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Investigating the discouraged workseekers in the South African labour market

By

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DECLARATION

I declare that ***"Investigating the discouraged workseekers in the South African labour market"*** is my own work, that it has not been submitted for any degree or examination in any university, and that all the sources that I have used or quoted have been indicated and acknowledged as complete references.

Jay-Dee Sauls

Date: 28 August 2023

ABSTRACT

South Africa is notorious for its socio-economic problems, namely extreme poverty, inequality, and unemployment. These problems have been persistent during the apartheid era and even since the advent of democracy. High unemployment remains a pivotal factor facing South Africa. Despite the South African government's attempt to reduce poverty through implementing and introducing new policies and legislation unemployment remains high.

There have been a vast number of studies examining the characteristics of the employed and unemployed, but very few studies examined the characteristics of discouraged workseekers in great detail. There is lack of empirical literature that explicitly focused on the discouraged workseekers, yet it is important to know who they are and whether there is something that can be done to assist them to actively seek work. The study therefore will aim to conduct a comprehensive investigation on the discouraged workseekers for the period 1995 to 2019 within South Africa.

Using the Statistics South Africa's numerous labour market surveys in 1995-2019, as well as the first five available waves of the National Income Dynamics Study data conducted in 2008-2016, the empirical findings showed that discouraged workseekers are most likely to be of the African race, females, between the ages of 25 and 34 years old, with incomplete secondary education, residing within rural areas and primarily in KwaZulu-Natal.

The study concluded by suggesting various policy recommendations to provide further support to the discouraged workseekers, such as the promotion of volunteer work, promotion of quality and quantity of education, promote transport subsidies for job seeking and lastly to review the National Minimum Wage.

Keywords: Discouraged workseekers, labour market, labour supply, South Africa
JEL codes: J00, J21

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TABLE OF CONTENTS

LIST OF ABBREVIATIONS

BCEA	Basic Conditions of Employment Act
DPME	Department of Planning, Mentoring, and Evaluation
EEA	Employment Equity Act
HCT	Human Capital Theory
IC	Industrial Conciliation Act
IMR	Inverse of Mill's Ratio
LFS	Labour Force Survey
LRA	Labour Relations Act
NIDS	National Income Dynamics Study
NSDS	National Skills Development Strategy
OHS	October Household Survey
QLFS	Quarterly Labour Force Survey
SALDRU	Southern Africa Labour and Development Research Unit
SDA	Skills Development Act
SDLA	Skills Development Levies Act
StatsSA	Statistics South Africa

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE: INTRODUCTION

1.1 Background

South Africa is notorious for numerous socio-economic problems, namely prevalent poverty, inequality, and unemployment; these problems have been persistent during the apartheid era and even since the advent of democracy. Focusing on unemployment, it holds as one of the most crucial macro-economic issues facing South Africa (Blaauw, Harmse & Schenck, 2009). The reason unemployment remains a matter of concern is that it has an impact on production, erosion of human capital, economic welfare, crime, social instability and social exclusion (Kingdon & Knight, 2004). The last quarter of the 2021 Quarterly Labour Force Survey (QLFS) displayed prominent levels of unemployment. The narrow unemployment rate was 35.3% while it was 46.2% in broad terms (StatsSA, 2022).

During the apartheid period, there were several unfair labour market legislations that were implemented. Labour market legislation during apartheid approved the reservation of numerous managerial and skilled jobs and positions for Whites, whereby the Africans who were qualified for most senior level jobs were excluded by law. Mariotti (2021) explains that the Industrial Conciliation (IC) Act of 1934 introduced barriers to the labour market, implementing industrial relations machinery for the determination of conditions of employment with industries. Moreover, the IC Act required trade unions and industry employers to negotiate industry agreements which related to benefit allowances, setting of wages, hiring practices and related concepts (Mariotti, 2021). This led to closed shop contracts, which excluded Africans from becoming employees of higher skilled and higher paid jobs.

The Bantu Education Act of 1953 also contributed to Africans not qualifying for well paid jobs. Bantu Education was an education system offered to Africans (Ndimande, 2013). This act was established to create an inferior education system for African students, with the aim that Africans would only ever be able to work as unskilled labourers. Another well-known act that was implemented was the Minimum Wages Act of 1925. All the previous mentioned laws and many more has contributed to inequality in the labour market. However, since 1994, new labour legislation was introduced to reduce inequality within the labour market and unemployment amongst Africans. Seekings (2007) further adds that despite the governments claimed originality, the Basic Conditions of Employment Act (BCEA) and Labour Relations Act (LRA) expanded the existing legislation introduced in the 1920s to protect ununionized, semi-skilled,

and skilled White workers to account for ununionized, skilled and semi-skilled African workers as well.

Thus, the aim of reducing unemployment has been one of government's top priorities since 1994. Post-Apartheid, the South African government introduced new labour legislation in the late 1990's, which includes the 1995 Labour Relations Act (LRA), the Basic Conditions of Employment Act (BCEA) of 1997, the 1998 Employment Equity Act (EEA), as well as the 1999 Skill Development Act (SDA) (Seekings, 2007). Initiatives such as the SDA and the Skills Development Levies Act (SDLA) that came into effect in 1998/99, and the succeeding National Skills Development Strategy (NSDS) were implemented to advance South Africans and supply economic and educational opportunities for all (Steyn, 2004).

However, nearly 30 years since the advent of democracy, unemployment remains high and has been showing an upward trend in the past few years. There has been a lot of focus on examining the profile of the unemployed and labour market strategies to help the unemployed to improve their skills and seek work successfully. Discouraged workseekers are often overlooked as the 'ignored' group, and they remain in the grey area between the employed and unemployed. Discouraged workseekers are often indicated as the hidden unemployment. Ranchhod & Dinkelman (2007) add that the lack of data has prevented researchers to estimate the flows from being unemployed to becoming employed and from being unemployed to withdrawal from the labour force. Those who withdraw from the labour market make up the discouraged workseekers.

1.2 Research question

The preceding background leads to the following research question being posed. The research question of the study is what are the characteristics of discouraged workseekers and how different are they from the unemployed and inactive in the labour market status narrow definition within the South African context for the period 1995 to 2019?

1.3 Research objectives

This study aims to analyse the characteristics of discouraged workseekers within South Africa for the period 1995 to 2019. The specific research objectives are as follows:

- Derive the profile of discouraged workseekers.

- Investigate the differences (if any) between discouraged workseekers, inactive and narrowly defined unemployed individuals.
- Conduct multivariate econometric analysis to analyse factors that affect the likelihood of the working-age population to be discouraged workseekers.
- Examine the labour market status transition (if any) of people who were initially classified as discouraged workseekers, with the aid of a balanced panel dataset.

The study will not focus on the years 2020 to 2022 because the empirical findings could be 'distorted' by the COVID-19-driven economic lockdown (what happened in 2020-2022 would require a separate study of its own), but some of the forthcoming empirical analysis in the study will still briefly examine what happened in 2020-2022.

1.4 Significance of the study

The study will assist to reduce the existing research gap in Labour Economics literature. The study therefore aims to conduct a comprehensive investigation on discouraged workseekers in South Africa for the period 1995 to 2019. In South Africa, there exists an abundance of research on the characteristics of the employed and the unemployed, but hardly anything on the discouraged workseekers. The broad definition studies fail to isolate, identify and profile the discouraged workseekers. The current literature review presented below indicates that no studies broadly cover the discouraged workseekers, yet it is important to know who they are, and whether there is something that can be done to assist them to more actively seek work, if not eventually finding work.

Therefore, the characteristics of discouraged workseekers need to be analysed before relevant policies to reduce discouragement can be determined. By studying these individuals one will be able to pinpoint what leads to this discouragement amongst workseekers and assist policy makers to develop policies to change discouraged workseekers to unemployed and eventually to employed. The outcome of the study will be the analysis of the discouraged workseekers, and more recent datasets will be utilized than before.

1.5 Outline of the study

The study is organised as follows: Chapter One already set the tone of the study and provided the reasons for the need of the research in question. Chapter Two will review the literature on the conceptual, theoretical, and empirical framework supporting the study. Next, Chapter Three will consist of an explanation of the methodology and data utilised. Chapter Four will represent the empirical findings of the study. Lastly, Chapter Five will conclude the study by providing a review of the key empirical findings and policy recommendations.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In this chapter, Section 2.2 will define the key concepts that relates to the research in question. While Section 2.3 will provide a summary on the theoretical frameworks that are applicable to the topic of study. Furthermore, Section 2.4 will provide an overview of past empirical studies to determine the gap in the research on the discouraged workseekers in South Africa. Lastly, Section 2.5 will provide a summary of key points of Chapter Two.

2.2 Defining key concepts

2.2.1 Labour force and Labour Force Participation Rate

The economically active population, also known as the labour force, consists of all individuals of working-age 15-65 years who are either unemployed or employed (StatsSA, 2022). The strict definition of unemployment and the expanded definition of unemployment can be used to define the labour force. The former definition of unemployment excludes the discouraged workseekers from the labour force whereas the latter definition includes the discouraged workseekers as part of the labour force. The narrow (strict) and broad definitions of unemployment form the criteria for being defined employed and unemployed, whereby the broad (expanded) labour force is greater than the narrow labour force (Bhorat & Oosthuizen, 2005). Note that the discouraged workseekers will be defined separately in great detail later.

The Labour Force Participation Rate (LFPR) is calculated by expressing the sum of individuals in the labour force as a percentage of the working-age population. According to Yu (2009) when considering the strict and broad definition of unemployment, the LFPR can be calculated as follow:

$$\text{LFPR (strict)} = \frac{employed + unemployed}{Working\text{-}age\ population} \times 100$$

$$\text{LFPR (broad)} = \frac{employed + unemployed + discouraged\ workseekers}{Working\text{-}age\ population} \times 100$$

Thus, the narrow definition ***excludes*** the discouraged workseekers from being included in the labour force, whereby the broad definition ***includes*** the discouraged workseekers as part of the labour force. Bhorat & Oosthuizen (2005) add that a person who is unemployed narrowly is

broadly employed, whereby the opposite is not true. Therefore, those individuals that are considered outside the narrow definition of unemployment are those individuals that are no longer seeking employment in other words the discouraged workseekers.

2.2.2 Unemployed and unemployment rate

According to Yu & Roos (2018) "*An unemployed person is a person who is without work, is currently available for work, and is seeking work or wanting to work*" (p. 199). Unemployment statistics are generally derived using two definitions, namely the strict and broad definitions of unemployment (Yu and Roos, 2018). The strict definition of unemployment, also known as the official (narrow) definition of unemployment, identifies those individuals that are unemployed in the economically active population as people who:

(1) "*Did not work in the seven days prior to census night.*"

(2) "*Wanted to work and were available to start work within a week of census night.*"

(3) "*Had taken active steps to look for work or start some form of self-employment in the four weeks prior to census night* (StatsSA, 2022)."

All three criteria must be met to be considered unemployed according to the strict definition. On the contrary, as per the broad definition of unemployment, an individual is considered unemployed if they meet the first two above-mentioned criteria (i.e. (1) and (2)) of the narrow definition but did not take active steps to seek employment (StatsSA, 2022). The unemployed according to the broad definition are those individuals of working-age, who fall under the strict definition (i.e., those who have searched and are available to work) plus those individuals who were available to work but are discouraged work-seekers and inactive workseekers (Yu, 2009).

The latter definition of unemployment therefore considers the discouraged workseekers and those individuals who do not have the necessary resources to actively take steps to seek work (StatsSA, 2022). Therefore, if the total of unemployed individuals who have been actively taking steps to look for employment are summed with the number of individuals that are not actively taking steps to look for work, we attain the sum of individuals within the labour market that are considered unemployed according to the broad definition (Lestrade-Jefferis, 2002).

Lastly, in equation terms, the narrow and broad unemployment rates are calculated as follows:

$$\text{Narrow unemployment rate} = \frac{narrow\ unemployed}{employed + narrow\ unemployed} \times 100$$

$$\text{Broad unemployment rate} = \frac{narrow\ unemployed + discouraged\ workseekers}{employed + narrow\ unemployed + discouraged\ workseekers} \times 100$$

In other words, discouraged workseekers are taken into consideration only when the broad unemployment rate is calculated.

2.2.3 Discouraged workseekers

The international definition of discouraged workseekers according to the International Labour Organization (2022), *"Discouraged jobseekers, a subset of the potential labour force, refer to those persons of working-age who during a specified reference period were without work and available for work, but did not look for work in the recent past for specific reasons (for example, believing that there were no jobs available, believing there were none for which they would qualify, or having given up hope of finding employment)."* Bell, Fletcher & Heslin (2012) defines discouraged workseekers as individuals who desire to work but have stopped searching as a result of market-related reasons such as discrimination. Moreover, Alenda-Demoutiez & Mügge (2020) describe discouraged workseekers as individuals who are not included in the sum of the unemployed following the International Labour Organization (ILO) but still want to work as the primary differentiating factor between the strict and broad measures of unemployment.

The discouraged workseekers definition has changed in South Africa before and since 2008. The most recent definition of discouraged jobseekers, according to StatsSA (2022), "*are unemployed individuals who would like to work and who are available for work, but who have not taken active steps to find work*". In 2005, the International Monetary Fund (IMF) nominated consultants to assess the Labour Force Survey (LFS), which gave rise to the alteration of the derivation of the labour market status methodology in the Quarterly Labour Force Survey (QLFS) (Yu, 2013). A stricter approach was adopted in 2008 to derive the discouraged workseekers to adhere to international standards of the ILO.

The stricter approach adopted led to the sum of the discouraged jobseekers and the subsequently expanded unemployed (narrow unemployed plus discouraged workseekers) to be remarkably less in the QLFSs when in contrast with the October Household Survey (OHS) and the LFS. Yu (2009) reviewed the algorithms to extract the market status and found that labour market status was determined with comparable questions in the LFS and QLFS. In the algorithm of the LFS there is a clear distinction between the broad and the strict definition of unemployment, whereby the question "*Action to look for work or try to start a business*" is included in latter only (Yu, 2009).

In the paper, Yu (2009) further adds that when obtaining the labour market status, the QLFS algorithm is more complex as additional questions are taken into consideration. The question "*If a suitable job is offered will...accept it*?" in the LFS is asked in 3.6, where as in the QLFS this question is phrased differently *"If a suitable job has been offered, would you have been able to work last week?*", later in the QLFS an additional question is asked "*if circumstances had allowed, would you have started a business last week?"* (Yu, 2009).

The OHS and LFS derive the discouraged workseekers as a 'residual' item, in other words the difference between the broad unemployed (who only needs to meet the first two criteria as mentioned in section 2.2.2) and the narrow unemployed (who meets all three criteria as mentioned in section 2.2.2). Whereas in the QLFS, there exists a more complicated algorithm and a greater number of questions and indicators are involved to explicitly distinguish the discouraged workseekers. The QLFS measure no longer differentiates the strict from the broad labour market status (Yu, 2009). In the QLFS, it is rather the sum of the "narrow" unemployed plus the discouraged workseekers that equals the "broad" unemployed.

The reason for the decrease in the sum of the discouraged and subsequently unemployed may be because of the additional questions asked in the QLFS compared to the LFS. More questions are added in an attempt to clearly distinguish the unemployed, discouraged workseekers and the inactive. For instance, the question "*Action to look for work/start business in last 4 weeks?*" the answer was either no/yes (no = inactive and yes = unemployed) in the LFS. In contrast, in the QLFS, the question first considers the reasons for not searching for a job or start a business. Subsequent work by Yu (2013) also noted that the transition from OHS/LFS to QLFS made the discouraged workseekers incomparable. The broad and narrow definition under the LFS

both divide the working-age population into three groups; employed, unemployed and inactive. Whereas, the QLFS adds the discouraged workseekers as a fourth group.

To conclude, the QLFS distinguishes discouraged workseekers ***more strictly***. Therefore, in the forthcoming empirical analysis, the number of discouraged workseekers would show an abrupt decline during the changeover between the last LFS (2007) and the first QLFS (2008) – to be discussed in detail in Chapter Four.

2.2.4 Other concepts

The employed represent those individuals that in the last seven days prior to the census worked at least one hour (StatsSA, 2022), whereas the working-age population represents an individual between the age of 15-65 years who is available to work and is either unemployed or employed (StatsSA, 2004).

2.3 Theoretical framework

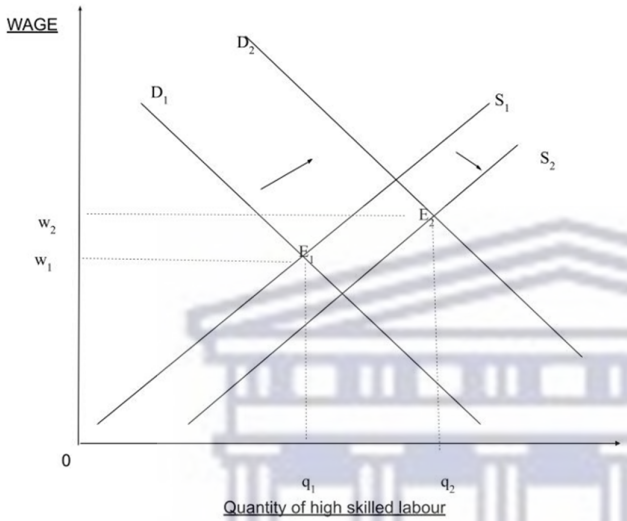
2.3.1 Demand and supply theory

Figure 1 depicts the labour demand and supply for skilled labour before and after 1994. The demand and supply before the change to democracy in 1994 is denoted by D_1 and S_1, demand, and supply curve, respectively. The market equilibrium is given by E_1, which also reveals the equilibrium wage (w_1) and the quantity of high skilled labour (q_1). After 1994 the supply of skilled labour increased due to the changes in policies, the abolishing of apartheid laws and the government focusing on increasing the skills of previously disadvantaged individuals. The increase in the supply of labour causes the supply curve to shift rightward to S_2.

The introduction of new South African laws, such as the Black Economic Empowerment (BEE) law required Africans to be appointed in management positions. As a result, there was a greater increase in the demand for skilled or educated Africans (The Department of Trade, Industry and Competition, n.d.). The rise in the demand for skilled labour leads to a greater rightward shift of the demand curve to D_2. The new market equilibrium is therefore by E_2, with equilibrium wage (w_2) and quantity of high skilled labour (q_2). Thus, a rise in the supply of skilled workers and a greater rise in the demand for skilled workers led to an increase in wage and a greater expansion in the quantity of skilled labour. Ignoring the effects on the population negatively affected by the policy. The increase in demand for skilled labour may lead to the

educated individuals that was previously considered discouraged to become hopeful and therefore transition to unemployed or even employed.

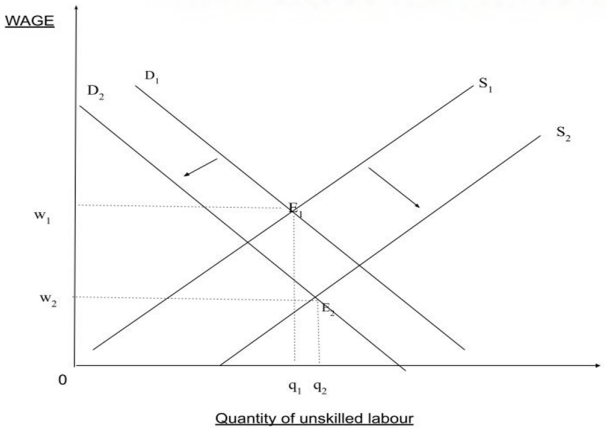
Figure 1: Increase in skilled labour since 1994.



Source: Author's own illustrations.

Figure 2 depicts the labour demand and supply for unskilled labour before and after 1994. The demand and supply before the change to democracy in 1994 are denoted by D_1 and S_1, demand, and supply curves, respectively. The markets equilibrium is given by E_1, which also reveals the equilibrium wage (w_1) and the quantity of unskilled labour (q_1).

Figure 2: Decrease in unskilled labour since 1994.



Source: Author's own illustrations.

The supply of labour increased after 1994 (Banerjee, Galiani, Levinsohn, McLaren & Woolard, 2008). After 1994, due to the abolishment of Apartheid labour laws, labour supply increased due to those individuals that were previously discriminated against entering the labour market more optimistically. These new entrants into the labour market tended to be relatively unskilled (Banerjee et al., 2008). This elevated the supply of unskilled labour. An elevation in the supply of labour causes the supply curve to shift rightward to S_2.

In contrast, the structural changes in the economy favoured skilled individuals. This skilled bias assisted in the reduction in the demand for unskilled labour. The decrease in the demand for unskilled labour shifts the demand curve leftwards to D_2. The new market equilibrium is therefore by E_2, with equilibrium wage (w_2) and quantity of unskilled labour (q_2). Thus, a greater increase in the supply of unskilled workers and a decrease in the demand for unskilled workers led to a lower wage and elevation in the quantity of unskilled labour. Since the number of unskilled workers are greater than the demand for unskilled workers, this leads to the unskilled workers remaining/becoming unemployed. For these unemployed, an important thing to consider is whether they will continue to seek work (i.e., status remains unemployed), or whether they eventually lose hope and have their status changed to either discouraged workseekers or even inactive.

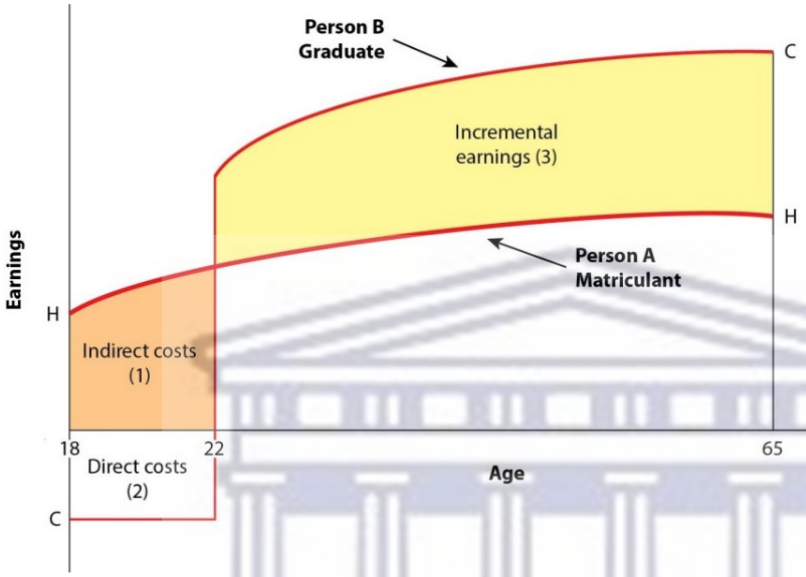
2.3.2 Human capital theory (HCT)

According to Fleischhauer (2007), the term 'human capital' in contemporary economic literature was first used by Schultz (1961). Human capital can be explained as follows. Education increases an individual's productivity. This is subsequently rewarded in the labour market by higher income (Taylor & Yu, 2009). Becker (1992, as cited in Fleischhauer, 2007) states that investment in human capital involves initial costs, for a future investment return. A higher educated and trained individual can often get better jobs than those with less education and training. The return on education are greater earnings and greater productivity with greater employment probabilities (Bloch and Smith 1977, as cited in Fleischhauer, 2007).

Figure 3 depicts that human capital takes time to acquire. Indirect costs are the earnings forgone that could have been received from working. In contrast, direct costs include the cost of attaining the education for example tuition fees. The benefits of more schooling are higher earnings in the future. The graph portrays that more time spent on education at a younger age compared to an older age will have less indirect cost. It is valuable to note that the more time

spent on education (attaining human capital), the higher the future incremental earnings in return.

Figure 3: Human capital theory framework



Source: Yu & Roos (2018).

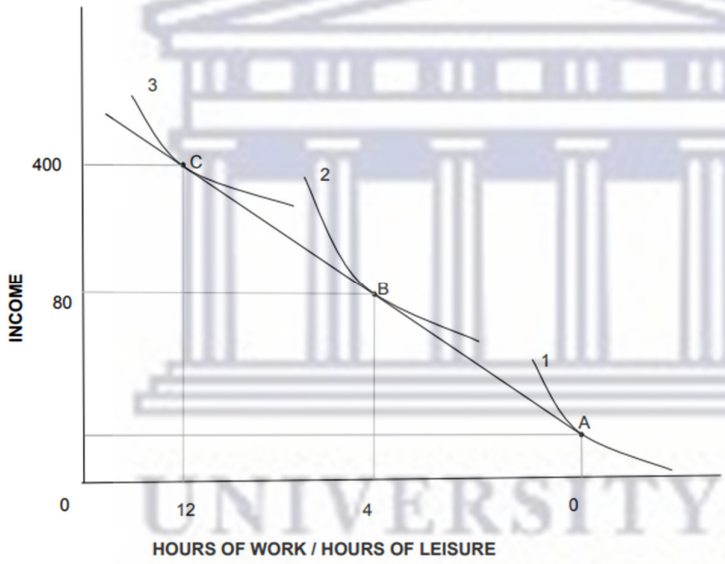
The incremental earnings and costs are 'discounted' into the present value. For instance, when an individual is 18 years old and the net present value (NPV = present value of benefits – net present value of costs) is greater than 0, the decision to study further is a worthwhile decision. It is more likely that the discouraged workseekers are those with a lower level of education (i.e., person A in the figure). If individuals are not highly educated, they will most likely have trouble acquiring a job in the labour market. These individuals may later lose interest in seeking work (i.e., lowly educated individuals are more presumably to be discouraged workseekers). Thus, later in the empirical analysis I will investigate if it is really the case.

2.3.3 Discouraged workers effect hypothesis

The discouraged workers effect is the decision to abstain from searching for a job because of little prospects in the labour market (Hooimeijer, Mulder and van Ham 2001). The hypothesis is summarised as follows: individuals with low labour market expectations become discouraged in the search for employment and fail to enter or leave the labour force, because attaining suitable employment after a defined period is minimal (Hooimeijer et al., 2001).

The discouraged workers effect hypothesis claims that labour force participation depends on the economic conditions (Adeboje & Raifu, 2022). An unfavourable state (for example, soaring unemployment and low employment rates) normally tends to lead to a decrease in the number of jobseekers as confirmed by substantial literature (Kingdon & Knight, 2001). For instance, when an economy is experiencing a recession, unemployment tends to be high and jobseekers may become discouraged, because they assume that they are less likely to get a job. Adeboje & Raifu (2022) adds that for the hypothesis to hold, a long-term association between the LPFR and the unemployment rate must exist.

Figure 4: Discouraged workers effect hypothesis



Source: Author's own illustrations.

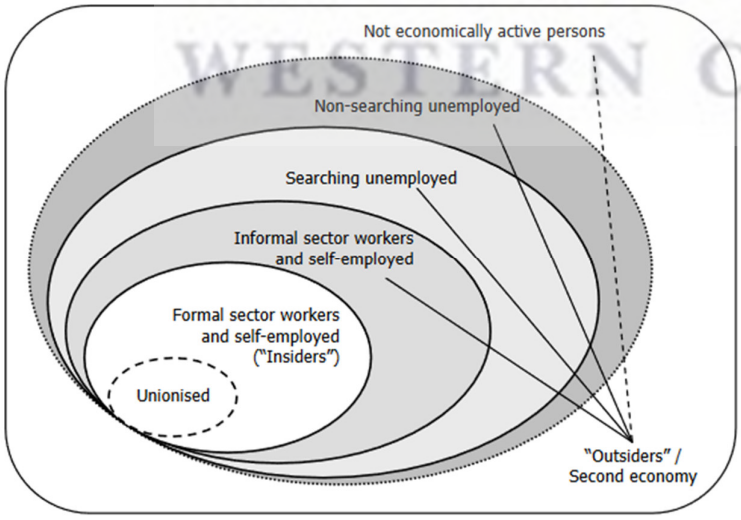
In Figure 4, discouraged workseekers (the individuals that gave up seeking work) would have an equilibrium at point A, supplying zero hours of work and all available time on leisure. However, when economic conditions improve the discouraged workseekers will feel more optimistic to enter the labour market (seek work), thus the equilibrium will take place at a point such as point B (work four hours, if for instance gross domestic product (GDP) is 2%). Suppose real GDP improved further to 10%, the equilibrium will be at a point such as point C. Thus, the improvement or better economic conditions has led to a greater hope of finding a job therefore increasing the number of work hours supplied to 12.

2.3.4 Labour market segmentation theory

The division of the labour market based on certain principles is the definition of the labour market segmentation theory. Fourie (2015) states that the Layard model was adopted by Kingdon and Knight (2004), which explained that the primary sectors consist out of the formal sectors within South Africa and the secondary sectors consist of the informal sectors. Fourie (2015) adds that in the primary sector the labour market is rationed because of wage setting efficiency or a union bargained wage setting, which leads to non-clearing wages in the primary sector. In contrast there are market clearing and competitive wages present in the secondary sector (Fourie, 2015). Unemployment can be both involuntary and voluntary, whereby the individuals are prepared to work at the current wage in the formal sector and the opposite is true in the informal sector (Fourie, 2015).

In Figure 5, the labour market is divided into the first economy and the second economy. The first economy is referred to as the insiders which consist of the unionised self-employed and formal sector workers. The second economy referred to as the outsiders which consist of the ununionized informal sector and self-employed, non-searching unemployed, searching unemployed and the not economically active persons. The discouraged workseekers form part of the 'non-searching unemployed.' In the figure the non-searching unemployed are defined as the outsiders also known as the second economy.

Figure 5: Labour market segmentation



Source: (Fourie, 2015)

2.4 Review of past empirical studies

2.4.1 South African studies

According to the author's knowledge, there exist no local studies that explicitly examined the discouraged workseekers. However, a lot of local studies examined the profile of the broad and narrow labour force and even employed and unemployed in detail, while only briefly looking at discouraged workseekers, or completely ignoring this group.

Firstly, Banerjee et al. (2008) studied the reasons behind the rising unemployment post-apartheid by making use of the South African National Household surveys. The study analysed the transition probabilities over a six-month period. It was found that of the adults (age 16-64 years) 9.6% of the unemployed (searching and discouraged) individuals attained employment in the informal and formal sector. It was also found that the discouraged workseekers often transition into actively seeking work. Whereby 14% of discouraged workseekers transitioned to searching, to employed six months later. Discouraged workseekers were likely to transition into the informal sector twice as likely as the formal sector.

Next, studies by Yu (2009), Yu (2013) and Kingdon & Knight (2006) focussed more on the comparison of the characteristics of the narrow unemployed, broad unemployed and discouraged workseekers. Yu (2009) analysed the OHS 1995-1999, LFS 2000-2007 and the four 2008 QLFS surveys to examine the alterations in the design, derivation, new variables, and sampling methods of the questionnaires. The study found that given the four 2008 QLFS not one of the discouraged job seekers are job leavers nor job losers. Compared to the unemployed being 1.2 million job losers, 0.38 million job leavers, the inactive being 2 000 job losers and 3 300 job leavers. The author concluded that not one of the discouraged workseekers were job leavers nor job losers.

Whereas Yu (2013) examined the youth unemployment trends; the author compared the features of the narrow employment and discouraged workseekers to establish whether the narrow unemployment and the discouraged workseekers differed remarkably since 2008. The author focused on youth individuals aged 18-29 years. The paper utilised data from the OHS and QLFS for the period 2008 to 2012. Yu (2013) found that discouraged workseekers from 2008 to 2012 increased from 0.59 million to 1.23 million. Africans represented the highest racial share of discouraged workseekers (94.6% share in 2008 and 95.8% share in 2012). Similarly, the author found that the female share is greater in both the discouraged workseekers

and the narrow unemployed compared to the male share. Discouraged workseekers are likely poor, less educated, less mobile and lack former work experience and therefore gave up on seeking work because of economic downturn. However, even though the study focussed on the discouraged workseekers, the study only considered the youth of South Africa.

Kingdon & Knight (2006) examined the characteristics of the non-searching jobless within South Africa. The author used three tests of discreetness of the non-searching and searching unemployed. The study made use of the Southern Africa Labour and Development Research Unit (SALDRU) in 1993 to conduct the three tests. The study found that discouragement about the prospects of finding a job is greater amongst the non-searching unemployed than that of the searching unemployed in clusters. The unemployment rate in clusters is 49.30% in comparison to the unemployment rate of the searching unemployed 41.70%. It was concluded that the non-searching unemployed are on average more notably disadvantaged than the searching unemployed in South Africa.

Burns, Godlonton & Keswell (2006) made use of the South African Census data and examined the impact of information externalities generated through network membership on labour market status. The study found that unemployment and discourage workseekers were higher amongst women compared to men, and discouragement among workseekers were explicitly high amongst individuals living in rural areas. The results also indicated that under a third of the unemployed and discouraged workseekers fell within the age cohort 15-24 years, indicating that unemployment and discouragement was higher amongst the youngest cohort (15-24 years).

Diagne (2010) analysed the role of labour market expectations in labour force participation and job search intensity. The study made use of the Cape Area Panel Study 2002-2006 (survey of the urban youth of South Africa). The findings of the paper were that a rise in household income (example by means of receipt of social grants) was associated with higher search intensity conditional on searching. Whereas policies introduced to reduce search cost or decrease credit constraints (for example social grants) has raised labour market participation and search intensity. The consensus was that young workseekers entering the labour market become discouraged and therefore stop searching because of high search cost, connected with credit constraints. As employment decreased and employment opportunities became scarcer, LPF were also reduced when individuals with high search cost and little job prospects “drop out”. The discouraged workseekers who wanted to work but did not search for work in the relevant

reference period as defined by the statical agencies disappeared from the official unemployment statistics (Diagne, 2011).

Ranchhod & Dinkelman (2007) studied how individuals from different labour markets states transition to other market states. The researchers did so by generating a longitudinal dataset by making use of a revolving panel of the LFS from 2001 to 2003. The study unfortunately only briefly reviewed discouraged workseekers. The authors found that the searching unemployed is to a lesser degree probable to be discouraged, compared to the non-searching unemployed. Thereafter, the authors found that 45.89% of White individuals, 24.96% of Coloureds and 16.74% of Africans of the discouraged jobseekers left the labour force. Moreover, for new entrants in the work force the authors found that 43% of African youth was discouraged, 25% of Coloureds was discouraged and 15% of Whites was discouraged.

Leibbrandt & Lloyd (2014) made use of the National Income Dynamics Study (NIDS) 2008 and 2010/2011 to analyse the average life satisfaction amongst the working-age adults ages 18 to 61. The study found that mean satisfaction amongst the searching (5.16) and the non-searching (4.99) is notably lower than that of the employed (5.79) and the not economically active individuals (5.51) for 2008. Similar results were found for 2010/2011 analysis with the mean satisfaction amongst the searching (4.41), non-searching (3.93), employed (3.93) and not economically active (4.76). After comparing the two waves the study found the mean satisfaction dropped in all the cohorts, due to changing economic conditions (financial crisis).

2.4.2 International studies

The study by Sumarto, Suryadarma & Suryahadi (2005) studied the measures of unemployment used in Indonesia and the relaxation of the labour force definition in 2001 which included the discouraged workseekers in the labour force. This study made use of the annual National LFS (Sakernas), for the period 1986 to 2003 (excluding the 1995 Sakernas since it was not conducted that year). The authors used the Inter-Census Population Survey in the place of the 1995 Sakernas. This study also considered the demographics of the discouraged workseekers and whether they are willing or unwilling to work. Sumarto et al. (2005) made use of a probit model to estimate the probability that a discouraged worker will either accept or decline a job. The findings of the paper were that in addition to individual demographic characteristics (age, gender), the leading factor that distinguishes the discouraged jobseekers that was willing and unwilling to work was the economic conditions and opportunities.

Brandolini, Cipollone & Viviano (2006) examined if the transition probabilities of the unemployed and the non-participants vary from out-of-labour-force workseekers by making use of a nonparametric test rather than logit or probit model. According to the study the out of-labour-force consist of three groups namely the 'potential', 'discouraged workseekers' and the 'inactive individuals. The study utilised data of the European Community Household Panel and the Italian LFS to derive the transition probability basis. The study focussed more on the potential group (ILO's definition of unemployed). The unattached individuals were found to be the largest group of the nonworking individuals. The discouraged and potential workers accounted for a smaller share, but not a considerable amount. Discouraged workseekers accounted on average around 6% of unemployment according to the broad definition of unemployment. The paper only briefly reviewed the discouraged workseekers and the inactive members.

Considering the five regional groups within Africa, Adeboje & Raifu (2022) conducted a rare macro-level study that tested whether the unemployment invariance and discouraged workers effect hypothesis is present. The study made use of the 2019 World Development Indicators of African countries (fifty-two countries) to examine the existence of co-integration among different variables (unemployment, and LFPR for the age categories respectively 15-24, 15-64 and 15+). The estimation techniques used to validate the co-existence included the Kao-, Westerlund-, and Pedroni co-integration test. The authors further made use of the dynamic ordinary least squares to analyse the influence of the unemployment rate and LFPR. It was concluded that the discouraged workers effect is present in Africa besides South Africa. This study focussed on Africa on aggregate and not on South Africa alone and the reasons behind the discouragement.

A study done by Hooimeijer, Mulder and van Ham (2001) made use of the Netherlands LFS (1994-1997) to display that discouragement can occur at the period of entering the labour force and the period of planning to take part in actively seeking employment. The author made use of logistic regression models. The empirical finding of the study reflects that during the job process at the period of planning to enter the labour force and choosing to actively engage in the search for employment, discouragement can enter. It was found that from the unemployed labour force woman (52%) have a lesser probability of engaging in the work search than men (73%).

2.5 Conclusion

Chapter Two began by reviewing the key concepts that relates to discouraged workseekers. This was followed by a discussion on the core theories relevant to the research in question, thereafter the author reviewed past local and international studies that was conducted. It is noted that the local studies only briefly studied the discouraged workseekers. The local studies focus was to determine the differences in the different measures used by Statistics South Africa (StatsSA) to examine the labour market activities. Therefore, these studies provide insufficient information on what has been done to identify the characteristics of discouraged workseekers and how to ensure that they do not remain discouraged. Furthermore, the international studies briefly reviewed the transition from out-of-labour force to unemployed or employed, the willingness of the discouraged workseekers to accept a job and the discouraged worker's effect. However, the studies were not focussed on South Africa and their unemployment measures. Since the discouraged workseekers are excluded from the official definition of unemployment it is important to study these individuals separately, the study by Banerjee et al. (2008) of the local studies mentioned that 14% of the discouraged workseekers transitioned to searching and eventually employed. If we can identify the discouraged workseekers and the reasons behind the discouragement one can increase the percentage of discouraged workseekers to transition searching and eventually employed.

CHAPTER THREE: METHODS AND DATA

3.1 Introduction

Chapter Three will depict an overview of the methodology and data that will be used in the study. The South African OHS 1995, LFS 2003 third quarter, QLFS 2011 and QLFS 2019 third quarter will be used in this study. Multivariate econometric analysis will be conducted to estimate the influence of numerous household- and person-level characteristics on the likelihood of someone being classified as a discouraged workseeker. In addition, the NIDS balanced panel data will also be used for the empirical analysis; this data source as well as the data analysis method will also be explained in this chapter.

3.2 Methods

This chapter provides an outline of the data and methodology that will be used in the study. Firstly, this chapter determined the discouraged workseekers in the dataset, before conducting descriptive statistics and econometric analysis to examine the profile of the discouraged workseekers. The descriptive statistics will include the following:

- Personal characteristics (e.g., gender, education level, age, and race).
- Past employment characteristics (e.g., whether the discouraged workseekers ever worked before, and the occupation of previous job if they worked before).
- Other characteristics of discouraged workseekers (e.g., the reasons why they are not seeking work and the duration of not seeking work).

Furthermore, a probit model will be utilised to determine the likelihood of the working-age population being classified as discouraged workseekers. A probit model is used when a researcher is interested in modeling the probability of an event (Becker & Waldman, 1987). Since the study's objective is to determine the occurance or non occurance of an event such as whether the individual is distinguished as a discouraged workseeker, the probit model will be an appropriate model to use.

The event's occurance is defined by the binary variable Y, when the event transpires $Y = 1$ and if the event does not transpire $Y = 0$, under the assumption the occurance of the event depends on the independent variable x (Becker & Waldman, 1987). In this study a probit model will be utilised to determine the likelihood of someone being classified as a discouraged

workseeker or not. In our econometric model, Y is the binary variable whereby one stands for discouraged workeeker, and zero represents the others labour market statuses namely employd, unemployed and inactive workers.(who are not discouraged). Numorous person and household-level characteristics (e.g. race, gender, education, number of children in household, number of elderly in household etc.) as explanatoy variables will be included in the probit model.

The National Income Dynamics Study (NIDS) data will also be used to conduct balanced panel empirical data analysis. The study will include all five available waves of NIDS data by only including those of working-age population who took part in all waves (i.e. balanced panel data). The NIDS data will be anaylsed in two parts. Firstly, the analysis will include the individuals that took part in the five waves to investigate the labour market status changes or transitions if applicable of these individuals. The first part will specifically focus on the individuals that were initially classified as discouraged workseekers in the first wave of NIDS, in order to determine if their labour market status remained unchanged (discouraged) in the subsequent waves as well as determine their characteristics (gender, race, education, province, amongst others). In the second part of the NIDS analysis, I will compare the differences (if any) of people whose labour market status remained unchanged as discouraged workseekers, those whose labour market outcome improved to employed as well as those whose status changed to unemployed or inactive.

3.3 Data

The study will first make use of the following datasets for the main discussion OHS 1995, LFS 2003 September wave, together with the QLFS 2011 and QLFS 2019 third quarter waves and the in between datasets (OHS 1995 - QLFS 2022) will be utilised for the discussion on trends over the years. The intention for studying the discouraged workseekers from 1995-2019 is to find out if discouraged workseekers status is a long-term phenomenon. Studying the reasons and trends behind discouragement over the long-term may aid policymakers to understand how they can or cannot change discouragement. The reason for the eight-year gap between the datasets are that it is impossible to analyse all the datasets from 1995-2019, hence the eight-year gap will be ideal and consistent. The study will not examine the 'volatile' 2020-2022 years in detail due to the ramification of the COVID-19 economic lockdown, unless stated otherwise. The examination of the South African labour market since 2020 requires a separate study of its own, given the significant impact of the lockdown on the economy and the labour market.

Nonetheless, the forthcoming Chapter Four will still briefly examine the discouraged workseekers overall estimates in 2020-2022.

The OHS, LFS and QLFS capture comprehensive information on labour market activities compared to the other surveys and census conducted, thus making it particularly significant for the study. The OHS is a survey conducted annually based on a survey of a great number of households. The survey covers several development indicators, including both the expanded and narrow unemployment rates, according to the standard definitions of the ILO. Labour market data was collected in a comparable format by StatsSA between 1993 to 1999 with the OHS annually (Yu, 2007). The strict unemployment indicator had earned the official label in the 1990's (Alenda-Demoutiez & Mügge, 2020). The last survey that detailed the broad unemployment as much as the strict definition was the September 2004 LFS (Alenda-Demoutiez & Mügge, 2020).

The Labour Force Survey (LFS) was conducted twice a year, which was introduced in 2000 to replace the OHS (Yu, 2007). Like the OHS, the LFS sample represents all the provinces (Yu, 2009). However, unlike the OHS, the LFS had consistent sampling each round that it was conducted. The intention was that the selected dwelling units remained in the sample for five consecutive survey periods, while in each round of the survey one-fifth of the dwellings rotated (Yu, 2009). LFS are national representative surveys, conducted biannually during March and September each year (Dinkelman & Ranchhod, 2007).

Statistics South Africa decided the LFS should take place on a quarterly basis from 2008 when the LFS was replaced by the QLFS (Yu, 2009). Instead of taking place annually as the OHS and biannually as the LFS, the QLFS takes place on a quarterly basis (Yu, 2009). According to Yu (2009) the market status of the working-age population consists of three groups namely the "employed, unemployed, and inactive" in the LFS under the expanded definition of unemployment. In contrast, the labour market in the QLFS consist of four groups namely "employed, unemployed, inactive, and discouraged job seekers" (Yu, 2009).

The OHS, LFS and QLFS capture comprehensive information on labour market activities compared to other data sources such as the census, expenditure survey, community survey and the general household survey etc. thus making it particularly significant for the study. Thus, the OHS, LFS and QLFS will be utilised in the study.

The other data source to be used is the NIDS data, conducted by the Southern Africa Labour and Development Research Unit (SALDRU) of the University of Cape Town as part of an initiative of the Department of Planning, Mentoring, and Evaluation (DPME). NIDS are conducted every two years whereby the same individuals are expected to participate in each wave unless they are unable to reach them, or they passed away. The general aim of the survey is to examine the livelihoods of individuals and households over time and provides information about changes in several broad themes (SALDRU, 2022). The NIDS survey is used because it is panel data, and the study focuses on changes over time. Given that one of the broad themes are labour marketed participation and economic activity it will be suitable and convenient for the study. The study's focus is to examine changes in labour market status over time, with the focus on the discouraged workseekers at the time of Wave 1 in 2008. Note that the fifth and last available wave of NIDS took place in 2016. It is not known if any subsequent waves of NIDS took place since then.

3.4 Limitations

The study does not analyse all the available OHS, LFS and QLS datasets conducted for the period 1995 to 2019, as it will be impractical and too time-consuming to analyse the data of nearly 70 waves of data altogether. Thus, only four waves of labour survey data, namely the OHS 1995, LFS 2003, QLFS 2011Q3 and QLFS 2019Q3 (given the eight-year gap), are analysed thoroughly in the empirical analysis, unless indicated otherwise. The study is therefore constrained by the number of datasets analysed. Moreover, whilst the QLFS 2020-2022 data are available, it will be excluded from the empirical analysis. Given the significant impact that the COVID-19 had on the economy and the labour market.

3.5 Conclusion

Chapter Three discussed the methodology and data used in the study. Firstly, it gave an outline of the methods that will be used to derive the characteristics of the discouraged workseekers, as well as the utilisation of the probit model to estimate the values of numerous demographic characteristics of discouraged workseekers. The discussion was followed by an overview of the different datasets being utilised in the next section to pinpoint the characteristics of discouraged workseekers.

CHAPTER FOUR: EMPIRICAL FINDINGS

4.1 Introduction

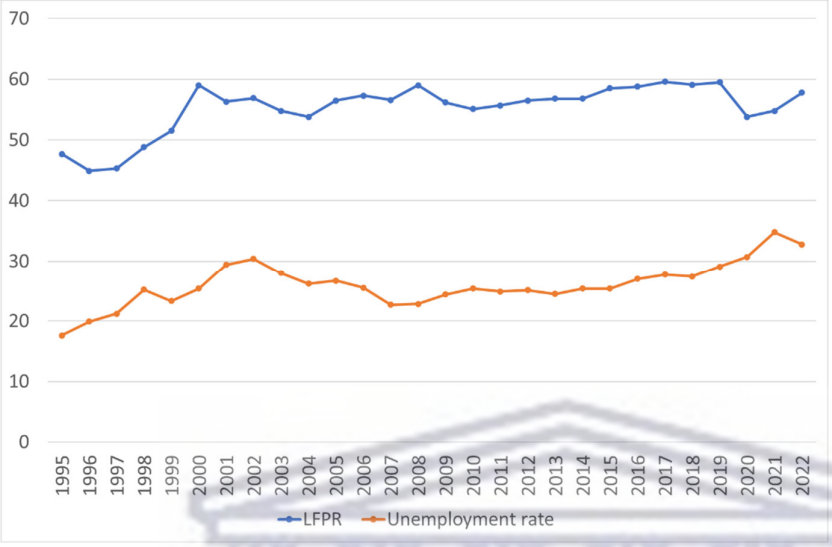
This chapter present the empirical findings on the characteristics of the discouraged workseekers. It will discuss how they compare to the unemployed and inactive according to the narrow definition and the labour market transition (if any) of these individuals. Section 4.2 depicts the findings of the descriptive statistics using the data of the surveys conducted by StatsSA (i.e., OHSs, LFSs and QLFSs). Section 4.3 conducts further empirical analysis by utilising the NIDS data to determine the labour market transition of the discouraged individuals. Lastly, section 4.4 concludes the chapter.

4.2 Empirical findings using the OHS, LFS and QLFS data

This section analyses and assess the demographic and educational attainment characteristics of the working-age employed, unemployed, discouraged workseekers and inactive. Figure 6 display the trends in Labour Force Participation Rate (LFPR) and the unemployment rate. The LFPR depicts a downward trend from 1995 to 1996, followed by upward trend from 1996 to 2000. The LFPR was stagnant by hovering around 53%-58% from 2001 until 2007, before a slight upward trend took place in 2009-2019. This rate reached a peak in 2019 at approximately 59.5%. In 2020-2022, there were abrupt fluctuations in the LFPR, primarily due to the COVID-19 pandemic-driven economic lockdowns. The LFPR dropped by 5.7 percentage points from 2019 to a low of 53.8% in 2020. In 2021 and 2022 the LFPR showed signs of recovery, increasing to 57.8% in 2022.

The unemployment rate almost doubled between 1995 (17.6%) and 2002 (30.4%). It was followed by a promising period when the unemployment rate decreased by 7.7% to 22.7% in 2007. Subsequently the unemployment rate increased since 2008 and it reached a record high of 34.8% in 2021. In late 2007, the global economy was impacted by the great recession which led to individuals losing their jobs worldwide. This may be one of the reasons for the increase in the unemployment rate experienced in South Africa in 2008. Similarly, the high unemployment rate in 2021 may have been due to individuals losing their jobs as a result of the COVID-19 lockdown experience as mentioned earlier. In 2022, the rate of unemployment eased to 32.8%, which is still considerably high.

Figure 6: Labour Force Participation Rates and unemployment rates, 1995-2022



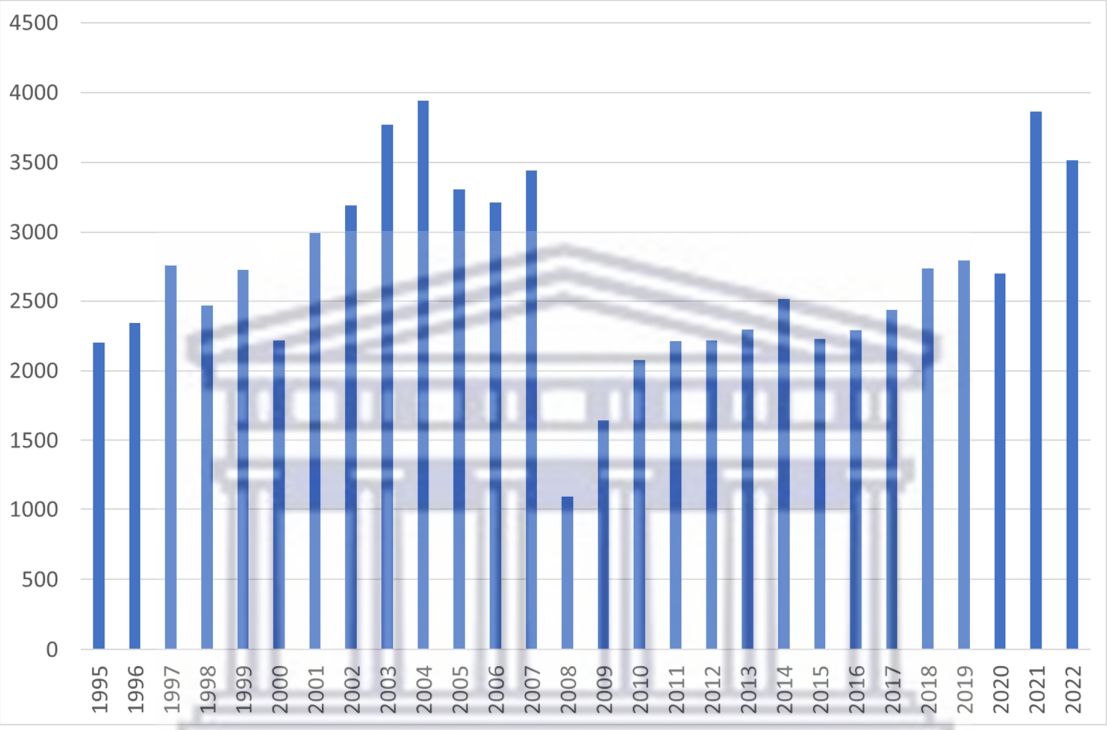
Source: Author's calculations using the OHS 1995-1999, LFS 2000-2007 September and QLFS 2008-2022 third quarter data.

Figure 7 shows the absolute number of discouraged workseekers for the period of 1995-2022 (in thousands). This number increased post-apartheid from 1995 (2.2 million) to 1997 (2.8 million). The former results concur with what was portrayed in Chapter Two that the increase in the demand for skilled labour, led to discouragement among individuals that was previously disadvantaged post-apartheid. In 1998-1999, there was a slight increase in the number of discouraged workseekers, followed by a subsequent increase to a record high in 2004 to approximately 3.9 million discouraged workseekers. During the period 2004 to 2007 discouragement remained high, as the number of discouraged workseekers fluctuated between 3.0 and 3.5 million.

An abrupt decline (2.3 million) took place between 2007 and 2008, with the number of discouraged workseekers dropping to 1.1 million in 2008. This result was primarily attributed to the adoption of the new derivation methodology in the QLFS (which was very different from the OHS and LFS methods as discussed in Chapter Two), where a 'stricter' method was adopted than the period before 2008. Thereafter, a general upward trend took place from 2008 to 2019, with the number of discouraged workseekers rising from 1.1 million to 2.7 million. In 2020, there was a slight decrease in discouraged workseekers followed by a precipitate increase in 2021. The latter result may be attributed to the COVID-19 lockdown and the labour market

impact. There was a reduction of 0.3 million discouraged individuals in 2022 (3.5 million), which can be a result of the markets re-opening due to lower-level lockdown restrictions.

Figure 7: Trend in the absolute number of discouraged workseekers (1 000s), 1995-2022



Source: Author's calculations using the OHS 1995-1999, LFS 2000-2007 September and QLFS 2008-2022 third quarter data.

Table 1 represents a summary of statistical results of the characteristics of the unemployed and discouraged workseekers for the periods under study. Regarding the results by gender, for the first three years under study (1995, 2003 and 2011), females represented the greater portion of discouraged workseekers. Similarly, females were rampant in the unemployed category, although in 2011 the male share (50.48%) was greater than the female share (49.52%) within the unemployed. These results accord with what was found by Yu (2013) in Chapter Two. Nevertheless, it is evident that for both the unemployed and discouraged workseekers, a great percentage of individuals are more likely to be female than male.

Within the race category there was a prevalence of individuals within the African race for both the unemployed (80% share of unemployed were Africans) and discouraged job seekers (90% share of discouraged workseekers were Africans) in all four surveys under study. This finding

concurs with what was found by Yu (2013) as reviewed in Chapter Two. However, the Indian race represented the smallest portion in both categories representing 1.22% of the unemployed

Table 1: Comparison of the profile of narrow unemployed and discouraged workseekers, selected years

	Unemployed				Discouraged workseekers			
	1995	**2003**	**2011**	**2019**	**1995**	**2003**	**2011**	**2019**
Gender								
Male	45.54	48.85	50.48	51.85	39.65	36.74	44.13	47.72
Female	54.46	51.15	49.52	48.15	60.35	63.26	55.87	52.28
	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Race								
African	83.48	87.67	85.85	88.71	92.15	92.76	94.67	94.44
Coloured	10.69	7.89	10.30	7.86	5.47	5.01	3.33	3.57
Indian	2.09	1.95	1.23	1.22	0.67	0.59	0.60	0.79
White	3.74	2.48	2.61	2.21	1.17	1.62	1.41	1.20
	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Age								
15-24 years	31.83	34.34	27.97	22.80	28.57	37.91	31.11	26.55
25-34 years	40.48	39.54	40.96	40.31	39.60	35.16	36.87	37.11
35-44 years	18.05	16.34	20.79	22.82	19.96	15.96	20.40	18.61
45-54 years	7.53	7.68	8.55	11.40	8.98	8.35	9.44	12.90
55-65 years	2.11	2.09	1.72	2.67	2.89	2.62	2.18	4.83
	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Area type								
Urban	36.49	66.94	76.94	72.87	45.00	39.95	38.48	45.20
Rural	36.51	33.06	23.06	27.13	55.00	60.05	61.52	54.80
	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

African race amongst the unemployed and discouraged workseekers both increased over the 24-year period under study. Therefore, Africans were more likely to be discouraged and unemployed, followed by Coloured, White and lastly Indians.

Table 1: Continued

	Unemployed				Discouraged workseekers			
	1995	**2003**	**2011**	**2019**	**1995**	**2003**	**2011**	**2019**
Province								
Western Cape	10.67	9.02	13.08	10.16	5.51	4.05	1.54	1.61
Eastern Cape	14.52	12.67	9.82	11.95	17.49	16.15	16.78	13.22
Northern Cape	2.69	1.85	2.35	2.03	1.57	1.64	1.50	2.73
Free State	5.24	7.16	5.82	6.24	7.68	6.38	4.54	4.72
KwaZulu-Natal	22.07	21.89	11.83	13.90	20.29	20.46	22.96	27.44
Northwest	7.67	7.71	6.47	6.23	10.29	10.50	12.14	9.83
Gauteng	24.29	25.70	36.78	33.70	15.59	15.07	11.65	13.85
Mpumalanga	5.68	5.93	8.61	9.98	8.85	7.49	10.57	7.57
Limpopo	7.16	8.07	5.24	5.81	12.66	18.28	18.32	19.03
	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Education								
No schooling	6.35	3.28	1.91	1.07	12.17	6.69	2.50	1.34
Incomplete primary	18.48	13.57	6.91	5.25	23.77	19.26	8.56	6.79
Incomplete secondary	49.28	49.80	51.57	50.01	45.94	51.07	56.28	52.81
Matric	21.65	28.65	32.99	34.11	15.26	20.87	27.71	33.11
Matric + Cert./Dip.	2.51	3.57	4.84	5.98	1.15	1.32	2.82	3.81
Degree	0.56	0.72	1.02	3.03	0.30	0.37	1.48	1.45
Unspecified	0.58	0.41	0.76	0.56	1.40	0.42	0.63	0.69
	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Author's calculations using the OHS 1995, LFS 2003 September and QLFS 20011 and 2019 third quarter data.

It can be noted in the working-age category that the two youngest age cohorts (15-24 years and 25-34 years) represented approximately 60% of the unemployed and discouraged workseekers. This finding depicts how difficult it is for the youth to secure a job within South Africa, and that the inability of the youth to secure a job eventually leads to discouragement. Yu (2013) found that the youth gave up on seeking work due to factors such as, poverty, inferior educational attainment, lack of mobility and insufficient work experience which hinder their ability to find work. Discouragement and unemployment are the highest within the age

category 25-34 years followed by 15-24 years. Thus, it can be deduced that younger individuals represented a high proportion of both the discouraged workseekers and unemployed.

Most of the unemployed individuals resided in the urban areas, whilst the rural residents were more dominant when it comes to discouraged workseekers with the exception of the year 2019. Similarly, Kingdon & Knight (2006) and Burns et al. (2010) found that discouragement tend to be greater amongst individuals in the rural areas in comparison with the urban areas. The cost associated with searching for a job is a great impediment among the poor in remote areas. Moreover, Fourie (2014) stated that needy individuals in the rural areas are disadvantaged in the labour market due to the lack of labour market information and resources in comparison with those in urban areas. The inability of the rural residents to compete with the urban population to find employment may lead to discouragement amongst the former group of individuals. However, the findings in Table 1 also contradicts what Kingdon & Knight (2006) found that unemployment tends to be higher amongst the poorer individuals who lived in clusters. Table 1 also found that unemployment tends to be greater amongst the rural areas than that of the urban areas, with a percentage greater than 60% for all four periods under study.

The findings related to the provinces are similar to that of Yu (2013), whereby the author found that narrow unemployment prevails in Gauteng, followed by KwaZulu-Natal, Eastern Cape and Western Cape and the greater share of discouraged workseekers resided in KwaZulu-Natal followed by Eastern Cape and Limpopo.

Considering the level of education, the category 'incomplete secondary education' represented the biggest proportion of both the unemployed and discouraged workseekers (45-50% share), followed by the Matric category (with the exception of discouraged workseekers in 2011). Similarly, for both the unemployed and discourage workseekers, the share represented by the most educated group 'Degree' was the smallest at about 1%. This finding aligns with what was found by Yu (2013) and Banerjee et al. (2008) that less educated individuals made up the greater proportion of both discouraged workseekers and unemployed individuals.

Table A2 in the Appendix represents a summary of statistical results of the profile of the inactive (narrow definition) for the periods under study. It was found that within the gender category females were more dominant than males for all the periods, females represented an average of 60.04% of the inactive group. Shifting the focus to the race category the African

race represented the greatest share for all four periods under study representing a percentage greater than 79.00%. The White race represented the second greatest percentage of the inactive group for the periods 1995 and 2003, however for 2011 and 2019 the Coloured race represented the second greatest share of the inactive group. Considering the age category, the youngest age cohorts (15-24 years) represented the greatest share on average 54.36% of the inactive group followed 25-34 years cohort in 1995, yet 2003 onward the second dominant age cohort was represented by 55-65 years. The great share of the age cohort 55-65 years may be attributed to the increase in individuals retiring as soon as they reach age 55.

Focussing on place of residence, for the periods 1995 and 2003 more than 50.00% of the inactive group resided in the rural areas. In 2011 and 2019 there were a shift, and the greater share of the inactive group were represented by the urban areas. The inactive group prevails in KwaZulu-Natal (on average 22,14%) and the other three dominant provinces included Gauteng, Eastern Cape, and Limpopo. Considering the level of education, the category 'incomplete secondary education' represented the biggest proportion of the inactive group (57-61% share), followed by the 'incomplete primary' (apart from 2011 and 2019 where 'matric' was the second greatest). The two groups which represented the smallest about 1% share was the most educated group 'degree' and 'unspecified'.

To conclude the findings of Table 1 and Table A2, it is obvious that the unemployed, discouraged workseekers and inactive shared highly similar characteristics: both groups of people were predominantly African, females, between the ages 25-34 years old, with incomplete secondary education and resided in either Gauteng or KwaZulu Natal. The only evident difference between the discouraged workseekers and unemployed was their geographical location; the former group of people prevailed in rural areas whereas the latter group was predominantly urban residents. The inactive group prevailed in the rural areas in 1995 and 2003 similar to the discouraged workseekers and in 2011 and 2019 prevailed in the urban areas similar to the unemployed.

Table 2 constitute other characteristics of discouraged workseekers. When asked the question 'Have you ever worked before?', it is astonishing that between 51% and 76% of discouraged workseekers never worked before across the four surveys under study. This finding is somewhat in line with the 2008 Banerjee et al. study which found that approximately 60% of unemployed individuals have never held a job before. These results could indicate that some

individuals struggle to secure their first job, which may result in these individuals becoming discouraged to actively seek employment in the labour market.

Table 2: Other characteristics of the discouraged workseekers

	1995	2003	2011	2019
Ever worked before				
Yes	24.57	30.06	43.07	48.82
No	75.43	69.94	56.93	51.18
	100.00	100.00	100.00	100.00
Time gap since last worked (if worked before)				
<6 months	49.18	18.74	22.68	20.31
6-12 months	50.82	8.93	15.65	10.54
1-3 years	0.00	27.55	18.51	19.02
3 years or more	0.00	44.78	42.73	50.13
Do not know / Unspecified	0.00	0.00	0.43	0.15
	100.00	100.00	100.00	100.00

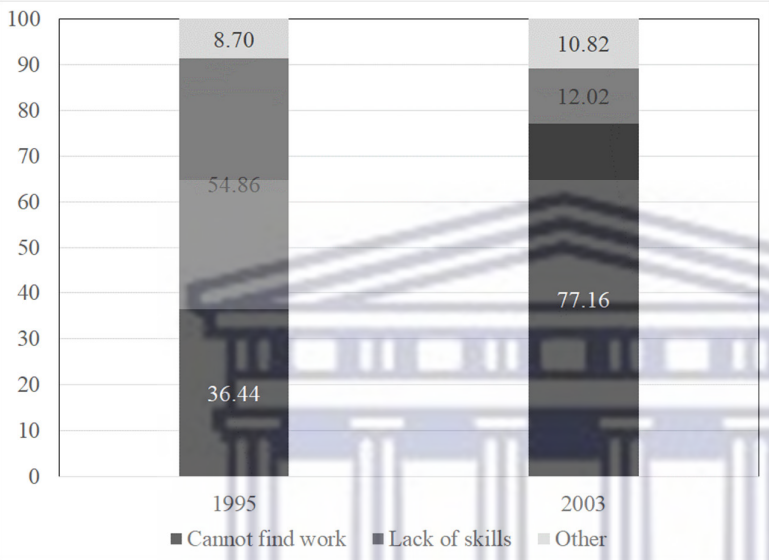
Source: Author's calculations using the OHS 1995, LFS 2003 September and QLFS 20011 and 2019 third quarter data.

For the remaining discouraged workseekers who worked before, one worrying finding was the gradual increase of the proportion of them who last worked more than three years ago – it was still 0% in 1995, but then increased abruptly to 45% in 2003 and further to slightly over 50% in 2019. On the other hand, the proportion of discouraged workseekers with previous work experience but last worked 1-3 years ago was also not too low (it was 19% in 2019). In other words, a high proportion of discouraged workseekers with past work experience had been jobless for quite a long time. Long-term or chronic unemployment is unquestionably a serious problem in the labour market (Banerjee et al., 2008); as people struggle to find employment for prolonged periods, they tend to eventually become discouraged to continue seeking work actively.

In the OHS 1995 and LFS 2003, the discouraged workseekers were asked "*why they did not work in the last seven days*", and the results are shown in Figure 8. It can be seen that in 1995,

55% of them indicated 'lack of skills' as the key reason, followed by 'cannot find work' (36%). However, in 2003, the 'cannot find work' reason became most dominant (77%).

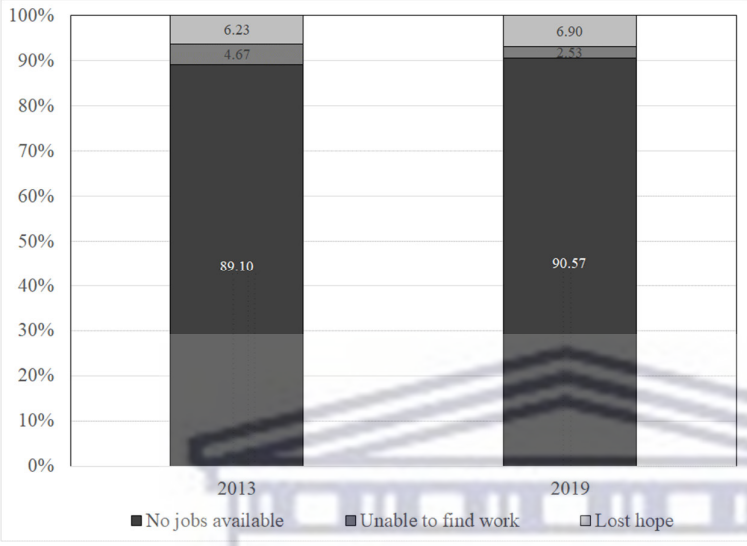
Figure 8: Reason for the discouraged workseekers not working in the last seven days, OHS 1995 and LFS 2003 only



Source: Author's calculations using the OHS 1995, LFS 2003 September and QLFS 20011 and 2019 third quarter data.

On the other hand, in both QLFS 2011 and 2019, the discouraged workseekers were asked a different question. They had to report the reason for not seeking work actively. Figure 9 shows that in 2013, the most dominant reason was 'no jobs available' (89.10%), followed by 'lost hope' (8.23%) and 'unable to find work' (4.67%). In 2019, the 'no jobs available' reason remained most dominant (90.57%), followed by 'lost hope' (6.90%) and 'unable to find work' (2.53%). These findings suggest that the scarcity of jobs and inability to find work may result in these individuals transitioning to become discouraged workseekers. They no longer had strong confidence in their future work prospects.

Figure 9: Reason for the discouraged workseekers not seeking work actively, QLFS 2013 and QLFS 2019 only



Source: Author's calculations using the OHS 1995, LFS 2003 September and QLFS 20011 and 2019 third quarter data.

Table 3 presents the results of the probit regressions on the likelihood of the working-age population being classified as discouraged workseekers. The African race dummy was positive and significant for the first two periods of study, meaning that they were significantly more likely to be discouraged workseekers, after controlling for differences in other characteristics. However, for the succeeding two periods the results were insignificant. During the 24-year period of study, males were significantly less likely to be discouraged workseekers compared to females in all four surveys under study, after controlling for differences in other characteristics. However, the marginal effect increased from 2.79% in 1995 to 5.22 % in 2003 and decreased to 0.56% in 2019, in absolute terms.

Shifting the focus to results by province, the Western Cape and Gauteng residents were less likely to be discouraged workseekers for all four years of study in comparison with the reference province category (Eastern Cape), ceteris paribus. Moreover, KwaZulu-Natal residents were also significantly less likely to be discouraged workseekers after controlling for differences in other characteristics in 1995, 2003 and 2011; however, they were rather significantly more likely to be discouraged workseekers in 2019, ceteris paribus. Note that it was found earlier in Table 1 that KwaZulu-Natal represented the highest proportion of discouraged workseekers, followed by the reference group Eastern Cape. Finally, the results

were somewhat mixed in other provinces, as the sign of the marginal effects and statistical significance changed across the four surveys under study.

In the four surveys, the urban working-age population were between 0.01% and 3.98% significantly less likely to be classified as discouraged workseekers compared to rural individuals, ceteris paribus. The findings concur with what was found in Table 1, where the rural residents represented a higher proportion of discouraged workseekers in comparison with urban residents.

Turning our attention to the age and age squared variables, the results suggest a significant and concave relationship between age in years and the probability of being discouraged workseekers. That is, as an individual becomes older, the likelihood of being a discouraged workseeker increases significantly, and this increase in probability was more rapid as the person got older. Thus, the elderly were more likely to be discouraged workseekers. This econometric finding contradicts with the results in Table 1, which shows that the people from the younger age cohorts represented the bulk of discouraged workseekers.

Similarly, there exists a concave and significant relationship between educational attainment and the probability of becoming discouraged workseekers: as an individual becomes more educated, the likelihood of becoming a discouraged workseeker increased significantly (ceteris paribus), and this increase becomes more rapid as education years increased further. This finding contradicts the Human capital theory framework discussed in Chapter Two, which argue that the more educated an individual becomes the greater their employment probabilities. In other words, highly educated individuals were significantly less likely to be discouraged workseekers as they further improved their qualifications. This econometric finding once again contradicts with the descriptive statistics finding in Table 1, which shows that degree holders only accounted for about 1% of discouraged workseekers.

If the working-age population who were living together with a partner or married at the time of the survey were significantly less likely to be discouraged workseekers by between 1% and 3%, after controlling for differences in other characteristics. This finding may be attributed to possible pressure from a financial point of view to search for work to form and support the family members financially.

Table 3: Probit regressions on the likelihood of working-age population being classified as discouraged workseekers.

	Marginal effects			
	1995	**2003**	**2011**	**2019**
Race: African	0.0285***	0.0257***	-0.0007	0.0032
Race: Indian/Asian	-0.0208***	-0.0463***	-0.0228***	-0.0209**
Race: White	-0.0302***	-0.0540***	-0.0213***	-0.2185***
Gender: Male	-0.0279***	-0.0522***	-0.0087***	-0.0056***
Province: Western Cape	-0.0179***	-0.0341***	-0.0393***	-0.0444***
Province: Northern Cape	-0.0147***	-0.0021	-0.0154***	0.0109*
Province: Free State	-0.0335	0.0016	-0.0094***	-0.0001
Province: KwaZulu-Natal	-0.0169***	-0.0188***	-0.0075***	0.0070*
Province: Northwest	-0.0047	0.0059	0.0099***	0.0212***
Province: Gauteng	-0.0168***	-0.0138***	0.0211***	-0.0185***
Province: Mpumalanga	-0.0081***	-0.0057	-0.0021	-0.0068
Province: Limpopo	-0.0040	0.0303***	0.0001	0.0185***
Area type: Urban	-0.0001	-0.0398***	-0.0261***	-0.0186***
Age in years	0.0172***	0.0206***	0.0118***	0.0108***
Age in years squared	-0.0002***	-0.0003***	-0.0002***	-0.0001***
Education years	0.0016**	0.0035***	0.0045***	0.0072***
Education years squared	-0.0004***	-0.0004***	-0.0004***	-0.0006***
Marital status: Married	-0.0206***	-0.0153***	-0.0130***	-0.0152***
Number of child members in the household	0.0002	0.000	0.0003	0.000
Number of elderly members in the household	0.0065***	0.0102***	0.0053***	0.0029
Number of other discouraged workseekers in the household	0.0545***	0.0663***	0.0361***	0.0451***
Number of observations	80 387	62 544	52 338	42 540
Observed probability	0.0906	0.1305	0.0657	0.072
Predicted probability at x-bar	0.0589	0.0892	0.0364	0.0461
Chi-squared statistic	4 738.16	3 019.12	2 150.84	1 757.95
Prob > Chi-squared	0.0000	0.0000	0.0000	0.0000
Pseudo R-squared	0.1685	0.1750	0.1687	0.1524

*** Significant at 1% ** Significant at 5% * Significant at 10%

Source: Author's calculations using the OHS 1995, LFS 2003 September and QLFS 20011 and 2019 third quarter data.

Turning to household-level explanatory variables, as the number of children in the household increased, the probability of becoming discouraged workseekers increased (ceteris paribus),

but this result was only statistically significant in 1995. The positive marginal effect may be attributed to the fact that some female household members had to allocate a lot of time to bear childcare responsibilities and hence felt discouraged to seek work. On the other hand, as the number of elderly household members increased, the likelihood of working-age population members becoming discouraged workseekers increased (ceteris paribus), and this result was statistically significant in 1995, 2003 and 2011. The positive marginal effect can be explained by the fact that the elderly members earned social grant income (about R2 000 per month in nominal terms in the 2022/2023 fiscal year), and some working-age population household members were dependent on such social grant income for financial survival, and subsequently felt discouraged to seek work actively. Search effort among the unemployed may be reduced by higher household income (Kingdon & Knight, 2006). If households support the members' needs, this may deter their motivation to actively seek work (Kingdon & Knight, 2006). However, this contradicts the findings by Diagne (2011) which concluded that social grants increased labour market participation and search intensity.

Finally, the explanatory variable 'number of other discouraged workseekers in the household' was statistically significant and positive in all four periods under study with positive marginal effects of as low as 3.61% and as high as 6.63%, ceteris paribus. This finding can be attributed to the 'peer effect', which describes the ways in which a person's behaviours and attributes can be influenced by friends, acquaintances, and the wider social environment (Abbiati & Pratschke, 2020). The results make sense since the presence of a high number of discouraged workseekers at home would also influence the other household members (who used to actively seek work) to gradually feel despondent and no longer bother to seek work actively at the end.

4.3 Empirical findings using the NIDS data

Table 4 details the profile of the balanced panel. Within the balanced panel females represented a greater share of the weighted sample (59%) than males (41%). With the focus on the race category, the African race represented 86.49% of the panel data, whereby the other three groups Coloured (7.07%), Asian/Indian (1.81%) and White (4.63%) each represented less than 10% of the sample. Moving on to provincial composition, Gauteng (23.97%) followed by KwaZulu-Natal (17.48%) represented the greatest share of the panel data and around 10.78% of individuals were 'Movers' from Wave 1 to Wave 5. The latter share (Movers) stands for people whose province of residence has changed across the five waves. With regard to area type of

residence, the urban share was most dominant (52.11%), while 17.29% changed their area type across the five waves.

Shifting the focus to educational attainment, Table 4 represents the individual's educational attainment during Wave 1 (2008) and Wave 4 (2016), irrespectively. The data indicates that the balanced data individuals have become more educated in the 8-year period, as the percentage of those with post-Matric qualifications more than doubled from 8.2% to 19.1%.

Table 4: Profile of the NIDS balanced panel component (%)

Gender	
Male	40.96
Female	59.04
	100.00
Race	
African	86.49
Coloured	7.07
Asian/Indian	1.81
White	4.63
	100.00
Province	
Western Cape	7.04
Eastern Cape	9.69
Northern Cape	2.03
Free State	5.77
KwaZulu-Natal	17.48
North West	6.27
Gauteng	23.97
Mpumalanga	8.04
Limpopo	8.94
Movers (or province of residence has changed)	10.78
	100.00

Source: Author's own calculations using the NIDS Wave 1 – Wave 5 datasets.

Table 4: Continued

Area type	
Traditional	27.22
Urban	52.11
Farms	3.38
Movers (or area type has changed)	17.29
	100.00
Educational attainment: Wave 1 (2008)	
None	5.18
Incomplete primary	12.25
Incomplete secondary	53.09
Matric	21.04
Matric and Certificate/Diploma	6.92
Degree	1.32
Other/Unspecified	0.20
	100.00
Educational attainment: Wave 5 (2016)	
None	4.72
Incomplete primary	9.75
Incomplete secondary	49.43
Matric	16.48
Matric and Certificate/Diploma	15.28
Degree	3.85
Other/Unspecified	0.48
	100.00

Source: Author's own calculations using the NIDS Wave 1 – Wave 5 datasets.

Table 5 represents the labour market status of the NIDS balanced panel. The discouraged workseekers accounted for the smallest share of the balanced panel component in all five waves. In fact, this share dropped continuously from 5.9% at Wave 1 to 1.4% at Wave 5. This decline suggests some of these individuals (who were initially classified as discouraged workseekers) have transitioned to become inactive, unemployed, or employed over time. Looking at other results, the percentage of economically inactive individuals peaked at 40.4% at Wave 2, and it dropped to 29.4% at Wave 5. The unemployed share dropped from 16.7% to 12.5% between the first and fifth waves, whereas one positive finding is that the employed share increased from 43.6% to 56.7% during the same period. Lastly, whilst not the focus of

this study, LFPR of the balanced panel increases from 60.3% to 69.2% while unemployment rate decreased from 27.8% to 18.1%.

Table 5: Profile of the NIDS balanced panel component – Labour market status

Labour market status	**Wave 1**	**Wave 2**	**Wave 3**	**Wave 4**	**Wave 5**
Not economically active	33.79	40.42	30.88	27.20	29.41
Discouraged workseekers	5.90	5.16	3.11	1.62	1.38
Unemployed	16.74	12.69	17.82	13.60	12.50
Employed	43.58	41.73	48.19	57.58	56.71
	100.00	100.00	100.00	100.00	100.00
LFPR	60.32	54.42	66.01	71.18	69.21
Unemployment rate	27.75	23.32	27.00	19.11	18.06

Source: Author's own calculations using the NIDS Wave 1 – Wave 5 datasets.

Table 6 shows that a high proportion of 84.8% of the balanced panel was never classified as discouraged workseekers. In addition, no one was distinguished as discouraged workseekers in all five waves, while 13.4%, 1.7% and 0.1% were identified as discouraged workseekers in one, two and three waves, respectively. These findings suggest that it is unlikely for someone to be a discouraged workseekers continuously for a long time.

Table 6: The number of times the balanced panel participants were classified as discouraged workseekers (%)

None	84.78
One wave	13.41
Two waves	1.70
Three waves	0.12
Four waves	0.01
All five waves	0.00
	100.00

Source: Author's own calculations using the NIDS Wave 1 – Wave 5 datasets.

Table 7 depicts the labour market status transition between Wave 1 and Wave 5. One positive finding is that over half (53.22%) of the discouraged workseekers in Wave 1 transitioned to employed in Wave 5, followed by inactive (32.35%) and unemployed (18.89%). However,

only 2.2% of them remained being discouraged workseekers at the time of wave 5. For those who were classified as inactive, employed, and unemployed at wave 1, only 1.4%, 0.7% and 2.7% transitioned to become discouraged workseekers at wave 5.

Table 7: Labour market status transition between Wave 1 and Wave 5

		Wave 5				
		Inactive	Employed	Unemployed	Discouraged workseekers	
Wave 1	Inactive	38.46	43.42	16.72	1.40	100.00
	Employed	22.48	69.74	7.04	0.73	100.00
	Unemployed	28.11	53.22	15.96	2.71	100.00
	Discouraged workseekers	32.35	46.57	18.89	2.19	100.00
		29.41	56.71	12.50	1.38	100.00

Source: Author's own calculations using the NIDS Wave 1 – Wave 5 datasets.

To conclude the NIDS data analysis, the characteristics of these four groups are examined:

- Group [A]: Discouraged workseekers in Wave 1 and Wave 5
- Group [B]: Discouraged workseekers in Wave 1, employed in Wave 5
- Group [C]: Discouraged workseekers in Wave 1, unemployed in Wave 5
- Group [D]: Discouraged workseekers in Wave 1, inactive in Wave 5

Looking at the key findings, Table 8 shows that in all four groups, the female share was more dominant, but the female share was relatively lower at 69% in group [D]. This result may not be too surprising, as females could be more likely to transition from discouraged workseekers to be inactive, by giving up hope on finding work and/or deciding to focus on activities such as childcare and household maintenance instead of continuously seeking work.

Table 8: Characteristics of each group of workers in the balanced panel

	Group [A]	**Group [B]**	**Group [C]**	**Group [D]**
Gender				
Male	15.04	18.00	19.43	30.51
Female	84.96	82.00	80.57	69.49
	100.00	100.00	100.00	100.00

Table 8: Continued

	Group [A]	Group [B]	Group [C]	Group [D]
Race				
African	95.86	83.82	92.44	84.68
Coloured	4.14	11.23	3.53	11.36
Asian/Indian	0.00	0.93	0.00	3.96
White	0.00	4.01	4.03	0.00
	100.00	100.00	100.00	100.00
Province				
Western Cape	0.65	14.20	6.22	8.68
Eastern Cape	42.75	8.90	5.18	4.73
Northern Cape	3.49	4.81	2.98	1.43
Free State	0.00	3.92	3.58	6.82
KwaZulu-Natal	27.60	29.87	23.98	30.81
North West	10.73	13.64	5.91	7.62
Gauteng	0.00	8.91	29.57	20.71
Mpumalanga	14.78	7.04	6.28	4.81
Limpopo	0.00	3.84	0.00	3.40
Movers	0.00	4.88	16.30	11.00
	100.00	100.00	100.00	100.00
Area type				
Traditional	80.43	41.33	26.42	27.18
Urban	9.21	44.50	51.65	45.55
Farms	0.00	2.35	1.70	5.25
Geotype changed	10.36	11.83	20.23	22.01
	100.00	100.00	100.00	100.00
Educational attainment: Wave 1 (2008)				
None	8.50	8.89	0.82	3.31
Incomplete primary	7.28	19.27	7.73	12.57
Incomplete secondary	84.21	60.00	70.81	58.82
Matric	0.00	11.00	15.18	22.71
Matric and Certificate/Diploma	0.00	0.76	1.42	2.59
Degree	0.00	0.00	0.00	0.00
Other/Unspecified	0.00	0.00	4.03	0.00
	100.00	100.00	100.00	100.00

Table 8: Continued

	Group [A]	Group [B]	Group [C]	Group [D]
Educational attainment: Wave 5 (2016)				
None	8.50	7.58	0.82	4.10
Incomplete primary	9.83	19.78	7.45	13.60
Incomplete secondary	81.66	58.13	76.29	53.31
Matric	0.00	8.33	5.95	25.53
Matric and Certificate/Diploma	0.00	6.17	9.50	3.47
Degree	0.00	0.00	0.00	0.00
Other/Unspecified	0.00	0.00	0.00	0.00
	100.00	100.00	100.00	100.00

Source: Author's own calculations using the NIDS Wave 1 – Wave 5 datasets.

Note:
Group [A]: Discouraged workseekers in Wave 1 and Wave 5
Group [B]: Discouraged workseekers in Wave 1, employed in Wave 5
Group [C]: Discouraged workseekers in Wave 1, unemployed in Wave 5
Group [D]: Discouraged workseekers in Wave 1, inactive in Wave 5

With regard to the racial shares, the African share was most dominant (over 80%) in all four groups, but this share was the greatest (almost 96%) in group [A]. Next, the provincial shares differed a lot across the four groups, unlike the previous discussed categories; the Eastern Cape represented the greatest provincial share of Group [A]. In other words, for those who remained discouraged workseekers at Wave 5, about 43% of them lived in Eastern Cape. The Gauteng share was the greatest in group [C] while the KwaZulu-Natal share was most dominant in both groups [B] and [D].

With regard to results by area type, it is interesting that more than 80% of group [A] people lived in traditional (rural) areas. In other words, four out of five people who were classified as discouraged workseekers in both Waves 1 and 5 resided in rural areas (which are usually associated with less hope or likelihood of successfully finding work). In group [B] the urban share was the highest (44.5%), and this may be ascribed to more job opportunities available in urban areas. The urban share was also the greatest in groups [C] and [D]. As argued by Kingdon & Knight (2006), non-searching unemployed on average are more notably deprived than the searching unemployed in South Africa.

Group [A] seems to be least educated, as seen by the very high share of individuals with incomplete secondary education (but none with Matric or above, in both waves). This result depicts that individual with low level of education tends to be discouraged for a longer time, which may be as a result of their inability to secure a proper or well-paid job due to their inferior level of education, hence they remained discouraged workseekers. Looking at the results in other groups, the proportion with at least Matric increased across groups [B], [C] and [D] in both waves, yet it is most surprising that it is group [D] with the highest share of people with Matric or above (over 25%).

4.4 Conclusion

This chapter examined the discouraged workseekers in South Africa and how they compare with the employed, unemployed, and inactive for the period 1995 to 2019. Using the StatsSA OHS, LFS and QLFS data, Section 4.2 evaluated the educational attainment and demographics of the discouraged workseekers and unemployed. Additionally, this section looked at the reasons for not seeking work and examined the probit model to establish the likelihood of being a discouraged workseekers. Section 4.3 examined the empirical findings using the NIDS balanced panel component data and evaluated the characteristics as well as labour market transition of the discouraged workseekers.

The descriptive analysis section uncovered that the unemployed, inactive and discouraged workseekers shared similar characteristics that they are predominantly female, between the age of 25 and 34 years old, with incomplete secondary education. However, the only difference is that discouraged workseekers prevails in the rural areas and most of unemployed resided in the urban areas. It was also found that 51%-76% of the discouraged workseekers never worked before. The probit regression contradicts the findings and portrayed that as individuals become older the more likely they are to become discouraged and as individuals attain more education the more likely they are to become discouraged workseekers.

The NIDS findings described and discussed in Section 4.3 found that there was a decrease in discouraged workseekers from 5.90% (2008) to 1.38% (2016). However, in Table 7 it was found that approximately half of the discouraged workseekers in 2008 transitioned to employed and a third of the discouraged workseekers transitioned too inactive. On the other hand, the unemployed were the greatest share of individuals that transitioned to discouraged workseekers from 2008 to 2016.

CHAPTER FIVE: CONCLUSION

5.1 Introduction

This chapter concludes the study. Firstly, Section 5.2 presents the review of the core findings on the discouraged workseekers in the South African labour market. Section 5.3 provides the policy recommendations on reducing discouragement amongst South Africans.

5.2 Summary of key findings

The empirical findings of the study found that there was an increase in the LFPR and unemployment rate since the advent of democracy. While in analysing the characteristics of the discouraged workseekers and unemployed thoroughly, the descriptive findings suggested that the two groups shared similar characteristics: both groups were more likely to be of the African race, females, between the ages of 25 and 34 years old, with incomplete secondary education and residing primarily in KwaZulu-Natal. However, there existed one difference, the unemployed individuals were more likely to reside in the urban areas, whilst the rural residents were more dominant when it came to discouraged workseekers (apart from 2019).

Another status linked to discouragement is unemployment or the inability to find a job. It was found that on average 63.37% of discouraged workseekers have never worked before, indicating that long periods of not working may lead to discouragement. Similar results were found when asked. Reasons for not working. The majority of individuals could not secure a job due to no jobs being available.

The probit regressions reviewed the likelihood of the working-age population being classified as discouraged workseekers. The individuals that were significantly less likely to be to be discouraged workseekers were those that live in the urban areas, and those who were married or living with a partner. It was also found that a concave relationship exists between age and probability of becoming a discouraged workseekers. As a person becomes older, they are less likely to become discouraged workseekers. The same is true for educational attainment, the more educated a person becomes the less likely they are to become discouraged workseekers. Therefore, the individuals in urban areas, of younger age, with lower levels of education and those that do not live with a partner are more likely to become discouraged workseekers.

Turning the focus to the household-level explanatory variables, as the number of children and elderly in the household increased, the probability of becoming discouraged workseekers increased. Lastly, the explanatory variable 'number other discouraged workseekers in the household' were statistically significant and positive and with positive marginal effects as low as 3.7% and as high as 7.0%.

When reviewing the NIDS data, the discouraged workseekers represented the smallest portion of the working-age-population. The results also indicated that the likelihood of an individual being a discouraged workseeker continuously for long periods are very unlikely. After analysing the labour market status transition between Wave 1 and Wave 5, one can conclude that a great share discouraged workseekers transition to unemployed (almost half) and a third to inactive. Similar to what was found in the previous analyses, the unemployed were the greatest share (2.7%) of individuals that transitioned to discouraged workseekers in 2019, which indicates that unemployment tends to lead to discouragement.

5.3 Conclusion and policy recommendations

The discouraged workseekers represented a small portion of the working-age population in both groups of study, unlike the unemployed that represented a bigger share and received more attention from policy makers. Nonetheless, the empirical findings of this study showed that discouraged workseekers also suffered some 'hardships'. These discouraged workseekers were presumed to be mainly of the African race, women, aged below 35 years, with incomplete secondary education and residing within rural areas. Thus, there exists a compelling need for policies aimed at reducing discouragement among workseekers.

5.3.1 Promotion of volunteer work

There is a great need for the **promotion of volunteer work**, where individuals who are unable to find employment engage in voluntary 'work' activities temporarily. In Chapter 4 when asked the question 'Have you ever worked before?', the number of discouraged workseekers never worked before was between 51% and 76%, which may one of the reasons why these individuals become discouraged to actively seek job opportunities in the labour market. Volunteer work can aid in these individuals feeling more confident, developing soft skills, and gaining unofficial work experience, which can result in them entering the labour market at a later stage. Encouraging people to engage in voluntary activities is often an over-looked policy option, as the experience

Nelson (2005) argues that volunteering can be a method of preparation and training for paid employment. Fondling, Mtshali, Murozvi & Yu (2023) add that volunteering can be seen as an activity that aid in encouraging more people to work in the labour market. One of the reasons why individuals volunteer is to acquire the needed skills that can be utilised in medium and long-term employment opportunities (Fondling et al., 2023). Volunteer work can be paid or unpaid, for example helping at an old age home, tutoring children, etc. However, the government could provide a monetary incentive to volunteers to spark interest in volunteering activities. Fondling et al. (2023) recommended that volunteers should be given a stipend or one-off financial reward as an incentive. Majority of individuals in developing countries that engage in volunteer work are mostly from poorer classes, thus a stipend is a great motivation to seek employment and temporarily lessen their financial strain (Fadel, Hazeldine O'Loghlen & Smith, 2020).

5.3.2 Enhancing education and skills development

The government should direct their focus on **enhancing the quality and quantity of education**. Education and skills development should be a top priority of the state to reduce discouragement among workseekers. The empirical findings depicted that discouraged workseekers comprised greatly of people with incomplete secondary education. It is evident that the more educated the individuals became the less likely they were to be discouraged workseekers. The Governments focus should be on improving the education system such that the outcome is a reduction in dropout rates, as well as enabling and channelling students into further education (Ntamane, 2021). The reforms to education and skills development will increase the productivity of school-leavers over the long run and work experience is critical (National Treasury South Africa, 2011).

5.3.3 Transport Subsidy for job seeking purposes

There exists a great need to **promote transport subsidies for the job seeking**. The unemployed in the rural areas are often too budget-constrained to go out and search for work. A great portion of unemployed individuals are often located where employment opportunities are not available (Loewald, Makrelov & Wörgötter, 2021). The mobility of the individuals that reside in the rural areas are severely restricted by high transport cost (Loewald et al., 2021). Bhorat (2012) advocates the need for transport subsidies for youth to go out into high-density employment areas to search for employment. The proposal is that the transport subsidy should

be administered and offered through the Labour Centres of the Department of Labour, whereby mobility cost may be used as a proxy measure for the cost associated of looking for employment. The value of the subsidy can differ depending on the number of sites. Additionally, a specific set of options should be provided for search behaviour for different areas (rural and urban) and a subsidy should be provided for more than one round of job search over a pre-specified period (Bhorat, 2012).

5.3.4 Reviewing the National Minimum Wage

The government should **review the National Minimum Wage** to ensure that the focus is not only on the insiders (employed) but also the outsiders (unemployed and discouraged workseekers) and that wage increases are in conjunction with productivity increases. The National Minimum Wage focus greatly on the insiders, which gain from the legislation in the form of higher wages. However, the outsiders would find it hard to find employment due to the National Minimum Wage being too high, forcing some employers to stop hiring new workers or replace labour with capital labour.

Nattrass (2000) found that the wage-setting mechanism of South Africa may discourage employment creation, as it is biased towards smaller, more labour-intensive businesses. Firms are fearful of the outcomes of floating labour regulation and prefer to shift away from labour-intensive technologies and sectors (Nattrass,2000). National Minimum Wage increases labour cost unparalleled to productivity gains, therefore directly decreasing the demand for labour as jobs are being scaled down (Loewald et al., 2021). Increased productivity can be realised if minimum wages are increased or set, followed by efficiency wage responses; however, it is not clear whether this is present in firms and industries in South Africa (Loewald et al., 2021). Minimum wage does not only shift workers from the formal sector to the informal sector but also out of the labour force (Siregar, 2020).

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APPENDIX

Table A1: Labour market statistics, 1995-2022

Year	Working-age population (15-65 years)	Labour force (1 000s)		Employed (1 000s)	Unemployed (1 000s)		Discouraged workseekers (1 000s)	LFPR (%)		Unemployment rate	
		Narrow	Broad		Narrow	Broad		Narrow	Broad	Narrow	Broad
1995	24 191	11 528	13 731	9 499	2 028	4 232	2 203	47.7	56.8	17.6	30.8
1996	24 909	11 191	13 533	8 966	2 224	4 566	2 342	44.9	54.3	19.9	33.7
1997	25 505	11 544	14 296	9 094	2 451	5 202	2 751	45.3	56.1	21.2	36.4
1998	25 665	12 528	14 997	9 370	3 158	5 626	2 469	48.8	58.4	25.2	37.5
1999	26 247	13 510	16 231	10 356	3 154	5 875	2 721	51.5	61.8	23.3	36.2
2000	27 774	16 381	18 596	12 224	4 157	6 372	2 215	59.0	67.0	25.4	34.3
2001	28 084	15 817	18 808	11 168	4 650	7 640	2 991	56.3	67.0	29.4	40.6
2002	28 495	16 215	19 405	11 284	4 931	8 121	3 190	56.9	68.1	30.4	41.9
2003	28 906	15 841	19 610	11 411	4 429	8 198	3 769	54.8	67.8	28.0	41.8
2004	29 270	15 761	19 704	11 630	4 131	8 074	3 943	53.8	67.3	26.2	41.0
2005	29 663	16 770	20 078	12 288	4 482	7 791	3 308	56.5	67.7	26.7	38.8
2006	29 973	17 173	20 386	12 787	4 386	7 599	3 213	57.3	68.0	25.5	37.3
2007	30 384	17 194	20 632	13 293	3 901	7 340	3 439	56.6	67.9	22.7	35.6
2008	31 987	18 859	20 653	14 561	4 298	6 092	1 092	59.0	64.6	22.8	29.5
2009	32 590	18 312	20 908	13 841	4 473	7 066	1 645	56.2	64.2	24.4	33.8
2010	33 247	18 322	21 387	13 669	4 653	7 718	2 078	55.1	64.3	25.4	36.1
2011	33 819	18 828	21 887	14 132	4 696	7 755	2 211	55.7	64.7	24.9	35.4
2012	34 456	19 481	22 621	14 583	4 898	8 038	2 214	56.5	65.7	25.1	35.5
2013	35 078	19 940	23 132	15 062	4 878	8 070	2 295	56.8	65.9	24.5	34.9
2014	35 703	20 294	23 579	15 146	5 148	8 433	2 513	56.8	66.0	25.4	35.8
2015	36 393	21 283	24 171	15 867	5 416	8 304	2 228	58.5	66.4	25.4	34.4
2016	36 994	21 735	24 877	15 864	5 871	9 014	2 289	58.8	67.2	27.0	36.2
2017	37 641	22 421	25 631	16 212	6 209	9 419	2 434	59.6	68.1	27.7	36.7
2018	38 304	22 631	26 184	16 424	6 207	9 759	2 733	59.1	68.4	27.4	37.3
2019	38 899	23 146	26 685	16 411	6 735	10 274	2 791	59.5	68.6	29.1	38.5
2020	39 481	21 256	25 866	14 723	6 533	11 144	2 695	53.8	65.5	30.7	43.1
2021	40 048	21 966	26 080	14 325	7 642	12 483	3 863	54.8	65.1	34.8	47.9
2022	40 659	23 515	27 720	15 793	7 722	11 927	3 514	57.8	68.2	32.8	43.0

Source: Author's calculations using the OHS 1995-1999, LFS 2000-2007 September and QLFS 2008-2022 third quarter data.

Table A2: Profile of inactive (narrow definition), selected years

	Inactive			
	1995	**2003**	**2011**	**2019**
Gender				
Male	37.67	41.17	40.56	40.43
Female	62.33	58.83	59.44	59.57
	100.00	100.00	100.00	100.00
Race				
African	79.31	78.75	80.69	80.73
Coloured	7.50	8.34	8.37	8.98
Indian	2.83	3.11	2.99	2.97
White	10.35	9.76	7.95	7.31
Other/Unspecified	0.00	0.06	0.00	0.00
	100.00	100.00	100.00	100.00
Age				
15-24 years	55.20	55.97	53.05	53.25
25-34 years	13.83	8.13	12.74	11.95
35-44 years	9.24	7.82	9.34	8.20
45-54 years	7.99	10.36	9.78	8.42
55-65 years	13.75	17.71	15.09	18.17
	100.00	100.00	100.00	100.00
Area type				
Urban	46.64	48.70	56.12	60.31
Rural	53.36	51.30	43.88	39.69
Province				
Western Cape	8.14	8.98	9.77	11.44
Eastern Cape	17.04	17.56	14.89	13.57
Northern Cape	1.95	2.03	2.37	2.14
Free State	5.87	5.88	4.93	4.44
KwaZulu-Natal	22.00	22.19	22.60	21.77
Northwest	8.35	8.49	7.34	7.49
Gauteng	15.13	15.20	18.19	21.30
Mpumalanga	7.01	6.61	7.17	6.59
Limpopo	14.49	13.05	12.74	11.26
	100.00	100.00	100.00	100.00

Table A2: Continued

	Inactive			
	1995	**2003**	**2011**	**2019**
Education				
No schooling	10.48	10.01	6.11	4.33
Incomplete primary	15.81	17.71	12.70	9.84
Incomplete secondary	57.57	59.51	61.11	59.29
Matric	12.02	10.20	16.23	21.19
Matric + Cert./Dip.	2.27	1.16	1.89	2.46
Degree	0.90	0.92	0.99	1.78
Unspecified	0.94	0.50	0.97	1.10
	100.00	100.00	100.00	100.00

Source: Author's calculations using the OHS 1995, LFS 2003 September and QLFS 20011 and 2019 third quarter data.