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Rationale & Background

- High and persistent unemployment in SA – 29% (narrow) to 37% (broad) in Q4, 2019 (Statistics SA, 2020).
- High mobility rates of labour across labour market states (Versick, 2011; Essers, 2013; Cichello et al., 2014).
- Low levels of informal employment (34%) compared to similar countries [e.g. Botswana (65.6%), Namibia (67%)] (ILO, 2018).
- Coexistence of the above is puzzling vis-a-vis dualist theories.
- Possible reason: barriers to entry into informal self-employment (Davies & Thurloe, 2010; Philip, 2011).
- Considerable research on informal employment, but question of mobility is underexplored.
- Worker transitions have not received much focus in the literature.
- Amidst barriers to entry, which types of workers are more likely to move from unemployment into informal employment, specific interest, self-employment.

Aims & Objectives

- To explore which types of workers are more likely to move from unemployment into informal employment.
- Characteristics of interest:
  - Gender
  - Age
  - Education
  - Race
  - Marital status
  - Location

Data & Methodology

- South Africa’s National Income Dynamics Study (NIDS) 2008 and 2012.
- SA’s first nationally representative household panel survey.
- Follows the same individuals over time.
- Tracks 28,000 individuals in 7,300 households.
- Contains rich information on demography and labour market participation.

- Separated workers into different labor market states.
- Constructed transition matrices:
  1. $p_{ij} = n_{ij}/n_{i.}$ (1)
  2. $t_{ij} = n_{ij}/n_{.j}$ (2)
- Probit regression (following Chong et al., 2008; Leung 2009; Essers 2013) $Pr(Y=1|X=x) = \Phi(X'\beta)$ (3)

Y: binary outcome of the transition under study
X: various characteristics of individuals, which determine their probabilities of moving between the different employment states.

Standard normal cumulative density function for the probit distribution.

B: marginal effects of individuals’ labor market characteristics on their transition probabilities into the various employment statuses.

Findings

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<th>Variables</th>
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<th>FSE</th>
<th>IWE</th>
<th>ISE</th>
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<td>0.331***</td>
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Key References