

Mixed Migration, Forced Displacement AND Job Outcomes in South Africa

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EXECUTIVE SUMMARY

Executive Summary



SOUTHERN AFRICA HAS A LONG history of human mobility centered around the migration of labor to farms and mines in the region. Patterns of migration and displacement were transformed by the end of Apartheid, changing economic systems, and conflict and political instability, both in the region and elsewhere. Today mobility in the region is (i) motivated by a combination of diverse social, political and economic reasons, (ii) shaped by long-standing historical movements and reshaped by newer patterns of urbanization and displacement, (iii) organized through various legal and extra-legal means, and (iv) governed by fragmented and contradictory legal frameworks.

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Scope

This study analyzes the characteristics, causes, and consequences of migration and forced displacement in Southern Africa. It includes a brief historical overview, as well as an analysis of current migration trends and their impacts. Further, a brief overview of the policy and legal framework governing migration and displacement across Southern Africa is provided.

Given South Africa's position as the major destination for migrants and refugees in the region, the primary focus of this study is an analysis of the links between migration and labor market outcomes in South Africa, namely employment and wages between 1996 and 2011. The evidence provided can serve to inform policy in the region.

Mixed Migration and Forced Displacement into and within Southern Africa

The discovery of diamonds in 1867 and gold in 1886 laid the foundations for South Africa's highly centralized mining industry, and led to the development of the region's migrant labor system. During this period, Southern African economies relied on a low-wage, low-skilled, highly-controlled, expendable workforce. Migrant workers, almost all men, were recruited from rural South Africa but also from Lesotho, Malawi, Mozambique, Zimbabwe, Zambia and Tanzania, and usually had to make long and hazardous journeys to their workplaces, where they lived and worked in dangerous, over-crowded conditions.

The racist regulatory measures which controlled mobility, and the extent to which they were enforced in different countries, had a profound impact on the patterns and distribution of poverty and inequality in Southern Africa. They also shaped the region's economies, urbanization, primary (and gendered) livelihood strategies as well as forms of political leadership, organization, and resistance. In South Africa, for instance, townships were designed to act as labor reservoirs for cities and industries centered around urban spaces. This has had direct implications for settlement patterns in South African townships, the provision of public services and for the availability and quality of housing in these townships.

Changes in Southern Africa's political economy led to a major re-structuring of the migrant labor system across the region. As economies shifted to more capital-intensive forms of growth, unskilled migrant labor became increasingly superfluous to industry and the need for skilled and semi-skilled labor increased.

The profound economic and political upheaval surrounding the end of Apartheid in South Africa transformed migration and displacement across the region. Alongside the organized and controlled labor migration system, other forms of mobility emerged and expanded: this included asylum-seekers fleeing conflict and persecution, seasonal migrants and cross-border traders and smugglers. These changes took place within a broader socio-economic and legal context shaped by the relationship between Southern Africa's system of mine-based capital accumulation and the migrant workforce on which it relied.

The content of laws governing migrants and refugees has changed in many cases since then, and often radically, but their implementation remains uneven. At the regional level, migration continues to be governed by unenforceable conventions and a patchwork of bilateral agreements and treaties, while in many national contexts, bureaucratic and administrative

practices of migration control persist. As a result, patterns of migration and displacement in the region are characterized by elements of both continuity and change.

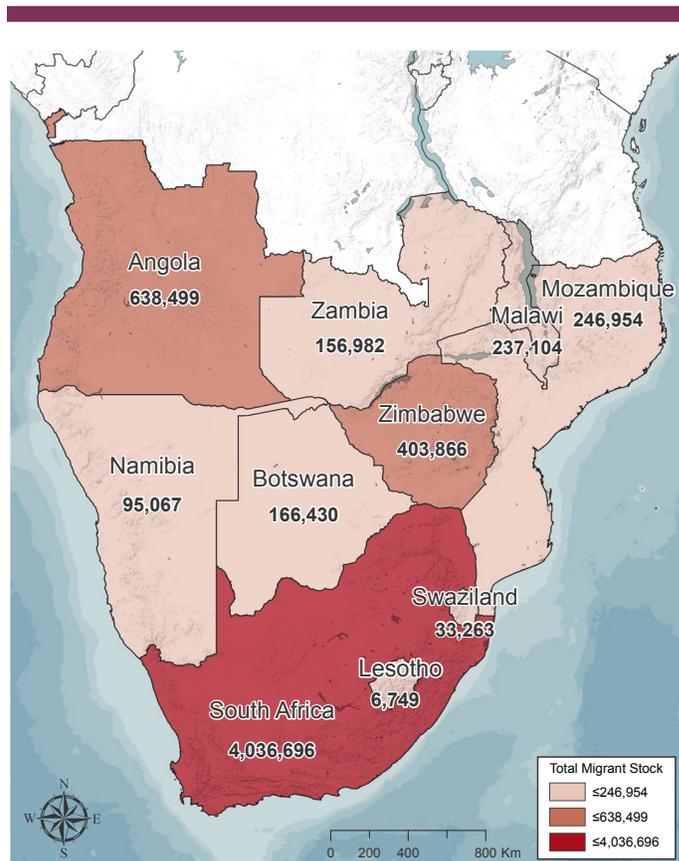
TRENDS OF MIGRATION AND DISPLACEMENT IN SOUTHERN AFRICA

The total migrant population in the Southern African countries covered in this study (see map below) has increased by about 68 per cent since 1990. This increase in mobility has not been uniform over time, nor across the region: the largest increases in migrant stock have occurred in South Africa, Botswana, Mozambique and Angola, whereas the number of migrants has decreased in the poorer economies of Malawi, Zambia, and Zimbabwe. South Africa is the single largest country of destination. As of mid-2017, UNDESA estimated that it was host to about 67 per cent. of the regions total migrant population.

SOCIO-ECONOMIC CHARACTERISTICS OF MIGRATION IN SOUTH AFRICA

The 2011 Census placed the number of international migrants in South Africa at 2,173,409, about 4.2 per cent.

FIGURE 1: Total migrant population (both sexes) including refugees and asylum seekers, in Southern Africa, mid-2017



World Bank Geospatial Operations Support Team: GOST (2018) Base Map Source: Esri, USGS, NOAA
Data Source: United Nations, Department of Economic and Social Affairs, Population Division (2017). Trends in International Migrant Stock: The 2017 revision (United Nations database, POP/DB/MIG/Stock/Rev.2017).



of the country's total population at that time. The majority of migrants (around 75.3 per cent.) originated in other African countries, with significant populations from Europe (8.2 per cent.) and Asia (4.7 per cent.). The vast majority of all migrants in South Africa, 68 per cent., originated in other SADC Countries.

Not all provinces in South Africa attract migrants to the same extent. Gauteng, in particular, as the primary economic and financial hub in South Africa, hosted an overwhelming majority of international migrants with 52 per cent. of the total. South Africa is also among the more highly urbanized countries in Africa, and Gauteng is particularly highly urbanized. As a result, migration and displacement in South Africa has important urban dimensions.

According to the same 2011 Census, 39.8 per cent., of international migrants in South Africa were women. Interestingly, however, among migrants from SADC, more women than men aged 15–24 had migrated to South Africa (reversing historical trends). Around 23 per cent. of migrants fell below the national poverty income level, and in general, over half of all international migrants in 2011 were poor. Around 27 per cent. of all households were headed by women, but almost one-third of these female-headed households fell in the national poverty category. Around 63 per cent. (or three out of five) international migrants reported being employed. The majority were employed in the formal sector, while 17.2 per cent. reported earning their livelihood in the informal sector. 17 per cent. were employed in private households.

One immigrant worker generates approximately two jobs for locals.

Mixed Migration, Forced Displacement and Job Outcomes in South Africa

Migrants and refugees in South Africa are often entangled in political discourse that blames them for 'stealing' local jobs. The implications of migration on local jobs, is therefore, highly contested. However, empirical evidence may provide the necessary information policy-makers require to develop policies and interventions that mitigate the costs that may be felt by locals, while enhancing the developmental opportunities for migrants, refugees, locals and the wider economy.

It is within this context that this study estimates the impact of immigration on labor market outcomes such as employment and wages in South Africa between 1996 and 2011, and posits several possible explanations for what might account for the results.

There are only a few papers that have studied the impact of immigration on labor market outcomes in South Africa. They have generally found no impact on total income but negative effects on local employment. Compared to earlier papers, this analysis makes several contributions. First, the analysis uses industry–province level data, given significant variation in the utilization of immigrant labor across industries and

provinces. Applying data on a more aggregate level such as provinces instead of smaller geographical units such as districts reduces effects from potential outflows of locals in response to immigrants' inflows. Second, the analysis uses an *instrumental variables (IV)* approach to address endogeneity issues. The instruments are constructed following the methodology proposed by Card (2001), who uses previous settlements of immigrants as an instrument in studying labor market effects of immigration across geographical regions. Third, the analysis includes all immigrants—not only males, as in some studies—given a substantial share of female employment among immigrants. In 2011, females accounted for nearly 24 percent of total employment among immigrants. Next, the estimates focus on the relationship between locals and immigrants, and not on specific groups based on education and experience within each category. The latter captures only the partial own-skill effect and ignores cross-skill complementarities and externalities. Finally, the study uses wage data from the Post-Apartheid Labor Market Series (PALMS) harmonized survey, instead of relying on total income that includes both labor and non-labor earnings as in other studies. For details on the methodological approach, see chapter 4.

RESULTS

The estimation results indicate that immigration has a positive impact on local employment, labor earnings, and wages. The estimated effects of immigrant growth on local employment are positive and highly significant in all specifications and are similar in terms of magnitudes. They show that a one percent increase in the number of immigrants relative to the previous period raises local employment by 0.2 percent. In other words, one immigrant worker generates approximately two jobs for locals. The effects on labor earnings, wages, and self-employment earnings are insignificant in OLS estimations with an exception of wage earnings when only individual fixed effects are used. As the

OLS results may be affected by simultaneity bias, the analysis has also produced IV estimates for Equations (1) and (2) (See chapter 5), using the instrument described and its square to permit overidentification of the equation. In both forms of the model, the immigrant growth rate for the industry, province and year has significant and positive effects on total earnings and wage earnings with values ranging from 0.3 to 1.4.

UNDERSTANDING THE RESULTS

This analysis suggests several explanations for the positive impact of immigrants on South Africa's labor market. First, given that immigrants and locals are not perfect substitutes, specialization in different tasks might lead to overall productivity gains. Second, immigrants have nearly twice as high an employment-population ratio compared to locals, possibly reflecting the demand for the diverse set of skills they bring and this can result in large multiplier effects. Finally, immigrants tend to be more risk-taking and entrepreneurial, which might generate positive externalities in the economy.

Foreign and local-born workers might specialize in performing complementary tasks and, hence, the two groups might not compete for similar jobs. As a result, this complementarity might increase the productivity of local workers and hence generate positive externalities for their employment and wages.

To test this hypothesis the study compares occupations of immigrants and locals for tertiary and non-tertiary educated groups. It uses 2011 census data and constructs the Welch (1979) index to test whether immigrants and locals are perfect substitutes. This index is similar to a correlation coefficient, equaling one (1) when the two groups have identical occupational distributions and minus one (-1) when the two groups are clustered in completely different occupations. We obtain .35 for the non-tertiary educated group and .14 for the

FIGURE 2: Employment-Population Ratio

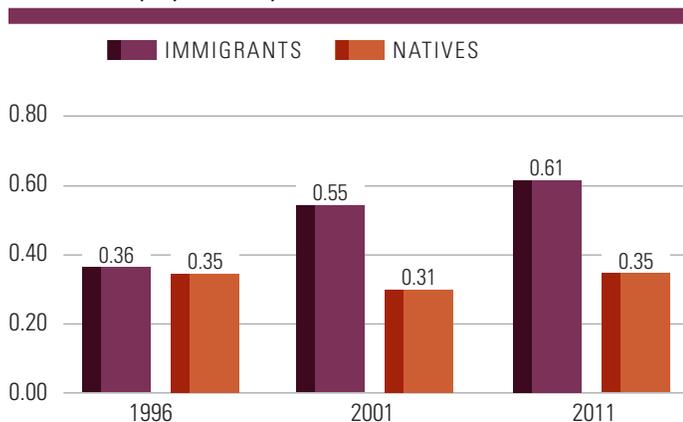
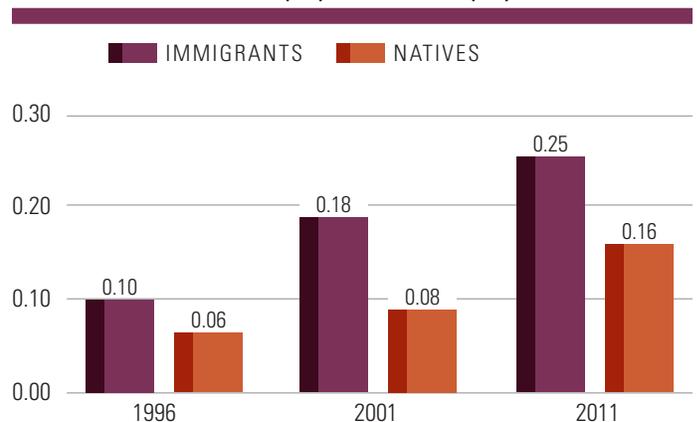


FIGURE 3: Share of Self-employed in Total Employment



tertiary educated group. This shows that immigrants and locals are not perfect substitutes and the complementarity of tasks they perform might generate efficiency gains in the economy.

Finally, two stylized facts emerge from the comparison of the employment–population ratio and share of self-employed in total employment between locals and immigrants. First, although the employment–population ratios for locals and immigrants were similar in 1996, this drastically changed by 2011 (Figures 2 and 3). In particular, the share of employed immigrants in total increased from 36 to 61 per cent. compared to only 35 per cent. for locals.

This sharp increase in the employment–population ratio for immigrants was probably due to changes in immigration policies post-Apartheid. Higher employment rates among immigrants and hence higher labor earnings compared to locals might generate large multiplier effects in the economy.

Finally, we must also note the prevalence of self-employment among immigrants: self-employment accounted for 25 per cent of total jobs for immigrants, compared to 16 percent for locals. Migrants are more likely to appear in entrepreneurial roles than locals, suggesting that their actions are likely to promote economic growth by enhancing, for instance, the supply of small retail establishments. If those businesses are successful, they also will provide multiplier effects which may spread beyond the immediate family.

An important note of caution is that these results are retrospective in nature given the data limitations mentioned, and

therefore these results may differ in the current context. It is also well documented that even in the best circumstances, migration and displacement may have significant short-term costs for receiving communities.

Conclusion

Labor Market Outcomes: An Opportunity for Policy Dialogue and Further Research

The results and substantiations provided here, are significant for policy makers and development actors in South Africa and the wider region, and as such, their implications should be seriously considered. They provide a basis for substantive policy dialogue on how to enhance the development impacts of migration, especially for local job and wage outcomes and the South African economy. Critically, although such quantitative analysis is instructive, perceptions and subjective evaluations of well-being of both locals and migrants, matters. As such, any interventions in response to these results, should account for perceptions and lived experiences. Equally, the political will to advance policies based on empirical evidence, is a necessity for the achievement of any sustainable and positive economic outcomes for locals and migrants, alike.

Crucially, these results also provide an important foundation upon which further large-scale research can be developed. Such research can potentially complicate and enable a richer understanding for how migrants, refugees and asylum-seekers engage with the South African economy and the economic relationships they share with locals. This research, may for instance, consider how circular migration, informality, undocumented movements and gendered dimensions have implications for economic relationships.

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— World Bank, 2018



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