

A MISTRA Policy Brief

South Africa's Labour Statistics: Informality, Perceptions and Policy Implications

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Executive Summary

South Africa has one of the world's highest unemployment rates, with the official unemployment rate sitting at 33.2 per cent in the second quarter of 2025. The country's unemployment figures, and the statistical methods underlying them, constantly invite contentious political and technical debates. Some captains of industry have claimed that the reported statistics are not a true reflection of the unemployment situation in South Africa. More specifically, the former CEO of Capitec, Gerrie Fourie, suggested that the unemployment rate in South Africa could be as low as 10 per cent due to undercounting of the informal sector (Business Day, 10 June 2025). His sentiments provoked debates and scientism, with many questioning the statistical rigour of Statistics South Africa (Stats SA) and the extent to which the informal sector is captured in the official employment statistics.

To reflect on the debate, the Mapungubwe Institute for Strategic Reflection (MISTRA) convened a roundtable on the 3rd of October 2025, attended by officials from Stats SA and other government departments, as well as representatives from business, multilateral institutions, academia and civil society. The roundtable yielded several critical insights into persistent misconceptions about how labour market data is collected, interpreted and communicated. These insights underscore the importance of statistical literacy, methodological transparency, and inclusive data practices in shaping effective employment policies.

The Statistician-General of South Africa, Mr Risenga Maluleke, responded to the growing debate through a presentation titled "Understanding the Framework Behind South Africa's Labour Statistics". He reaffirmed that South Africa's labour statistics are methodologically sound and closely aligned with the standards of the International Labour Organization (ILO). He emphasised that informal workers and self-employed individuals are fully accounted for in the labour statistics and that Statistics South Africa timeously updates its framework to reflect changing labour market realities.

Participants agreed that debates over unemployment figures must remain grounded in nationally representative empirical methods, not anecdotes or data premised on aggregation bias.

This policy brief aims to contribute to the discourse by summarising major issues from the roundtable discussion and from an engagement with FinMark Trust. It also makes recommendations on how to further enhance the credibility, accuracy, and utility of labour market data.

Insights from Statistics South Africa

A central theme at the roundtable was the misunderstanding about definitions of unemployment, particularly the distinctions between the narrow and expanded definitions. Critics often argue that the narrow definition, counting only those actively seeking and available for work, underrepresents the true scale of joblessness by excluding discouraged work seekers. However, Statistics South Africa (Stats SA) clarified that it has, for over two decades, published both the narrow and expanded unemployment rates, and that the latter includes discouraged work seekers and those available for work but not actively searching for it. While the narrow rate currently stands at 33.2 per cent, the

expanded rate is estimated at 42.9 per cent, offering a more comprehensive view of labour market exclusion. This dual reporting aligns with the National Development Plan, which mandates the tracking of both indicators.

The roundtable also addressed the assertions that large numbers of informal workers are excluded from official statistics. Participants noted that many believe that people employed as domestic workers or gardeners, or those self-employed as hairdressers and informal traders, are not counted. In response, Stats SA emphasised that any individual who works for at least one hour during a reference week, or four hours in a reference month, is considered employed, regardless of the extent of formality of their labour. While it is acknowledged that tracking such workers, especially those in informal or precarious employment, is challenging, Stats SA uses a combination of indicators – such as per capita expenditure and final consumption expenditure – to link employment estimates with broader economic activity.

The Statistician General pointed to South Africa's slow economic growth as a key factor in its unrelentingly high unemployment figures. Unemployment was particularly acute among those with low mean years of schooling, and 76 per cent of the jobless were in long-term unemployment (more than one year without a job). The informal sector employs an estimated 3.3 million people, of whom 2.1 million are in informal business activity and about 900,000 are in informal employment (working without a contract, pension or deductions). Of those who engage in informal business activity, 70 per cent are in retail, while 9 out of 10 do not have operating licences. The younger and older cohorts of the labour force have low engagement with informal employment activity, despite experiencing the highest unemployment rates.

These statistics have been stable over numerous waves of quarterly labour force surveys, suggesting consistency in data collection methods. Some roundtable participants argued that the challenges to producing accurate statistics may arise from those in active employment, rather than from those who are inactive. In this regard, Stats SA is unlikely to exclude informal workers from the statistics, especially because people in the informal sector tend to overstate their formality.

Additional points of discussion

Aggregation bias: National unemployment figures often mask regional, demographic and sectoral disparities, leading to a distorted understanding of the labour market. For instance, while the national average may suggest a certain level of unemployment, specific provinces, age groups (particularly youth), or sectors may experience much higher rates. This aggregation bias can result in misguided policy responses which fail to address the unique challenges faced by different communities. The roundtable emphasised the need for disaggregated data to facilitate more targeted and equitable employment strategies.

Breadth of coverage: The Statistician General offered clarification on the inclusion of youth aged 15 - 17 in labour statistics. While some questioned the appropriateness of including minors, Stats SA explained that the Basic Conditions of Employment Act recognises employment from the age of 15. Therefore, individuals aged 15 to 64 who are working or actively seeking work are considered part of the economically active population, while those in school and not seeking work are classified as not economically active.

Legal and methodological foundations of Stats SA's data: The agency's definitions and practices are adapted from the International Labour Organization (ILO), ensuring comparability with both developed and developing countries. Moreover, Stats SA operates under the guidance of the Statistics Act (No. 6 of 1999, as amended by No. 29 of 2024), the African Charter on Statistics, and the UN's Fundamental Principles of Official Statistics. These frameworks ensure that the statistics agency adheres to rigorous, internationally recognised standards and maintains the integrity and independence of statistical reporting. Despite these robust frameworks, data collection challenges persist, particularly in high-security residential estates where fieldworkers face restricted access during working hours (typically 6 a.m. to 5 p.m.). These limitations can affect the accuracy and completeness of the data obtained, especially when residents are unavailable during survey times.

Perception gap between statistical data and lived experiences: Participants questioned why South Africa's unemployment rate is significantly higher than that of countries like Zimbabwe, despite observable migration trends into South Africa for work opportunities. It was pointed out by Stats SA that South Africa's unemployment statistics are globally comparable but also uniquely different from those of many African counterparts in the treatment of subsistence and unpaid household work. These activities are often counted as employment in other countries, leading to a discrepancy between the level of economic activity and the official tally for employment levels (in those countries). These practices in such countries lead to questions being raised about whether informal employment activities in South Africa are being comprehensively accounted for. The difference in the high unemployment rates observed in South Africa compared to the low levels reported by such countries partly emanates from flexibility in applying ILO definitions, which other countries are entitled to. This paradox highlights the need for contextualised interpretation of statistics and a commitment to transparent, honest reporting. It is therefore necessary to exercise caution when questioning South African unemployment figures based on comparisons with other countries.

Danger of anecdotal and sectional approaches: The Statistician-General highlighted the perils of overlooking empirical evidence in relation to employment statistics. He noted that these perils extend far beyond disputes over measures of unemployment. When policymaking drifts away from data and towards anecdotes, ideology or sectional interest, it risks undermining both the integrity of evidence-based governance and the credibility of public institutions like Statistics South Africa. In the current debate about unemployment, the danger lies in substituting structured, longitudinal evidence for isolated observations or sentiment-driven interpretations. Such tendencies not only distort public understanding of labour market realities but can also weaken South Africa's capacity to design coherent, targeted policy responses.

Insights From FinMark Trust

After the roundtable, MISTRA engaged with FinMark Trust to gain further insight into the issue of the size of the informal sector. FinMark's contribution reinforced the view that South Africa's labour market statistics are methodologically sound and aligned with international standards. Their Finscope surveys, although primarily designed for financial inclusion research, broadly corroborate Stats SA's labour market statistics within normal margins of difference.

FinMark emphasised that suggestions that the informal sector is dramatically undercounted are not supported by the Trust's data. FinMark's surveys show informal sector participation levels that differ from Stats SA by only 1-3 percentage points. The FinMarkTrust highlighted that many public misunderstandings stem from confusing financial transactions with employment activity, noting that banking data cannot replace ILO-aligned labour measurements. FinMark further pointed out that the relatively small size of South Africa's informal sector is largely structural, rather than a measurement anomaly. The country's formalised economic architecture, regulatory frameworks and social safety nets shape these outcomes. They also cautioned against romanticised assumptions that the informal sector represents widespread entrepreneurship, noting the dominance of survivalist, low-productivity activities.

FinMark Trust corroborated the Statistician General's assertions that South Africa's unemployment debate must be grounded in rigorous statistical methods rather than anecdotal interpretations of financial or transactional activity.

Conclusion

The main takeaway from MISTRA's roundtable and its subsequent engagement with FinMark Trust is that accurate and inclusive labour statistics are foundational to effective policy-making and national development. If left unaddressed, misconceptions about unemployment data can erode public trust, distort policy priorities and hinder efforts to tackle South Africa's deep-rooted labour market challenges. South Africa can ensure that its employment strategies are grounded and responsive to the needs of all its people by enhancing transparency, improving data collection, addressing aggregation bias and promoting statistical literacy.

Nonetheless, it is imperative not to turn a blind eye to the concerns raised regarding the employment statistics in the country. Further research is needed on labour underutilisation indices, the dynamics of informal and formal livelihood strategies, the relationship between income and expenditure activities and the unemployment rate, and the politics of statistical trust in South Africa. It is important to explore these areas to deepen empirical understanding and to strengthen the governance of labour policy through evidence-based insights.

It should be noted that in November 2025 (after the MISTRA roundtable), Statistics South Africa introduced methodological updates to its Quarterly Labour Force Survey (QLFS). This, according to the agency, is intended 'to align South Africa's labour statistics with the latest international standards. These updates are based on new recommendations from the International Conference of Labour Statisticians (ICLS) — the global body that sets standards and guidelines for how countries collect and report labour statistics.' (Stats SA, 27 November 2025)

The updates retain definitions of employment and unemployment (which remain comparable to previous survey reports) and go further to refine the measurement of other forms of work and labour market participation, offering a better understanding of labour underutilisation.

Recommendations

To address the persistent misconceptions surrounding unemployment statistics in South Africa and to enhance the credibility, accuracy, and utility of labour market data, several clear and actionable policy options are proposed.

- **Support independent and alternative localised employment surveys based on income data**
South Africa needs to build and support alternative sources of data to enhance the triangulation of official statistics and also to understand how income-generating activities, such as renting out backyard rooms, challenge the traditional notion of joblessness.
- **Strengthen public education and statistical literacy**
This can be achieved by developing accessible educational materials, engaging media and civil society and integrating statistical literacy into school curricula to build long-term understanding of data and its role in governance.
- **Enhance data collection and representation**
Stats SA should expand its survey instruments to better capture the realities of informal, gig, and precarious employment, particularly among those working irregular hours or in non-traditional settings. It should also improve fieldworkers' access by negotiating extended hours or alternative data collection methods in gated communities and estates.
- **Culture of trust in official statistics**
While constructive critique is vital in a democratic society, unfounded scepticism or misrepresentation of statistical data undermines public confidence and hampers evidence-based policymaking. It is thus essential to promote a culture of trust in official statistics.
- **Ensure that Statistics South Africa is well-resourced to perform its constitutional mandate.**

The government should prioritise additional funding to Statistics South Africa to ensure that it can perform its constitutional mandate effectively and efficiently. With a vacancy rate of 21.3 per cent as of 31 December 2024 due to funding restrictions from the government, the agency's ability to produce quality reports will, in the long run, be negatively impacted.