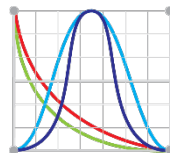


Discrimination in the South African labour market: Evidence from Blinder-Oaxaca decompositions

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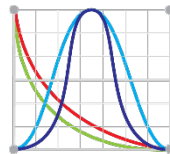
SALDRU/ACEIR Seminar

22nd May 2024



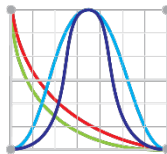
Outline

- Background and context
- Question
- Data
- Methods
- Results
- Conclusion



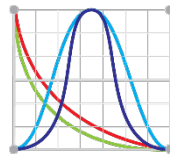
Background and context

- South Africa has a long (and notorious) history of racial discrimination.
- Several discriminatory law pre-date Apartheid (1948 – 1994).
- Apartheid introduced greater statutory discrimination in the labour market, differentiated education systems with different levels of funding and curricula, limits on geographic mobility for African people, and multiple constraints in terms of opening businesses.
- All discriminatory laws were repealed by 1994, and education systems were merged by the mid-1990s.



Major labour market legislation

- Labour Relations Act (1995)
 - Right to unionize, collective bargaining processes, right to strike
 - Framework and institutions for conflict resolution
- Basic Conditions of Employment Act (1997)
 - Sets limits on working hours, fair remuneration, working conditions.
- Employment Equity Act (1998)
 - Removes unfair discrimination and promotes equity in the workplace.
 - Affirmative action for 'Black' South Africans, women, and other designated groups.
 - Applies to large firms (turnover or # of employees).
 - Targets - not quotas, and limited enforcement.

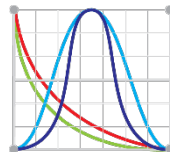


Other relevant laws

- SA Constitution (1996)
 - Protects against unfair discrimination or disadvantage
- 1997 Green Paper on Public Procurement Reform
 - Calls for affirmative action in government procurement processes
- Skills Development Act (and Skills Development Levy 1998)
 - Workplace learning and upskilling, including to improve prospects of previously disadvantaged persons.
- Broad-based Black Economic Empowerment Act (2003)
 - Government incentives through state procurement process
 - Criteria include black ownership, hiring black employees, and using black-owned suppliers

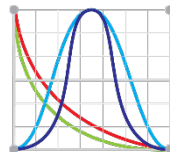
Questions

- How big are the (recent) employment and earnings gaps in the SA labour market, by race and by gender?
- What share of these gaps can be ‘explained’ by age and educational attainment?
- How important are industry and occupational sorting in ‘explaining’ the wage gap?



Existing Literature

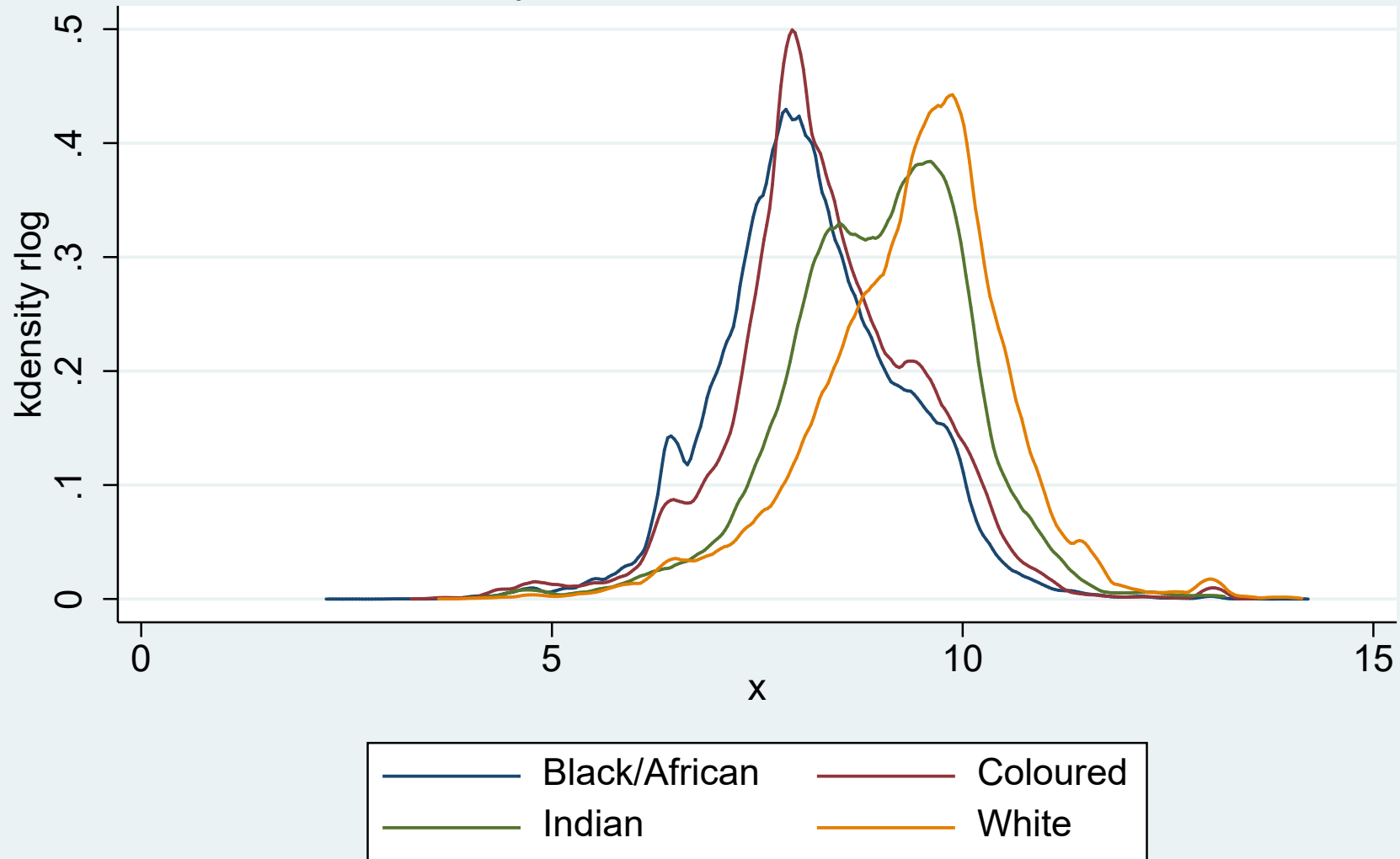
- Lots of work on inequality and labour market inequality in SA.
 - We share some evidence from the SA ITR (2019)
- Discrimination Literature in South Africa:
- Rospabe and Mlatsheni (2002): Race & Gender - OHS 1999
- Rospabe (2002): Race - PSLSD 1993, OHS 1999
- Burger and Jafta (2006, 2010): Race & Gender – OHS 1995 – 1999, LFS 2000 – 2006
- Fadwah and Yu (2018): Employment by Race and Gender, 1997 – 2016
- A number of other studies on gender, relatively few on race. Most are using data from 15+ years ago.



| Year | Black African | | | | Coloured | | | |
|------|---------------|----------|------------|--------------|----------|----------|------------|--------------|
| | NEA | Employed | Unemployed | Unempl. rate | NEA | Employed | Unemployed | Unempl. rate |
| 2011 | 46,8 | 38,0 | 15,2 | 28,6 | 37,0 | 48,6 | 14,4 | 22,9 |
| 2012 | 46,2 | 38,6 | 15,3 | 28,3 | 36,3 | 48,3 | 15,4 | 24,1 |
| 2013 | 45,5 | 39,3 | 15,2 | 27,9 | 36,1 | 48,5 | 15,4 | 24,1 |
| 2014 | 45,1 | 39,5 | 15,5 | 28,1 | 35,0 | 49,4 | 15,6 | 24,0 |
| 2015 | 43,2 | 40,6 | 16,2 | 28,5 | 35,9 | 49,3 | 14,8 | 23,0 |
| 2016 | 42,8 | 40,0 | 17,3 | 30,2 | 36,6 | 48,9 | 14,5 | 22,9 |
| 2017 | 41,6 | 40,3 | 18,1 | 31,0 | 36,6 | 48,5 | 14,9 | 23,5 |
| Year | Indian/Asian | | | | White | | | |
| | NEA | Employed | Unemployed | Unempl. rate | NEA | Employed | Unemployed | Unempl. rate |
| 2011 | 40,7 | 53,1 | 6,2 | 10,5 | 31,6 | 64,4 | 4,0 | 5,8 |
| 2012 | 41,1 | 52,7 | 6,3 | 10,6 | 32,3 | 63,8 | 3,9 | 5,8 |
| 2013 | 39,2 | 53,4 | 7,5 | 12,3 | 31,8 | 63,6 | 4,6 | 6,8 |
| 2014 | 41,3 | 51,7 | 7,0 | 12,0 | 32,4 | 62,6 | 5,0 | 7,4 |
| 2015 | 40,5 | 51,7 | 7,8 | 13,1 | 31,7 | 63,7 | 4,6 | 6,8 |
| 2016 | 40,6 | 52,2 | 7,2 | 12,0 | 32,3 | 63,0 | 4,7 | 6,9 |
| 2017 | 38,8 | 54,1 | 7,1 | 11,6 | 31,7 | 63,7 | 4,5 | 6,7 |

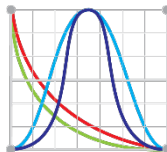
Source: QLFS (2011–2017)

Figure 2: Kernel density plot of log(real earnings)
By race, 2011-2015 combined



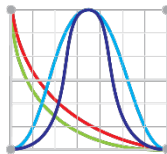
Data

- We use data from the Quarterly Labour Force Surveys (Q1) and Labour Market Dynamics Survey, from 2015 and 2020.
 - Only going to present and discuss 2020 findings.
- LMDS are derived from the QLFS and released by StatsSA. They include an earnings variable that is omitted from the QLFS releases.
- StatsSA uses an imputation method to calculate earnings, in order to deal with bracket responses and missing values. This imputation method is not transparent nor explicitly available to the public.



Methods

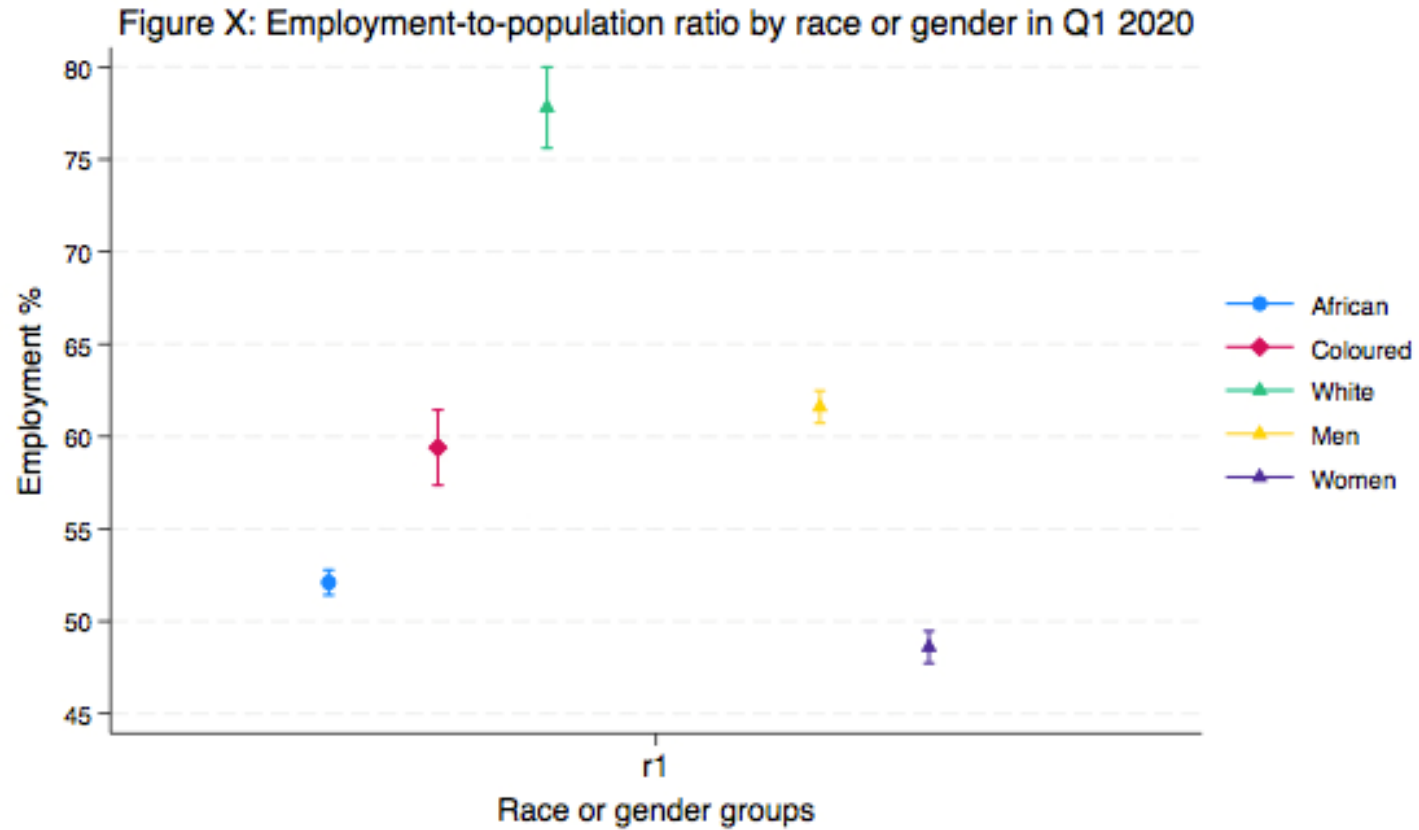
- Descriptive statistics
- Kernel density plots of log(earnings)
- OLS regressions
- Blinder-Oaxaca decompositions
 - Outcomes: Employment; Log(Earnings)
 - Race regressions: White/African; White/Coloured
 - Gender regressions: Male/Female
 - Use 'pooled' option as our non-discriminatory reference category.



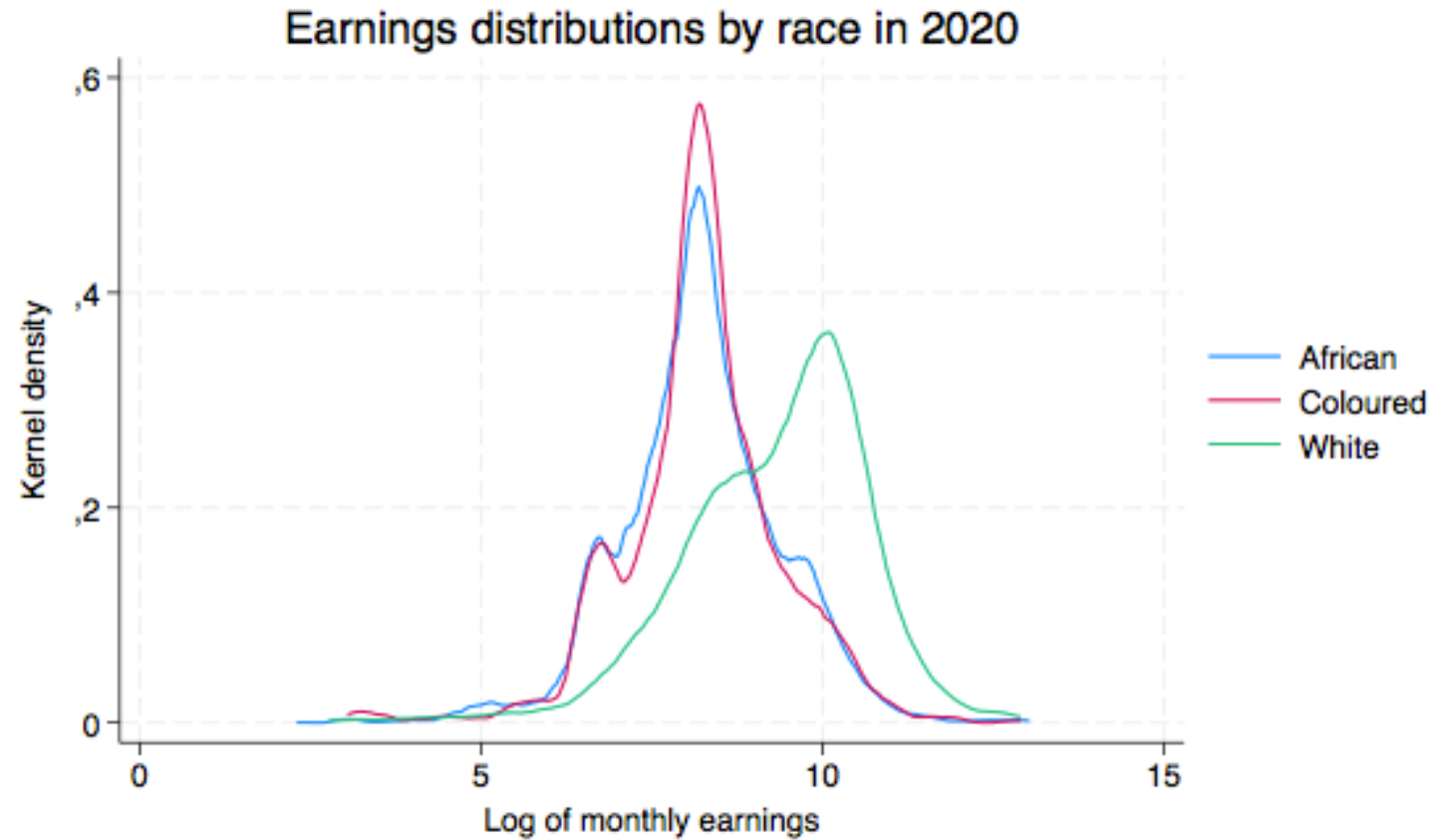
Sample sizes and population shares

| Year | Group | n | Unweighted share of sample | Weighted share of sample |
|------|----------|--------|----------------------------|--------------------------|
| 2015 | African | 32,196 | 81.87 | 79.79 |
| | Coloured | 3,849 | 9.79 | 9.2 |
| | Indian | 882 | 2.24 | 2.75 |
| | White | 2,399 | 6.10 | 8.26 |
| 2020 | African | 29,684 | 82.68 | 81.31 |
| | Coloured | 3,393 | 9.45 | 8.9 |
| | Indian | 734 | 2.04 | 2.64 |
| | White | 2,092 | 5.83 | 7.15 |

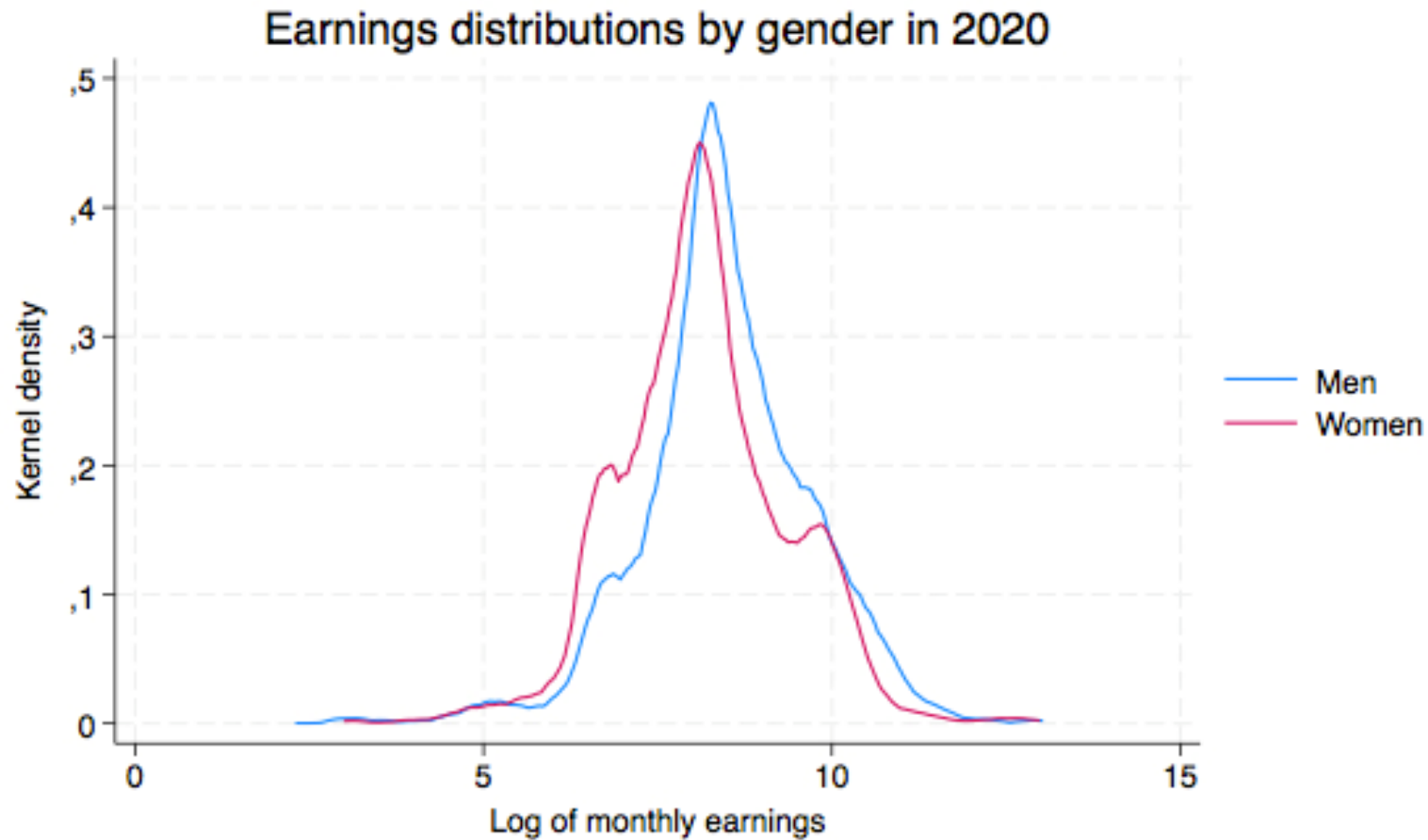
Employment



Earnings: Race



Earnings: Gender



Mean Labour Market outcomes by Race x Gender

| | Table X: | | LFP | E-Pop | Mean Earnings |
|------|----------|----------|------|-------|---------------|
| 2020 | Men | African | 0,89 | 0,58 | 8567 |
| | | Coloured | 0,87 | 0,64 | 7407 |
| | | Indian | 0,88 | 0,78 | 17284 |
| | | White | 0,92 | 0,86 | 26202 |
| | Women | African | 0,78 | 0,46 | 7172 |
| | | Coloured | 0,72 | 0,55 | 7308 |
| | | Indian | 0,58 | 0,48 | 13187 |
| | | White | 0,76 | 0,70 | 17738 |

Blinder-Oaxaca: Race & Gender 2020

| Outcome variable | | 2020 | | |
|---|-------------|--------------|--------------|--------------|
| | | M/F | Wh./Af. | Wh./Col. |
| Earnings (X= Age, Race, Gender, Education) | Gap | 0,293 | 1,04 | 1,019 |
| | Explained | 0,003 | 0,382 | 0,363 |
| | Unexplained | 0,29 | 0,658 | 0,655 |
| Earnings (X= Age, Race, Gender, Education, Ind & Occup) | Explained | 0,109 | 0,728 | 0,637 |
| | Unexplained | 0,185 | 0,317 | 0,388 |
| Employment | Gap | 0,124 | 0,253 | 0,18 |
| | Explained | -0,006 | 0,123 | 0,128 |
| | Unexplained | 0,131 | 0,131 | 0,052 |

Occupational by Race x Gender (2020)

Table X: Percentage shares by occupation for gender and race groups in South Africa in 2020

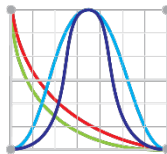
| Occupation | Men | | | | Women | | | |
|-------------------------------|---------|----------|--------|-------|---------|----------|--------|-------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White |
| Managers | 6,89 | 8,59 | 31,91 | 36,16 | 3,58 | 7,34 | 17,78 | 21,52 |
| Professionals | 3,35 | 4,22 | 9,01 | 15,73 | 5,3 | 6,4 | 19,11 | 18,39 |
| Technical professionals | 5,88 | 7,89 | 10,83 | 13,29 | 8,47 | 10,26 | 19,59 | 17,77 |
| Clerks | 4,89 | 5,43 | 9,89 | 3,42 | 13,44 | 20,05 | 29,13 | 29,55 |
| Service workers | 17,45 | 11,25 | 14,64 | 8,13 | 20 | 17,34 | 7,9 | 9,23 |
| Skilled agriculture & fishery | 0,56 | 0,6 | 0 | 0,76 | 0,21 | 0 | 0 | 0,56 |
| Craft | 19,42 | 19,19 | 11,24 | 15,62 | 3,47 | 3,46 | 1,15 | 1 |
| Plant and machine operators | 15,47 | 11,93 | 8,92 | 2,95 | 2,68 | 3,32 | 2,68 | 0 |
| Elementary occupations | 25,4 | 30,72 | 3,56 | 3,93 | 26,24 | 22,39 | 1,66 | 1,73 |
| Domestic workers | 0,69 | 0,17 | 0 | 0 | 16,62 | 9,45 | 0,99 | 0,25 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

Notes. Column percentages are given, summing to 100%.

The very small fraction of workers in the 'Other' category are omitted.

Conclusions

- Substantial differences in mean labour market outcomes by race and gender.
- A large share of the unexplained earnings differentials can be explained by occupational sorting
 - This itself could be partly due to discrimination.
 - Also due to other factors such as neighbourhoods, information, role models, pre-market factors.
- Even after including Industry and Occupation, the unexplained Gap values are very large.
- Results are fairly similar when comparing 2015 and 2020.



Thanks

- Comments/Questions welcome!
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