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## Executive summary

In developing contexts, in the absence of growing economies and social welfare systems, many young people are forced to pursue work in the informal labour market (ILO, 2020) or under precarious conditions. Precarious working conditions have become more pronounced since the emergence of the “gig economy” (MacDonald and Giazitzoglu, 2019) but are often viewed as a panacea for youth unemployment in developing countries. Longer-term effects of internships and other low paying and precarious training opportunities has received research attention in developed contexts (D’Abate, 2010; Satikoff, 2017) but far less is known about their longer-term career effects in developing country contexts.

Across the world more and more young people enter the labour market through precarious work arrangements such as short-term internships, short-term or zero-hour contracts, and gig work. This potentially results in labour market churn where young people move through various different short-term, precarious jobs. This is certainly the case in South Africa where evidence shows there are significant levels of labour market “churn” in the youth labour market (Ingle and Mlatsheni, 2017; Iskander and Rankin, 2020). There is evidence of churn in China, too (Autor, Dorn and Hanson 2016). Worldwide, race, gender and geographic location continue to impact labour market outcomes with Africans, women and those in rural areas more likely to be unemployed. The “gig economy” and Active Labour Market Programmes (ALMPs), intended to support transitions into the labour market in contexts of high unemployment, contribute to this situation.

Literature on whether precarious work opportunities act as transition mechanisms to later more secure forms of employment is fairly widespread and reveals some important insights, particularly from developed country contexts. Much of the research reveals that while fixed-term contracts act as stepping stones, temporary work acts as a dead-end (Givord and Wilner, 2015). Other studies show that that the type of precarious work is crucial and the more precarious the work form is, the more likely it is to result in a dead-end for the worker (Filomena and Picchio, 2022).

In South Africa, many policymakers and researchers see the gig economy as a cure to the massive youth unemployment problem. They suggest that *any* work experience is positive for young people. But there is limited evidence to confirm whether early precarious work experiences lead to later stable job attainment.

In China, although the term ‘precarious employment’ is a relatively new concept that was first introduced by the labour authority of Shanghai in 1996, it has been gaining increasing attention in China since the late 1990s as a result of the massive downsizing in the state sector, the rapid expansion of the private economy, and the migration of surplus rural labour to urban areas. Over 60% of the Chinese workforce was engaged in precarious employment (e.g., contingent, part-time, hourly-paid) (Wu and Cai, 2006; Zhou, 2013). Young migrant workers and university graduates are prominently affected by job informality (Schucher, 2017).

The research is sparse on whether progression towards more stable careers does in fact occur in developing country contexts following precarious early work experiences, or whether precarity is a more persistent feature of young people’s labour market trajectories.

This study assessed what the longer-term outcomes for young people who are involved in precarious forms of work are, and what policy recommendations can be made as a result.

Specifically, the research questions we sought to address were:

1. Do early work experiences that are precarious in nature lead to longer-term career stability (defined as work characterised by longer-term contracts/ permanency; higher wages; and access to social insurance benefits)?
2. What individual (race, gender) and household level (socioeconomic status, geographic location) demographic inequalities mediate longer-term career outcomes?
3. Are there potential connections between different outcomes and the economic, labour market, and social welfare policy environments in each country?

For the methodology:

1. We took a retrospective view to consider what has occurred in young people's labour market trajectories in the context of economic decline and recovery (in the decade following 2008) to inform thinking about what needs to be done to better support young people in the recovery years post-Covid-19 and in the context of the rise of the "gig economy".
2. We analysed the labour market trajectories of a sample of youth over time, using equivalent panel datasets.
3. We assessed whether assumptions that engagement in precarious work leads to later secure careers hold true.

The study involved two phases:

1. First, within each country we documented the labour market and social policy context via a review of statistical, academic, and policy documents that provide an overview of the labour market context in the ten years following the 2008 global economic crisis as well as policy responses.
2. Second, we conducted secondary analysis of panel data to track youth labour market trajectories. Panel data is unique in that it allows analysis of groups of individuals to assess who is "making progress in society and who is not, and importantly, what factors are driving these dynamics" (Leibbrandt, Woolard and de Villiers, 2009: 2).

The sample came from:

- In South Africa, young people aged 15 to 34 in the first wave of the National Income Dynamics Study (NIDS), who had subsequent waves of data.
- In China, young people aged 16-30 in the first wave of The China Family Panel Studies (CFPS), for whom subsequent waves of data were available.
- We isolated young people in the first wave and classified them into unemployed, in precarious work, and in stable work and then tracked their transitions into different labour market states over subsequent waves.
- The datasets were equivalent allowing us to assess similar themes, including the nature of work experiences over time, changes in earnings, and demographic variables that could shape these labour market trajectories over the same timeframes (post-2008 to 2018).
- We assessed employment trajectories, setting up ideal-typical employment outcomes, as the outcomes of interest (Witteveen, 2017).

From the study's findings it is clear that for most youth, precarious work acts as a dead-end not a stepping stone, reinforcing patterns of inequality. In China, *hukou* (household registration status) and the level of education are two major factors that mediating young people's long-term outcome in labour market. The social welfare system, which relates to *hukou* status, has made precarious young workers from rural areas particularly under-protected. In South Africa, the vast majority of young people who start in precarious work either remain in precarious work or move into unemployment. Gender continues to play a role with

young women far more likely to stay in precarious work. Education plays a key role in predicting positive transitions. Social protection in the form of cash transfers seems to play a role, with young people from households receiving a grant more likely to make a positive transition than those not receiving grants.

Comparisons:

- In both China and South Africa small proportions of precarious workers manage to gain stable work over time (22% in South Africa and 27% in China)
- For those who do transition:
  - Education is a critical factor explaining positive transitions in both contexts
  - Social protections do play a role too (*hukou* status protections in China and social grants in South Africa)

# 1. Introduction

In many contexts, young people are increasingly finding themselves working in precarious working conditions characterised by no-pay internships, zero-hour contracts, or gig work. In many developing country contexts, where economic growth is limited and social welfare systems are not particularly robust, young people face both high levels of unemployment and underemployment, including work within the informal labour market or under precarious conditions (ILO, 2020). The advent of the "gig economy" has further accentuated these precarious working conditions, albeit paradoxically, as they are frequently heralded as a panacea for mitigating youth unemployment in developing nations (MacDonald and Giazitzoglu, 2019).

## 1.1 Rationale

Literature on whether precarious work opportunities act as transition mechanisms to later more secure forms of employment is fairly widespread and reveals some important insights, particularly from developed country contexts. Much of the research reveals that while fixed-term contracts act as stepping stones, temporary work acts as a dead-end (Givord and Wilner, 2015). Other studies show that the type of precarious work is crucial and the more precarious the work form is, the more likely it is to result in a dead-end for the worker (Filomena and Picchio, 2022).

The trajectories of young workers taking up fixed-term, casual, temporary or informal forms of work in the global South have received far less attention, even though labour market policies actively promote these forms of work in countries like South Africa. The research that does exist around how young people move into and out of the market show that young people experience staggered transitions into and out of short-term jobs and experience periods of unemployment. Thus far, no previous study has considered the issue of precarity and future work for young people in South Africa, this study contributes to filling this gap.

For this reason, we sought to understand whether early precarious work experiences lead to later more stable jobs in two upper-middle-income countries – China and South Africa. Although these two countries share a development status, they have many differences. These include the structure of their economy, labour regulations, and social welfare policies. These differences allowed us to analyse the ways in which different social and economic contexts might shape labour market outcomes for young people.

## 1.2 Research questions

The research questions we sought to address were:

1. Do early work experiences that are precarious in nature lead to longer-term career stability (defined as work characterised by longer-term contracts/ permanency; higher wages; and access to social insurance benefits)?
2. What individual (race, gender) and household level (socioeconomic status, geographic location) demographic inequalities mediate longer-term career outcomes?
3. Are there potential connections between different outcomes and the economic, labour market, and social welfare policy environments in each country?

## 1.3 Background

This research was particularly important for the South African and Chinese contexts. In South Africa precarious work has a long history. In China it has a shorter history but is rising. Thus, this research, which is intended to inform policy recommendations, is timely.

South Africa grapples with one of the highest unemployment rates in the world – total unemployment stands at 32.6% according to Stats SA (2023) but for young people the problem is much worse with 62% of 15 – 24-year-olds unemployed.

In South Africa unemployment is structural. The government, private sector and civil society have introduced many initiatives to address the problem. Active Labour Market Programmes (ALMPs) range from public employment and youth service placements to learnerships and internships. ALMPs are typically low-wage, short-term job placements that involve skills training. And many, particularly public employment programmes, are exempted from paying the minimum wage.

Despite their limitations, these are crucial policy mechanisms in the absence of job growth. They provide important income for participating individuals and there is a social value component to the work (Philips, 2023; Stuart, 2023). However, some of these programmes, such as youth service and public employment, are a stop-gap measure for individuals. They are not designed to be “real” jobs that pay living wages and offer longer-term pathways to income stability. Others such as learnerships and internships are intended to be stepping stones into longer-term employment. Yet, we know that there are significant levels of labour market “churn” in the youth labour market (Ingle and Mlatsheni, 2017; Iskander and Rankin, 2020) partly explained by the short-term nature of these work opportunities. To date, there has not been a longer-term analysis of job trajectories for young people engaging in precarious work as their first work experience. Understanding these trajectories is crucial to inform policy efforts.

In China, since the launching of sweeping economic reforms in 1978, the country has transformed ‘from a closed backwater to an open centre of capitalist dynamism with a sustained growth rate unparalleled in human history’ (Harvey, 2005, p. 1). Since the economic reforms, the market has been playing an ever more significant role in Chinese society. The Reform Era saw a dramatic shift in the structure of the Chinese labour market, with the aim of tapping into economic and labour resources (Chan, 2018). There has been a shift away from a well-supported socialist system, with young people transitioning to the ‘iron rice bowl’<sup>1</sup> jobs upon completing their education (Hoffman, 2006), to a system which promotes creating ‘your own rice bowl’ (Bray, 2005; Wang et al., 2020).

Both countries face different challenges – one of addressing high rates of unemployment, and the other facing a surge in precarious employment. This study is therefore timeous to draw out evidence-based policy recommendations to address these dual challenges.

#### **1.4 Conceptualisation of precarious work**

This study is located within debates about youth transitions to work and increasing precarity in their initial workplace experiences (Furlong et al 2017). Although we understand precarity to be situated in the sociopolitical and economic context, the focus of this study is the effects of precarity at the individual level. In this regard, there are two perspectives on precarity. The first deals with “objective factors and the realm of labour relations”; that is in the nature of work and the associated pay and contractual relationship that characterises such work. The second includes the notion of how the objective factors shape the social position and experience of precarity (Gasiukova and Shkaratan, 2019). While the second component of precarity is crucial, for the purposes of this research it is the former definition, focusing on the objective nature of precarity, that underpins the study.

A well-established body of literature has also sought to understand whether precarious work forms act as stepping stones or are dead-end in the labour market (Baranowska et al., 2011; Garcia-Perez and Munoz Bullon, 2011; Kiersztyn, 2021). Known as the stepping stones vs. dead-end debate, multiple authors have

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<sup>1</sup> ‘Iron rice bowl’ refers to the job assignment system that comes with the lifetime guarantee of steady salaries and the benefits of a socialist welfare package (Hoffman, 2006, p. 551).

sought to understand what kinds of jobs are dead-end, what kinds lead to better labour market trajectories (Kiersztyn, 2016; Barbieri and Scherer, 2009; Gash, 2008) and which groups of people are more vulnerable to being caught in dead-end jobs (Spence, 1973; O'Connell and Byrne, 2012; Goldthorpe, 2007). However, very little of this research has sought to understand the employment trajectories of young people who engage in precarious forms of work. Further, almost none of this literature covers developing country contexts, which often have more volatile labour markets and high rates of youth unemployment and underemployment.

The work young people do at the beginning of their working lives is often conceived of as a training opportunity, with low wages explained in terms of them needing to gain work experience and on-the-job training in order to improve their prospects for later work opportunities. In some cases this is formal as when internships are a required part of education programmes. Others are informal as when employers take on young workers and see themselves as providing on-the-job training.

While the longer-term effects of internships and other low paying and precarious training opportunities have received research attention in developed contexts (D'Abate, 2010; Satikoff, 2017), far less is known about their longer-term career effects in developing country contexts. This study seeks to address this gap in the evidence. It analyses the labour market trajectories of a sample of youth over time, using equivalent panel datasets, and interprets these within the labour market and social policy context of two developing country contexts: South Africa and China. It assesses whether, and under what conditions, precarious early work opportunities lead to longer-term secure employment in the two countries.

This study also touches on the theme of informality in that many young people's first experiences of the labour market are often in the informal economy, exacerbated by the "gig economy", which is driving growth of jobs in the informal labour market in developing countries in particular. Finally, the study examines youth labour market trajectories in the context of economic decline and recovery in the decade following 2008 and what policy recommendations can be made to better support young people in the recovery years post-Covid-19 and in the context of the rise of the "gig economy".

A key contribution of this study is therefore the definition of precarious work, which we conceptualise quite broadly to ensure that we were able to account for informal work as one form of precarious work, and which makes up a large proportion of employment in many developing contexts. The notion of the social contract is critical to understanding precarious work. A social contract is an implicit social agreement that reflects a common understanding of how to distribute power and resources to achieve social justice between key players in the labour market, including employers/capital, employees/workers, and the state (ILO no date). An analysis of precarious work must account not just for the experience of precarity on the part of precarious workers, as is the case with many of the most popular definitions (see for instance Standing, 2017) but must also interrogate the role of capital, labour and the state. For this reason, drawing on the ILO definition (2002) and work of Mosoetsa et al. (2016) we conceptualise precarious work as any form of work, whether in the formal or informal sector, that a) does not involve a permanent or fixed-term employment contract; b) does not involve recourse to public or private benefits such as medical insurance or pension contributions; or c) pays or generates income that is below the national minimum wage. This definition points to forms of work in which employers and the state have opted out of the social contract with employees.

## **1.5 Overview of methodology**

In this study we used a quantitative approach, taking advantage of publicly available panel data in the two countries. In South Africa the National Income Dynamics Study (NIDS) commenced in 2008 and is repeated every 2-3 years. We currently have 5 waves of pre-COVID data available, allowing us to track the trajectories of young people over 10 years. In China, the China Family Panel Study (CFPS) commenced in 2010. We isolate young people who were aged 15-34 in NIDS and 16-30 in CFPS in the first wave of data and track their labour market outcomes in subsequent waves to understand how many young people make

positive transitions to stable work. We then assess what factors contribute to these positive transitions, using a fixed effects logistic regression.

### **1.6 Summary of findings and implications**

Our findings show that precarious work rarely acts as a stepping stone to more stable forms of work. It is often young people who are more vulnerable in the labour market (women in South Africa, those from rural areas in China) who stay in precarious work. In both countries higher levels of education contribute to higher odds of transitioning to stable employment.

The research has important policy implications, particularly since both countries are seeing a proliferation of precarious work and support of precarious work in policy circles.

In this report, we proceed by outlining the country contexts for South Africa and China, indicating how precarious work features in the economy, and what the social welfare, labour and economic policy contexts are. We then outline in detail the methodology used for the study before presenting the findings for each country. We deal with implications and policy recommendations in the final section.

## **2 Precarious work – definitions and debates**

As mentioned above, a key aspect of this study was defining precarious work in a way that a) was located in a view of precariousness that accounted for the role of capital and the state, b) was able to be applied to a study that is primarily interested in the effects of precariousness at the individual level and c) was relevant to developing contexts where informal work makes up a significant proportion of employment. The following section presents some of the debates that resulted in our final definition of precarious work.

### **2.1 Conceptualising precarious work in a developing country context**

There are different definitions of precarious work, with most literature in agreement that precarious work refers to the uncertainty, instability and insecurity of work in which employees bear the risks of work and receive limited social benefits (Standing, 1999; Kalleberg and Hewison, 2013; Vosko, 2006). This uncertainty and unpredictability could result from the level of pay, the nature and frequency of pay, the nature of or lack of an employment contract and the riskiness of the work itself. In all these definitions the focus is on the experience of work, from the point of view of the worker, with the role of the employer in creating conditions of precariousness being either implicit or completely invisible.

Standing (2013:4) takes this point further, providing an extensive definition of a precariat – those who are working in conditions of precarious work – and placing full attention on the worker and his or her situation and context, with little to no analysis of the labour market conditions that derive the precariat. Standing views the precariat as a social category lacking the seven main forms of labour security: labour market security (adequate income-earning opportunities), employment security (protection against arbitrary dismissal), job security (opportunities to “retain a niche in employment” “and access upward mobility”), work security (protection against accidents, illnesses and arduous working conditions), skill reproduction security (opportunities to gain and use skills), income security (assurance of an adequate stable income) and representation security (a collective voice in the labour market). For Standing (2017:166) the experience of precariousness results not from the nature of work, but rather from ‘a person’s status and a lack of rights within the state. Someone in the precariat is above all else a supplicant, dependent on others doing them favours, in response to requests.’ The Standing definition, like many others, obscures the role of capital in creating conditions of precarity.

Therefore, a definition that focuses on the “objective factors and the realm of labour relations” (Gasiukova and Shkaratan, 2019) is used. The ILO (2012) focuses on the nature of employment contracts and employment conditions, noting that precarious work is characterised by absent or disguised employment contracts; low pay; and limited to no employment protections and rights. These approaches point to the role of the state and employers. The notion of the social contract is therefore an important aspect of the discussion. A social contract is an implicit agreement about how to structure relationships in the labour market, between capital, the state and labour, to achieve social justice (ILO no date). Of course, a social contract is always shifting, based on the power dynamics between these actors. However some basic conditions of employment have become relatively well accepted as key aspects of an evolving social contract, and have informed the notion of “decent work”. These include decent wages, a limit to working hours, paid vacation and sick leave, contracts that aid stability and security, and health and safety protection (ILO 2021). The state has a role in legislating and governing these aspects of the labour market and may also foster systems that ensure the coverage of all workers, such as state-legislated contributory social insurance mechanisms.

In developing contexts, where informal work often makes up a large share of employment (African Development Bank, 2013), informality also needs to be factored into conceptualisations of precarious work. The definition of informal economy by the ILO (2002) is ‘all economic activities by workers and economic units that are - in law or in practice - not covered or insufficiently covered by formal arrangements’. This definition implies that informal employment can exist in both informal and formal sectors. This is important since informal work arrangements have increasingly become features of the formal sector as the flexibilisation of labour has grown (see Mosoetsa et al., 2016; Kenny, 2016). The rise of the “gig economy”

in which workers are contracted as independent contractors illustrates this co-existence of the informal within the formal. Therefore, for the purposes of this article, precarious work is defined as any form of work, whether in the formal or informal sector, that a) does not involve a permanent or fixed-term employment contract; b) does not involve recourse to public or private benefits such as medical insurance or pension contributions; or c) pays or generates income that is below the national minimum wage. This definition points to forms of work in which employers and the state have opted out of the social contract with employees.

Over 60% of the Chinese workforce was engaged in precarious employment e.g., contingent, part-time, hourly-paid (Wu and Cai, 2006; Zhou, 2013). Precarious workers have been facing a low level of job security, extremely low wages including frequent delays in wage payment, poor working conditions, long working hours with few or no rest days, lack of training opportunities, and lack of labour rights and social security protection (Chan, 2014; Cooke, 2011b).

Since the start of the Chinese Reform Era in the late 1970s, surplus young labourers have been absorbed into the booming construction, manufacturing and services sectors (Chan, 2014). Young migrant workers and college graduates are prominently affected by job informality (Schucher, 2017). The predicament faced by young precarious workers has attracted scholarly attention (e.g. Chan, 2015; Wang et al., 2017; He and Mai, 2015; Chan et al., 2015). However, there is a lack of nationally representative data on precarious work in China (Zhou, 2013) and a lack of knowledge about the trend of precarious work in China and its consequences for young people's subsequent labour market outcomes.

Given the debates presented above, and the need to account for informal work in our definition, precarious work is defined as any form of work, whether in the formal or informal sector, that:

1. Doesn't involve a permanent or fixed-term employment contract
2. Doesn't provide access to public or private benefits like medical insurance or pension contributions or
3. Pays or generates income that is below the national minimum wage.

This definition points to forms of work in which employers and the state have opted out of the social contract with employees.

## **2.2 The stepping stone vs dead-end debate**

Literature on whether precarious work opportunities act as transition mechanisms to later more secure forms of employment is fairly widespread and reveals some important insights, particularly from developed country contexts. One of the first studies was conducted by Booth et al. (2002). Using data from the British Household Panel Survey they considered whether two forms of precarious work – temporary casual or seasonal work and fixed-term contract work – can lead to permanent work in the longer term. Their findings suggested that although temporary and fixed-term work has various negative effects such as lack of training and poor job satisfaction, fixed-term contract work can indeed lead to transitions to permanent work. The same however could not be said for temporary casual work, which seemed to rather act as a “dead end”. This finding was confirmed in a later study by Givord and Wilner (2015) in the French context. Their analysis revealed that while fixed-term contracts act as stepping stones, temporary work acts as a dead-end.

Mattijssen and Pavlopoulos (2019) classified workers in temporary jobs in the Netherlands according to their employment trajectories over time. They argued that temporary jobs acted as stepping stones for just under 30% of the sample but that for more people (almost 40%) these temporary jobs were dead ends. They also noted that several of the career trajectories did not fit neatly into the notion of precarious vs stable work forms, revealing the need for further research.

Given the widespread literature on the question, Filomena and Picchio (2022) conducted a meta-analysis of studies to determine where the balance of the evidence lies. They reported that of the 78 data observations they assessed the majority (45%) indicated that precarious work forms resulted in a dead-end. However, in 32% of the cases precarious work forms did result in later stable jobs. The rest of the data reported either mixed or no results. They highlighted that the type of precarious work is crucial and the more precarious the work form is, the more likely it is to result in a dead-end for the worker.

A large number of studies have engaged with the debate on the ‘stepping stone vs dead end’ hypothesis related to the causal effect of precarious work on future labour market performance (Filomena and Picchio, 2022; Parsanoglou et al., 2023). Some researchers support the stepping stone hypothesis (e.g. Addison and Surfield, 2009; Wright and Mulvey, 2021; Cockx and Picchio, 2012), whilst others see precarious employment as a trap, rather than a bridge to permanent positions (e.g. Garcia-Perez et al., 2019). There is also some evidence that offer other explanations, for example, precarious jobs are found to be stepping stones towards stable positions for young people but generating lower wages for them in the future (e.g. Booth et al., 2002; Addison et al., 2015). However, most of these studies on young precarious workers’ labour market trajectories are carried out within the context of the Global North. The trajectories of young workers taking up fixed-term, casual, temporary or informal forms of work in the Global South have received far less attention, in particular China, a country that has undergone rapid social transition, and countries like South Africa where labour market policies actively promote these forms of work.

### **3 Methodology**

This study involves two country case studies in which we a) assess the national economic, labour market, and social welfare policy contexts, and b) analyse the labour market trajectories of young people over time. The case studies each deliver particular insights about how the policy context interfaces with the trajectories of young people. The country cases were selected as both are upper-middle-income countries facing growing rates of precarious work, particularly for young workers. However, there are also significant differences between the countries, including rates of unemployment, different economic and labour market orientations, and differing social welfare approaches. Where comparisons can be drawn we do so, but this was not a comparative study in the first instance.

The research was conducted in two phases. In the first phase within each country we document the labour market and social policy context via a review of policy documents and literature about the policies. This provides an overview of the labour market context in the ten years following the 2008 global economic crisis as well as policy responses. Second, we conducted secondary analysis of panel data to track youth labour market trajectories. Panel data is unique in that it allows analysis of groups of individuals to assess who is “making progress in society and who is not, and importantly, what factors are driving these dynamics” (Leibbrandt, Woolard and de Villiers, 2009:2). We took advantage of the fact that panel data was available in both countries.

#### **3.1 Phase 1: Policy assessment**

In this phase, the project leads in each country identified key policies that govern a) the economic approach of the country, b) the labour market system, and c) the social welfare approach. In addition, academic reviews of these policies were identified. The leads read the policies and reviews in order to develop an overview of the policy context for each country. These contexts are presented in Section 4.

#### **3.2 Phase 2: Panel data analysis**

Panel data provides an opportunity to analyse individual trajectories over time, and to assess how individual and household level factors shape these trajectories. Panel data was available in both countries.

In South Africa the National Income Dynamics Study (NIDS) collects data from the same individuals within households every 2-3 years. The study started in 2008, with the latest wave of pre-Covid data being from 2018 giving a total of five data waves. It includes data for 7305 households, involving 28,255 individuals and is representative at the national and provincial level (Leibbrandt, Woolard and de Villiers, 2009). Data includes demographic information (race, sex, and geographic location); education level (post-secondary education experiences); access to social grants; and a range of questions on employment and earnings including the nature of contracts and the income from employment.

The China Family Panel Studies (CFPS) is a nationally representative, longitudinal survey of Chinese communities, families and individuals launched in 2010. It tracks just under 15000 families made up of just under 30000 individuals (Institute of Social Science Survey, Peking University, 2015). The CFPS applies a multi-stage stratified sampling strategy and covers 25 provinces/autonomous regions (excluding Hong Kong, Macao, Taiwan). The respondents are tracked every two years, with the latest available data for the project being from 2018. Data consists of demographic information (age, gender, marital status, geographic location); educational background; employment (full-time; part-time; internship) at each wave as well as earnings from work.

The data allows us to track young people’s labour market transitions over a period of 8-10 years. The datasets are equivalent allowing us to assess similar themes, including the nature of work experiences over time, changes in earnings, and demographic and household variables that may shape these labour market trajectories over the same timeframes (post-2008 to 2018).

### 3.2.1 Sample

In each dataset we isolated a sample of individuals who were young in the first wave of data. The age range used was different for South Africa and China because youth is defined slightly differently in each country. In South Africa's National Youth Policy youth is defined as individuals between the ages of 15 and 34 years. In China, according to the National Census, youth is defined as individuals between the ages of 16 and 30 years. We used these definitions in our sampling approach.

For South Africa, we drew a balanced sample of 15 to 34-year-olds. We isolated young people aged 15 to 34 years who appear in the 2008 survey and for whom data is available in all subsequent waves of the study. A total sample of 3194 young people was followed over the five waves.

For China, a sample of participants who were between the ages of 16 and 30 years and engaged in any form of precarious work in the earliest waves of data will be selected to track over subsequent waves of data. A total sample of 1497 young people in precarious work were included.

### 3.2.2 Analysis

For each case we began with descriptive analysis to understand the proportion of young people in precarious work in wave 1 of each dataset and to assess their characteristics. We then conducted transition analysis to assess their labour market trajectories, and logistic regressions to assess factors associated with transitions. More detail for each of these components for each country is provided below.

#### *Key variables*

##### *Dependent Variable*

Drawing on the definition of precarious work discussed in Section 2 above, we operationalised precarious work as being engaged in work:

- without a permanent contract or
- earning below the minimum wage or
- self-employed AND earning below the minimum wage.

In each dataset we could use this operationalisation to a greater or lesser extent, depending on the data availability. In the NIDS data, a series of questions on employment and self-employment activities are asked of those who indicate being employed. The questions pertain to whether a verbal or written contract was in place (but not the duration of the contract); wages, which we then assessed against the National Minimum Wage (deflated to each applicable year); and earnings from self-employment (again, compared to the deflated National Minimum Wage for each year).

In the CFPS we use a question where respondents indicate their employment status. The answers were given in three categories: (a) employed with a contract (code 2), (b) employed without a contract (code 1), (c) unemployed (code 0). Wage is not included to measure the dependent variable as the minimum wage varies across different provinces in the country.

##### *Independent Variables*

In addition to the main variables of interest, our analysis includes a set of independent variables denoting certain demographic factors and socio-economic characteristics. For both countries we account for gender, age, and education levels. In each country we also select additional independent variables to assess, based in part on the context of the country and available data in the datasets.

For China we consider ethnicity, region, *hukou* status, and party-membership. Several studies have found that *hukou* and level of education influence young people's likelihood of being in precarious employment (Stainback and Tang, 2019; Wang and Wang, 2022; Zhou, 2013, Schucher, 2017). For this reason, we include variables that take this into account. These include respondents' *hukou* status, which is a

dichotomous variable (rural=0) and highest level of education completed. For this project, in order to analyse young people's labour market trajectories, we use multiple logistic regression analysis, which attempts to determine whether a group of variables predict a given dependent variable and attempt to increase the accuracy of the estimate (Mugenda and Mugenda, 2003).

For South Africa we consider geographic location, race, parent's level of education, parent's employment status, and social grant receipt. Parent's level of education and employment status are a measure of wealth and access to opportunities. The employment status of the parent is a categorical variable with options; elementary<sup>2</sup> work, non-elementary or never worked. Race continues to play a role in life outcomes given South Africa's apartheid history. Social grants play a crucial role in poverty alleviation and have been shown to have some effects on livelihood activities (Ardington et al., 2016; Patel, 2023). Finally, geographic location is an important variable in labour market analysis since South Africa's apartheid history strongly shaped where people were allowed to live. In addition, proximity to city centres is a determinant of costs associated with job search, especially transport costs as well as availability of jobs. The dataset includes a location variable indicating whether the individual lives in an urban, rural traditional or rural agricultural area.

### *Methods*

The first step in the analysis was to conduct descriptive analysis to assess the proportion of young people who were unemployed, in precarious employment, or in stable employment. Bivariate analysis was also conducted to assess any gender differences in these proportions. We also provide additional descriptive statistics to show the earning differences between those in precarious and stable employment.

Second, we conducted transition matrices to assess whether (a) they progressed to permanent/secure employment (positive transition), (b) became unemployed (negative transition), or (c) remain in precarious employment (no transition). We consider their position in wave 1 relative to any subsequent wave of data.

Third, we conducted a logistic regression with fixed effects to assess what demographic and household factors are associated with these transitions. A logistic regression allowed us to assess which factors have greater or lesser effects, and how much of the effect is explained by the model analysed.

### **3.2.3 Interpreting the results in relation to the policy context**

Following the panel analysis, we were able to interpret the results in relation to the policy context of each country. This allowed us to draw out conclusions that were pertinent to the policy environment. We did this by interpreting the results against the context for each country on its own, and against the results from the other country case study. A workshop in which the results for each country were presented and discussed in relation to the policy context allowed us to draw out similarities and differences, that then informed the policy recommendations for each case.

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<sup>2</sup> Elementary occupations consist of simple and routine tasks which mainly require the use of hand-held tools and often some physical effort (ILO, 2017). Occupations in this major group are classified into the following sub-major groups (i) Cleaners and helpers (ii) Agricultural, forestry and fishery labourers (iii) Labourers in mining, construction, manufacturing and transport (iv) Food preparation assistants.

## 4 Findings

We organise the findings by country, providing the policy context for each before presenting the results of the panel analysis. In the third section we draw out the implications that emerge for each country and from the comparison of the findings.

### 4.1. China

#### 4.1.1 Policy context

##### *Economic context*

The project explores how precarious young workers progress in the Chinese labour market within the Reform Era, a time when China has been embracing neoliberal principle. Since the start of the Reform Era in 1978, the market has been playing an ever more significant role in the Chinese society. Institutional transformation in housing (Lee and Zhu, 2006), health care (Lu and Wei, 2010), labour market (Zhou, 2013) and education (Mok and Lo, 2007) seem to follow neoliberal principles.

##### *Labour market context*

##### *Trade unions and bargaining*

In China, ‘trade unions’ have existed in the form of the ACFTU (All-China Federation of Trade Unions). Although the concept of collective bargaining was virtually unknown till the early 1990s in China, ACFTU presence has risen rapidly since the early 2000s (Lee, 2009) although the change was driven from the top down. Most union organisation at the workplace has consisted of either ‘shells’ without effective substance or has been wholly dominated by management (Lee, 2009). While the reported number of collective agreements increased, collective bargaining remained a ritualistic formality, without any real bargaining process or substantive improvements for the workers (Chan and Hui, 2012). The ACFTU does not constitute a voluntary association of workers as set out in International Labour Organization (ILO) Convention 87 as it is a part of the Chinese state. In the absence of freedom of association, the ACFTU, which has an official monopoly of workers’ representation, does not face credible challenges which can trigger genuine union development (Lee et al., 2016). The absence of official recognition of the right to strike makes it hard for unions to put collective pressure on employers when negotiations become deadlocked (Lee, 2009).

Collective bargaining in China (known as ‘collective consultation’ in the Chinese context) is not in line with the definition that is widely understood in the field of industrial relations in the West. The reasons for the difference include: 1) all trade unions are under the leadership of the ACFTU, which in turn is subject to party and state control 2) workplace trade unions are often subordinate to the management, and in many cases trade union committee members are part of the management. Therefore, representing and protecting workers’ interests is never at the top of the unions’ agendas, even though they have come under growing pressure from the party and state to mediate the escalating labour conflicts in the country (Chan and Hui, 2012).

##### *The key labour market policies/regulations*

##### Wage and benefits

In 2004, the Ministry of Labour and Social Security (MOLSS) issued a special regulation on the minimum wage for those who are paid on an hourly basis and those paid on a monthly basis (for example, in Shenzhen, the minimum wage in 2004 was 3.65 yuan/hour; 610 yuan/month). According to the regulation, provincial labour authorities are responsible for setting a minimum hourly wage after consulting trade unions or enterprise associations and it must take into account local living costs, medical insurance costs, retirement pension, job insecurity, work intensity, and general working conditions (Cooke, 2008).

##### Contract

In 2007, the government instigated the Labour Contract Law (LCL), and it was seen by many as a milestone in China's progress toward creating a more regulated labour market. The law made it significantly more difficult for employers' to dismiss workers at will (Chan, 2009). According to the LCL, workers are entitled not only to receive a written contract that clearly states the terms and conditions of their employment but also to demand a non fixed-term contract after signing two successive fixed-term contracts or after being employed for 10 years by the same employer.

#### For dispatched/agency workers

The 2013 amendment of the LCL together with the issuing of the Provisional Regulations on Labour Dispatch in 2014 are measures to curb the abuse of dispatched/agency workers. In particular, after an initial grace period dispatched workers must not comprise more than 10% of a company's total workforce. Dispatched workers can only be used in temporary positions (defined as 6 months or less), auxiliary positions and substitute positions (e.g. to cover maternity leave, long-term sick leave, and study leave). A tougher penalty is now prescribed for violations, with a fine between 5,000 yuan and 10,000 yuan per employee (Cairns, 2015).

#### Enactment of the policies

The law and regulations issued in the 2000s were seen as a milestone in China's progress toward a more regulated labour market. However, these policies may have triggered further precarity for some workers as in the months prior to the enactment of the Labour Contract Law some firms resorted to redundancies to pre-empt the impact of the law. For instance, Huawei Technologies Ltd. (a well-known Chinese electronics company) laid off more than 8,000 employees in 2008 and rehired them under new contracts (Cooke, 2008). Similarly, Wal-Mart laid off more than 100 employees, many of whom were long-term employees who would soon have been covered by permanent contracts (Wang et al., 2009). The practice of hiring from temporary agencies also became more widespread as employers sought to avoid entering formal employment relationships with workers (Zheng, 2008).

#### *Social policy context*

Social insurance for workers in China includes pension, medical insurance, unemployment insurance, industrial injury insurance, and maternity insurance. In urban areas, social insurance is a multi-pillar system which entails: a mandatory pay-as-you-go pension insurance (Pillar 1); a compulsory defined contribution individual account (Pillar 2); and optional insurance which enterprises and individuals could purchase (Pillar 3). Under this system, Pillar 1 is financed solely by employer contributions of 20% of wages, while Pillar 2 is funded by employee contribution of 8%. In practice specific contribution rates are chosen by the provinces and municipalities, with the wages used to calculate the contributions being subject to a minimum of 60% and maximum of 300% of average wages in the locality (Meng, 2014). For rural residents, only a voluntary insurance system is offered to them. Rural migrant workers were particularly vulnerable as they were excluded from 'hukou' rights to legal protection and social entitlement in the city.

The deregulation of the labour market has significantly enhanced China's economic competitiveness (Ren and Peng, 2007; Zhou, 2013). Despite China's economic success, the past 30 years witnessed growing tensions in terms of employment relations, which particularly reflected by the prevalence of precarious work across all sectors of the economy (Zhou, 2013). The number of officially reported 'mass incidents' increased rapidly throughout the early 2000s, which significantly related to precarious workers' protests and labour disputes (Cooke, 2008). Precarious employment is significantly under protected as the majority of the precarious workers do not possess a work contract (Cooke, 2008), which makes it easy for employers to increase work hours, delay payments, and dismiss workers at will. A lack of protection by labour laws and a weak trade union influence<sup>3</sup> means that precarious workers in China are subjected to higher risks of

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<sup>3</sup> In China, 'trade unions' existed in the form of the ACFTU (All-China Federation of Trade Unions). Most of the union organisation at the workplace were either 'shells' without effective substance or wholly dominated by management (Lee, 2009). While the reported number of collective agreements increased, collective bargaining remained a ritualistic formality, without any real bargaining process or substantive

unemployment (Zhou, 2013). The plight of young precarious workers is manifested by the employee suicide tragedy at Foxconn in 2010<sup>4</sup>. Chan and Pun (2010) argued ‘the labour and human rights issues raised by this tragedy go far beyond the specific conditions at Foxconn and demand wide-ranging changes at both the industry and governmental levels’.

### *Hukou, social insurance system, education, and the young precariat*

Although there is a lack of nationally representative data on precarious work arrangements, evidence shows that such employment relations not only exist in industries that are particularly sensitive to market demand (e.g., service, construction, export industries), but also in traditionally well-protected sectors (e.g., state-owned enterprises) (Park and Cai, 2011). The Ministry of Labour and Social Security stated that informal employment has become the main mode of employment in China (Shi and Wang, 2007). Standing (2017) identified three different factions of people in precarious work since the start of the Reform Era in 1978—migrant peasant workforce in the city, the laid-off urban workers from the ‘iron rice bowl’ jobs, as well as the urbanised educated youth, who ‘scurry between short-term income-earning activities and rely on friends and relatives to survive’ (Standing, 2017, 169).

Scholars identified a few factors influencing the level of job precariousness faced by Chinese workers, such as household registration status (*hukou*) (Stainback and Tang, 2019) and human capital (Wang and Wang, 2022; Zhou, 2013; Schucher, 2017). Household registration status (*hukou*) has formally divided the population into rural and urban citizens since the 1950s (Chan, 2018), and relegated rural residents to second-class citizens (Zhang, 2021; Solinger, 1999). It provides very different chances for rural and urban population by shaping access to resources such as social welfare, housing, education, and employment (Wu, 2012; Wang et al., 2010). Stainback and Tang (2019) found that workers with rural *hukou*, compared to their urban-born peers, are more likely to occupy precarious work. As the survey conducted by the All-China Federation of Trade Unions (ACFTU) in 25 cities indicates, 52.6% temporary agency workers<sup>5</sup> were with rural *hukou* (ACFTU, 2012). Within precarious employment, substantial differences exist between urban and rural workers in terms of their pay, benefits, work hours, and working conditions (Du et al., 2009). The lack of urban *hukou* may exclude rural workers from most job opportunities in the formal sector as well as the social insurance benefits in the urban areas (Zhou, 2013).

The social insurance system for workers in China includes pension, medical insurance, unemployment insurance, accident insurance, and maternity insurance. In urban areas, social insurance is a multi-pillar system which entails: a mandatory pay-as-you-go pension insurance (Pillar 1); a compulsory defined contribution individual account (Pillar 2); and optional insurance which enterprises and individuals can purchase (Pillar 3). Under this system, Pillar 1 is financed solely by employer contributions of 20% of wages, while Pillar 2 is funded by employee contributions of 8% (Meng, 2014). For rural residents, only a voluntary insurance system is offered to them. Rural workers are particularly vulnerable as they are excluded from ‘*hukou*’ rights to the social insurance benefits in the city (Zhang, 2021).

*Hukou* also restricts young people in rural areas from accessing education and training of high quality. The 2002 Survey of Urban Residents conducted by China Academy of Social Sciences (CASS) found only 8.5% of precarious workers held higher level qualifications (Ren and Peng, 2007). As a result of both the open labour market since the Reform and the expansion of higher education since the 1990s, ‘educational desires’ (Kipnis, 2011) in China were significantly enhanced. Young people are expected to accumulate their human

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improvements for the workers (Chan and Hui, 2012). The ACFTU does not constitute a voluntary association of workers as set out in International Labour Organization (ILO) Convention 87, but it is a part of the Chinese state. In the absence of freedom of association, the ACFTU, which has official monopoly of workers’ representation, does not face credible challenges which can trigger genuine union development (Lee et al., 2016). The absence of official recognition of the right to strike makes it hard for unions to put collective pressure on employers in order to break deadlocked negotiation (Lee, 2009).

<sup>4</sup> Between January and May 2010, 13 young workers attempted suicide at two Foxconn production plants in southern China. The suicides have received much public attention to the issue of quality of working life among young precarious workers.

<sup>5</sup> Temporary agency work, known as labour dispatch (*laowu paiqian*) in China, is among the fastest-growing forms of precarious work in urban China (Zhang, 2021).

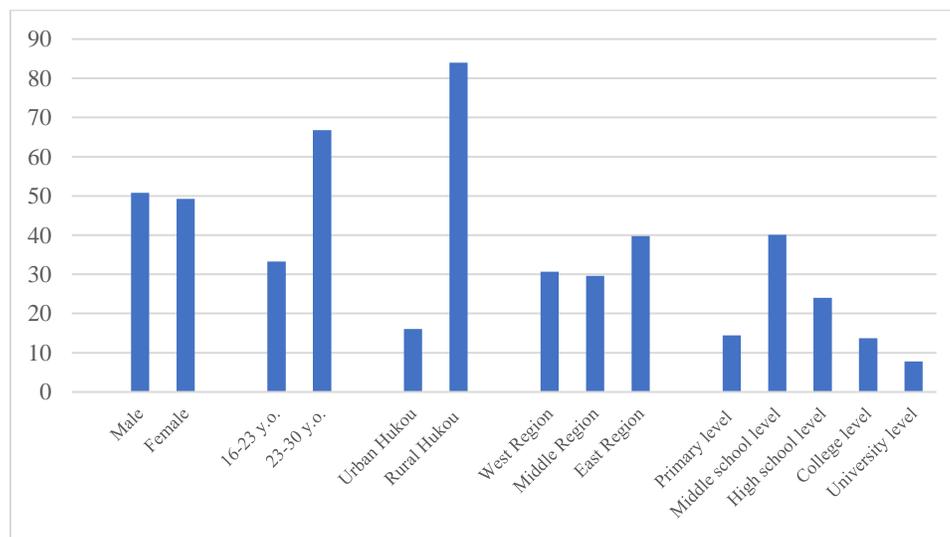
capital, especially in the form of post-secondary education (Bai, 2006). Their investment in different type or level of post-secondary education may lead to their different labour market outcomes (Hu, 2013; Hu and Vargas, 2015; Wang and Wang, 2021). Graduates on a vocational pathway may be more likely to remain in precarious work than those on an academic route (Wang and Wang, 2021).

Young migrant workers and urbanised college graduates are two groups of young people that are prominently affected by precarious work (Schucher, 2017). Less than 40% of migrant workers have signed a labour contract and only a minority are protected by social insurance (GTJ, 2015). Since the expansion of higher education in the Reform Era, the unemployment of college graduates has increasingly become a serious and aggravating issue (Bai, 2006; Chan, 2012). ‘Flexible employment’ has been recommended to these young people as the ‘cheapest and easiest solution’ designed by the Chinese government (Chan, 2015). Therefore, an increasing number of young people became precariat in big cities, viewing temporary precarity as a strategy toward future upward social mobility (Wang et al., 2017). They have been described as an ‘ant tribe’, a reference to those who live a marginalised life, and in crowded conditions like ants, in urban villages (Wang et al., 2017). By 2010, the cumulative number of young people in the ‘ant tribe’ had exceeded 3 million (He and Mai, 2015). Some scholars (Wang et al., 2017; Bregnbæk, 2015; He and Mai, 2015; Chan, 2015) investigated the opinions and experiences of these educated youth of the ‘ant tribe’. They are positioned in the worst place within the social protection system in China (Chan, 2015). Their quest for social mobility and a more fulfilling life are tied to economic, legal, and cultural constraints (Bregnbæk, 2015). Focusing on another group of young people in precarious work, Chan (2017) investigated the intern labour in China and the quasi-employment arrangements of student interns (average age 16.5 years), who occupy an ambiguous space between being a student and being a worker.

#### 4.1.2 Demographics of the sample

- 50.77% of the precarious young workers are male, while 49.23% of them are female. Two thirds of them were aged 23-30, while one third of were aged 16-23.
- The majority of them (approximately 79%) did not have any post-secondary education.
- Approximately 84% of the precarious young workers have rural *hukou* (household registration) and nearly 40% of them work in the more prosperous and urbanised east coastal areas.

Figure 1: Demographic information for precarious young workers in China

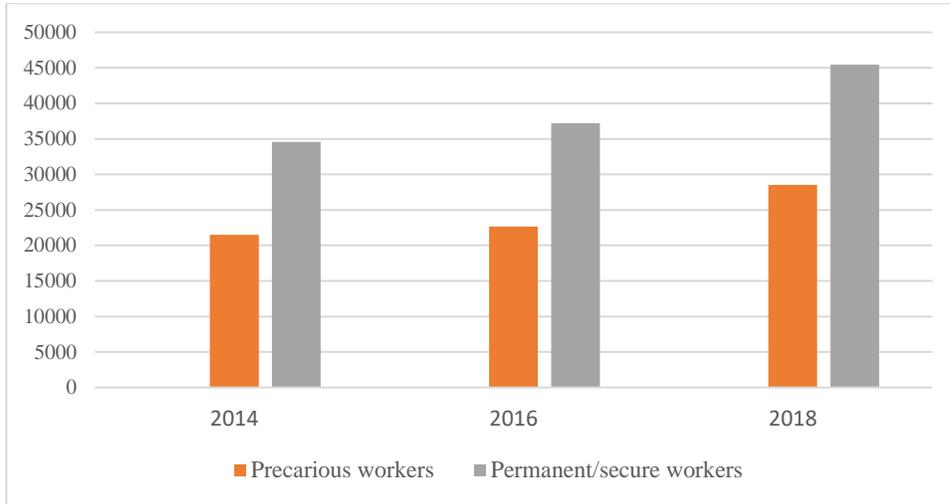


### 4.1.3 The situation of precarious workers

#### *Income and job satisfaction*

- While the annual income for precarious young workers increased significantly from 2014 to 2018 (from 21,509 yuan to 28,510 yuan), they earned 40% less than that of permanent/secure workers.
- The level of job satisfaction of precarious young workers was also lower than that of stable workers during that time.

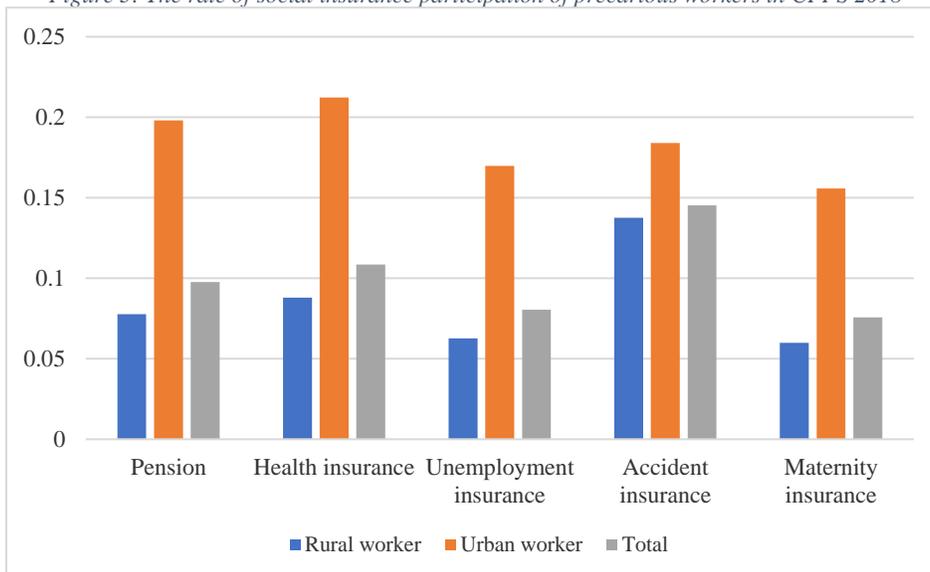
Figure 2: Annual income for precarious workers and permanent workers in China 2014-2018



#### *Insurance status*

The rate of participation in social insurance of young precarious workers is low, especially for those with rural *hukou* (less than 15%). People with rural *hukou* are excluded from social insurance schemes provided by formal employment as well as the benefits based on household registration status (*hukou*) financed by local government (W. Chan, 2015). Therefore, they remain one of the most under-protected groups within the social insurance system in China (W. Chan, 2015; Zhou, 2013).

Figure 3: The rate of social insurance participation of precarious workers in CFPS 2018



#### 4.1.4 Transitions

- As shown in table 1 below, only 22% of the young precarious workers made a positive transition between 2016 and 2018, i.e. transitioning from precarious to stable work, a similar percentage as in 2014 to 2016.
- In the years between 2014 and 2016, and 2016 to 2018, nearly half of precarious workers remain in precarious work and 25% to 30% of them become unemployed.

Employment Status (2016)	Employment Status (2018)		
	Unemployed	Precarious work without contracts	Permanent/secure work
Unemployed	70.93	14.02	15.04
Precarious work without contracts	30.12	47.68	22.20
Permanent/secure full-time work	20.14	12.93	66.93

Employment Status (2014)	Employment Status (2016)		
	Unemployed	Precarious work without contracts	Permanent/secure work
Unemployed	69.86	15.58	14.56
Precarious work without contracts	25.00	52.36	22.64
Permanent/secure full-time work	15.50	17.73	66.77

*Table 1: Work transitions for precarious young workers in the CFPS data (2014, 2016 and 2018)*

- This demonstrates that precarious work is difficult to exit out of and that precarious workers are vulnerable to unemployment.

#### 4.1.5 Factors associated with positive transitions

- Urban household registration status (hukou) appears to be an important factor for young precarious workers making a positive transition. Young people with urban hukou have significantly higher likelihood of making a positive transition than those with rural hukou.
- Education, especially higher education, is also a significant factor in young people's positive transitions from precarious work. Precarious work is more likely to be a 'stepping stone' for those who possess higher education degree, while it may appear to be a 'dead end' for those with limited human capital accumulation.

## 4.2 South Africa

### 4.2.1 Policy context

South Africa has a mixed policy milieu, with a neoliberal orientation influencing economic policy, alongside a commitment to redistribution through more social-democratic-orientated labour market and social policies. This mix emerges both from the complicated apartheid history of South Africa and the international economic context, which South Africa competes within.

In 1994, South Africa witnessed the end of the Apartheid regime. This heralded a new era of political freedom, founded on the principles of economic growth, redistribution and inclusion (Bhorat, et al., 2014). The newly elected democratic government inherited a conflicting legacy. On the one hand, it was the most developed economy in Africa. In contrast, it was also a country steeped in injustice, poverty, and inequalities, resulting in numerous socio-economic challenges (Luiz, 2007). The new dispensation was faced with the dual challenge of setting South Africa on a path of economic growth, whilst simultaneously ensuring fair and just redistribution. Despite this shift to political freedom, the struggle for social and economic transformation was a great task that lay ahead (Luiz, 2007).

### *Economic Context*

The economic policy orientation of the country was, in 1994, very much influenced by the leading party's Freedom Charter. Adopted in 1956, the charter was a fundamental document that shaped the vision of a post-apartheid South Africa that the anti-apartheid movement was struggling for. The principles of the Freedom Charter were socialist in orientation and included the nationalization of entities such as mines, banks and monopoly industries; and a commitment to sharing the country's wealth amongst the people through redistribution (Mosala, et al., 2017). During the years of their political struggle, the ANC adopted strong socialist beliefs. It was upon these core values, and their strong alliance with the South African Communist Party (SACP) and the Confederation of South African Trade Unions (COSATU), that the ANC envisaged socio-economic growth for the democratic South Africa, and committed itself to implement economic policies that inculcated growth through redistribution (Peet, 2002). Based on these ideologies, the ANC adopted the Reconstruction and Development Plan (RDP) as its economic policy to ensure socio-economic growth in the early post-apartheid period.

The RDP White Paper, which was adopted by the government of National Unity in 1994, presented the RDP as a socio-economic framework, whose main priority centred on job creation through economic growth. Other goals of the RDP included the reduction of poverty and inequality, as well as increasing manufactured exports and addressing the uneven trajectory of development in different regions within South Africa (Mosala, et al., 2017). The RDP provided the government with enabling strategies to achieve an equilibrium between government intervention, the private sector and civil society participation (Luiz, 2007). While programmes under the RDP led to many social welfare, health and education successes, it quickly became evident that there was inadequate economic growth to fund these initiatives. The RDP fund of R2.5 billion or 2.5% of the national budget was simply not sufficient to provide equal infrastructure and services to those who were previously marginalized. Based on these shortcomings, the ANC shifted their focus and embarked on a path towards macro-economic stability (Luiz, 2007).

A crucial factor worth mentioning, is that South Africa's democratization in 1994, resulted in the country's integration into the world economy. The ANC signed the General Agreement on Tariffs (GAT) and joined the World Trade Organisation (WTO) in 1995. At this time neoliberalist thinking influenced capital rule (Mosala, et al., 2017). This was one of the first signs of a reorientation of the ANC's economic ideologies from socialist to neoliberal (Peet, 2002).

On 14 June 1996, following a severe depreciation of the currency resulting in subsequent volatility, the Growth, Employment, and Redistribution (GEAR) policy was presented in parliament by the Minister of Finance (Mosala, et al., 2017). GEAR was presented as a strategy to rebuild and reshape the economy, whilst maintaining the vision that constituted the RDP, but also with a strong focus on economic growth. The GEAR policy stated that the solution to achieving improved standards of living and equitable income distribution was accelerated economic growth through job creation, as this provides a powerful vehicle for redistribution (Mosala, et al., 2017). The GEAR policy was a five-year strategy and upon assessment of its successes and failures, the results were mixed. On the one hand the strategy achieved great success, the budget deficit was 2.2% of GDP, the inflation rate had decreased, import tariffs were below the expected rates, and investment by parastatals (fully or partially state-owned corporations or government agencies) had increased by 13% (Luiz, 2007). On the other hand, economic growth had only averaged 2.7%, and

unemployment rates had significantly increased (Mosala, et al., 2017). While the commitment to redistribution remained in GEAR, priority was now given to economic growth as the pathway to achieve this. This represented a shift in discourse away from the more socialist principles of RDP towards embracing more neoliberal principles of the free market.

The most recent macro-economic policy adopted by the South African government is the National Development Plan (NDP), which was introduced in 2012. This policy also emphasises redistribution through growth, thus maintaining the primacy given to free market principles as the most appropriate avenue to achieve growth. The NDP is a long-term plan which covers the period up to 2030. Some of the targets of the NDP include, creating eleven million jobs by 2030, decreasing income poverty, and reducing the Gini coefficient to 0.6% by 2030.

What is evident upon careful analysis of the above-mentioned policies, is that the South African economy is a mixed economy which is primarily neoliberal. As observed by Vorster (2019), the policies fluctuate between neoliberal principles, coupled with government-regulated social democratic ideas. Thus, while the economic orientation favours a neoliberal, free-market approach; this goes hand-in-hand with a commitment to redistribution and protection through the labour market and social policies.

### *Labour Market Policy Context*

The South African labour market, too has been shaped by historical, economic, and social complexities. The advent of a democratic South Africa created an opportunity to rewrite discriminatory labour legislation. The first step in this process was forming the National Economic and Development Labour Council (NEDLAC) (Webster and Buhlungu, 2004). NEDLAC was created to promote increased participation by all stakeholders in economic decision-making, including government, organised business, organised labour and community organisations. NEDLAC is a bargaining and decision-making entity to facilitate sustainable economic growth and ensure greater social equity in the workplace (OECD, 2015). The formation of NEDLAC demonstrated the increasing power of labour and the intention for the state, business and labour to have equal voices, a total contrast to labour practices prior to 1994 (Kim and van der Westhuizen 2015) and a commitment to social dialogue as the best approach to achieving positive policy outcomes.

### *Key labour market policies and mechanisms*

Significant outputs of NEDLAC include the Labour Relations Act (LRA) of 1995 and The Basic Conditions of Employment Act (BCEA) of 1997. Both of these acts entrench labour protections such as paid vacation, family responsibility and sick leave, unpaid maternity leave, maximum working hours, pay protocols for overtime hours, and legislation regarding hiring, retrenchment, and firing of staff. They also provide guidance for wage bargaining, and the rights of workers to organize. The LRA aims to promote economic development, social justice, labour peace and democracy in the workplace through regulating the organizational rights of trade unions, as well as promoting and facilitating collective bargaining both at the workplace and in the various sectors (Bhorat, et al., 2014). The LRA was also instrumental in defining who an employee or worker is in terms of the law.

NEDLAC was also instrumental in the development of the Employment Equity Act of 1998, which seeks to redress pay and position inequities within businesses. Other legislative developments that protect workers include the Unemployment Insurance Fund (UIF) Act 63 of 2001 and the Compensation for Occupational Injuries and Diseases Act (COIDA) 130 of 1993 (and the related Amendment Act 61 of 1997). The UIF was established to offer short-term financial assistance to an employee who has become unemployed due to being unable to work because of an illness, maternity leave, parental leave, adoption leave, retirement or retrenchment. Further, upon the death of an employee, their dependents are entitled to claim from the UIF. An employee is eligible to claim from the UIF if they have worked for more than 24 hours per month, and have been contributing monthly towards the UIF. Employers must register their employees with the UIF and are obliged to make monthly contributions towards the fund.

The COIDA obligates employers to pay an annual assessment fee based on the number of employees and risk of the work. Employees injured in the workplace, or who become ill due workplace conditions are entitled to claim from the Compensation Fund. Similarly, family members of workers who have died at work are eligible to claim from the fund. The fund essentially protects employers from claims for damages, and it ensures that employees are able to access an income safety net in the event of injury, illness or death.

South African labour legislation makes provisions for centralised bargaining and a system for labour disputes, an example being the establishment of the Commission for Conciliation, Mediation, and Arbitration (CCMA). The CCMA provides a mechanism to resolve labour disputes that are deadlocked during negotiations. It is also an accessible mechanism for employees who have disputes against employers.

### *Defining employees*

The LRA defines an employee as any person, excluding independent contractors, who works for another person or for the state and receives or is entitled to receive any remuneration. A contract links the employer and the employee in an employment relationship and is the starting point for the application of labour law. If there is no contractual employment relationship then the rules of labour law cannot be applied (Andre, 2023). While this was a win in the late 1990s, extending the definition of employee to many kinds of workers, it is evident that the definition does exclude certain workers including informal workers, those who do not have a contract, and those who are effectively “independent contractors” despite working for one company, such as Uber drivers. These are often some of the most vulnerable workers.

Further, because NEDLAC involves representatives of *organised* labour, many of the most vulnerable workers are not represented. Trade unions have seen a significant decline in membership since 2010 (discussed further below), partly due to their inability to attract and organise temporary and other precarious workers. This means that the voice of precarious workers at the NEDLAC table is limited. Those who are unemployed and informally employed (or more broadly, precariously employed) rely on a voice at the NEDLAC table via community organisations. However, various concerns have been raised about the role of community organisations at NEDLAC, their representation, and accountability (Ngxabi, 2016; Dentlinger, 2017).

### *The role of trade unions*

Trade unions have undoubtedly played a crucial role in the formation of the South African labour market. The South African trade union movement gained traction from the early 1980s. The emergence of these unions served as a model for a militant and progressive movement intended to simultaneously improve the wages and working conditions of its members whilst also championing the anti-apartheid struggle (Webster and Buhlungu, 2004). There are 22 trade union federations in South Africa and 189 registered trade unions (Bhorat, et al., 2014). The four largest federations are the Congress of South African Trade Union (COSATU), the Federation of Unions of South Africa (FEDUSA), the National Council of Trade Unions (NACTU), and the Confederation of South African Workers Union (CONSAWU). These federations are organized on a national level. COSATU is the largest federation in SA with around 20 trade union affiliates and represents over two million members (Bhorat, et al., 2014). COSATU was established in 1985, and formed a part of the tripartite alliance together with the ANC and the South African Communist Party (SACP) during the freedom struggle. The federation has played an influential role in the transformation of the labour market because of the size of its affiliates and membership, its capacity to mobilize workers, its strong ties with the government, as well as its regional and international credibility (Bhorat, et al., 2014). COSATU has managed to maintain its strategic alliance with the ANC; in fact, the RDP policy adopted by the ANC in 1994 was initially presented by COSATU. Many of the federation’s leaders occupy positions in the national and provincial legislature. In spite of the constant tension between these two arms, predominantly due to the ANC adopting a more neoliberal path, rather than the socialist one as originally envisaged by the alliance, COSATU still maintains strong ties with the ANC (Bhorat, et al., 2014).

Since 2010 however, there has been a downward trend of union density occurring at a sectoral level with a decline in membership in the manufacturing, construction, finance and agricultural sectors. The mining sector however, arguably the largest sector in labour, continues to show increased union density (Bhorat et al., 2014). As noted by Buhlungu (2005), many scholars may attribute the decrease in membership to the stresses among the alliance due to the ANC's neoliberal ideologies but it is also important to point out that there has been a general fragility of unions in the contemporary world.

### *Wage bargaining*

In terms of wages, the LRA made provision for sectoral bargaining councils. These are institutionalised collective bargaining structures which may be formed by one or more registered trade unions, and one or more registered employer organisations for a specific sector in the economy (van der Westhuizen et al., 2013). Bargaining councils can take the form of very large national councils to very small regional or local councils. Participation in a bargaining council is voluntary and the parties discuss issues such as wages and conditions of employment (Bhorat et al., 2016). Bargaining councils have had a substantial impact on wages that averages more than 15% for public sector workers and 3% for private sector workers, including both unionized and non-unionised workers. This demonstrates that bargaining councils are more organized and prevalent in the public sector and therefore benefit workers in the public sector (van der Westhuizen et al., 2013).

More recently the government introduced the National Minimum Wage (NMW) Act No 9 of 2018 – the latest piece of labour legislation to be negotiated through NEDLAC. The NMW was established to improve the earnings of the lowest-paid workers, as well as to protect workers earning unreasonably low wages. The minimum wage is adjusted annually, and is the floor level below which no employee should be paid. Sectoral bargaining councils continue to play a role in wage setting but the NMW provides the minimum wage floor. As of 1 March 2023 the NMW was set at R25,42 per hour and this includes farm and domestic workers, who were initially exempt from the minimum wage. The NMW is applicable to all workers who fall under the definition of an employee (Fanie, 2023). A study conducted by the Development Policy Research Unit (DPRU) at the University of Cape Town, used labour force survey data to evaluate the quantitative effects of the NMW in South Africa for the year 2019. The findings showed that almost half (46%) of all workers were earning hourly wages below the NMW prior to its introduction in 2019. The findings showed that by the end of 2019, there was no subsequent increase in earnings; in fact, it was found that non-compliance with the NMW was particularly high (Bhorat, et al., 2020). This is a key challenge in the labour market more generally; while policies are in place to protect workers, compliance remains low, and the Department of Employment and Labour has limited capacity to inspect for compliance.

In policy terms, South African labour law is progressive and has a key aim of addressing the challenges of poverty, inequality and unemployment. There are many protections and provisions to ensure fair and non-discriminatory labour practices and several mechanisms that ensure that workers have access to social insurance. However, in practice these protections are offered only to those who fall under the definition of an employee, which excludes many precarious workers including informal workers and “independent contractors.”

### *Social policy context*

In South Africa, access to wage labour is an important form of income for households, making the labour market instrumental in addressing the challenges of poverty and inequality. For those who are unable to engage in wage labour, the government has implemented extensive social assistance packages (Mackett, 2020). The Constitution places the burden for ensuring that basic needs are met on the state. Thus, a large component of the budget is allocated to the social wage package including free basic water, electricity, and a social assistance programme. In addition, there are statutory compensation mechanisms, some of which have been discussed above. Individuals are also able to make voluntary contributions to private insurance and pension funds. The country's social security system therefore consists of three main pillars, social assistance, statutory funds, and voluntary funds.

### *Statutory contributions*

As discussed above, several new policies were introduced that sought to protect workers. These included the UIF and COIDA. Each of these mechanisms compels employers (and employees in the case of UIF) to make contributions to a state-held fund that then ensures that people can access insurance payments in the event of job loss, death or injury at work.

### *Social Assistance*

This pillar consists of government interventions such as social grants, public works programs and the Community work program. These are non-contributory mechanisms funded through the taxation system.

South Africa has one of the largest social protection programs in Africa. In the 2018/2019 financial year, 17.8 million, almost one third of South Africans received a social grant (Patel, et al., 2023). A social grant is financial assistance from the government to citizens, permanent residents and refugees in need. It is administered by the South African Social Security Agency (SASSA). Social grants were established to aid those individuals who do not have the means to support themselves.

There is no prescription on how grants should be used and they are all non-contributory (Patel, et al., 2023). The social grants have been lauded for their ability to target vulnerable individuals as well as for their positive effects on poverty reduction for the grant beneficiaries (Mackett, 2020). However, it is clear from the above that until very recently the grant system was targeted at those outside of the labour market – children, older people, and those with disabilities who are unable to work. Working-age people without disabilities did not qualify for a grant for themselves. However, during Covid, the grant system was used to very quickly expand social protection so that the poorest households, many of whom rely on informal trading or casual work wages, could access sufficient income to meet their needs. The Covid-Social Relief of Distress (SRD) grant was implemented to the value of R350 and reached over 6 million households who were most in need of the income. The grant has been renewed on an annual basis and policy conversations are now underway to debate whether and how to have a permanent grant that those who are unemployed, precariously employed and of working age are able to access.

### *Public Works Programmes*

The Expanded Public Works Programme and the Community Work Programme are instrumental interventions targeted at the working age population in order to reduce unemployment. These programs aim to provide income, training and work experience for the unemployed. In 2019/2020 the Expanded Public Works Program provided 267 000 full-time employment opportunities, while the Community Work Program created 280 000 job opportunities during the 2018/2019 period (World Bank, 2021).

Other services offered by the government in order to alleviate poverty include healthcare, education and municipal services. Free health care at public clinics and community health centers are available to pregnant and lactating women as well as children under the age of six. These individuals should not be covered by a medical aid scheme or live in a home that earns more than R100 000 per year. Free health care is also extended to children over six who have moderate or severe disabilities.

The exemption from paying school fees is an intervention by the state in order to ensure that all parents are able to access education for their children regardless of their financial difficulties. Parents may apply to the school governing bodies for a full or partial exemption. School fees may not be paid to those schools who have been declared no-fee schools. The criteria used to determine no-fee schools is based on the economic level of the community surrounding that school. School fees should not be charged for orphans (*Education / South African Government*, n.d.) There is also a National School Nutrition Program that provides free meals to around nine million underprivileged learners in public schools (World Bank, 2021).

The South African government provides free municipal services to underprivileged households. This includes 6 000 or 6 kl of free water, 50 kWh of electricity, and a R50 subsidy towards sewerage and sanitation costs. All of these services are provided monthly. Municipalities decide which households qualify for these basic services through careful screening of applications for these free services via a means test (SASSA, 2023).

### *Youth specific policies*

There have been several policies implemented since the end of apartheid in the early 1990s to empower the country's marginalised Black youth population in the realm of unskilled labour. These policies range from education, infrastructure development and direct employment. The emphasis was on expanding access to work, provide justice and redistribution, and increase skills (De Lannoy et al.; 2018). These were demand-side interventions focused on improving the demand for youth employees. Examples include the Expanded Public Works Programme (EPWP) and Community Works Programme (CWP) in 1998. Research evidence indicate that the EPWP had some success in delivering the jobs they intended to create, lifting the most impoverished people above the lower bound poverty line (Moeti, 2004; Stanwix and Van der Westhuizen, 2012). However, they were criticised on the grounds of creating short-term jobs (job duration was four months), with remuneration below minimum wage standards. They also did not improve the employability of the beneficiaries as there was little training available, which limited their skills-development (Philip, 2013). CWP, on the other hand, was hailed for poverty alleviation due to the regular employment opportunities. Moreover, their training interventions were successful in helping the beneficiaries develop skills to be used beyond the programme (Philip, 2013).

A specifically youth-oriented measure was the Employment Tax Incentive (Youth Wage Subsidy) introduced in 2013. The (ETI) was designed to reduce the price of labour, and particularly the labour of new entrants where productivity is unknown. The intention was to reduce the cost of employing the youth for employers who then have to incur the cost of training these new labour entrants and was eventually supported, despite strong opposition from the labour unions, as a key strategy to address youth unemployment. It has not necessarily translated into new jobs being created, as employers could claim for youth who were already employed in their businesses (Ebrahim, Leibbrandt and Ranchhod 2017; Makgetla 2017). Ranchhod and Finn (2014, 2016) studied the effects of the programme on youth employment 6 and 12 months after implementation and found no effect. Studies conducted 2-3 years since implementation on job creation found no significant impact on the initiative beyond a modest increase in employment of youth in small firms (Ebrahim, Leibbrandt and Ranchhod, 2017; Makgetla, 2017).

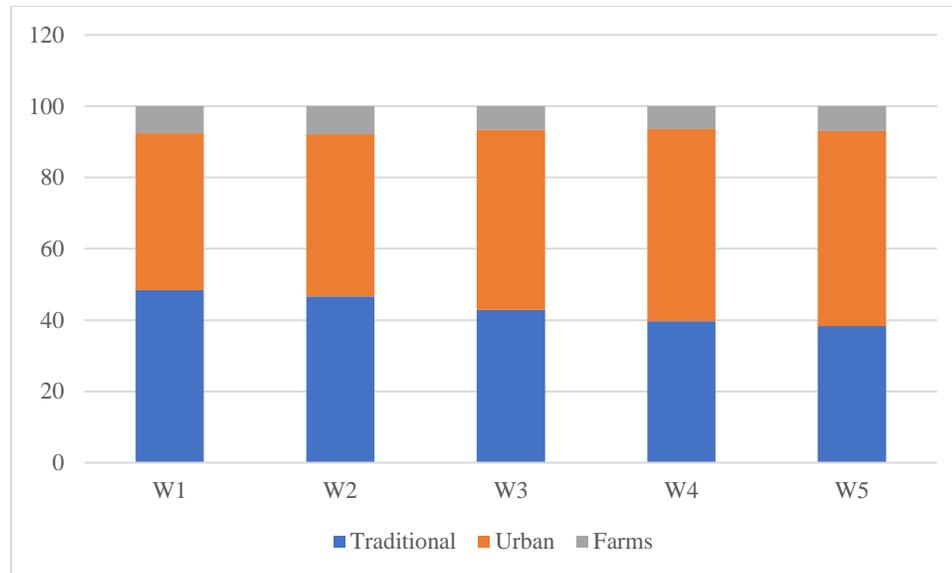
Two other programmes designed to support youth are the National Youth Service Programme (NYSP), 2007 and the National Rural Youth Service Corps (NARYSEC), 2013. These both provide short term employment, the latter up to four years, with the first two years of the programme focusing on skills development and the last two years focus on the incubation of enterprises. Finally, the Skills Development Act (DOL, 1998), and the Skills Development Levies Act (DOL, 1999). This policy was instituted to address the fact that skills training was largely divorced from the needs of employers; that it was poorly coordinated, lacking coherence and unevenly funded; and that there was little coordination in the further education and training sector. Despite the efforts of business and government to work together to identify priority skills, there continues to be a challenge around skills development for employment in that there is no system to predict what skills are needed by the economy. The latest revision of the National Youth Policy (2015 – 2020) recognises that government has in previous years not necessarily taken the views and realities of youth into account when drafting policies and interventions and that fragmentation and a lack of coordination between various governmental and non-governmental stakeholders have hindered the development and implementation of a coherent and efficient youth development policy.

#### **4.2.2 Demographics of the sample**

- The average age of the sample at wave 1 was 23.2 years, and by wave 5 it is 32.8 years

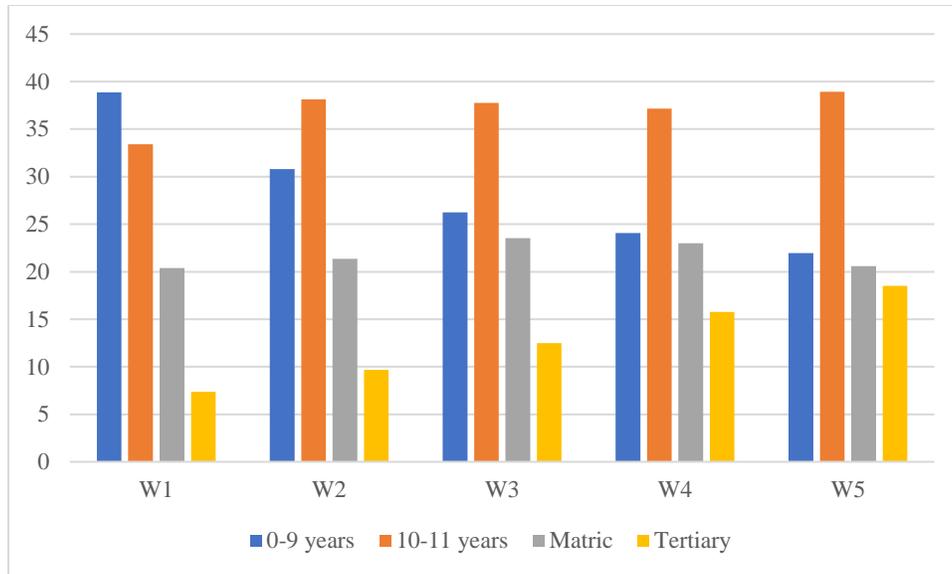
- The sample has 58.44% females and 41.56% males.
- More Africans are represented in the sample than any other population group, which is in line with national statistics.
- Most of the participants live in urban areas followed by traditional areas
- Over time, a shift in location is observed as shown in the figure below. People who live in urban areas increased from 58% to 67%, with a commensurate decrease in the number of young people living in traditional areas. This demonstrates that young people migrate to urban areas to find work.

*Figure 4: Geographic location shifts over time*



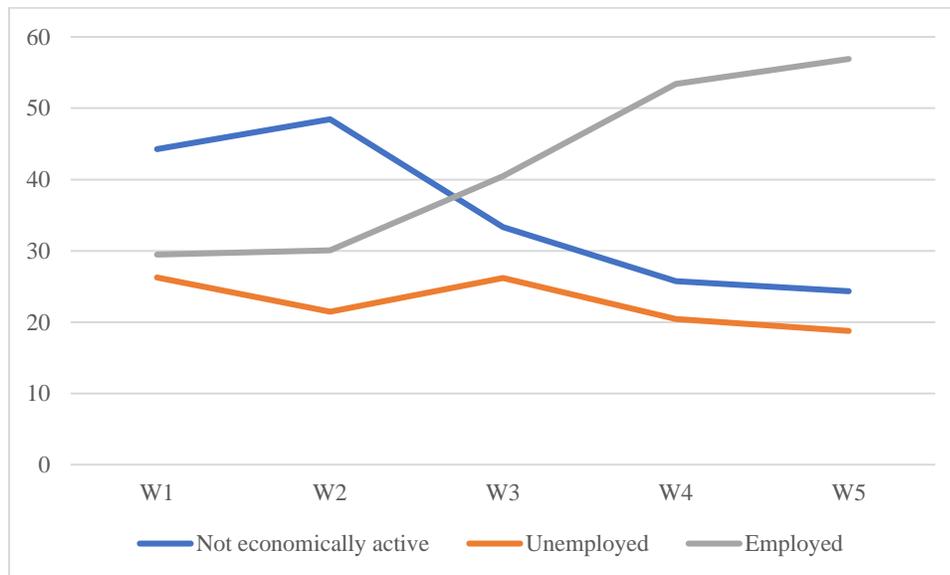
- Levels of education improve over time, suggesting that the study participants continue to enrol in education over the waves. As is shown in Figure 4 below, the number of young people with up to 9 years of education reduces, whilst the number with tertiary education increases. However, the numbers with matric or tertiary level education are still smaller than those with up to 11 years of education, even by wave 5. This is indicative of the high dropout rates in the South African education system.

*Figure 5: Shifts in education levels over time for youth in the sample*



- Young people do eventually find work over time. As shown in the figure below, the percentage of young people who are not economically active declines markedly. The percentage of those who are unemployed also reduces over time, although not substantively. Employment levels rise from just under 30% in Wave 1 to 56.9% by Wave 5.

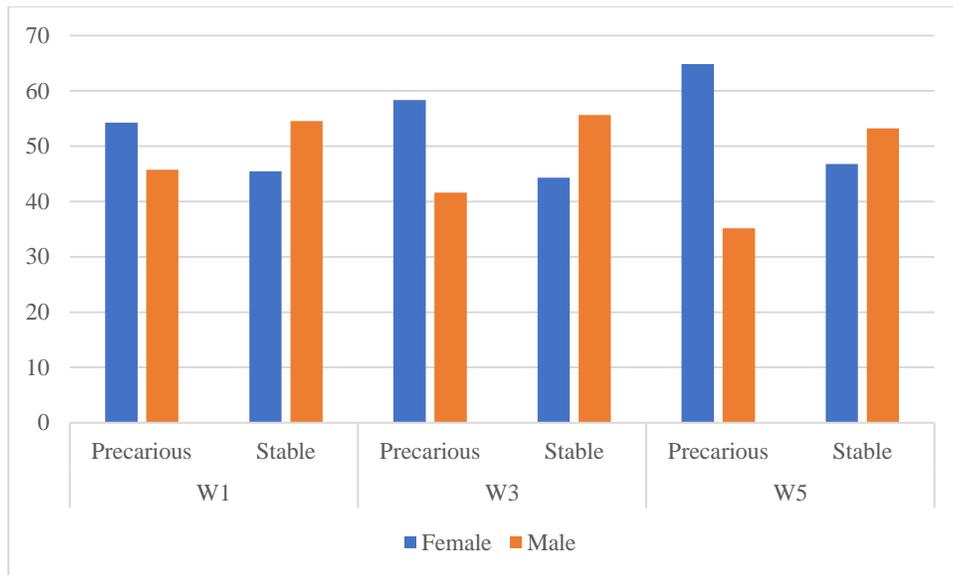
Figure 6: Changes in employment status over time



#### 4.2.3 The situation of precarious workers

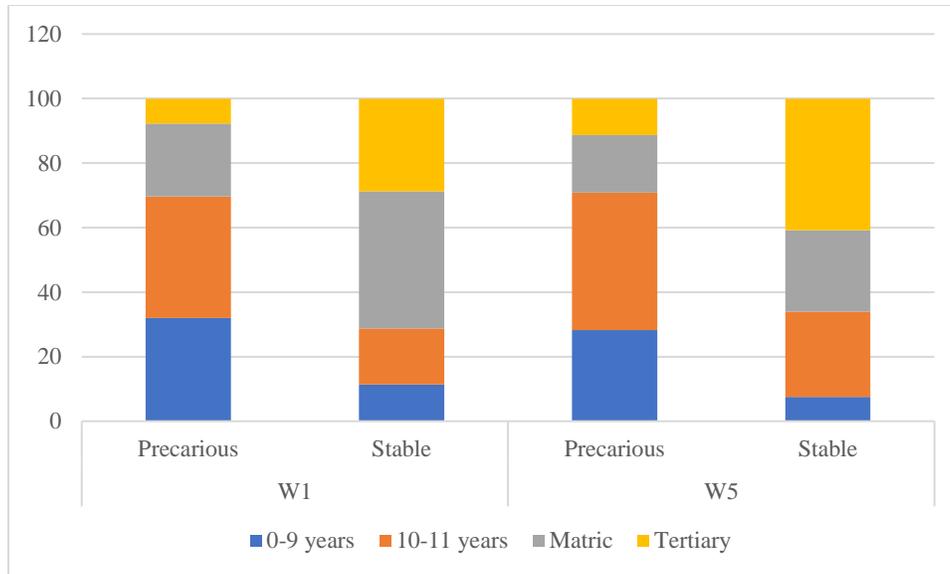
- **Precarious workers tend to be younger:** The average age in the first wave of the study for a precarious worker is 26.97 years, as compared to 29.51 years for those in stable work.
- **More females are in precarious jobs than males.** This is the case over successive waves but seems to be more pronounced by wave 5 when 62.4% of people in precarious work were females while only 43.72% of people in stable work are females.

Figure 7: Gender differences in precarious and stable work by wave



- **Employment does not reduce household vulnerability.** Those in precarious work also had higher household dependency ratios and lower household income than those in stable work.
- **More stable work is associated with higher levels of education** as is demonstrated in the figure below.
  - Precarious workers tend to have fewer years of education compared to stable workers.
  - Youth with no matric are the most vulnerable to precarious work, but over time a matric has a reduced impact on helping young people to secure stable work.
  - Those with tertiary education are two or three times more likely to be in stable work than those without.

Figure 8: Years of education for precarious and stable workers, wave 1 (2008) and w5 (2018)



- **There is informality associated with precarious work:**
  - more than 50% of those in precarious work have verbal work contracts compared to 30% in stable work
  - More than 60% of those in precarious work have an unspecified duration for their employment agreement.
- **Grants are linked to precarity:** Most of the individuals in precarious work live in households where there is a social grant - 73% in Wave 1 and 53% in Wave 5. Only 18% of those in stable work lived in a household that received a social grant.
- **Work experience is linked to stable jobs:** Those in precarious jobs have mostly zero to one year's worth of work experience, whereas those in stable jobs have five (or more) years of experience.

Our findings highlight that there is long cycle of five years (or more) to attain stable work if the individual started as a precarious worker. More than 60% of the precarious workers had unspecified duration employment contracts – meaning they have no certainty of how long they will hold that job. This level of uncertainty could propel these individuals to move between jobs frequently without building the long-term work experience and skills which are desirable for stable work.

#### 4.2.4 Transitions

It is clear that precarious work is difficult to move out of and that precarious workers are particularly vulnerable to unemployment.

The table below illustrates the movements over time for each category of workers.

Employment Status (t)	Employment Status (t+1)			Total
	Stable Work	Precarious Work	Unemployment	
Stable Work				
N	616	35	45	696
%	88.51 %	5.03%	6.47%	100%
Precarious Work				
N	104	379	220	703
%	14.79%	53.91%	31.29%	100%
Unemployment				

N	163	571	2964	3698
%	4.41%	15.44%	80.15%	100%

Table 2: Transition matrix showing shifts in type of employment over time

- Only 14.79% of the young people in precarious work in one wave move to stable work in a subsequent wave.
- The majority of young people, 53.91%, remain in precarious work.
- However, 31.29% of precarious workers move to unemployment. This is as compared to stable workers, of whom only 6.47% move to unemployment.
- 88.51% of young people who were in stable employment in one wave remained in stable employment in the next wave.

This means that those with stable work remain in stable employment and have very low chances of going back to precarious work or into unemployment. For just under 15% of the sample, precarious work served as a stepping-stone into stable employment, whereas for the majority of the sample, it is a dead-end.

#### 4.2.5 Factors associated with positive transitions

- Education is the most significant predictor of transitioning to stable work. Those with more than a matric are far more likely to transition to stable work than those with less than a matric.
- Females are less likely to transition to stable employment than men, demonstrating the enduring gender inequalities in the labour market.
- Household income is a significant predictor of a positive transition. Those in higher income households are more likely to move into stable employment.
- A young person's mother's employment status matters – individuals whose mother is employed in non-elementary work are 21 times more likely to make a positive transition to secure work than those whose mothers have never worked.
- The longer an individual remains in a job, the higher the likelihood of attaining a stable job. But this effect is only seen if an individual remains in a job for three years or more, indicating that there is a long period of uncertainty before employers are willing to commit to secure contracts.

Our findings suggest that the resources that an individual has access to (based on household income and mother's occupation) improves their ability to secure stable employment.

## 5. Discussion and conclusions

By drawing together an analysis of the social and economic policy context with the panel data in each country we derive several key insights about how precarious work is sanctioned and how it affects trajectories for young people. We outline these insights for each country, before drawing some parallels between the findings. Comparing the findings that emerge from the two countries shows that precariousness is very difficult to escape, that one's pre-existing vulnerability in the labour market strongly shapes one's ability to escape precariousness, and social welfare policies and education play critical roles in fostering a move out of precariousness. We conclude this chapter with the limitations of the study and pointers for future research.

### 5.1. China

Drawing on nationally representative data collected in China, we explored young precarious workers' demographics, income, job satisfaction, insurance status as well as their labour market trajectories. This generated several noteworthy findings.

Firstly, approximately 84% of the precarious young workers have rural hukou and nearly 40% of them work in the more prosperous and urbanised east coastal areas. Secondly, while the annual income for precarious young workers increased significantly from 2014 to 2018, they earned 40% less than that of permanent/secure workers. The rate of participation in social insurance of young precarious workers is low, especially for those with rural hukou (less than 15%). They are excluded from social insurance schemes provided by formal employment as well as the benefits based on household registration status (*hukou*) financed by local government (W. Chan, 2015). Therefore, they remain one of the most under-protected groups within the social insurance system in China (W. Chan, 2015; Zhou, 2013). As for their transitions, 22% of the young precarious workers made a positive transition, i.e., transitioning from precarious to stable work, while nearly half of them remain in precarious work and 25% to 30% of them became unemployed.

As can be seen from the results, urban household registration status (*hukou*) appears to be an important factor for young precarious worker making a positive transition. This state sanctioned segregation of rural and urban population has not only created a deeply segmented labour force but also provided unequal life chances for young people with rural hukou (Harvey, 2005; Stainback and Tang, 2019). According to Zhang (2021), precarious workers with rural hukou had strong desires to stay in the city, and they longed for economic and social advancement as well as workplace equality and dignity. But the harsh reality of being treated as second-class workers and the slim chance of becoming formal workers made them feel frustrated and resentful. This contributed to their rising activism against unequal treatment at work. Despite the welfare system reform<sup>6</sup> initiated by the Chinese government, hukou has continued to create boundaries and discriminate against rural migrant workers in the urban labour market. As Chan and Pun (2010) argued, 'China's emergence as a global economic power could not have occurred without the painstaking efforts of the older and younger generations of migrant workers', who still remain under-protected within the Chinese social insurance system when compared with their peers with urban *hukou*.

Education, especially higher education, is also a significant factor when making positive transition for young people in precarious work. Based on the data collected in 2003 and 2008, Hu's (2013) research demonstrated that there was a significant increase in the number of jobs which required post-secondary credentials between 2003 and 2008, as well as a significant decline in the economic returns for a post-secondary credential. Differing from the results of Brown and Souto-Otero (2018)'s research in the UK, educational credentials remain as a significant differentiating factor in employer hiring decisions in the Chinese Reform Era (Hu, 2013). Precarious work is more likely to be a 'stepping stone' for those who

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<sup>6</sup> Since 2003, the Chinese government has undertaken a series of actions to address the needs of the previously unprotected or under-protected populations. Emphasis has been placed on unifying the welfare systems across the urban-rural-migrant populations (Mok and Lau, 2014; Ngok and Huang, 2014).

possess higher education degree, while it may appear to be a ‘dead end’ for those with limited human capital accumulation.

## **5.2. South Africa**

The key finding from the results in 4.2 is that precarious work is intractable for the vast majority of workers. Over a period of ten years, people who engaged in precarious work rarely made a transition to more stable forms of work. Rather, precarious workers were vulnerable to either staying in such work, or moving into unemployment. In the few cases where transitions to stable work do occur, this is after a prolonged period of work experience under precarious conditions. Further, key markers of inequality in the labour market played out in precarious workers’ transitions. Women, those with lower levels of education and those with lower levels of household income were more likely to either remain in precarious work or move into unemployment over time.

These are important findings in contexts where researchers and policymakers are contending with how to address unemployment or under-employment. ALMPs such as public employment and skills training interventions such as learnerships or internships are important labour market policy tools. And certainly, evidence shows that they can have important poverty-alleviating effects (Mataboge, 2017; Talbot et al., 2017). However, there is a risk among policymakers and researchers that only the short-term gains of alleviating poverty and temporarily ameliorating unemployment are considered, without weighing the longer-term consequences of deepening poverty and inequality if such policy interventions are not implemented alongside other mechanisms to drive the growth of decent employment and to hold employers accountable for abiding by the social contract.

In contexts of widespread poverty and unemployment there is a risk that power shifts towards capital in bargaining mechanisms, given fears that capital flight may deepen unemployment. This risk is further compounded where labour unions do not adequately cover private sector workers or those who are precariously employed, as is the case in South Africa (Mosomi and Wittenberg, 2020). In such situations, capital can opt out of the social contract more easily. This has been the case in South Africa where labour policy wins, such as the introduction of a National Minimum Wage in 2019, have not resulted in a substantive increase in wages (Bhorat et al., 2019) suggesting widespread employer non-compliance and a failure of the state to enforce compliance. Further, concern about unemployment, particularly of certain vulnerable groups, can be exploited by capital to advance their own interests. This has been the case in South Africa where some employer bargaining bodies call for further flexibilisation as a condition for creating jobs. As reported in the *Financial Mail* (Talevi et al., 2023), a leading businessman and the Consolidated Employers’ Organisation have called for the National Minimum Wage to be scrapped for employees under the age of 25 years and for more flexibility in hiring and firing to drive job creation for young people. Our findings demonstrate the long-term risks to workers and to those who are unemployed if such calls find traction.

The evidence presented in this paper also speaks to questions of how states and employers respond to informal work. The informal sector has historically been an important source of employment and income for many in developing countries and is viewed in some ways as an important sector to promote where governments have failed to drive job growth through formal pathways. This thinking is further entrenched in public discourse, which is often positive about the potential of gig work to reduce unemployment. While the informal sector does play a crucial role in job creation, it goes hand-in-hand with increasing precarity if it is not mediated by state social protection (David et al., 2023) and labour market legislation governing how formal business engages workers through informal processes. Here the lessons from informal workers and researchers working closely with informal workers must inform state and employer responses (Chen, 2022; Carre, 2022).

### 5.3. Parallels and divergences between China and South Africa

This was not a comparative study. We were investigating two different developing country contexts sharing a similar problem. Nonetheless, there were several interesting points of similarity and difference that emerged, and which we comment on here.

In both China and South Africa, escaping precarious work is difficult. In China, just under a quarter of precarious workers managed to move into stable work over time. In South Africa, the number was even smaller at just 14%. In both countries, precarious workers are particularly vulnerable to unemployment. As might be expected, those who are already vulnerable and excluded are more likely to face precarious work, and less likely to exit precarious work demonstrating that inequalities remain deeply entrenched in both labour markets. In China, this is clearest when considering an individual's *hukou* status. In South Africa, gender continues to play a strong role in shaping labour market outcomes.

In both countries precarious workers also face lower wages (in the case of China) or lower household income (in the case of South Africa). In the South African case this may demonstrate that those from lower income households are more vulnerable to precarious work. But the China data does demonstrate that precarious workers are also more likely to earn lower wages, suggesting that there may be a concomitant relationship between household income, vulnerability to precarious work, and low wages.

In both countries, precarious work has been implicitly sanctioned by the state. In China this has been an effect of reforms to promote China's global economic competitiveness. In South Africa, while global competitiveness may also play a role, a strong policy imperative is the threat of unemployment, which has seen both the proliferation of training and entry-level precarious jobs to address youth unemployment, and a soft approach to labour market policy enforcement. The gains accrue to the employer, and potentially the state, while it is clear that the gains to individuals in precarious work are limited; precarious work in both countries really does seem to be a dead-end for the majority of precarious workers.

There are however some interesting factors that promote transitions. As might be expected, education is a critical factor explaining positive transitions in both contexts. The higher the level of education, the more likely an individual is to transition to stable work. What was more unexpected was the positive role that social protection plays too. In China the *hukuo* status of an individual played a role and in South Africa, access to a grant in the household plays a role. This suggests that the protective effects of social welfare interventions may also support positive labour market experiences and transitions to some extent.

### 5.4. Policy recommendations

#### 5.4.1. China

- The introduction of informal employment in China within an institutional framework marked by scant protection of informal workers has created a deeply segmented labour force. We need more social protection for precarious workers in terms of housing, health care, education and unemployment.
- Precarious workers need to be properly protected by labour laws as well as a stronger trade union influence.
- Employers often lack incentives to invest in the skill development of informal labour force as such workers are seen to have short-term value to the organization. Low levels of investment can lead to a progressive deskilling of the workforce and result in the persistence of low-quality jobs.
- There are grounds for expecting that the sustainable growth of the Chinese economy is likely to depend on skills, creativity, and production or service quality in the long run. This cannot be

achieved by the continuous exploitation of workers who are entrapped in low-skill, insecure, and dead-end jobs. Therefore, upskilling the workforce is needed for the Chinese society.

- Social Safety Nets: *Hukou* system reform: the concept of ‘portable benefits’ could move with workers from job to job, providing a safety net even in the absence of traditional long-term employment relationships.
- Education and Training: Investment in Skills Development: training centres and apprenticeship programmes should be invested for precarious workers.
- Lifelong Learning Initiatives: encouraging a culture of continuous learning and providing resources for workers to update their skills throughout their careers can help mitigate the challenges of precarious employment.
- Social Dialogue: Social Dialogue Platforms: creating platforms for dialogue between employers, workers, and policymakers can help identify shared solutions and promote fair practices in the labour market.

#### 5.4.2. South Africa

- Education and training are key to improving pathways out of precarious work – there is a need to focus on school completion, along with more and better post school education and training with skill formation routes, and improved access to them.
- Grants can play a role. Policy makers need to explore how these can be leveraged to improve outcomes.
- State-led job creation is crucial in a time of structural unemployment BUT this is often, by design, precarious work. It has a role to play but these kinds of interventions alone cannot foster pathways out of unemployment and precarious employment. The interventions need to consider how to connect those exiting these programmes with jobs.
- The informal sector plays a crucial role in job creation but it goes hand-in-hand with increasing precarity if not mediated by state social protection (David et al., 2023) and labour market legislation to govern how formal business engage workers through informal processes. Here the lessons from informal workers, and researchers working closely with informal workers, must inform state and employer responses.
- In human capital theory there is strong emphasis on individual responsibility but not enough attention is paid to government’s responsibility for making employers responsible. Government should look to work with employers to find ways to reduce precarious work and short-term contracts, and how they can be supported to create decent work. Greater awareness of the research on precarious work would assist policy makers in this task.
- Finally, there are implications for organised labour who need to come to the table to unpack how they champion the rights of those in precarious work.

#### 5.5. Limitations and future research

This study was able to demonstrate the longer-term effects of precarious work, using available data. The data did not allow us to differentiate between different kinds of precarious work (e.g. shorter vs. longer-term contracts; types of jobs; sector of work). A more differentiated analysis may have pointed to certain kinds of precarious work that might support transitions to more stable work. Here a key question about skills training in the workplace remains. Such research is important if we are to engage employers and government on effective ways to promote the provision of meaningful skills pathways that could lead to more secure work. Further research is also needed to understand how to equalise labour market accessibility and security for vulnerable groups.

There is also the potential to open a space for debate around the characteristics of young precarious workers and their labour market trajectories. In some ways, the analyses in this study raise more questions than they

answer. It would be informative and revealing to further investigate the factors contributing to the low participation rate of social insurance among precarious workers as well as the relationship between the quality of the skill formation system and the labour market trajectories of young precarious workers.

Finally, research with employers is crucial if we are to understand how a revised social contract, that minimises the proliferation of precarious work, can be negotiated.

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