

PHILIPPE BURGER

University of the Free State, South Africa

FREDERICK FOURIE

University of the Free State, South Africa

HIGH UNEMPLOYMENT AND A SEGMENTED LABOUR MARKET IN SOUTH AFRICA: A SUGGESTED MACROECONOMIC MODEL

Abstract:

Few countries have as serious an unemployment problem as South Africa. In the period 2000-2013 the narrow (and official) unemployment rate averaged 24.1%. The broad unemployment rate (which includes the discouraged unemployed) averaged 33.4%. At the same time the informal sector is very small relative to total employment. If workers do not find employment in the formal sector, why do they become unemployed rather than enter the informal sector? To develop a theoretical model that incorporates both the segmented nature of the South African labour market and the simultaneous existence of very high unemployment, this paper draws on the dual labour market model of Bulow and Summers (1986) and the suggestion by Kingdon and Knight (2004) that barriers to entry exist into the informal sector. The result is a three-segment model comprising a primary ('good jobs') and secondary ('bad jobs') sector/segment, as well as a segment comprising the unemployed.

Keywords:

Unemployment; Segmented labour market; South Africa

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