

The Impact of International Migration on the Labor Market in South Africa

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Introduction

After decades of international isolation, South Africa has returned to the world community, joining other emerging economies. Being outside of the main stream of integration processes for so long, the nation faces bigger challenges with globalization than many other countries. It is hard to say whether the financial or labor system is more under the growing pressure of globalization, but there is no doubt that the latter is much more inert, more sluggish, and more difficult to adjust than the former. To minimize the negative impact of globalization on the local labor market, and to maximize the positive one, a complex of government regulations is needed. Before that, and for that, however more knowledge is needed about the exogenous influence on both the supply and demand side of the labor market.

One of the biggest challenges that the transforming country initially faced was worldwide migration, the most important demographic phenomenon of our time. With the first steps of democratization, South Africa opened the doors for its citizens to move out freely and for foreigners to move in. “Push” and “pull” migration factors came strongly into play. Immediately the country experienced an increased tourist traffic, hitherto unknown refugee waves, a swelling tide of job seekers, and an enormous increase in illegal immigration. With a lag of 3-4 years, the emigration flow from South Africa also increased dramatically. As a result, since 1990, South Africa has experienced large-scale international migration and with it a serious impact on the supply side of the country’s labor market.

The government has been rather slow in developing policy responses to international migration under the growing pressure of globalization. Some attempts to improve the existing immigration policies, rooted in the past, were not really successful. An urgent matter for South Africa now is to reach, as soon as possible, a balance between liberalization of its immigration policy and necessary government regulation in the interest of domestic communities (RSA, 1999). A demographic, economic and sociological investigation of the impact of international migration on the labor market in South Africa could help to formulate an effective national policy on this matter.

1. The Immigration Process and Labor Inflow

Official statistics do not provide sufficient information on the quantity and quality of foreign labor entering South Africa. Such information is not available even for legal immigrants, most of whom normally possess an ability to work. Only an approximate estimate is possible. This can be arrived at using available statistical data for *documented immigrants*, aggregate figures for *work permit holders*, current estimates of permissions for *foreign contract workers*, poor information about *refugees*, and some estimates of *illegal immigrants*. Analyzing these components of the total immigration process, the following estimates for the relevant labor groups are suggested:

1.1 The Labor Potential of Documented Immigrants

Documented immigrants are foreigners whose sojourn is legalized by permanent resident permits. Under this category SA Statistics record only a foreigner who has been approved as an immigrant either before or after arrival during a specific period. They are

statistically the most fully, correctly and openly represented immigration group. From 1990 to 1998, the period under review, 71 160 foreigners were granted this status. The majority of them come from Europe, 44%, followed by Asia, 27,2%, and the rest of Africa, 21,9%.

The documented immigrants who are economically active directly affect the South African labor market bringing some exogenous changes to its supply side. Their total cumulative number for the period under review is 31 044, and the annual number steadily decreased from 6 727 in 1990 to 1 920 in 1998. The dominant group by occupation is “Professional, Semiprofessional and Technical”- 34%, followed by “Manufacturing and Construction”- 21%.

In spite of a relatively smaller flow of documented immigrants from Africa, countries in the region argue that they are losing many of their skilled people because of the better salaries and higher living standards available in South Africa.

According to Barker (1995: 49) the recent immigration of skilled people to South Africa from neighboring countries is causing increasing concern, as it is resulting in a brain drain of persons who are in very short supply in their countries of origin. In the medium to longer term this will not be in South Africa’s best interest, as every skilled worker leaving his home country weakens the national structure of the labor force and reduces that country’s growth potential, which in turn destabilizes the region and results in an even greater inflow of illegal, unskilled workers into South Africa.

1.2 The Work Permit Holders

Work permit holders are highly skilled foreigners, incorporated temporarily into the local

labor force. Their sojourn in this country is legalized by temporary work permits for a period of two or three years. The majority of them are employed in those sectors of the economy where there is a chronic shortage of high-skilled labor. Unfortunately the number of annually approved work permits was available only for the period 1993 – 1997 and did not show occupation. Nevertheless, such information can help us to move closer to the real number of foreign entrants into the South African labor market, adding 28 490 work permit holders to the total immigrant labor force for the period under review.

It is important to note that government policy reveals no special drive to attract foreign workers. Any offer of a job must be extremely well motivated. The prospective employer is required to satisfy the Department of Home Affairs with enough evidence that adequate steps have been taken to recruit a local person for a position in an occupational category for which a proven demand exists. The critical factor in the consideration and approval of applications for work permits is the proven lack of South African citizens or permanent residents ready to fill the given vacancy. It might be necessary as well to prove that no local person could be trained for the position in question within a reasonable time period (RSA, 1996: 28). Because of this the appointments of work permit holders strongly correlate with the official list of critical occupations with high personnel shortage rates. The latest information shows that tertiary education, and especially universities and technicons, continues to be the most privileged sector in applying for work permits because of the large number of vacant academic posts.

Such a flexible form of temporarily “importing” highly qualified labor can be evaluated from different points of view. It involves, clearly, the use in one country of a needed and valuable labor resource that has been created at great economic expense by another

country. And certainly the moral problem of a “brain drain” arises. But in the South African immigration situation there is a case that is radically different from the classic situation familiar elsewhere. I refer now specifically to work permit holders from Eastern European countries. The temporary “brain drain” from that part of the world has no negative concomitant effect like that of the large inflow of skilled labor from countries in the Southern Africa region. It simply involves temporary employment of highly-skilled labor of which there is a surplus in the donor countries at the present time.

As for Eastern European immigrants it is obvious that their countries of origin currently do not need their professional skills. Catastrophically collapsed economies cannot use now that valuable resource. They cannot even afford the minimum cost of keeping these workers employed in conditions good enough to maintain their qualifications for the future. As Hogendorn (1992: 313) notes, if those who leave would otherwise form a frustrated, festering class of educated unemployed, allowing the drain to continue might be a preferred strategy in the short run for a country that lacks the immediate capability to do much about it.

In all probability for at least the next five or six years this kind of labor renting will provide a valuable dual benefit. Thus, such a “brain drain” matches the social and economic interests of both countries, contributing simultaneously to solving two radically different problems: the redundancy and shortage of a highly-skilled labor force.

1.3 The Foreign Contract Workers

Foreign contract workers from neighboring countries, mainly from Lesotho and Mozambique, are a special group of foreign labor employed in the mining and agriculture

sectors of the South African economy. The only data available for mining contract workers is for 1994, suggesting 165 800 foreigners, and between 7 800 and 12 800 permits in agriculture. The Department of Home Affairs is currently attempting to gain a clearer picture of the position.

1.4 The Refugees and Applicants for Refugee Status

Refugees are another source of migratory labor, bringing additional pressure on the labor market in South Africa. Sichel (1996:120) defines the refugee as a person who is forcibly uprooted or coerced to leave his country; often undergoing terrifying experiences before escaping, and departs, sometimes for an unknown destination, fearing not only for his own future, but for the lives of relatives and friends left behind. He might arrive in his country of refuge without possessions or material means, often has to take employment below his former status, and, if unlucky, might encounter resentment and prejudice among the very people he has turned to for safety.

South Africa acceded to the international conventions relating to the status of refugees in January 1996, when already faced with a sudden increase in the number of asylum seekers. In the beginning of the 1990s more than 250 000 Mozambicans came to South Africa as asylum seekers, fleeing the civil war in their country. After that, there was an accelerated growth of asylum claims, from 500 in 1994 to 47 612 from 109 countries around the world by 1998. The majority, relatively young males between 18 and 34 years old, came from African countries, 83%, and Asia 14%. The total number of aliens from Eastern European Countries who, by 31:01:99, had applied for the status of refugee was 1842. No applications have been granted yet, so a more correct name for them would be

“refugee applicants”. Most applications come from Bulgarians, 1367. Smaller numbers come from Yugoslavians, 213, from Russians, 70, and from Rumanians, 66.

The majority of applicants for refugee status were those who had failed to legalize their stay in South Africa by other means. An estimate by Home Affairs states that fraudulent claims comprise 70% to 95% of asylum applications. Officially during this period South Africa offered refuge to 7 927 asylum seekers (excluding Mozambicans). The rest of the applicants, unsuccessful so far, in practice also have permission to work and deserve to be included in the migratory inflow of labor.

1.5 The Illegal immigrants

Illegal immigrants comprise the largest and the most difficult group of aliens to compute. It includes those who have either failed to renew the temporary residence permits issued to them at ports of entry or who have crossed the border illegally. The influx of undocumented people into the country has been identified as a recent phenomenon, dating mainly from 1990. Various estimates, based on highly suspect methodologies, determine the number of illegal immigrants to be between 5 and 8 million. It is difficult, however, to make an expert estimate with a group of people who are very secretive about their status.

In part the annual number of repatriations of illegal aliens to their countries of origin characterizes the scale of illegal immigration into South Africa. This figure steadily increased from 53 418 in 1990 to 181 286 in 1998. During the period under review a total of 1 080 164 illegal aliens were repatriated from South Africa.

Unfortunately the fight against illegal immigrants looks endless. According to

information from Home Affairs, 381 647 aliens failed to renew their temporary residence permits and thus became illegal immigrants in 1998. Among them there were recorded 6 630 cases of aliens from Eastern Europe overstaying the validity of their temporary residence permits. The biggest offenders were Russians, 2 087, Bulgarians, 1 306, Poles, 1 270, Yugoslavians, 895, and Romanians, 304. The number of temporary residence permit transgressors from united Germany was also high at 17 602.

Estimates of the total number of illegal immigrants in the South African labor force must be based on the above figures and on a reasonable assumption that consists exclusively of economically active people.

2. An Overall Quantitative Assessment of the Labor Inflow

An overall quantitative assessment of the labor inflow into the South African labor market has been carried out using two methodologically different approaches:

First, a *detailed approach*, based on the above grouping of immigrants and on the available statistics concerning them, with some authorial estimations in cases of insufficient information. It shows an increase in the labor supply of 665 000 foreign workers.

Second, a *direct aggregate approach*, based on the difference between the total numbers of foreign “arrivals” and “departures”. The cumulative amount of “border net immigration” shows 2 809 261 foreigners who came into but did not leave South Africa during the period under review. After reducing this number, multiplying it by the labor force participation rate of 44%, the overall quantitative assessment of labor inflow shows an increase of 1 240 000 people in the supply of labor in South Africa.

The estimate from the second approach looks the more reliable, because it is based completely on government statistics with only one correction. However, it can be accepted as a minimal figure only, to be inflated no doubt by the unknown number of illegal immigrants who have crossed a border and not been recorded. Relative to the situation in the South African labor market, such an inflow shows:

12,6% of the economically active population;

16,3% of employed people, and

55,7% of unemployed people.

Thus, if current international migration into the South African labor market amounts to, as a minimum, 1 240 000, at least one million are unskilled and unprofessional people. Theoretically, with an assumption of free competition for jobs between local people and immigrants, such a labor inflow halves the probability of finding work for all South Africans, skilled and unskilled. In practice, however, on the one hand there are severe restrictive legal provisions against illegal immigrants working, a fact that increases chances for local job seekers. On the other hand, immigrant readiness to work for small wages and in imperfect working conditions plays an opposite role, particularly in the economic sectors, in businesses, urbanized areas and in agricultural communities, where government control and trade union monitoring are difficult to arrange. Ultimately, more and more South Africans are now experiencing an increased presence of foreigners in the country. Such an influx in a climate of rising unemployment and scarce resources has given rise to xenophobic sentiments, in some instances leading to clashes and brutal attacks on foreign workers.

3. The Emigration Process and Labor Outflow

Although *Statistics South Africa* does not publish data for the labor force lost as a result of emigration, this institution provides regular general information about emigrants.

However, on that information basis, only minimal estimates of the labor outflow are methodologically possible. The main reason is that all border records for “departures” originate from personal declarations.

Official statistics show that the annual number of self-declared emigrants increased from 4 722 people in 1990 to 10 235 in 1994, and dropped to 9 031 in 1998. Bearing in mind that South Africans who leave the country permanently under the pretext of temporary visits do not appear as emigrants in the statistics collected, one can conclude that the real population outflow for the period under review is larger than the recorded 69 123. After allowing for the coefficient of economic activity, the cumulative minimal figure for the labor outflow shows 35 567 lost workers. Of these 39,6% were professionals and 23,5% in manufacturing and construction. It is obvious that the loss of labor through emigration is concentrated in the same sectors of the South African labor market, where traditionally there has been a shortage of such highly-skilled professionals as engineers, medical practitioners, teachers and lecturers, accountants and others with related occupations.

4. The Net Labor Flow and Labor Market Situation in South Africa

The net labor flow, as a difference between inflow and outflow, shows the final size of exogenous changes in the domestic labor supply. Because their numbers differ enormously, one is measured in millions (inflow) and the other in thousands (outflow), the balance looks like the bigger one. It means that the net labor flow has very much the

same quantitative and qualitative characteristics as the labor inflow. Thus, the resulting figure for the exogenous net increase of the labor supply, according to the present estimations, is 1 200 000 additional workers in the South African labor market. Hence, the total exogenous increase of the supply of labor comprises:

12,2% of the economically active population;

15,8% of the employed people, and

53,9% of the unemployed people.

It can be seen that international migration has a severe impact on the South African labor market. This is not only because of the large scales of the labor flows, and particularly of the inflow, but mostly because of the specific domestic employment situation.

It is well known that South African labor market is chronically polarized in the simultaneous existence of high unemployment among unskilled people on the one hand and substantial number of vacancies for educated and highly skilled workers on the other. Because of this the response to international migration is an aggravation of the complex problem of labor and capital employment - deepening the shortage and sharpening joblessness.

Although, so far, *Statistics South Africa* is monitoring the key employment indicators, some years ago it began ignoring the other side of the employment polarization problem. Hence after 1992 no data about occupational vacancies is available. The only statistically recorded signal is the accelerated movement in wage rates for highly-skilled labor, showing that the relevant professionals are domestically in short supply.

Another important point is the fact that the labor market situation in South Africa has deteriorated during the period under review. Employment in the formal sector of the

economy has been declining steadily by 0,9% annually on average. The key indicators of the labor market, estimated on the basis of four successive October household surveys (OHS, 1994-1997), show that:

Firstly, there were 20,9 million people aged from 15 to 65 years in 1994, increasing to 22,3 million in 1997 in an average population growth rate of 2,2%.

Secondly, the number of employed people decreased from 7,97 million in 1994 to 7,58 million in 1997, accompanied by a decline in the labor absorption rate, respectively from 38,2% to 34%. This process continued during 1998 as well, showing practically a loss of 500 000 jobs in the formal sector.

Thirdly, the number of unemployed people increased from 1,99 million in 1994 to 2,23 million in 1997, accompanied by an increase in the unemployment rate respectively from 20% to 22,7%. Obviously, a substantial number of these jobless, mainly unskilled and lower skilled workers, have lost out in the competition for a limited number of positions to illegal immigrants and refugees in the labor market.

The main determinants of the adverse labor market situation in South Africa include the following: lack of investment; a huge gap between economic and demographic fundamentals (the economic growth rate at 1,1% in 1997 was twice as low as the 2.2% population growth rate at that time); labor legislation minimally conducive to job creation; and a low rate of business confidence because of corruption, crime and violence.

It is obvious that the two flows adversely affecting the South African labor market are very different in terms of the financial benefits they bring. The majority of immigrants to South Africa are not only poor on their arrival. Usually they are energetic savers,

constantly building a “nest egg” for their return home or trying to support relatives by sending them money. Bearing in mind the number of immigrants involved, one can say that annually billion of rands leave South Africa, thus negatively affecting the main engine of the economy, the demand for goods and labor.

The majority of emigrants, on the other hand, are not only educated and skilled professionals but wealthy too. Even though far fewer in number, they carry away with them scores of billions of rands, to be injected into more competitive economies such as those of Canada, Australia, and New Zealand, and adversely affecting the South African financial system.

From a macroeconomic viewpoint, employed immigrants contribute to economic growth no less than South African citizens. Usually they satisfy a particular labor demand which is not domestically supplied. Paradoxically, illegal workers promote economic growth, maintaining the viability of production processes which would otherwise become extra-marginal because of current labor costs. Such a labor supply introduces more flexibility into South Africa’s relatively rigid labor market.

All those positive aspects of the foreign labor employment become socially and politically unacceptable when they are seen to bring negative consequences for the employment of South African citizens who lose out in the competition for insufficient job opportunities.

Conclusion

After analyzing the impact of international migration on the labor market in South Africa, certain suggestions can be made.

First, the South African labor market, being chronically polarized through the simultaneous existence of high unemployment among unskilled people on the one hand and substantial number of vacancies for educated and highly-skilled workers on the other, responses to the net international migration flow by aggravation the complex problem of insufficient and inefficient labor and capital employment.

Second, data gaps are evident in relation to the skilled labor shortage. It is a matter of urgency to renew the practice of undertaking a national survey of occupational vacancies, broken off in 1992.

Third, South Africa needs a clear strategy and active government policy on emigration and immigration. The hallmark of this policy has to be its reliance on market forces rather than administrative fiat.

Fourth, because of the skilled labor shortage, the South African economy is experiencing a huge loss in terms of unrealized possibilities for more production and less unemployment, and for accelerated economic and social development. A successful solution to this problem would demand more adequate methods for evaluating and forecasting shortages. Also long-term strategic measures would involve a serious reconstruction of the education system with an emphasis on maths and science, and suitable professional orientation and training. One feasible, temporary solution to the problem would include attracting, selecting and employing highly-skilled immigrants, thought bearing in mind the “brain-drain” effect on the “sending” countries. The current redundancy of such manpower in Eastern European countries could be seen as providing a most suitable pool of temporary contract employees in occupations with high shortage rates.

Fifth, without of a concerted efforts through education, xenophobia will continue to flourish, particularly among those people who have found themselves pushed to the margins of society, such as the unemployed and the homeless.

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