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

By Rocco Zizzamia
**Objective:** Investigate effects that volatility in labour market has on well-being, specifically those (paradoxical) cases in which disadvantaged workers turn down or quit wage jobs & what these cases reveal about hidden "costs" to wage employment

**Approach:** Combine quantitative findings from the dynamic analysis of panel data, with findings from a qualitative case study integrating focus groups discussions and life history interviews conducted from July to September 2017 in the township of Khayelitsha, Cape Town
Three stylised facts

• Unemployment: 29% (Q2, 2019)

• Poverty: 55.5% (2015)

• Inequality: Top 10% captures two-thirds of national income (WIR, 2018)
Employment dynamics

Number of periods employed

**Effect of transitioning out of employment on the likelihood of experiencing a descent into poverty**

<table>
<thead>
<tr>
<th>Coefficient</th>
<th>95% conf. interval</th>
<th>no. of obs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stats SA UBPL ($\text{R}992$)</td>
<td>0.140</td>
<td>0.078</td>
</tr>
<tr>
<td>Stats SA Food PL ($\text{R}430$)</td>
<td>0.102</td>
<td>0.059</td>
</tr>
</tbody>
</table>

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

Notes: Abadie and Imbens (2008) robust standard errors reported.
Employment dynamics

Number of periods employed

<table>
<thead>
<tr>
<th>d) Age</th>
<th>Youth (16-24)</th>
<th>Prime (25-50)</th>
<th>Older (51-64)</th>
</tr>
</thead>
<tbody>
<tr>
<td>100.00%</td>
<td>21.11%</td>
<td>13.29%</td>
<td>34.32%</td>
</tr>
<tr>
<td>90.00%</td>
<td>24.04%</td>
<td>13.91%</td>
<td>24.24%</td>
</tr>
<tr>
<td>80.00%</td>
<td>22.81%</td>
<td>14.42%</td>
<td>13.16%</td>
</tr>
<tr>
<td>70.00%</td>
<td>14.95%</td>
<td>16.02%</td>
<td>12.60%</td>
</tr>
<tr>
<td>60.00%</td>
<td>11.35%</td>
<td>29.74%</td>
<td>7.72%</td>
</tr>
<tr>
<td>50.00%</td>
<td>5.74%</td>
<td>7.97%</td>
<td>7.97%</td>
</tr>
<tr>
<td>40.00%</td>
<td>5.74%</td>
<td>7.97%</td>
<td>7.97%</td>
</tr>
<tr>
<td>30.00%</td>
<td>5.74%</td>
<td>7.97%</td>
<td>7.97%</td>
</tr>
<tr>
<td>20.00%</td>
<td>5.74%</td>
<td>7.97%</td>
<td>7.97%</td>
</tr>
<tr>
<td>10.00%</td>
<td>5.74%</td>
<td>7.97%</td>
<td>7.97%</td>
</tr>
<tr>
<td>0.00%</td>
<td>5.74%</td>
<td>7.97%</td>
<td>7.97%</td>
</tr>
</tbody>
</table>

Source: Author’s calculations using NIDS waves 1 to 4 pooled panel of wave-to-wave transitions.
Qualitative case study: Khayelitsha

• Large

• Growing quickly

• Microcosm of many of South Africa’s social ills
Focus groups
## Focus groups: Social stratification schema

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
</table>
| 1 | • Successful entrepreneurs  
    • Permanent white collar job in public or private sector |
| 2 | • Employed, usually in lower-level white collar occupations  
    • Need to support a large number of dependents (extended family) |
| 3 | • Low-skilled jobs with low pay, limited duration, high volatility  
    • Most elementary needs satisfied  
    • No financial cushion |
| 4 | • No access to labour income  
    • Survive on child support grants and/or support from others  
    • Go to bed on an empty stomach |
Welfare definition

• “Fuzzy” definition of wellbeing

• More subjectively meaningful than money-metric proxies
  • space to express materially unobservable determinants of wellbeing (such as psychological wellbeing and social standing)

• Still fundamentally based on material well-being
  • By anchoring the definition in a four-tier schema of social stratification, facilitates a degree of comparability between cases
Life history interviews
Example: Lindelwa’s life history

- 1959: Birth
- 1965: 14 years
- 1972: 26 years
- 1976: 34 years
- 1985: 58 years
- 1993: 34 years
- 2013: 20 years
- 2017: 58 years
The role of contextual factors in determining welfare effects of job loss

- **Puzzle**: Frequent voluntary quits in qualitative interviews do not square with quantitative finding that job loss is a predictor of poverty entry.

- Perhaps work is not always a “good thing”?

- **Blattman and Dercon (2016)**:
  - “workers with the poorest outside options remain [employed]”, while those with stronger outside options “use industrial jobs as temporary employment to cope with adverse shocks and unemployment spells”

- **Teal (2017)**:
  - “There is no reason to think firm wage employment is the preferred outcome for most workers”
The welfare effects of job loss – types of workers

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

• Employment volatility?

  • Weak outside options:
    Jobs available to these workers are inherently precarious

  • Strong outside options:
    Transition *into* unfavourable forms of wage labour if they suffer a shock
    (temporary)

• Workers in both states are observed to transition frequently into and
  out of employment – but with different welfare consequences
The welfare effects of job loss – types of jobs

- Relaxing job quality assumption - reintroducing heterogeneity

- Welfare effects of job loss is determined by the margin by which benefits outweigh costs of employment,
  - jointly determined by outside options and job quality

- Motivates a focus on the “costs” of involved in low-skill service, retail and construction sector work
Costs of work - wages

• Mean of R2,963.

• 1/3 of those in the life-history sample reported having left jobs because they considered their pay to be “too low”.

• Mostly young men: few dependants & strong sources of support within own households.

• “Unfair” wages/working conditions = “getting even” (Akerlof and Yellen, 1990)

• Examples: “S”, Masande, Zoyisile
Costs of work – commuting expenditure

- An effective income “tax” (time and money) on black workers (Kerr, 2017)
  - Hourly wage reduction of 26% for taxis, 39% for “mixed” transportation

- Exacerbated for those working variable hours
  - Reliance on “mixed” transportation, psychological stress, sunk cost of monthly tickets, variable wages

- Examples: Zandiswa, Unathi
Costs of work – perception of exclusion

- **Paradox:** Labour market “inclusion” experienced as an affirmation of structural exclusion. “Exclusion” experienced as inclusion in a township economy
  - “complex hybrid livelihood portfolios”/”hustling”
  - Exercise agency, feel included, aspire to upward mobility (“zero to hero” stories)
- *(Dawson, 2018)*

- FGD/LHI paradox:
  - Mobility through labour market vs aspirational preference for an entrepreneurial route out of poverty
  - Wage jobs perceived as a “second best” option
Costs of work – perception of exclusion

• A caveat:

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

• Material and psychological burdens of low-skill employment lead many poor workers to consider wage employment as a “second best” livelihood option

• Wage work is often little more than a survival strategy for the poor, where the benefits are often only marginally greater than the costs.

• What does this reveal about the challenges of creating employment for SA’s youth?

• And what does it say about the millions of South African workers who settle for low-skill wage work?