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A Comparison of the Self-Reported Employment Status
and Official Labour Market Classifications
of Youth in South Africa

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A COMPARISON OF THE SELF-REPORTED EMPLOYMENT STATUS AND OFFICIAL LABOUR MARKET CLASSIFICATIONS OF YOUTH IN SOUTH AFRICA

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Introduction

The accurate measure of the unemployment rate is critical as it is widely used as a predictor of a country's economic performance (Statistics South Africa, 2008) and has implications for inequality, crime, and social stability. A precise and relevant unemployment rate is thus necessary for economic policy action as well as social, geographical and educational strategies (Barker, 2007; Pedersen & Schmidt, 2006; Ranchod, 2009). This paper compares the implications for the unemployment rate in South Africa when measured in three ways, where two of these classifications are based on actual behaviour and one is based on individual self classification. This knowledge of respondents' perceptions in relation to their official classification may be useful for understanding their behavior in terms of job search and transitions between labour market states.

In 2009 the official unemployment rate in South Africa was 24.3% (Statistics South Africa, 2010). In comparison, the global unemployment rate was 6.6% (Sang, 2010). Since the unemployment rate is a widely used indicator of wellbeing, poverty, and as a measure of the strength of an economy in general (Barker, 2007; Byrne & Strobl, 2004; Kingdon & Knight, 2006), the significant rate of unemployment in this country should be of major concern to policy makers – particularly through the effect that unemployment has on crime, poverty, and rising inequality. This paper will show that problem of unemployment may be much higher than the official data suggests – because the official rate is calculated using broad behavioural criteria which may disguise the perceived level of joblessness under current labour market conditions in this country. This paper does not however refute the importance of the official rate, because the official rate follows internationally consistent criteria for measuring unemployment. Instead it seeks to better understand the unemployment issue in South Africa.

A self-reported rate is useful for policy analysis, particularly since the manner in which an individual views him/herself may have a significant impact on decisions made regarding job search behavior, and other political economy considerations such as their assessment of the effectiveness of Government's policies that are intended to assist those who are unemployed. The paper will do this by testing the hypothesis that there is a significant difference between the official broad unemployment rate and the self-reported rate of unemployment amongst a sample of young people from Gauteng and Limpopo. It will also show there are differences in the observable characteristics of individuals who classify themselves as employed versus those who classify themselves as unemployed when compared to the way they are classified by the definitions which are based on their behavior.

The paper proceeds as follows: Section 2 compares the three measures of employment (and unemployment) used in this study. Section 3 discusses the contention surrounding the different definitions of employment, including the debate about the broad versus narrow definitions. Section 4 considers the largely unexplored

alternative of a self-reported unemployment rate. Section 5 describes the data used in the paper, while Sections 6 and 7 relate the method of investigation and regression analysis. Section 8 summarizes the results of the paper.

Measurements of unemployment

While concept of unemployment may appear to be intuitive, statistically it is much more complex to define and thus to measure. As Long (1942: 2) puts it, "It is not often fully understood that conceptual limits of unemployment are not definite boundaries, but rather wide battlefields over which economic and social philosophies are still fighting". An official definition of unemployment is particularly difficult to agree on because, firstly, it has multiple interpretations, and secondly, individuals seeking work are extremely heterogeneous (Brandolini et al., 2006). Essentially, even defining "labour" in a way that will refer to the same class of activities in all societies and nations consistently over time is a near-impossible feat (Moore, 1953). The challenge in defining unemployment is to balance this individual heterogeneity with the necessary fixed standards to facilitate comparability of labour market indicators worldwide (Brandolini et al., 2006; Moore, 1953).

The International Labour Organisation (ILO) defines unemployment in the labour force framework as "an extreme situation of total lack of work" (Hussmanns, 2007: 17). Under this framework, employment is seen as a less extreme situation of partial lack of work in which, during the reference period of one week, there has been participation in any economic activity for at least one hour (Hussmanns, 2007).

In 1998, Statistics South Africa (Stats SA) adopted this formal definition used by the ILO in order to ensure international comparability of its unemployment rate. In their Quarterly Labour Force Surveys (QLFS), Stats SA calculate the official number of unemployed persons as those who:

(a) Were not employed in the reference week
(b) Actively looked for work or tried to start a business in the four weeks preceding the survey interview, and
(c) Would have been able to start work or a business in the reference week

Persons who satisfied criteria (a) but not either (b) or (c) were considered Not Economically Active (Statistics South Africa, 2008). The broad/expanded definition of unemployment necessitates that only criteria (a) and (c) be met, while the narrow/strict definition has the additional requirement (b) where a person has actively searched for work in the past four weeks (Statistics South Africa, 1998).

To consider each of these criteria individually:

(a) Not Employed

In order to fully appreciate the unemployment definition, it is important to understand what it means to be employed. In this measure, the QLFS again follows the official definition proposed by the ILO (Statistics South Africa, 2008): Persons employed in market activities are those who, during the reference week, even if only for one hour, did any of the following:

(1) Worked for a wage, salary, commission or payment in kind (including domestic work)
(2) Ran any kind of business, big or small, on their own or with one or more partners
(3) Helped without being paid in a business run by another household member

The defining property of this measure is that engagement in economic activity for as little as one hour during the reference week is enough to be classified as employed (Statistics South Africa, 2008). The reasons cited by the ILO for this one-hour criterion include making the definition of employment as broad as possible, ensuring that aggregate labour inputs correspond to aggregate production, and compliance with the rules of the ILO labour force framework which gives precedence to any employment activity over any other activity. These rules of the labour force framework exist to ensure that the classification of the population into the three groups of Employed, Unemployed, and Not Economically Active is exhaustive, and that the three groups remain mutually exclusive (Hussmanns, 2007; Statistics South Africa, 2008).

(b) Seeking Work

In order to be considered unemployed, an individual must have taken active steps in a specific period to find work. Merely stating to want work is not sufficient to objectively classify the individual as unemployed. The ILO does not specify the length of the job search period, but has left this open to individual countries for interpretation (Hussmanns, 2007). Statistics South Africa uses the most commonly adopted period of 4 weeks (Statistics South Africa, 2008).

(c) Available to work

The purpose of the availability for work criterion is to exclude persons with the intention of starting work at a later date (for example students) and persons who would not be able to take up work due to family responsibilities, illness, or prior commitments (Hussmanns, 2007) .

In addition to the above three criteria, the QLFS also restricts the working-age population to persons aged 15-64 years. Those classified as neither employed nor unemployed are considered Out Of the Labour Force or Not Economically Active (NEA). This incorporates persons of the working-age who did not work in the

reference week, did not look for work or attempt to start a business in the four weeks preceding the survey, or were not available to start work in the reference week.

The unemployment rate is then calculated as follows:

$$\text{Unemployment Rate} = \frac{\text{Number of Unemployed Persons}}{\text{Labour Force}} \times 100 \qquad \text{(Equation 1)}$$

Here the labour force is equal to the sum of the number of unemployed persons and the number of employed persons (Barker, 2007; Yu, 2009).

Counting employment in the Quarterly Labour Force Survey (QLFS)

The QLFS calculates unemployment based on the ILO definition (as discussed above) with the use of Section 2 and 3 of the questionnaire. The relevant questions are:

(2.4) In the last week

> *(a) Did you work for a wage, salary, commission or any payment in any kind (including paid domestic work), even if it was for only one hour?*
> *(b)Did you run or do any kind of business, big or small, for yourself or with one or more partners, even if it was for only one hour?*
> *(c) Did you help without being paid in any kind of business run by your household, even if it was for only one hour?*

If yes to any part of Q2.4 go to Section 4, otherwise go to Q2.5

This question determines whether the individual is classified as employed. By the official definition of employment, "yes" to any one of these questions satisfies the criteria for employment. No further questions are asked regarding economic activity (Section 2) or unemployment and economic inactivity (Section 3). The respondent is routed past these sections, and thus cannot be classified as either Unemployed or Not Economically Active.

These three questions replace eight detailed questions included in the LFS until 2008 regarding domestic work, farming/agricultural work, construction activities, and hunting livestock for consumption or resale.

The move to the QLFS relies on only the above three questions to classify employment (Yu, 2009).

(2.5) In the last week, even though you did not do any work for pay, profit or did not help without pay in a household business

    (a) Did you have a paid job that you would definitely return to?

    (b) Did you have a business that you would definitely return to?

    (c) Did you have an unpaid job in any kind of business run by your household that you would definitely return to?

If yes to (a), (b) go to Q2.7, otherwise go to Q2.6 (which asks additional questions regarding non-market production activities).

Despite answering negatively to the previous question, the respondent may still be classified as employed, if he/she is temporarily absent from work with good reason. Q2.7 deals with the reason given for absence. Persons who were temporarily absent from unpaid work (c) cannot be considered employed, and are routed eventually to section 3 to determine whether they fall into the Unemployed or Not Economically Active segment of the labour force.

(2.7) What was the main reason you were absent from your job/business last week?

    -Health reasons

    -Vacation leave

    -Caring for family or others (except maternity/paternity leave)

    -Maternity or paternity leave

    -Other family/community obligations

    -Strike/stay-away/lockout

    -Transport problems

    -Bad weather

    -Study or training leave

    -Unrest (violence)

    -Temporarily laid off/Reduction in economic activity

    -Seasonal work

    -Start a new job/business at a definite date in the future

For all reasons other than the final two, go to Section 4, otherwise go to Section 3

Persons who were absent from work for any reason apart from the last two are considered employed. Others are routed to Section 3 to determine whether they are inactive or unemployed.

(3.1) In the last four weeks

(a) Were you looking for any kind of job?

(b) Were you trying to start any kind of business?

If yes to either (a) or (b) go to Q3.2 (which asks about specific search action taken), if no to both go to Q3.3.

This question determines whether the respondent engaged in search activity, which is a prerequisite for classification as Unemployed as opposed to Not Economically Active.

(3.3) Was this because you had already arranged to take up a job or start a business at some later date?

If yes, go to Q3.6 (which asks about the duration of unemployment)

Persons who answered yes to this question did not have to be engaged in active search in order to be classified as Unemployed, providing they were able to start work in the previous week.

(3.9) If a suitable job had been offered, would you have been able to start work last week?

This question is the final determinant of Unemployment. An individual must have been able to start work within the reference week to be classified as Unemployed.

Controversy surrounding the definition of unemployment

In 1998, Statistics South Africa (Stats SA) adopted the narrow definition of unemployment as the official South African unemployment rate, revising their use of the broad rate since 1993 (Statistics South Africa, 1998). Moreover, with the progression of the October Household Survey (OHS) from 1993-1999, to the Labour Force Survey (LFS) from 2000-2008, and then to the Quarterly Labour force survey (QLFS) in 2006, the unemployment algorithm no longer considered the broad unemployment rate at all (Yu, 2009).

This amendment meant that individuals who had not participated in active search activity within the four weeks prior to the interview would be classified as Not Economically Active instead of as Unemployed. In addition to following international standards, Stats SA asserted that the narrow definition is technically more objective as it is preferable to include only those individuals who have engaged in definite actions towards finding a job (Statistics South Africa, 1998).

Figure 1: Broad vs Narrow Unemployment Rates in South Africa (2000-2005)
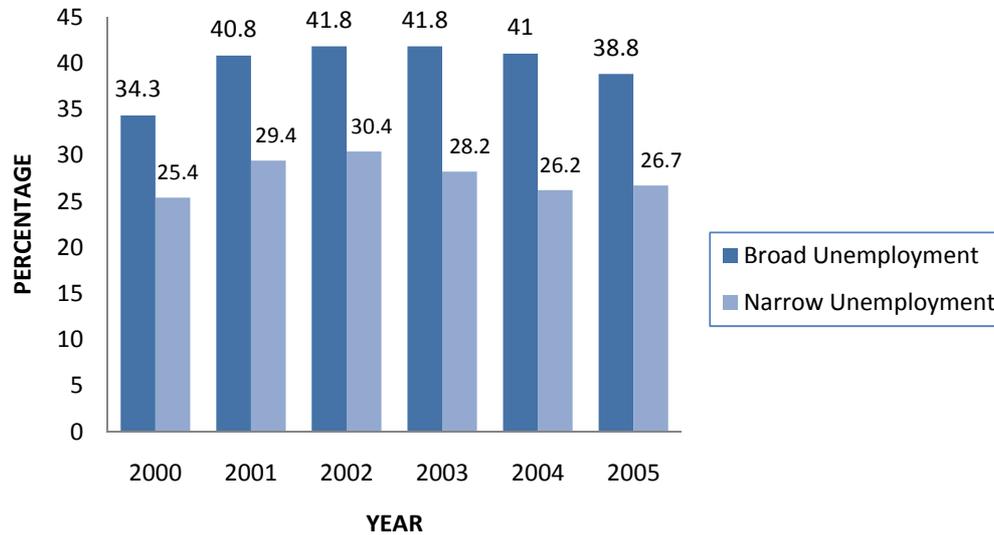
This decision did not come about without challenge and dispute, both in South Africa and internationally. The contention between the broad and the narrow rate is a longstanding issue that has been the subject of much debate. The criterion of job search is a rational restriction as it requires active demonstration of labour-force attachment. However, this comes at the cost of a large number of non-searchers being disregarded by the unemployment measure. Many economists argue that being willing and able to work should be sufficient for classification as unemployed. The argument is intensified in developing countries with mass unemployment, such as South Africa. In such cases, job search cost (transport, childcare, expenses, etc.) is increased while the likelihood of finding work is decreased, leading to a very small expected return from search. Many potential workers are likely to be discouraged and thus remove themselves from the searching segment despite desperately wanting work (Barker, 2007; Byrne & Strobl, 2004; Dinkelman & Pirouz, 2002; Kingdon & Knight, 2006). Dinkelman & Pirouz (2002) and Kingdon & Knight (2006) argue that in such a case, the high cost of search combined with the low probability of finding work makes *not* searching a rational strategy. They argue that these disincentives to search do not necessarily imply that the non-searching segment desire work any less than the searching. Clearly, by this reasoning, the reported unemployment rate may understate the true rate of unemployment (Barker, 2007; Dinkelman & Pirouz, 2002; Kingdon & Knight, 2006).

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[1] Data taken from Bhorat, H. "Unemployment in South Africa: Descriptors and Determinants"

Because of this controversy, there has been much research conducted to determine whether Unemployment and Not Economically Active are distinct states, and whether the search criterion is necessary for unemployment classification. To test this, a number of international studies (Brandolini et al., 2006; Byrne & Strobl, 2004; Dinkelman & Pirouz, 2002; Flinn & Heckman, 1983; Garrido & Toharia, 2004; Jones & Riddell, 1999) have compared the transition probabilities between subgroups of the labour force. Flinn and Heckmann (1983) reject the hypothesis that Unemployed and Not Economically Active are meaningless distinctions, making it unwarranted to merge the two states into a single state. Jones & Riddell (1999) find that for the Canadian labour force there are, in fact, *three* distinct non-employment states: Unemployed, Marginally Attached, and Not Economically Active, where the Marginally Attached group represents the non-searching unemployed. Garrido & Toharia (2004) find similar results for Spain. Brandolini et al (2006) follow this methodology but argue that the four week search criterion is too arbitrary a time period. They thus call their Marginally Attached group "Potentials", which they define to be individuals who have not actively searched for work in the past four weeks. Their results confirm those of the Canadian and Spanish studies, supporting the adoption of a distinct intermediate segment between the Unemployed and Not Economically Active segments. However, they argue that in many cases this intermediate group is not significantly different from the Unemployed group. Inclusion of this segment would enrich our knowledge from both a macroeconomic (in terms of the amount of available labour) and social (in terms of joblessness as deprivation) viewpoints (Brandolini et al., 2006).

Byrne & Strobl (2004) investigate the transition probabilities of the labour force for Trinidad and Tobago, breeching the gap in the literature for developing countries. They consider the Marginally Attached to be those non-searching individuals who have engaged in search activity within the past three months, despite not currently searching. They observe similar results to Jones & Riddell for females. However they find that the Marginally Attached group, while being distinct from the Not Economically Active group, is not behaviourally different from the Unemployed segment for males. From these results they argue that developing countries should take care when applying the standard unemployment definition to non-searching individuals, as their exclusion may result in an inaccurate representation of the true unemployment rate. In this case international consistency and comparability may come at the cost of applicability (Byrne & Strobl, 2004).

Furstenberg & Thrall (1973) claim that the US unemployment rate is a severe understatement of the desire to work that merely scratches the surface of demonstrating the true shortage of jobs. They are particularly concerned about the exclusion of discouraged workers, sometimes referred to as the "hidden unemployed" who, they argue, are hidden only from the public view. They maintain that there is no logical justification for excluding these and other non-searching individuals from the unemployment rate other than concealment of the true level of joblessness. In doing so, millions of individuals who would accept employment are instead

classified as Not Economically Active. These deceptive results are misleading to policy makers, the government, and the public, and may be responsible for keeping many people from looking for work. Furstenberg & Thrall assert that a series of questions designed to recognize the continuum of attachment to employment should be included in labour force surveys in order to improve labour market measurements (Furstenberg & Charles, 1975).

Dinkleman and Pirouz (2002) conduct a study similar to those of Jones & Riddell (1999) and Flinn & Heckmann (1983) for the South African labour market. They consider an individual's labour market status to be the outcome of a selection process between four states of Employed, Searching Unemployed, Non-searching Unemployed, and Not Economically Active. Their results suggest that the Non-searching Unemployed are more likely to be female, African, poorer, younger, with lower education levels and residing in inferior living conditions in more rural areas than their searching counterparts (Dinkelman & Pirouz, 2002; Kingdon & Knight, 2006). They conclude that non-searching individuals are distinct from those that are Not Economically Active, and thus a single broad unemployment rate cannot capture the full range of labour market attachments. Furthermore, if government is to assist the non-searching portion of the labour market, it must consider a differentiated unemployment policy approach (Dinkelman & Pirouz, 2002).

Kingdon and Knight (2006) conduct a number of tests in an attempt to determine whether the job search criterion is rational in the South African context and the extent to which non-searching unemployment should be of policy concern. They find that the non-searching unemployed are significantly more deprived than the searching, suggesting that the reason for not searching is discouragement and low prospective returns to search. The situation is so severe that the non-searching unemployed are found to be the most deprived of all economic activity groups. Moreover, search is likely hampered by high costs, poverty, and mass levels of local unemployment. They conclude that there is no distinction between the searching and non-searching segments that warrants the exclusion of the latter group from the unemployment rate. Furthermore, the non-searching group is no less a part of the labour force and their joblessness is no less associated with deprivation or less importance in policy decisions (Kingdon & Knight, 2006). It should be noted that Kingdon & Knight came to these conclusions without being able to control for the respondents' perceptions of their position in the labour market. A self-reported employment rate would allow for this kind of study under distinctions made by respondents and not imposed by an investigator.

In the same paper, Kingdon & Knight consider the factors that determine whether unemployed workers wanting work will involve themselves in active search methods. To do this they employ the following model:

When deciding whether to actively search, the individual weighs up the prospective benefit of the search against the cost. Letting r be the reservation wage, the worker will apply for any job offering wage, w, such that w > r. The probability that he will apply for a job, p(r), depends on the distribution of vacancies by wage,

so that p(r) = p(w>r). The probability of getting a job is λ. If the individual hears about n jobs in each period, then the probability of getting a job in that period is nλp(r). Then

$$B = n\lambda p(r)v$$

where B is the expected benefit from search for one more period, and v is the present value of the extra wage that could be expected over and above the reservation wage. That is v = [E(w I w>r) – r]/(i+f) where i is the discount rate and f the probability each period of the job ending.

The cost, C, of searching for one more period is the opportunity cost if the search, which is the worker's income if he accepts a wage of r, minus his income while employed, x, plus the direct cost of the search, s:

$$C = r - x + s$$

The worker will set the reservation wage, r, so that the cost of unemployed search for another period is equal to the expected benefit of the search, giving

$$r = x - s + n\lambda p(r)v$$

When the individual does not actively search, the number of vacancies that he/she learns of, n, will be lower, as will the direct cost of the search, s. The two effects result in a decrease and increase in r respectively, making the overall effect unclear. If the cost of the search is high and the number of offers does not significantly increase with search, then the individual will find it beneficial not to actively partake in search activity. However, if the cost of the search is negligible and the returns in terms of an increase in offers are high, the benefits of search will outweigh the costs (Kingdon & Knight, 2006).

As Dinkelman & Pirouz (2002, pg 873) point out that "the fact that some individuals classify themselves as searching while others consider themselves to be non-searching suggests that there may be some distinction between these groups which could be relevant for policy analysis". The non-searching segment is likely to be substantially large and, in many cases, similar to the searching component. Exclusion of these individuals would then result in a significantly underestimated unemployment (Byrne & Strobl, 2004). Considering the magnitude of both the unemployment rate and the gap between the narrow and broad rates, an appropriate definition is critical for South Africa. Dinkelman & Pirouz warn that if policy ignores this diversity and focuses only on the strict definition of employment, the most disadvantaged will remain in poverty. The official ILO definition is necessary for international consistency of the unemployment rate, however to prevent the non-searching unemployed from being left-out of policy decision, Kingdon & Knight recommend that the broad rate be published alongside the narrow (Kingdon & Knight, 2006).

Counting unemployment in the National Income Dynamics Study (NIDS)

In contrast to the QLFS, the National Income Dynamics Study (NIDS) conducted by the Southern African Labour and Development Research Unit (SALDRU) categorizes each individual of working age into one of four mutually exclusive categories: Employed, Searching Unemployed, Discouraged Unemployed, and Not Economically Active. While the QLFS considers discouraged workers, it does so only as a subgroup of the Not Economically Active (Ranchod, 2009).

The NIDS criteria are simpler than those of the QLFS. In order for an individual to be classified as Searching Unemployed, he/she must not be employed, and must have actively sought work in the past four weeks. NIDS does not require the individual to be available to work in the reference week. Even more straightforward is the NIDS definition of Employment. A person of working age is classified as employed if he/she has "engaged in some kind of productive activity, generally for the purpose of earning money" (Ranchod, 2009: 2). The Discouraged Unemployed and the Not Economically Active, both not employed and non-searching, are distinct from one another in that the Discouraged Unemployed would have liked to have worked in the four weeks prior to the survey (Ranchod, 2009).

The NIDS also differs from the QLFS in its working-age range. While QLFS specify 15-64 years, NIDS favour 21-59 years. This is motivated by the fact that 21 is the legal age of adulthood, and most individuals 60 years or older are retired due to pension eligibility. Once the population has been categorized into one of the four mutually exclusive categories, NIDS uses Equation 1 to compute the Unemployment rate (Ranchod, 2009).

The NIDS unemployment rate is measured making use of the following questions:

- E1: Are you currently being paid a wage or salary to work on a regular basis for an employer (that is not yourself) whether full time or part time? If no, skip to E28
- E28: Have you engaged in any self-employment activities during the last 30 days? If no, skip to E40
- E40: Have you done any casual work to earn money in the past 30 days? If no, skip to E45
- E45: In the last 30 days did you do any work on your own or the household's plot, farm, food garden, cattle post or kraal, or help in growing farm produce or in looking after animals for your household? If no, skip to E52
- E52: Did you help other people with their business activities in the last 30 days? If no, skip to E58
- E58: Does this respondent have regular employment, ie E1 = yes? If yes skip to Section F1

- E59: Is this respondent self-employed, ie E28 = yes? If yes skip to Section F1
- E60: Does this respondent have a casual job, ie E40 = Yes? If yes skip to Section F1
- E61: Does this respondent work on their plot or food garden, ie E45 = Yes? If yes skip to Section F1

If yes to any of the above questions, the respondent is classified as employed and is routed past the all unemployment question. If no to all the above questions, the person is not employed, and it remains to be determined whether he/she is Searching Unemployed, Discouraged Unemployed, or Not Economically Active.

- E66: In the last four weeks, would you have liked to work for pay, profit or family gain? If no, skip to E76

This question determines whether the respondent is Unemployed or Not Economically Active. If the response is no, the individual is classified as Not Economically Active.

- E71: In the last four weeks, what are all the things that you have done to search for work or to start a business? If nothing, skip to E74

This question then aims to split the Unemployed respondents into Searching Unemployed and Discouraged Unemployed. In order to be classified as Searching Unemployed, individuals must have engaged in some form of search activity in the last four weeks.

Self-reported Unemployment

A self-reported unemployment rate is a concept that is unexplored in South Africa. Analogous to most international labour force surveys, neither of the official South African surveys include a question about how an individual perceives him/herself in relation to the labour market. Afrobarometer (2004) claims to have a figure of approximately 55% self-reported unemployment for South Africa. However, upon further investigation it becomes apparent that the series of questions prompting this result (Do you have a job that pays cash income? Is it full-time or part-time? Are you looking for a job (even if presently working)?) does

not, in fact, include a question relating to how the individual would categorize themselves (Afrobarometer, 2004).

The results from the literature discussed above suggest that the stringent requirements of the ILO measure of unemployment may be too simple as a representation of the extensive lack of employment, particularly for a developing country such as South Africa. One of the limitations of the official definitions of unemployment is that statistical agencies impose a classification onto the respondent based on his/her behaviour. In doing so, they assume that behaviour is a fair reflection of the labour market status which the respondent believes to be in. However, in the context of a developing country suffering mass unemployment, the individual's perceived labour market status may offer a different picture. This self-reported measure of unemployment may be especially relevant and informative when investigating discouragement and the intermediate segment between Unemployed and Not Economically Active (Pedersen & Schmidt, 2006).

Pedersen & Schmidt (2006) use data from the European Community Household Panel to compare self-reported unemployment with the official rate of unemployment as defined by the ILO definition. In doing so they are able to compare unemployment based on attitudes with unemployment based on actual behaviour. Their study investigates whether individuals' characteristics explaining the transitions out of unemployment are more strongly associated with the ILO or self-reported measure of unemployment. They find that the formal rate is stable over time at approximately 2 percentage points lower than the self-reported rate. Their results also show that gender, active time remaining in the labour market, and level of discouragement are the most important factors in determining differences between the official and self-reported rates. They find that a large segment of the sample has given up on active search due to discouragement, yet still considers themselves unemployed and as part of the labour force. The majority of these discouraged workers are married women or people with health problems. They conclude that the similarity between the two definitions differs drastically between countries, with Spain and Italy having equal formal and self-reported rates, while self-reported unemployment is twice as high Belgium and the Netherlands as the official ILO rate. Pedersen & Schmidt recommend tracking the unemployment rate according to both definitions, especially during times of economic change (Pedersen & Schmidt, 2006).

Data

This paper uses data from two rounds of a that is being conducted by the African Micro-Economic Research Umbrella (AMERU) at The University of the Witwatersrand . In this paper this survey will be referred to as the Labour Market Entry Survey (LMES). The unique feature of the Labour Market Entry Survey (LMES) is

that it includes a question pertaining how the respondent classifies herself/himself by asking the respondents "What CURRENTLY takes up most of your time?"

The survey is restricted to African youth between the ages of 20-24 years residing in the Gauteng, KwaZulu-Natal and Limpopo provinces. The first round baseline survey was conducted from April to August 2009 across forty-five enumeration areas in the three provinces. The majority of these enumeration areas were chosen based on the 2001 Census – a smaller subsample was drawn from respondents who visited Department of Labour Centres. The probability of the enumeration area clusters being drawn was proportional to the number of young people living in these clusters. Figure 2 gives a representation of the geographical distribution of these clusters:

Figure 2: Geographical representation of the distribution of enumeration area clusters
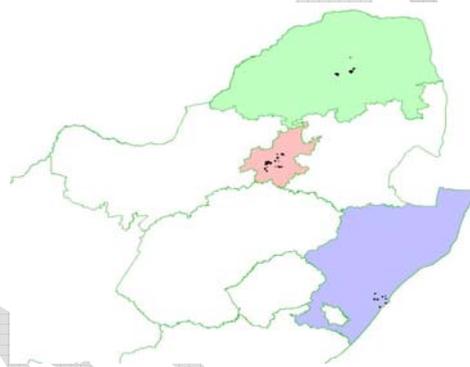
For the purposes of this paper, the data used will be confined to Limpopo and Gauteng, in particular those observations that were sampled in enumeration areas. This is mainly due to the fact that the second round of the survey, at the time of writing this paper, was still underway and only 50% of the Kwazulu-Natal first round respondents had been re-interviewed in 2010. Although this does not alter the conclusions, it simplifies the analysis. This paper does not intend to refute figures in either the QLFS or NIDS surveys, and does not claim to be representative of the entire population. It merely attempts to examine the differences between unemployment rates when the self-reported rate is considered in addition to the official definitions, and the implications that these differences may hold for analysis of the determinants of unemployment and consequently policy. The following table shows the number of observations for each of the two waves in the survey.

Table 1: Number of observations for both waves of the LMES

| | Survey wave | | | |
| | 2009 | | 2010 | |
Original sampling province	No	Col %	No	Col %
Gauteng	1329	68	1002	68
Limpopo	637	32	462	32
Gender				
Female	1127	57	854	58
Male	839	43	610	42
Total	**1966**		**1464**	

The majority of the respondents in both waves answered "Unemployed but searching" to the question "What currently takes up most of your time?"

Table 2: Number of observations and proportion for answer to the question "What currently takes up most of your time?"

| | Survey Wave | | | |
| | 2009 | | 2010 | |
What activity currently takes most of your time	No.	Col %	No.	Col %
Further education	266	13.5	199	13.6
High school	153	7.8	63	4.3
Unemployed and NOT searching	161	8.2	62	4.2
Unemployed but searching	1148	58.4	827	56.6
Working for someone else	204	10.4	243	16.6
Working for yourself	34	1.7	67	4.6
Total	**1966**	**100**	**1461**	**100**

These figures are alarming because they imply that the unemployment rate, when calculated using this self-reported definition of the respondent's labour market status, is much higher than both the official rate and a comparison rate when using data from the National Income Dynamics Study. The following table presents

both the narrow and broadly defined un-weighted unemployment rates for the LMES 2009, QLFS 2009 Q2, and NIDS 2009 for young black workers aged 20-24 in Gauteng and Limpopo province.

Table 3: Narrow and Broad Unemployment rate when calculated using the un-weighted LMES 2009, QLFS Q2 2009, and NIDS 2009 data

Unemployment rate (%)

Scope	LMES 2009	QLFS Q2 2009	NIDS 2009
Narrow	83	56	45
Broad	84	62	51

As this table shows, the self-reported rate is considerably higher than both the un-weighted QLFS and NIDS figures. In fact, the narrow self-reported unemployment rate exceeds even the broad rates in the other surveys by a substantial amount. There are three possible explanations for the considerable differences between these rates: The first is that the respondents in the LMES were sampled differently to the other two surveys; the second is the possibility that the weightings in each survey are different and may significantly alter the actual rates; and finally, a third explanation is the way that employment and unemployment have been defined and measured in these surveys.

Since the LMES is specific to young Africans aged 20 to 24 in 2009, and was sampled randomly at the level of the individual and not at the household - in predominantly urban areas, it is possible that this sample may have different characteristics to the QLFS and NIDS samples. This paper will not however address the issue of sampling or weights as it will considerably complicate the analysis without adding to or altering the conclusions. The investigation instead focuses on the effect that the differences in the questions that are used to calculate the unemployment rate – at the level of the survey – have on this rate. Exact representative quantitative results are not the aim of this paper. Rather, the qualitative results and their potential implications for nationally representative data and policy are of concern to us, and will thus be the focus of this paper. The definitions and measurements are critical when calculating unemployment rates. Thus, the way in which the questions are worded as well as the method of converting responses into an unemployment rate may influence any findings from these surveys.

In order to investigate the disparity in these rates, the 2010 wave of the LMES survey therefore included several questions that were used in QLFS and NIDS surveys to calculate the employment rate – so that a

direct comparison could be made. These questions are worded as follows, with the corresponding official question in brackets. The first set of questions related to classifying the respondent as employed:

QLFS

1. In the last week did you work for a wage, salary, commission or payment in kind (including paid domestic work), even if it was for only one hour? (QLFS 2.4a)
2. In the last week did you run or do any kind of business, big or small, for yourself or with one or more partners, even if it was for only one hour? (QLFS 2.4b)
3. In the last week did you help without being paid a wage or salary to work on a regular basis for an employer (that is not yourself) whether full time or part time? (QLFS 2.4c)

NIDS

4. Are you currently being paid a wage or salary to work on a regular basis for an employer (that is not yourself) whether full or part time? (NIDS E1)
5. Have you engaged in any self-employment activities during the last 30 days? (NIDS E28)
6. Have you done any casual work to earn money in the past 30 days? (NIDS E40)
7. In the last 30 days did you do any work on your own or the household's plot, farm, food garden, cattle post or kraal, or help in growing farm produce or looking after animals for your household? (NIDS E45)
8. Did you help other people with their business activities in the last 30 days? (NIDS E52)
9. In the last four weeks, would you have liked to work for pay, profit, or family gain? (NIDS E66)

The questionnaire is administered so that if "Yes" is answered to any of the first eight questions, the individual may be classified as 'Employed', and the remaining questions in the section are skipped over. Furthermore, the survey does not include questions related to absence from work, because the proportion of these people is relatively small. These decisions were made in order to reduce the time taken for each survey, particularly because these questions were not deemed central to the aims of the main study for which the data is being used.

In addition to the employment questions two other questions were included in the 2010 survey that reflected the relevant QLFS and NIDS questions:

-   If you were offered a suitable job, would you be able to start within a week? (QLFS 3.9)
-   What have you been doing to look for work in the past month? (QLFS 3.1, NIDS E71)

With the use of these questions, it is possible to calculate an approximate measure the unemployment rate using the definitions and corresponding questions to the QLFS and NIDS surveys.

Investigation

Comparing different broad unemployment rates in the Labour Market Entry Survey

The investigation will focus on the differences between the broad unemployment rates in order to concentrate on the effect that the different employment questions have on the unemployment rate instead. This also simplifies the analysis in this paper but does not lead to considerably different qualitative results. The different broad rates that are compared in this investigation are calculated as follows:

1. <u>Self reported:</u>

- 'Employed' if the respondent indicated that "Working for someone else" or "Working for yourself" currently took up most of his/her time
- 'Unemployed' if the respondent answered "Unemployed but searching" or if the person was "Unemployed but NOT searching" yet indicated that he/she was not searching because he/she was discouraged

2. <u>QLFS definition:</u>

- 'Employed' if the respondent answers "Yes" to one of the first three questions
- 'Unemployed' if the person said that answered "Yes" to the question "If you were offered a suitable job, would you be able to start within a week?"

3. <u>NIDS definition:</u>

- 'Employed' if the respondent answered "Yes" to one of the first eight questions
- 'Unemployed' if the person said that answered "Yes" to the question "If you were offered a suitable job, would you be able to start within a week?"

Table 4 shows the 18 different combinations of states that arise from the comparisons of the self-reported states with the QLFS and the NIDS defined states. The investigation that proceeds will focus on states 1, 2 and 5; and on states 10, 11 and 14. The numbers of respondents who fall into categories 4 and 13 are very small (with fewer than 41 and 3 observations respectively) and are likely to refer to people that were absent or on leave from work for an extended period at the time of the survey.

Table 4: Different combinations of states

Self reported status	QLFS status			NIDS status		
	Unemployed	Employed	Not economically active	Unemployed	Employed	Not economically active
Unemployed	**1**	**2**	3	**10**	**11**	12
Employed	4	**5**	6	13	**14**	15
Not economically active	7	8	9	16	17	18

The Not Economically Active (NEA) status includes those people who are not classified as employed or unemployed. Table 5 provides a comparison between the Self-reported and the QLFS and NIDS statuses when using the LMES 2010 data with a total of 1459 observations.

Table 5: Comparison of the Self-reported status with both the QLFS and NIDS states using the LMES 2010 data (1459 observations)

Self-reported status	QLFS status			NIDS status		
	Unemployed	Employed	Not Economically Active	Unemployed	Employed	Not Economically Active
Unemployed						
Number of observations	426	409	7	206	634	2
Row %	50.59	48.57	0.83	24.47	75.3	0.24
Col %	68.6	51.25	17.5	71.28	55.18	9.52
Employed						
Number of observations	41	261	7	3	306	0
Row %	13.27	84.47	2.27	0.97	99.03	0
Col %	6.6	32.71	17.5	1.04	26.63	0
Not Economically Active						
Number of observations	154	128	26	80	209	19
Row %	50	41.56	8.44	25.97	67.86	6.17
Col %	24.8	16.04	65	27.68	18.19	90.48

Table 6 below presents the broad unemployment rates when using these three definitions for the full sample, and for the sample when split by gender, and province. The results show that there is a difference between

these rates – the self-reported unemployment rate (at 73.2%) for this particular sample is almost 67% higher than the broad unemployment rate which has been calculated using the first three employment questions that appear in the QLFS surveys (43.8%). An equality of proportions test using large-sample statistics shows that the difference between the self-reported and QLFS broad unemployment rate is between 27 and 33 percentage-points at the 95% confidence level, while the difference between the self-reported and NIDS broad unemployment rate is between 50 and 56 percentage-points. Furthermore, the figures for the number of observations in Table 5 and Table 6 show that there are differences in the size of the labour force when these different definitions are used. It follows that this, in addition to the way employment is defined, may also have an effect on the determination of the unemployment rate.

Table 7 shows the proportion of respondents who self-reported employment (as opposed to unemployment) after answering "Yes" to one of the eight questions taken from the QLFS and NIDS. They show that more than half of those who answered "Yes" to the questions 1 and 4 indicated that they were employed. However, the proportion of those who answered "Yes" to any of the other questions and self-reported employment is considerably lower than for questions 1 and 4 and points to a possible reason for the difference between the rates shown in Table 6. It is nevertheless interesting that a substantial proportion of those that answered "Yes" to the question "In the last week did you work for a wage, salary, commission or payment in kind (including paid domestic work), even if it was for only one hour?" or "Are you currently being paid a wage or salary to work on a regular basis for an employer (that is not yourself) whether full or part time?" believed that they spent most of their time unemployed (searching or discouraged).

Table 6: The broad unemployment rate calculated using the self-reported, QLFS and NIDS definition of employment, using the LMES 2010 data

Rate	Number of observations	Broad unemployment rate (%)	Binomial Exact 95% Confidence Interval for the broad unemployment rate	
			Lower (%)	Upper (%)
Full sample:				
Self-reported	1151	73.2	70.5	75.7
QLFS definition	1419	43.8	41.2	46.4
NIDS definition	1438	20.1	18.1	22.3
Male:				
Self-reported	487	65.5	61.1	69.7
QLFS definition	594	33.8	30.0	37.8
NIDS definition	600	14.3	11.6	17.4
Female:				
Self-reported	664	78.8	75.5	81.8
QLFS definition	825	50.9	47.4	54.4
NIDS definition	838	24.2	21.4	27.3
Gauteng:				
Self-reported	826	71.8	68.6	74.8
QLFS definition	977	40.5	37.4	43.7
NIDS definition	989	18.8	16.4	21.4
Limpopo:				
Self-reported	325	76.6	71.6	81.1
QLFS definition	442	50.9	46.1	55.7
NIDS definition	449	22.9	19.1	27.1

Table 7: Proportion of the respondents who self-reported employment after answering "Yes" to one of the eight questions

	Proportion of respondents who self-reported employment as opposed to unemployed (%)				
Answered "Yes"	Full Sample	Male	Female	Gauteng	Limpopo
QLFS 1	53.3	56.3	50.0	54.0	51.5
QLFS 2	30.8	37.5	22.4	30.6	31.1
QLFS 3	12.7	13.4	12.2	12.9	12.0
NIDS 1	55.6	60.0	52.9	57.9	50.0
NIDS 2	9.7	16.7	5.3	9.1	11.1
NIDS 3	17.6	20.8	14.8	22.5	0.0
NIDS 4	1.8	3.6	1.2	3.3	0.0
NIDS 5	4.2	25.0	0.0	6.7	0.0

Regression analysis

In the previous section it was shown that there is a significant difference between the unemployment rates when employment was defined differently. One of the main concerns for any researcher investigating the determinants of unemployment, consequently, is that the definition of employment will have an effect on the results of their analysis. In this section we estimate the determinants of employment using selected characteristics. The results are not, again, intended to be representative of the broader population because it is possible that the differences between the rates may be confined to young people in particular. Instead we merely examine the differences, using simple Logit regressions on the LMES 2010 cross-section, in the results associated with the determinants of 'employment' when employment is defined using the self-reported measure, the QLFS definition, and the NIDS definition.

Table 8 shows the results for three separate Logit regressions (reported as odds ratios) – the first sets the dependent variable to one if the respondent is self-reported employed and to zero if the respondent is self-reported searching unemployed or discouraged. The second sets the dependent variable to one if the individual is defined as employed (answered "Yes" to one of the three QLFS employment questions) and zero if he/she did not answer "Yes" to any of these three questions but answered "Yes" to the question "If you were offered a suitable job, would you be able to start within a week?" Similarly in the third regression the dependent variable is set to one if the survey respondent answered "Yes" to any one of the first eight questions and to zero if he/she indicated that they would be prepared to start within a week if he/she was offered a suitable job".

The estimates in each of these three regressions show that there are differences in the significance of particular characteristics depending on how employment is defined. In particular, we find that the proportion of earners (wage and self-employed) in the household is strongly positively correlated with self-reported employment, but not with the other definitions. This may be because the question used to determine the number of earners does not exclude the respondent. When we (not shown) subtract one from the number of earners in the household if the respondent indicated that he/she was self-reported employed the proportion of earners (wage and self-employed) in the household is significantly negatively correlated with employment in all three of the regressions. However, the data does not allow us to determine if those people who did not self-report employment regarded themselves as earners or not.

The results also show that the number taken from the answer "How many firms did you contact in the past month while looking for a job" is strongly negatively correlated with self-reported employment but strongly positively correlated with the other two definitions of employment. This question was answered by all those respondents – whether self-reported employed or unemployed – who answered "Yes" to the question "If you were offered a suitable job, would you be able to start within a week?" The results therefore suggest that those respondents who self-reported employment approached fewer firms looking for (new) jobs when compared to the self-reported unemployed, while, rather surprisingly those defined as employed by the QLFS and NIDS definitions approached more firms looking for employment than the unemployed. This result may, however, be the consequence of including potentially 'discouraged' unemployed workers in the base group. Nevertheless it points to a potentially interesting new area of investigation for future research.

Furthermore, having 'Grade 12/Std 10/Matric' – where 'Less than Grade 12' is the base category for this dummy – is only positively correlated with self-reported employment. Again this correlation may be the result of a potentially endogenous relationship between the type of job that someone with a 'Grade 12/Std 10/Matric' has, or it may be that someone with 'Grade 12/Std 10/Matric' is more likely to view him/herself as employed. The result may also be driven by the exclusion of those who have – in terms of the definitions

used in this paper – self-reported 'Not Economically Active'. As mentioned earlier, the purpose of this section is not to identify conclusive differences in the characteristics of these different employed and unemployed groups, but rather to test the hypothesis that there are differences between the results (in terms of the variables that are significantly correlated with an outcome) in these different estimations using otherwise identical specifications.

The conclusion that we draw from the evidence presented in Table 8 is that such differences could have a bearing on the results of analysis into the determinants of employment, and that there may be a group of workers who are marginally-attached to employment and that exhibit characteristics that place them somewhere between the self-reported employed and the searching unemployed. While, as noted, the self-reported measure is likely to be highly endogenous, both the QLFS and NIDS skip over the search-related questions for those defined as employed. It is therefore not possible to learn anything about the search-behavior of the marginally-attached employed in these two nationally representative surveys.

In Table 9 we examine the differences between those who both define themselves as employed and who are classified as employed by the QLFS and then the NIDS definitions, and in each case those who defined themselves as unemployed but are classified as employed by the latter two definitions.

The table shows the results for two groups of separate Logit regressions (reported as odds ratios) that distinguish between those respondents who are self-reported employed and employed by the QLFS (where the dependent is set to one if both criteria – self-reported employed and QLFS employed are met) and NIDS (self-reported and NIDS employed) definitions, and those who are self-reported unemployed and employed by the QLFS and NIDS definitions – where the dependent variable is set to zero if self-reported unemployed and, for the separate regressions, QLFS and NIDS employed. The first regression in each group excludes the proportion of earners (wage and self-employed) in household because of the potential endogeneity of this variable, but does not significantly alter the significance of the coefficients associated with the other characteristics – except for the Limpopo dummy which is significant at 10% when the self-reported unemployed-NIDS employed are used as the base group in the Logit regression. In particular, the regressions show that females are less likely to be both self-reported and QLFS or NIDS employed, and that those respondents that have a Grade 12/Std 10 (as opposed to 'Less than Grade 12') are more likely to be both self-reported and QLFS or NIDS employed.

Finally, in Table 10 we show the results of separate Logit regressions (reported as odds ratios) that distinguish between those respondents who are self-reported employed and employed by the QLFS and NIDS definitions and those who are not self-reported employed but employed by the QLFS and NIDS definitions. In each regression the base group includes those respondents who answered "No" to all the employment (QLFS 1 to 3 and NIDS 1 to 5) questions but "Yes" to the question "In the last four weeks, would you have

liked to work for pay, profit, or family gain?" These figures provide further support for our contention that the marginally-attached employed should be viewed as a separate group. Both the QLFS and NIDS-only employed (i.e. they are defined as employed by these definitions but self-report unemployment) contacted more firms in the last month than the searching-unemployed. It is also interesting that those respondents with a "Certificate with less than Grade 12/Std 10" were more likely to be QLFS and NIDS-only employed as opposed to searching unemployed, and that those respondents whose parents regularly spoke English at home were more likely to be employed than searching-unemployed by all four of the definitions. These results may be the consequence of the relationship between self-classification and expectations. They could also be a feature of the labour market for these young people in greater Johannesburg and the Limpopo province – where a certificate or a better command of English may provide a useful signal (and/or the necessary skills) to employers of 'marginally-attached to employment' type workers.

Table 8: Results for three separate Logit regressions (reported as odds ratios) that determine employment when employment is based on the self-reported, QLFS, and NIDS definitions

Explanatory variables	Odds ratios (for dependent variable vs searching unemployed and discouraged)		
	Self-Reported employed	QLFS Definition employed	NIDS Definition employed
Female	**0.46***	**0.47***	**0.50***
	-0.08	-0.07	-0.09
Receives child support for at least one child	0.95	0.64	**0.48**
	-0.31	-0.18	-0.16
Female who receives child support for at least one child	1.33	1.42	1.67
	-0.51	-0.45	-0.63
Age of the respondent in years	1.06	1.05	1.05
	-0.05	-0.04	-0.05
Limpopo Province	0.76*	**0.71***	0.84
	-0.12	-0.09	-0.12
Proportion of earners (wage and self-employed) in household	**2.99***	1.09	0.76
	-0.74	-0.2	-0.16
Parents regularly speak English at home	0.95	**1.28***	**1.42***
	-0.17	-0.19	-0.27
Certificate with Grade 12/Std 10	**1.54**	**1.34***	**1.53**
	-0.31	-0.21	-0.31
Certificate with less than Grade 12/Std 10	0.94	**2.18***	**3.69***
	-0.31	-0.59	-1.63
Degree	1.96	1.61	6.45*
	-1.26	-0.77	-6.69
Diploma with Grade 12/Std 10/Matric	1.7	1.16	1.62
	-0.62	-0.34	-0.63
Grade 12/Std 10/Matric	**1.64***	1.27	1.11
	-0.3	-0.18	-0.19
Passed higher grade or standard grade Mathematics in Grade 12	1.21	1.25	0.93
	-0.31	-0.25	-0.22
How many firms did you contact in the last month while looking for a job	**0.96**	**1.04***	**1.05**
	-0.02	-0.01	-0.02
Constant	0.09**	0.49	1.64
	-0.1	-0.43	-1.72
Observations	1133	1391	1408

*Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1*

Table 9: Results for two groups of separate Logit regressions (reported as odds ratios) that distinguish between those respondents who are self-reported employed and employed by the QLFS and NIDS definitions, and those who are self-reported unemployed and employed by the QLFS and NIDS definitions

Explanatory variables	Odds ratios			
	Both Self-reported and QLFS employed vs only QLFS-only employed		Both Self-reported and NIDS employed vs only NIDS-only employed	
Female	**0.58***	**0.63**	**0.48***	**0.51***
	-0.12	-0.13	-0.09	-0.1
Receives child support for at least one child	1.03	1.14	1.06	1.15
	-0.38	-0.43	-0.37	-0.41
Female who receives child support for at least one child	1.34	1.25	1.28	1.2
	-0.58	-0.55	-0.51	-0.49
Age of the respondent in years	1.09	1.09	1.06	1.06
	-0.06	-0.06	-0.05	-0.05
Limpopo Province	0.92	0.94	**0.73***	0.76
	-0.17	-0.17	-0.12	-0.13
Proportion of earners (wage and self-employed) in household		**3.22***		**3.67***
		-0.96		-1.01
Parents regularly speak English at home	0.86	0.8	0.9	0.83
	-0.17	-0.16	-0.16	-0.16
Certificate with Grade 12/Std 10	1.4	1.25	**1.58**	**1.42***
	-0.31	-0.28	-0.32	-0.3
Certificate with less than Grade 12/Std 10	0.71	0.64	0.79	0.73
	-0.25	-0.23	-0.26	-0.25
Degree	1.85	1.58	1.99	1.68
	-1.31	-1.15	-1.29	-1.11
Diploma with Grade 12/Std 10/Matric	1.59	1.37	1.84	1.55
	-0.67	-0.59	-0.69	-0.6
Grade 12/Std 10/Matric	**1.51**	**1.42***	**1.72***	**1.64**
	-0.31	-0.3	-0.32	-0.31
Passed higher grade or standard grade Mathematics in Grade 12	1.1	1.15	1.21	1.27
	-0.31	-0.33	-0.31	-0.33
How many firms did you contact in the last month while looking for a job	**0.95***	**0.95***	**0.96***	**0.95***
	-0.02	-0.02	-0.02	-0.02
Constant	0.12*	0.09*	0.15*	0.11*
	-0.15	-0.12	-0.17	-0.13
Observations	705	699	936	928

*Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1*

Table 10: Results of separate Logit regressions (reported as odds ratios) that distinguish between those respondents who are self-reported employed and employed by the QLFS and NIDS definitions and those who are not self-reported employed but employed by the QLFS and NIDS definitions vs those respondents who answered "No" to all of the employment questions but "Yes" to the question "In the last four weeks, would you have liked to work for pay, profit, or family gain?"

| | Odds ratios (for dependent variable vs Searching Unemployed) | | | |
Explanatory variables	Both Self-reported and QLFS employed	QLFS-only employed	Both Self-reported and NIDS employed	NIDS-only employed
Female	0.21***	0.38***	0.22***	0.50**
	-0.067	-0.114	-0.07	-0.141
Receives child support for at least one child	0.71	0.68	0.7	0.7
	-0.437	-0.413	-0.429	-0.413
Female who receives child support for at least one child	1.95	1.35	1.85	1.28
	-1.326	-0.898	-1.259	-0.82
Age of the respondent in years	0.97	0.87*	0.96	0.92
	-0.077	-0.066	-0.076	-0.065
Limpopo Province	0.66	0.69	0.66	0.93
	-0.177	-0.172	-0.177	-0.212
Parents regularly speak English at home	2.36**	3.01***	2.36**	2.70***
	-0.899	-1.095	-0.896	-0.949
Certificate with Grade 12/Std 10	1.80*	1.2	1.80*	1.18
	-0.624	-0.401	-0.625	-0.37
Certificate with less than Grade 12/Std 10	3.29	5.08**	3.22	4.52**
	-2.666	-3.87	-2.604	-3.369
Degree	2.79	1.43	2.72	1.39
	-3.285	-1.685	-3.196	-1.526
Diploma with Grade 12/Std 10/Matric	1.46	0.59	1.63	0.63
	-0.879	-0.339	-0.958	-0.326
Grade 12/Std 10/Matric	1.26	0.79	1.33	0.8
	-0.377	-0.227	-0.397	-0.213
Passed higher grade or standard grade Mathematics in Grade 12	0.89	0.87	0.89	0.83
	-0.368	-0.335	-0.368	-0.299
How many firms did you contact in the last month while looking for a job	1.01	1.10**	1.01	1.06*
	-0.032	-0.042	-0.031	-0.035
Constant	9.44	122.15***	11.29	53.59**
	-17.833	-217.623	-21.098	-88.607
Observations	412	517	418	742

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Conclusion

This paper finds evidence of a significant difference between official and self-reported rates of employment. While this study makes use of a highly specific cross-section of South Africans it is in no way intended to be considered representative of the national population. The study does not negate the importance or relevance of the existing definitions of employment, unemployment and the labour force. Nevertheless the distinction between self-reported and behavior-defined employment criteria could be useful to researchers and policy-makers in furthering their knowledge and awareness of the unemployment problem.

The disparity between classification by 'attitude' and classification by 'action' is relevant for policy decisions, especially in a developing country democracy where individuals' perceptions are likely to be a strong determinant of their behaviour. This is particularly true regarding the effects of search behavior on the labour market outcomes of workers.

The intention of this paper is to further the understanding of the severe unemployment problem facing South Africa by considering individual perceptions of their position in the labour market, and using this knowledge as a tool for understanding behavior. This will hopefully allow both researchers and policy-makers to better tackle poverty alleviation and job creation.

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