



### GENDER ASPECTS OF TRADE IN SOUTH AFRICA

*This research brief summarizes the findings of a larger report, "Gender Impacts of Trade in South Africa Post-1994: An Exploration Based on Female Employment and Firm Ownership," based on research by Myriam Velia and Imraan Valodia, School of Development Studies, University of KwaZulu-Natal, Durban, South Africa. The objective of the study was to fill a gap in South African literature on the impact of trade liberalization on women and to contribute to the growing international debate on gender, trade liberalization, and poverty.*

#### INTRODUCTION

This research focused on the relationship between trade liberalization in South Africa and women's employment and their position in firms as employees and owners. Two main themes are detailed in this brief: (1) linkages between trade liberalization and women's employment in general and across different economic sectors and (2) changes in women's employment and ownership across a range of sectors and firm sizes.

#### BACKGROUND

The political transition in South Africa has resulted in a significant restructuring of the economy. A cornerstone of the economic program since 1994 has been the liberalization of trade, reflecting the government's strong commitment to outward-oriented industrialization.

#### METHODOLOGY

The study synthesizes the findings from an extensive literature review on trade liberalization and women's employment and firm ownership in South Africa. The study also examines data from two data sets (Labor Force Surveys and the KwaZulu-Natal Income Dynamics Surveys) to track changes in women's employment and firm ownership in relationship to changes in trade policy. In addition, the relationship between female employment in the formal and informal manufacturing sectors is investigated applying regression analysis.

The social and economic outcomes or success of the current policies are still being debated in South Africa. However, there is overwhelming evidence that women, as a group, are disproportionately represented among the poor and unemployed. According to the March 2006 Labor Force Survey (LFS), the male unemployment rate was estimated at 21 percent, compared with 30 percent for females. The unemployment rate among rural women is substantially higher. Women are also disproportionately represented in the informal economy and in low-wage insecure jobs.

Since 1994, the South African government has developed and implemented several strategies to promote small, medium, and micro-enterprises (SMMEs) as a way to create employment and reduce poverty. Increasingly, substantial job-shedding is seen as having contributed to a burgeoning informal economy in South Africa. Most SMMEs, especially those owned and operated by women, are part of this informal economy, earning less, on average, than SMME owners and workers in the formal economy. SMME firm owners and workers in the informal economy may be even more vulnerable than other economic actors to price volatility induced by liberalization and the availability of cheaper-priced imports.

#### KEY FINDINGS

**Trade liberalization and import competition may be associated with changes in female employment.** Women have not been pulled into export-oriented sectors but rather pushed into more insecure forms of employment. There is some evidence that import-competing pressures are associated with a reduction of female employment in labor-intensive manufacturing sectors. The authors note a caveat, however. Differences between the timing of trade liberalization policy and employment changes suggest either that responses to trade liberalization occur after a time lag or that other factors might be important to changing patterns of employment. Researchers have reported that income constraints resulting from the HIV epidemic on households and changing household structure and gender relations might account for employment changes.

**The informal sector remains a major source of employment for men and women.** Employment growth in manufacturing for both men and women between 2000 and 2005 was greater in the informal sector compared with the formal sector. Although within the informal manufacturing sector, male employment grew faster than female employment. In 2004, 40 percent of informal workers were involved with retail and wholesale; 60 percent of those were women.

**Men move more between informal and formal employment.** The authors found that women underwent many transitions in employment and likely experienced greater income level fluctuations than men. However, men moved between the informal and formal economy more frequently than women.

**There have been some positive developments for women's employment in manufacturing.** Women's employment has grown in the more modern and high-tech manufacturing sectors. In addition, women's employment has grown in most manufacturing sub-sectors, including in some sub-sectors construed as male-dominated sectors under the apartheid regime, such as metals and machinery.

**Women's employment trails men's employment gains in key sectors.** Generally, wholesale, retail, and manufacturing are important sources of employment for women. In wholesale and retail, both men and women have gained new employment opportunities—though men are increasingly benefiting relative to women. In manufacturing, women's employment growth has been lower than men's employment growth. Women's employment in manufacturing remains concentrated in the textiles and clothing and food sub-sectors. Salaries for both men and women in these sub-sectors significantly declined in the early 2000s.

**Women's employment in large firms has grown; however, men's employment growth in large firms has been more rapid.** A large proportion of women's work is done in private households or domestic work. After excluding domestic work, 44 percent of women worked in micro or very small firms compared with 37 percent of men. Generally, the importance of the larger firms for both men and women's employment grew over time. Men's employment has grown more rapidly than women's employment in firms with at least 10 employees. Between 2000 and 2005, 63 percent of workers in large firms were men and 37 percent were women. Workers in large firms tend to earn more than workers in smaller firms.

**Women's ownership of businesses in the formal sector lags behind men's ownership.** In the formal sector, the rate of men's business ownership is twice that of women's ownership. Women have higher rates of business ownership in the informal sector compared with men. Women's ownership is concentrated in a few sub-sectors with typically high female employment, particularly the textiles, clothing, footwear, and related goods sub-sector. This sub-sector has experienced declining salaries and a growing share of female informal workers. Women's ownership in the informal economy outside of manufacturing has grown, indicating some diversification in the informal sector.

**Black women fare worse than black men and white women in employment.** The biggest expansion of employment has been in informal self-employment and in the domestic work sector. Black women dominate this sector. Moreover, black women's employment has shifted to occupations in which real earnings have dropped the most markedly. Between 1995 and 2001, black women's median income declined substantially compared with declines in black men's median income. Researchers have identified a *quasi* total dominance of black men and women in the informal economy. By contrast, white women have markedly shifted to being senior officials, legislators, and managers, as well as professionals and self-employed technical and associate professionals. The gap between white women's earnings and white men's earnings is narrowing.

**Black women make up a growing percentage of internal migrants.** Although internal migrants are predominantly men, women constitute a growing proportion of internal migrants. In 2002, women constituted about 37 percent of black internal migrants. Rural migration appears to be positively linked to women's unmarried status and to the absence of resident men in a household. Migration is important for income through remittance transfer, but the annual average amounts remitted have declined in real terms from the mid-1990s to mid-2000s.

**Some of the South African government's policies after 1994 directly affect women.** Women are classified as previously disadvantaged individuals irrespective of race. Additionally, the shift of government expenditure is toward the expansion of social services—some of which are important for female employment.

## RECOMMENDATIONS

The authors suggest the following recommendations to address needs and gaps highlighted by their key findings.

**Support further education.** Education beyond both the primary and secondary level enhances the probability of regular employment for women and results in significantly higher salaries.

**Improve women's employment entry in some manufacturing sub-sectors.** Women's employment has grown in many sub-sectors, but opportunities exist for women to enter additional manufacturing sub-sectors, particularly those that are male dominated. Because evidence shows that women are still located in lower occupational categories, training specific to women's needs would be beneficial.

**Ameliorate women's vulnerability, especially in the textiles, clothing, and footwear manufacturing sub-sector.** Just over 40 percent of women manufacturing employees are located in this sub-sector, and the decline in employment in this sub-sector has been significant. These women are vulnerable to declining salaries as well as job insecurity. A better understanding of how to assist women in this sub-sector would help relocate those who lose their jobs or face cuts in income.

**Pay more attention to specific issues confronting black women and women in rural areas.** More attention should be paid to specific issues confronting black women in the informal economy, as well as women in rural areas, as their access to new employment opportunities is more limited..

**Address outstanding gaps in research.** To comprehensively address gender issues in men and women's employment in South Africa, the authors propose additional research on

- Women's choice of job type and perceptions;
- Gender-specific barriers to employment and ownership;
- The extent to which inputs or services are provided by small, women-owned businesses to large, men-owned companies and the negotiating context;
- Gender-specific issues drawn from firm-level data and characteristics of female business owners;
- Strategies for women who are laid off to secure employment;
- The role of women's self-employment in the informal sector more generally;
- Employment dynamics within the wholesale and retail sector—in particular, the growing presence of men employees in larger firms;
- Women's shift toward more capital-intensive manufacturing sub-sectors; and
- A potential link between declining women's formal employment and their growing informal employment.

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## ABOUT THE GREATER ACCESS TO TRADE EXPANSION (GATE) PROJECT

The GATE Project is a five-year (September 2004–September 2009) USAID Task Order (TO), funded by the Office of Women in Development (WID) implemented by Development & Training Services, Inc. (dTS). GATE works with seven USAID Missions to better integrate gender considerations into economic growth and trade-related programs in order to help expand areas of opportunity and mitigate the adverse effects of economic and trade expansion for poor women and men. The full report was produced for USAID/South Africa by Myriam Velia and Imraan Valodia, contracted by the GATE Project. This report is based on research detailed in *Gender Impacts of Trade in South Africa Post-1994: An Exploration Based on Female Employment and Firm Ownership*, a paper commissioned by the GATE Project. This report is available for download, along with more information on other gender and trade-related research on the USAID Women in Development website at [http://www.usaid.gov/our\\_work/crosscutting\\_programs/wid/](http://www.usaid.gov/our_work/crosscutting_programs/wid/).