

# **The South African Employment Report**

Employment, earnings,  
taxes and benefits –  
with an international  
comparison.



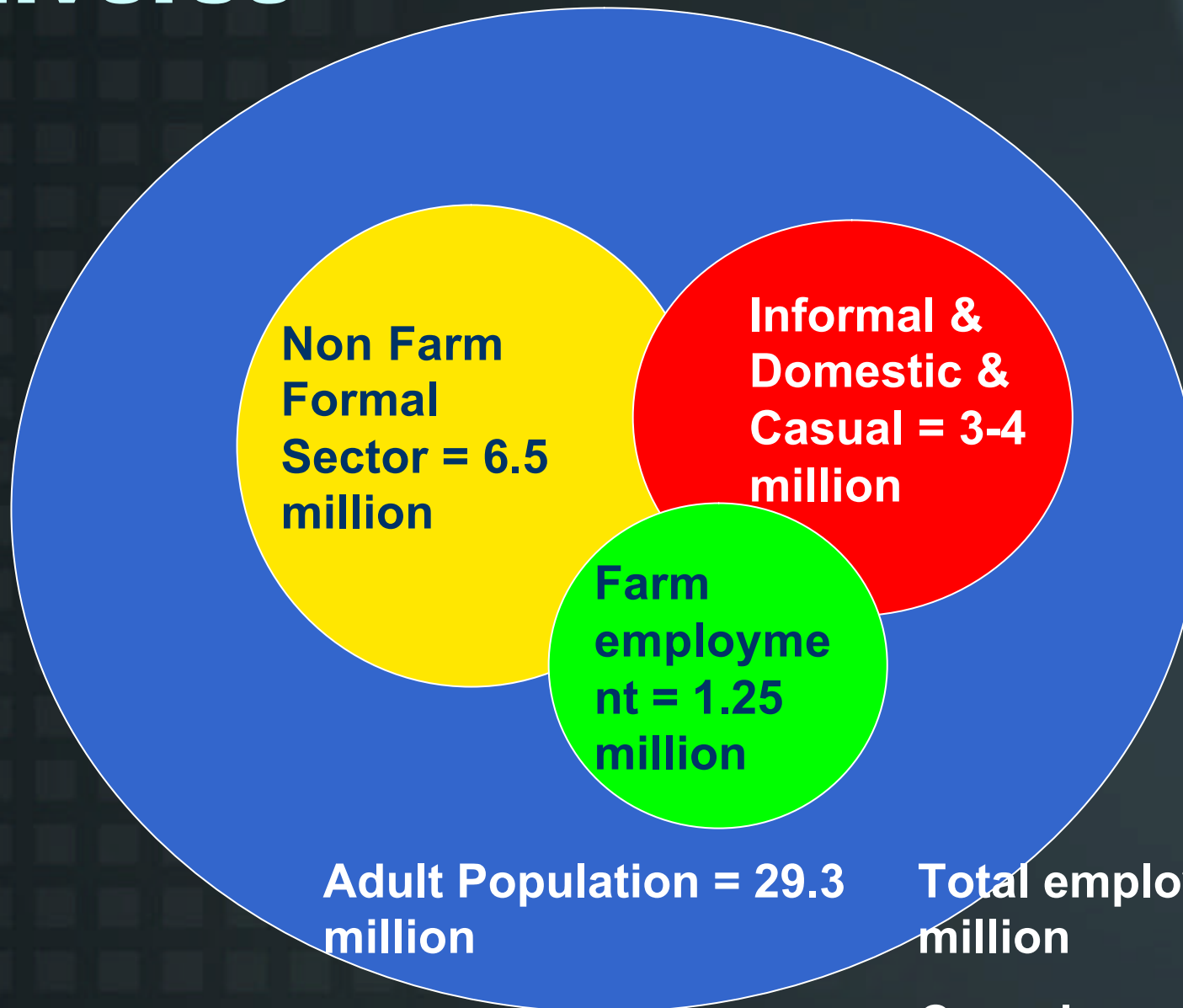
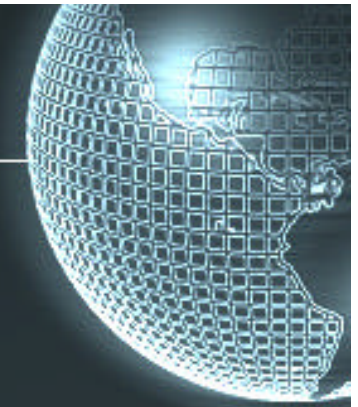
# The SA employment Report.

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- SA employment universe.
- Methodology.
- Earning levels by sector and firm type
  - International comparison.
- Wage Growth nominal, real and by sector.
  - International comparison.
- Employment growth in formal sector.
- Taxes and benefits.
  - All in tax rates an international comparison.
  - Employee benefits.

# The SA employment universe



Casuals may add another

# Methodology.



- We included all medical, pension, UIF, SDL, study benefits, car allowances etc as the OECD survey on Taxes and benefits would.
- We used Annual Reports and a survey on smaller companies. (Small companies still under represented, thus some interviews).
- We left out termination benefits, dividends, share options.
- Only permanent full or part time employees were counted. Casual or one hour labour was left out.
- All our businesses should be VAT registered.

# More on what we did.




- We also used the Grant Thornton Survey on Medium size companies to help us get a better idea on these companies.
- We used the EAS from StatsSA for Transport and communication, motor trade in 2002.
- Used Treasury and PSC data for state.
- Also surveyed annual reports of NGO's Municipalities – large, universities, etc.
- For 2002 which we made our base year we have nearly 3,9 million people on the database.
- Coke survey and some own data for a smaller idea on levels of earnings of informal market.

# Formal sector earnings

Current total earnings including Social Security benefits are bigger than most people think.




# The SA earnings level.



- The average formal sector worker earned R9313 per month in 2004.
- The Employee however may not have felt all the benefits of this in the short-term as around 20% of earnings are in the form of Social Security. (Pension, Medical, UIF, other insurance)

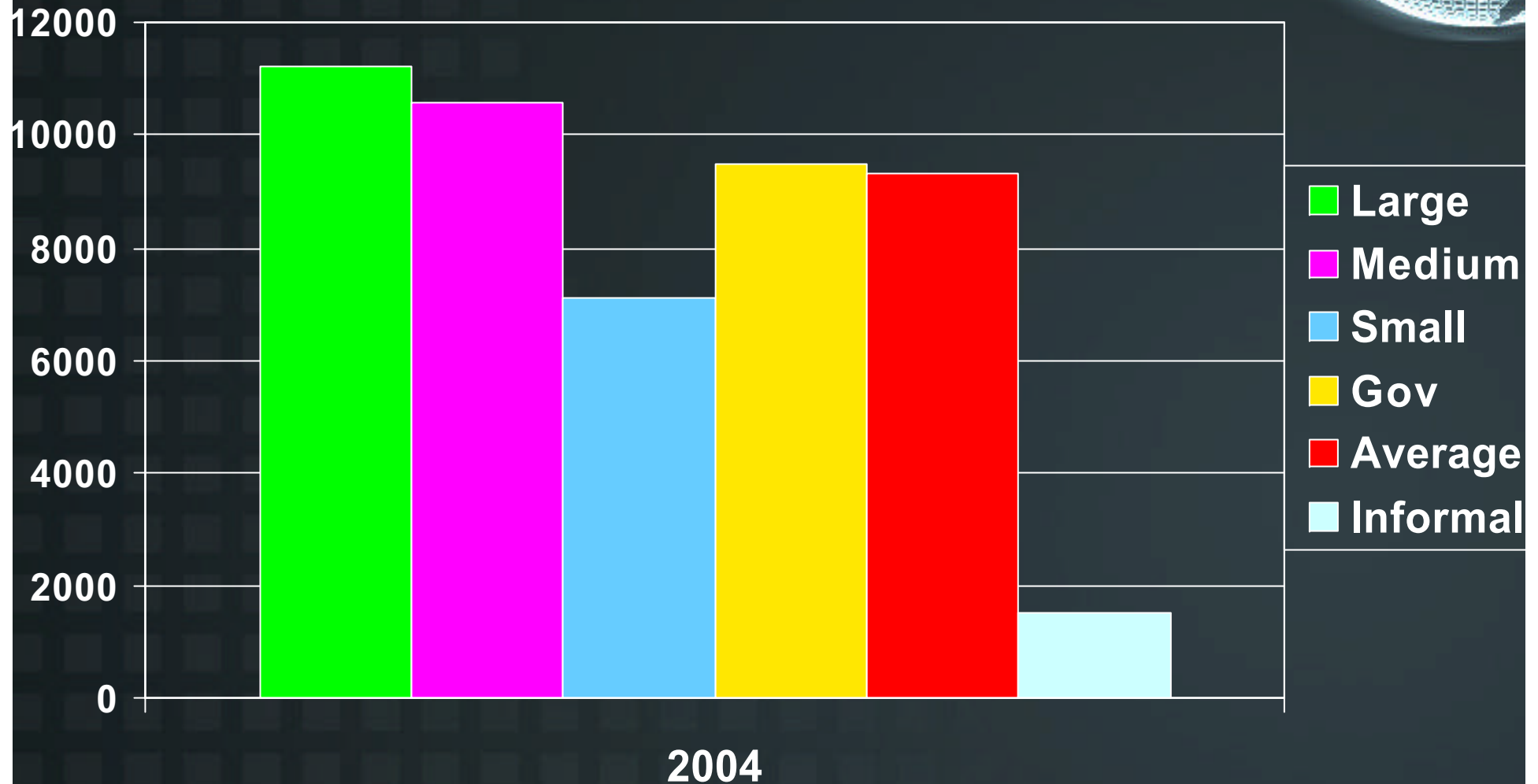
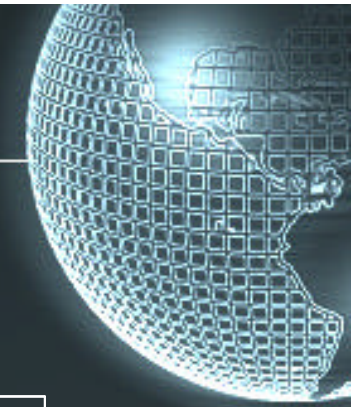
# Major differences on level of earnings.



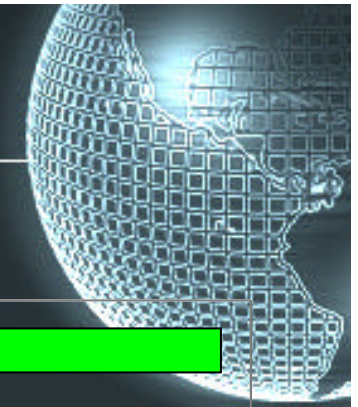
- Formal sector employees earn more than the SEE indicates.
- SEE states that average earnings last year was R7100 while we find average earnings of just over R9300.
- The difference is probably that many people earn pensions, medical etc. from companies which are not deducted but a company benefit “taken off” before gross wages.
- Overall we feel that the SEE understates earnings.



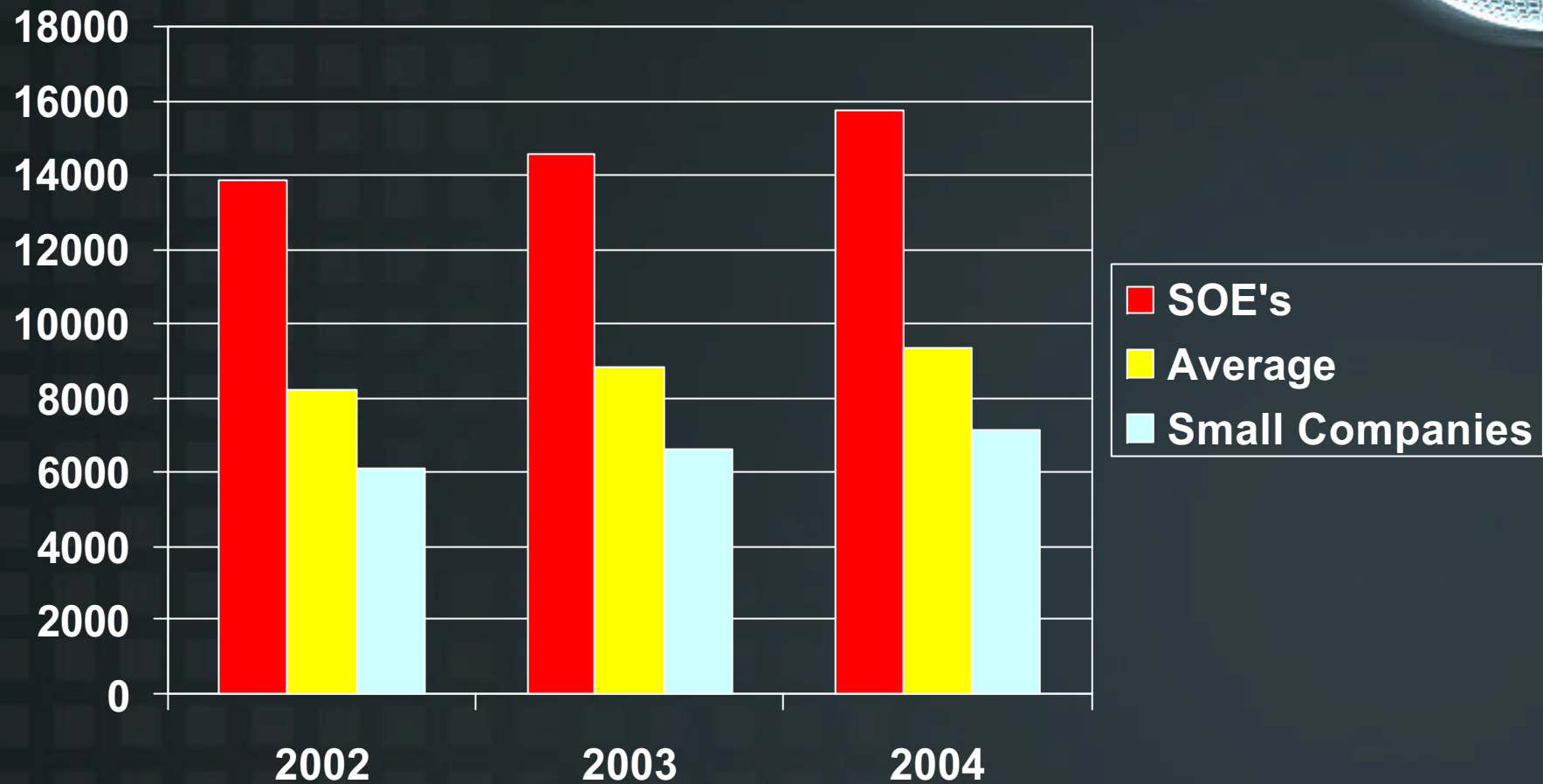
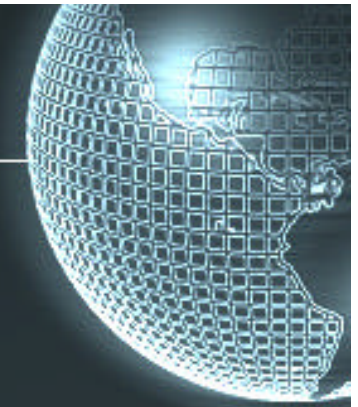
# Average monthly salary by firm type.



# Average monthly earnings per sector.

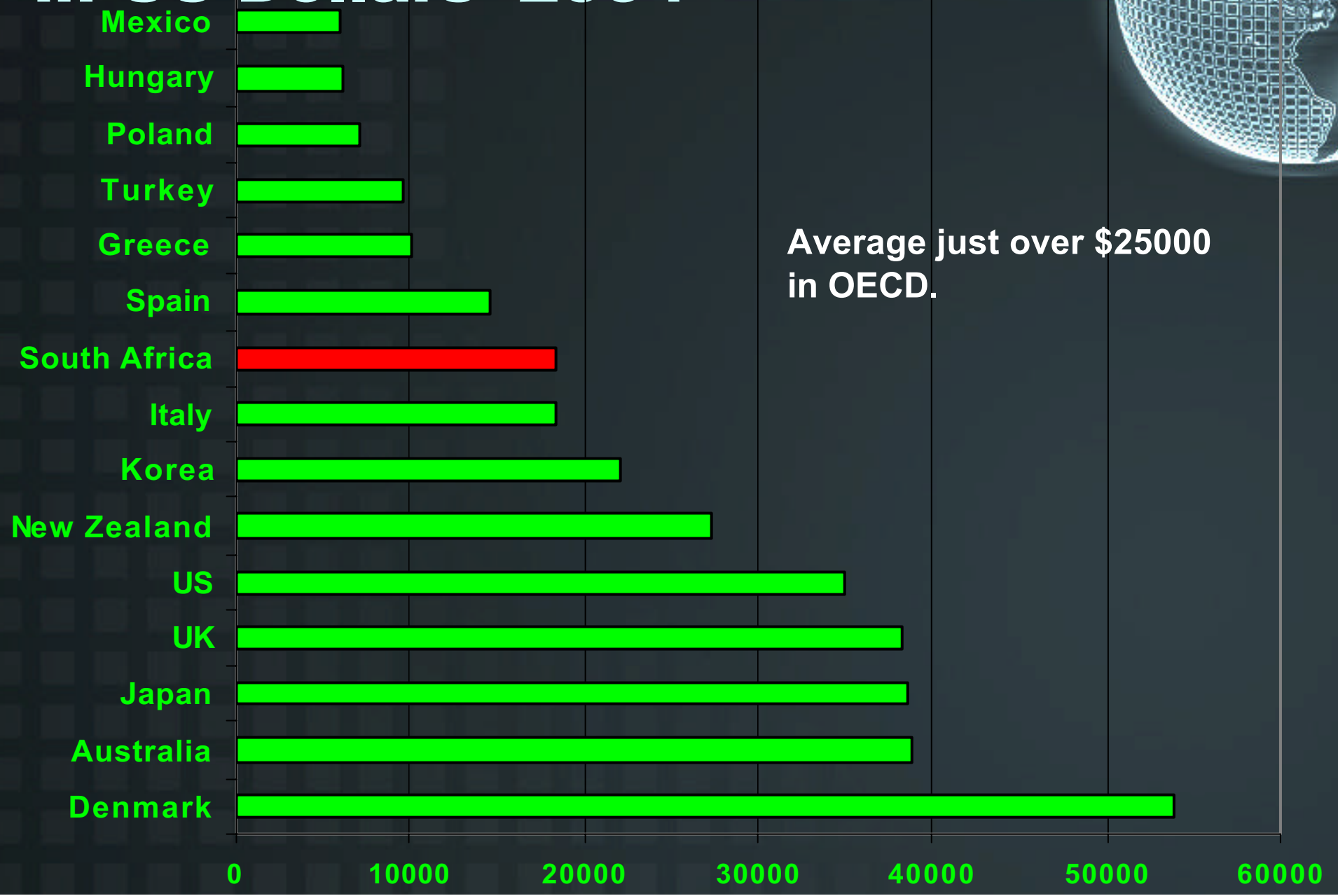


# Earning levels according to type of firm.

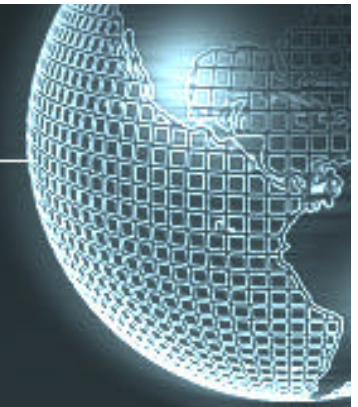


SOE's are 13 large government owned firms average from actual company reports.

# Annual manufacturing salary in US Dollars- 2004



# SA wage levels in International context.



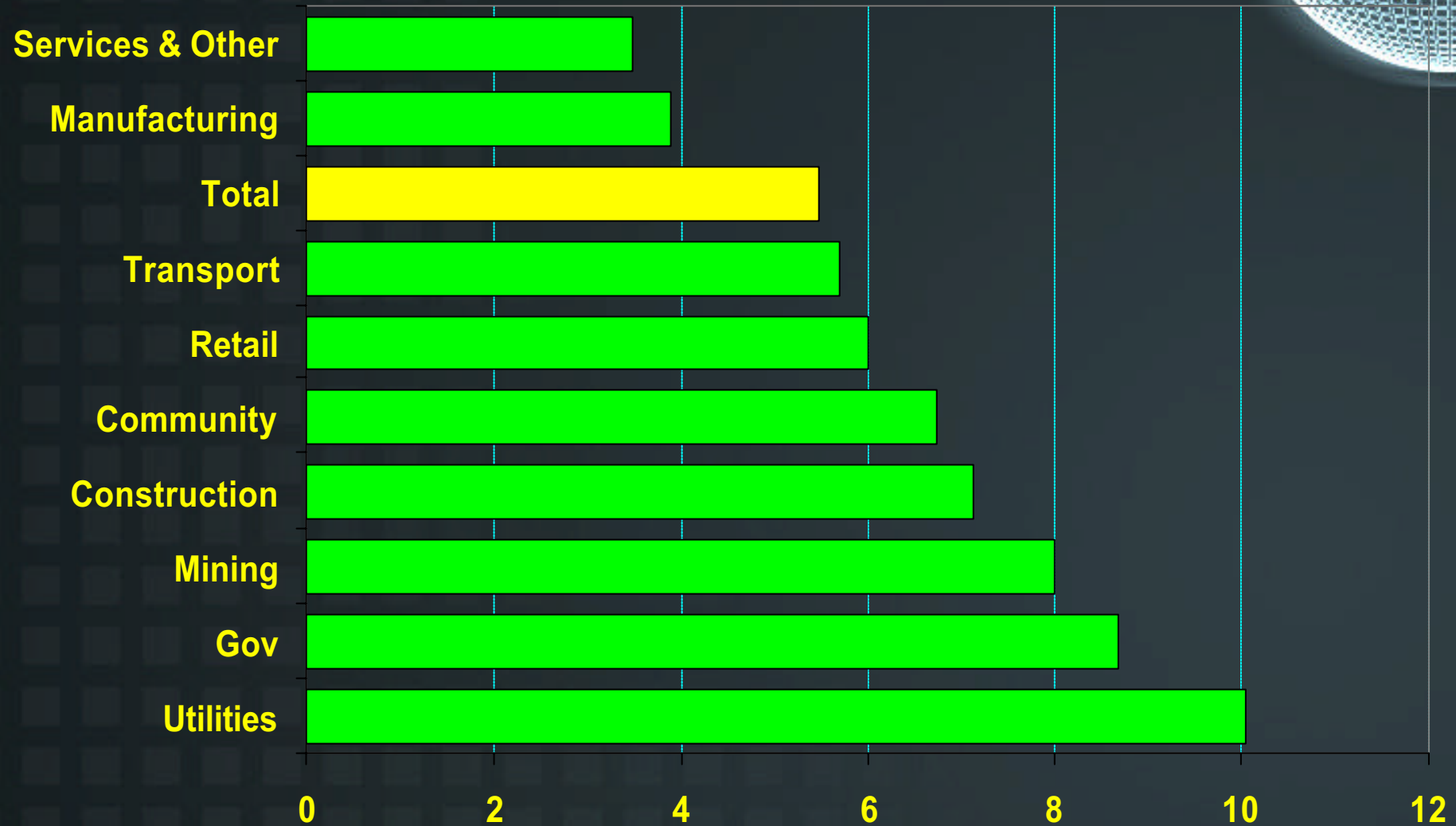
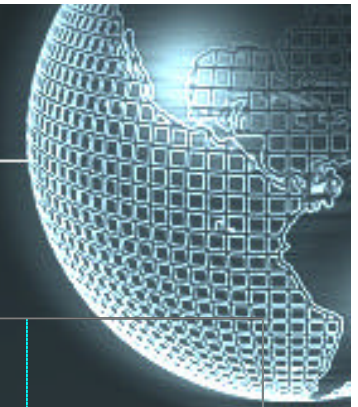
- Compared to the OECD countries the Manufacturing earnings of South Africans is in the bottom third of the table for 2004.
- However SA wages increased with 22% in dollar terms the most of all OECD countries.
- In the emerging markets in the OECD survey, only South Koreans earn more than South Africans in dollar terms at the moment.
- SA production workers earn more than Spain and Greece and slightly less than Italy. SA workers earn three time as much as Mexican workers in dollar terms.

# **Growth in wages and salaries and benefits.**

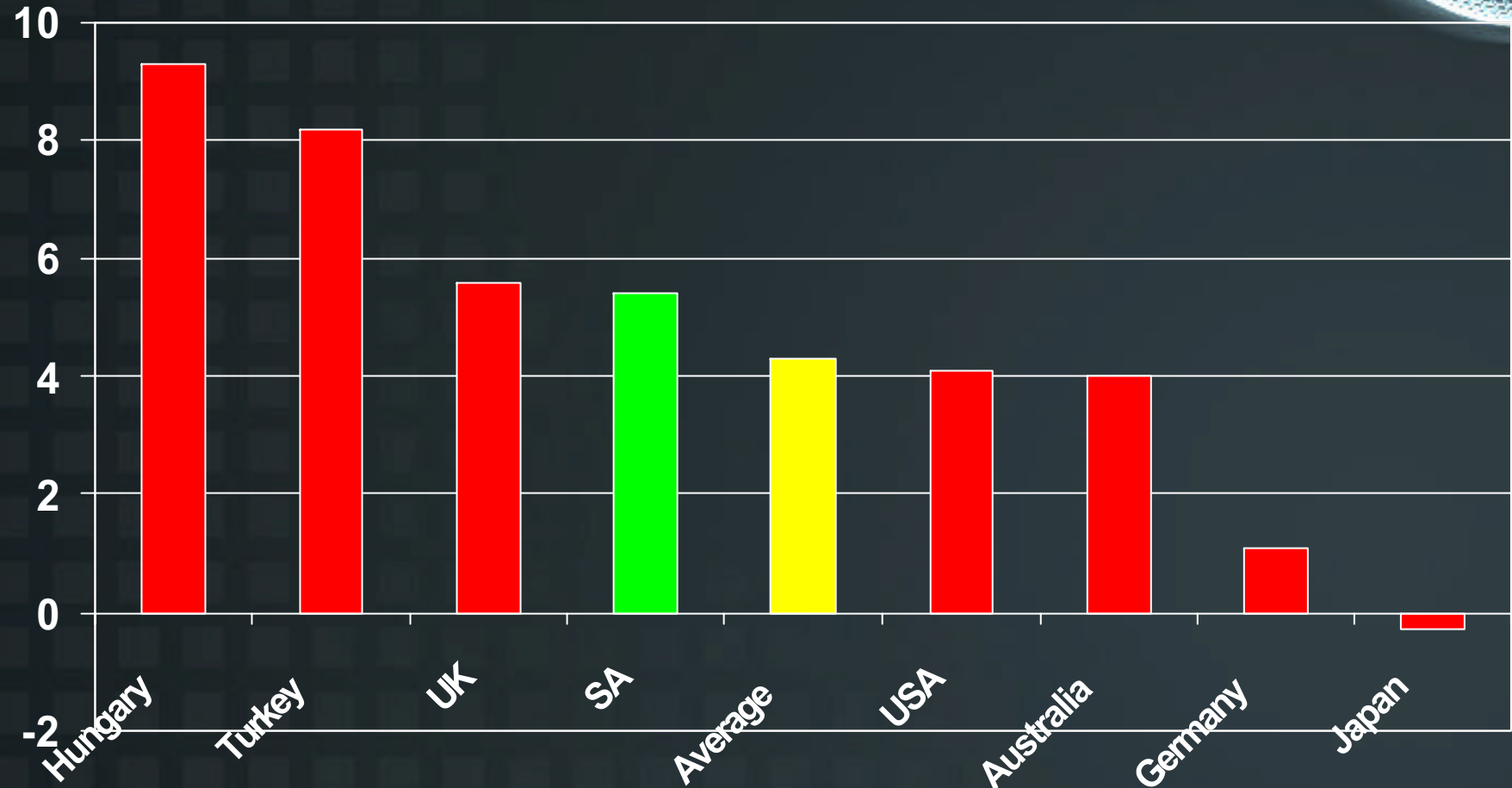
Nominally great but  
in slower real  
terms.



# Average Wage Growth per sector: 2004 over 2003

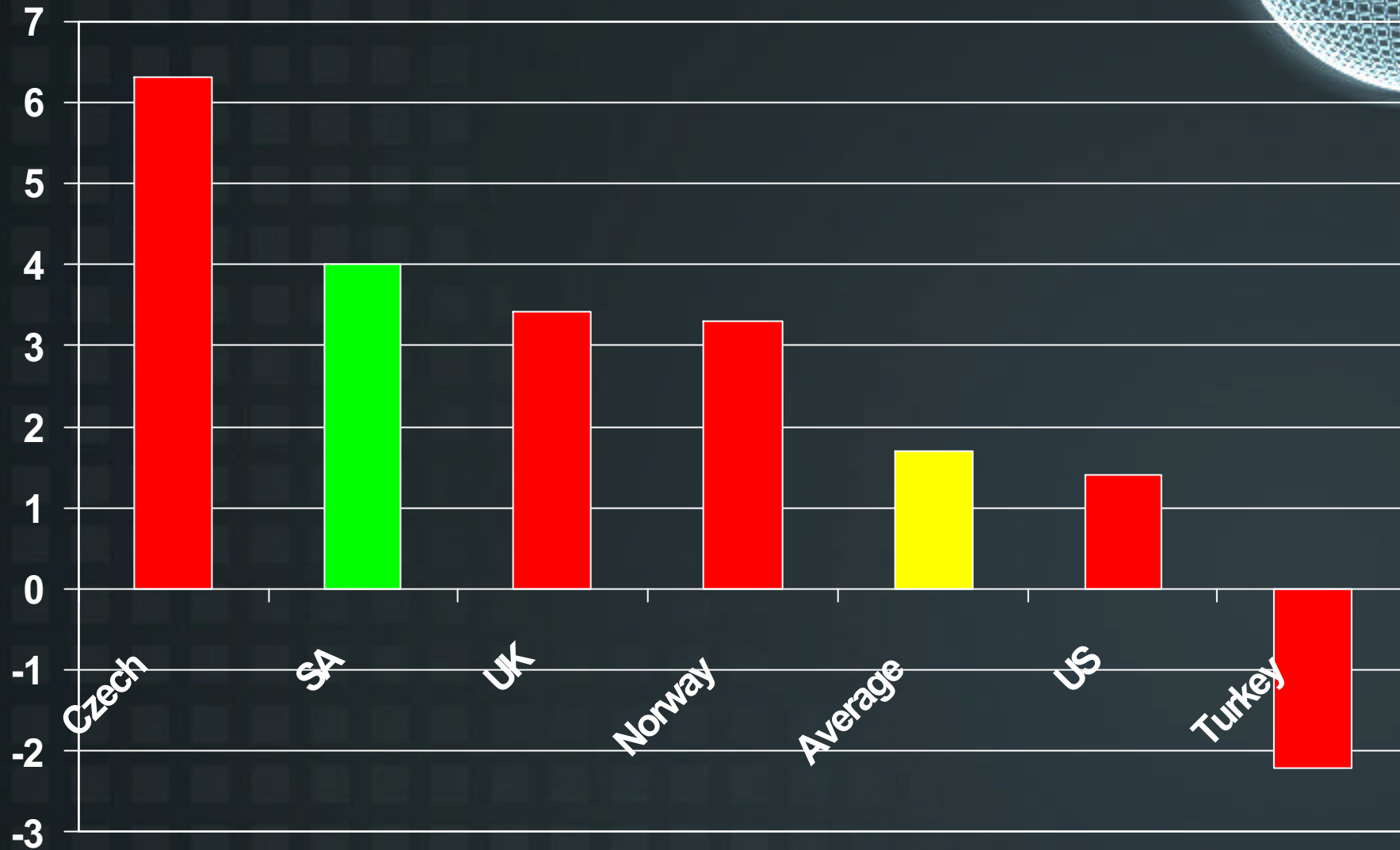
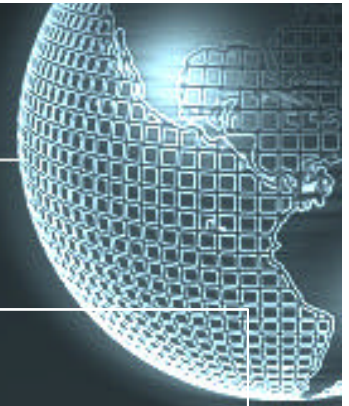


# Nominal wage growth compared to selected countries





# Real wage growth 2004.



# Wages in emerging countries

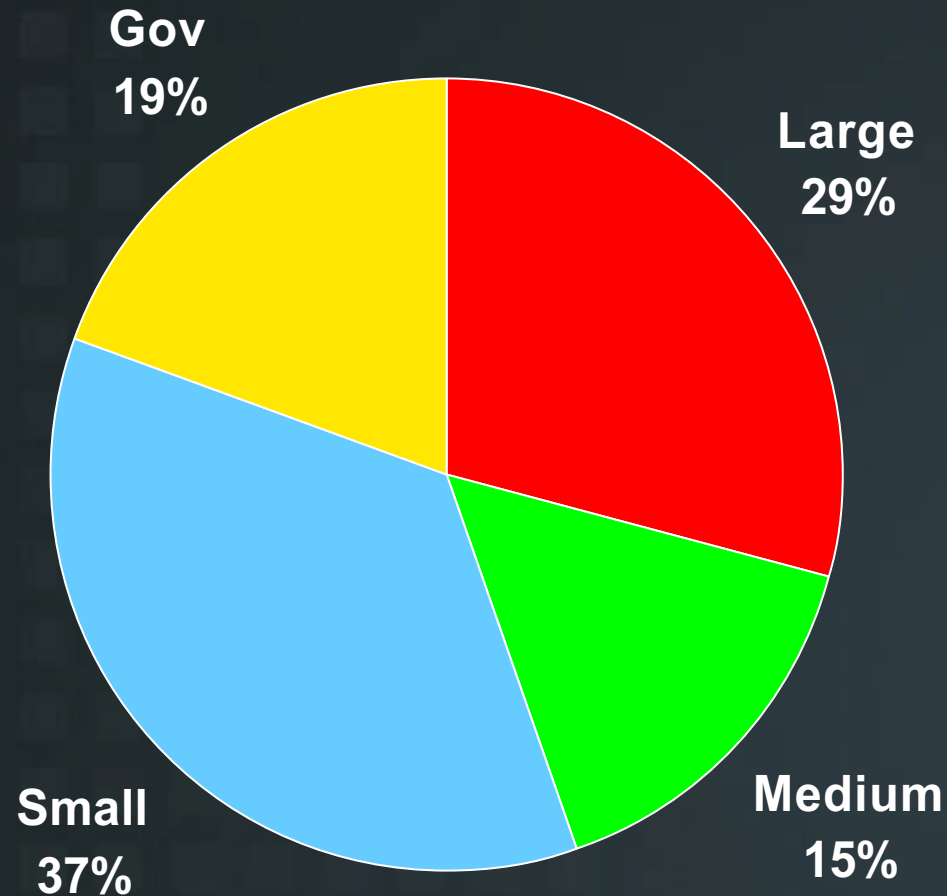


- Real wages grew with 11,4% in Slovak republic and 6,3% in Czech Republic.
- SA real wages grew at its fastest level since 2000 as a result of lower CPI.
- Other emerging countries recorded similar wage growth as SA, while Turkey showed a decline of 2%

**Where South African's work.**

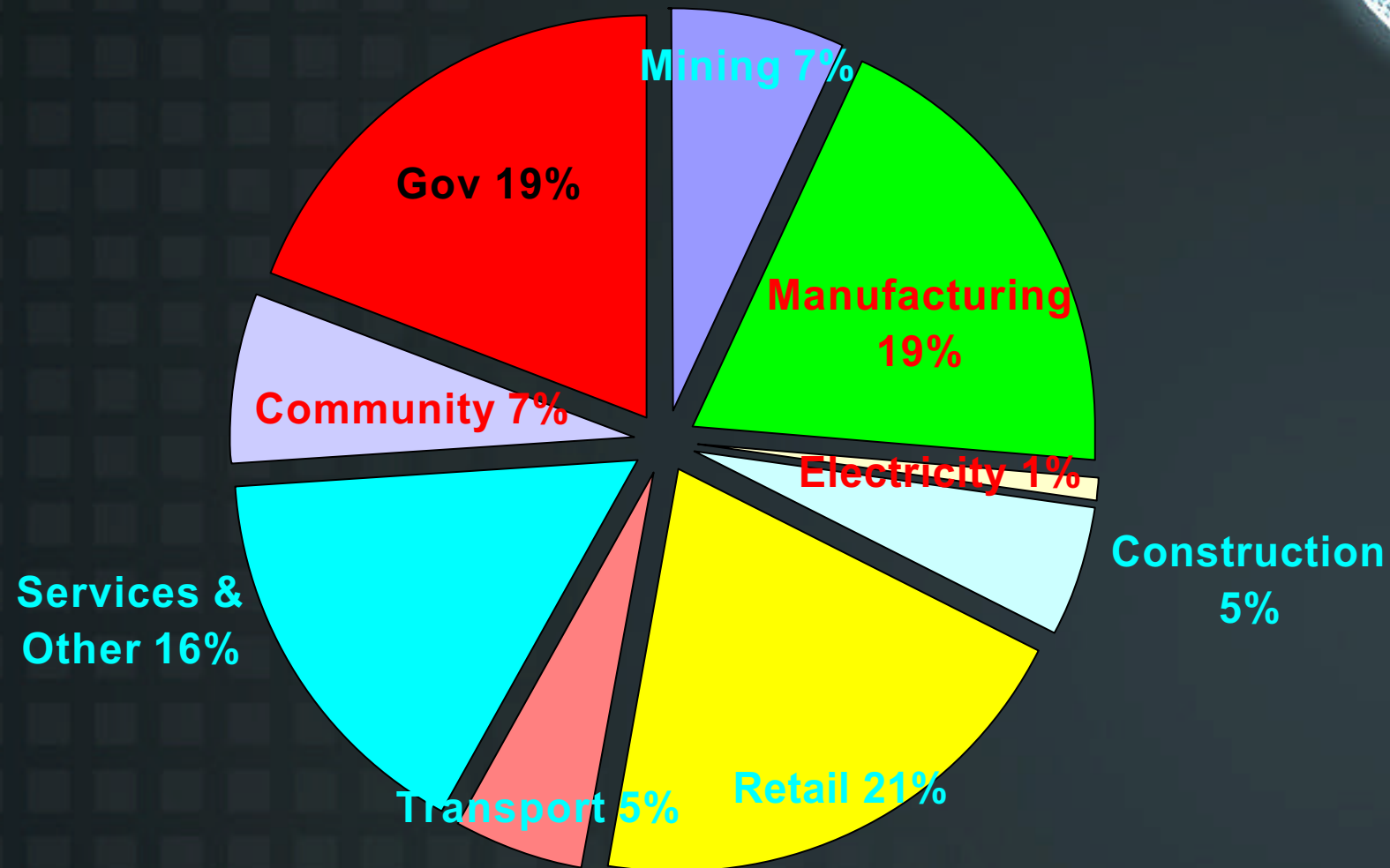
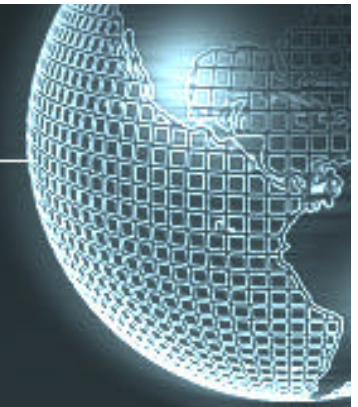


# Formal employment by company type.

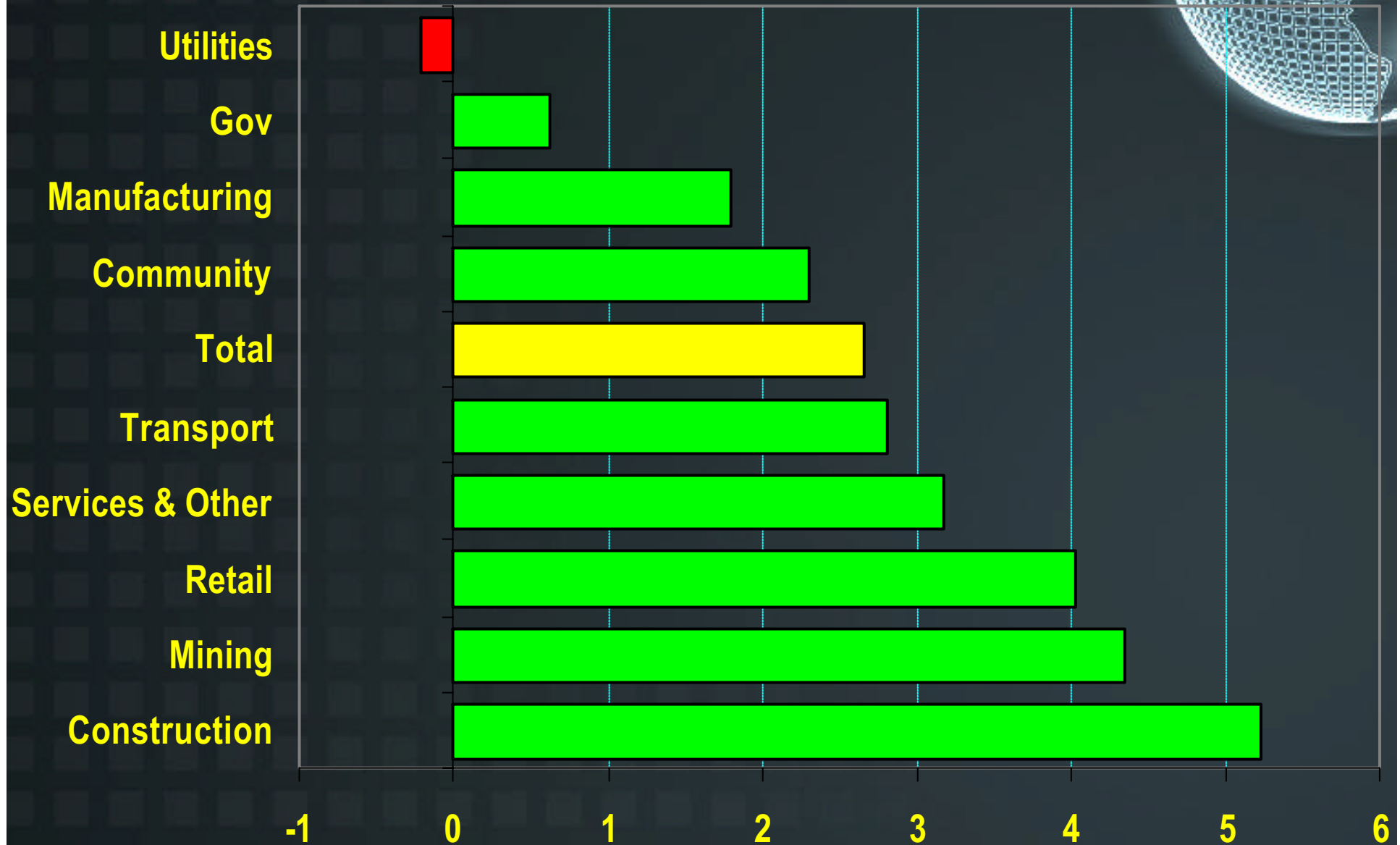


Firms with less a thousand employees employ just over 52% of all South Africans.

# Where we work: Sectors.



# Employment growth per sector 2004 over 2003

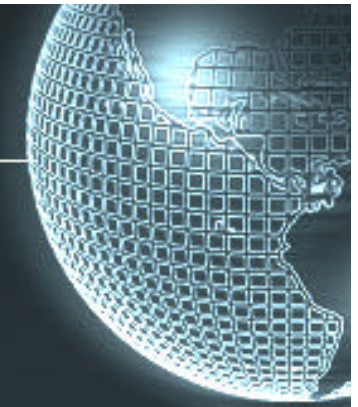


# Employment growth compared.



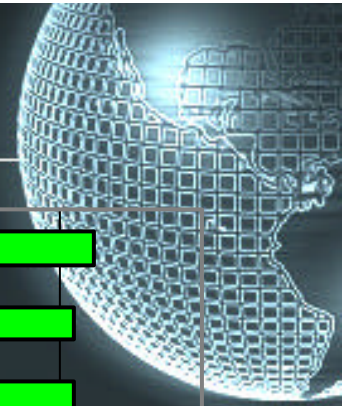
- SA employment growth in 2004 was 2,7%.
- OECD employment growth was 0,9% in 2004.
- Emerging markets are estimated to have growth of between -1% and 4%. The average growth in employment for 11 emerging countries is around 2,2%.
- World Total from World Bank actually shows a declining labour force!

# **Tax rates on earnings countries compared.**





# Average manufacturing worker “all in” tax rate




# Trends in real after tax pay.



- In ten countries the personal tax burden fell. SA was one of these countries.
- In four countries the tax burden remained the same.
- In 17 countries the personal tax burden increased.
- The average after tax increase in real wages was 1,5%. SA saw real after tax wages increase with 4.3% the third highest in survey.
- Slovakia had a real after tax wage increase of 9,8% and Czech Republic had 5,7%.


# **But tax rates are only half the story.**



In many countries workers receive real state benefits – the so-called welfare state is often aimed at workers with families and those who lose their jobs.

But many countries now limit these “worker” benefits as they are costly.

# International employee benefits.



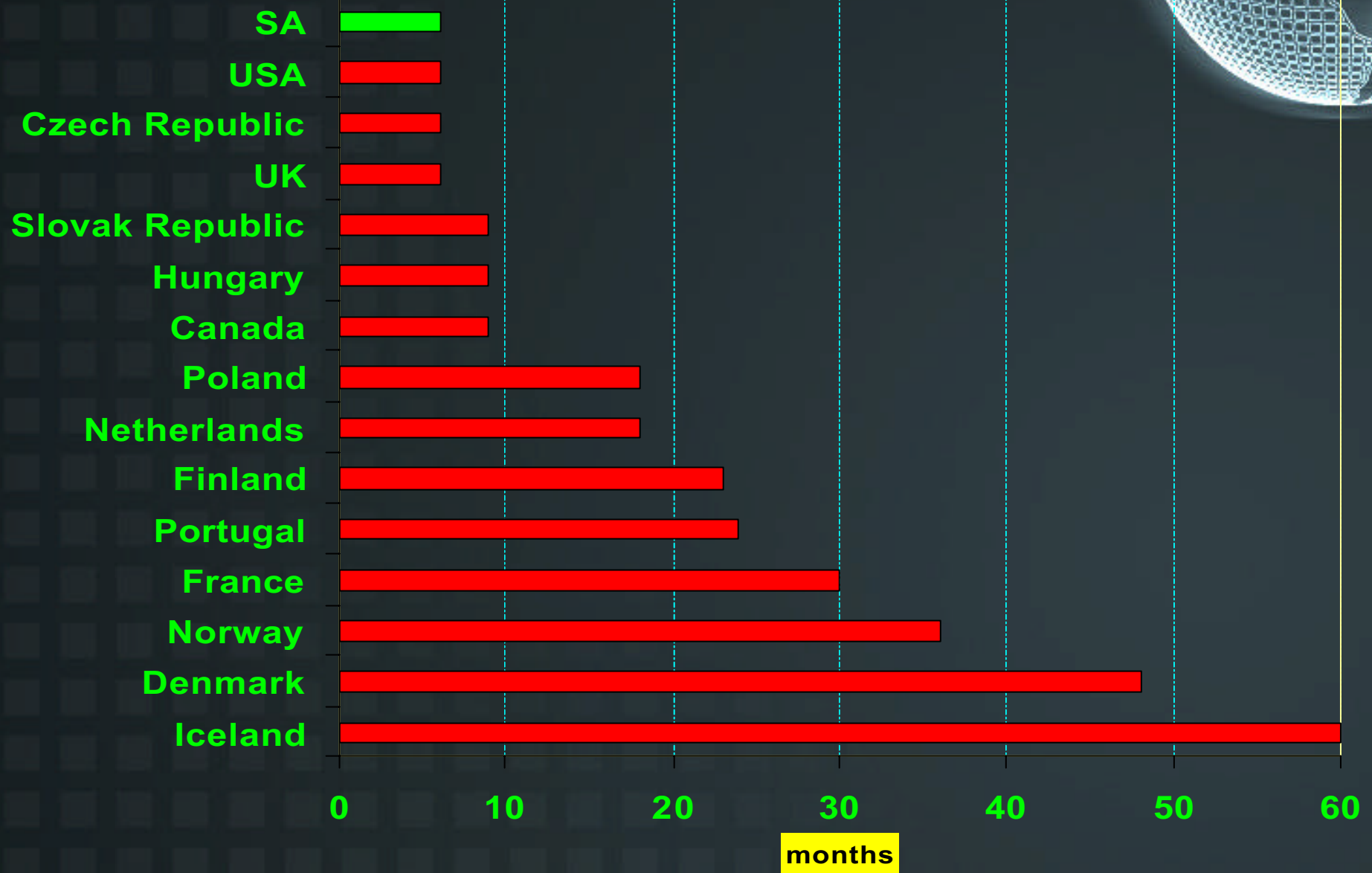
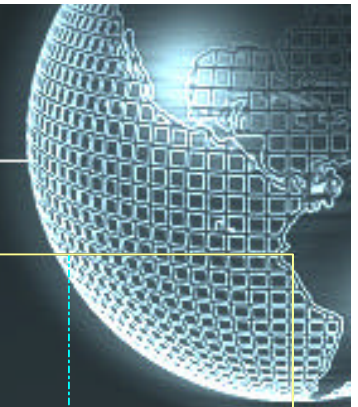
- Many OECD countries provide a fiscal benefit to families with children relative to single individuals through advantageous tax treatment and/or cash transfers.
- Benefits are measured Income tax plus employee social security contributions less **cash** benefits.
- Savings realised by a one-earner married couple is greater than 20 percent of earnings in Austria, Belgium, Germany, Luxembourg and the Slovak Republic.
- It is interesting to note that when cash benefits are taken into account, married one-earner couples face a negative burden in Ireland and Luxembourg because cash benefits exceed the income tax and social security payments.

# SA employment benefits.

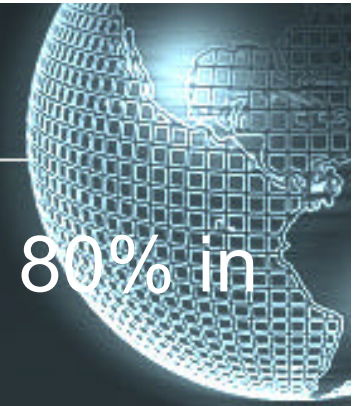


- While SA social security benefits are mainly for the employee account the state actually taxes pensions at 18%.
- We estimate the total benefit for an average worker to be around 25% - but most via private social security benefits.
- Considering that the average net tax rate for earners in the OECD is less than 10% for a married couple with two kids, SA does not have much in benefits via the state. (Our estimate is SA couple net tax ranges from 8% to 22%)

# Months of paid unemployment benefits.

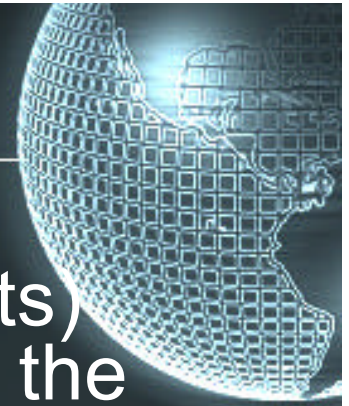


# Unemployment benefits



- Payment levels range from 14% in UK to 80% in Japan.
- Emerging markets such as Korea, Czech Republic pay 50%, while Poland pays 26% but for 18 months. Hungary has highest at 65% but only pays for nine months.
- The average duration is 18 months before normal welfare benefits take over.
- SA is at 45% of earnings for limit amount for 6 months.
- Additional payments are often made for children of employees.
- Cap is often at 167% of average wage. SA CAP seems lower.


# Benefits and tax income.



- State benefits for workers (in cash payouts) increased in 14 countries. In some cases the benefits increased with nearly 5% (Mexico).
- Thus real expendable income and earnings increased in 23 of the 31 countries.
- Benefits are difficult to express, but in Finland the average unemployed four family unit will receive around R12200 in benefits per month for 15 months. (Belgium is around R8000pm but unlimited)
- While SA has only limited benefits SA formal sector after tax increase was relatively good – but after some benefit increase SA may not be in third place of real increases anymore.



# Conclusion on Taxes and benefits.



- SA “all in” tax rate is high and the highest amongst 11 emerging countries covered.
- Cash benefits are low, but relatively on par with other emerging countries.
- Government should try to lower SA effective tax rates overall, but this may be difficult as other welfare payments are important as a result of the high unemployment rate.

# **Thank you for now that's all**

Questions on SA  
employment Report

