"Leaning terrifically against nothing":
Approaches to youth labour market stratification in South Africa

"The man without skills and knowledge leaning terrifically against nothing", Theodore Shultz 1961, Investment in Human Capital, quoting William Faulkner

Adam Cooper
Human Sciences Research Council, South Africa

ISA Toronto, RC34 Panel: "Youth in the Labour Market: Navigating Gender and Race Stratification."

20 July, 2018

Two parts to my argument

1. Race, class and gender as constitutive of labour markets… and their inequalities- The historical case of South Africa

2. Approaches underpinned by Human Capital Theory inadequate for solving oppressive labour market structures which are raced, classed and gendered

- The trap of ‘low-quality education as a poverty trap’
- Low quality education a consequence not a cause of poverty

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Context: race, gender and youth unemployment in South Africa

- Youth unemployment is South Africa's biggest challenge: 45% of 16-34-year-old South Africans unable to find employment.
- Unemployment decreases consistently with age
- 66% of the unemployed are 16-34 years old (LMIP update)

Cape Area Panel Study (Lam, Leibrandt, Mhlatseni, 2008):

- 17 years old- 45% white males working; 5% African males have ever worked while at high school
- 21-22 years old males who have ever worked: 37% African; 91% coloured, 95% white

Nattrass (2000)

Major national surveys conducted since the mid-1990s consistently show "unemployment is higher for Africans than other population groups; higher for women than men, and higher in rural than urban areas."

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Understanding stratification: neoclassical versus segmented labour markets

Neoclassical labour markets:

- Labour like any commodity- except supply and demand inverted
- Level of employment and price of labour reach equilibrium based on supply and demand in competitive market

(Vercherand, 2014)

- "A perfect system that rewards human capital"

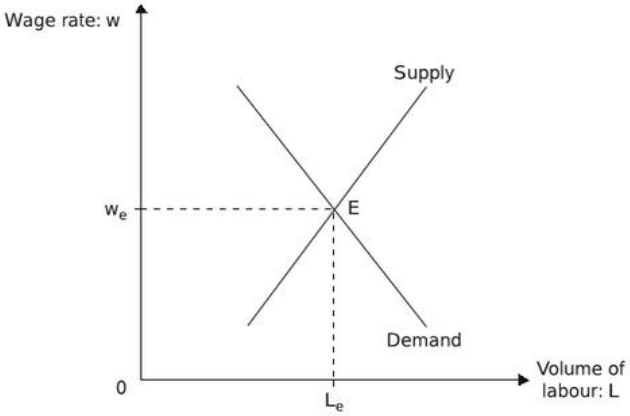

Figure 2.1 The basic neoclassical representation of the labour market

Segmented Labour Markets (Fine, 1997):

- Labour markets structured by historically contingent socio-economic relations
- Not 1 labour market: many individually structured segments differentially reproduced and rewarded;
- All shaped by broader socio-economic relations
- Eg: South African labour market for miners totally different to labour market for domestic workers, but similar underlying socio-economic factors

South African (youth) labour market: a brief historical overview

- Colonialism: Dutch East India Company 1652; British rule: 1795
- Modern SA economy- precious mineral discoveries: diamonds in Kimberley 1869 and gold Johannesburg 1886; Industrialisation
- 1894 Glen Grey act: Cecil Rhodes' tax law forced young Black people off the land
- Rise of Mineral Energy Complex(MEC): State-private capital partnership; system of accumulation centred on core mining and energy sectors
- Interwar years: Afrikaner capital linked to state corporations: electricity, steel, transport…. used to solve the 'poor white' problem

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Post-apartheid South Africa

- Swept up by global trends and trying to appease fleeing local conglomerates
- RDP to GEAR: neoliberal consensus of investment led growth
- Financial services sector grows at twice the rate of GDP…yet offers no services to 40% of the population

Summary:

- Opportunities and rewards for work in SA: forged through historical processes that were/are heavily raced, gendered and segmented
- Based on partnerships between local and international capital…and state intervention for those excluded- along racial lines
- Labour market never based on free competition: racial capitalist policies, Afrikaner nationalism and apartheid

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Despite the labour market being structured historically: progressive local economists, turn to Human Capital Theory and education

Human Capital Theory:

- The problem: physical capital apparently only explained small amount of national income growth
- An observation: Most skilled and educated people also earn the most
- Investment in human capital (education, training, health) raises earnings and productivity by providing skills, knowledge and problem-solving abilities
- Human capital is an investment that yields a return on that investment by improving the quality of human effort
- Humans as a produced means of production: not manual labour but knowledge and skills
- Humans are rational and self-interested, a premise that can be used to create affluence for all

(Becker, 1964; Shultz, 1961)

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The trap of ‘low quality education as a poverty trap’

Low quality education as a poverty trap

SERVAAS VAN DER BERG, COBUS BURGER, RONELLE BURGER, MIA DE VOS,
GIDEON DU RAND, MARTIN GUSTAFSSON, ELDRIDGE MOSES,
DEBRA SHEPHERD, NICHOLAS SPAULL, STEPHEN TAYLOR,
HENDRIK VAN BROEKHUIZEN AND DIETER VON FINTEL

Stellenbosch Economic Working Papers: 25/11

KEYWORDS: SCHOOL QUALITY, POVERTY, INEQUALITY, SOUTH AFRICA
JEL: I21, I24, J31

A WORKING PAPER OF THE DEPARTMENT OF ECONOMICS AND THE
BUREAU FOR ECONOMIC RESEARCH AT THE UNIVERSITY OF STELLENBOSCH

ABSTRACT

The weak quality of education received by most poor children in South Africa places them in permanent disadvantage relative to those attending the mainly more affluent and better performing schools. This document draws from a large number of studies undertaken for a major project and summarises this evidence, which illustrating that low quality schools act as a poverty trap.

Keywords: school quality, poverty, inequality, South Africa
JEL codes: I21, I24, J31

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“The Stellenbosch school: Low quality education as a poverty trap”

“The labour market is at the heart of inequality and central to the labour market is the quality of education, we therefore need better human capital for the bulk of the population”

“Race is a social construct but a sticky one, while language and culture are, to a large extent, also social identities into which you are born. Moving to a more affluent neighbourhood is not a reliable strategy to escape poverty, as it tends to be the consequence of social mobility rather than the cause of it. ***This leaves education as the only viable avenue for poor people who want to enter the top end of the labour market, with all its attendant economic benefits****.”*

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Points from the paper:
The role of education in labour market stratification

- ‘Income inequality not driven by # of years of education but by education quality’
- ‘Education quality heavily racialized’
- Black schools characterized by poor management (no timetable, poor curriculum planning and delivery, teacher attendance), less qualified teachers, weak discipline, lack of resources eg. textbooks
- They claim: difference in school quality causes wage differences, which in turn cause inequality
- They focus on Black workers so as not to “conflate race and educational quality”

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Van der Berg et al:
Linking education quality to labour market outcomes

- Key evidence is unemployment rates in relation to grade 12:

Grade 12 fail	Grade 12 pass	University exemption
48% unemployment	42% unemployment	36% unemployment

- Performance in grade 12 also effected wages earned: exemption= 2X more pay than those who failed; pass = 30% more than those who failed
- Their explanation: grade 12 is seen by employers as a reliable measure of cognitive skills and productivity
- They use this to develop “synthetic model of cognitive skill” to explain unexplained component of wage discrimination
- They claim: ‘differences in school quality mean that Intervention in labour market has limited effect: pre-labour market divisions exist’
- Massive improvement in school quality, on a massive scale, needed: to keep up with the “skills intensive nature of growth”, allow the poor to become economic insiders and share in the fruits of growth
- Wage differentials will remain high unless skills growth exceeds the growth of demand for this type of labour

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A brief 5 point critique…
1. Labour markets misconceptualised

- Labour market seen as competitive space, with only precondition that people need equal human capital

- However, labour markets historically forged, segmented and complex structures; cannot be understood without attention to how they're skewed by race, class, gender, geography, language

- Even with their intentions to explain wage discrimination there are still large race based wage differences

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2. Poor schools are a consequence not a cause of labour market inequalities

- Schools are constituted by neighbourhoods, families, as well as linguistic, cultural and other forms of social capital that are embedded in societal power dynamics;

- Simply ‘improving’ the quality of tuition totally ignores this

- Intervening in education is treating a consequence not a cause of the problem:

- Neighbourhoods and families were made poor by economic systems, spatial divisions and cultural oppression/misrecognition

- The real problem is racialised socio-economic relations that were historically forged to create and reproduce inequality

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3. The neoliberal ideology underpinning Human Capital Theory not made explicit

- "Rich countries are rich because they have better education systems":

  ahistorical; ignores colonialism and history of capitalism

- "Humans can be conceived of as forms of capital to be invested in, yielding a return on that investment as they become more productive, stimulating economic growth."

  This is clearly in the interests of capital, promoting the creation of a pool of resources for global Capital to use at its discretion

- Methodological individualism: "individuals are rational and they choose how best to promote their interests": totally ignores class, race, gender and other structural forces

- Since the rise of HCT in the 1960s unemployment has actually risen globally and there is little evidence that the massive increase in educational qualifications has made people richer.

- Unwavering belief in the liberatory potential of the market

- Van der Berg: "pre-labour market" divisions analysed at the level of the individual-

  cognitive deficits- rather than structural inequalities

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4. The economic policy/vision associated with HCT not made explicit

- High skilled growth is seen as the only option or a ‘natural process’
- It is assumed that if there are ‘skills’, jobs will miraculously appear
- As the poor white problem and Afrikaner politics showed, planned state intervention crucial for job creation
- Wage labour seen as the only way to make a livelihood
- The rise of machine operated labour and environmental crisis ignored

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5. The evidence is ‘thin’ and ‘problematic’

- Van der Berg et al: Unemployment rates and grade 12 results

Grade 12 fail	Grade 12 pass	University exemption
48% unemployment	42% unemployment	36% unemployment

- This is a correlation not a causal relationship
- Education co-correlated with a range of other variables: SES, language, neighbourhood
- The key increase in employment occurs with 13 years of education
- The table above is evidence that employers believe in grade 12 as a marker of productivity
- Credentialism (Collins, 1979): formal qualifications a mechanism which barricades access to occupations and work.
- Credentials: cultural, class based and exclusionary competencies- rather than objective technical skills- abstracted from actual knowledge and used as signs of trustworthiness by employers.
- They are political and cultural artefacts, with little direct relation to the technical demands of work.

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What to do?
Youth labour market stratification in South Africa

- Need to rethink the notion of ‘work’ beyond wage labour: the market is not going to solve this challenge

- Occupational citizenship

- Pathways of desirable work that contribute to national development:

  Early childhood development/educator stream

- It is not the public realm that needs most immediate rethinking, but the realm of the private and semi-private;

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