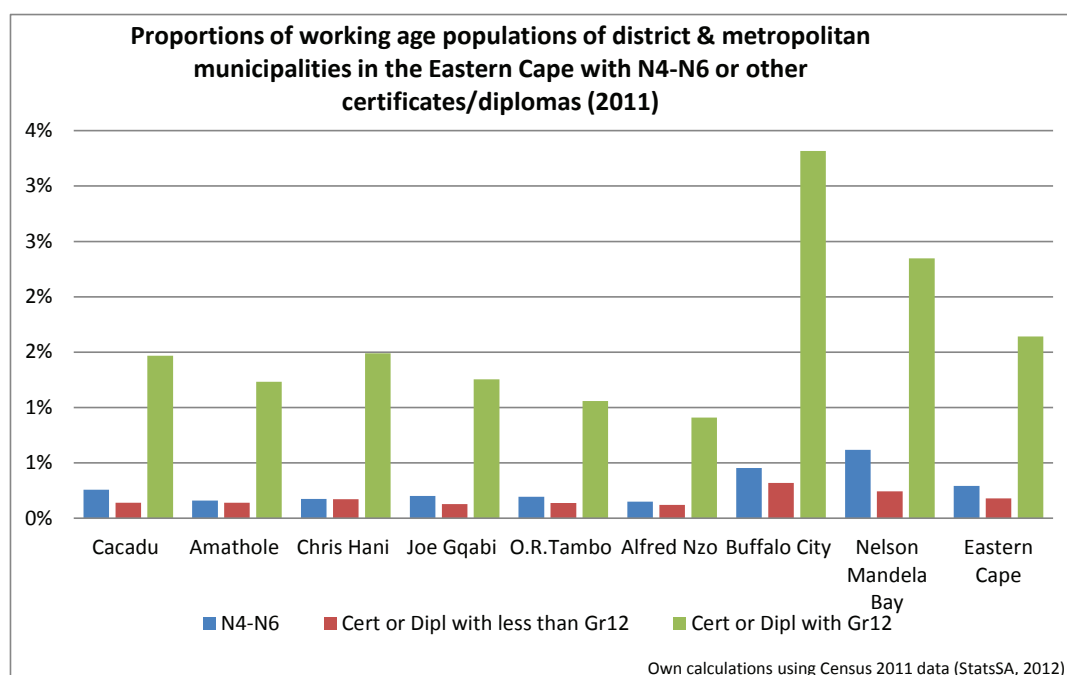
The largest proportion of the members of the working age population of the Eastern Cape in 2011 had some high school education (Grade 8-11) as their highest level of education, followed by those with some primary education (Grade 0-7) as their highest level of education – 26% of the working age population had some high school education as their highest level of education, and 14% had some primary school education. The *No education*, *Grade 0-7*, and *Grade 8-11* categories combined accounted for 43% of the working age population in the Eastern Cape in 2011, confirming the generally low levels of skill in the province.

The figure below compares the proportions of the working age populations of the district and metropolitan municipalities in the Eastern Cape who have no education and have some basic education (Grade 0-7, Grade 8-11 and Grade 12):

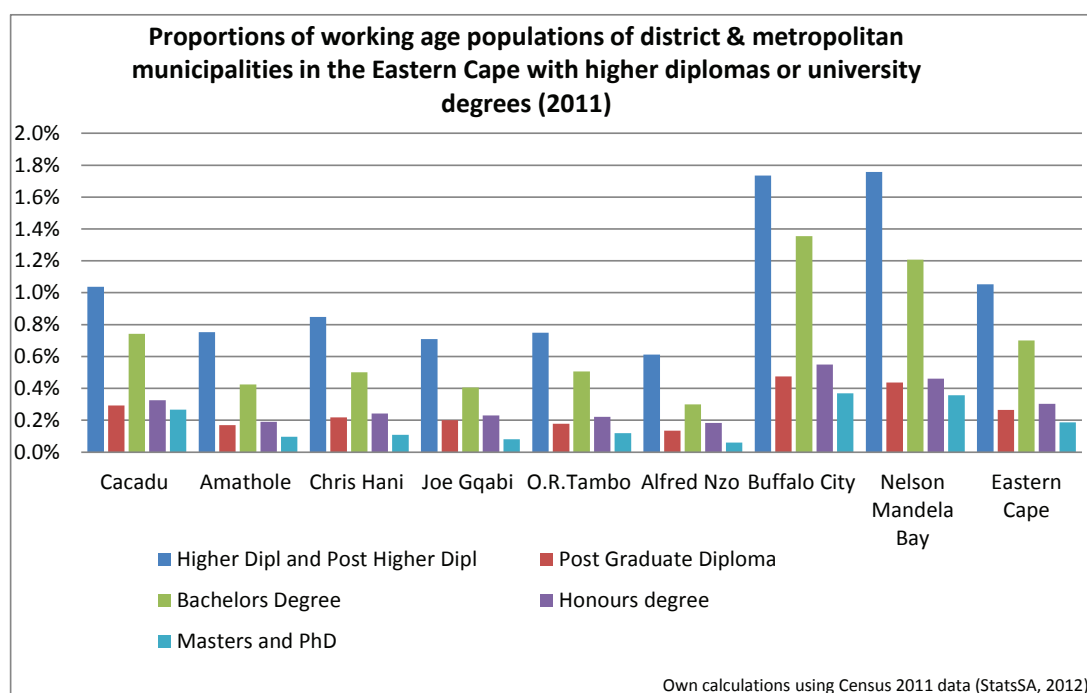
**Figure 50**

In 2011, the two metropolitan municipal areas had higher proportions of their working age populations with Grade 12 than any of the district municipalities – the proportion for Nelson Mandela Bay was 20% and the proportion for Buffalo City was 18%. The district municipalities containing portions of the former Bantustans had the lowest proportions of their working age populations with Grade 12 as their highest level of education.

Figure 51 below compares the proportions of the working age populations of the district and metropolitan municipalities in the Eastern Cape who have N4-N6 or other certificates or diplomas, and Figure 52 compares the proportions of the working age populations of the district and metropolitan municipalities in the Eastern Cape who have higher qualifications (higher diplomas and degrees):

**Figure 51**

Although the proportions of the working age populations in the district and metropolitan municipalities and the province as a whole who had N4-N6 or some certificates or diplomas were generally low, the two metropolitan municipalities again dominated.

**Figure 52**

The proportions of the working age population with higher diplomas and university degrees were generally very low across the province, but again the metropolitan municipal areas dominated. Again, the low skills base of the working age population is demonstrated, particularly outside the metropolitan areas.

4.3.2 Education levels of employed people

Looking more specifically at the education levels of people in the Eastern Cape who were employed in 2011 (see the graph below), one finds that 38% of them had a matric as their highest qualification, followed by some high school education (Grade 8-11) at 31%, some primary education (Grade 0-7) at 8%, and a Bachelor's degree or higher, also at 8%. In total, 77% of those who were employed in 2011 had Grade 12 or lower as their highest level of education, and 39% had Grade 11 or lower as their highest level of education.

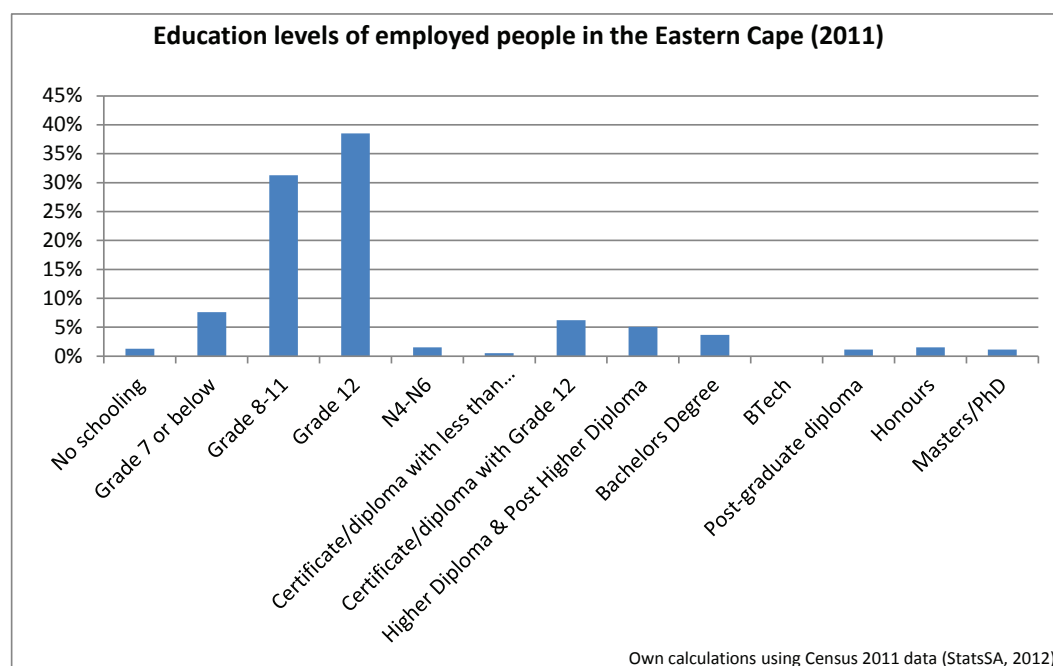
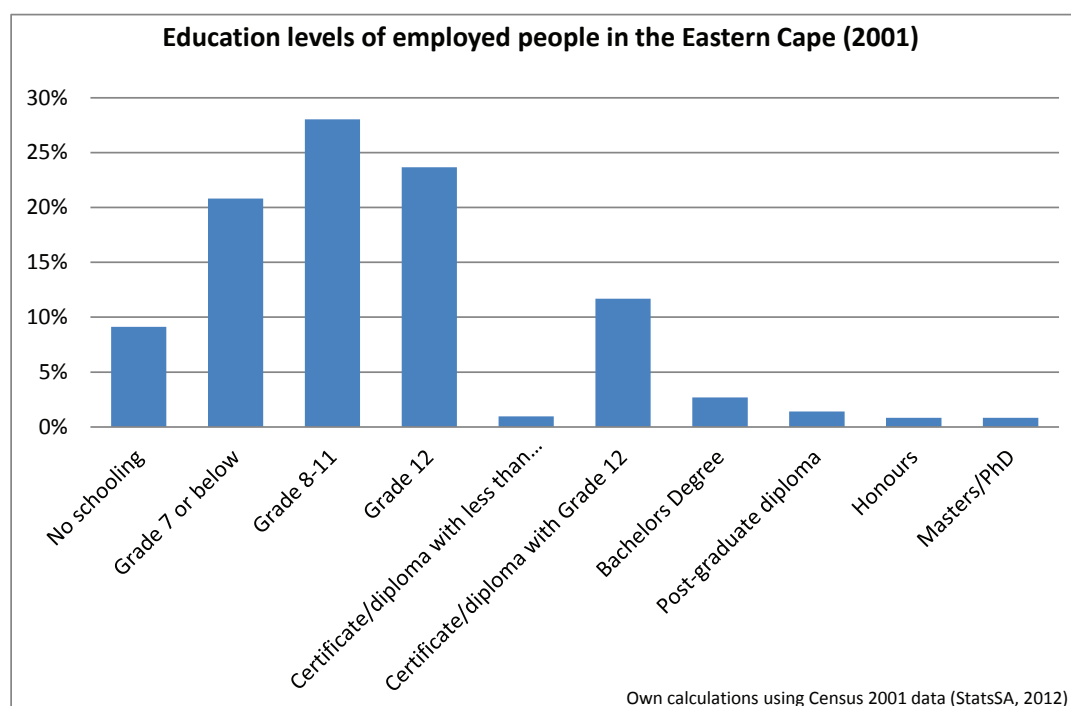
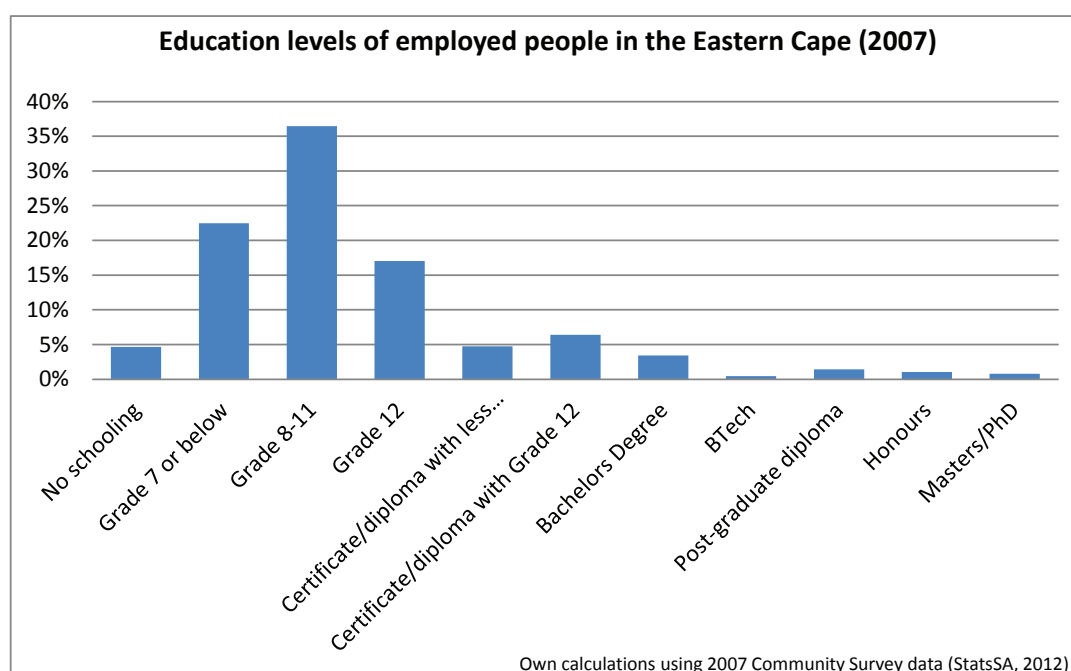


Figure 53

This distribution is slightly different from the one found in the Census 2001 and 2007 Community Survey data, which showed that most people in the Eastern Cape who were employed had some high school education (Grade 8-11) as their highest level of education – 28% in 2001 and 36% in 2007 (see figures 50 and 51 below). The corresponding figures for employed people in the Eastern Cape with matric as their highest level of education were 24% and 17%. In 2001, 72% of those who were employed had Grade 12 or lower as their highest level of education, and 49% had Grade 11 or lower as their highest level of education. The corresponding figures for 2007 were 76% and 59%.

**Figure 54****Figure 55**

These figures also show a noticeable drop in the relative proportion of employed people with Grade 12 as their highest level of education in 2007, and an 8% increase in the percentage of employed people with Grade 8-11 as their highest level of education.

In general, an increase in the proportion of employed people with matric as their highest level of education can be observed from 2001 to 2011, in spite of a noticeable drop in 2007. There was also a general upward trend in the proportion of people with no more than a partial or completed school education. It is not clear what drove these changes, but their direction is similar, though less pronounced, to what Bhorat & Mayet (2012) established for South Africa as a whole – they found that

those with at least a completed secondary education accounted for more than 75% of the expansion between the second quarter of 2011 and the second quarter of 2012.

The provincial skills distribution amongst employed people in the district and metropolitan municipalities of the Eastern Cape in 2011 was dominated by those with some primary and some high school education and matric, but with only Nelson Mandela Bay showing Grade 12 as the largest category (more than 30%, as opposed to less than 25% in the various district municipalities, even with Buffalo City included in the total for the Amathole District). This suggests that the provincial trends described above were driven largely by the metropolitan municipalities.

4.3.3 Education levels of unemployed people

The education profile of those people who indicated that they were unemployed according to the official definition and those who were classified as discouraged work seekers yields some insight into the education levels of jobs that would be required to reduce unemployment in the Eastern Cape.

The graph below shows the proportions of the unemployed (official definition), discouraged work-seekers, and the unemployed (expanded definition) for a range of educational categories in 2011:

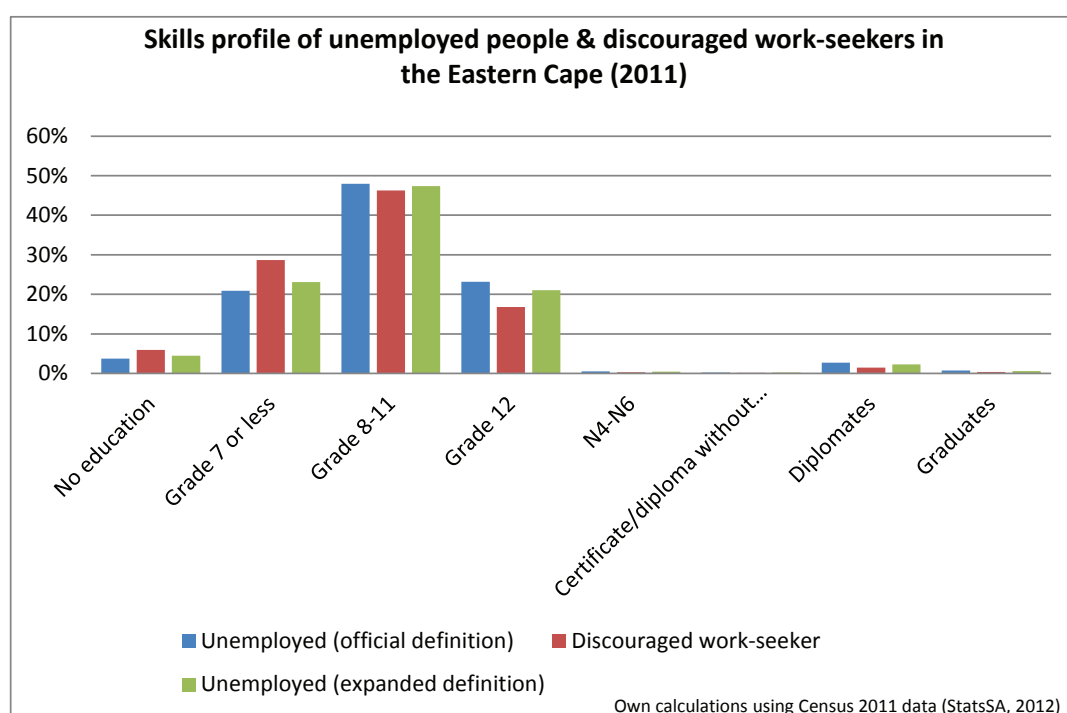


Figure 56

This graph clearly shows that almost half of the unemployed (both definitions) and of the discouraged work-seekers in the Eastern Cape in 2011 had Grade 8-11 as their highest educational qualification, followed by those with Grade 7 or less, and then those with Grade 12 (even higher than those with no education). Together, those with educational levels of Grade 11 or less accounted for 75% of all of the discouraged work-seekers, and 70% of the total number of unemployed (expanded definition). Those with a matric as their highest qualification accounted for 17% of all of the discouraged work-seekers and 21% of the total number of unemployed (expanded definition). Those with educational levels higher than matric accounted for only 1% of all of the discouraged work-seekers and 3% of the total number of unemployed (expanded definition).

These figures suggest that, in 2011, mainly unskilled jobs were required absorb the supply of unemployed people (expanded definition). The economy appeared largely to be taking care of those with education levels higher than matric, with limited excess supply of the kinds of qualifications required for development of a “knowledge economy”.

Finally, there is the question of unemployment amongst people with a post-school education. Following Van den Berg & Broekhuizen (2012), those with university degrees are referred to as *graduates*, and those with a certificate with Grade 12, a diploma with Grade 12, a Higher Diploma, a Post Higher Diploma, or a Masters or Doctoral Diploma, as *diplomates*. Using Census 2011 data, I calculated the graduate unemployment rate (using the expanded definition) to be only 7%, which is dramatically lower than the unemployment rate across all levels of education, 8% less than the unemployment rate for diplomates, and comparable to the national rates as calculated by Van den Berg & Broekhuizen (2012) using Quarterly Labour Force Survey data. In 2011, the graduate unemployment rate in the Eastern Cape was the second highest in the country after Limpopo, which had a rate of 9%. The diplomate unemployment rate in the Eastern Cape was the sixth highest in the country, 6% lower than the highest rate, which was found in Limpopo. The highest graduate unemployment rate in the Eastern Cape in 2011 was found amongst people classified as Black African (9.3%), followed by those classified as coloured (5.5%), Indian (3.4%) and White (3.1%). The diplomate unemployment rate in the Eastern Cape in 2011 amongst people classified as Black African was 18.9%, followed by those classified as Coloured (8.1%), Indian (6.2%) and White (3.9%). The graduate unemployment rate amongst men was 7.1%, compared with 7.3% amongst females, and the diplomate unemployment rates for men and women were 14.4% and 15.7%, respectively. Although graduate unemployment, overall, does not appear to be a particular problem, further work is required on the nature and process of employment of graduates in the province, and on where people who graduate from Eastern Cape universities work.

The unemployment rates for people with less than a diploma were dramatically higher in 2011 – the unemployment rate (expanded definition) amongst people with no education was 55.5%, the rate amongst people with Grade 11 or less was 57.3%, as compared to 52.1% amongst people with Grade 12 or less.

It is interesting that although the employment rates are best for diplomates and graduates, it is people with Grade 8-12 who make up the bulk of the employed – even though only 40% of the Eastern Cape population have Grade 8-12 as their highest level of education, 69% of those employed have this level of qualification.

4.4 Incomes

South Africa, in general, and the Eastern Cape, in particular, face high levels of income inequality. South Africa was given a Human Development Index ranking of 121 in the 2013 Human Development Report (United Nations Development Programme, 2013), and was ranked as the third most unequal society (in terms of income inequality) in the world, after Namibia and the Seychelles.

4.4.1 Income in the population in general

Analysis of Census 2011 data²³ shows that, in 2011, the Eastern Cape had the second highest

23 Census 2011 recorded income rather than earnings, and respondents were asked to select an income category/band rather than providing exact figures. Income included all sources of income, including social grants, unemployment insurance

proportion of people earning R800 or less per month – 72% of the Limpopo population earned R800 or less per month, followed by the Eastern Cape at 69% (4,513,540 people), and KwaZulu-Natal and Mpumalanga at 66% each (see figure 10 below). These percentages were all higher than the 61% of the total South African population earning R800 or less per month.

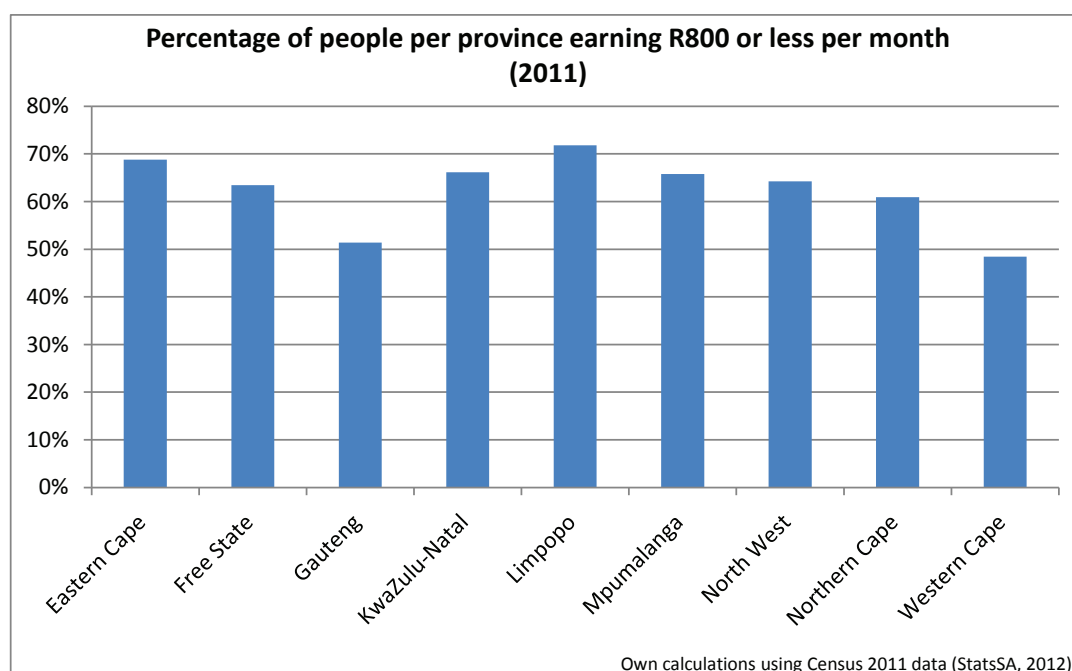
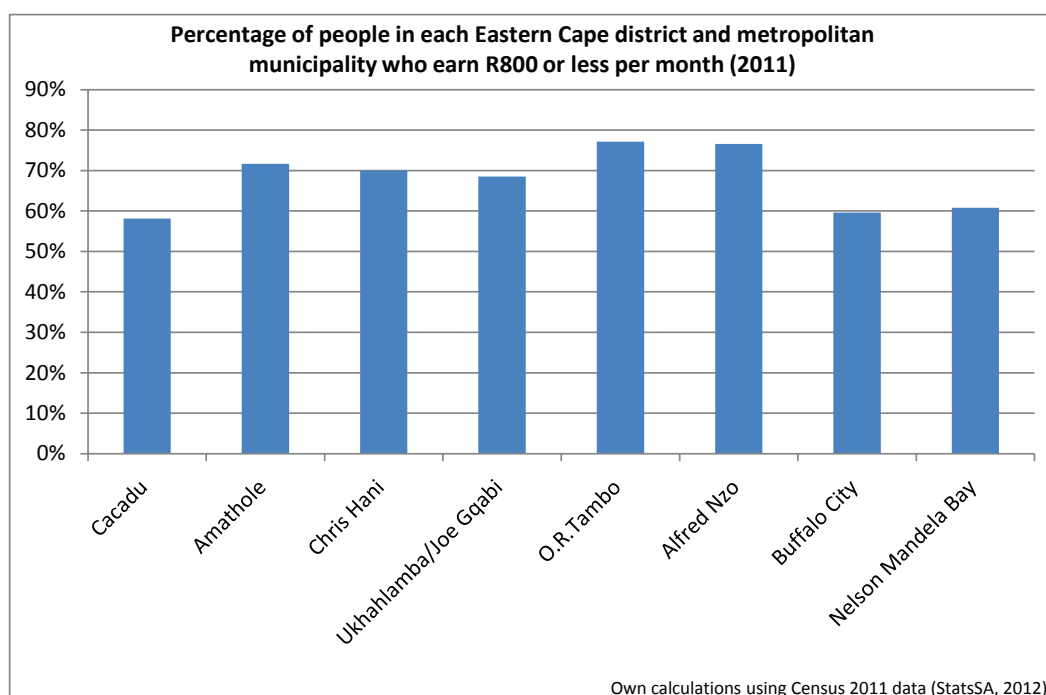


Figure 57

In four of the district municipalities in the Eastern Cape, 70% or more of the population earned R800 or less per month: OR Tambo (77%), Alfred Nzo (77%), Amathole (72%) and Chris Hani (70%) – see figure 11 below. Again, these are all district municipalities that contain significant portions of the former Bantustans, in which ECSECC estimated that 71% of the Eastern Cape population live (Province of the Eastern Cape, 2012)²⁴.

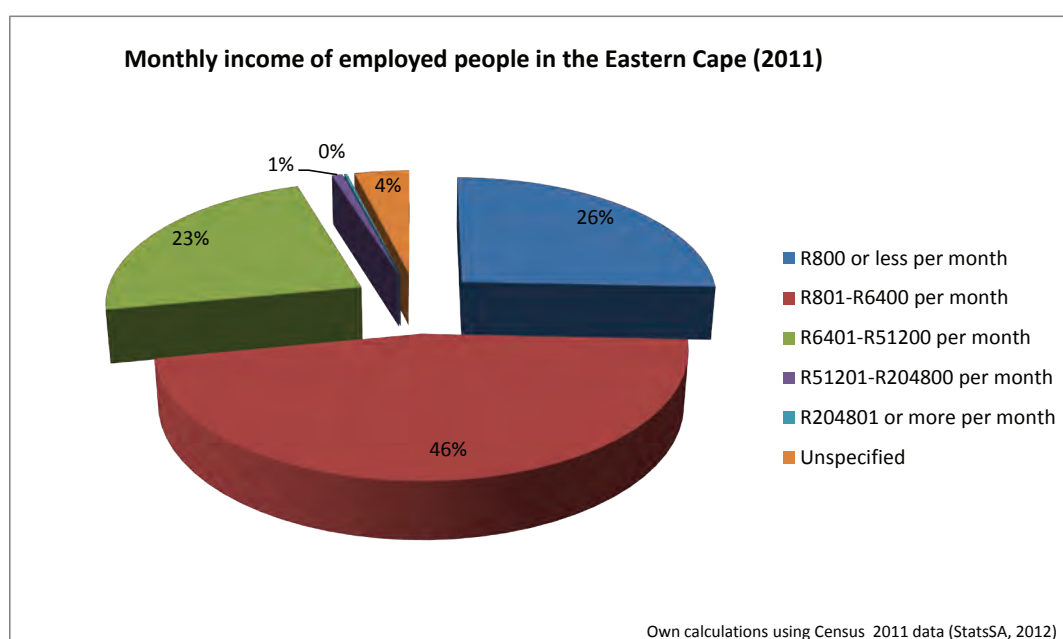
payments, remittances, rentals, investments, sales of products, services, etc. (Statistics South Africa, 2012a: 50). Household income recorded by Census 2011 was derived from individual incomes recorded for household members.

24 Census 2011 results show that, in 2011, 52% of the people in the Eastern Cape lived in tribal or traditional areas, 3% on farms, and the remaining 45% in urban areas – some of the latter, such as Mthatha, would also be located in the former Bantustans.

**Figure 58**

4.4.2 Income earned by employed people

The link between employment and earnings was investigated by grouping members of the Eastern Cape employed population into the following earnings categories: R800 or less per month, R801-R6400 per month, R6401-R51200 per month, R51201-R204800 per month, R204801 or more per month, and Unspecified. The pie chart below shows the distribution of employed people amongst these categories in 2011:

**Figure 59**

This chart shows that just more than a quarter of employed people in the Eastern Cape in 2011 earned R800 or less per month (264,182 people)²⁵, with 46% (476,731 people) earning between R801 and R6400 per month. This means that 72% of employed people (740,913 people) in the Eastern Cape earned R6400 or less per month. More than 40,000 employed people did not specify their income – it is possible that some of the latter belong to the higher income categories.

By comparison, in the South African population as a whole, 17.8% of those who were employed in 2011 earned R800 or less per month; the corresponding figures for the Gauteng and Western Cape Provinces were 14.7% and 13.4%. The proportion of the employed population earning R801-R6400 per month in the Gauteng province was similar to the proportion for the Eastern Cape, but the corresponding proportions for the Western Cape Province and South Africa as a whole were 52% and 50%, respectively, i.e. 22% and 20% higher than for the Eastern Cape. The proportions of the employed populations in the Gauteng and Western Cape provinces and in South Africa as a whole who earned R6400 or less per month were 62%, 66% and 68%, respectively. For both of those provinces and the South Africa as a whole, the proportions of employed people in the *R51201-R204800 per month*, *R204801 or more per month*, and *Unspecified* categories were higher than for the Eastern Cape.

Table 2 below shows the proportions of employed people in each population group who fell into the various categories of individual monthly income in 2011:

Proportional distribution of employed people across income categories for each population group (2011)

Individual monthly income	Population groups					
	Black African	Coloured	Indian or Asian	White	Other	Total
No income	14%	8%	8%	6%	9%	12%
R 1 - R 400	6%	3%	2%	1%	6%	5%
R 401 - R 800	11%	7%	3%	1%	10%	9%
R 801 - R 1 600	22%	21%	8%	3%	23%	19%
R 1 601 - R 3 200	16%	19%	14%	7%	19%	15%
R 3 201 - R 6 400	11%	15%	16%	17%	12%	12%
R 6 401 - R 12 800	11%	12%	18%	24%	8%	13%
R 12 801 - R 25 600	6%	7%	17%	21%	6%	8%
R 25 601 - R 51 200	1%	1%	7%	8%	2%	2%
R 51 201 - R 102 400	0%	0%	2%	2%	1%	1%
R 102 401 - R 204 800	0%	0%	1%	1%	0%	0%
R 204 801 or more	0%	0%	0%	1%	0%	0%
Unspecified	3%	5%	5%	8%	4%	4%
Not applicable						
Total	100%	100%	100%	100%	100%	100%

Source: Own calculations using Census 2011 data (StatsSA, 2012)

Table 2

This table shows a continued differentiation in income by population group classification. Employed

²⁵ R800 a month is considerably lower than the Sectoral Determination level for Domestic Workers of R1,625.70 per month (Department of Labour, 2011), the Sectoral Determination level for Farm Workers of R2,274.82 per month (Department of Labour, 2013), the Sectoral Determination level for Forestry Workers of R2,229.32 per month (Department of Labour 2013), and the Sectoral Determination level of R2,515.31 per month for a security guard working in the Wholesale and Retail sector (Department of Labour, 2013). It is only slightly lower than the Sectoral Determination level for Task Grade 9 working in the Civil Engineering sector, and higher than the minimum living level of R524 a month per person in 2010 terms used by the National Planning Commission (2011) in its *Diagnostic Overview*.

people classified as Black African dominated the lower earning categories, with 14% earning no income, 31% earning R800 or less per month, 53% earning R1600 or less per month, and 68% earning R3200 or less per month. In contrast, only 18% of employed people classified as White earned R3200 or less per month, but 62% of employed people classified as White earned R3201-R25600 per month, and 12% earned more than R25600 per month. In contrast, only 1% of employed people classified as Black African earned more than R25600 per month.

Table 3 below shows the proportions of employed males and females in the Eastern Cape who fell into the various categories of individual monthly income in 2011:

Proportional distribution of employed males and females across income categories (2011)

Individual monthly income	Gender		
	Male	Female	Total
No income	11%	13%	12%
R 1 - R 400	4%	5%	5%
R 401 - R 800	8%	11%	9%
R 801 - R 1 600	20%	18%	19%
R 1 601 - R 3 200	17%	13%	15%
R 3 201 - R 6 400	13%	12%	12%
R 6 401 - R 12 800	12%	14%	13%
R 12 801 - R 25 600	8%	8%	8%
R 25 601 - R 51 200	3%	1%	2%
R 51 201 - R 102 400	1%	0%	1%
R 102 401 - R 204 800	0%	0%	0%
R 204 801 or more	0%	0%	0%
Unspecified	4%	4%	4%
Not applicable			
Total	100%	100%	100%

Source: Own calculations using Census 2011 data (StatsSA, 2012)

Table 3

A slightly larger proportion of employed females than males in the Eastern Cape earned no income

in 2011, but 29% of employed females earned R800 or less per month, as compared to 23% of males. The proportional difference decreases as the upper threshold of monthly income is increased, with 47% of employed females earning R1600 or less per month compared to 42% of employed males, 60% of employed females earning R3200 or less per month compared to 59% of employed males, and 86% of employed females earning R12800 or less per month compared to 84% of employed males. Four percent of employed males earned more than R25600 per month compared to 1% of employed females.

Examination of the monthly incomes of people by geo type, i.e. living in either tribal/traditional areas, urban areas or on farms, confirms earlier observations about the persistence of the spatial legacy of apartheid, as illustrated by the table below:

Proportional distribution of employed people in the three geo types across monthly income categories (2011)

Individual monthly income	Geo type			
	Urban area	Tribal or Traditional area	Farm	Total
No income	9%	24%	6%	12%
R 1 - R 400	4%	8%	4%	5%
R 401 - R 800	7%	14%	10%	9%
R 801 - R 1 600	17%	17%	44%	19%
R 1 601 - R 3 200	17%	10%	13%	15%
R 3 201 - R 6 400	14%	9%	6%	12%
R 6 401 - R 12 800	14%	10%	6%	13%
R 12 801 - R 25 600	10%	4%	4%	8%
R 25 601 - R 51 200	3%	1%	2%	2%
R 51 201 - R 102 400	1%	0%	1%	1%
R 102 401 - R 204 800	0%	0%	0%	0%
R 204 801 or more	0%	0%	0%	0%
Unspecified	4%	3%	3%	4%
Not applicable				
Total	100%	100%	100%	100%

Source: Own calculations using Census 2011 data (StatsSA, 2012)

Table 4

Almost a quarter of employed people living in tribal or traditional areas earned no income, and 46% earned R800 or less per month, the latter compared to 20% of employed people living in urban areas and 20% of employed people living on farms. Forty-four percent of employed people living on farms earned R801-R1600 per month, compared to 17% of employed people living in urban areas and 17% of employed people living in tribal or traditional areas. Seventy-four percent of employed people living in tribal or traditional areas earned R3200 or less per month.

Combining geo types and population groups, we get the following proportional distribution across monthly individual income categories:

Proportional distribution of employed people in the three geo types across monthly income categories (2011)

Individual monthly income	Geo type													
	Urban area							Farm						
	Black African	Coloured	Indian or Asian	White	Other	Total		Black African	Coloured	Indian or Asian	White	Other	Total	
No income	10%	8%	7%	6%	9%	9%		5%	4%	8%	8%	3%	6%	
R 1 - R 400	5%	3%	2%	1%	5%	4%		5%	5%	4%	1%	7%	4%	
R 401 - R 800	9%	6%	3%	1%	9%	7%		13%	12%	4%	1%	11%	10%	
R 801 - R 1 600	21%	17%	7%	3%	21%	17%		53%	57%	22%	4%	48%	44%	
R 1 601 - R 3 200	18%	20%	13%	7%	20%	17%		15%	13%	8%	8%	15%	13%	
R 3 201 - R 6 400	12%	17%	16%	17%	13%	14%		3%	3%	8%	13%	5%	6%	
R 6 401 - R 12 800	12%	13%	19%	24%	9%	14%		2%	2%	13%	24%	3%	6%	
R 12 801 - R 25 600	7%	8%	18%	21%	7%	10%		1%	1%	18%	18%	2%	4%	
R 25 601 - R 51 200	2%	2%	7%	8%	2%	3%		0%	0%	6%	7%	1%	2%	
R 51 201 - R 102 400	0%	0%	2%	2%	1%	1%		0%	0%	1%	3%	0%	1%	
R 102 401 - R 204 800	0%	0%	1%	1%	0%	0%		0%	0%	1%	1%	0%	0%	
R 204 801 or more	0%	0%	0%	1%	0%	0%		0%	0%	1%	1%	0%	0%	
Unspecified	3%	6%	5%	8%	4%	4%		3%	3%	6%	6%	5%	3%	
Not applicable														
Total	100%	100%	100%	100%	100%	100%		100%	100%	101%	100%	100%	100%	

Source: Own calculations using Census 2011 data (StatsSA, 2012)

Table 5

Sixty-two percent of employed people classified as White who lived in urban areas earned R3201-R25600 per month, with 24% earning R6401-R12800 per month. In contrast, 63% of employed people classified as Black African who lived in urban areas earned R3200 or less per month, and 12% fell in the R6401-R12800 per month category. Fifty-four percent of employed people classified as Coloured who lived in urban areas earned R3200 or less per month, and just under a third of employed people classified as Indian or Asian who lived in urban areas fell within this monthly income category.

Eight percent of employed people classified as White and who lived in urban areas earned R25601-R51200 per month, compared to 2% for employed people classified as Black African, 2% for employed people classified as Coloured, and 7% of employed people classified as Indian or Asian. Three percent of employed people classified as White and who lived in urban areas earned R51201-R204800, the same as the percentage for employed people classified as Indian or Asian, compared to 0%²⁶ for employed people classified as Black African and employed people classified as Coloured.

One percent of employed people classified as White and who lived in urban areas earned R204801 or more per month, and 8% chose not to specify their income.

Looking at employed people living on farms, we find that 57% of employed people classified as Coloured, 53% of people classified as Black African, and 48% of people classified as "Other" earned R801-R6400 per month. Fifteen percent of employed people classified as Black African, as Coloured or as "Other" and who lived on farms earned R6401-R3200 per month, compared to 8% for employed people classified as Indian or Asian and employed people classified as White. Ninety-one percent of employed people classified as Black African and 91% of employed people classified as Coloured who lived on farms earned R3200 or less per month, compared to 83% for employed people classified as "Other", 47% for people classified as Indian or Asian, and 22% for people classified as White. Almost a quarter of employed people classified as White who lived on farms earned R6401-R12800 per month, compared to 2% for employed people classified as Black African or as Coloured. Employed people classified as White who lived on farms were particularly concentrated in the monthly income bands that straddled R3201-R25600 – 62% fell within that range, compared to 6% for employed people classified as Black African and as Coloured.

As indicated previously, Census 2011 data on employment per industrial sector were not available at the time of the writing of this report, but we do have data on employment and earnings per type of sector (i.e. formal sector, informal sector, and private households). As indicated in the earlier section on employment, in 2011, 73% of all employed people were employed in the formal sector. These people dominated all earnings categories, as shown in the graph below. This is not surprising, given the large percentage employed in that sector, but it does seem counter-intuitive that more than 90,000 people who reported being employed in the formal sector should also reported that they received no income. Could it be that these are people who should be classified as informally employed? Further investigation is required.

26 If one decimal place is shown, the percentage for people classified as Black Africans is 0.3% (1,433 out of 472,767 people) and for people classified as Coloured it is also 0.3% (307 out of 119,626 people).

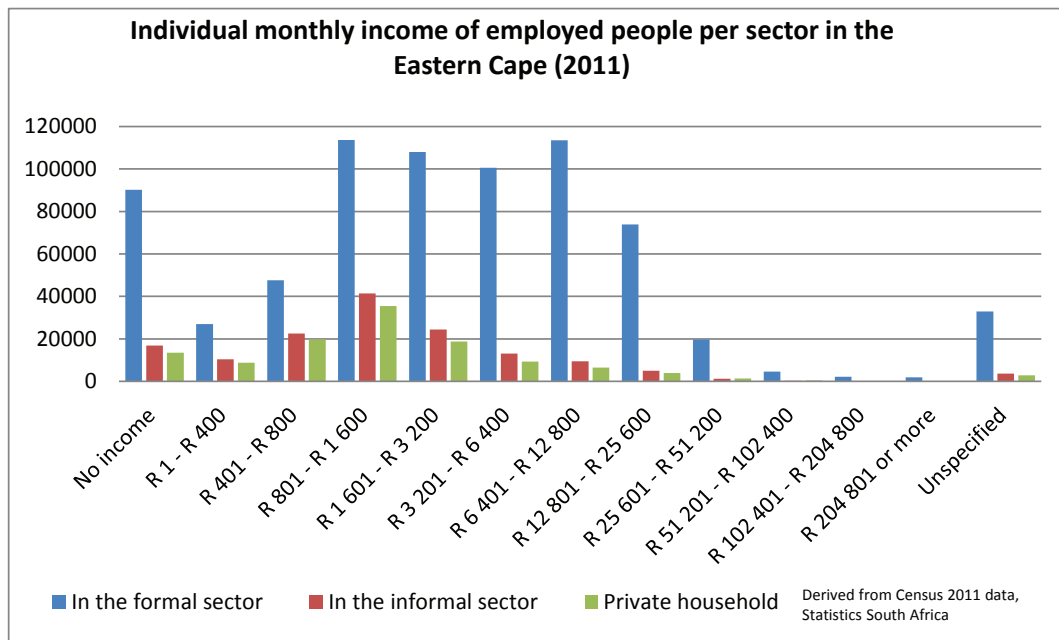


Figure 60

Analysis of individual monthly income in relation to highest level of education reveals the following:

Proportional distribution of employed people in various education categories across individual monthly income categories (2011)

Individual monthly income	Education categories							
	No education	Grade 7 or less	Grade 8-11	Grade 12	N4-N6	Certificate/diploma without matric	Diplomates	Graduates
No income	19%	18%	16%	9%	8%	10%	5%	4%
R 1 - R 400	10%	9%	6%	3%	2%	2%	1%	1%
R 401 - R 800	16%	17%	13%	5%	3%	3%	2%	1%
R 801 - R 1 600	31%	32%	26%	14%	7%	8%	4%	2%
R 1 601 - R 3 200	11%	13%	19%	19%	12%	12%	8%	4%
R 3 201 - R 6 400	5%	5%	10%	18%	18%	19%	17%	9%
R 6 401 - R 12 800	2%	2%	5%	16%	24%	27%	34%	27%
R 12 801 - R 25 600	1%	1%	2%	7%	19%	15%	23%	34%
R 25 601 - R 51 200	0%	0%	0%	2%	5%	3%	5%	13%
R 51 201 - R 102 400	0%	0%	0%	0%	1%	1%	1%	4%
R 102 401 - R 204 800	0%	0%	0%	0%	0%	0%	1%	1%
R 204 801 or more	0%	0%	0%	0%	0%	0%	1%	1%
Unspecified	3%	3%	4%	7%	0%	0%	0%	0%
Not applicable				0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Source: Own calculations using Census 2011 data (StatsSA, 2012)

Table 6

Almost a third of employed people with no education earned R801-R1600 per month, with 76% earning R1600 or less per month. The R801-R1600 per month category was also the largest for those employed people with an education of Grade 7 or less and for those with Grade 8-11, and 76% of those employed people with an education of Grade 7 or less earned R1600 or less per month, compared to 61% for those with Grade 8-11. The proportion of employed people earning R1600 or less per month decreased for each subsequent education category, reaching a low of 12% for diplomates and 7% for graduates.

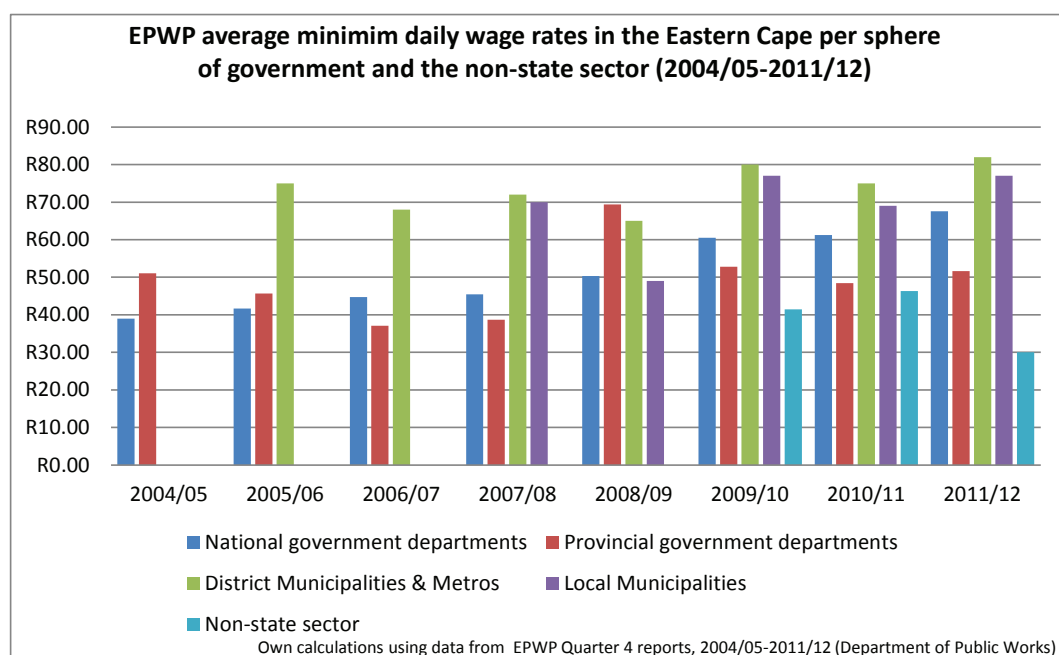
More than half of employed people with a Grade 12 qualification earned R1601-R12800 per month, with 84% earning R12800 or less per month. More employed people in the Grade 12 category (7% of the employed people in that category) chose not to specify their income than was the case for any other category – interestingly, the proportions for all categories above it were zero.

Just more than a third of employed diplomates earned R6401-R12800 per month, and just over a third of employed graduates earned R12801-R25600 per month. The proportion of employed diplomates who earned R6401-R25600 was 57%, compared to 62% for employed graduates, and 7% of employed diplomates earned more than R25600 per month, compared to 19% for employed graduates. It would appear that employed graduates generally earned higher incomes than employed diplomates, and that employed people in these two educational categories earned higher incomes than any of the lower educational categories (e.g. the diplomate and graduate categories were the only ones that included employed people earning R204801 or more per month).

4.4.3 Income by people employed on EPWP projects

The EPWP, which targets mainly people in the elementary occupations, provides data on wages paid to people employed on its projects. The average EPWP daily wage rate for the Eastern Cape did not consistently increase over the eight-year period from 2004/05-2011/12, and ranged from a low of R38.98 in 2006/07 to a high of R67.93 in 2011/12. A daily average wage rate of R67.93 translates into a monthly average wage of R1,358.60, assuming 20 working days per month. When wage rates are disaggregated by sphere of government and the non-state sector, the highest average daily wage rate (R82.00) was recorded for district and metropolitan municipalities in 2011/12. A daily average wage rate of R82.00 translates into a monthly average wage of R1,640.00.

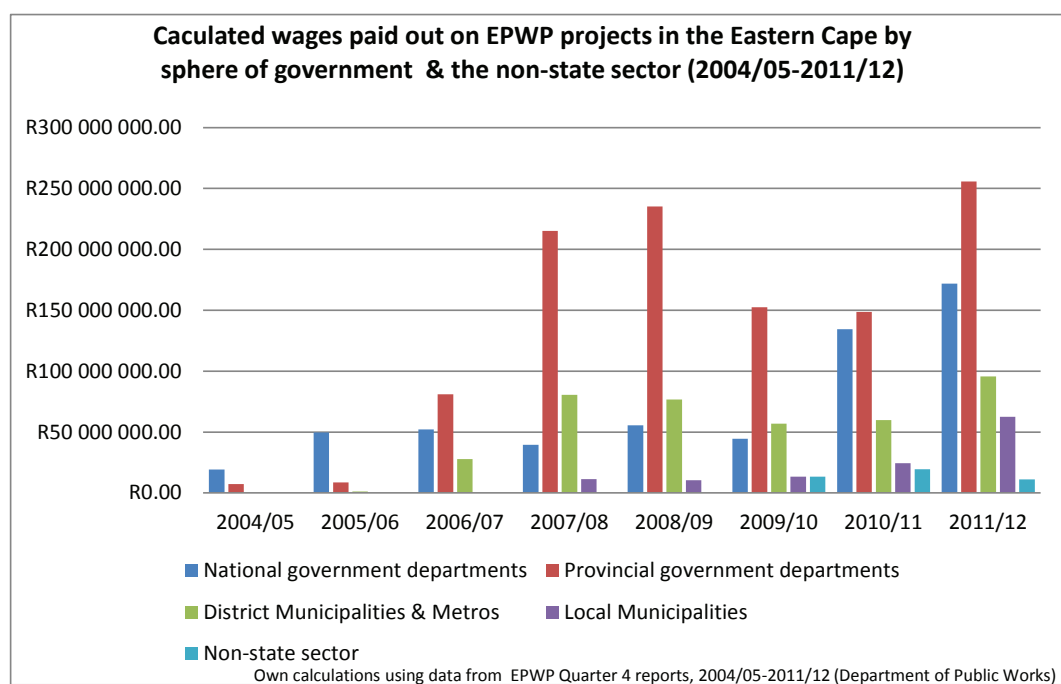
The average daily wages paid by national and provincial government, municipalities and the non-state sector in the Eastern Cape from 2004/05 to 2011/12 is shown in the figure below:

**Figure 61**

The average daily wage rates recorded for district and metropolitan municipalities consistently exceeded the rates paid by the other spheres of government for all years except 2008/09, and the non-state sector consistently paid the lowest average daily rates. The average daily wage rate paid by national government departments exceeded the average daily rate paid by provincial government departments in all years except for the first two years of the EPWP and again in 2008/09. The average daily wage rates paid by local municipalities exceeded the rates paid by national and provincial government departments in all years since the introduction of EPWP projects run by local municipalities, except for 2008/09.

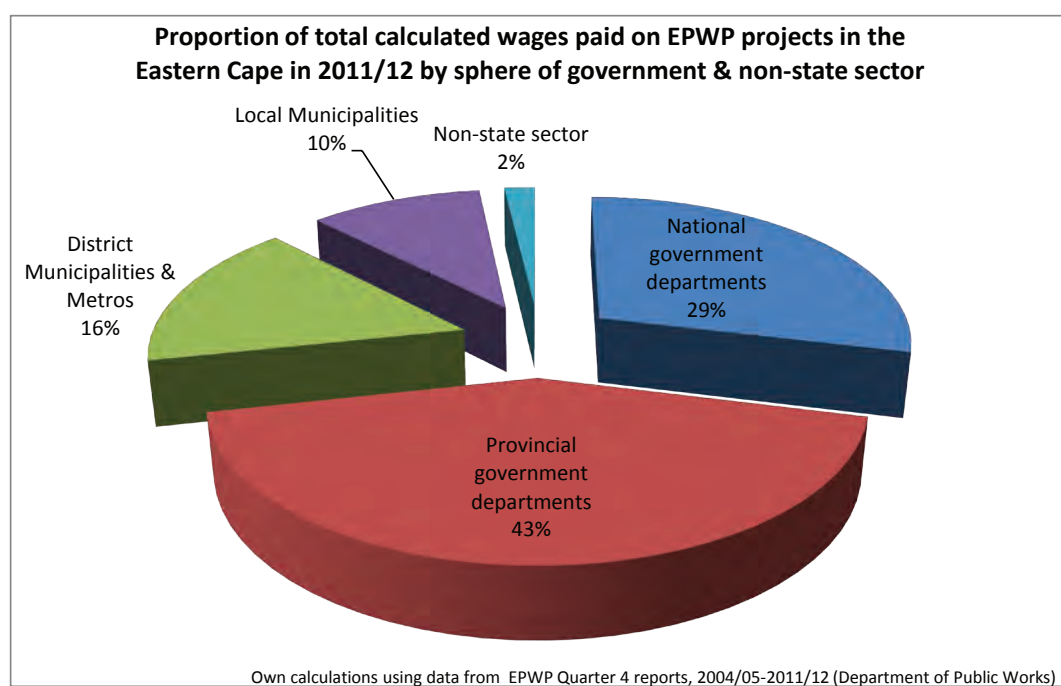
The figure below shows the average calculated wages²⁷ paid out by national and provincial government, municipalities and the non-state sector in the Eastern Cape over the eight-year period:

²⁷ Calculated wages were calculated by the Department of Public Works by multiplying minimum daily wage rates by the numbers of person days of work.

**Figure 62**

The calculated wages paid by provincial government departments exceeded those paid by national government departments, municipalities and the non-state sector in all years except for the first two years of the EPWP. The margin of difference was particularly large in 2007/08 and 2008/09. This is not surprising, given that Eastern Cape provincial government departments created the largest number of person years of work.

The figure below shows the proportion of total calculated wages paid in 2011/12 in the Eastern Cape by national and provincial government, municipalities and the non-state sector:

**Figure 63**

4.4.4 Household income

Analysis of income at household level gives further insight into the levels of income poverty faced by people in the Eastern Cape. Estimation of an income level that can function as a poverty line is not a simple exercise (cf. Woolard & Leibbrandt, 1999), but two estimates of a minimum living level at 2010 prices have been made. The National Planning Commission used a level of R524 a month a person in its *Diagnostic Report* (National Planning Commission, 2011), which would come to R2,096.00 for a family of four and R4,192.00 for a family of eight. In contrast, the National Labour and Economic Development Institute (NALEDI, 2011) calculated a minimum living level of R2,428.69 per month as at March 2010 for an average black household of four people, which is R332.69 a month higher than the level used by the National Planning Commission. It also calculated a supplemented living level that included non-food items – that came to R3,200.00 per month as at March 2010 for an average black household of four people.

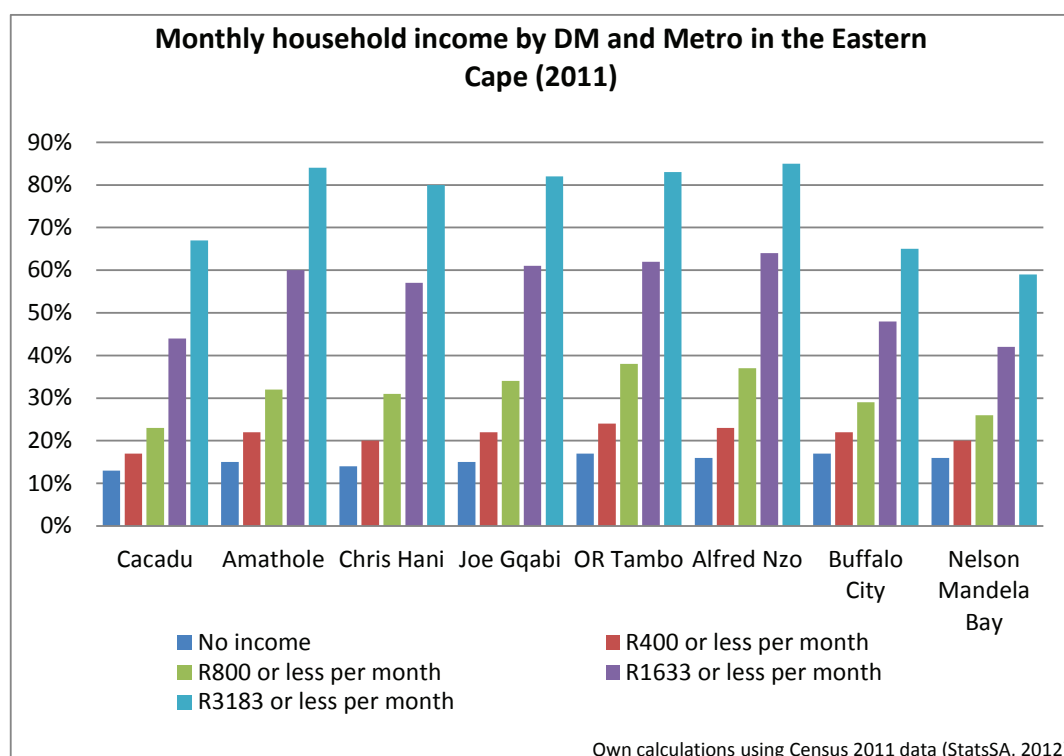
Transforming the annual household income figures contained in the Census 2011 data into monthly household income reveals that, in 2011, 16% of Eastern Cape households had no income, 22% earned R400 or less per month, 31% earned R800 or less per month, 54% earned R1633 or less per month, and 74% earned R3183 or less per month²⁸. This means that more than half of households in the Eastern Cape had a monthly household income that was less than the minimum living level established for a household of four by both the National Planning Commission and NALEDI, and almost three quarters of Eastern Cape households had a monthly household income below the supplemented living level for a family of four calculated by NALEDI.

Only 1% of Eastern Cape households (19,325 households) earned more than R51200 per month.

In South Africa as a whole, the percentage of households with no monthly income is the same, with 20% of households earning R400 or less per month, 27% earning R800 or less per month, 44% earning R1633 or less per month, and 63% earning R3183 or less per month.

The corresponding percentages for each of the district and metropolitan municipalities in the Eastern Cape are shown in the figure below:

28 The actual numbers of households per category are as follows: 264,309 households had no income, 363,078 earned R400 or less per month, 528,877 earned R800 or less per month, 913,456 earned R1633 or less per month, and 1,256,508 earned R3183 or less per month.

**Figure 64**

The district municipalities that contain parts of the former Bantustans had the lowest monthly household incomes – in the Amathole, Chris Hani, Joe Gqabi, OR Tambo and Alfred Nzo Districts, 80% or more of households had a monthly household income of R3183 or less (85% in the case of Alfred Nzo). In the Joe Gqabi, OR Tambo and Alfred Nzo Districts, more than a third of households earned R800 or less per month (37% in the case of Alfred Nzo, and 38% in the case of OR Tambo). Generally, the best monthly household income figures were found in the two metros and in the Cacadu District. Monthly household income figures were best in the Nelson Mandela Bay Municipality, where 26% of households had monthly incomes of R800 or less, and 59% had monthly incomes of R3183 or less.

The monthly household income category into which the largest number of households in the Eastern Cape fell was the R801-R1633 category. This was also the case for all district and metropolitan municipalities except the Cacadu District and the Nelson Mandela Bay Municipality, where the largest category was the one for households earning a monthly income of R1634-R3183.

Examination of monthly household income in terms of geo types (tribal or traditional, urban, farms) again shows the persistence of the apartheid spatial legacy almost twenty years into democracy.

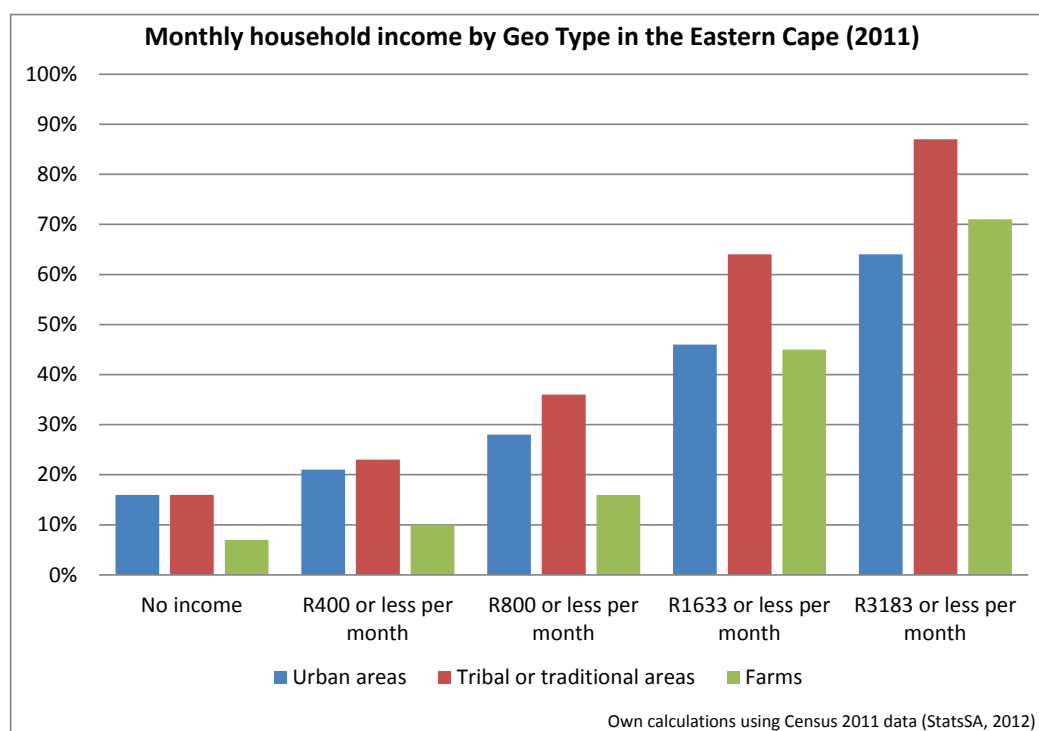


Figure 65

This graph confirms the concentration of low incomes in the former Bantustans, even though low levels of income in urban areas is also cause for concern – in 2011, 87% of households in tribal or traditional areas earned a monthly income of R3183 or less, compared to 71% of households on farms and 64% of households in urban areas. More than a third of households (36%) in tribal or traditional areas earned R800 or less per month, compared to 28% of households in urban areas and 16% of households. The proportion of households earning no income was lowest on farms – 7% of households on farms earned no income, compared to 16% in both urban areas and tribal or traditional areas.

5 Conclusion

The overview of the Eastern Cape labour market provided in this report shows that the people of this province continue to be marginalised by economic development within the province and South Africa at large. Given its historical relation to the development of the minerals-energy complex, this is perhaps not surprising, but the persistence of the spatial legacy of apartheid and low incomes and low levels of education are causes for concern. Combined with the depth of unemployment in this province and the precariousness of employment for many, these findings raise fundamental questions about our economic trajectory and about the effect that changes have had to date on the people of this province. Fundamental questions are also raised about the scope of social policy required for the people of this province to share in the ideals that inspired the struggle against apartheid and the rights enshrined in the South African constitution, and about the kind of society and citizen that we wish to build.

This overview started with references to a number of international markers in a hard-fought journey to a set of basic principles and rights that underpinned the formation of the International Labour Organisation (ILO) after the First World War, and which continued to inspire the ILO as it moved from the League of Nations to becoming the first specialised agency of the United Nations. Still resonant to this day is the understanding that lasting peace requires social justice.

South Africa's own markers in the journey to our stated commitment to basic labour and social rights arose out of our own bitter experiences and in articulation with a growing international awareness of the minimum requirements for economic and social justice. The attempt to articulate South African social democratic aspirations in the form of the 1943 document *African's Claims in South Africa* reflected the resonance of international experiences with South Africa's own, but the treatment of this document by the authorities of the time reflected the difficulties that confront the acceptance and implementation of rights-based frameworks. The Freedom Charter, from 1955, became an aspirational beacon in the struggle against economic and social injustice in South Africa, and informed the rights enshrined in the Constitution on which a new democratic South Africa was grounded in 1994.

But South African history is not just about the articulation of rights. It is also about a particular form of economic development and the exploitative labour practices that underpinned it. It is about the development of a fragmented labour market, about political practices of control that safeguarded spaces for the social reproduction of cheap labour for the development of the minerals-energy complex, and it is about the persistence of a form of economic development that reproduces poverty and inequality, and that does not create employment at the scale and quality required to allow the majority of people to lead decent lives. Deepening financialisation of the South African and global economy has further deepened the social crisis in South Africa, aided by an economic policy framework that has placed monetary and fiscal constraints on interventions into the South African economy.

In the Eastern Cape Province, attempts have been made to develop policies to deal with the challenges of poverty, unemployment and inequality that have been particularly acute in this home of two of the largest former labour reserves, or Bantustans, in South Africa. These attempts have been limited not only by governance challenges, but also by restrictions imposed by national policy, and by the persistence of historical patterns of accumulation and social reproduction in South Africa. The effects of the South African accumulation path are written on the people of this province, who continue to struggle for a decent life and for social justice.

The legislative and institutional framework for regulation of the labour market and for skills development, although shaped in part by the struggles of the labour movement during and after the fall of apartheid, have had a limited impact on the Eastern Cape labour market, evidenced by the analysis in this report. Not only were 47% of the expanded labour force unemployed in 2011, but a variety of degrees of informality appeared to characterise the working lives of those who indicated that they were employed, as suggested by the data. Not only did 28% of employed people indicate that they worked outside of the formal sector (defined using the enterprise approach); the more than 90,000 people who indicated that they were employed in the formal sector but earned no income are unlikely to be in the kind of formal employment relationship envisaged by labour legislation. What we see here conforms to Von Holdt and Webster's (Webster, 2013) characterisation of the South African labour market in terms of three zones of work: the core of workers in a standard employment relationship, the non-core of workers in more insecure and vulnerable positions, and the long-term unemployed.

Further work on informality is clearly needed in this province, not only to improve our understanding of the nature of informality, but also to gain further insights into the fluidities between the three zones of work, including movements between non-core employment and unemployment.

There is evidence of a continued segmentation of the Eastern Cape labour market in terms of race, gender, class, age and geography. The spatial legacy of apartheid still looms large, whether viewed in terms of distribution of unemployment, employment, education or earnings, and the province is still exporting people to the rest of South Africa.

The 2011 unemployment rate (expanded definition), already high at 47% for the province as a whole, increased to the high fifties for the Alfred Nzo, OR Tambo and Amathole Districts – all districts containing significant portions of the former Bantustans. The unemployment rate for people living in tribal or traditional areas was 65%, compared to 40% in urban areas and 18% on farms. The unemployment rate for the population aged 15-34 was 57%, for people classified as Black African it was 53%, and for women it was 50%.

The bulk of people who were employed in 2011 (71%) lived in urban areas, and 46% of employed people lived in the two metropolitan municipalities of Nelson Mandela Bay and Buffalo City, the historical centres of economic development in the province. Women, people classified as Black African, and people aged 15-34 were underrepresented amongst the employed, given their proportions in the population as a whole.

Analysis of industrial sector employment and labour demand shows dominance by the services sectors. Data from Census 2001 and the 2007 Community Survey (Census 2011 data on industrial sector of employment were not available at the time of the writing of this report), as well analysis of Quarterly Labour Force Survey data by the Development Policy Research Unit, show that employment is dominated by the *Wholesale and Retail* sector and the *Community, Social and Personal Services* (CSP) sector, followed by the *Manufacturing* sector. Data collected by the Department of Labour for its Job Opportunities Index (based on job advertisements placed in the media) show that the labour demand was dominated by the *Financial, Intermediation, Insurance, Real Estate and Business Services* sector, followed by the CSP sector, in 2009/10, 2010/11 and 2011/12. In general, across those three years, the bulk of the labour demand was for professionals, managers, technicians and trade workers, and clerical and administrative workers, with some variations from year to year. Vacancies for machinery operators and drivers and for elementary workers accounted for very low proportions of advertised vacancies in all three years, never rising above 5% for either of these two occupational categories – this might be a reflection of the low numbers of vacancies being created for semi-skilled and unskilled workers, and/or

lower levels of use of the media to advertise vacancies for these occupational categories than for those that require higher levels of skill.

In 2011, education levels amongst members of the working age population were generally low, with 43% having either no education, some primary education or some high school education as their highest level of education. The proportions of the working age with Grade 12 were highest in the two metropolitan municipalities and lowest in the districts containing portions of the former Bantustans. Nelson Mandela Bay and Buffalo City also dominated in terms of the proportion of the working age population with N4-N6, other certificates or diplomas, higher diplomas and university degrees.

The largest proportion of people who were employed in 2011 (38%) had matric as their highest level of education, followed by some high school education (31%), and then by some primary education (8%) and a Bachelor's degree or higher (8%). In total, 39% of those who were employed in 2011 had Grade 11 or lower as their highest level of education, and 77% had matric or lower as their highest level of education.

Those with educational levels of Grade 11 or less as their highest level of education accounted for 75% of all of the discouraged work-seekers, and 70% of the total number of unemployed people (expanded definition). Those with matric as their as their highest level of education accounted for 21%, and those with education levels higher than matric for 3% of the unemployed (expanded definition). These figures suggest that, in 2011, mainly unskilled jobs were required to absorb the supply of unemployed people, and that the economy appeared largely to be taking care of those with education levels higher than matric. There appeared to be limited excess supply of the kinds of qualification required for the development of a "knowledge economy".

Although no direct measure of income inequality in the province is provided in this report, the low levels of income of the majority of the population are shown, not only for the population at large, but also for people who are employed and unemployed. A total of 4,513,540 people in the province (69% of the population) earned R800 or less per month in 2011 – this was the second highest percentage of all provinces in South Africa by 3%. This percentage increased to above 70% in the district municipalities in the Eastern Cape that contained portions of the former Bantustans.

Just more than a quarter of employed people earned R800 or less per month (12% of employed people earned no income at all), 45% earned R1600 or less per month, 60% earned R3200 or less per month, and 72% of employed people earned R6400 or less per month. This means that more than a quarter of the population earned wages below the majority of minimum wages set through sectoral determinations by the Department of Labour. There is also evidence of continued differentiation in income by population group, gender (with the proportional difference decreasing as one moves up the income scale), and geography. Almost a quarter of employed people living in tribal or traditional areas earned no income, and 46% earned R800 or less per month. A total of 76% of employed people with an education of Grade 7 or less earned R1600 or less per month (44% earned R800 or less per month), compared to 61% for employed people with an education of Grade 8-11 (35% earned R800 or less per month).

Analysis of household income shows that, in 2011, 16% of Eastern Cape households had no income, more than a half of Eastern Cape households had a monthly income that was less than the minimum living level established for a household of four by both the National Planning Commission and the National Labour and Economic Development Institute (NALEDI), and almost three quarters of Eastern Cape households had a monthly household income below the supplemented living level for a family of four calculated by NALEDI. These figures present a significant challenge for both economic and social policy in South Africa and the Eastern Cape Province.

Analysis of Department of Labour data shows that limited use is made of its services, given the scale of unemployment and low wages and the questions regarding informality. Limited numbers of work-seekers register with the department, only a very small percentage of which are placed in employment, and registration of retrenchments by companies appears to be limited. Although UIF applications provide some indication of economic distress, they apply only to those who have had formal employment and have been contributing to the Unemployment Insurance Fund.

Government's flagship employment creation and employment-based training initiative, the Expanded Public Works Programme (EPWP) has had mixed success from a labour market perspective. Although the Eastern Cape has managed to generate the largest number of work opportunities in South Africa from a comparatively modest number of EPWP projects, and the Eastern Cape Provincial Government has done particularly well in terms of gross work opportunities and person years of work (including training) created, there are questions about how employment on these projects is anything other than a palliative for unemployment given the nature of labour demand in the province. Even though wages paid by the EPWP are no doubt welcome to very poor families, they are limited and short-term, and become another part of the strategies used by the underemployed to make ends meet. The lowest average daily wage rate paid since the inception of the EPWP until 2011/12 translates into a monthly average wage of R779.60, and the highest translates into a monthly average wage of R1,358.60 – this places EPWP wages below the minimum wage for most other sectoral determinations, and within the income band in which 45% of employed people in the province fall.

The data presented in this report show not just that there is much work to be done to improve the lives of the people of the Eastern Cape, but also raise more fundamental questions on the form such work should take and the economic and social policies that should guide us. It is not a question of making the labour market more flexible in order to create jobs, effectively playing off the needs of the unemployed against those of the employed, or about increasing the size of the non-core zone of work to allow more people to leave the ranks of the unemployed. It is about a careful crafting of a mix of social and economic policies that create human dignity, that stimulate effective demand, and that create the conditions for effective social citizenship.

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