
Executive summary

A Review of Labour Markets in South Africa: The Impact of HIV/AIDS on the Labour Market

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1 Key words

Labour market; macro-economy; HIV/AIDS; HIV prevalence rates; distribution of HIV prevalence; structural channels of HIV/AIDS impact; productivity; AIDS-related mortality; AIDS-related morbidity; premature deaths; AIDS-related deaths; life expectancy; antiretroviral treatment; employment equity; SMMEs; supply chains; informal sector; non-AIDS scenario; feminisation of labour supply; skills profile of labour supply; skill intensive sector; HIV/AIDS and labour demand; HIV/AIDS and job creation; semi-skilled labour; highly skilled labour; skills-intensive employment; HIV/AIDS and employment equity; HIV/AIDS and training capacity; HIV/AIDS and SMMEs; HIV/AIDS and supply chains; HIV/AIDS and private sector; HIV/AIDS and mining sector; HIV/AIDS and public sector; SABCOHA; SETAs; Sida; HSRC

2 Commissioned and supported by

The study was initiated by the Swedish International Development Cooperation Agency and Human Sciences Research Council (SIDA-HSRC) project with financial assistance being provided by SIDA.

3 Conducted by

The study was carried out by the Employment and Economic Policy Research Programme at the HSRC.

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4 Background to evaluation

The Swedish International Development Cooperation Agency (SIDA), an external arm of the Swedish Government offers development assistance to developing countries, especially those in Sub-Saharan Africa.

Labour market policy and dialogue or "Labour Market Forum" was the focus of the Bi-National Commission (BNC) between Sweden and South Africa, as communicated in the communiqué of the 3rd session of the South Africa – Swedish BNC, Oct 8 – 10, 2003. The frame of this work and cooperation was still to be determined, by a mutual process between the South African Ministry of Labour and the Swedish Ministry of Industry, Employment and Communications, as facilitated through SIDA and the Embassy of Sweden in Pretoria. Thus, a research grant was provided to the HSRC in order to perform a scoping exercise that reviews available

information on the functioning of the labour market in South Africa, identify agencies involved in this work – whether in research or implementation, and identify critical gaps based on a good overview of ‘best developing country’ practice.

5 Overall purpose of the evaluation

The research paper under review is one of seven papers produced as part of an overall ‘scoping exercise’. The purpose of which was to “review available information on the functioning of the labour market in South Africa, identify agencies involved in this work – whether in research or implementation, and identify critical gaps based on a good overview of ‘best developing country’ practice”.¹

The overall purpose of this particular research paper was to understand the impact of HIV/AIDS on the labour market in order to assess the extent to which it adversely affects on-going efforts to redress historical inequities, especially for those historically disadvantaged and vulnerable groupings.

6 Scope of the evaluation

According to the project proposal, the scope of work for the overall study includes a gap analysis in labour policy research in South Africa. A list of key themes was identified, but HIV/AIDS was not listed as a key focus area. However, it is noted in the proposal that the specific weighting of each area was to be determined in an initial workshop with a multidisciplinary team of experts.

The scope of this paper is covered in the introductory section and is outlined as follows:

- The main anticipated effects of HIV/AIDS on the size, structure and composition of the labour market focusing on the demographic and skills effects. It contrasts this with current labour market trends in terms of labour supply and demand in the last 7-10 years. It considers current labour market segmentation based on race, sex, age, skill and occupation, and the impact on human resources development through education and training and employment equity. The impact on sectors, including SMMEs, supply chains and the informal sector is considered.
- It concludes with an assessment of the response at an institutional and policy level.
- Brief comments are made on the nature and limitations of the available empirical data and research.
- Finally, a gap analysis provides an overview of key knowledge and research gaps in extending our understanding of the HIV/AIDS impact on the labour market.

¹ Project Proposal: “Overview of Labour Market Function and Policy in South Africa”, submitted by the Employment & Economic Policy Research Programme, HSRC for SIDA, May 2004.

7 Evaluation questions

No evaluation questions were explicitly stated in the report.

8 Evaluation methodology

8.1 Type of evaluation

The proposal proposes a multidisciplinary approach to the overall study with a research team including people from different disciplines to investigate the research questions from different perspectives. In terms of typology this is closest to an Evaluation Synthesis since it synthesises the results of previous studies undertaken in relation to the effects of HIV and AIDS in the labour market sector. It also contains elements of a diagnostic evaluation as it involves an analysis of what is already known about HIV and AIDS and its effects on the labour market function and policy in South Africa and identifies what areas will require further research (research gaps).

8.2 Methodology

Although there is no separate section in the report on the methodology undertaken for this study, it is clear that it involves an analysis of secondary sources and a gap analysis to determine key knowledge and research gaps in extending understanding of the HIV/AIDS impact on the labour market. The proposal for the overall study states that the methodology included a workshop with a multidisciplinary team to discuss the frame of research. This was followed by a desktop analysis of secondary sources of information and interviews with role players and experts.

8.3 Data collection

No primary data was collected for this evaluation as it involved the analysis of secondary data only.

9 Findings

Impact on the labour force

Impact on the size of labour supply: HIV/AIDS has a disproportionate impact on the economically active population as AIDS-related mortality, disability and reduced life expectancy will result in a smaller labour force compared to a no-AIDS scenario. Given the lag time between the initial infection and AIDS sickness and deaths, these long-term negative effects may still be working its way through the labour force. Projected declines in life expectancy will have an adverse effect on the labour supply.

Impact on the demographic structure of labour supply: The core of the labour force, aged 15-49 year is most severely affected, in their most economically productive years and the highest HIV prevalence rates are concentrated among Africans. Given the historically disadvantaged position of women, especially African women, attempts at redress are put at a severe disadvantage as a result of premature AIDS-related deaths.

Impact on skills profile of labour supply

- The triple impacts of the age, skills and gender effect of HIV/AIDS are likely to impact negatively on the composition of the labour force, as well as the range of skills, knowledge and experience available in the labour market.
- AIDS induced morbidity and mortality will have a significant and adverse impact on the capacity on skills replacement, especially given the current small pool of skilled and highly skilled unemployed.

Impact on size and nature of labour demand

- Given its propensity to prey on inequalities and developmental fault lines, AIDS is likely to become a key factor in accentuating and exacerbating existing inequality, especially in regard to its impact on labour demand.
- Borat (2003) argues that the occupational distribution of employment gains and losses over the period, 1995-1999, shows that much of the job losses have been concentrated in unskilled, and to a lesser extent, semi-skilled occupations, while much of the employment gains have accrued to the highly skilled.
- Given the added cost burden of AIDS, the evidence suggest that even in growth sectors, the demand for unskilled labour will continue to decline. Further, across all sectors, despite the added AIDS cost burden of replacing skilled and highly skilled workers, the demand for these workers will continue to grow.
- The predicted slow-down (albeit small) in general economic growth is likely to exacerbate current declines in unskilled labour demand. Hence employment levels will not increase, whilst the unemployment rate will not change significantly (Arndt and Lewis 2000).

Impact on human resources development

Impact on employment equity: Current interventions in terms of employment equity practices may be undermined, given the susceptibility of those regarded as historically disadvantaged, including African men and women, the lowly skilled and low paid.

Impact on education: The expected AIDS-induced decline in life expectancy negatively influences all planning and investment decisions regarding education and training. A recent HSRC study shows that the number of teachers have been declining over the last seven years, and is attributed to contract termination of temporary teachers, resignation and mortality (ELRC, 2005). The implication is that the supply and quality of education is likely to suffer as a result of HIV/AIDS. Student-teacher ratios are likely to deteriorate given the negative effects on both students and teachers.

Impact on training capacity: The South African Business Coalition on HIV/AIDS (SABCOHA) (2002) reports that less than 10% of companies surveyed have budgeted for increased recruitment and training expenditure. Plans of most SETAs have not factored in the HIV/AIDS effect in terms of skills demand and current and future investment in training. Thus, learnerships may be at risk as training and replacement cost of HIV positive learners escalates.

Impact on sectors

Sectors such as construction, mining and agriculture that employ predominantly low-skilled, African workers display high HIV prevalence rates. Finance and business services that have higher proportions of skilled and highly skilled, and a more differentiated demographic profiles display low HIV prevalence rates. The

high-risk sectors also constitute the most important contributors to the employment creation in the South African economy.

Impact on SMMEs and supply chains: SMMEs are regarded in the policy-making environment as a key employment creator. However, SMMEs struggle to survive for a range of structural and institutional reasons. HIV/AIDS may worsen their capacity to survive. Large firms may run the risk of AIDS-induced supply chain interruptions from suppliers and distributors, if they determine their own HIV risk exposure in isolation of risk in their supply chains. In the public sector projections show that while HIV prevalence and AIDS death rates are relatively lower in the health sector, the general government sectors has among the highest rates (Quattek 2000).

Impact on informal sector: Given the demographic profile (largely African, female, young and poorly educated), low skill and income levels, HIV prevalence levels are likely to be high. The absence of medical benefits also implies that treatable conditions such as sexually transmitted infections (STIs) may create the conditions for HIV infection. HIV/AIDS is likely to increase informal sector marginalisation in terms of employment and income. The lack of regulation in the sector poses an obstacle to information dissemination and education and awareness.

Private sector responses

Small companies have been lagging behind others in their management of the epidemic, with medium-sized companies performing better. SABCOHA studies (BER 2004a; 2004b) show that manufacturing companies are showing more awareness of HIV/AIDS. The private sector response is still regarded as largely geared towards cost-reduction or cost-avoidance. AIDS "burden-shifting practices" reduce the 'social security' safety net in the private sector. This can be potentially ruinous for unskilled and semi-skilled employees who generally have much reduced access to medical and retirement benefits, placing greater pressure on the public sector health and welfare systems. However, more recently, in sections of the private sector there seems to be an increased appreciation that the long-term benefits of treatment and care may outweigh future AIDS-related costs.

10 Conclusions and recommendations

The increased manifestation of the AIDS epidemic suggests that labour market trend analyses should start considering HIV/AIDS as a key co-factor. This is especially the case insofar as adverse micro-level impacts start feeding through at a macro-level as well. Finally, HIV/AIDS threatens efforts to address historical inequities in the labour market, requiring targeted and knowledge-driven interventions to mitigate its impact.

Based on the findings of the study a number of research gaps are identified:

Impact on labour force: One of the key areas for future consideration is the extent to which HIV/AIDS is a key co-factor in the size and structure of the labour force. In terms of women, it would be important to track whether there are any discernible trends in terms of the age structure of the female working age population and labour force.

Impact on skills profile of labour supply: Research in South Africa on the skills and occupational distribution of HIV/AIDS prevalence suffers from methodological weaknesses. A more nuanced analysis of the differentiated skills impact may be developed through increased micro-level studies at company and/or sector level. There is a need to conduct an assessment of the replacement requirements by skill, and within sectors, as well as the institutional capacity to replace lost skills.

Impact on size and demand of labour supply: A major research gap is the impact of HIV/AIDS on employment, and its interaction with differentiated trends in skills-intensive employment. The adverse impact of HIV/AIDS on income poverty and skewed distribution of income is absolutely fundamental, given the potential exacerbation of existing developmental fault lines.

Impact on HR development: The differentiated impact of HIV/AIDS on skills is key to understanding the implications on current and future training demand. An impact analysis on current efforts to redress the skills deficit through the implementation of the NSDS is required, with sectoral foci for each of the SETAs.

Impact on sectors: Differentiated sector HIV prevalence rates suggest that the differential risk environment in critical economic sectors need to unpacked more systematically. This should move beyond demographic characteristics, including specific structural characteristics and other community-based factors that enhance or reduce susceptibility among subpopulations. Other factors include the extent to which HIV/AIDS will adversely impact on the capacity to grow labour intensive employment and value added production or services. Further, the supply chain impact in critical sectors (public and private) needs to be explored, as well as the HIV risk environment in the SMME and informal sector.

Private sector responses: Prevention programmes are the most popular means of intervention, but need to be evaluated in terms of their effectiveness. Costing the impact of AIDS intervention strategies over time needs to be extended to a wider range of sectors and company size categories.

11 Evidence of use

Although there is no clear evidence of instrumental use of the findings of this particular paper, the overall study to which it contributed has made an important contribution to the wider thinking about South African labour policy and practice. For example, it has influenced thinking around labour market dynamics.

The overall findings were presented to key stakeholders from Treasury, the Presidency, Department of Labour and Statistics South Africa and has influenced and shaped the way people think about different employment scenarios. Thus, by drawing together key decision makers and experts to discuss the issue of unemployment it facilitated discussions on how to target it by breaking down the issues in 'bite sized chunks' and taking people through a process to heighten their thinking around unemployment.

12 Note on quality of report

The overall quality of this report has been rated 4.36 on the scale applied to assess the quality of government evaluations, i.e. the Evaluation Quality Assessment Tool (EQAT).

Despite the limited amount of data available in this sector, the author has succeeded in synthesising the findings from available datasets and past research studies and provided a good analysis of the impact of HIV/AIDS on the labour market with specific emphasis on how this adversely affects ongoing efforts to redress historical inequities.

Overall the report is well-written and presented with good use of tables and figures throughout. However, it contains no background on the overall study to which this paper contributed or on the methods used which would have helped to contextualize the overall purpose of this paper.

The strength of the overall study to which this paper contributed lies in the highly participatory approach which was used throughout the research process. A multidisciplinary team of experts from different sectors were brought together to form a reference group which then provided input from inception to close out of the project. This strengthened the overall analysis and allowed for the research questions to be investigated from different perspectives.