

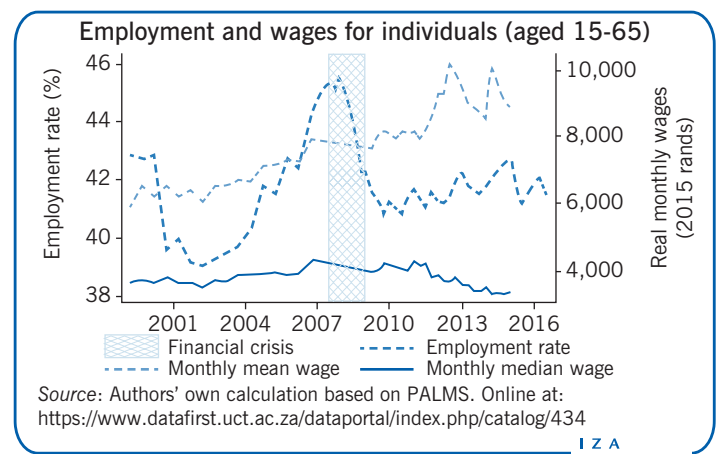
# The labor market in South Africa, 2000–2017

The legacy of apartheid and demand for skills have resulted in high, persistent inequality and high unemployment

Keywords: employment, real wages, inequality, South Africa

## THE ELEVATOR PITCH

The South African economy was on a positive growth trajectory from 2003 to 2008 but, like other economies around the world, it was not spared from the effects of the 2008 global financial crisis. The economy has not recovered and employment in South Africa has not yet returned to its pre-crisis levels. Overall inequality has not declined, and median wages seem to have stagnated in the post-apartheid period. Labor force participation has been stable and although progress has been made, gender imbalances persist.



## KEY FINDINGS

### Pros

- + The labor force has become more educated since 2000.
- + Average earnings increased in the period between 2000 and 2017.
- + While still substantial overall, the gender wage gap declined at the bottom of the wage distribution and at the mean.

### Cons

- A low employment rate and stable labor force participation have resulted in high unemployment, especially for youth.
- Continued demand for skilled labor and a small tertiary educated labor force have led to very high wages at the top of the wage distribution and worsening wage inequality.
- The median worker seems to be the loser in the South African labor market.
- While pro-poor policies such as minimum wage laws raise wages at the bottom, high skill premiums have raised wages at the top, leaving median wages stagnant.

## AUTHOR'S MAIN MESSAGE

South Africa differentiated itself in the 20th century by embarking on a social experiment (grand apartheid) which intervened extensively in all facets of its citizens' lives, including the labor market. With the demise of apartheid and reintegration into the world economy, South Africa's 21st century labor market dynamics increasingly resemble those of other economies, with a widening of the earnings distribution, particularly at the top. Nevertheless, there are still important vestiges of the late apartheid era, including a high unemployment rate, significant union power, and persistent racial and gender premia.